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Challenges Cambodian Startups Face when Scaling up their Operations

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Abstract

The startup phase marks the beginning of a firm's journey, paving the way for growth and expansion. As it progresses, a startup has the potential to transform into a thriving corporation, generating substantial revenue, creating well-paid job opportunities, and contributing to tax revenues. This study aims to investigate the various challenges faced by startup enterprises during the expansion of their operations. To achieve this objective, a qualitative approach was adopted, utilizing interviews as the primary method of data collection. The data was gathered from startup enterprises based in Phnom Penh, Cambodia. The research revealed a multitude of internal and external obstacles associated with scaling a startup enterprise in Cambodia. Internally, constraints such as limitations in accessing capital, staffing issues, and client acquisition hurdles were observed. Additionally, the research highlighted fierce competition in the market, particularly for technology-focused businesses, because entry barriers are relatively low and switching costs are low. Additionally, the study identified regulatory hurdles as external factors limiting the expansion potential of startup enterprises. Moreover, the survey highlighted disparities in the obstacles faced by B2B and B2C organizations. This study significantly contributes to the existing body of literature on startup scaling, laying the groundwork for future researchers to explore other challenges associated with expansion. Furthermore, it provides entrepreneurs with valuable insights into the obstacles they may encounter within their specific client niche.

Keywords: *Start-up, Challenges, Cambodia, Growth Chasm, Scale-up, Ecosystem, Investors*

Introduction

Undoubtedly, high-growth startups play a pivotal role in nurturing domestic innovation, fostering wealth creation, and generating employment opportunities in numerous nations. They also contribute significantly to the establishment of vital infrastructure for accelerated economic expansion and development, which enables governments to realize a society devoid of poverty (Abdullah et al., 2016; Ortecho & Bergoa, 2014). In light of these considerations, policymakers worldwide dedicate substantial efforts towards creating conducive environments that facilitate the growth and expansion of innovative companies. The provision of continuous policy support for startups exhibiting remarkable growth remains of paramount importance. Although the long-term impact of the COVID-19 pandemic on startups is yet to be determined, it is evident that numerous startups currently face more pronounced limitations

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compared to the pre-pandemic era. Furthermore, global economies are expected to increasingly rely on innovation and economic expansion in the coming months and years, given the altered business dynamics resulting from the COVID-19 pandemic.

Every successful startup is often accompanied by numerous accounts of failure. During the initial stages of their journey, startups possess the potential to achieve commendable survival within a span of 2 to 3 years. However, this accomplishment is reliant upon favorable internal and external circumstances, as the startup strives to overcome various milestones during the Scaling Up Phase (Marian, 2017). A report published by Silicon Valley in 2012 emphasizes the utmost significance of the scaling up phase within a business cycle, due to the substantial financial rewards that can be reaped during this period. The process of establishing a new enterprise involves encountering numerous obstacles and uncertainties that entrepreneurs often underestimate, resulting in a failure to expand the business during the initial phase of the business cycle. As a result, a considerable number of businesses prove to be unproductive and are unable to achieve success within their first year of operation. Additionally, a significant proportion of startups cease their operations within a one-year timeframe (Brunninge, Nordqvist, & Wiklund, 2007; Evers, 2003). The consequences of startup failures extend beyond the business itself, impacting various stakeholders such as employees, customers, suppliers, Venture Capitalists (VCs), and society as a whole. Hence, it is imperative for the Cambodian entrepreneurial ecosystem to shift its focus from merely fostering a greater number of companies to nurturing those with the potential for significant expansion. It is evident that there is a lack of comprehensive research on the causes of failure in scaling up and achieving success in nascent enterprises, in contrast to the extensive study of factors contributing to company success (Bruno & Joel, 1988). Furthermore, a notable proportion of startup enterprises encounter numerous obstacles while attempting to expand their operations. Insufficiently developed strategies to address these issues often result in a distressing outcome, namely the closure of the organization.

Cambodia has become a very desirable destination for foreign direct investment within the Southeast Asian region. In addition, the advantageous demographic dividend of Cambodia's population, characterized by a significant proportion of young individuals, offers a strong prospect for harnessing the development of a startup ecosystem. Insufficient understanding of the intricacies and challenges faced by startup ventures in scaling their activities can have adverse consequences on the whole economy and contribute to increased societal dissatisfaction. Phnom Penh, acknowledged as the principal financial hub of Cambodia and hosting a substantial number of notable startups, offers abundant opportunities for promoting economic growth in alignment with the sustainable development of these nascent enterprises. In light of the aforementioned context, the present study seeks to examine the determinants that motivate startup firms to pursue company expansion. The examination of obstacles and difficulties associated with scaling yields numerous favorable conclusions. Practitioners, such as business owners, can leverage evidence-based research to facilitate the expansion of their enterprises by mitigating potential challenges. However, researchers may have a foundation from which to initiate further investigations in this particular area of study.

Literature Review

Theoretical frameworks within the realm of literature have sought to offer comprehension and elucidation regarding the diverse challenges encountered by beginning enterprises. According to Vesper (1990), the success of a new firm is influenced by various aspects, including but not limited to the following: the strategic choice of location and time convenience, the level of education and expertise possessed by the individuals involved, the ability to effectively collaborate with partners, the availability of substantial cash at the outset, and the implementation of superior management practices. Moreover, the success or failure of new enterprises can be influenced by various factors, including the founders' background and expertise, their networking ability, and the gender diversity and makeup of new boards (Wilson et al., 2014). Additionally, the absence of adequately structured human resource planning and a specialized Human Resource Department responsible for implementing HR policies presents a significant obstacle to the rapid advancement of startups (Sujlana, Shetty, & Mathew, 2013). According to Peram and Koteswari (2018), the primary causes of startup failure include issues such as inadequate management team, business problem failure, and marketing problems.

In addition, startup enterprises encounter challenges related to government policies, financial accessibility, marketing strategies, recruitment of competent personnel, access to advanced technology, elevated costs of raw materials, and infrastructure limitations (IIFT, 2017). A significant percentage of start-up ventures exhibit a dearth of new concepts that would enable them to differentiate themselves from their industry rivals. On one hand, startup companies encounter numerous obstacles in the process of recruiting and selecting suitable candidates (Sharifi & Hossein, 2015). Conversely, funding (Evers, 2003; Bannock, 1981; Storey, 1985), inadequate provision of timely mentoring and guidance systems (Singh & Kaur, 2017), insufficient infrastructure (Storey, 1985), and the absence of streamlined clearance policies and tax structures in India hinder the growth of startups (Kaur, 2017). Despite the substantial financial investments raised by the founders, a significant number of companies struggle to maintain competitiveness and thus rely on external funding sources to facilitate their expansion (Singh & Kaur, 2017). The various issues discussed in the literature offer a conceptual perspective on the difficulties encountered by startup enterprises when expanding their operations. In this context, a proposition has been put up to adopt a comprehensive perspective in order to comprehend the various difficulties encountered by emerging enterprises during the process of scaling up.

Harnish (2014) examines the primary decision areas involved in the process of scaling up a company, namely People, Strategy, Execution, and Cash. Additionally, the author proposes a collection of novels one-page instruments that have been employed by over 40,000 enterprises worldwide to effectively expand their organizations. In their study, Sutton and Rao (2014) delineate the primary obstacles related to scaling encountered by organizations and propose a consideration of the trade-offs between customized strategies that cater to specific local requirements and ways that have already been established within the business. In this study, Marmer et al. (2017) examine the factors contributing to premature scaling, which is identified as a primary cause of failure in both start-ups and scale-ups. The authors also propose a series of measures that may be taken to mitigate this issue. Previously, Isenberg (2012) underscored the importance of developing not only start-up ecosystems, but also ecosystems that support both start-up and scale-up ventures. In Section 3, an analysis will be conducted on various policy documents of the European Commission, such as the European Commission (2016) and the Start-up Europe Programme. These publications address the significance of scale up concerns in relation to the success and expansion of start-ups in Europe. The terms "start-up" and "scale-up" are commonly employed in talks and written materials pertaining to the phenomenon of rapid expansion experienced by start-up companies. A start-up is a firm in the early stages of its development cycle, characterized by its innovative nature and technology orientation, and has a significant potential for high growth. This period often involves the initiation of the business idea, securing financial resources, commencing operations, and engaging in sales activities. According to Blank's definition, a key defining feature of a start-up is the pursuit of a scalable business model that is focused on a wide range of clients, rather than just local customers. The closure of the start-up period occurs when a company has successfully identified its business model and has begun generating consistent returns, or when it concludes through an exit event such as an initial public offering (IPO), acquisition, or merger (Carter, Williams, & Reynolds, 1997; Chua, Chrisman, & Kellermanns, 2011; Delmar & Shane, 2006).

The research conducted by Russ (2018) sheds light on the obstacles encountered by digital enterprises during the process of scaling up. These problems primarily include market difficulties arising from intense competition with well-established firms, limited access to financial resources, user acquisition hurdles, and the need for effective localization and cultural adaptation. The aforementioned barriers are also emphasized in the research conducted by Gill and Biger (2012). The authors suggest that during the scale-up stages, small enterprises encounter three primary obstacles, namely inadequate access to funding, regulatory complexities, and market-related difficulties. Furthermore, the research highlights the challenges that organizations encounter in various geographical areas, with a particular focus on emerging nations. In the Zambian context, a comprehensive examination is conducted to identify various obstacles, such as the financial resources required to expand the firm. It is worth noting that a significant number of entrepreneurs heavily depend on the assistance provided by their families (ibid).

According to Okpara and Wynn (2007), a significant number of entrepreneurs in underdeveloped countries rely on their own funds to expand their businesses due to the challenges associated with accessing external capital. Additionally, the author highlighted that enterprises in Nigeria have various obstacles during the scale-up phase, including inadequate infrastructure and pervasive corruption. In addition, existing scholarly works (e.g., Ngoasong et al., 2015) identify the presence of significant collateral requirements within the banking sector as a potential obstacle to the growth and expansion of startup ventures. The aforementioned restrictions pose significant obstacles to the scalability of digital companies, hence contributing to the challenges faced by these firms in establishing their presence in the market. Hampel, Perkmann, and Phillips (2020) assert that the transition from a startup to a scale-up phase carries the potential for both failure and success. The author made reference to the fact that a significant number of entrepreneurs experience initial failure, and that new ventures often fall short of reaching their full potential.

Methodology

The purpose of this study is to thoroughly examine the numerous challenges faced by startups as they strive to extend their company operations. Moreover, the study aims to identify the factors that hinder the growth of these budding enterprises. To achieve these goals, the research heavily relies on primary data, primarily obtained through in-depth interviews conducted with startup enterprises situated in Phnom Penh, Cambodia. Additionally, the study findings are bolstered by the inclusion of secondary data sources, such as press announcements, blog posts, and publications related to the companies under investigation. The selection of the interview approach is deemed appropriate due to the complex nature of scaling up a company, which involves a multitude of factors operating at different levels. According to Patton (2002), qualitative in-depth interviews are widely recognized as the most effective method for acquiring comprehensive knowledge. The interview guide and its corresponding questions were developed based on prior research, with specific attention given to the obstacles to small business growth identified in the study conducted by Gill et al. (2012).

Furthermore, the process of collecting and selecting the interviews proved to be somewhat challenging. The initial methodology involved contacting regional incubator centers to obtain a list of enterprises that have participated in their program and have remained operational from 2018 to 2022. Unfortunately, the incubator declined to provide the requested list. However, they did offer a valuable suggestion to consult the websites of venture capital (VC) firms, which often offer seed funding and growth funding to small businesses and typically maintain a portfolio of their investment companies. The author conducted an investigation on a list of companies with the specific objective of identifying organizations that successfully obtained growth finance investments from venture capitalists (VCs), while adhering to the following criteria: The company's product or service is currently active in the market, the company is actively seeking funding for expansion, and the company has been in operation for a minimum of two years or longer. A selection of twenty-two companies that meet the aforementioned criteria has been compiled. The objective was to engage in conversation with either the founder and/or CEO of the organization, or the individual responsible for overseeing the scaling process. Subsequently, the prospective participants were contacted through a carefully tailored email or a message sent via the LinkedIn platform.

Regrettably, the interview was only accommodated by a total of six companies. Due to the perceived inadequacy of the previous technique, the author sought the cooperation of the CEOs to provide referrals and contact information of other potentially suitable companies. As a consequence, three more interviews were conducted with chief executive officers (CEOs) and one interview was conducted with the leader of the project. A total of nine interviews were performed with organizations operating in diverse sectors including financial technology, tourism, and advertising. Table 1 provides an overview of the roles and companies discussed in these interviews. As a result of the Covid-19 pandemic and the implementation of social distancing measures, the majority of interviews performed with the participating companies were mostly facilitated through online platforms utilizing video-chat applications, thereby reducing the number of in-person interviews. Furthermore, in order to promote candid responses, each interviewee was provided with the option of anonymity during the study. The researchers reiterated the primary objective, the study's aim, and the intended utilization of the interview data to ensure that the participant is adequately informed (Legard, Keegan, & Ward, 2003).

Table 1: Overview of the conducted interviews

Sector	Business Segment	Respondent	Role interview	Duration
Service	Tourism	A	Cofounder	20 minutes
Service	Education	B	CEO	15 minutes
Service	Financial Tech	C	President	30 minutes
Service	Online platform and delivery	D	Cofounder	10 minutes
Service	Food and grocery delivery	E	CEO	15 minutes
Service	Data solution provider	F	CEO	20 minutes
Service	Waste Management Services	G	Finance Manager	18 minutes
Service	Transport and Travel	H	Cofounder	24 minutes
Manufacturing	Agricultural product	I	Cofounder	16 minutes

Source: Survey data

The method used to analyze the data was a thematic analysis because of its simple, relatively straightforward, and flexible approach. The method itself is furthermore searching specifically for themes or patterns in qualitative studies (Braun & Clarke, 2006). The reason for selecting this method was that, besides the previously mentioned benefits, the approach is fairly easy to learn and accessible to researchers who are new to qualitative research (Braun & Clarke, 2006). The thematic analysis method used in this paper is based on the guidelines described by Braun and Clark (2006).

Findings and Discussion

In this section, the empirical findings of the current study are presented under the many problems that startup owners confront while expanding their firms in Cambodia. The difficulties can be broken down into one of these six categories. Based on the empirical data that was collected from this study, the first three themes might be considered to be attributable to internal constraints, while the other two themes are considered to be related to external constraints.

Internal Constraint

Startup businesses typically run into several challenges within their operations as they move through the process of expanding their operations. In this section, we examined the findings of the study, which focused on the internal barriers that startups face while trying to expand their operations.

Availability of Finance

Even though commitment and a solid work ethic are sometimes viewed as two of the most important aspects of being an entrepreneur, financial success is not assured just by possessing these traits. All of the individuals who took part in this research agreed, based on their statements, that the lack of readily available financial resources is a substantial limitation on the capacity of startups to expand their operations. The research that already exists has determined that there are various obstacles that need to be overcome in order to make it possible for businesses to expand. These challenges include inadequate financial support from governmental entities, the absence of a well-defined go-to-market strategy, difficulties in obtaining business loans from banks due to insufficient collateral, high return expectations from investors such as venture capital firms and business angels, limited understanding of the company's financial situation, improper record-keeping practices, and the absence of legal status for enterprises operating within the informal sector. According to the president of a fintech company, Company C mentioned that;

"*It is a norm here in Cambodia that nearly one in three startup companies seen the availability of finance is a major obstacle to the success of their business, whether the startups are with or without a growth episode, they are equally likely to report access to finance as a major obstacle. So, you see most of us fund our business growth using retain reserves, which most of the time slow our potentials. There was a time my company approach a VC firms; the process was very challenging too. The process of making a sufficient term sheet takes a considerable amount of time, lots of administrative and regulatory burdens (e.g., complex documentation procedures and difficulty to obtain financing due to the high level of routines). The entire process is tough and requires lots of work."- Company C*

Nevertheless, a number of the organizations interviewed expressed that they have not yet secured any external investments and are currently encountering significant obstacles in their efforts to expand their enterprises. In many instances, the insufficiency of financial resources has placed organizations in a challenging predicament, to the extent that they encounter significant difficulties in meeting obligations such as personnel remuneration. The task of identifying and acquiring talented individuals to support the growth of a new enterprise poses a significant challenge. This manifested by the cofounder of a food and grocery delivery, Company E mentioning the following:

"We have very limited number of angel investors and VCs that are keen to investing in young startup companies here in Cambodia. And sometimes even when you manage to get some VCs or angel investors to listen to your company's business plan and future growth potentials, they tend to have high return expectations and focus more on their exits strategies available rather than discussing about the business plans of the startup company. This lack of funding hindered high growth startups from recruiting the right employees with the right technological skills, attitude, motivation or personality to help our businesses to scale."- Company E

Furthermore, other arising challenge due to lack of availability of funding, identified in this study by the finance manager of a data solution provider startup, Company F, is to be able to pay for user acquisition channels during the scaling process. The CEO mentioned that;

"Customers are the lifeblood of any business. To continue growing in this competitive space, you will need a robust strategy to continually bring in new customers, even though in Cambodia, the customer acquisition costs have risen 50% over the past five years. But I can tell you, with a successful customer acquisition strategy, startup can win new business, retain loyal customers, and improve profits as long as the cash of doing that is available."- Company F

The highlighted issue highlights the significance of capital as a prominent obstacle faced by Cambodian startup enterprises with the potential for expansion. This study has revealed that the process of obtaining external money in Cambodia is both time-consuming and complicated. In developed countries, there are numerous sources of funding accessible to startup companies. However, in developing countries, securing external funds proves to be challenging due to limited availability and stringent eligibility criteria set by providers. The results of this study align with prior research, particularly in the context of developing nations, where the limited availability of financial resources poses a significant challenge for the growth and expansion of new enterprises (Delmar & Shane, 2006; Isenberg, 2012; Sharifi & Hossein, 2015; Ma'aji, Sok & Long, 2020; Ma'aji, 2019; Ma'aji et al., 2018; Singh & Kaur, 2017; Sutton & Rao, 2014).

Availability of Staff

According to previous research conducted by Groves (2007) and Hills (2009), startup companies commonly see the "insufficiency of personnel possessing the appropriate skill set" as a significant barrier to achieving business expansion and attaining success. Startups with significant potential for expansion have notable limitations in terms of staff availability, which serves as a significant obstacle. According to Sambrook (2005), high-growth companies encounter challenges in recruiting people with the necessary technology skills, as well as individuals who possess the appropriate attitude, drive, personality, qualifications, and experience. These limitations in staff availability might impede the growth and development of such startups. According to the cofounder of an online platform and delivery service company, Company D and the CEO of an educational group, Company B

"One of the biggest mistakes I've made when my company was experiencing rapid growth was to hire people prematurely because we were just desperate for extra manpower just to cope with the demand. After a couple of weeks, it was apparent that we had hired the wrong candidates. Whether they didn't possess the skills necessary

to succeed in the position or didn't fit into the company's culture from a personality standpoint, these hires actually hindered the company's growth."- Company D

"When our business shows signs of growth, we hired employees that do not fit into the company culture at all, which hurt company morale in ways I didn't imagine. Employees started sharing bad habits with each other and the productivity per employee dropped because of the distractions and the poor performance of other employees. We ended up being less productive as a company, even with more people."- Company B

Startup firm need to realized that each stage in their lifecycle requires a different set of skills for their employees. If the management is not aware of this difference, a skills gap can start to form and threaten growth potential. These are according to the finance director of a waste management services startup, Company G;

"From our scaling experience, I understood that to scale hard and fast, a founder must have the right capabilities and skills on his or her team to make the tough transition. These skills and capabilities often look very different from the initial requirements of an early-stage startup where the goal is to develop, test, and generate traction for the initial product or service. In the growth stage, your team needs to systematize operations, aggressively raise capital, and develop a scalable sales and marketing strategy."- Company G

According to the findings of this study, the shortage of people in Cambodia who possess the relevant skills is a significant barrier during the scaling process for new businesses in the country. In order to recruit and keep highly competent employees, start-up businesses and other corporate entities who are adopting growth strategies will be forced to engage in heated competition with one another. Nevertheless, the repercussions of a difference in skills take on a different and frequently amplified relevance for an emerging new organization as opposed to a well-established corporation. This is due to the fact that a gap in talents is more likely to have a greater impact. The environment in which startups operate is one that has the potential for significant and quick expansion. However, as compared to established organizations, startups confront limitations in terms of the amount of time and resources they have available to make decisions (Groves, 2007; Hills, 2009; Sambrook, 2005). Decisions can have enormous repercussions. In the context of Cambodia, new businesses frequently face difficulties in recruiting qualified workers since, in comparison to more established companies, they provide less allure to potential employees as places of employment. This is mostly attributable to their smaller salary packages, reduced propensity to recognize and promote praiseworthy work, and relatively diminished investments in staff training and development. These factors all play a role in the situation.

Customer Acquisition

The survey has revealed that a number of participants have expressed concerns over the difficulties associated with customer acquisition. The process of customer acquisition encompasses the difficulties associated with acquiring customers, particularly for novel innovations that are unfamiliar to customers or new to the market. The allocation of resources necessary for attracting and obtaining customers, such as marketing, sales, onboarding, and related activities, can be significant and often underestimated. Nevertheless, the success of innovations is also enhanced by positive word-of-mouth and recommendations, which stimulate client interest and facilitate adoption. According to Hendrix (2014) and Sweida & Reichard (2013), the expense associated with acquiring consumers decreases when organizations prioritize customer advocacy. As per the cofounder of Company B in the educational sector, the objective of scaling a firm is to duplicate the existing business model in a different market, wherein potential clients must be enticed and persuaded to adopt the offered product or service. To successfully scale a startup firm, Company B cofounder emphasized that the biggest mistake one can make is not thinking about marketing from the start.

"From the start, you have to keep marketing in mind. There are no products or service that have not needed marketing. Ask questions like …. how does the customer find out that they can go in here to solve their problem (value proposition)? You have to include that from the beginning. That is probably the most common mistake in scaling a startup firm I would say."- Company B

Furthermore, as stated by the cofounder, Company B's value proposition is relatively uncomplicated. However, it faces notable obstacles and difficulties in persuading customers to contemplate the problem at hand, acknowledge its complexities and time requirements, and recognize the potential of the proposed product or service in resolving it. The aforementioned scenario presents a notable obstacle in terms of scaling, as startup enterprises must surmount the hurdle of effectively communicating a concise and persuasive message on their offerings to a broad audience. Based on the data that has been gathered, it appears that B2B enterprises in this study encounter greater difficulty in customer acquisition. The co-founder of Company A proposed a strategic collaboration with technologically proficient influencers that own a substantial number of followers within the targeted region. The reasons for this phenomenon appear to stem from the fact that business-to-consumer (B2C) enterprises possess the advantage of leveraging well-established channels, such as Facebook and other social media platforms, to execute precisely targeted advertising campaigns. The findings of this study indicate that B2B enterprises face challenges in the process of identifying and engaging with new clients, hence highlighting a disparity in comparison to other entities examined.

"Finding the right communication channels so that we reach those persons that would be interested in our product. That would not be everyone but for example tech savvy influencers or someone who is working in the publishing ad side. So, finding the right channels is a big issue." – Company A

The lack of potential advertisement platforms which are used by B2B companies, such as Facebook or a standard TV (both are almost entirely B2C focused) raises the question of how these companies can reach B2B clients. All the B2B companies featured in this study echoed that in order to scale their businesses to the next level, they would need to establish some kind of partnership with various other entities to reach potential customers. This constitutes to another barrier for scaling since the channel selection can be limited, time consuming and difficult.

External Constraint

When beginning the process of expanding their operations, startup enterprises are faced with a number of external hurdles. The following section of this study will investigate these challenges further.

Market Competition

Several generic issues discussed in the literature review were also seen in this empirical investigation, including the presence of intense market competition. Competition can be a significant obstacle to the potential for growth and expansion of new enterprises. Ahn et al. (2009) and Baumol (2002) contend that startup enterprises face competitive constraints that necessitate a continuous cycle of innovation to maintain competitiveness vis-à-vis larger corporations. This endeavor can prove to be financially burdensome for startup firms.

"The competition is fierce, because the barriers to entry are relatively low, and as a technology company as ours,

at the early stage, there could not be issue with capital," says the cofounder of an Online platform and delivery company…, Company D.

"….so much opportunity exists for entrepreneurs because switching costs for most customers are low and many are willing to try new, relatively untested technologies."- Company D

The president of Company C, a fintech company mentioned that the barriers of digital products are generally rather low, which encourages competition since software can be built rather cheap and fast, as opposed to for example a hardware product. This constitutes to a unique market challenge specifically for digital businesses because it seems that software can be replicated easier than a hardware product. Thus, making it possible for competitors to copy an already existing and functioning business model. Cofounder of Company I mentioned that;

"Despite the success of a startup, there will always be new companies who will "try to do what you do better and cheaper. Tech startups will always face tough competition, no matter how big they become. In order to survive in this competitive business environment that covers both traditional and online businesses, the startups need to play aggressively, and punch above their weight to gain the much-needed recognition amongst the clusters of ever challenging and expanding businesses"- Company I cofounder

Furthermore, the results from the respondents also reveals that there could be differences in market competition between companies aiming for a B2B market and companies aiming for a B2C market. According to the cofounder Company H working in the B2C segment, who mentioned that *"one challenge their startup firm is facing is trying to establish a position in a market segment with incredibly fierce competition. In this market the players compete over every single potential customer. Thus, creating an incredibly difficult scaling challenge because even though the B2C market has a lot of potential customers, it seems that there is a limit as to how many customers and how many players can co-exist in a market without crippling each other."* However, since B2B create and market their products to businesses, the buyers often know what they want and what they need. This results in logic-driven buying (Widlund, 2021). Therefore, as a startup with market-fit-products in this B2B segment, market competition will be minimal.

To summarize, many of the respondents expressed that generic market challenges such as the fierce competition identified in the literature review seem to apply to Cambodian startup firms as well. The respondents nevertheless also expressed that market challenges might be even harder due to the low barriers of digital businesses, since software can be replicated rather easily. However, an important observation made in this theme is that there seems to be a difference in how B2C and B2B companies experience market challenges.

Regulatory Challenges

According to Bruton et al. (2010), Thornton et al. (2011), and Scott (2008), government institutions have the potential to either help or hinder the development of new businesses by creating favorable conditions or imposing barriers at various stages of a company's lifecycle. These stages include opportunity identification, the establishment of new ventures, and the growth of existing ventures. The existing research sheds light on a number of regulatory challenges that, if left unaddressed, might stymie the expansion plans of companies. These problems include aspects such as taxes, high licensing or registration fees, unscrupulous practices, difficulties related with gaining investment benefits, as well as rules that impose mandatory actions or impose limits or bans on particular activities. The newly established businesses that were questioned for this research did not single out any particular problems that were caused by taxation. On the other hand, they did emphasize how important it is for a company to be aware of the various regulations that it must follow in order to operate successfully in the market. The CEO of Company E mentioned that;

"A lot of resources are needed to be spent in order to find out the specifics rules and regulations that apply to a particular industry or sector, and there are thousands of these regulations. The government imposes regulations on businesses related to occupational health and safety, environment, wages and overtime, health and retirement benefits, family leave, workplace harassment and discrimination, disability, immigration and employment eligibility, labor unions, privacy, antitrust, truth in advertising, foreign trade and many other areas. To be honest, sometimes we really see some of these regulations as unreasonable."- Company E

Moreover, an additional regulatory barrier identified by the respondent is to the matter of obtaining a license. The president of Company C, a financial technology firm, stated that a significant obstacle encountered by many new companies continues to be the issue of obtaining licenses. This suggests that the success of startups is contingent upon obtaining governmental authorization to operate their operations. This is a significant obstacle to scaling operations as the company may encounter substantial difficulties if the government denies their licensing application. He mentioned that it is however not a question of price, instead it is more a question of being allowed/able to receive the license due to governmental regulations, which puts a huge barrier in front of any company which is trying to scale their product. He mentioned the following;

"Here in Cambodia, in one industry, you might have to get different types of licenses and permits from different government agencies. On average I think you might have to waiting six months or longer to obtain needed approvals to open, and businesses get little feedback from bureaucracies while they wait. For example, our startup wanted to convert a space that we occupied for a different purpose, and applied for the permit. We followed up a few times but ended up waiting eight months, all the while paying $750 a month in rent. When we pressed and finally got an official to look at the application, it was reviewed for just a few minutes and approved. Bureaucracies do not seem to realize that time is money."- Company C

The primary takeaways from this research indicate that it possesses the ability to validate a number of well-known regulatory roadblocks that have been uncovered in earlier scholarly works. These roadblocks were found in previous research. One important issue to keep in mind is the requirement that businesses who want to grow into international markets devote a significant number of resources to researching and comprehending the legal frameworks that are applicable to the nation that they are aiming to enter. This makes the operation less efficient, which in turn makes it more difficult to scale because of the negative impact it has on scalability. According to Kwapisz (2019), government institutions can have a substantial impact on businesses. This is mostly attributable to the bureaucratic procedures that result in unneeded delays for expanding businesses. Furthermore, these governmental bodies have the right to completely obstruct the process of development by refusing to provide licenses or permits that are necessary for conducting business within the targeted market or country.

Conclusion

Based on the research findings, it is apparent that high-growth startups in Cambodia encounter numerous obstacles when expanding their operations. These challenges can be classified into internal constraints, including the availability of financial resources, staff, and customer acquisition, as well as external constraints, such as market competition and regulatory hurdles.

One of the key internal constraints that has been identified is the scarcity of financial resources.

Startups in Cambodia often encounter difficulties in securing external funding, and the process of obtaining investments can be both time-consuming and intricate. This lack of financial support hampers their ability to recruit skilled personnel and invest in customer acquisition strategies, which are indispensable for scaling up. Another internal constraint is the availability of staff with the necessary expertise. Startups face challenges in attracting and retaining talented individuals who can contribute to their growth. This challenge is particularly prominent in Cambodia, where startups may struggle to compete with well-established firms in terms of compensation and employee development opportunities. Additionally, customer acquisition is a significant challenge for startups. Acquiring customers, especially for innovative products, demands substantial resources and effective marketing strategies. Startups need to effectively communicate their value proposition and differentiate themselves from competitors to attract and retain customers.

On the external front, market competition poses a substantial barrier to the growth of startups. The low barriers to entry and the ease of replicating digital products contribute to intense competition in the market. Startups must continuously innovate and distinguish themselves to maintain a competitive advantage. Regulatory challenges also hinder the scalability of startups. Navigating complex regulations and obtaining licenses can be time-consuming and costly. Startups must invest significant efforts in understanding and complying with the legal frameworks relevant to their industry, which can impede their scalability.

In conclusion, this study sheds light on the various challenges faced by high-growth startups in Cambodia when expanding their operations. The findings underscore the importance of addressing internal constraints related to finance, staff availability, and customer acquisition, as well as external constraints such as market competition and regulatory hurdles. Future research could delve deeper into the specific challenges faced by startups in different industries or explore strategies and best practices to overcome these obstacles. Additionally, research could focus on the role of government policies and support in facilitating the growth of startups and fostering a conducive entrepreneurial ecosystem in Cambodia.

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