The Role of Managerial Skills on the Performance of Small and Medium Enterprise (SMES) in Jabi District, Abuja, Nigeria

Marcus Garvey Orji¹, Akhimien Emmanuel², Chika Margret-Mary Egwuatu³

^{1,3}Department of Entrepreneurial Studies, Veritas University, Abuja, Nigeria ²Federal Inland Revenue Services, Nigeria

Email: marcusorji@gmail.com, emmakhi2002@yahoo.com, chikaegwuatu1@gmail.com

Abstract:

The objective of this study was to access the role of managerial skills on SME performance in Jabi District, Abuja, Nigeria. The study is a survey research, sampling the opinion of 240 business owners in the District. Their opinion was collected using a structured questionnaire and data collected were analyzed by tabulation, percentages and the formulated hypotheses tested using Kendall coefficient of concordance. The study discovered that these managerial skills: technical skills, conceptual skills, interpersonal relation skills, and budgeting skills had a substantial effect on the performance of SMEs. The study concluded that insufficient managerial skills are factors militating against SME performance and recommended among others that SME managers should try to understand, lead, change and regulate the behavior of the individuals and organization they manages to achieve greater performance; the government, Non-Governmental Organizations, and SME owners' unions provide adequate training.

Keywords:

managerial skills; small and medium enterprises (SMEs); SME performance

I. Introduction

The role of Managerial skill in the survival of Small and Medium scale Enterprises cannot be overemphasized, because equipment and money on their own cannot reproduce themselves or make profit without human efforts. Also a country's economy grows as its small enterprises thrive, making them a vital source of growth and progress. Small and medium-sized enterprises (SMEs) are crucial to long-term economic growth and job creation. Small businesses have made significant contributions to the evolution of our society, yet many of these businesses die within a few years of their founding because of bad management. Managers must have unique managerial skills that influence their level of performance and the successes of their team, regardless of the type of company they lead or their hierarchical level. The ability, aptitude, deftness, proficiency, or competency to accomplish specific jobs or activities is referred to as skill. In other words, managerial skills are the traits required to carry out the managerial processes required to get efficient results in the firm.

According to Ahmadu & Ahmadu (2021) managerial skills is the bedrock of the firm's better performance and competitive advantage. The theoretical arguments are that resources that are valuable, rare, inimitable, and non-substitutable (VRIN), drive the firm's comparative advantage. The managerial skills can be one such resource of the firm to drive its growth and sustainable process. SMEs is still constrained by a challenge of poor managerial skills exhibited by the management team which pulls down capital accumulation, leading to higher employee turnover and failure to cope-up with the globalization and technology hence no or low SMEs growth (Logose, 2022).

Economit Journal: Scientific Journal of Accountancy, Management and Finance ISSN: 2775-5827 (Online), 2775-5819 (Print)

Vol. 3, No. 2, May 2023, Page: 112-122 Email: economitjournal@gmail.com

From the foregoing, it is clear that managerial skills can contribute to the performance or success of SMEs. This is owing to the fact that they may be able to contribute to the provision of solutions to the challenges of inadequate management that plague SMEs. It is in this regard, this study examines managerial skills such as technical skill, interpersonal skill, budgeting skill and conceptual skill and their effect on the performance of Small and Medium Enterprises in Jabi District of Abuja, Nigeria.

On the whole, this study will provide answer to the following pertinent questions:

- 1. What is the effect of technical skill on the performance of small and medium scale enterprises in Jabi District?
- 2. How does interpersonal relation skill affect the performance of small and medium scale enterprises in Jabi District?
- 3. To what extent does Budgeting skill have effect on the performance of small and medium scale enterprise in Jabi District?
- 4. Does conceptual skill have any effect on the performance of small and medium scale enterprises in Jabi district?

1.1 Research Hypotheses

The following hypothetical assumptions have been formulated for validation:

- H01 Technical skill has no significant effect on the performance of small and medium enterprises in Jabi District.
- H02 Interpersonal relation skill has no significant effect on the performance of small and medium enterprises in Jabi District.
- H03 Budgeting skill has no significant effect on the performance of small and medium enterprises in Jabi District.
- H04 Conceptual skill has no significant effect on the performance of small and medium enterprises in Jabi District.

II. Review of Literature

2.1. Conceptual Framework

a. Concept of Managerial Skills

Entrepreneurs and managers of micro and small firms are expected to possess a set of abilities known as managerial skills. Managerial skills are intended to promote a company's healthy growth rather than to include it in mortality figures for businesses (Egwuatu, 2022). Consequently, Egwuatu (2022) stated that Managerial competencies form a list of knowledge, skills and attitudes that are required for good business management and when combined, provide management with the necessary conditions to overcome obstacles, motivate the team and develop an organization's capabilities, and promote business success, regardless of whether they are essential or complementary management skills" Human Resources (HR) is the most important component in a company or organization to run the business it does. Organization must have a goal to be achieved by the organizational members (Niati et al., 2021). Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired (Shah et al, 2020). The development of human resources is a process of changing the human resources who belong to an organization, from one situation to another, which is better to prepare a future responsibility in achieving organizational goals (Werdhiastutie et al, 2020).

Various schools of thought have presented different definitions of managerial skills. They are a collection of actions that can contribute to effective job and performance achievement. They can also be thought of as a manager's capacity to put information and knowledge into action. In this study, we describe it as the necessary traits acquired through acquired knowledge in order to do certain activities quickly and effectively and create value in enterprises. Conceptual, technical, analytical, interpersonal, and budgeting skills, according to Katz (2015) and Mintzberg, (1971) are required for managers to positively influence their businesses. Managerial skills can be viewed from a human perspective, concentrating on the skills necessary by managers, for example, by observing a potential behaviors by which managers exhibit their knowledge of the skill sets required by managers, or the synergy between their own abilities. Thus, we agree with Fernando et al (2023) that Management skills are due to personality traits and managerial traits, managing to establish processes and goals that directly influence the success of organizations.

b. Concept of Technical Skills

When we talk about "technical skills," we mean the capacity to apply particular knowledge and expertise. Technical skills refer to one's ability to understand the proficiency in a specific kind of activity, particularly one involving methods, processes, procedures, or techniques; it involves specialized knowledge, analytical ability within that specialty, and ability in use of tools and techniques of a specific discipline (Astuti, Supanto, & Supriadi 2019; Logose, 2022). Technical skills are required for a manager to be able to do specialized tasks in the workplace. Supervisory managers need these skills the most because they deal frequently with employees who generate the company's products and/or services (Katz, 2015).

c. Concept of Conceptual skills

Conceptual skills entail thinking in terms of relative emphasis and priorities among conflicting objectives and criteria; relative tendencies and probabilities (rather than certainties); rough correlations and patterns among elements (Logose, 2022).

Also, Conceptual skills refer to the cognitive ability to see the enterprise goals in an effective and efficient manner achieved through management functions. It involves recognizing how various functions of the organization depend on one another, and how changes in one-part affect others. It extends to visualizing the effect of the individual business to the industry, the community, and the political, social and economic forces of the nation as a whole. According to Ahmad & Ahmad (2021), conceptual managerial skills are a key knowledgeable area of financial management. This implies that financial skills by owner-managers are necessary in helping the firm in accounting, maintenance, budgeting, and managing financial resources from different areas of business which they enumerated comprehensively, hence it offers a rigorous empirical analysis of the relations between managerial conceptual l skills and the growth of SMEs.

For this study, Conceptual skill is the ability to view and operate with the organization as a small and manageable entity while effectively linking it to its surroundings. Conceptual managers can easily visualize the many aspects of the entire firm. It is simple for them to identify strengths and weaknesses, plan for unforeseen events, enhance problem-solving abilities, make sound judgments, and plan and arrange organizational resources in order to increase performance and profitability.

d. Concept of Interpersonal Relation skills

Interpersonal Relation skill is the ability to lead people, where the manager will be able to motivate employees, resolve workplace issues, and collaborate with others. To support this definition, Fonkam (2021) stated that a manager with interpersonal skills should be able to

understand, lead, change, and regulate the behavior of the individuals and organizations he manages.

e. Concept of Budgeting skills

Fonkam (2021) stated that a manager who is skilled in budgeting and planning is always proactive in managing the company's finances. Every financial allocation made by the manager is scrutinized to ensure that expenses do not exceed revenue. According to Ng'ora,, Mwakalobo, & Lwesya, (2022) Financial knowledge and skills are one of the most important management skills that can fuel the development of the MSME sector in low-income countries. They argues that the success of micro, small and medium enterprises depends on a mixture of supply and demand-side factors, including adequate financial knowledge and skills, which focuses on access to capital, keeping records of business transactions and preparing financial Statements, and these are all part of budgeting skills that this study emphasized on.

2.2. Concept of Business Performance

Performance is the outcome obtained by an organization, whether business or non-profit, that is generated over a period of time. So, a company's performance is anything generated by a organisation during a specific time period in reference to a predetermined benchmark. The idea of SMEs business performance is hanged on the position or premise that it is a combination of productive assets made up of human, physical, and capital resources, for the major reason of fulfilling a dream, vision or accomplishing a shared purpose. Business performance is a measure of how a manager efficiently and effectively utilizes the resources of the firm to accomplish its goals as well as satisfying all the stakeholders. According to Orji, Olaniyi, Oladele and Abe (2022) Organizational or business performance can be financial and non-financial. The proponents of each financial and non-financial performance measures tried to support their point of view. Although the majority of the studies measuring organizational and business performance used the account-based measure, this study chooses the both non-financial and financial measures because they are all part of managerial skills.

2.3 Concept of small and medium Enterprises (SMEs)

According to Orji, Olaniyi & Adeyemo (2022), and The National Association of Small and Medium Scale Enterprises, SMEs are businesses employing less than fifty (50) people and with an annual turnover of one hundred million naira. The association further defines a medium scale enterprise as a business with less than 100 employees and with an annual turnover of five hundred million. There are many definitions of SMEs and there is no uniformity among them. However, in Nigeria, it is based mainly on capital which should be revised from time to time due to the devaluation of the Naira and the high inflationary trend in the economy. But this study considers Small and Medium Scale Enterprises as those businesses own by individuals with small capital ranging from One Naira to Hundred Million Naira without government participation in their management or ownership in Jabi District of Abuja, Nigeria

2.4 Relationship between Managerial skills and SME performance

As stated by Ng'ora et al (2022) Skills can be perceived as the ability of a person to perform a specific task or responsibility acquired through training or experience that manifests itself both physically and mentally. Managerial skills consist of a combination of characteristics that enable better results to be achieved, the means and techniques of management efficiency, and the management style used in terms of strategies, techniques, and tools to achieve expected results. They emphasize the existence of the link between SME performance and managerial performance, implying that the success of SMEs is highly dependent on their

managers. Their findings show that critical skills that entrepreneurs and managers need to have to drive the growth and development of MSMEs are financial management skills, marketing skills, human relations skills, and entrepreneurship skills. These skills are crucial in the context of African countries where MSMEs face more or less similar challenges. The results corroborate with Popescu et al. (2019) finding showing that human relation is one of the crucial skills managers use to create an atmosphere of approval and security in which subordinates feel free to speak their minds without fear, leading to efficiency and productivity in organizations.

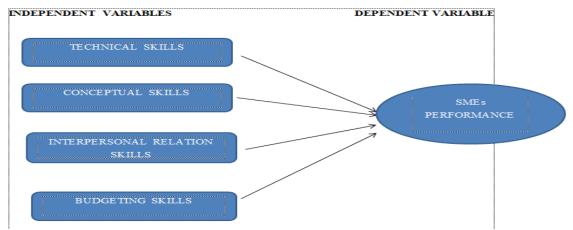


Figure 1. Conceptual Framework (Showing the Relationship between the Managerial Skills and SME Performance)

Source: Researchers, (2022)

2.5 Theoretical Framework

The study is anchored on the resourced based view theory that explains the importance of having talent (human resource) for sustainable competitive advantage.

The Resource Based View (RBV) was popularized in the work of Barney (1991). The RBV theory analyses and interprets internal resources of the organizations and emphasizes resources and capabilities in formulating strategy to achieve sustainable competitive advantages. The theory identifies three types of resources that are physical capital resources (physical, technological, plant and equipment), human capital resources (training, experience, insights), and organizational capital resources. This means that human capital is one of the most important resources for the development and growth of MSMEs and that human capital with the necessary management skills is one of the elements to achieve competitive advantage.

III. Research Method

3.1 Population of the Study

The population for this study comprise of all Small and Medium Scale business Enterprises in two area Councils, Abuja Municipal and Bwari Area Council of the federal Capital territory, Abuja, Nigeria; and their various customers. However since these are numerous and so cannot be determined in certainty; suitable sample was adopted as basis for study.

3.2 Sample Size and Sampling Techniques

The following assumptions were made before computing a sample size:

I. Population Estimate – The estimated population size is enormous.

- II. Determine the amount of error that may be tolerated in the data, which is known as the margin of error (also known as the confidence interval). The confidence interval establishes how far our samples mean can deviate from the population mean. Proposition Z was adopted in this study, with a margin of error of 5%
- III. If we want to be certain that the actual mean fits inside our confidence interval, we need to know our confidence level. Confidence intervals of 90 percent, 95 percent, and 99 percent are the most prevalent (Orji, 2017). This study relied on a 95 percent degree of certainty.
- IV. How much variation can we expect from our responses? This study's safe decision is 0.5. (Orji, 2017).

Constant values for the most frequent degrees of confidence, such as z-scores, are required: The Z score for 90%, 95%, and 100% of the population is 1.645, 1.96, and 2.326, respectively.

Applying their 95 percent confidence level, a standard deviation of 0.5, and a margin of error (CI) of 5 percent, the equation for a massive population is as follows: equal to (Z score) 2 x StdDev*(1-StdDev) (margin of error) ²

(1.96)2 x.5(.5) / (.05)2 is the sample size needed

In other words, the formula is: equals.9604 divided by.0025

= 384,16

385 people are needed for the study to be considered complete.

3.3 Method of Data Analysis

The method of data analysis for this study is the simple descriptive percentage method and Kendall coefficient of concordance. The percentage is for the comparisms of respondents that responded for or against a particular question in relation to the over- all respondents expressed as a percentage in order to see the pattern of response. However, the questionnaire measurement of the study used a four-point Likert rating scale as justified by Orji (2017), Orji, Akhimien, Nweke & Ridwan (2021) and Orji (2022) who argued that respondents have behaviour of either survey optimizing or satisfying thus, including neutral point could lead to decrease in measurement quality. Weight was assigned as follows:

Strongly Agreed 4, Agreed 3, Disagree 2, Strongly Disagree 1

The Chi-square derived from Kendall coefficient of concordance method is used in testing a hypothesis concerning the differences between a set of observed frequencies of a sample and a corresponding set of expected or theoretical frequencies.

Model specification

This formula serves as a representation of it;

 $W = 12\sum (Ri - R)2$

K2 (N3 - N)

Where K = Number of Responses.

N = Number of weighted questions.

R = Mean

W = Kendal coefficient of concordance

X2 = K (N - 1)WX2 = Chi-square

3.4 Justification of Technique

This method is justified on three reasons: Kendal coefficient of concordance allows all relevant questions in the questionnaire to be part of the test and result. This position buttressed by Siegel, (1986) is also statistically straight-forward, as justified by Orji & Ezinmou (2019). Also, the study data under analysis was based on the sample drawn from different respondents that cut across every stratum of the business community in the area, as every member of the population cannot be reached. Kendal coefficient is suited for this purpose too according to Orji, Akhimien, Nweke & Ridwan (2021).

IV. Results and Discussion

4.1 Results

A total of 385 questionnaires were issued, and 240 were returned valid. This represents 62% of the total number of questionnaire administered. Since this percentage is substantial enough we can rely on it for analysis and probable outcome. Because according to Orji (2017) in social science research thirty percent of sample size is enough to form valid opinion.

Table 1. Kendall coefficient of concordance Table 1

S/N	Strongly agree	Agree	Disagree	Strongly disagree
Weight	4	3	2	1
Question 1; Owners/Managers who possess managerial skills positively increased the performance of their firms	96	126	0	18
Question 2,; Owners/Managers with managerial skills can properly lead the employees to better performance	126	90	6	18
Question 3: owners/managers with technical skills can be able to prepare and structure work effectively in the organization	168	60	12	0
Question 4; owners/managers with technical skills can be able to specialize in specific job requirements to increase competitive advantage	108	132	0	0
Question 5; owners/managers with technical skills can interact closely with personnel who produce the firms goods and/or services	72	138	6	24
Question 6; managers with conceptual skills can view and operate with the organization as a small and manageable entity while effectively linking it to its surrounding	84	144	6	6
Question 7: managers with interpersonal relation skill can evenly be able to motivate employees, resolve workplace issues, and collaborate with others	102	120	0	18

Question 8: managers with interpersonal relation skills will be able to understand, lead, change and regulate the behavior of the individuals and organization he manages	96	126	6	12
Question 9: managers with budgeting skills can easily be able to scrutinize every financial allocation made to ensure that expenses do not exceed revenue	84	120	6	30

Source: field survey, 2022

Each cell of respondent will be multiplied by the weight assigned e.g. $4 \times 96 = 384$

Table 2. Kendall Coefficient of Concordance Table 2

S/N	Strongly agree	Agree	Disagree	Strongly disagree	Ri	Ri - \overline{R}	$(\mathbf{Ri} - \overline{\mathbf{R}})^2$
Weight	4	3	2	1	-	-	-
Question 1	384	378	0	18	780	-11	121
Question 2	504	270	12	18	804	13	169
Question 3	672	180	24	0	876	85	7,225
Question 4	432	396	0	0	828	37	1,369
Question 5	288	414	12	24	738	-53	2,809
Question 6	336	432	12	6	786	-5	25
Question 7	408	360	0	18	786	-5	25
Question 8	384	378	12	12	786	-5	25
Question 9	336	360	12	30	738	-53	2,809
	,	Total	,		7,122		14,577

Source: field survey, 2022

Ri = Addition of rows
R = Mean =
$$(\sum(Ri))/N = 7,122/9 = 791$$

W = $12\sum(Ri - R)^2 = (12(14,577))/(4^2 (9^3-9)) = 174,924/11,520 = 15.2$
K2 (N3 - N)
X2 = Chi- square = K (N - 1) W
= $4 (9 - 1) 15.2$
= 486.4

4.2 Discussions of Findings

Since the estimated X2 (486.4) is bigger than the tabulated X2 based on the data analysis, the decision rule is to reject the null hypotheses (H0) and accept the alternative hypotheses (36.42). The degree of freedom was determined to arrive at the tabulated X2.

The degree of freedom (df) = (c - 1) (r - 1)

C =column total of observed value

R = row total

= (4 - 1) (9 - 1)

 $= 3 \times 8$

= 24

Df at the predetermined significance threshold of 0.05 = 36.42. As a result, we rule out the null hypotheses with a 95% level of confidence and a significance level of 0.05. This implies:

- 1. Technical skill has a significant effect on the performance of small and medium enterprises in Jabi District.
- 2. Interpersonal relation skill has a significant effect on the performance of small and medium enterprises in Jabi District.
- 3. Budgeting skill has a significant effect on the performance of small and medium enterprises in Jabi District.
- 4. Conceptual skill has a significant effect on the performance of small and medium enterprises in Jabi District.

Also the findings further revealed among other things that Owners/Managers with managerial skills can properly lead the employees to better performance; owners/managers with technical skills can be able to prepare and structure work effectively in the organization; managers with conceptual skills can view and operate with the organization as a small and manageable entity while effectively linking it to its surrounding; managers with interpersonal relation skills will be able to understand, lead, change and regulate the behavior of the individuals and organization he manages and managers with budgeting skills can easily be able to scrutinize every financial allocation made to ensure that expenses do not exceed revenue. This choice was made as a result of how the statistical tool was designed. As previously stated, the Kendal coefficient of concordance enables all pertinent questionnaire questions to be included in the test findings, allowing for their resolution and inclusion in the choice (Siegel, 1986, & Orji, 2022).

V. Conclusion

Managerial skill plays a significant role in the performance of SMEs since different owners/managers either are born with either one of or multiple skills or are trained to have these skills. The study draws its conclusion on the fact that insufficient managerial skills are factors militating against SME performance.

References

Ahmadu, I & Ahmadu ,S.B (2021) Effect of Managerial Skills on the Performance of Smalland Medium-Sized Enterprises: A Case Study in Pakistan' The Journal of Asian Finance, Economics and Business 'Vol 8(4) PP. 161-170

Astuti, W., Supanto, F., & Supriadi, B. (2019). Entrepreneurial Skills and SME 's Business Performance: Empirical Study' Culinary Business. 10(22), 160–166.

- Barney, J. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17(1), 99-120. https://doi.org/10.1177/014920639101700108
- Egwuatu, C.M (2022) Effect of managerial skills on the performance of Small and Medium Enterprises (SMEs) in Jabi District, Abuja' Unpublished Project, Department of Entrepreneurial Studies, Veritas University, Abuja, Nigeria
- Fernando, P. G, Octavio H, C, Mónica, G .S (2023) Managerial Skills and Organizational Performance: Competitive Advantage' Mercados y Negocios, (48), pp. 75-94, 2023 Universidad de Guadalajara
- Fonkam M.N (2021). Management Skills and Performance of State-Owned Enterprises in Cameroon. Journal of Business and Economic Development. Vol. 6, (2), pp. 115-124. doi: 10.11648/j.jbed.20210602.17
- Katz, R. (2015). Types of Managerial Skills.https://corporatefinanceinstitute.com/resources/c areers/soft-skills/management-skills/.Accessed 27/4/2022
- Logose, K (2022) the effect of managerial skills on the growth of small and medium enterprises in pallisa district, a case study in pallisa
- Mintzberg ,H. (1971) Managerial Work: Analysis from Observation. Management Science 18(2):B-97-B-110.
- NG'ora,S, Mwakalobo, A.S, Lwesy, F (2022) Managerial Skills for Micro, Small and Mediumsized Enterprises (MSMEs') Management Dynamics in the Knowledge Economy, 10(4), 343-359. DOI 10.2478/mdke-2022-0022
- Niati, D. R., Siregar, Z. M. E., & Prayoga, Y. (2021). The Effect of Training on Work Performance and Career Development: The Role of Motivation as Intervening Variable. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(2), 2385–2393. https://doi.org/10.33258/birci.v4i2.1940
- Orji, M.G, Akhimien, E. Nweke ,P.I & Ridwan, M (2021) Effects of Physical Working Condition on Effective Teaching and Learning in Public Secondary Schools of Bwari Area Council Abuja, Nigeria' Budapest International Research and Critics in Linguistics and Education (BirLE) Journal Vol.4(3), PP:1118-1128.DOI: https://doi.org/10.33258/biohs.v4i2.649
- Orji, M G (2017) Impact of Personality Factors on Consumer Buying Behavior of Textile Materials in South Eastern Nigeria. PhD Thesis, Department of Business Administration, Ahmadu Bello University, Zaria, Nigeria
- Orji, M.G (2022) The Influence of Marketing Research on the Profitability of Nigerian Deposit Money Banks in Abuja, Nigeria' Economit Journal: Scientific Journal of Accountancy, Management and Finance Vol. 2 (1) PP: 19-30. DOI: https://doi.org/10.33258/economit.v2i1.608
- Orji, M.G, Ezinmuo, M.E (2019) 'Effect of Financial Incentives on Employee Work Habit and Performance in Nigerian Public Enterprises' International Journal of Research in Finance and Management; Vol. 2(2): 13-22.
- Orji, M.G, Olaniyi, K.B & Adeyemo, T(2022) Assessing Micro, Small and Medium Enterprises as an Instrument for Human Capital Development and Poverty Reduction in Abuja Area Councils of Nigeria' Britain International of Humanities and Social Sciences (BIoHS) Journal Vol. 4 (2) PP: 194-205
- Orji, M.G, Olaniyi, K.B Oladele, T and Abe. M (2022) Strategic Human Resource Management and Performance of Selected Deposit Money Banks in Abuja, Nigeria' Britain International of Humanities and Social Sciences (BIoHS) Journal Vol. 4 (1), PP: 1-12. DOI:https://doi.org/10.33258/biohs.v4i1.565
- Popescu, L., Iancu, A., Avram, M., Avram, D., & Popescu, V. (2019). The Role of Managerial Skills in the Sustainable Development of SMEs in Mehedinti County, Romania. Sustainability, 12(3), 1119. https://doi.org/10.3390/su12031119

- Shah, M. M., et al. (2020). The Development Impact of PT. Medco E & P Malaka on Economic Aspects in East Aceh Regency. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Volume 3, No 1, Page: 276-286.
- Siegel, A. (1986). Introduction to NonParametric Statistics 'Page publishers, New York town council' BSc Degree, Busitema University, Uganda
- Werdhiastutie, A. et al. (2020). Achievement Motivation as Antecedents of Quality Improvement of Organizational Human Resources. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Volume 3, No 2, Page: 747-752.