# Impact of Managerial Skills on Small Scale Businesses Performance and Growth in Nigeria

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**Abstract**

The impact of Small Scale Businesses (SSBs) on economic growth and development has attracted global attention of policy makers and academic researchers. In Nigeria, many financing policies were designed and implemented to boast the sector but the results contradicted expectations. Virtually no comparative study ever place Nigeria ahead of any of her co-developing countries. Some experts and researchers in the area thus, are of the view that the hidden factor responsible for this deficient performance maybe lack of managerial skills on the part of their proprietors. This study therefore, was designed to examine the impact of managerial skills on SSBs performance in Bauchi state of Nigeria. Questionnaire technic was used to collect data from 58 SSBs in the state and analyzed using simple linear regression to test the hypothesis on the relationship between the two variables. The study found that managerial skills have significant impact on SSBs performance. The study concluded that inadequate managerial skills are factors militating against SSBs performance and recommended that government, Non Government Organizations and SSB owners' unions should provide adequate training and development programmes to improve the managerial skills of SSB owners and their management.

**Keywords:** Managerial Skill, SSBs and SSBs' Performance

## 1.0 Introduction

Small scale businesses (SSBs) are sources for economic growth and development for every nation, because as they grow, their economy grows too. In this era of industrialization, where the development index of nations are measured basically on their achievement in terms of provision of welfare to their populace, small scale businesses play a role as employment providers in a way that ensures equitable income distribution (Kuratko, 2005). Thus, Ayanda and Laraba (2011) described small businesses as "mighty minors", that functionalize market economies and remove or minimize imperfection factors that impede adaptation to change. SSBs are generally believed to be the most appropriate scale of business for developing economies like Nigeria (Baptista, Escária, & Madruga, 2008). This is owing to the fact that their requirement of capital size and managerial expertise matches the limited size of capital for investment and managerial expertise obtainable in such countries compared to developed ones (Elkan, 1988).

In an effort to reap the benefits of SSBs, successive administrations in Nigeria have formulated and implemented different strategies to create enabling environment for SSBs formation and growth. Prior to 1970-1975 National Development Plan, the Nigerian development plans and their strategies were directed towards supporting LSBs (Osamwonyi & Tafamel, 2010). But by 1970s the policy makers' attitude to SSBs began to improve and in subsequent development plans they have been very specific on the importance of the Small and Medium Scale Enterprises (SMEs) sub-sector to the over-all economy (Nwankwo, Ewuim, & Asoya, 2012). Since then, they have been given increasing policy attention probably because of the growing disappointment with the results from LSBs in provision of employment and economic development (Mambula, 2002). Another reason that might account for that was the realization of the potentials of SMEs in terms of positive contributions to economic development in many countries (Schreiner & Woller, 2003).

The first move was the setting up of the thirteen industrial centers (IDC) during the 1970 – 1975 National Development Plan which aimed at providing extension services to small scale enterprises (SMEs) (Arogundade, 2011). This was followed by the establishment of financial institutions to provide credits for SMEs. Banks such as Nigeria Industrial Bank (NIDB), Nigeria Bank for Commerce and Industry (NBCI), Nigeria Agricultural and Cooperative Bank (NACB), People's Bank and Community Banks were established for that purpose (Nelson & Johnson, 1997). Some other programs aimed at supporting SMEs were: The World Bank Assisted SME Scheme, National Economic Reconstruction Fund (NERFUND), The Export Stimulation Loan Scheme (ESL), The Rediscounting and Refinancing Facility (RRF), The National Directorate of Employment (NDE), Fadama Programs and Poverty Alleviation Program/National Poverty Eradication Program (NAPEP) (Ehinomen & Adeleke, 2012; Olugbenga, 2012).

Contrary to the expectation of all the bodies responsible for the formulation and implementation of the above programs that Nigerian business environment would be a home for the evolution of SSBs; it emerged as an unfriendly one. Chuta (2012) observed that SMEs in Nigerian business environment are like fishes out of water, because of its unsuitability for their growth. Nnodim (2012) also observed that poor management is the

number one reason why small businesses fail.

The use of larger part if not all the profit by the owners for celebrations, investing in nonprofit social and spiritual ventures and inappropriate rules guiding giving out of credit, may be a common source of SSBs degradation since these affects not only the profit of the business but also the capital. The issue of lack of outlining strategic plans in the form of vision and objective or not working with them, may also lead to lack of direction.

Given the above stated factors that may be identified as lack of managerial skills. There is the need to study the impact of managerial skills on SSBs performance in Bauchi State. The study is guided by this hypothesis which states that managerial skills have no significant impact on SSBs performance in Bauchi state.

## 2.0  Literature Review

SMEs is one of the areas that are currently receiving academic and policy attentions but up to now differentiating SSBs from other scales of businesses such large, medium and micro defies universal definition (Chendo, 2013; Luper & Kwanum, 2012; Uchenwamgbe, 2013). Researchers and other interested parties have looked at the issue base on some specific criteria such as value added and value of assets, annual sales or number of employees (Amboise & Muldowney, 1988; Uchenwamgbe, 2013).

In Nigeria, the Central Bank defined the constructs on the basis of total asset and number of employee (Chendo, 2013). Nevertheless, the National Council on Industry (1996) cited in  Egbetokun (2008) and Osotimehin and Olajide (2012) defined that, micro business is a business whose total cost, including working capital but excluding cost of land, is not more than ₦1 million and a labor size of not more than 10 workers, while SSB is a business whose total cost, including working capital but excluding cost of land, is over ₦1million but not more than ₦40 million and a labor size of between 11 and 35 workers.

Base on the above, it seems that in Nigeria there is no consensus on the definition of SSBs, but they are defined along three dimensions: in terms of either employment or investment, or a combination of any two, or all. It also worth deducing that any business with capital base worth ₦ 1 million or has a number of employees up to 11,  is regarded as SSBs.

Since organizational goal achievement is the main yardstick of measuring the degree of SSBs' performance, a good measurement of SSBs performance should be able to consider the goal of the owner or a policy designed to promote the sector in the areas of some specific results such as output and profitability (Marr & Schiuma, 2003). This is an indication that, the managerial skills of an entrepreneur is very vital to the success or failure of the SSBs (Osamwonyi & Tafamel, 2010). Papulova (2007) identified four areas of managerial skills and these includes:

Technical skill-this is not skill related to technology, such as skills of engineer. Rather, it represents the managerial skill of using methods like break even analysis in planning or ability to prepare for and structure work in an organization.

Interpersonal skill-the skill of knowing how to lead people, where the manager will has the ability to motivate workers, solve work conflicts and work with people.

Conceptual Skills-the skills of looking at and working with the organization as a small and controllable unit and appropriately relating it with the surrounding environment.

Communication Skills-the skill of receiving and disseminating information.

This view of management skill looked at it from managing LSBs, because the knowledge of formulas of break-even analysis, economic order quantity and many others may help, though impossible because of inadequate data to apply them (Fiberesima & Rani, 2012; Monisola, 2013), and even if they obtained the data, they lack the ability to process and interpret them (Egwuonwu, Mohammed, & Momoh, 2011). Shehu, Aminu, Kamariah, Mat and Nasiru (2013) observed that it is not  necessary for SSB owner in Nigeria, provided he/she can make some practical estimates  of his/her market and capacity, he/she is skillful.

Another view of managerial skill which is  more relevant to SSBs than the one above is that of Lowden (1990) which looked at the situation from the angles of  management functions such as: Planning skills-the skill of allocating resources, developing alternatives; organizing skill-designing structure, coordinating parts, arranging delegation, and managing conflict and change in an organization; leading skills-implementing decisions, providing climate, forming communications, and developing personnel; controlling skills-establishing standards, measuring performance, taking action and Instigating self-control. But performing management function alone in an SSB as identified by this view may be irrelevant because they were formulated base on experience from management of LSBs. Agbim (2013) identified the planning and budgeting skills; detecting changes; maintaining good customer relations and ensuring correct financial records as the managerial skills related to SMEs. Seven specific managerial skills may be drawn from these four management functions: Establishing goal, allocating resources, managing conflict, communication skill, measuring performance, taking action and self-control.

Shehu, et al. (2013) examined the relationship of owner/manager knowledge, competitive intensity,

complexity of marketing, technical competence, firm size with the mediation of advisory services on the performance, using structured questionnaire on 198 manufacturing SMEs operating in Kano State. The regression result indicated significant relationship between owner/manager knowledge and performance. This study established relationship between owner/manager knowledge and SMEs performance but did not pay attention to the skill or performance level.

Fiberesima and Rani (2012) studied the impact of strategic management on business success in 40 SMEs of Port Harcourt, Rivers State. The study analyzed collected through questionnaire method with descriptive statistics and reported that majority of the SMEs were either disorganized in their practice of strategic management or made no attempt and that strategic management was found to be positively related SMEs performance.

### 2.2 Theoretical Framework

This study adopts the contingency approach based on the fact that managerial skills were measured on establishing goals, allocation of resources, communication skill, measuring performance, taking action and self-control. The contingency theory argued that there is no one or single best way or approach to manage organizations. When a manager makes a decision, he must take into account all aspects of the current situation and act on those aspects that are key to the situation at hand. Therefore, the contingency approach to management helps the manager to develop managerial strategy based on the situation and condition they are experiencing.

### 3.0 Research Methodology

The study is descriptive in nature. Data was collected from the population of the study using survey questionnaire. The questionnaire is divided into two sections and all the questions are in close ended form. Section one which is based on the adapted Lowden (1990) questionnaire (measurement of entrepreneurial managerial skill) asked questions on managerial skill and section two on SSBs performance. The responses were on the 5 point Likert Scale: strongly disagree, disagree, partially agree, agree and strongly agree. The level of agreement to the statements in section one indicates level of managerial skill and level of disagreement indicates level of lack of managerial skill while in level of agreement indicates level of performance and level of disagreement indicates level of lack of performance. Managerial skill was measured in the areas of Planning, organizing, leading and controlling skills, while SSB performance was measured on sales growth and profit.

The validity of the adapted instrument was obtained through the help of the experts in the field. This confirmed the dimensions of the concepts under study, which were operationally defined, to ensure appropriateness of results. The internal consistency of the scales was obtained with the application of the Cronbach Alpha Coefficient as reported in the Reliability table.

**Reliability Table**

| Variable | Number of Items | Cronbach Alpha |
|---|---|---|
| Entrepreneurial Characteristics | 10 | 0.827 |
| SMEs Performance | 5 | 0.942 |

Source: primary data

The Reliability table displays the reliability coefficients for all the constructs used in the study. The alpha reliabilities for all scales are 0.827 and 0.942, therefore meeting acceptance standards for research.

The population of this study consists of 64 SSB owners in of Bauchi State that have registered with their local government cooperative offices. The respondents were selected on purposive sampling, because they are the major business people in the LGs. Their appropriateness in term of level of scale was revealed by their union leaders through the local governments Cooperative Offices. Owing to the fact that the population size is not large enough to take samples from, the whole population was used for the study.

The data was analyzed using descriptive statistics and simple linear regression analysis with Statistical Package for Social Science (SPSS) version 18, to test the hypothesis on the impact of managerial skill on SSBs performance in Bauchi state. This is because there are only two variables SSBs' performance as dependent and managerial skill as independent and the data was collected using questionnaire on 5 point Likert-Scale (Norman, 2010). The analysis was based on the 58 filled and returned questionnaires which represent 91% of the total questionnaires distributed (64).

Model Specification:

$$SBP = \alpha + \beta MNS + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots..1$$

Where:

SBP = Small Business Performance

$\alpha$ = constant

$\beta$ = coefficient of the independent variable

MNS = Managerial Skills
e = error term

## 4.0 Data Analysis
## 4.1 Descriptive Statistics Result
The decision rule of this analysis is that any mean response of 1-2.49 (below average) would be considered as lack of performance; 2.50-3.49 (average) would be considered average performance and above 3.50-5.00 (above average) would be considered as high performance.

**Descriptive Statistics**

|  | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| MS | 58 | 1.20 | 3.90 | 2.0103 | .66456 |
| BP | 58 | 1.00 | 3.50 | 1.8664 | .62340 |
| Valid N (listwise) | 58 |  |  |  |  |

**Source:** SPSS output

The Descriptive Statistics table above shows a mean 2.01 against managerial skills (MS) indicates disagreement lack of managerial skills. The table also shows a mean of 1.87 which also fall within lack of performance.

## 4.1 Tests of Hypothesis
The hypothesis (Ho): managerial skill has no significant impact on SSBs performance in Bauchi state was tested at 5% level of significance and the decision rule is that, if the t-value is less than the critical value, the hypothesis would be accepted and if equal or greater than the critical value, it would be rejected.

## 4.2 Result and Findings

**Model Summary**

| Model |  | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|---|
| dimension0 | 1 | .775[a] | .601 | .594 | .39734 |

a.  Predictors: (Constant), MS
**Source:** SPSS output

The above table (model summery) shows that with the adjusted R square value of 0.594 indicates that 59.4% of variation in the dependent variable (SSBs performance) was as a result of the independent variable (managerial skills). Therefore, going by this R square, managerial skill appeared a strong variable of predicting SSB performance in Bauchi state.

**ANOVA[b]**

| Model |  | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 13.311 | 1 | 13.311 | 84.308 | .000[a] |
|  | Residual | 8.841 | 56 | .158 |  |  |
|  | Total | 22.152 | 57 |  |  |  |

a. Predictors: (Constant), MS
b. Dependent Variable: BP
**Source:** SPSS output

The above table (ANOVA[b]) shows a significant level less than 1%, which are far below the established significant level of this paper 5%. Therefore, the F-statistic is large enough to indicate that the model of this study about Managerial skills and SSBs performance in Bauchi state is highly fitted.

**Coefficients[a]**

| Model |  | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
|  |  | B | Std. Error | Beta |  |  |
| 1 | (Constant) | .405 | .168 |  | 2.415 | .019 |
|  | MS | .727 | .079 | .775 | 9.182 | .000 |

a. Dependent Variable: BP
**Source:** SPSS output

The third table (coefficients) shows a t-value (9.182) against managerial skill (MS) which is greater than the

critical value (1.96) and the significant level is p<1% which is less than 5%. Therefore, the hypothesis which states that managerial skill has no significant impact on SSBs performance in Bauchi state is hereby rejected. This result is consistent with Ihua, (2009), Agbim, (2013) and Shehu, et al., (2013).

### 4.2 Finding
This study found lack of managerial skills and poor SSBs' performance in Bauchi state. It also found that managerial skills in the areas of establishing goals, allocating resources, managing conflict, communication, measuring performance, taking action and self-control are major predictors of SMEs' performance in sales growth and profit in Bauchi state

## 5.0 Conclusion and Recommendations
### 5.1 Conclusion
Based on the finding of the study it is concluded that, lack managerial skills in the areas of establishing goals, allocating resources, managing conflict, communication, measuring performance, taking action and self-control is the main factor behind poor performance of SSBs in the areas of sales growth and profit as a result of lack managerial skills as asserted by Chuta, (2012) and Nnodim, (2012). Therefore, unless measures are put in place by all stake holders such as governments, NGOs and SSB owners' unions to tackle the problems of lack of managerial skills Nigeria cannot reap the benefit of SMEs.

### 5.2 Recommendations
Government should intervene to provide training centers that will give managerial training to the SSB owners. This should be done in such a way that the attendance period to be designed by the government representatives in collaboration with SSB owners' union leaders and a valid and recognized certificate should accompany the training. This will make attendance convenient for the existing SSB owners

Governments, also at local level should through their cooperative offices be sending their qualified staff to be interacting with SSB owners at their places of business to identify their areas of weakness and give them support as appropriate.

NGOs should in collaboration with SSB owners' union leaders organize workshops for the business men and women that will enhance their managerial capability

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