

Managerial Competence and Sustainability of Small and Medium Enterprises (SMES) in Rivers State, Nigeria

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Abstract: *This paper examined the extent to which managerial competence relates with sustainability of SMEs in Rivers state. The study utilized the cross-sectional survey, in which 100 copies of research instruments were distributed to 25 SMEs based in Port Harcourt, out of a population of 150 SMEs. Of the 100 copies distributed, 91 copies were returned and found useful for data analyses. The stated hypotheses were tested using Spearman Rank order correlation, since our data was collected in ordinal form. The results of the tested hypotheses shows that all the null hypotheses were rejected because the coefficients were positive and the p-values were less than alpha level of 0.05, implying that there was a significant relationship between strategic competence and access to financial resources. There was also a significant relationship between organizing, leading competence and access to financial resources. SMEs must therefore be strategic since the business environment is highly competitive. The study recommended that the government should create a conducive climate for SMEs to thrive. Financial institutions should also aid the ideas of managers by providing them with soft loans.*

Key words: *Strategic Competence, Sustainability, SMEs, organizing, Leading, Positioning.*

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1.0 Introduction

SMEs has ripple effects on the economic growth of both developing and developed nations (Churchill & Lewis, 2009). The creation of wealth and prosperity of any nation is tied to its SMEs. Through the activities of these enterprises, job opportunities are generated for the labour force, from which income is earned (Eniola, 2014). The job engagements generates income, which is expended to meet the pecuniary needs of domestic households, thereby, alleviates poverty. At the same time, the income generates public revenue for the government through the collection of taxes (Aremu & Adeyemi, 2011). The culminating impact of the existence of SMEs is an increase in the overall standard of living of citizens and economic development of a nation.

The preeminence of SMEs is manifest in the fact that they account for 98.8% of the total business organizations in European Union, 90% of businesses in Africa, Caribbean and Pacific Nations (Svetlicic & Burge, 2007). In the process, SMEs employs 87% of Nigeria's workforce

(Eniola, 2014).

Regardless of this critical status of SMEs in virtually every nation, empirical evidences has deduced that they have short life span (Ahmad, 2007). Okingbolu (2014) stated that 70% of SMEs in Nigeria goes into extinction within the first 3 years of inception, only 5-10 of them makes it to its full operational stage. This is in spite of Nigeria's huge national resources and the corresponding supports and financial backings (Hassan & Olaniran, 2011).

Researches on SMEs have concentrated more on identifying the challenges faced by SMEs, with very little attention to managerial competence. The primary effort of this research would be to elucidate the relationship between managerial competence and sustainability of SMEs in Port Harcourt, a city in Rivers State, Nigeria.

Research Objectives

- To examine the relationship between strategic competence and access to financial resources in SMEs in Rivers State.
- To examine the relationship between strategic competence and strategic positioning in SMEs in Rivers State.
- To examine the relationship between organizing, leading competence and access to financial resources in SMEs in Rivers State.
- To examine the relationship between organizing, leading competence and strategic positioning in SMEs in Rivers State.

Research Questions

The researchers have devised the following research questions;

- What is the relationship between strategic competence and access to financial resources in SMEs in Rivers State?
- What is the relationship between strategic competence and strategic positioning in SMEs in Rivers State?
- What is the relationship between organizing, leading competence and access to financial resources in SMEs in Rivers State?
- What is the relationship between organizing, leading competence and strategic positioning in SMEs in Rivers State?

Research Hypotheses

The researchers have devised the following hypotheses;

Ho₁: There is no significant relationship between strategic competence and access to financial resources in SMEs in Rivers State.

Ho₂: There is no significant relationship between strategic competence and strategic positioning in SMEs in Rivers State.

Ho₃: There is no significant relationship between organizing, leading competence and access to financial resources in SMEs in Rivers State.

Ho₄: There is no significant relationship between organizing, leading competence and strategic positioning in SMEs in Rivers State.

2.0 Literature Review

Research Model

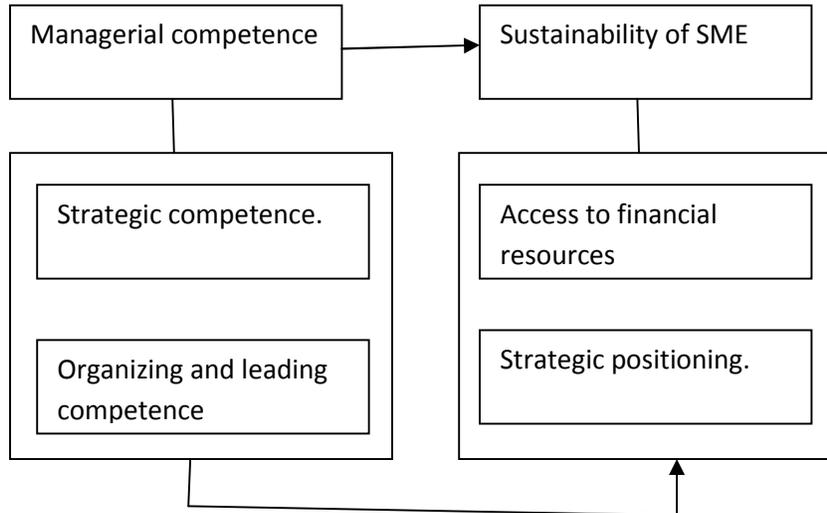


Fig 1. Operational framework indicating the connection between managerial competence and sustainability of SME.

SOURCE: Conceptualized by researchers (2019).

The human capital theory serves as the base for this research work. Abouzeedan (2011) described human capital as a combination of learning and individual traits that enables a person to adequately and accurately carry out assignments in a bid to increase monetary value. Tarwirei (2005) opined that human capital includes; academic accomplishments, industrial exposure before and after the commencement of the venture. These basic ingredients of the theory aligns with the concept of managerial competence. Tarwirei (2015) further observed that in several SMEs of different countries of the world, managerial functions of the firm is usually carried out by the proprietor of the business essentially because of the size of the organization and other economic considerations. As such, the success of the firm is tied to the personal competence of the proprietors. Research carried out by Balunywa (2003) revealed that SMEs are deficient of the needed human capital with which to carry out their business activities.

SME and Sustainability

There is no straightjacket definition of SME, rather, definitions has emerged on the bases of economic advancement of nations, individual and institutional perceptions. United States of America and Canada retains a definition bordering on the combination of the turnover and employment threshold of businesses. In the case of Nigeria, notable institutions such as the Central Bank of Nigeria (CBN) defined SME as an organization in which its capital employed other than land falls within 1-150 million naira, and has within its employ a maximum of 500 workers (Dandago, 2011). The Small and Medium Industries Enterprise scheme (SMIEIS) described an SME as a business organization having an asset of not more than 200 million naira

other than its land and working capital, with a maximum employee of 300 staff (SMIEIS, 2006).

Agwu (2014) identified some basic features of SMEs such as; combination of proprietorship and management, the use of simple technology to drive its activities, intense use of labour in its operations, utilization of a non-complex organisational structure, as well as a informal employee-employer relationship.

SMEs in Nigeria are mostly sole proprietorships and partnership, while a few are limited liability companies. SMEs are found in all sectors of the Nigerian economy.

For the purpose of this research, access to financial resources and strategic positioning will be used as the measures to measure sustainability of SMEs in Port Harcourt.

Access to Financial Resources

The World Bank enterprise survey has indicated that the limitation of access to financial resources is the gravest restrain SMEs in developing nations encounter. Empirical evidences from Pinto (2011), sustains the view that the growth and sustainability of SMEs are greatly negatively affected by limited access to funds. The activities and pursuits of start-ups and other SMEs are so volatile such that banks and other support financial institutions are usually hesitant to issue credit facilities. Even when they do, the interest charges are usually too high for proprietors to bear (Dagogo & Ollor, 2012).

Strategic Positioning

Although so much has been researched on strategic positioning, only very few scholars has connected strategic positioning with SMEs (Magara, 2016). In the eyes of Kitchen (2011), strategic position is setting out the limits of an organization and adjusting the sphere of its undertakings on the supply chain with an intention to withdraw from certain undertakings. Baines (2011) consolidated the above view by asserting that strategic position is the placement of an organization within its supply chain system. Magara (2015) opined that for a brand of an organization to be better positioned, it has to be examined in contrast to its rivals. The outcome of its examination is what spurs a consumer from patronizing one brand over another. Again, to attain strategic positioning, a firm must link its resources and strength to customers' aspirations (Porter, 2011).

Concept of Strategic Competence

Ramsden & Benneth (2015) pointed out that it is vital for proprietors or managers of SMEs to have the requisite skills and capabilities ever before venturing into business. In the parlance of business, Lerner & Almor (2002) defined competency as the capability needed to effectively and efficiently execute an assignment. The concept has been studied by a couple of researchers in the past such as; Bird (2008), Hoffman (2009), Ahmed & Seet (2009), Magara (2016) etc. Particularly, Hoffman (2009) recognized in his work that they were various perspectives of managerial competence. This research would view managerial competence as the fundamental personal traits that results in the formation, evolution and continued existence of a business organization (Bird, 1995). For the purpose of this research, organizing and leading competence as well as strategic competence would be used as the dimensions to measure managerial competence.

Organizing and Leading Competence

The situation of most SMEs is such that the owners of the business doubles as managers of the business organization. As such, the onus rests on the managers to carry out different duties and take charge of several functional aspects of the organization. These responsibilities requires the

managers to organize the different resources of the business to ensure the smooth running of the organization (Chandler & Hanks, 1994). Specifically, Martin & Staines (1994) emphasized the need for managers of SMEs to arm themselves with organizing and leading skills, which are expected to enable them effectively manage their human resources. This peculiarity is predicated on the fact that a lot of proprietors have close interactions with their staff, hence, requires significant leadership skill to efficiently manage their businesses (Boon-itt & Pongpanarat, 2011).

Strategic Competence

Strategic competence is associated with the development, assessment and implementation of the policies of an organization (Man, Lau & Chan, 2001). Strategic competency encompasses the ability of a manager to anticipate the future requirements of his business organization and take practical steps to match such requirements. It also embodies the establishment and implementation of definite goals and objectives that tends to give the organization a significant edge over its business rivals (Boon-itt & Pongpanarat, 2011).

3.0 Methodology

The quasi-experimental research design was adopted for this work, 100 copies of questionnaire were distributed to 25 SMEs in Rivers state. However, only 91 copies were retrieved and considered useful for further analyses. Spearman Rank order correlation was used in testing our null hypotheses. The analysis of the data was aided by the utilization of statistical package for social sciences (SPSS version 21.0).

4.0 Results and Discussions

Ho₁ There is no significant relationship between Strategic competence and access to financial resources in SMEs in Rivers State.

Correlations

			Strategic_Co mpetence	Access_to_fin _resources
Spearman's rho	Strategic_Competence	Correlation Coefficient	1.000	.549**
		Sig. (2-tailed)	.	.000
		N	91	91
	Access_to_fin_resources	Correlation Coefficient	.549**	1.000
		Sig. (2-tailed)	.000	.
		N	91	91

** . Correlation is significant at the 0.01 level (2-tailed).

Our first test of hypothesis showed a significant relationship between strategic competence and access to financial resources with a correlation coefficient of 0.549 and a p-value of 0.000. We would therefore reject the stated null hypothesis.

Ho₂ There is no significant relationship between Strategic competence and strategic positioning in SMEs in Rivers State.

Correlations

			Strategic_Co mpetence	Strategic_Pos itioning
Spearman's rho	Strategic_Competence	Correlation Coefficient	1.000	.345
		Sig. (2-tailed)	.	.000
		N	91	91
	Strategic_Positioning	Correlation Coefficient	.345	1.000
		Sig. (2-tailed)	.000	.
		N	91	91

Hypothesis two showed a significant relationship between strategic competence and strategic positioning with a correlation coefficient of 0.345 and a p-value of 0.000. We would also reject the stated null hypothesis.

Ho₃ There is no significant relationship between Organizing and leading competence and access to financial resources in SMEs in Rivers State.

Correlations

			Organzing_an d_leading_Co mpence	Access_to_fin _resources
Spearman's rho	Organzing_and_leading_ Compence	Correlation Coefficient	1.000	.790**
		Sig. (2-tailed)	.	.000
		N	91	91
	Access_to_fin_resources	Correlation Coefficient	.790**	1.000
		Sig. (2-tailed)	.000	.
		N	91	91

** . Correlation is significant at the 0.01 level (2-tailed).

Hypothesis three also showed a significant relationship between organizing, leading competence and access to financial resources with a correlation coefficient of 0.790 and a p-value of 0.000. We would also reject the stated null hypothesis.

Ho₄ There is no significant relationship between Organizing, leading competence and strategic positioning in SMEs in Rivers State.

Correlations

			Organzing_an d_leading_Co mpence	Strategic_Pos itioning
Spearman's rho	Organzing_and_leading_ Compence	Correlation Coefficient	1.000	.412**
		Sig. (2-tailed)	.	.000
		N	91	91
	Strategic_Positioning	Correlation Coefficient	.412**	1.000
		Sig. (2-tailed)	.000	.
		N	91	91

** . Correlation is significant at the 0.01 level (2-tailed).

Hypothesis four also showed a significant relationship between organizing, leading competence and strategic positioning with a correlation coefficient of 0.412 and a p-value of 0.000. We would also reject the stated null hypothesis.

5.0 Conclusion and Recommendations

This study has empirically examined the extent to which managerial competence relates with sustainability of SMEs in Rivers State. In all the hypotheses that were tested, our third hypothesis had the strongest relationship with a coefficient of 0.790 and a p-value of 0.000 which is less than alpha of 0.05. While the least relationship exists in our second hypothesis with a coefficient of 0.345 and a p-value of 0.000. This implies that SMEs must not just depend on the residual knowledge of their owners. They must go strategic because the business environment is a competitive environment where only the strong would survive. Based on the foregoing, we recommend the following;

- There is need for entrepreneurs to gather adequate knowledge on the venture they want to embark on so that they would be more prepared in terms of risk management.
- Entrepreneurs should enroll themselves and their workers to training and development so that they would have adequate picture of how the market within the industry has gone through innovation. This would help them in decision making.
- The government is not left out in this exercise. There should be a conducive climate for business operation in the country in terms of security and overall government policies.
- Financial institutions should also contribute to make SMEs grow by providing soft loans to make them increase their ideas.

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APPENDIXES: Measurement Instruments

Strategic competence

	SD	D	N	A	SA
We have a clear direction.					
We have established long term objectives.					
We have formulated strategies to increase customers and sales.					
We have developed a respectable corporate image and reputation.					
We use our organizational resources to increase performance.					
We forecast and formulate strategies to overcome negative eventualities.					
We appraise outcomes with strategic objectives.					
We redirect actions to actualize business goals.					
We order task to conform with strategic objectives.					
We execute proper analysis before making business decisions.					
Organizing and Leading Competence					
We organize critical organizational resources.					
We organize the financial aspects of the organization.					
We forecast business activities officially or unofficially.					
We demonstrate leadership by example.					
Teamwork is promoted in the organization.					
The right personnel are engaged.					
We have the consciousness to reduce overheads.					
Teams are inspired to achieve set objectives.					
Autonomy are granted to personnel.					
Access to Financial Resources					
We have a stable and reliable means of funding.					
Finance has a significant function in the development and application of our sustainability strategy.					
Instability of market reduces our operations.					
We have financial systems that promotes accountability.					
Random changes in economic trend has a negative impact on our operations.					
We have a financial system that promotes the growth of sought after products.					

Strategic Positioning					
We offer products and services that are unique from what our rivals are offering.					
We have established a clear knowledge of the needs of our customers and has also set the appropriate channels for communication.					
Through strategic positioning we have taken more advantage of market opportunities more effectively.					
We have continuous competitive advantage that has brought about higher returns.					
We have developed a distinct operational status in dealing with our different business activities.					