Entrepreneurs' Managerial Skills as Determinants for Growth of Small and Medium Enterprises (SMEs) in Nigeria

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Abstract

Existing studies manage to give an answer to the question of how different determinants affect growth; they largely fail to explain the underlying processes of why these determinants might affect growth. This study seeks to investigate entrepreneurs' managerial skills as determinants for growth of small and medium enterprises (SMEs) in Nigeria. This was achieved by establishing the influence of entrepreneurs' conceptual skills and determining the effect of entrepreneurs' technical skills on the growth of small and medium enterprises in Nigeria. A survey research design was adopted. A full study of a simple random sample of 204 entrepreneurs in registered SMEs with Corporate Affairs Commission in Abuja, Kaduna, Kano, Ibadan, Lagos and Aba. Data was collected using questionnaire and analyzed using the SPSS software version 23. Linear regression was the tool used. The findings have shown that both the entrepreneurs' conceptual and technical skills contribute to the managerial skills of the entrepreneurs which has brought about growth in SMEs in Nigeria. The study recommends that entrepreneurs should endeavour to acquire conceptual skills for strategic planning for the enterprise. And SMEs that are related to engineering and other technical orientations should ensure that entrepreneurs acquire such technical skills so as to leverage for the growth of their enterprise.

Keywords: Economic Input, Gross Domestic Product (GDP), Growth, Poverty and Small and Medium Enterprises (SMEs).

Background to the Study

The development of small and medium enterprises (SMEs) in Nigeria dates back to the early 1960's with the establishment of Industrial Development Centers which were intended to assist and provide a solid foundation for industrial development (Aremu 2004). There was also a growing concern on low employment and the need for poverty alleviation measures. This led subsequent government administrations in Nigeria to initiate several policies/schemes with the aim of generating employment. More recently the Nigerian Government embarked on it 2011-2015 National Transformation Agenda which was targeted at creating more jobs and reducing poverty. Among the several policy measures initiated was the need for the strengthening of Small and Medium Enterprises Development Association of Nigeria (SMEDAN) which provides technical support for SMEs including advisory and preparation of bankable feasibility study. The economic impact of SMEs can be measured by their contribution to output, employment, income, investment, export and other economic indicators (Prasad, 2004). In most countries, the definitions of SMEs include Cluster of Small and Medium Enterprises based on numbers of employees.

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The Central Bank of Nigeria (2008) classifies service providers in cluster enterprises in the following order, small enterprises employ 1-49 persons, medium enterprises employ 50-99 persons and large enterprises employ 100 and above. Available data from African countries show that in 2003 SMEs in Kenya employed 3.2 million people and accounted for 18% of the Gross Domestic Product (GDP). In Nigeria, SMEs account for 95% of formal manufacturing activity and 70% of industrial jobs. In South Africa, micro and small firms provided more than 55% of total employment and 22% of Gross Domestic Product (GDP) in 2003 (OECD, 2004). These are all developing economies that require growth in all sectors of their economy. Growth, as such is a change process and it could be that explanatory variable change that is quite substantial during this process. Until we do know, it must remain an unwise over simplification to assume that nothing else but size changes. While existing studies manage to give an answer to the question of how different determinants affect growth, they largely fail to explain the underlying processes of why these determinants might affect growth. The growth of SMEs is an important indicator of a thriving economy. it is against this background that this study seeks to investigate specifically the entrepreneurs managerial skills as determinants for growth of small and medium enterprises in Nigeria.

Specific Objectives

1. To establish the influence of entrepreneurs conceptual skills on the growth of Small and Medium Enterprises in Nigeria.
2. To determine the effect of Entrepreneurs technical skills on the growth of Small and Medium Enterprises in Nigeria.

Research Hypothesis

1. H_O: There is no significant relationship between the Entrepreneurs Conceptual Skills and growth of Small and Medium Enterprises in Nigeria.
2. H_O: Technical Skills of Entrepreneurs have no significant effect on the growth of Small and Medium Enterprises in Nigeria.

Literature Review

Managerial Skills of Entrepreneurs

Smit (2004) define management as the attainment of enterprise goals in an effective and efficient manner achieved through planning, organizing, leading and controlling the enterprise resources. Management skills shall be looked under conceptual and technical skills of entrepreneurs.

Conceptual Skills

Conceptual skills are the cognitive ability to see the enterprise as a whole and the relationship among its parts. It involves the entrepreneur thinking, information processing and planning abilities. Daley (2001) observes that conceptual skill is the ability to think strategically. Conceptual skills are needed by entrepreneurs to strategically plan for their enterprise. They must perceive significant elements in a situation and in broad conceptual skills in areas such as decision making, resource allocation and innovation.

Technical Skills

Technical skills are the understanding of a proficiency in the performance of specific tasks. Technical skills include mastery of the methods, techniques and equipment involved in specific functions such as engineering, manufacturing or finance. They also include specialized knowledge, analytical ability and the competent use of tools and techniques to solve problems in that specific discipline. Entrepreneurs and founders of Small and Medium Enterprises should have some technical skills in their field so as to effectively manage their enterprise. Resource based theory emphasizes the importance of the internal resources of the enterprise as the major determinant of success factor (Barney, 1991 Grant, 1991, Wernerfelf, 1984). The resource based theory provides appropriate means to define the concept of key employee. The key employees are seen as a strategic resource base, which has to be developed in order to create and maintain sustained competitive advantage (Grant, 1991, Vesalainen and Rontamaa, 1991).

Growth Theory

Lucas model incorporates the entrepreneurs as a key variable in the study of the growth of the enterprise. Lucas (1978) argues that individuals have differing endowments of managerial ability or business acumen, Lucas argues that these differences are critical determinants of enterprise growth. He further argues that enterprises with better managerial ability are more efficient and operate at lower average cost curves and are likely to increase output. On the other hand, those with lower endowments of managerial capability become workers. Over time SMEs creation and failure occur when those with managerial ability shift between being workers and entrepreneurs.

Research Framework

The primary variable of interest of the study is the dependent variable of growth which is measured by the number of employees and number of clients. The independent variables that may influence the dependent variable are conceptual and technical skills of Entrepreneurs. The relationships between the dependent and independent variables are shown in figure 1.

Figure 1 Conceptual Framework

Independent Variables   Dependent Variables

Managerial Skills of Entrepreneurs • Conceptual Skills of Entrepreneurs. • Technical Skills of Entrepreneurs.	Influence →	Growth of SMEs • Number of Employees • Number of Clients
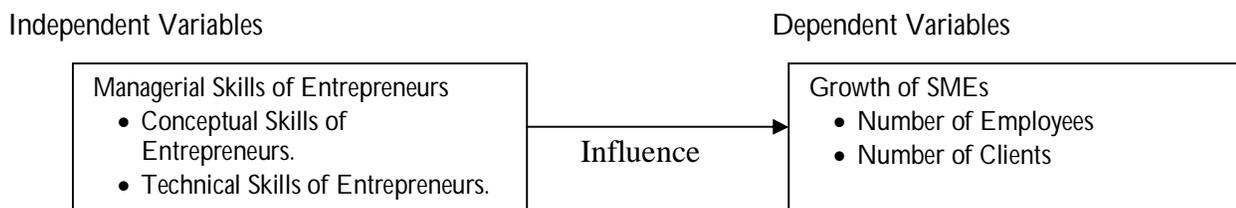
Research Method

For the purpose of data collection, a survey questionnaire was conducted among registered SMEs as documented by the Corporate Affairs Commission directory of 2015. The research questionnaire was divided into three main sections, which evaluated the respondents' background, background of the enterprises and the growth factors of the enterprises. The main research instrument used in this study was the open-ended format of questionnaires. To test the content validity, the questionnaire was initially distributed to expert's panels of 3 comprising an Entrepreneur, Statistician and Academia knowledgeable in the area of enterprise growth. This was followed by a pilot survey to get an initial feedback on the content of the questionnaire. During the pilot survey, 30 respondents of registered enterprises with Corporate Affairs Commission were collected and the questionnaire was then amended according to the comments of the entrepreneurs before the actual feedback began. In the main survey, a total number of 304 questionnaires were sent out to entrepreneurs in Abuja, Ibadan, Lagos, Aba and Kaduna towns. After three months period, 204 (67%) response rates of the questionnaires were returned and deemed useable. The data was analyzed by using standard regression analysis to establish the findings.

However, in the content of this study, enterprise growth is defined in terms of number of clients and employees. In business world, these two indicators are highly used by researchers to measure growth of enterprise due to their clarity in definition in terms of the size of enterprise and to the accessibility by researchers.

Data Analysis:

Objective 1**.** To establish the influence of Entrepreneurs Conceptual Skills on the growth of Small and Medium Enterprise in Nigeria.

Descriptive Analysis

The study revealed that 75.7% of the respondents agreed that there are policy measures aimed at developing conceptual skills of employees in their enterprise while 24.3% of the respondents said they have no policy measures aimed at developing conceptual skills of employees in their enterprise. The findings relate with human capital theory.

This specific human capital also includes knowledge of how to manage an enterprise that is entrepreneur specific human capital (Colombo & Grill, 2015). The human capital theory is important in guiding the decision marker in an enterprise.

Inferential Analysis

Growth was regressed on conceptual skills of entrepreneurs. The research model was derived from the theoretical framework of theory of factors of growth. This hypothesized that there is a direct and positive association between factors of growth and organizational growth. The relationship among the variables is depicted below.

$$Y = B_0 + B_1 X_1$$

Where

Y = Growth of SMEs in Nigeria
B_o = Coefficient of intercept (Constant)
X_1 = Conceptual Skills of Entrepreneurs
B_1 = Regression Coefficient

Linear regression was used to measure the linear relationship between the independent and dependent variables.

Table 1 shows that the correlation coefficient (R) between conceptual Skills of Entrepreneurs and the growth of SMEs in Nigeria is 0.742 implying a strong linear relationship between Conceptual Skills of Entrepreneurs and the growth of SMEs in Nigeria. The coefficient of R^2 adjusted is 0.223 indicating that 22.3% of the variation in the growth of SMEs in Nigeria was explained by the Conceptual Skills of Entrepreneur.

Table 1: Model Summary

Model	R	R^2	R^2 adjusted	Std error to the estimate
1	.742	.551	.223	1.52433

A. Predictor (constant) conceptual skill of entrepreneurs.

Table 2 shows an ANOVA test performed on the conceptual skills of entrepreneurs in Nigeria. It has a P-value equal to .000 which is lower than $\propto$ (0.05), therefore we conclude that the model is significant and therefore fit for use.

Table 2: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig
1. Regression	11.631	1	11.321	8.156	.000
2. Residual	5.702	2	1.426		
3. Total	17.333	3			

a. Dependent variable growth of SMEs in Nigeria.
b. Predictor (constant) conceptual skills of entrepreneurs.

Table 3 shows that linear relationship between conceptual skills of entrepreneurs and the growth of SMEs in Nigeria is $Y = 6.994 + 1.329 X_1$ where Y= the growth of SMEs in Nigeria and X_1 Conceptual Skills of entrepreneurs the P-Value of the slope of the model .000 is less then $\propto$ (0.05) therefore H_0 is rejected and it is concluded that conceptual skills of entrepreneurs have a significant role in the growth of SMEs in Nigeria.

Table 3: Regression Coefficient

Model	unstandardized Coefficient		Standardized coefficient	F	Sig
	B	**Std error**	**B**		
1. (Constant)	6.994	2.582		7.695	1011
Conceptual Skills	1.329	.113	1.46	9.298	1000

a. Dependent variable: Growth of SMEs in Nigeria.

Objective 2: To determine the effect of entrepreneurs' technical skills on the growth of Small and Medium Enterprises in Nigeria.

Descriptive Analysis

The study revealed that 88.2% of the respondents agreed that there are policy measures on entrepreneurs' technical skills in their enterprise while 11.8% of the respondents do not have policy measure in entrepreneurs' technical skills in their enterprise.

Inferential Analysis

Growth was regressed on technical skills of entrepreneurs. The research model was derived from the theoretical framework of the theory of factors of the growth. This hypothesized that there is a direct and positive association between factors of growth and organizational growth. The relationships among the variables are depicted below:

$Y = B_0 + B_2 X_2$
Where
Y = Growth of SMEs in Nigeria
B_0 = Coefficient of Intercept (constant)
X_2 = Technical Skills of Entrepreneurs in Nigeria
B_2 = Regression Coefficient
Linear regression was used to measure the linear relationship between the independent and dependent variables.
Table 4 shows that the correlation coefficient (R) between the technical skills of entrepreneurs and the growth of SMEs in Nigeria is 0.889 implying a strong linear relationship between technical skills of entrepreneurs and the growth of SMEs in Nigeria. The coefficient R^2 adjusted is 0.631 indicating that 63.1% of the variation in the growth of SMEs in Nigeria was explained by the technical skills of entrepreneurs.

Table 4: Model Summary

Model	R	R^2	R^2 adjusted	Std error to the estimate
1	0.889	0.790	0.631	3.56535

a. Predictor (constant) Technical skills of entrepreneurs.

Table 5 shows an ANOVA test performed on the technical skills of entrepreneurs. It has a P-value equal to .000 which is less than $\propto$ (0.05), therefore conclude that the model is significant and therefore fit for use.

Table 5: ANOVA

Model	Sum of squares	df	Mean Square	F	Sig
1 Regression	8.304	1	8.304	6.606	.000
Residual	5.029	2	1.257		
Total	13.333	3			

a. Dependent Variable Growth of SMEs in Nigeria
b. Predictor (constant) Technical skills of Entrepreneurs.

Table 6 shows the linear relationship between technical skills of entrepreneurs and the growth of SMEs in Nigeria is $Y = 3.529 + 1.324 X_2$ where $Y=$ the growth of SMEs in Nigeria and X_2 the technical skills of entrepreneurs. The P-value of the slope of the model .000 is less than $\propto$ (0.05) therefore Ho is rejected and concludes that technical skills of entrepreneurs have a significant role in the growth of SMEs in Nigeria.

Table 6: Regression Coefficient

Model	Unstandardized Coefficient		Standardized Coeff.	F	sig
	B	Std error	B		
Constant	3.529	1.232		11.009	.003
Technical Skills	1.324	.294	.124	12.249	.000

Discussions

From the analysis conceptual and technical skills of entrepreneurs which form the managerial skills contribute to the growth of SMEs in Nigeria. These two factors should be given more attention by entrepreneurs that aim to achieve growth in their enterprise. From the analysis, managerial skills of entrepreneurs have a substantial relationship with growth of SMEs in Nigeria.

Conclusions

Conceptual skills of entrepreneur has made every employee of the enterprise to be goal driven and self confident in providing solutions to any challenge they might come across while performing their duties. With technical skills acquired by entrepreneurs in information technology and services provided by employees, this has brought about better service delivery which is a fulcrum for growth.

Recommendations

1. For growth of SMEs in Nigeria, entrepreneurs need to acquire conceptual skills for strategic planning for their enterprise through such area as decision making, resource allocation and innovation.
2. Technical skills are very important for business growth. Entrepreneurs need to have the required expertise to successfully manage an enterprise most especially in engineering and technical related businesses.

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