

Effect of Managerial Competencies on Small Medium Enterprise Creation in Awka South Local Government Area

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ABSTRACT

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This study investigated the effect of Managerial competencies on small medium enterprise creation in Awka South Local Government Area. The research design was descriptive research design. The study has a total population of 1453. The population of the study comprised of owners and employees in SMEs in Anambra State. Taro Yamane's formula was applied to determine a sample size of 314. Simple random sampling technique was used in selecting the sample from the population of the study. Primary source of data collection was in data collection. The respondents' demographics was presented in frequency tables and analyzed using simple percentage. The study found that management competencies help SMEs to coordinate the everyday activity of the business, develop broad-based investment planning and implementation. The study recommended that government should establish centres that teaches management competencies so as to help SMEs owners to coordinate the everyday activity of the business.

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1. Introduction

Small and Medium Enterprise (SME) is one of the sectors of the economy that significantly contributes to the Gross Domestic Product (GDP) of an economy. It is a sector that assists in job creation and reduces the level of unemployment, poverty and promotion of entrepreneurship activities. According to Garba, (2020), SMEs facilitate development of skills for job creation, improve per capita income, increase value addition to raw materials supply, improve export earnings, enhance capacity utilisation in key industries and unlock economic expansion and GDP growth. More so, according to the reports, small and medium scale enterprises (SMEs) in Nigeria have contributed about 48% of the national GDP in the last five years. With a total number of about 17.4 million, they account for about 50% of industrial jobs and nearly 90% of the manufacturing sector, in terms of number of enterprises. However, it appears many of the SMEs owners seem to lack the required entrepreneurial competencies that strengthened businesses for competitiveness both locally and globally. Sadly, it seems the owners of SMEs do not understand the efficacy of entrepreneurial competency for business sustainability.

Kaur and Bains (2018) described entrepreneurial competency as an entrepreneur's knowledge of skillfulness and creativity that enable the him become passionate, motivated, optimistic, persuasive, flexible, resourceful, assume risk, excellent planner, problem solver in job creation and business sustainability in the labour market. Entrepreneurs are expected to possess entrepreneurial competencies such as managerial competencies, financial competencies, and marketing skills becomes necessary so as to reduce unemployment and poverty within the society. The managerial competencies are the tactics for effective management of human and materials inputs in order to account for maximum output in an organization. According to Abiodun and Ajayi (2018), managerial skills are the type of skills required by individual entrepreneur to formulate and execute policies of an

enterprise which constitute management. Nwachukwu (2019) described management as the coordination of all resources of an organization through the process of planning, organizing, directing and controlling in order to attaining organization objectives. Managerial skills enable entrepreneurs to run successful enterprises. Although, financial management is another competency that helps in managerial competencies. The failure of some SMEs in Awka South Local Government Area to actively and proactively used the possessed entrepreneurial competencies might be the inability of the SMEs to participate in meaningful business competition. According to Abiodun and Ajayi (2018), without the possession of entrepreneurial competencies and actively utilization of these competencies at an acceptable level of performance, small and medium enterprises cannot survive in the challenging and competitive business environment (Agbenyegah & Mahohoma, 2020). More worrisome is the seemingly scarcity of studies on effect of entrepreneurial competencies on job creation in Awka South Local Government Area of Anambra State. It is in line with this that the researcher tends to examine the effect of Managerial competencies on small medium enterprise creation in Awka South Local Government Area.

2. Literature Review

Concept of Competency

Competency as a term has been used in several literature works for a long time now. However, its role and importance has been understood only in the recent decade. It is defined as the sum of experiences, knowledge, skills and attitude which people acquire during their life time for effective performance in a task or job. Competency is the idea of knowledge, skills and attitude of the person. The term competency has a number of definitions which depends on the specific task to be performed by individuals under different conditions. These definitions differ on different counts.

Boyatzis (2019) defined competency as a capacity that exists in a person that leads to behavior that meets the job demands within the parameters of organizational environment, and that, in turn brings about desired results. Spencer and Spencer (2018) define competency as an underlying characteristic of an individual that is casually related to criterion referenced effective and/or superior performance in a job or situation. This indicates that there are certain identifiable traits that constitute a person's characteristics and level of performance in a job situation. Underlying characteristic means the competency is a fairly deep and enduring part of a person's personality and can predict behavior in a wide variety of situations and job tasks. Casually-related means that a competency causes or predicts behavior and performance. Criterion-referenced means that the competency actually predicts who does something well or poorly, as measured on a specific criterion or standard.

Small and Medium Enterprises

Small and medium-sized enterprises (SMEs) or small and medium-sized businesses (SMBs) are businesses whose personnel numbers fall below certain limits. The abbreviation "SME" is used by international organizations such as the World Bank, the European Union, the United Nations and the World Trade Organization (WTO). This definition is provided in the amended Section 7 of Micro, Small & Medium Enterprises Development Act, in 2018 Development Act of Nigeria. The Act provides for classification of enterprises based on their investment size and the nature of the activity undertaken by that enterprise. As per MSMED Act, enterprises are classified into two categories - manufacturing enterprises and service enterprises. For each of these categories, a definition is given to explain what constitutes a micro enterprise or a small enterprise or a medium enterprise.

Small and medium enterprises (SME) were first introduced into the development scene in the late 1940s, with the primary goal of improving trade and industrialisation in today's industrialized countries (Uzohuo, 2021). The definitions of SME are usually derived in each country, based on the role of SME in the economy, policies and programs designed by particular agencies or institutions empowered to develop SME.

The above variation notwithstanding, SME can be defined based on certain criteria including, turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry. The definition can be based on either some quantitative or qualitative variables. Quantitative definitions mainly express the size of enterprises, mainly in monetary terms

such as turnover, asset value, profit, as well as quantitative index like number of employees. As examples, the 1975 companies Act in the United Kingdom stated that an enterprise with a turnover of less than £ 1.4 million was small, those with turnover between £1.4 and £5.7million were medium, while those enterprises having turnover above £5.7 million were large.

Managerial Competencies and Small and Medium Enterprise Creation

Management is also seen as a process demanding the performance of specific functions (Eshenake, 2019). Nwachukwu (2019) also defined management as the art of getting things done through the efforts of other people. That means, management is the process of planning, organizing and directing organizational resources to achieve organizational goal. On that note, Osuala (2018) defined managerial competency as the capability and skills that helps in achieving organization goals through the coordinated performance of five specific functions of planning, organization, staffing, directing and controlling. Managerial competency, therefore, is the ability of doing things in an organization, which is basically, the combination and utilization of available human, financial and material resources towards the achievement of the organizational objectives (Eshenake, 2018).

As a group of people, managerial competency helps all those at top levels in organizations to plan, guide and control the activities of members at the lower levels. Business education students are expected to possess a wide knowledge of management skills which include ability to plan, organize, and handle small and medium scale businesses, source funds for the smooth running of a small business, ability to start a new business, searching for business opportunities, registering a business, managing business risk, effectively supervise and coordinate human and material resources. Other relevant managerial skills needed include ability to develop broad-based investment planning and implementation, time management skills and apply integrating business skills. There is hardly any sphere of life where the knowledge of managerial skill is not required. Besides that, business education students are expected to possess adequate knowledge and skills in management.

Ademiluyi (2018) identified managerial competencies needed for effective entrepreneurship as perceived by fresh graduates to include planning skills, organizing skills, directing skills, controlling skills, motivating skills, staffing skills, leading skills, office management skills, coordinating and good knowledge of commerce. In the same vein, Ekpenyong and Ojo (2018) identified the following management skills as needed by Business Education students for entrepreneurial success.

- Ability to plan, organize and manage small scale or medium scale business.
- Ability to source for funds for the running of a small-scale business
- Ability to develop skills of keeping accounting records of small-scale business
- Ability to supervise and coordinate of both human and material resources
- Ability to develop broad-based investment planning and implementation skills
- Ability apply integrating business skills
- Ability to have constant alertness to market changes and technical trend

Theory of Entrepreneurship

Schumpeter (1991) propounded the Schumpeterian theory of entrepreneurship. The theory states that creativity or innovation is the key factor in any entrepreneur's field of specialization. He argued that knowledge can only go a long way in helping an entrepreneur to become successful. He believed development as consisting of a process which involved reformation on various equipment of productions, outputs, marketing and industrial organizations. Schumpeter (1991) perceives the entrepreneur as a person who conceives and executes "new combinations" of factors in production and, thus, plays a key role in the market and economic development processes. Schumpeter is regarded as the father of entrepreneurship and innovation because of his contribution to the entrepreneurship theory (Okpan, 2018).

In relation to this study, Schumpeter saw entrepreneurship from the angle of innovation and how it has assisted man to achieve new products or services into economy. However, this is one of the objectives of entrepreneurship, which develops the SMEs owners in many ways like managerial, marketing, and financial management competencies. These skills and competencies have helped many entrepreneurs to startup their businesses and those working with organization to become

innovative in overcoming business risk and making profits from their businesses and other organizations.

Empirical studies

Nwokike, Ezeabii, and Jim (2018) conducted a study in the South East States of Nigeria to determine how entrepreneurial competencies could be an indispensable tool for achieving managerial competencies in SMEs owners. A survey research design was used for the study. The population comprised 148 SMEs operating in Enugu States of Nigeria. A self-structured questionnaire developed by the researchers and carefully validated by the experts in the Faculty of Education of Enugu State University of Science and Technology was used for data collection. Mean and Standard deviation were used to answer the two research questions that guided the study while t-test hypothesis was used to test the hypotheses at 0.05 level of significance. The result of the study showed that SMEs owners were able to acquire competencies that gave them the ability to plan, organize and manage small scale or medium scale business; source for funds for the running of a small scale business; develop skills of keeping accounting records of small-scale business; supervise and coordinate of both human and material resources; and develop broad-based investment planning and implementation skills.

Okoro (2019) examined the impact of entrepreneurial competencies on marketing and accounting skills in Imo State. Descriptive survey design was adopted for the study. The population, also used as the sample, consisted of 388 SMEs operating in Imo State, Nigeria. The questionnaire was adequately validated by experts in Business Education and measurement and evaluation. The internal consistency of the instrument was determined using Cronbach alpha with a reliability coefficient of 0.93 was used for data collection. The mean and standard deviation were used to answer the research questions while Z-test was used to test the hypotheses at 0.05 level of significance. The result revealed that SMEs owners were able to handle marketing skills such as marketing identifying the needs of consumers; planning and developing a product or service that satisfies those wants; and determining the best possible price to promote and distribute that product or service thus identifying, anticipating, and satisfying customer requirements. The study also found that these SMEs owners were able to acquaint with new trends as regards accounting role in the business world, determine where and when to invest, and acquaint with new trends in relation to accounting concepts and convention with the financial management skills.

3. Research Methods

The study adopted descriptive survey design. The research design establishes the structure of the study, the method and procedure used for writing and analyzing the needed data (Nwogu, 2019). The population of the study comprised owners and employees in SMEs in Anambra State. According to the researcher carried in Corporate Affairs Commission (CAC) in Awka shows that registered SMEs distributed across Anambra State as at the time of carrying out this study were about 161. Therefore, the working population of these 161 SMEs was 1453.

In order to get the sample size, Taro Yamane's formula was applied to get 314 arrived as sample size. Simple random sampling technique was used in selecting the sample from the population of the study. This is because the population comes from a particular Awka South Local Government Area of Anambra State while the sample size was determined using Taro Yemane's formula as sampling technique. The study adopted the use of primary (questionnaire) sources of data to gather information. The five-point Likert scale of Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SD), and Undecided (U) was used to give the respondents choice of ticking most perceived option.

The chi-square statistical tools were used to test the hypotheses at 5% levels of significant between the observed and expected frequency.

The expected frequencies are the various data which occur under the null hypothesis while the observation and the statistical techniques are calculated as:

$$X^2 = \frac{\sum(F_o - F_e)^2}{F_e} \quad (1)$$

Description:

X^2 = Chi-Square

$\sum$ = Summation

F_o = Set of Observed frequencies

F_e = Set of Expected frequencies

Operative Assumption

Level of significance 5% = 0.05

Decision Rule

The principle involves rejecting the null hypothesis (H_o) if the computed value of X^2 is greater than the critical value from the chi-square (X^2) table, otherwise accept the null hypothesis.

4. Results and Discussions

Data Description

As many as 3000 comment data collected from the twitter data crawling process, then the data shrink to 1697 data. The shrinkage occurred because all data had passed the cleaning process, where the process was carried out to eliminate empty comments or comments that only contained emoticons. The data was deleted because it was not used in this study. All collected data will be labeled with sentiment using a lexicon dictionary, from 1697 data will be divided into 3 scenarios, namely scenario 1 using a 60:40 ratio, scenario 2 using a 70:30 ratio, and scenario 3 using an 80:20 ratio.

Analysis of Questionnaire Distribution and Respondents Characteristics

The analyses of the questionnaire and respondents' characteristics are analysed below:

Table 1. Questionnaire Distributions

Number of Questionnaire	No. of Questionnaire Distributed	No. of Questionnaire Returned	No. of Questionnaire Used for the Study
313	310	308	300
100%	99.04%	98.40%	95.85%

Source: Field Survey, 2021

Table 1 showed that the study has 313(100%) of questionnaire to be distributed. At the field of study, 310(99.04%) of the questionnaire were distributed while 308(98.04%) of the questionnaire were returned after the distribution. After strict monitoring and the filling of the copies of the questionnaire, 300(95.85%) of the copies of the questionnaire that were fully and properly filled were used for the study.

Table 2. Gender Distribution of Respondents

Categories	No of Respondents	Percentage (%)
Male	158	52.67
Female	142	47.33
Total	300	100

Source: Field survey, 2021

Table 2 shows the gender distribution of the respondents. The result revealed that 158(52.67%) were male and 142(47.33%) were female. This implies that majority of the respondents were male.

Table 3. Educational Level of Respondents

Educational Level	No of Respondent	Percentage
FSLC	10	3.33
WASC/GCE	40	13.33

OND/NCE	53	17.67
BSc/HND	67	22.33
Master's Degree	86	28.67
PhD	44	14.67
Total	300	100

Source: Field Survey, 2021

The table 3 shows that 10(3.33%) have FSLC, 40(13.33%) were WASC/GCE holders, 53(17.67%) were OND/NCE holders, 67(22.33%) have BSc. Qualifications, 86(28.67%) have Master's degree and 44(14.67%) have PhD qualifications. This implies that the highest level of education attained by the respondents is Master's Degree.

Table 4. Age Distribution of Respondents

Age Interval	Frequency	Percentage
18 – 25years	95	31.67
26 – 35 years	118	39.33
36 – 45 years	55	18.33
46years & Above	32	10.67
Total	300	100

Source: Field survey, 2021.

Table 4 shows the age distribution of the respondents. The result reveals that 95(31.67%) of the respondents were between the ages of 18-25 years, 118(39.33%) were between the ages of 26 – 35 years, 55(18.33%) of the respondents were between the ages of 36 - 45 years old, and 32(10.67%) were between the ages of 46 years old and above. This implies that people selected were adults; this was purposeful, as they are expected to have requisite information and knowledge about the subject of study.

Analysis of Questionnaire

Table 5. Mean scores of the effect of managerial competencies on small and medium enterprise creation in Awka South Local Government Area

S/N	Items	SA	A	D	SD	U	T	$\bar{X}$	Decision
	Managerial Competencies	5	4	3	2	1			
1	Management competencies help SMEs to coordinate the everyday activity of the business	123 (615)	93 (372)	35 (105)	29 (58)	20 (20)	300 (1170)	3.90	Agreed
2	SMEs have the ability to develop broad-based investment planning and implementation	75 (375)	102 (82)	53 (159)	48 (96)	42 (42)	300 (1000)	3.33	Agreed
3	SMEs are able to integrate business skills in running a business	99 (495)	86 (344)	65 (195)	39 (78)	11 (11)	300 (1123)	3.74	Agreed
4	SMEs are able to interpret market information	116 (580)	75 (300)	53 (159)	46 (92)	10 (10)	400 (1141)	3.80	Agreed
5	SMEs are able to redefine and convert business risks into business opportunities	117 (585)	121 (484)	49 (147)	12 (24)	1(1)	300 (1241)	4.14	Agreed

Source: Field Survey, 2021.

Table 5 shows the mean scores of the effect of managerial competencies on small and medium enterprise creation in Awka South Local Government Area. The results revealed that items 1, 2, 3, 4, and 5 have mean scores of 3.90, 3.33, 3.74, 3.80, and 4.14 respectively. This showed that all the mean scores of the items 1 to 5 were above the decision point of 3.00; hence, they were agreed. The responses of the respondents imply that managerial competencies have the potency for helping small and medium enterprise creation in Awka South Local Government Area.

Testing of Hypothesis

H₀1: Managerial competencies do not have significant effect on small and medium enterprise creation in Awka South Local Government Area

H₁: Managerial competencies have significant effect on small and medium enterprise creation in Awka South Local Government Area

Table 6. Testing whether managerial competencies do not have significant effect on small and medium enterprise creation in Awka South Local Government Area

Responses	No. of Respondents	Percentage (%)
Strongly Agreed	123	41
Agreed	93	31
Disagree	35	11.67
Strongly Disagreed	29	9.67
Undecided	20	6.66
Total	300	100

Extracted from table 5.

Using extracts from table 5 since it is in relation to research hypothesis one, research hypothesis one was tested as thus:

Table 7. Chi-Square Table testing hypothesis one

Responses	F _o	F _e	F _o – F _e	(F _o – F _e) ²	$\frac{(F_o - F_e)^2}{F_e}$
Agreed	123	60	63	3969	66.15
Strongly Agreed	93	60	33	1089	18.15
Disagreed	35	60	-25	625	10.41667
Strongly Disagreed	29	60	-31	961	16.01667
Undecided	20	60	-40	1600	26.66667
Total	300				137.4

Calculated $X^2 = 137.4$

Expected Frequency is gotten as follows: $= \frac{300}{60} = 5$

Critical value of X^2 with a degree of freedom of 4 and level of significant of 0.05 is 9.488.

Decision

The calculated chi-square of 137.4 is far greater than the critical value of 9.488. Therefore, the null hypothesis is rejected. The alternative hypothesis is accepted. Thus, managerial competencies have significant effect on small and medium enterprise creation in Awka South Local Government Area.

Discussion of Findings

The results of test of hypothesis one revealed that managerial competencies have significant effect on small and medium enterprise creation in Awka South Local Government Area. The responses of the respondents from the questionnaire also revealed that managerial competencies have the potency for helping small and medium enterprise creation in Awka South Local Government Area. Management competencies help SMEs to coordinate the everyday activity of the business, develop broad-based investment planning and implementation, integrate business skills in running a business, interpret market information, and able to redefine and convert business risks into business opportunities. These financial management competencies of entrepreneurs support the ability for the creation of more small and medium enterprises. In line with these findings, Nwokike, Ezeabii, and Jim (2018) found that managerial competencies assist SMEs owners were able to acquire competencies that gave them the ability to plan, organize and manage small scale or medium scale business; source for funds for the running of a small-scale business.

5. Conclusion

Based on the findings of this study, it was concluded that management competencies help SMEs to coordinate the everyday activity of the business, develop broad-based investment planning and implementation, integrate business skills in running a business, interpret market information, and able to redefine and convert business risks into business opportunities. The study recommended that Government should establish centers that teaches management competencies so as to help SMEs owners to coordinate the everyday activity of the business.

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