

The Influence of Operational Managerial Competencies of Business Owners and Managers on Performance of Small-Scale Businesses in Sheema Municipality, Sheema District

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ABSTRACT:- This study assessed the influence of operational managerial competencies on performance of small-scale businesses with special emphasis on the experiences in Sheema Municipality. A cross-sectional design with a quantitative method was used to conduct the study on small-scale businesses in Sheema Municipality. According to the 2021 Sheema Municipality Commercial Office records, the total number of small-scale businesses in Sheema Municipality is 2659, which constituted this study's target population. This study's sample size was obtained using Yamane (1967) formula, $n = 2659 / (1 + (2659 * 0.05^2)) = 347.80902551$, which was approximately, 348 people and the study population included small-scale business owners, managers and resourceful people.

The correlational research design was used to make inference about the population from drawing from the sample findings. The study employed stratified random sampling in which 309 respondents participated in the study. A self-administered questionnaire was used to obtain the data from small-scale businesses entities. The findings also revealed that for each additional increase in overall rigour of operational managerial competencies of business owners and managers, performance of small-scale businesses in Sheema Municipality was likely to get an average increase of 2.149 units in performance of small-scale businesses ($\beta = 2.149$, $p = 0.000$). It was concluded that business small-scale business attach importance to operational managerial competencies.

The study results led to rejection of the null hypothesis of this study and alternative hypothesis stating that operational managerial competencies of business owners and managers significantly influence performance of small-scale businesses in Sheema Municipality was accepted.

I. INTRODUCTION

Small-scale businesses are businesses locally owned and managed, often with very few employees working at a single location (Stoner, Freeman & Gilbert, 1995). Small-scale businesses are crucial in the development of the economies, especially of LDCs (Diabate et al., 2019). They contribute immensely to society development on many fronts, including job creation, tax revenues, functional products and services, charitable donations, technological developments, and social contributions to communities (Ralph et al., 2019).

In Africa, small-scale businesses are notably the engines that drive economic development for the continent (Ombongi & Wei, 2018). They account for almost 90% of businesses in both leading and developing economies through job creations, employment, tax provision and contribution to Gross Domestic Product (GDP).

IGI-Global (n.d.), 2022 relates small-scale business to a privately owned enterprise with limited start-up capital, a small number of employees, low revenue, and profit margin compared to regular scale business. Uganda Ministry of Trade, Industry and Cooperatives (2015) associated small-scale businesses with firms that have less than or equal to 25 permanent members and with fixed assets (excluding land) worth up to US\$ 50,000.

In Uganda, small-scale businesses collectively constitute about 90% of private sector production and employ over 2.5 million people (Nathan Associates & TNS, 2015). However, the mortality rate of small-scale businesses among African countries remains very high with five out of seven new businesses failing in their first

year (Adcorp, 2014). The failure rate of small-scale businesses in Uganda is all the more high among start-ups (Nangoli et al., 2013). At least 70% of all small businesses that start in Uganda fail in the next 3 to 5 years (Andrew, 2020).

The term “competency” has multiple meanings (Garavan & McGuire, 2001; Viitala, 2005; Wickramasinghe & Zoyza, 2008). It is associated with potentiality, trait, value, abilities, knowledge, skills, preference, opinion, and aptitude. Managerial competencies have been defined as a set of motivations, personal, traits, abilities, knowledge and values necessary to improve management performance and are a branch of a larger group of individual competencies

Various studies have examined the relationship between managerial competencies and small-scale businesses performance and reveal a strong positive relationship between them through competencies of owners and managers (Rambe, & Makhalemele, 2015); Sidek & Mohamad, 2014). Bushe (2019) associated Africa’s small-scale business poor performance with entrepreneur incapacity, environmental inauspiciousness and enterprise incompetence. Justino (2015) analysed factors influencing performance of small enterprises in Angola and found that small business owners and managers lacked knowledge of business systems, financial accounting skills, planning and controlling business resources skills and diligence. Performance plays vital in small-scale businesses’ sustainability. It is a complete evaluation of a company’s overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability (Corporate Finance Institute, 2015).

Literature is awash with evidence on the impact of managerial competencies on firm performance (Mashavira et al., 2021). Competence is an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation” (Spencer & Spencer, 1993:9). Competency is the ability to transmute knowledge into action effectively (Aslan, 2016). Researchers have emphasized managerial competency such as: communication, team-working, pro-activeness, vision, self-management, result-orientation, strategic-orientation, ambition, persistence, decision making, risk taking, and creativity (Bhardwaj and Punia). Lopa & Bose (2014) reveal that all the competencies are required by entrepreneurs to enhance the performance of their firms-among them, managerial competence in light of opportunity, organising, relationship, and strategic competencies.

Competencies are different for the manager at the operational, tactical or strategic level (Manxhari et al., 2017). Scholars say that is necessary to shape managerial competence in varying degree and quality. A successful organization is one where human resources have the required competencies to achieve business success and the strategic objectives of the organization. According to GGG (2010), relational Managerial competencies involve cultural sensitivity, relational competence, customer trust and workers’ relational effectiveness in a Multinational offshore service provider. Strategic management competencies set a strategy that combines departmental strategy, the corporate vision and wider strategic imperatives (Taf, 2009).

There are a number of theories that explain performance of small-scale businesses. This study was anchored onto goal-setting theory (Locke and Latham, 1989); and resource-based view theory of the firm (Penrose, 1959; Wernerfelt, 1984; Barney, 1991). Locke found that individuals who set specific, difficult goals performed better than those who set general, easy goals. Latham (2003) pointed out that individuals who set specific, challenging, but attainable goals have better performance than those who set vague goals or do not set goals. Individuals are encouraged to possess ability and have commitment to the goal to have better performance. Locke proposed five basic principles of goal-setting: clarity, challenge, commitment, feedback, and task complexity.

“*Sheema neyagayaga*” is the slogan of Sheema District’s natives. The slogan’s literal meaning is Sheema glitters. Its relief is made of undulating fertile hills with valleys’ swamps being water catchments. Sheema has traditionally supplied Kampala City with largest proportion of bananas and milk. The place also contributes a good proportion of Uganda’s coffee which is the county’s largest foreign exchange cash crop earner. The District was curved out of former Bushenyi District, which used to be called the model district. Sheema was the most prosperous county of former Bushenyi District. The place has fairly high developed commercial farming with little subsistence farming, which is characteristic of other parts of Uganda. Sheema District boasts of one of the highest literacy levels in the Country.

On that background, high small-scale business failure in Sheema Municipality is then unexplained. It is not uncommon to see a small-scale business operating in certain place in the Sheema Municipality for some time, and before long, you do not find it yet, less likely that it has relocated to another place: rather, the business has failed. This study hypothesizes that the low performance of small-scale businesses in Kabwohe Town, Sheema Municipality is caused by wanting managerial competencies.

II. METHODOLOGY

This was a cross-sectional study carried out in a certain Sheema Municipality at one point in time. The study employed correlational research design that collects data necessary for testing relationships in the sample or between or among variables of interest (Asamoah, 2014). The correlational research design was used to

make inference about the population from drawing from the sample findings. It helped in establishing whether a relationship exists between managerial competencies and performance of small-scale businesses in Sheema Municipality. The study deployed quantitative approach, which involved collecting of data seeking to establish how managerial competencies influence performance of small-scale business using regression analysis. The study therefore involved making of statistical inferences.

The study was carried out in Sheema Municipality, Sheema District, Uganda. According to the 2021 Sheema Municipality Commercial Office records, the total number of small-scale businesses in Sheema Municipality is 2659, which constituted this study’s target population stratified as business groups.

The study relied on primary data for carrying out correlational analysis. A self-Administered questionnaire was used to collect the data from small-scale business resource people. The questionnaire had closed-ended questions, comprising of a set of questions to which respondents answered by selecting a choice from a list of provided options. This restricted the respondents only to the views expressed in the questionnaire. According to the 2021 Sheema Municipality Commercial Office records, the total number of small-scale businesses in Sheema Municipality is 2659, which constituted this study’s target population stratified as business groups. This study’s sample size was obtained using Yamane (1967) formula. The study used a 95 percent confidence level with a population size of 2659. $n = 2659 / (1 + (2659 * 0.05^2)) = 347.80902551$, which was approximately, 348 people.

SPSS, which is one of the most popular computer data analysis software in social researches was used to process data. Correlational analysis was carried out and the desired outputs generated, including: measures of central tendency, descriptive and scatter graphs, correlation matrix, and the like. Correlational analysis was used to carry out inferential statistical investigation between managerial competencies and the performance of small-scale businesses.

III. RESULTS

Correlation Results

	1	2	3	4
Operational Managerial Competencies	1			
Performance of Small-scale Business	.526*	.543*	.699*	1
** Correlation is significant at the 0.01 level (2-tailed).				
* Correlation is significant at the 0.05 level (2-tailed).				

Relationship between Operational Managerial Competencies and Performance of Small-scale Business in Sheema Municipality.

The results in the above table indicate that there is a positive significant relationship between Operational Managerial Competencies and Performance of Small-scale Business in Sheema Municipality is ($r=.526, p<.01$). This implies that any positive change in Operational Managerial Competencies will result into positive change in Performance of Small-scale Business in Sheema Municipality.

Regression analysis

Coefficients a					t	Sig.
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.082	.173		.582	.502
	Operational Managerial Competencies	.428	.042	.359	1.542	.000
a Dependent Variable: Performance of Small Scale Business						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.682a	.472	.497	.52184		
a Predictor: (Constant), Operational Managerial Competencies						

The regression analysis results reveal the presence of significant relationship between Operational Managerial Competencies on Performance of Small-Scale Businesses in Sheema Municipality. The significance rate, as indicated by the p-values, provides crucial information about the statistical significance of this relationship.

Operational Managerial Competencies have positive significant relationship with Performance of Small-Scale Businesses in Sheema Municipality (Beta=.359 p<.05). Thus implying that a unit increase in Operational Managerial Competencies is associated with a significant increase of 0.359 in Performance of Small Scale Business in Sheema Municipality.

IV. CONCLUSION

The research assessed operational managerial competencies and performance of small-scale businesses in Sheema Municipality, Sheema District. The study established influence of operational managerial competencies of business owners and managers on performance of small-scale businesses in Sheema Municipality, Uganda. The null hypothesis stating: “Operational managerial competencies of business owners and managers significantly do not influence performance of small-scale businesses in Sheema Municipality” was rejected and the alternative hypothesis, stating: “Operational managerial competencies of business owners and managers significantly influence performance of small-scale businesses in Sheema Municipality,” was accepted.

V. RECOMMENDATION

The relationship between managerial competencies is crucial for improving performance of small-scale businesses. The relationship between the study independent variable (Managerial competencies) and performance of small-scale businesses was significant. This means null hypotheses were rejected. So, this relationship calls for small-scale businesses to attach importance to operational managerial competencies.

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