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Management Capabilities and Performance of Micro, Small and Medium Businesses, Tandag City, Philippines

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Abstract:

This study delved into the management capabilities and performance of Micro, Small and Medium Businesses of Tandag City as a way of helping these entrepreneurs on areas where they need enhancement and development. There were 68 respondents representing the classification of entrepreneurs as to micro, small and medium type of business. The descriptive survey method was utilized and researcher-made questionnaire was used as the primary tool for data collection. Unstructured interviews were also performed to verify the answers given by the respondents. The data collected were then tabulated, presented, analyzed, interpreted and became the basis of the findings of the study. To find the significant relationship between management capabilities and performance of micro, small and medium businesses, Pearson Product Moment Correlation was used. The findings of the study show that there is significant relationship between management capabilities and performance of micro, small and medium businesses.

Keywords: Management capabilities, performance

1. Introduction

Capability is necessary to be able to perform a job well. It is an ability to meet performance expectations in a role and deliver the required results. It includes specific skills, knowledge, and techniques which entail expertise resulting from training and experience deemed necessary to fulfill a task (Moore, et al. 2002). Small and Medium Enterprise is said to be competent if its management demonstrates a good knowledge of the industry in terms of positioning the Small and Medium Businesses in the market, how and where to mobilize the start-up and or growth capital and how to deal with suppliers and competitors (Odeng, 2011).

In the study of Bimbona (2008) of 130 manufacturing Small and Medium Businesses, it revealed that "managers lacked adequate skills, knowledge and competence to coordinate the daily operations; this was supported by Opio (2007) who noted that, "Small and Medium Enterprises managers have a reputation of being less innovative and keep on selling similar products and services leading to cut throat competition. In addition, thirty percent (30%) had shut down businesses in the last 12 months and that the lack of competence of many Small and Medium Enterprises are responsible for their poor-quality products and service delivery." This situation is similar in Tandag City where a number of Micro, Small and Medium Enterprises have stopped their operations mysteriously in the recent years.

The ultimate success in entrepreneurship requires the mastery of a set of skills. These are marketing capabilities, time management skills, and technical and financial management skills. These were believed to be very essential in operating a business venture making it widely accepted by most business practitioners. This implies that if one has to go into business of his own, he must have the competence on the different managerial skills in running a business enterprise. Despite of the enormous actual and potential contribution of Micro, Small and Medium Businesses to Tandag City's economic and overall steady growth, majority of them were making negligible contribution as a result of achieving dismal growth in their businesses due to poor performance, and in the long run, leads to Micro, Small and Medium Businesses drop out in business. This is attributed to incompetence. If this is left unchecked, it will continue to constrain the economy since the contribution of Micro, Small and Medium Businesses is earmarked as one of the promoters of growth.

2. Theoretical and Conceptual Framework

This study was anchored on two theories: The Sound Management Theory and the Theory of Performance. These theories were important in order to ensure the success of micro, small and medium businesses.

The Sound Management Theory by Peter Drucker (2007) states that "Sound Management Theory can form the foundation of a successful business. Leaders in any kind of organization can learn from the tried and tested management concepts. Top bosses are often eager to unleash the latest theory on their organization. It is a familiar scenario where, say, the latest change management idea is adopted with a big fanfare; employees are trained accordingly, only for the benefits to be deemed negligible after a short while. And when the program stutters to a halt the bosses turn their attention to another management fad."

The Theory of Performance by Don (2012) recognizes that not all performances are equal. Full performance involves a level of competence that produces artistry though measures of capability which are to be discovered in each fieldwork situation coupled with an awareness of local measures of artistry." At the same time the performance theory calls for greater awareness of, an attention to formal elements of textual representation (structural concerns), further, it also calls for greater focus on context. Performance theory situates stories to a particular event and credits a narrator who assumes responsibility for the performance. Each performance is keyed, and relies on a performer's assumption of responsibility for the emergence of event.

3. Statement of the Problem

The study pursued the following objective of delving into the management capabilities and performance of Micro, Small and Medium Businesses of Tandag City as a way of helping these entrepreneurs on areas where they need enhancement and development.

4. Research Design and Methods

The descriptive survey method was utilized in this study. A researcher-made questionnaire was utilized as the primary tool for data collection. Unstructured interviews were also performed to verify the answers given by the respondents.

The questionnaire underwent content validity through the help of identified experts. Their suggestions were sought and incorporated to the tool utilized in this study. It has also undergone a reliability test. This was done through administering the tool to 20 respondents not part of the study. With the same set of participants, the researcher gave the test a week after the initial dry-run. The result revealed or yielded 0.92 which means a very high correlation. Having assessed the tool to be reliable, the researcher conducted the assessment using the validated questionnaire.

Each item in the questionnaire has a corresponding numerical and qualitative scale as follows:

Scale	Description	Interpretation
4	Strongly Agree	means that the item described is practiced at all times
3	Agree	means that the item described is practiced most of the times
2	Disagree	means that the item described is sometimes practiced
1	Strongly Disagree	means that the item described is not practiced

Table 1

To make a definite interpretation regarding the weighted average, the proposed hypothetical range was employed.

Weight	Range	Description
4	3.26 – 4.00	Strongly Agree
3	2.51 – 3.25	Agree
2	1.76 – 2.50	Disagree
1	1.00 – 1.75	Strongly Disagree

Table 2

To validate the responses reflected in the structured questionnaire, random interview was employed in this study. Cornerstone to any research endeavor is ethical consideration. In this study, the researcher sought the consent of the participants in their participation in this study. They were also informed of the nature of the undertaking and the relevance of their involvement in the realization of this endeavor. Furthermore, the participants were also told that they have the right to withdraw from the whole process should they find the questions distasteful or should they find themselves in an uncomfortable situation. Their participation is voluntary by nature and they are not compelled to get involved should the research give them a feeling of uneasiness. To ensure privacy, the researcher also made use of codes to withhold the identity of the participants. Anonymity is primordial to ensure the trust and confidence of the participants. They were also told that the recorded interview will be kept confidential and will be utilized only for the sole purpose of attaining the objectives of this research.

The respondents of this study were the owners of Micro, Small and Medium Businesses of Tandag City. They were chosen as the respondents since the purpose of this study was to assess the management capabilities and performance of Micro, Small and Medium Enterprises. In order to get the total number of respondents, the Simple Random Sampling method was used. In computing the sample, the researcher employed 10% margin of error at a 90% confidence level. As pointed out by Scott Smith, Ph. D., the safe decision is to use .5 as the standard deviation since this is the most forgiving number. The 90% confidence level corresponds to a Z-score of 1.645 which was used to compute the sample using the formula below. Using the data, the sample size was 68 respondents.

$$n = \frac{(Z\text{-score})^2 * \text{StdDev} * (1\text{-StdDev})}{(\text{margin of error})^2}$$

5. Results and Discussions

Indicator	Over-All	
	Mean	Adjectival Rating
1. Effectively plan what is to be achieved and properly coordinate and involve all relevant stakeholders.	3.50	Strongly Agree
2. Being able to evaluate a problematic situation and being able to resolve it based on planning and reasoning.	3.65	Strongly Agree
3. Develops strategic plans to anticipate future resource needs, and accurately identifies, tracks and prioritizes existing resource needs	3.63	Strongly Agree
4. Effectively engages in staff planning and helps to ensure that work unit is appropriately staffed to accomplish its goals	3.58	Strongly Agree
5. Establishes long-range objectives and specifies the strategies and actions necessary to achieve those objectives.	3.73	Strongly Agree
Total	3.62	Strongly Agree

Table 3: Management Capabilities of MSMEs as to Planning

Table 3 shows the management capabilities of MSME's as to planning. It can be observed that statement number five establishes long-range objectives and specifies the strategies and actions necessary to achieve those objectives got the highest mean of 3.73 and was rated as strongly agree. This result supports the claim of Urwick which states that planning is a mental predisposition to do things in an orderly manner, to think before acting and to act in the light of facts rather than guesses. Furthermore, the result is supported by Koontz & O'Donnell when they asserted that planning is deciding in advance what to do, how to do and who will do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur.

Indicator	Over-All	
	Mean	Adjectival Rating
1. Consistently seeks to perform tasks in a cost-efficient manner and creates an organizational climate in which cost effectiveness is valued and rewarded	3.48	Strongly Agree
2. Studies all relevant budget material and anticipates future needs by gathering data on forthcoming plans	3.57	Strongly Agree
3. Provides instruction on how to accomplish an assignment; explains correct and incorrect ways to accomplish tasks	3.45	Strongly Agree
4. Conducts frequent progress review meetings with subordinates and team members to discuss progress and any barriers to progress	2.81	Agree
5. Monitors internal and external environments to determine if additional information is required for employees to perform tasks	3.55	Strongly Agree
Total	3.37	Strongly Agree

Table 4: Management Capabilities of MSMEs as to Organizing

Table 4 depicts the management capabilities of MSME's as to Organizing. As claimed by Louis A. Allen, organizing is the process of identifying and grouping of the works to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most efficiently. Statement number two, studies all relevant budget material and anticipates future needs by gathering data on forthcoming plans got the highest mean of 3.57 with an adjectival rating of strongly agree. This implies that MSM Entrepreneurs ensure that budget proposals incorporate all elements; translates organizational objectives, priorities, and analysis of current resources into accurate budget proposals.

Indicator	Over-All	
	Mean	Adjectival Rating
Leading		
1.Generates enthusiasm for task objectives and team accomplishment through standard and creative influence techniques	3.21	Agree
2.Sets an example for others by acting in ways that are consistent with organizational goals and objectives	3.20	Agree
3.Encourages innovation and entrepreneurial activity in team members	3.34	Strongly Agree
4.Advances and promotes the best ideas, even in the face of organizational resistance	3.34	Strongly Agree
5.Recognizes the contributions of those who have enabled positive change, and gives appropriate rewards for extraordinary achievements	3.55	Strongly Agree
Total	3.33	Strongly Agree

Table 5: Management Capabilities of MSMEs as to Leading

As can be seen in Table 5, the management capabilities of MSME's as to leading has an overall mean of 3.33 with an adjectival rating of strongly agree. It can be discerned that statement number five recognizes the contributions of those who have enabled positive change, and gives appropriate rewards for extraordinary achievements got the highest overall mean of 3.55 and was rated as strongly agree. This supports the statement of Capobianco (2014) that when your employees feel more like associates, that management genuinely recognizes their contributions to the organization, and that they are vital members of a team working toward a goal, they feel like the company is more than just a place to work. He stressed further that recognition is priceless, and status is much more than money. It increases employee loyalty, enhances performance and generates greater success. Furthermore, the results also support the findings of Aniruddha Limaye and Ralsi Sharma (2012) in their study titled "Rewards and Recognition: Make a difference to the talent in your organization" that using rewards and recognition, particularly recognition, drive desirable behaviors and efforts, not just the results which go beyond sales performance or customer satisfaction, make rewards and recognition practices more impactful.

Indicator	Over-All	
	Mean	Adjectival Rating
Controlling		
1.Continually seeks to identify resources (e.g. staffing, training and monetary resources), both internal and external, that can be useful and assist in work accomplishment	3.50	Strongly Agree
2.Establishes strong and lasting partnerships with business contacts and proactively seeks ways of increasing business opportunities with contacts	3.52	Strongly Agree
3.Develops strategic plans to anticipate future resource needs, and accurately identifies tracks and prioritizes existing resource needs	3.53	Strongly Agree
4.Makes healthy use of conflict and disagreement to promote learning and expand team perspectives	3.25	Agree
5.Solicits feedback from multiple sources during and following task completion to ensure employee tasks are performed correctly, and to learn how employee and team performance can be improved	2.98	Agree
Total	3.36	Strongly Agree

Table 6: Management Capabilities of MSMEs as to Controlling

As depicted on Table 6, it can be observed that statement number 3 develops strategic plans to anticipate future resource needs, and accurately identifies tracks and prioritizes existing resource needs got the highest rating of 3.53 and was rated as strongly agree. As pointed out by Mark W. Waldron and J. Santhakumar (1994), strategy determines the direction in which an organization needs to move to fulfill its mission. A strategic plan acts as a road map for carrying out the strategy and achieving long-term results. Occasionally a large gap exists between the strategic plan and real results. To boost organizational performance, people must be a key part of the strategy. A stronger, more capable and efficient organization can arise by defining how its members support the overall strategy.

Indicator	Over-All	
	Mean	Adjectival Rating
Sales Growth		
1.The business have increased the sales over the last 3 years	3.52	Strongly Agree
2.The business have opened up more outlets in the last 3 years	1.96	Moderately Agree
3.The number of existing customers/clients the business serve has increased	3.30	Strongly Agree
4.The business new suppliers have increased	3.19	Agree
5.The number of deliveries has increased	3.23	Agree
6.The business have been able to achieved sales expectations	3.33	Strongly Agree
Total	3.09	Agree

Table 7: Performance of MSMEs as to Sales Growth

Table 7 shows the MSMEs performance as to sales growth. Sales are everything to a business. Without sales, it can be certain that the business will fail. Finding what works for generating sales at your company is a key to success. It can be seen from the table above that statement number 1 the business has increased the sales over the last 3 years got the highest mean of 3.52 and was rated as strongly agree. The result implies as claimed by Seen (2013) that business growth has probably been monitored more closely than any other financial metric. High sales growth leads to strong employment and earnings growth, which in turn drives GDP increase and is therefore an important metric to follow. High growth rates come from finding new ways of selling goods and services, charging higher prices, developing and selling new goods and services, and by exploiting synergies gained by buying other companies.

Indicator	Over-All	
	Mean	Adjectival Rating
Profitability		
1.The business have been able to generate profit for the last 3 years	3.86	Strongly Agree
2.There has been an increase in the annual net profit margin in the last 3 years	3.14	Agree
3.The business have been able to re-invest the profits earned	3.27	Strongly Agree
4.The business have been able to meet annual targeted net profits	3.33	Strongly Agree
5.The business have been able to raise salaries and wages from profit in the last 3 years	3.42	Strongly Agree
6.The business growth have been funded from profits	3.49	Strongly Agree
Total	3.42	Strongly Agree

Table 8: Performance of MSMEs as to Profitability

Table 8 presents the MSMEs performance in terms of profitability. It can be pointed out that the overall mean insofar as performance is concerned is 3.42 or an adjectival rating of strongly agree. Statement number 1 the business has been able to generate profit for the last 3 years got the highest mean of 3.86 and was rated as strongly agree. The result supports the findings of Seen (2013) in his study which contended that assessing business profitability leads to gaining insight into how successful SME's are at building and maintaining wealth.

To get the significant relationship between management capabilities and performance of micro, small and medium businesses, Pearson Product Moment Correlation was used.

Variables Tested	Computed r	P-value
Management Capabilities vs Performance	0.697	0.0000

Table 9: Significant Relationship between Management Capabilities and Performance of MSMEs

Table 9 offers the results on the significant relationship between management capabilities and performance of MSME's. The null hypothesis is rejected since the p-value is lesser than .05 level of significance. Therefore, it can be deduced that there is significant relationship between the variables.

This implies that the educational level and managerial experience of the people constituting the management of an enterprise, and the level and experience also determine the extent of the performance of the enterprise (Sekyewa ,2009).

Moreover, it can be implicated as revealed by Brophy (2002) that capabilities provide benchmarks for comparing actual performance with desired performance. This is supported by Appelbaum and Batt (2002) and O'Reilly (2004) who

contend that capable employees contribute greatly to the achievement of organizational goals. They add that, without capability, employees can violate the psychological contract thus hindering one's ability to be competent and perform well. Small and Medium Enterprises need capable managers who do not simply respond to change but proactively recognize when change is necessary, understand the change management process, and foster an environment of promptness, learning, and strategic anticipation (Vinod & Uma, 2010). They are able to assess the change power of endurance, prepare for resistance, gain support for change, involve people in decisions that affect them, provide clarity about behavioral expectations, create opportunities to practice new skills, use the feedback process to monitor implementation, reward and reinforce both progress and success, and align systems to support the new and desired behaviors (Vinod & Uma, 2010).

6. Conclusions

On the light of the findings of the study, it can be deduced that majority of micro, small and medium businesses in Tandag City are competent in as far as management is concerned. It can also be inferred that the said businesses are profitably doing well in as far as performance is involved. Thus, it can be concluded that the Theory of Performance of Don (2012) is accurate in recognizing that full performance involves a level of competence that produces artistry through measures of capability.

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