

EFFECT OF MANAGERIAL EFFECTIVENESS ON THE PERFORMANCE OF MEDIUM SCALE MANUFACTURING FIRMS IN NORTH CENTRAL NIGERIA

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Abstract

This study examined the effect of managerial effectiveness on the performance of medium scale manufacturing firms in the North-Central Nigeria. Planning and organizing proxied managerial effectiveness while sales proxied performance. The population of the study consists of 243 Medium scale manufacturing firms located in the North Central states and Federal Capital Territory, Abuja. A sample size of 151 was arrived at using Taro Yamane formula. A convenient sampling method was used. This study adopted descriptive research design. A five-point Likert scale ((5) Strongly Agreed, (4) Agree, (3) Neutral, (2) Disagree and (1) Strongly Disagree) structured questionnaire was used to generate data from the responses. Descriptive and inferential statistics were used to analyse the data. Descriptive analysis was carried out to ascertain the measures of central tendency of the data while Simple regression was used to analyse the data. Findings from the study revealed that both planning and organizing have significant effect on the performance of medium scale manufacturing firms in North Central Nigeria. In view of the findings, this study concluded that managerial effectiveness (through planning and organizing) has positive effect on sales of medium scale manufacturing firms in North Central Nigeria. Therefore, the study recommends that Managers of medium scale manufacturing firms should ensure that managerial effectiveness through planning and organizing are properly designed and executed so as to enhance the performance of medium scale manufacturing firms.

Keywords: Planning, Managerial effectiveness, Manufacturing Firms, Organizing,

INTRODUCTION

Management is an interactive and continuous process which aims to mobilize the collective and individual efforts to achieve the common desired goals of the organization, by utilizing the available resources effectively and efficiently. Hence, the terms effectively and efficiently are related. Managerial effectiveness shows the degree of what the manager has done with what the manager should do. Gupta (2013) explained managerial effectiveness as the extent to which a manager carries out activities to achieve organizational goals and enhance the organizational performance. How effective a manager applies his skills and abilities in planning, organizing, controlling and directing employees determines whether he can meet the expectations of the management and organizational goals. For management process to be effective, it must be implemented when everyone within the business understands what it is. Formal management processes are rare in SMEs, however, management strategies are not explicit, literature points out that management strategy exist in SMEs.

Small and medium enterprises have been generally acknowledged as the bedrock of the industrial development of Nigeria and other countries (Audretsch et al., 2002; Stokes and Wilson, 2006; Hulbert et al., 2013). SMEs account for approximately 96% of the country's businesses and are important part of Nigeria's economy Ngugi in Amolegbe, Ibraheem, Olaitan, Oyetola and Omoniyi (2020). However, despite the contribution of SMEs and close to one million small enterprises are established each year, 40% of them close within one year and 80% of them will be out of business within 5 years and 96% will be closed by their 10th year (Gerber, 2001). This clearly shows a serious challenge to the Sector and there is need to expedite action for unified interventions in order to change the trend. The development of any economy in the world cannot be achieved without a vibrant market for Small and Medium Enterprises (Muritala, Awolaja, and Bako, 2012). It is generally observed that the Medium Scale Manufacturing (MSM) companies in Nigeria are performing dismally below installed capacity due to among other things Poor managerial experience which can mean managerial ineffectiveness is one of the challenges facing SMEs in Nigeria

(Ngugi, 2013). Therefore, this study seeks to examine the effect of managerial effectiveness on the performance of medium scale manufacturing firms in North central Nigeria.

Hypotheses

- H₀₁:** Planning has no significant effect on sales of medium scale manufacturing firms in North Central Nigeria.
- H₀₂:** Organizing has no significant effect on sales of medium scale manufacturing firms in North Central Nigeria.

LITERATURE REVIEW

Managerial Effectiveness.

Effectiveness, according to Omar (2023), is the ability of the institution to achieve profit, and the ability of an enterprise to increase the number of customers, and the degree of satisfaction of these customers with the provided services to them. Among the factors influencing the effectiveness is the way management deals with the beneficiary, customer satisfaction with the service or product, and community participation in development programs and plans (Mohammed, 2015). Rana, Rastogi and Garg (2016) see managerial effectiveness based on manager's ability to plan, organize, coordinate, motivate, control and have a positive influence on organizational goals. Managerial effectiveness is generally measured by comparing the actual standards with the achieved standard. Measuring effectiveness and performance compares expectations about achievement and behavior with actual results and behavior (Taylor, 2014).

Planning

Olagunju (2004) explained planning as a set of managerial activities designed to prepare the organization for the future and ensure that decisions regarding the use of people and resources to achieve organizational objectives are taken. A plan establishes the basic objectives of the firm, determines how these objectives can be attained, puts into consideration various aspects of the environment and determines the amount of resources necessary for successful implementation (Mambula, 2002). Planning is, particularly, critical in small firms because of its extensive resources (Amolegbe, Ibraheem, Olaitan, Oyetola and Omoniyi (2020).

Organizing

Organizing is a managerial activity that involves arranging and structuring of responsibilities and work of the employees for attaining the desired result. The organizing function requires effective skills, a proper chain of command, authority, a delegation of work, and efficient control. The activities are defined in terms of allocating the duties and responsibilities to different employees of various departments in a coordinated manner for a common purpose. Organizing also involves the integration of the various relationships among different activities and job responsibilities for attaining the goals of the enterprise. *To organize is to harmonize, co-ordinate or arrange in a logical and orderly manner.*

Robbins and Coulter (2012) defined organizing as arranging and structuring work to accomplish organizational goals. It's an important process during which managers design an organization's structure. Organizational structure is the formal arrangement of jobs within an organization. The purpose of organizing include: • Divides work to be done into specific jobs and departments. • Assigns tasks and responsibilities associated with individual jobs. • Coordinates diverse organizational tasks. • Clusters jobs into units. • Establishes relationships among individuals, groups, and departments. • Establishes formal lines of authority. • Allocates and deploys organizational resources.

According to Koontz and O'Donnel (2005), Organizing involves the establishment of an international structure of roles through determination and enumeration of the activities required to achieve the goals of an enterprise and each part of it; the grouping of these activities, the assignment of such groups of activities to the manager, the delegation of authority to carry them out and provision for co-ordination of authority and informational relationship, both horizontally and vertically, in the organization's structure.

Therefore, it is a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilized for achieving specified objectives. Organizing is a managerial function and this function of organizing is known as the process of an organization. The management of an enterprise gets immense benefits by following a comprehensive approach to organizing. Various resources of a business enterprise are aligned with the help of the organizing function to achieve a common goal. Organizing is important for all aspects of management.

Firm Performance

Performance has been described in terms of how well a company is managed and the value it provides to consumers and other stakeholders. Stephen and Edith (2012) sees organizational performance as "the efficacy of the organization in executing its goal. According to Bouquin (1997), organizational performance refers to the ability of a company to properly identify and implement strategies as part of its intended objectives. Sicotte et al. (1999) and Giauque et al. (2008), on their part identify four dimensions to define performance: the accomplishment of the mission of the organization, acquisition and control of resources and skills, delivery of quality services and the development and maintenance of a common culture and values.

For these authors, organizational performance has different dimensions: productivity, efficiency, effectiveness, profitability, delivery of quality services and the development and maintenance of a common culture and values among others. In the context of this study, considering the approach of these different authors, this study sees organizational performance as the output and achievement of the organization compared to the input which ensures achieved organizational goals. Therefore, performance in this study was measured by sales.

Medium Scale Enterprises

The word SMEs covers a wide range of perceptions and measures, varying from country to country and between the sources reporting SME statistics. The definition of SMEs are based on certain criteria. Some of the commonly used criteria are the number of employees, total net assets, sales and investment level, capital involved, revenue, and number of workers among others. The Central Bank of Nigeria, in its 2005 guidelines on Small and Medium Enterprise Investment Scheme (SMEIS), described SMEs as any enterprise with a maximum asset base of 200million naira (excluding land and working capital) with no lower or upper limit of staff. The National Council of Industry, 2003 categorized enterprises based on no of employees, total cost including working capital but excluding land.

In their 2021 Micro, Small and Medium Enterprises survey report, Small and Medium Enterprises Development Agency of Nigeria and National Bureau of Statistics reported that in practice, number of employees is the most common standard used in National SMEs policies worldwide and therefore considered the definition of MSME as:

Table 1: Categories of Enterprises

S/ N	SIZE/CATEGORY	EMPLOYMENT SIZE	TURNOVER(NAIRA)
1	Nano/Homestead	1-2 person	Less than 3 million
2	Micro Enterprises	3-9 person	3 million < 25 million
3	Small Enterprises	10-49 person	25 million < 100 million
4	Medium Enterprises	50-199 person	100 million < 1 Billion

Source: SMEDAN and NBS, 2021

Empirical Review

Kifordu and Ogala (2020) examined effective planning on the performance of manufacturing firms in Anambra State Nigeria. The survey used spearman's rank correlation coefficient to determine the various statistical relationships in the study. The results revealed that effective planning has a relationship with

organizational productivity and that effective planning lead to employee's performance in an organization. Therefore, the study concluded effective planning is an important tool in enhancing firm performance.

Asuah-Duodu, et al. (2019) examined how organizing practices are used to influence the performance of small, medium, and large businesses in the Philippines. Using convenient sampling 50 respondents from the small, medium, and large companies served as respondents who answered self-constructed questionnaires. The statistical tools used for analyzing the data were Pearson correlation and standard deviation and the mean for the descriptive study. The results of the study showed that organizing practices has significant impact on the performance of the enterprises. The study concluded that for a business to improve their performance, there must be a good organizing structure. This was noted to be affecting customer satisfaction, employee productivity and satisfaction.

Amolegbe, et al. (2020) investigated the role of financial planning on performance of Centremog Limited in Ibadan, Nigeria. Primary data was used which were generated through administration of questionnaires. A total number of fifty (50) questionnaires were administered and retrieved from staff of Centremog Limited. The research used simple random sampling technique. The data collected were analyzed using descriptive statistics such as tables, charts, frequencies, and computation of percentages while hypotheses were tested by using the chi-square (χ^2) method. The results showed that Centremog Limited adopted financial planning which had positive significant effect on the company's performance.

Egbuna and Agali (2013) studied the effect of Planning on the Performance of Small and Medium Enterprises in South-Western Nigeria. Primary data was used which was sourced from administration of structured questionnaire. The data collected were analyzed using descriptive statistics such as tables, charts, frequencies, percentages. Findings showed that planning increased the productivity and profitability of Small and Medium scale Enterprises Ile-Ife in Nigeria. The study concluded that effective planning has a significant effect on the performance of small and medium scale enterprises in Nigeria.

Yusuf and Saffu (2005) examined planning and performance of Small and Medium Enterprise in Ghana. The study reported that in a period of uncertainty, as exemplified by conditions of economic difficulties, one would expect firms to do more planning. On the contrary, the study shows that economic difficulties do not encourage firms to plan seriously. The study also shows that firms that plan do not necessarily experience increased performance, with the exception of those in the manufacturing sector. Other findings of the study include a significant gender difference in the planning sophistication of small firms in Ghana, with firms managed or owned by males having sophisticated planning methods compared with female managed or female-owned businesses. Size of a company did not moderate planning and performance in the study. Planning affected performance equally in both large and small firms in the study. The study found no difference among the planning clusters for education. Firms with the highest growth in sales had low-planning sophistication.

Van den Broeck, et al. (2022) assessed the impact of planning on performance of medium sized companies over a period of six years in Slovakia. Results of the study showed that the primary reason for compiling a plan is the necessity to project financial output and to acquire financial funds. 15 % of companies chose this point. Effort to streamline main business was mentioned as the second best with 14 % and attempt to place a new product on a market as the third best which got 13 %. Over all the study concluded that planning has significant impact on performance of medium enterprises.

Ogolo (2019) investigated the effect of planning on the performance of enterprises in Southern Nigeria. They found that planning has positive effect on the performance of small and medium sized businesses in Southern Nigeria. Only four companies out of 102 sampled declared that they do not consider planning to be very essential in their lines of business.

Lucia and Salvatore (2022), studied the connection between strategic planning and performance management in Italian universities. They found that Strategic planning and performance management are closely interconnected. The authors also posited that the Italian experience has been marked by a reform in 2009 (Decree no. 150/2009), which highlighted the inadequacy of existing planning and control systems, as well as the absence or insufficiency of mechanisms for measuring and managing performance in those universities.

Theoretical Framework

This study is anchored on 7S Model. 7S Model was propounded by Thomas Peters and Robert Wortmann Jr. in 1980. They are researchers from Stanford University. They designed the seven elements of enterprise organization (referred to as the 7S model for short), and pointed out that enterprises must consider all aspects in the development process. The 7S model includes structure, system, style, staff, skill, strategy and shared values.

The 7S model can be used to analyze organizations in various situations, and help managers improve organizational effectiveness from the following aspects: firstly, to improve the overall performance of organizational effectiveness; secondly, to analyze the possible impact of future organizational changes; thirdly, to efficiently implement target strategies. Regardless of the type of change, such as structural adjustment within the organization, introduction of new processes, mergers and acquisitions, implementation of new systems, changes in management, etc., the 7S model can help to understand how the elements of the organization are related to each other, so as to ensure that the wider impact of changes in a certain field can be fully considered. Managers can use the 7S model, make a list of problems, analyze the present situation of the organization and the level they want to achieve in the future, form a matrix of elements, and find out the gaps and incongruities, and then work out the direction, objectives and specific measures to improve the effectiveness of the organization.

METHODOLOGY

This study adopts descriptive research design. The study used structured questionnaire which elicited responses from the respondents which was converted to data for analysis. Simple regression was used for analyzing the data. Descriptive analysis was conducted which ascertained the measures of central tendency of the data. The questionnaire had a five-point Likert scale which were five; (5) Strongly Agree, (4) Agree, (3) Neutral, (2) Disagree and (1) Strongly Disagree.

The population of the study consists of 243 Medium scale manufacturing enterprises located in the North Central states and Abuja the Federal Capital Territory. (Benue, 28; Kogi, 16; Kwara, 18; Nasarawa, 18; Niger, 47; Plateau, 41 and Abuja, 75 (SMEDAN and NBS Collaborative Survey, 2017). The sample size of the study was 243 obtained through convenient sampling.

Computation of sample size

$$n = \frac{N}{1+N(e)^2}$$

Where

n= sample size, N = population (243), e = error (0.05) reliability level 95%,
(e)² = level of significance (Constant factor)

$$\begin{aligned} n &= \frac{243}{1+243(0.05)^2} \\ n &= \frac{243}{1+243(0.0025)} \\ n &= \frac{243}{1+0.6075} \\ n &= \frac{243}{1.6075} \\ n &= 151 \end{aligned}$$

Sampling Technique and Questionnaire Allocation

Convenient sampling was adopted for this study. Bowley's population allocation formula was used to determine the appropriate questionnaire for every State.

$$nb = \frac{nNh}{N}$$

Where:

nb = Number of units allocated to each category

Nh = Number of items in each group

N = the total population size under study

n = sample size

Thus:

$$\text{Benue} = nb = 151 \times \frac{28}{243} = 18$$

$$\text{Kogi} = nb = 151 \times \frac{13}{243} = 8$$

$$\text{Kwara} = nb = 151 \times \frac{18}{243} = 11$$

$$\text{Nasarawa} = nb = 151 \times \frac{18}{243} = 11$$

$$\text{Niger} = nb = 151 \times \frac{47}{243} = 30$$

$$\text{Plateau} = nb = 151 \times \frac{41}{243} = 26$$

$$\text{Abuja} = nb = 151 \times \frac{75}{243} = 47$$

Model Specification

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

Where;

Y : Sales

a : Constant factor

X_1 : Planning

X_2 : Organizing

e = error term

The apriori expectation is that $\beta_1 - \beta_2 < 0$.

Validity of the Instrument

Content and face validity of the instrument was adjudged and certified okay for the main field survey, this was done after giving research instrument to experts that certified it to be okay.

Reliability Analysis

Reliability analysis and factor analysis were conducted before regression analysis so as to identify the appropriate items for the analysis. The reliability consistency and the value of Cronbach Alpha were used to determine the variables' reliability and measure the consistency of a multiple item scale (Sekaran & Bougie, 2016). **Table 2**, shows the Cronbach Alpha coefficients 0.878 which is above the bench mark of 0.7 demonstrating good internal consistency.

Table 2. Reliability statistics

Cronbach Alpha	N of Items
0.878	18

Source: SPSS 23 Output (2023)

Results and Discussion

Table 3. Descriptive Statistics

Variable	Obs. (N)	Minimum	Maximum	Mean	Std. Deviation
Sales	151	2	3	4.35	0.618
Planning	151	2	3	3.51	0.721
Organizing	151	2	3	3.56	0.600

Source: SPSS 23 Output (2023)

Table 3 shows 4.35 as the mean for sales of medium enterprises with a standard deviation of 0.618 indicating deviation from the mean by 0.618. On the independent variables, the table indicates that the mean and standard deviation of planning and organizing were 3.51 and 3.56 and also 0.721 and 0.600 respectively.

Table 4. Correlation Coefficients Matrix

Variables	Sales	Planning	Organizing
Sales	1		
Planning	0.314** (000)	1	
Organizing	0.441** (000)	0.377** (000)	0.364** (000)
Obs. (N)	151	151	151

Source: SPSS 23 Output (2023) ** Correlation is significant at the 0.01 level (2-tailed)

Table 4 shows the Pearson correlation coefficient which was computed based on 5% probability. The results show 2-tailed significant probability correlation coefficient of the variables. Furthermore, the table indicates that, there is positive and significant relationship between planning and sales and between organizing and sales. In addition, all variables have positive correlation with one another.

Table 5. Regression Analysis

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig
(Constant)	0.634	0.221	-0.054	2.865	0.004
Planning	0.171	0.050	0.016	3.422	0.001
Organizing	0.013	0.042	0.168	0.312	0.005
R	0.682			8.172	0.000
R-square	0.657				
Adjusted R Square	0.643				
F-Value	51.52(0.001)				

a. Dependent Variable: Planning and organizing affect sales

Source: SPSS 23 Output (2023)

Table 5 presents the Regression results for planning and organizing and sales. The Table shows that planning and organizing affect sales with coefficient of determination (R-Square) of 0.657. This means planning and organizing explained 65.7% of the variation in the sales while 34.3% by other variables not contained in the model. The F-Value (51.52) and Prob > F (0.001) show that the regression model is generally significant. This implies that the model pass the overall statistical significance level test at 95%.

Table 5 further shows the constant, beta, and significance level of each variable. The regression shows that planning and organizing have positive significant effect on sales at 95% confidence interval. Specifically, the regression revealed that planning and organizing have coefficients and probability as 0.171(0.001) and 0.013(0.005) respectively.

CONCLUSION AND RECOMMENDATIONS

This study was carried out to examine the effect of managerial effectiveness on the performance of medium scale manufacturing firms in North Central Nigeria. Specifically, the study used planning and organizing as independent variables while sales as dependent variable. In view of the findings, this study concludes that managerial effectiveness through planning and organizing has positive effect on sales of medium scale manufacturing firms in North Central Nigeria. Therefore, this study recommends that Managers of medium scale manufacturing firms should ensure that managerial effectiveness through planning and organizing are properly designed and executed so as to enhance the performance of medium scale manufacturing firms.

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