



CAPACITY MANAGEMENT AND SMALL AND MEDIUM ENTERPRISES (SMEs) PERFORMANCE IN EDO STATE NIGERIA

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Abstract

Understanding the connection between capacity management and SME success in Edo State is the goal of this research. Small and Medium Businesses (SMEs) are essential to Edo State's development and expansion. Random sampling in conjunction with the survey technique was used. Regression analysis was used to analyzed the data using SPSS version 21, the Statistical Package for Social Science. The primary data was collected using a questionnaire as the main research tool. The findings showed that managerial skill and resource utilization significantly affected SME performance. In light of these findings, it is concluded that effective capacity management drives SME performance. Therefore, this study recommends, among others, that SMEs need to pay more attention to their capacity management strategies such as good managerial skills and effective resource utilization to improve their performance.

Keywords: Capacity Management, Small and Medium Enterprises, Performance, Effective Resources, Edo State.

Introduction

Small and medium-sized businesses, or SMEs, are becoming more widely acknowledged as being crucial to the economy of many nations. They are regarded as the primary forces for economic expansion in emerging nations. This is because, particularly in developing nations, SMEs deploy labor-intensive technology to reduce unemployment. SMEs have long supported innovation, employment growth, and the development of new goods and services in industrialized nations. Governments all throughout the globe are prioritizing the development of the SME sector in order to support the economic growth of their respective nations, as a result of the recognition of the significant contribution that SMEs make to economic progress. Without improving its human capital, no country can achieve sustainable growth. One of an organization's primary goals is to be able to meet customer demand in a timely way and at a fair cost. For every firm, including SMEs, to succeed, capacity management is essential. It involves managing the boundaries of an organization's resources, including its workforce, workspace for production and offices, machinery and technology, raw materials, and inventories. As a result, choices on capacity have a big impact on SMEs' ability to survive. The process of making decisions in corporate operations when capacity is the primary concern is known as capacity management. Its approach often entails large capital expenditures and extensive preparation. Capacity planning and satisfying industry demand are critical tasks for capacity management. Long-term benefits of selecting the appropriate



capacity management include less expensive space use and more income by efficiently allocating the capacity management. In Suruga, Onphandala (2015) With the use of capacity management, problems with addressing and demonstrating the true need for the concern and consumer demand for the product may be balanced and addressed. The most income will be produced when the supply and demand of a product are balanced (Kimaro, 2006). Compared to large corporations, SMEs rely more on the contributions of individual employees ((Kimaro, 2006).

Building the capacities of SMEs' employees is essential, as stated by Macgregor (2004). Eniola & Entebang (2014) state that the performance and growth of SMEs is a significant indicator of the degree of industrialization, modernization, and urbanization as well as of gainful and meaningful employment for all who are able and willing to work, equitable income distribution, welfare, income per capita, and the general public's quality of life.

Effective capacity management is crucial for every firm to succeed. Because they lack skilled personnel, most SMEs are not competitive and have poor productivity. Every SME must invest in the training and retention of qualified employees (Forkuoh, Li, Ampadu, & Ossei, 2016). According to research, 50% of SMEs in developing nations fail to make it beyond five years (Forkuoh et al., 2016). Poor resource utilization and management skills by SMEs' owners and managers are among the factors that prevent them from surviving beyond five years, which is why this research is so important (Fokuroh et al., 2016) noted that one of the key elements in SMEs' success is capacity management. According to Kimaro (2006), the importance of a competent staff increases when conventional corporate success criteria such as economies of scale, technology, and patents lose their significance. The majority of the problems SMEs confront are caused by owner-managers incapacity to manage. SMEs have a poor track record when it comes to worker training. When compared to big enterprises, SMEs have lower levels of training. (Coetzer & Susomrit, 2013). For SME owner-managers to set organizational objectives and use the necessary tactics to achieve them, they must possess fundamental managing abilities. The managerial skills of SME owner-managers play a major role in determining whether or not SMEs succeed. (Afande, 2015). Improving SMEs' capacities may have a big influence on a country's economic growth. In light of the aforementioned, there is an urgent need for a study on the possible link between capital management and SME performance in Edo State.

The main objective of the study is to examine the relationship between capacity management and the performance of SMEs in Edo State.

Other specific objectives are to;

1. ascertain the effect of managerial skill on the performance of Small scale business
2. examine the effect of resource utilization on performance of small scale business

The following null hypothesis will guide this study

Ho₁: Managerial skills do not influence the performance of small-scale businesses in Edo State

Ho₂: Resource utilization does not influence the performance of small-scale businesses in Edo State

In the areas of capacity management and benefits, this research is especially significant for managers and owners of SMEs. Policymakers, academicians, potential investors, and government agencies may all benefit greatly from this research. What roles may they play to improve SMEs' capacity management?



Review of Related Literature

Capacity Management

The first area of every business's operational level to be examined is capacity management, which is based on the product's demand in the first market. It significantly affects the organization's success in terms of business. When it comes to capacity that is underused or overutilized, underutilized resources will increase operating costs, while overutilized resources will have an impact on the quality of service (Afande, 2015). After discussing the key components of capacity management, let's quickly examine how to improve auxiliary internal procedures to expedite the process and boost table turns. In the end, this impact on stressed employees and customer satisfaction will affect revenue and employee retention. "The maximum level of value-added activity over a period of time" is the definition of capacity for a service process under typical operating circumstances. The simplest definition of capacity management is the greatest quantity of service that may be generated or extracted in a given length of time. According to both authors, capacity management in the hotel business plays a significant role in the majority of revenue-generating sections of the hotel, such as the restaurant dinner hour during a typical day or the housekeeper's daily room cleaning job (Forkuoh, et al, 2016). Fundamentally, capacity management is a three-pronged process, each of which is critical to maintaining a balance between the resources of the company and the demands of the market. Businesses may effectively organize their operations, maximize resource usage, and successfully meet market demands by having a thorough understanding of these three elements: resource planning, capacity utilization, and capacity planning (Forkuoh, et al, 2016).

Small and Medium Enterprises (SMEs)

Not every situation calls for the idea of SMEs. Different nations have different ideas of what constitutes a small or medium-sized enterprise (SME). Small and medium-sized enterprises (SMEs) in one nation may not be the same thing in another. Factors including company size, total assets, personnel size, turnover, and capital investments are often used to characterize SMEs. According to Abbada, Bouazza, and Ardjouman (2015). The Central Bank of Nigeria (CBN) (2010) defines small and medium-sized enterprises (SMEs) as businesses with eleven to three hundred workers and five hundred million naira in assets. But small-scale enterprises also include the activities of factory workers who do deliveries after hours, fast-food restaurant proprietors, and stay-at-home parents who care after their children while their parents are gone (Chittithawom, Aminul, Thiyada, k., Dayang, and Muhd, 2011). When it comes to solving global problems like inequality, economic stagnation, and a lack of jobs, small and medium-sized enterprises (SMEs) are indispensable. Small and medium-sized enterprises (SMEs) play a crucial role in the world economy by providing jobs, expanding consumer choices, and fostering innovation. In Nigeria's manufacturing industry, small and medium-sized enterprises (SMEs) make over 90% of the total. In 2001, they generated 1% of GDP and 10% of manufacturing output, and they also account up 70% of national industrial employment if the threshold is set at 10–50 people (Ajayi, 2016). In a similar vein, they have made a considerable contribution to economic development via employment, job creation, and sustainable living (Ajayi, 2016).

Managerial Skills

Any firm requires competent management to be successful and accomplish its goals and objectives. A manager who has great management qualities may promote the company's mission,



vision, or commercial goals with less opposition from both internal and external sources. An executive needs to have specific attributes or competences in order to carry out various duties within a corporation. These characteristics are known as managerial skills. They include the capacity to carry out executive tasks within a company while preventing crises and rapidly resolving difficulties when they emerge. The development of management talents may come from education and real-world management experience. According to Bouazza, Ardjouman, and Abada (2015), the manager's capacity to relate to their colleagues and successfully manage their subordinates promotes the smooth running of the firm. Since both management and leadership entail delegation, communication, planning, decision-making, problem-solving, and time management, the words are sometimes used interchangeably. Excellent leaders are typically always excellent managers as well. A manager's major role is not simply to lead but also to make sure that the organization as a whole is running cohesively. Without this sort of integration, a multitude of difficulties may emerge, and failure is inevitable. At all organizational levels and for a range of jobs, including first-level managers, intermediate supervisors, and top leadership, management qualities are required.

Resource Utilization

Employers and workers may both gain from effective resource usage. On the other hand, it may also minimize overworking and burnout, resulting in a more balanced work life overall. On the one hand, it insures that workers have enough labor to maintain their role viable and rewarding. The proportion of your available resources that you are presently utilizing is known as resource utilization. To make sure that your firm is working as successfully as possible, it may aid you in planning how to utilize your resources more wisely (Forkuoh, et al 2016). In the end, resource utilization assists in maximizing the number of resources at your disposal. Maintaining productivity needs excellent resource management because it stops personnel from performing below par, being overworked, or burning out. Greater visibility in project management minimizes the chance of oversights. It makes sure that specific resources aren't utilized excessively or inadequately. Additionally, it allows PMs to be flexible and shift resources as quickly as possible to avoid difficulties from forming or growing worse. Small and Medium-Sized Businesses (SMEs) must be able to fulfill customer requests. Insufficient capacity to satisfy demand may result in lost sales and business opportunities. However, excess capacity might result in resource waste and additional expenditures (Ajayi, 2016).

Theoretical Review

The knowledge-based theory of the corporation, on which this research is centered, regards knowledge as a firm's most strategically essential resource. Its proponents claim that socially complex, different knowledge bases and abilities across businesses are the major drivers of sustainable competitive advantage and greater corporate performance as knowledge-based resources are typically hard to reproduce (Ikupolati, et al, 2017). This is because an institution requires both its economics and its intellectual capital to flourish in a competitive market. Modern firms are progressively converting their physical resources with the aid of intellectual capital. It is crucial for small and medium-sized enterprises (SMEs) to give careful consideration to not just product development, marketing mix, advertising, and services, but also to demand advancements in research and development competency in order to sell the product and to manage the organization's human resources.



Methodology

This study employed a descriptive research technique to look at the performance of SMEs in Edo State and capacity management. Consequently, the descriptive research technique was chosen largely owing to its focus on the behavior of small firm owners, including their perspectives and behaviors.

Although there are several small and medium-sized organizations in Edo State, 2000 carefully picked small firms make up the study's population.

The sample size was determined using the Taro Yamane formula

The formula for Taro Yamane (1967) is given below as follows:

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

Where n = Sample Size

N = Population Size

e = error margin

n = 2000

$$n = \frac{2000}{1 + 2000(0.05)^2}$$

$$n = \frac{2000}{1 + 2000 (0.0025)}$$

n = 333

In light of the study's objectives, the researcher employed a questionnaire as the main data collection tool since she was also eager to get data directly from the subject rather than only relying on pre-existing information. There was regression analysis, correlation analysis, and descriptive analysis. The associational link between the variables was evaluated using the correlation analysis. To ascertain how the independent factors affected the dependent variables, a simple regression analysis was performed. It shows the extent to which the independent variable affects the dependent variable. For the analysis, SPSS 21 was used as the software.

Data Presentation, Analysis, and Discussion

Hypothesis One (H₀₁): Managerial Skills do not influence the performance of SMEs in Edo State

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.902 ^a	.813	.812	.442	.813	1374.327	1	316	.000

a. Predictors: (Constant), Managerial Skill

Decision Rule: If the p-value in any of the outcomes is less than 0.05, the conclusion is to reject the null hypothesis and accept the alternative hypothesis. The contrary is the situation when the p-value is bigger than 0.05.



From the result of the model summary, it was observed that there is a high degree of association between Managerial Skill and performance of SMEs in Edo State

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	268.298	1	268.298	1374.327	.000 ^b
	Residual	61.690	316	.195		
	Total	329.987	317			

- a. Dependent Variable: Performance of Small-Scale Business
- b. Predictors: (Constant), Managerial Skill

Using the ANOVA output above to test for the stated hypothesis

Decision Rule: Reject H_0 , if P-value is less than 0.05.

Based on the aforementioned investigation, the P-value (0.00001) is less than the significance level (0.05). Therefore, we find that there is a considerable correlation between management talent and the performance of small and medium-sized firms in Edo State and reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1).

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.044	.058		.759	.448
	Performance t of Small scale business	.829	.022	.902	37.072	.000

- a. Dependent Variable: Performance of SMEs

The link between Managerial Skill Environment and SME Performance in Edo State is addressed using the regression analysis approach. It was observed that, at 90%, there is a direct association between Managerial Skill and Performance of SMEs in Edo state using the regression model from the coefficient table above. As a consequence, a unit change in management talent will result in 0.829 increases in small firm performance. This emphasizes further how the related model summary that was previously presented revealed a substantial association between management talent and small-scale company performance.

Hypothesis Two

H_0 : Resource Utilization does not influence the performance of SMEs in Edo State.

H_1 . Resource Utilization influences the performance of SMEs in Edo State



Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.902 ^a	.813	.812	.442	.813	1374.327	1	316	.000

a. Predictors: (Constant), Resource Utilization

Based on the model summary result, it was revealed that there is a substantial association between the performance of SMEs and their resource usage. Specifically, there is a 90% possibility that resource consumption will favorably influence SMEs' performance. Based on this relationship, the performance of small enterprises in Kogi state and resource usage have a high degree of connectivity, which may account for 90% of the changes in company performance in Edo state. This implies that the performance of SMEs in Edo State is impacted by resource utilization.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	268.298	1	268.298	1374.327	.000 ^b
	Residual	61.690	316	.195		
	Total	329.987	317			

a. Dependent Variable: SMEs performance

b. Predictors: (Constant), Resource Utilization

Using the ANOVA output above to test for the stated hypothesis

Decision Rule: Reject H_0 , if P-value is less than 0.05.

Based on the aforementioned investigation, the P-value (0.00001) is less than the significance level (0.05). As a consequence, we discover that there is a substantial correlation between the performance of SMEs and resource usage, rejecting the null hypothesis (H_0) and supporting the alternative hypothesis (H_1).

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
		B	Std. Error			
1	(Constant)	.044	.058		.759	.448
	Performance of Small scale business	.829	.022	.902	37.072	.000

a. Dependent Variable: Performance of SMEs

The link between Resource Utilization and SME Performance in Edo State is explored using the regression analysis model. It was determined that, at 90%, there is a direct association between Resource Utilization and the performance of SMEs in Edo state when applying the regression model from the coefficient table above. As a consequence, SMEs in Edo State would perform better by 0.829 points for every unit change in resource utilization. This emphasizes



further how Resource Utilization and the performance of SMEs in Edo State are connected, as evidenced by the appropriate model summary that was previously supplied.

Summary of Findings

1. It was found that Managerial Skill has a significant relationship with the Performance of SMEs in Edo State.
2. The study showed that Resource utilization has a significant relationship with the performance of SMEs in Edo State.

Conclusion

A company's ability to manage its capacity is critical to its success. Certain small-business owners are aware of how important capacity management is to the growth of their companies. Small and medium-sized enterprise (SME) owners have to understand the significance of capacity management for their companies and use their expertise in light of the obstacles they have committed to overcome.

Recommendations

Based on the findings of the study, the following recommendations are proffered:

1. To reinforce the impact of capacity management methods on improving the performance of SMEs in Edo State, they must be put into practice.
2. Since this would improve their performance, Edo State's small and medium-sized enterprises (SMEs) should improve their management abilities and efficient use of their resources.

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