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KAMPALA INTERNATIONAL UNIVERSITY

**THE EFFECT OF MANAGEMENT SKILLS ON PERFORMANCE OF
SMALL SCALE ENTERPRISES. CASE STUDY: TORORO DISTRICT
WESTERN DIVISION**

BY:

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THE REQUIREMENTS FOR THE AWARD OF A BACHELORS DEGREE
IN
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OF
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MARCH, 2018.

DECLARATION

I, NAMBAFU SAM MASETTE declare that this research report is entirely my own original work, except where acknowledged and that it has not been submitted before to any other University or institution of higher learning for award of Bachelors' Degree.

SIGNATURE:

A handwritten signature in blue ink, appearing to read 'Nambafu Sam Masette', written over a dotted line.

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APPROVAL

This research report by Nambafu Sam Masette under the title "The Effect of Management Skills on the Performance of Small Scale Business Enterprises. A case study of Western Division Tororo district" has been carried out under my supervision and is now considered ready for submission with my approval.

Signature:



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(SUPERVISOR)

Date:

22/5/2018

DEDICATION

I dedicate this research work to my father late Masette Patrick, my mother Khainza Deborah, Brother Matanda Ronald, sisters, Annah, Phoebe, Everlyn, Recheal, Oliver and finally my beloved wife Bisikwa Angel, and my son Masette Isaiah for their material, moral and financial support that they have rendered to me in the course of the study..

Such kindness and hospitality cannot be repaid in value but it is my sincere prayer that may the Almighty God bless you abundantly and meet each one of you at your point of need.

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May God reward them abundantly?

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ABSTRACT

The study was intended to investigate the impact of management skills on the performance of small scale business enterprises. This was prompted by the rampant collapse of many small scale businesses in the Division.

The research was guided by the following objectives;

- To establish the management skills acquired by traders in Western Division Tororo Municipality
- To establish the level of performance of small scale businesses in Western Division Tororo.
- To find out whether there is a relationship between management skills and performance of small scale business units in Western Division Tororo Municipality.

Data was collected from primary and secondary questionnaires, observations, and interview.

Secondary data was collected from textbooks and journal, internet, magazines. The data was analyzed into a chi-square technique then compiled into a report which will be submitted to Kampala International University in Kampala.

$$X^2 \text{ Obs} = \frac{(fo - fe)}{fe}$$

Where $X^2 \text{ Obs}$ = chi-square

Σ = Summation

fo = Frequency observed

fe = Frequency expected

The study findings indicated that the management skills used by entrepreneurs in Western Division Tororo Municipality were ineffective and unsatisfactory, the level of small scale business performance was found to be inadequate and a significant positive relationship between management skills and small scale business enterprise performance was established to exist.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This Chapter consists of background to the study statement of the problem, purpose of the study, research objectives and research questions, significance of the study and scope of the study.

1.1 Background of the Study

Small and medium-sized enterprises (SMEs) form the back bone of the private sector, making up Approximately 90 per cent of Uganda's private sector and contribute two-thirds of national income (Kisaame, 2002). SMEs generate employment, add value, bring in foreign exchange and investment, improve labour skills, and have linkages with large organizations (Sarapaivanich, 2003). Therefore sustainable development and employment cannot be achieved without SMEs. The Small and Medium sized Enterprises (SMEs) sector transcends all the sectorial boundaries in the production, distribution and marketing channel. Recent economic studies in Uganda, have dubbed SMEs as the backbone, key drivers and primary catalysts of economic development (Ariyo, 1999; Ihua, 2005). Estimated at 800,000 in urban and rural areas, the SME sector plays a vital role in the economy especially on job creation, innovation, promotion and subsistence incomes. A study in 2007 revealed that MSMEs account for 90 percent of the private sector and employ over 1.5 million people (Common Wealth Secretariat, 2007). A UBOS report on the Census of Business Establishments 2010/2011 illustrated that 30% of 458,106 enterprises were small and medium enterprises and the sector employed over 1 million people.

The World Bank Doing Business 2012 Report has ranked Uganda number 123 out of 183 countries, a 4- point drop from position 119 in 2011. Doing business 2012 Report sheds light on how easy or difficult it is for an entrepreneur to open and run a small to medium size business when complying with relevant regulations. It measures and tracks changes in regulations affecting ten areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. According to this report Uganda experienced a drop in all criteria but that of registering property, where we had a 28-point rise from 155 in 2011 to 127 in 2012(Uganda Investment Authority Quarterly Report, 2011). Based on the above performance and given the need to increase quality investments in Uganda, the Uganda Investment Authority staff are benefiting from various training, bench marking for capacity building programmes sponsored by World Bank, United Nations Industrial Development Organization (UNIDO) and the Investment Promotion Technical Assistant Programme (ITAP) funded by the Islamic Development Bank (Uganda Investment Authority Quarterly Report, 2011). Small and Medium Enterprises (SMEs) in Uganda employ more than 2.5m people, constitute up to 90 percent of the private sector and contribute over 70 per cent to total GDP. It must be noted that the newly launched National Development Plan 2010/11 - 2014/15 strongly emphasizes the fact that the private sector is the engine of growth, employment creation and socio-economic transformation. This, therefore, means that SMEs must be brought at the forefront of policy design and implementation if socio-economic transformation is to be achieved. Issues of value chain development, value addition (agro-processing for agribusiness SMEs), access to markets, e.t.c, must be strongly focused on so that the returns from the SME sector more than double.

The term SMEs covers a wide range of perceptions and measures, varying from country to country and between the sources reporting SME statistics. Some of the commonly used criteria are the number of employees, total net assets, sales and investment level. However, the most common definitional basis used is employment, but, there is a variation in defining the upper and lower size limit of an SME (Ayyagari, Beck & Demirguc-Kunt, 2003) SMEs are predominantly owner managed and sole proprietorship in the norm, and the leasing competences of managers are cited as one of the key factors that influences the performance of SMEs (Tylor, Thorpe, &Down, 2001). In Uganda, efforts have been made to improve the leasing competences of SME Managers and/ or owners. Enterprise Uganda in collaboration with Uganda Investment Authority, supported by UNDP has facilitated training programs focusing on leasing competence development among SMEs managers and within a year, 3500 SMEs had benefited (Investment Authority, 2008; 2010). Uganda has a very high rate of private business failure. This is largely due to the lack of entrepreneurial skills, lack of access to high quality and affordable business development services, limited access to finance, lack of adequate technical and management support services and limited access to information on market opportunities.

The Ugandan economy has made significant recovery since 1987, and is on the way to sustainable growth and development. This is being made possible by prudent policies that have been consistently pursued for the last 15 years towards economy liberalization and support for the private sector. It is estimated that there are about 1,069,848 micro and small-scale enterprises in Uganda, the majority of which are located in rural areas and on the outskirts of urban areas, producing goods and services consumed not only by the low-income class but also by some sections of the middle class. As in most developing countries, small and medium-scale

enterprises form a significant part of the Ugandan economy. Nevertheless, they face a number of problems, including access to finance from formal sources, which is often considered to be the most important problem (MFPED 2008). Hashim (1999) discovered that the recurring problems of SMEs included poor management, lack of capital and credit facilities; shortage of skilled workers and raw materials; inadequate infrastructure; lack of managerial, marketing and technical expertise; and limited applications of new technology. In addition, external environmental factors, such as fast changing technology, competition, economics, socio-cultural and international factors also have a significant effect on the success and failure of SMEs. Increased competition, dimension growth, continuous improvement and also significant development in information technologies are all reasons why performance measurement systems (PMS) in SMEs should be designed in an applicable manner. Therefore, although the need of an appropriate PMS to measure SMEs performance is apparent, different problems cause firms to experience difficulty in implementing such systems. Access to finance tops the list of constraints faced by SMEs everywhere. Because of the high transaction costs and inability of SMEs to provide collateral banks require, SMEs find themselves starved for funds at all stages of their development ranging from start-up to expansion and growth (Beyene,2002). In Uganda, it is leasing that has bridged the current financing gap experienced by SMEs by providing commercial and industrial equipment as it focuses on the leasee's ability to generate cash flow from the business operations to service the lease repayments rather than on the balance sheet or past credit history (Kisaame, 2007; International Finance Corporation(IFC), 2007).

Western Division is located in Tororo Municipality in Tororo District. In recent years, many small scale business units have come up in the Division ranging from selling food stuff, garage, business, general merchandise, hardware and others. A number of these businesses have boomed

in recent years and they are still growing. However, there are many others which do not see their first birthday. Others continue existing but without making profits, a number of factors could be attributed to this situation.

1.2 Statement of the problem

Small scale business enterprises are the backbone of Uganda's Economy, but the rate at which they are set up and the rate at which they collapse is very high. A number of factors have been attributed to this phenomenon and this is why the government encouraged the private sector to take initiative to train entrepreneurs in management skills so as to be able to sustain their initiatives. It is not clear whether the skills acquired have helped the traders to improve the way they manage their businesses.

It is upon this background that the researcher opted to find out the impact of management skills on the performance of small scale business enterprises in Eastern Division.

1.3 The purpose of the Study

The purpose of the study was to investigate the impact of management skills on the performance of small scale business enterprise in Western Division Tororo Municipality.

1.4 Objectives of the Study

- To establish the management skills required by traders in Western Division Tororo.
- To establish the level of performance of small scale businesses in Eastern Division.
- To determine the impact of management skills on performance of small scale business enterprises in Western Division Tororo Municipality.

1.5 Research questions

The researcher was guided by the following questions;

- What management skills are required by traders in Western Division Tororo Municipality?
- What is the level of business performance in Western Division Tororo Municipality?
- What is the impact of management skills on small scale business performance in Western Division Tororo Municipality?

1.6 Scope of the Study

1.6.1 Geographical scope

The study was carried out in Western Division located with Tororo Municipality in Tororo District.

1.6.2 Time Scope

The study covered a period of six months that is from January to June 2018. This period the researcher felt would be enough to carry out the research to its completion.

1.6.3 Population scope

The population for the study was Western Division traders, market authorities and the local leadership in the Western Division Tororo Municipality.

1.7 Significance of the Study

The following groups are expected to benefit from the study:

Western Division traders are expected to benefit from this study because they will be able to know the importance of management skills hence desire to acquire them in order to improve the performance of their businesses.

Market authorities will also be able to base on the findings of this study to sensitize the business community about the importance of management skills in helping them improve in their businesses.

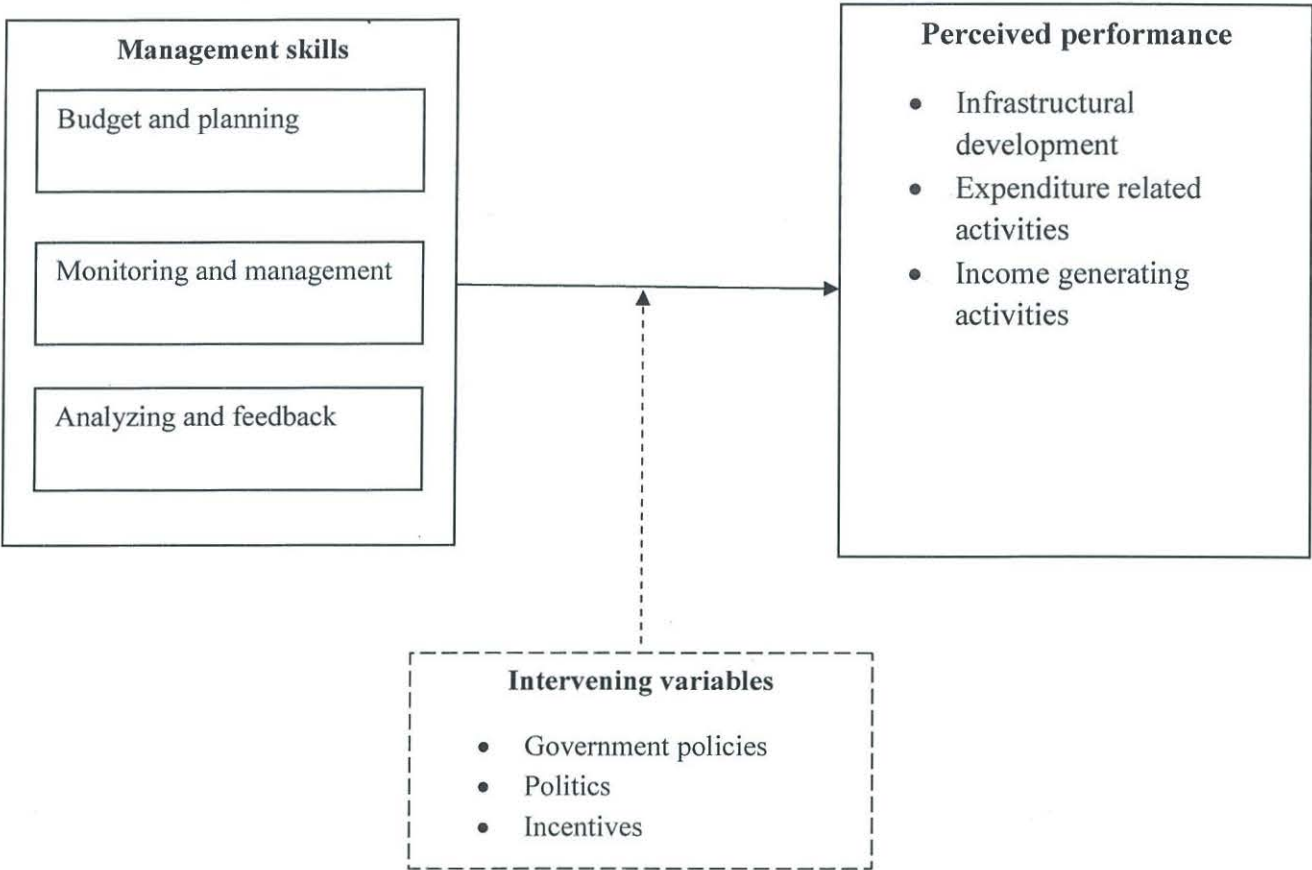
Policy makers are also expected to benefit from the study through designing favorable policies to the traders in order to improve their businesses. Here the government will be able to put in place policies on training the local traders in management skills.

The research when completed will add knowledge to the library in form of literature which can be used by other researchers in similar field when carrying out their research.

1.8 Conceptual Framework.

The conceptual framework figure below explains the relationship between the variables under the study, the Budgetary Management (Independent Variable) and Service Delivery (Dependent variable).

Figure (i): Conceptual Framework



Source: (Literature reviewed from Blocher et al., 2002; Drury, Hilton et al., and Mordi 2000).

CHAPTER TWO:

REVIEW OF RELATED LITERATURE

2.0 Introduction

Under this Chapter, the researcher will discuss mainly about the variables involved in the study that comprises the management skills, and how they impact on the performance of small scale business enterprises.

2.1 Management skills

Mary Parker (18) defined management as the art of getting things done through people. This definition brings out two things; that there are organizational goals to be achieved, and that somebody gets this done through other people.

Komunda (2005) defined management skills as those skills undertaken by one or more individuals to coordinate the activities of others to achieve results not achievable by one individual.

Luftman J.N et al (1993) says that certain general skills are needed for effective managerial performance, regardless of the level of the manager in the hierarchy of the organization.

They further assert that the mix of skills differ depending on the level of the manager in the enterprise. These skills are basically the technical skills, human relation skills and conceptual skills. While human skills are critical at every level in management, it is probably most important at the lowest level of business management.

Philip M. and Charles O (2008) assert that business knowledge and skills are necessary for business formation. This is the area which deficits have been felt in terms of variety, depth, relevance and availability. Although there is only limited consensus about the defining

characteristics of management skills, the concept is almost as old as the formal discipline of economic itself. A person to be an entrepreneur must have the following qualities perseverance, independence, have the ability to lead people, manage the efficiently and steer their business towards this success.

Ake Salin (1989) argues that management in small enterprises are normally personalized rather than being institutionalized. He further emphasizes that management of small enterprises can improve their position vis-à-vis competitors by introducing management practices that give consistency and viability to the administration of the entire business.

He further asserts that small enterprises often apply a minimum of formalization; to achieve the output without much of differentiation in job covers.

Due to the informality of the business and to the fact that most enterprises are operating with short product cycles, entrepreneurs do not conceptualize their situation in terms of opportunities, expertise or strength. The enterprise may as consequently implement decisions on the basis of invalid assumptions.

2.1.1 Business Management/Skills needed by entrepreneurs

Biz life cycle online stressed that to run a successful business, one needs a diverse range of management skills which include among others the following;

Ria (1994) noted that among the most important management skills a person can possess is 'rare sense' – in other words, the ability to think straight and develop the fact based insight which produces business breakthroughs. Another attribute which all business managers should strive to

develop and deploy is 'effectiveness.' Peter Drucker made a distinction between being efficient and being effective.

According to him, performing an activity swiftly and economically refers to being efficient, while doing the right thing at the right time, with efficiency refers to effectiveness.

2.1.1.1 Planning: It is a good idea to plan ahead of time how you are going to manage each area which may include delegating various functions to a business partner, undertaking additional training or contracting a specialist advisor such as a book keeper, graphic designer or merchandiser.

2.1.1.2 Marketing: This is more than just selling and promoting your business. It is about identifying your customers and working out how to get them to purchase your product or service.

2.1.1.3 Human Resource Management: This is about managing and looking after your staff. You may find out you have got employees to manage before you even start your business which is highly likely if you are buying an existing business or taking on a franchise.

2.1.1.4 Financial Management Skills: The primary objective any business is to make a profit. Good financial management is essential to ensure you achieve this goal, and the first step involves understanding your financial statements which is crucial to running a successful business.

2.1.1.5 Communication and negotiation skills: Business is all about people regardless of your industry or the product or service you are offering. You will encounter a range of people on a daily basis in the operation of your business from customers and suppliers to employees and business associates. Developing your communication and negotiation skills will be invaluable in a range of situations from negotiating a supplier contract to dealing with a difficult customer.

2.1.1.6 Knowledge of business legal issues: Starting a business can be full of legal potholes for the unwary, whether it's industry regulation, tax requirements, industrial relations, business structures, negotiating a commercial contracts with suppliers.

There are many legal issues to be aware of, so before you start a business. It is a good idea to engage a lawyer to advise you in these areas.

2.1.1.7 Logistics expert: Logistics is about managing the procurement, supply and maintenance of products and operational goods. One of the major concerns for a business owner is stock control and there are many different approaches and programs to stock management.

Before you start your business you should think about whether you are sure you have the right time. Efficiently managing stock is important and ensures your capital is not tied up, and protects production if problems arise in the supply chain.

2.1.1.8 Foresight is important in business management. You need to be able to sense trouble ahead of time. You need to think ahead of time to be ahead in the industry. You should believe in anticipating customer needs in advance to be able to give them products they would start wanting.

According to Sylvia Juuko, (2012) management skills can be obtained and acquired through numerous training conducted in the various seminars and through one's level of experience that he has taken while in business. (Business vision, Thursday, February 23, 2012). He further tells entrepreneurs to acknowledge their financial status and try and work towards acquiring the know-how to build and accumulate what you have.

Mary Nicky (1992), asserts that, to make your business successful, you have to consider the following questions.

2.1.1.9 Product: What is your product? Is it what the people in your village need and will buy? Is somebody else already selling a similar product? Will people still be interested in your product? What makes your product different from others? And what is the quality that the people expect from your product?

2.1.1.10 Place: Will there be many people at the place you want to sell your product? And where will you buy everything you need?

2.1.1.11 Price: How much does it cost to produce your product? For what price are other people selling the same product? What price do you have to set to make a profit?

2.1.1.12 Promotion: Do you have a friendly approach to your customers? Is your product of good quality? Do you always have your products available and do you finish your orders in

time? How can you make the place where you sell your product look clean and attractive? Is it possible to advertise your business in the papers or on the radio?

2.2 Performance indicators of small scale business enterprises

Omagor and Mubiru (2010) explain that a small scale business enterprise refers to a type of business set up using little capital ranging from 20,000 to 500,000 and above. In Uganda that small scale business enterprises are reported to contribute about 80% of Uganda's gross domestic product. This figure may be much higher given that Uganda GDP is constituted by mostly agriculture production. These are small holders who may not even fit in the definition of small business and would rather be called micro-enterprise besides the fact that, large percentage of the country's production is subsistence makes computation even more difficult.

Zahirul Hoque (2003) noted that measuring performance is a fundamental part of every organization, whether it is run by a private sector or a government sector. A performance measurement system (PMS) highlights whether the organization is on track to achieve its desired goals.

Performance measures are primarily used to evaluate organizational, as well as employee performance.

F. John Reh, (2010) said that key performance indicators, also known as KPI or key success indicators (KSI), help a business define and measure progress towards its goals. Once a business has analyzed its mission, identified all its stakeholders and defined its goals, it needs a way to measure progress towards those goals. Key performance indicators are those measurements. This may include;

Financial-operating income sales growth Return on Investment Earnings per share.

Customer – market share customer response time on-time delivery Number of customer complaints, Number of warranty claims, customer satisfaction survey sales return due to poor quality.

Internal business process – material efficiency variance labour efficiency Ratio of good output to total output at each production process Rate of material scrap loss Number of new patents, Number of new product launches.

Employee learning and growth: employee satisfaction survey Employee education and training Employee health and safety.

Kaplan and Norton's balanced score card comprises the following four dimensions:

Financial – applying appropriate performance measures to ascertain whether the company is profitable.

Customer – assessing customer satisfaction (the customer perspective). In a competitive market, customers must be content, or market share will drop. Customers care about price, faster and reliable deliveries, design, quality, and level of services.

Internal business processes - tracking inter-organizational indicators to determine whether the business units are efficiently using resources, and ascertaining competitive in developing "next generation" products.

Learning and growth dimension – this measures such things as training and development, information systems, employee satisfaction, employee productivity and so on.

Henri, J.F. (2004), noted that a business may have as one of its key performance indicators as the percentage of its income that comes from return customers. A school may focus its key performance indicators on graduation rates of its students.

A customer service department may have as one of its key performance indicators, in line with overall company KPIs, percentage of customer calls answered in the first minute. A key performance indicator for a social service organization might be number of clients assisted during the year.

According to Evans, J.R. (2004), corporate performance management (CPM) is the area of business intelligence (BI) involved with monitoring and managing an organization's performance, according to key performance indicators (KPIs) such as revenue, return on investment (ROI), overhead, and operational costs. (PM is also known as business performance management (BPM) or enterprise performance management (EPM).

Another way to characterize performance is to distinguish between financial and non-financial performance (Ittner, 2008). The financial performance is often measured using traditional accounting KPIs such as ROA, ROS, EBIT, EVA or sales growth (Ittner & Larcker, (1997); Frequelli and Vannoni, (2000); Crabtree and DeBusk, (2008). The advantage of these measurements is their general availability, since every profit oriented organization produces these figures for the yearly financial reporting (Chenhall and Langfield – Smith, 2007).

The non-financial performance can be measured using operational KPIs. Market share, innovation rate or customer satisfaction are prominent examples (Hyvonen, 2007). Tangen, (2003) provides an overview of frequently used performance measures. Many researchers also use self-reported measures to operationalize performance (Evans, 2004; Chanhall and Morris, 1995;; Henri, 2006; Ittner, Lanen & Larcker, 2002). Others combine both, the accounted

financial and self-reported measures in their reports (Cadez and Guilding, 2008). Langfield Smith, (1997) writes that there are various ways non-financial performance can be measured; however the performance can be hardly assessed without the link to corporate strategy.

In Uganda small scale businesses are defined according to number of people employed and this number ranges between five to fifty people, capital employed ranges from 500 to 50,000 and annual turnover of US Dollar 20,000 and daily turnover of US dollar 75.

According to Wasswa Balunywa (2006) small scale business enterprises are defined differently in different countries. What may be a small business in India may be a very big or large business in Uganda but there are some underlying similarities in the concept used in the definition. Since no single definition has universally different yardstick are used to get a more clear understanding of the concept. He further asserts that, business has evolved over the years and comes in various forms and sizes. It is expected that business start from a certain scale and grow with time. The development of the limited companies was a result of desire for a form to support large scale operations mass manufacturing, developed by Henry Ford naturally led to large operations.

He noted that small businesses have continued to co-exist side by side with the big businesses. Small businesses have been recognized worldwide as an engine of growth and development and in many countries there has been a consensus effort to support them so as to create the necessary employment opportunities, income and production capacity. There is evidence available about the role of small enterprises and some of the reasons for them being preferred are obvious.

These include ease for formation, low capital requirements, flexibility in decision making, mobility and variety of other factors seen from global perspectives, small business have specific niche in global economic affairs.

He further said that the development of small scale business enterprises is a key factor in the development of a country like Uganda. These businesses create wealth and create employment to the people. They open up market and find new combination of material process and producers. The importance of small scale business enterprises cannot be overlooked; there has been a lot of effort directed towards promoting those units. In many countries there has been affirmative action towards promoting small scale business.

In Uganda, the roles of this sector have been recognized however, there is no formal policy in place and no affirmative action to support the sector specifically. Nevertheless, various non-governmental organizations have been established to assist the growth of these enterprises by offering entrepreneurship management skills to the entrepreneurs; many of these also finance the businesses.

2.2.1 Importance of small scale businesses

Small scale business is a source of innovation for example 'saloon where different hairstyles are coming up and coming with different prices, hence good source of income and motivation for the proprietors. Small scale businesses are a breeding ground for new industries; any business investment starts from small scale and expands into bigger one.

Small scale businesses are as a special supplier which provides companies with parts or sub-assemblies or components that are produced at low cost than large companies can achieve. Ministry of Finance and economic development report of 1992 also estimated that over 80% of Ugandans manufacturing output was by small scale enterprises. Uganda investment authority report made in 1996 estimated that small scale sector employs about 2.6 million people. These businesses provide competition as they provide a number of products in the market; this ensures that monopoly and oligopoly does not dominate the market.

The small scale enterprises are much more numerous than the large ones and the tendency has been to believe that the owners are automatically entrepreneurs. Small businesses are established for various reasons some for income generating for growth and others for leisure.

2.3 Management skills and performance of small scale business

Management Guru Peter Drucker (1982) made a distinction between being efficient and being effective. According to him, performing an activity swiftly and economically refers to being efficient, while doing the right thing at the right time, with efficiency refers to effectiveness. Good management skills lead you to the right goals. On the other hand doing the wrong things or doing things in the wrong direction is a waste of time and energy. In other words, it's the exercise of efficiency to no avail. A leader should know how to prioritize business activities. He should be able to understand what is important for the business and differentiate it from what is urgent.

According to Mrs. Diana Ntaamu a researcher in MUBS (2010), he noted that today women entrepreneurs represent a group of women who have broken away from the..... and are

exploiting new areas for economic participation among the reasons for women to run organized enterprises are the management skills and knowledge, their talents, abilities and creativity in business and compelling desire for wanting to do something positive. He further says that entrepreneurs are self-starters, innovators and risk takers.

Management skills are very vital for economic growth and development of a country like Uganda; women entrepreneurs greatly contribute to the economy and are making a difference through their ideas and skills that they possess. Through this, they have been able to create jobs for many others.

Mill suggests that the skills associated with entrepreneurship are rare and limited in supply. He claims that the ability of the entrepreneur is so great and so numerous that very few people can exhibit them all in a very high degree.

Marshall (1994), believes that entrepreneurs must have a thorough understanding about their initiative and they must be natural leaders. Additionally, he said entrepreneurs must have the ability to foresee changes in supply and demand and be willing to act on such risky forecasts in absence of complete information.

Patel further says that many professionals find starting a business difficult as it requires skills and knowledge about various managerial aspects of management skills therefore, it is very important for entrepreneurs.

It helps to increase a trading and economic return and improve self-esteem and general well-being of those involved in micro enterprises.

These skills therefore enable the enterprises to have efficient utilization of resources, proper record keeping and increased sales of the enterprise.

According to Ms. Diana Ntaamu, (2010) lack of management skills are part of the reasons why many economic activities fail. And therefore strategies to curb down these problems have to be set aside for example increases participation in decision making and policy making process as at all levels.

2.4 Conclusion

This literature review shows that management skills contribute a lot towards the growth and performance of small scale business enterprises. Small scale entrepreneurs should realize that it is very important to acquire the managerial skills to improve performance of such enterprises.

CHAPTER THREE:

RESEARCH METHODOLOGY

2.0 Introduction

This Chapter dealt with the design of the study area of the study, population of the study, sample selection and techniques, sources of data collection instruments, research procedures, data collection procedure, data presentation and analysis, limitations of the study.

3.1 Study design

The research design was quantitative and qualitative using cross-sectional survey. Survey was employed such that it enables collection of data from many respondents. Non survey design will assist in collection of data from documented materials for example, magazine, newspapers and textbooks.

3.2 Area of study

The study was carried out at Western Division in Tororo district. This was chosen because the researcher comes from the same district and it would ease the collection of data.

3.3 Population of study and sample selection

3.3.1 Study Population

The study was carried out on market traders, customers, retail shop-owners and management of Western Division in Tororo District.

3.3.2 Sample selection techniques

The researcher used random sampling techniques on the market vendors, hardware shops, and retail shops plus Western Division authorities.

3.3.3 Sample size

The sample size was comprises of about 28 market vendors, 21 retailers, 06 members of authorities, totaling to 55 respondents respectively because it has been noted that they usually give opinions hence they are useful in the capitation of the research as shown on the table below.

The table below shows the sample size for the study.

Category	Female	Male	Total
Market vendors	16	12	28
Retail shops	10	11	21
Authorities	03	03	06
Grand Total			55

3.3.4 Sloven formula Sample size

$$n = N / (1 + Ne^2)$$

Where; n= sample size

N= total population

e = constant, k= 0.05

3.4 Source of data

The data was sourced from two main sources namely primary and secondary data.

3.4.1 Primary data

Primary data is that which is collected from the field for the first time relating to the study problem and will also provide a solution to the problem of the study. This data was collected from the market vendors, hardware, shops and Division authorities using questionnaires.

3.4.2 Secondary data

Secondary data source is the data gathered within the organization and was collected by reviewing library books, newspapers, internet cafes, magazines on related studies.

3.5 Data collection instruments

The researcher used questionnaires, interviews, library and observation methods to obtain the required data

3.5.1 Questionnaires

This was the main instrument of data collection for the study. The questionnaires was designed and delivered physically to the respondents in their predetermined localities as it is written in the research procedure. They were then collected at an agreed data.

3.5.2 Interview

This was used on respondents who cannot write. The questionnaires were prepared in advance and the researcher asked the respondents present questions and note down the responses.

3.5.3 Observation

Here there was direct use of naked eyes for the purpose of gathering data on the events which the researcher is interested in, the beginning point will be matching and writing down of a phenomenon as it occurs in the nature with regards to interpersonal relationship among the learners. The researcher will be able to obtain first-hand information from the market vendors, hardware shops, retail shops and Division authorities.

3.5.4 Library Research

This involved visiting libraries both public and private. In reading different text books on relevant topics to obtain information, this facilitated research work to be completed systematically.

3.6 Data Collection procedures

The researcher started by identifying the topic and presenting it for approval by the supervisors. The researcher obtained an introductory letter from the Kampala International University administration and took it to Western Division authorities to seek for permission to carry out the study from the Division. The researcher designed questionnaires which was approved by the supervisor. After being approved, he took them to the respondents and then collected after they have been filled in by the respondents. He was then to go to the field to ask the respondents who may not be able to fill in the questionnaires. Observation was done by visiting hardware shops, retail shops, and market vendors several times and observing what is happening and how the businesses are being managed and how customers are handled. The data collected was sorted; tallied and analyzed using frequency tally tables and chi-square formulae which enabled the researcher interpret the result of the findings.

3.7 Data presentation and analysis

3.7.1 Data Presentation

Data collected was sorted, edited and coded with a view of checking accuracy, correctness, completeness, liability, uniformity, reliability and validity. The information was presented using percentage tables to enable the researcher to measure the overall attitudes, perceptions and actions of market vendors, retailers and the customers.

3.7.2 Data analysis

On receiving data from respondents, the researcher edited, coded, tabulated and presented the data for analysis using appropriate statistical method chi-square as shown below:

$$X^2 \text{ Obs} = \frac{(fo - fe)}{fe}$$

Where $X^2 \text{ Obs}$ = chi-square, \sum = Summation, fo = Frequency observed, fe = Frequency expected

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents empirical findings in reference to research objectives in chapter one. These findings were obtained from both primary and secondary sources. They were presented and analyzed using frequency tables, percentages (graphs) and finally SPSS was used to establish a relationship between the variables.

4.2 Findings on general information

Table 1: Gender of respondents

Gender	Received	
	Frequency (f)	Percentage (%)
Male	26	66.7
Female	14	33.3
Total	40	100

Source: Primary Data

According to table 1 above, 66.7% of the respondents were males, while 33.3% were females. The respondents were mainly males implying that, probably male staff comprises a bigger percentage of the human resource in Western Division Tororo Municipality.

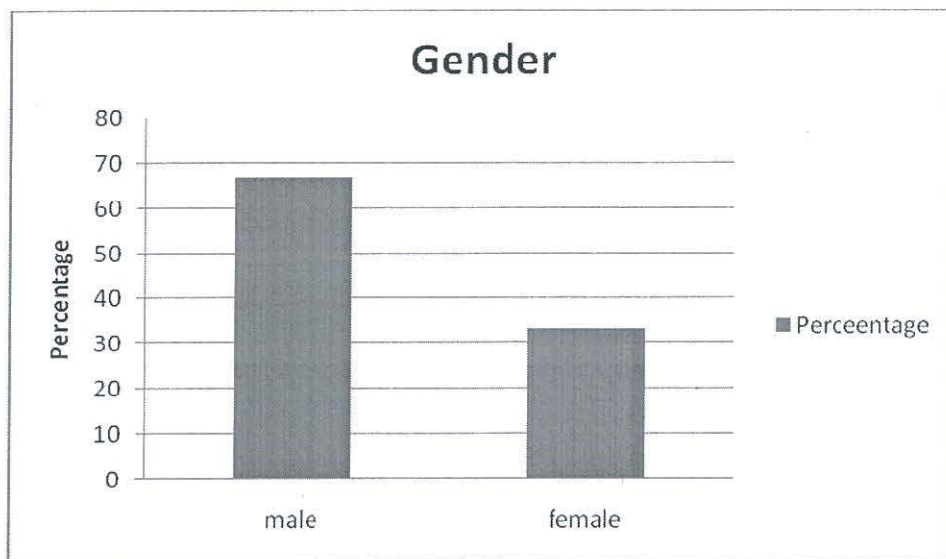


Figure 1: Gender of respondents

Status	Frequencies	Percentage (%)
Single	11	28.2
Married	29	71.8
Divorced/separated	-	-
Total	40	100

Source: Primary Data

Table 2: Marital status of respondents

Table 2 indicates that 71.8% of the respondents were married and 28.2% were single. The respondents were mainly married. This implies that, business management in Western Division Tororo Municipality mainly influence married staff and thus the business

performance is highly influenced by married staff compared to single and divorced/separated.

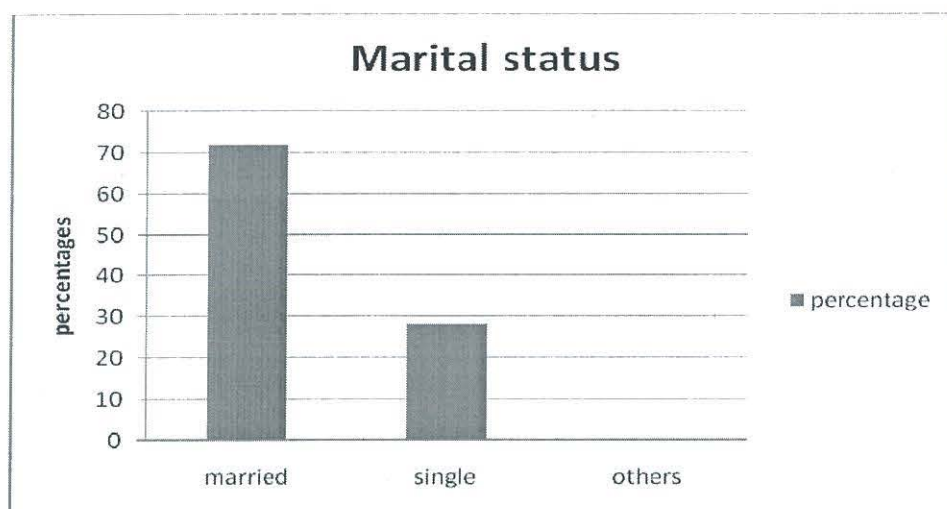


Figure 2: Marital status of respondents

Table 3: Age of respondents

Age (years)	Frequencies	Percentage (%)
21-30	11	25.6
31-40	17	43.6
41-50	12	30.8
Above 50	-	-
Total	40	100

Source: Primary Data

According to table 4 above 25.6% of the respondents were between the age 21-30, 43.6% were between the age of 31-40, 30.8% were between the age of 41-50 and none of the respondents were above the age of 50. Findings indicate that majority were in the age group of 31-40 years. This implies that respondents of this age group mainly contribute to the business performance in Western Division Tororo Municipality influenced by the management skills.

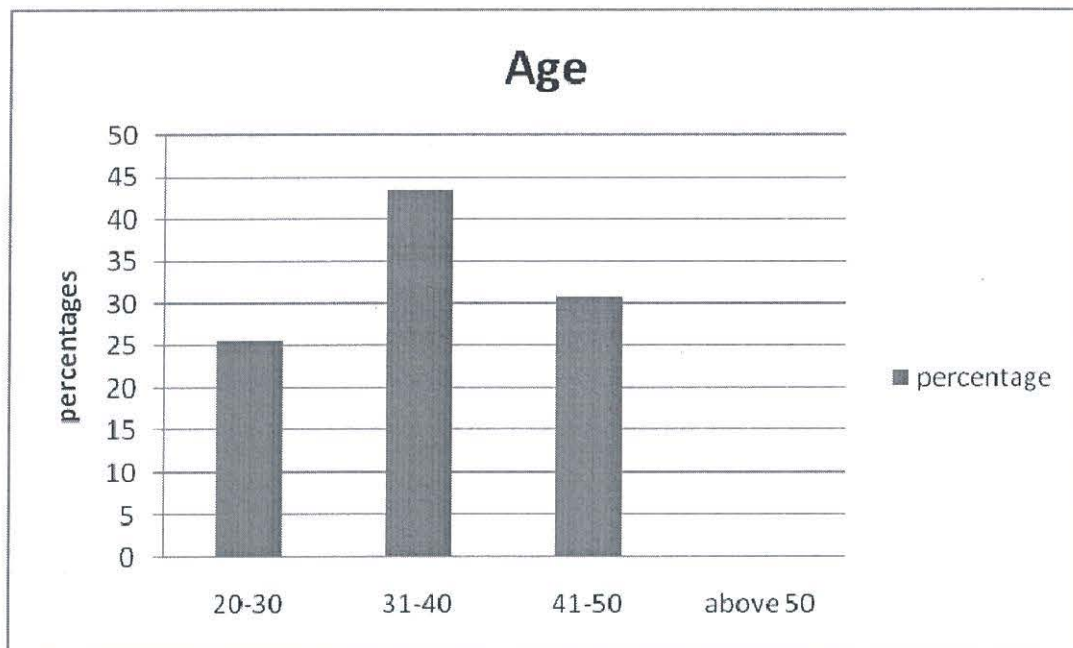


Figure 3: Age of respondents

Table 4: Education Level

Level	Frequencies	Percentage (%)
Certificate	5	10.3
Diploma	14	35.9
Degree	16	41.0
Master's degree	5	12.8
Professional	-	-
Others	-	-
Total	40	100

Source: Primary Data

Findings in table 4 above show that 10.3% of the respondents held certificates, 35.9% diploma, 41.0% degree and 12.8% Postgraduate. Majority were degree holders indicating that in Western Division Tororo Municipality organizational performance is mainly influenced by educated staff, thus they can easily evaluate the effectiveness of management skills used in the enterprise.

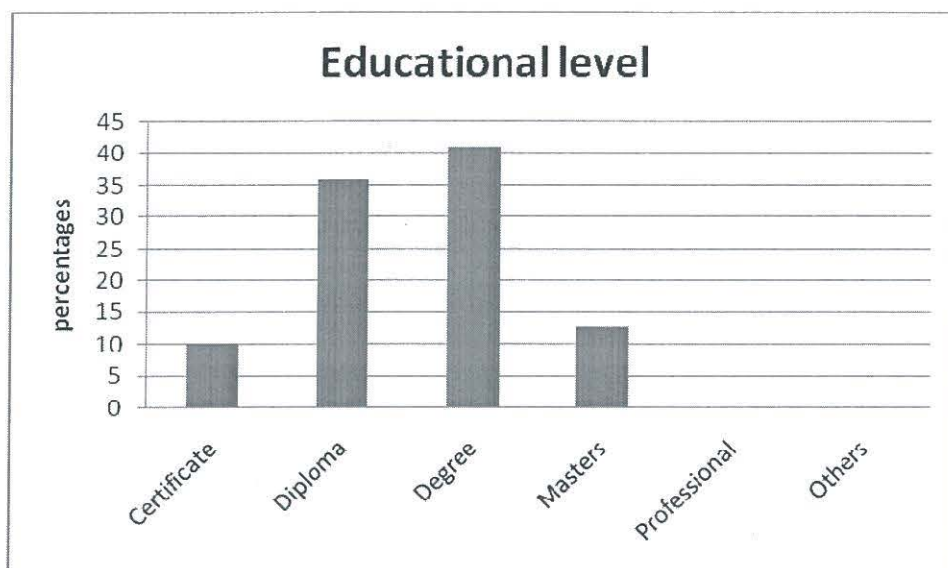


Figure 4: Education level of respondents

Table 5: Length of service

Length of service (years)	Frequencies	Percentage (%)
Less than 1 year	5	10.3
1-3	14	35.9
4-6	16	41
Above 6 years	5	12.8
Total	40	100

Source: Primary Data

Findings in table 5 above show that 10.3% of the respondents served for less than 1 year, 35.9% 1-3 years, 41% 4-6 years and 12.8% above 6 years. Majority served for 4-6 years

indicating that businesses in Western Division Tororo Municipality are managed by experienced staff.

4.3 Findings on the effectiveness of management skills used in Western Division Tororo Municipality

Table 6: Responses on whether there is adequate item listing done by management

Response	Frequencies	Percentage (%)
Strongly agree	9	23
Agree	10	26
Not sure	6	13
Disagree	13	33
Strongly disagree	2	5
Total	40	100

Source: Primary Data

Results in table 6 above show that 23% of the respondents strongly agreed that there is adequate item listing done by management, 26% agreed, 13% were not sure, 33% disagreed and 5% strongly disagreed. Majority of the respondents were in disagreement and this implies that there are inadequate item listings done by management in Western Division Tororo municipality.

Table 7: Responses on whether Procedures in place ensure business continuity, growth and proper accountability

Response	Frequencies	Percentage (%)
Strongly agree	4	7
Agree	8	21
Not sure	6	15
Disagree	10	26
Strongly disagree	12	31
Total	40	100

Source: Primary Data

Results in table 7 above show that 7% of the respondents strongly agreed that Procedures in place ensure business continuity, growth and proper accountability, 21% agreed, 15% were not sure, 26% disagreed and 31% strongly disagreed. Majority of the respondents disagreed and this implies that Procedures in place do not ensure business continuity, growth and proper accountability in the businesses.

Table 8: Responses on whether all business purchases are approved by appropriate level of management

Response	Frequencies	Percentage (%)
Strongly agree	7	17.9
Agree	4	10.2
Not sure	8	20.5
Disagree	13	30.8
Strongly disagree	8	20.5
Total	40	100

Source: Primary Data

Results in table 8 above indicate that 17.9% of the respondents strongly agreed that all business purchase are approved by appropriate level of management, 10.2% agreed, 20.5% were not sure, 30.8% disagreed and 20.5% strongly disagreed. Majority of the respondents disagreed and this implies that all business purchases are not approved by appropriate level of management.

Table 9: Responses on whether there is effective management of money and time through better task scheduling

Response	Frequencies	Percentage (%)
Strongly agree	12	30.8
Agree	5	12.8
Not sure	7	18
Disagree	12	30.8
Strongly disagree	4	7.7
Total	40	100

Source: Primary Data

Results in table 9 above show that 30.8% of the respondents strongly agreed that there is effective management of money and time through better task scheduling, 12.8% agreed, 18% were not sure, 30.8% disagreed and 7.7% strongly disagreed. Majority of the respondents disagreed. This implies that there is no effective management of money and time through better task scheduling Western Division Tororo municipality.

Table 10: Responses on whether there is effective leadership, decision making, employee management and good customer relationship

Response	Frequencies	Percentage (%)
Strongly agree	9	21
Agree	4	10
Not sure	3	8
Disagree	10	26
Strongly disagree	14	36
Total	40	100

Source: Primary Data

Results in table 10 above indicate that 21% of the respondents strongly agreed that there is effective leadership, decision making, employee management and good customer relationship, 10% agreed, 8% were not sure, 26% disagreed and 36% strongly disagreed. Majority of the respondents disagreed; this implies that there is limited/no effective leadership, decision making and employee management and good customer relationship.

Table 11: Responses on whether there is proper management of inventory and up to date bookkeeping done by small scale business enterprises

Response	Frequencies	Percentage (%)
Strongly agree	8	21
Agree	11	26
Not sure	7	18
Disagree	6	15
Strongly disagree	8	21
Total	40	100

Source: Primary Data

Results in table 11 above depict that 21% of the respondents strongly agreed that there is proper management of inventory and up to date bookkeeping, 26% agreed, 18% were not sure, 15% disagreed and 21% strongly disagreed. Majority of the respondents agreed, this implies that there is proper management of inventory and up to date bookkeeping in Western Division Tororo municipality.

Table 12: Responses on whether stock taking is done following the procedures and in the presence of management

Response	Frequencies	Percentage (%)
Strongly agree	7	18
Agree	9	23
Not sure	5	13
Disagree	14	36
Strongly disagree	5	10
Total	40	100

Source: Primary Data

Results in table 12 above show that 18% of the respondents strongly agreed that stock taking is done following the procedures and in the presence of management, 23% agreed, 13% were not sure, 36% disagreed and 10% strongly disagreed. Majority of the respondents disagreed implying that stock taking is not done following the procedures and in the presence of management.

Table 13: Responses on whether the petty cashier is well managed in circulation by technically skilled personnel

Response	Frequencies	Percentage (%)
Strongly agree	10	25.6
Agree	5	12.8
Not sure	7	18
Disagree	15	35.9
Strongly disagree	3	7.7
Total	40	100

Source: Primary Data

Results in table 13 above reveal that 25.6% of the respondents strongly agreed that the petty cash is well managed in circulation by technically skilled personnel, 12.8% agreed, 18% were not sure, 35.9% disagreed and 7.7% strongly disagreed. Majority of the respondents disagreed; this implies that the petty cashier is not well managed in circulation by technically skilled personnel.

Table 14: Responses on whether there are adequate policies to ensure effective collection and follow ups of due accounts

Response	Frequencies	Percentage (%)
Strongly agree	6	15
Agree	8	21
Not sure	4	8
Disagree	5	13
Strongly disagree	17	44
Total	40	100

Source: Primary Data

Results in table 14 above show that 15% of the respondents strongly agreed that there are adequate policies to ensure effective collection and follow ups of due accounts, 21% agreed, 8% were not sure, 13% disagreed and 44% strongly disagreed. Majority of the respondents disagreed implying that there are inadequate policies to ensure effective collection and follow ups of due accounts.

4.4 Findings on the level of business performance in Western Division, Tororo Municipality

Table 15: Responses on whether cost of production has been reducing dramatically for the past three years

Response	Frequencies	Percentage (%)
Strongly agree	4	10
Agree	10	26
Not sure	4	8
Disagree	13	33
Strongly disagree	9	23
Total	40	100

Source: Primary Data

Results in table 15 above show that 10% of the respondents strongly agreed that cost of production has been reducing dramatically for the past three years, 26% agreed, 8% were not sure, 33% disagreed and 23% strongly disagreed. Majority of the respondents disagreed; this implies that cost of production has not been reducing dramatically for the past three years.

Table 16: Responses on whether the small scale enterprises are now in better position to serve clients more efficiently and effectively

Response	Frequencies	Percentage (%)
Strongly agree	3	8
Agree	12	31
Not sure	4	10
Disagree	16	39
Strongly disagree	5	13
Total	40	100

Source: Primary Data

Results in table 16 above indicate that 8% of the respondents strongly agreed that the enterprises are now in better position to serve clients more efficiently and effectively, 31% agreed, 10% were not sure, 39% disagreed and 13% strongly disagreed. Majority of the respondents disagreed implying that small scale businesses are not in a better position to serve clients more efficiently and effectively.

Table 17: Responses on whether effectiveness is measured through quality services and products to the customers

Response	Frequencies	Percentage (%)
Strongly agree	17	44
Agree	9	21
Not sure	5	13
Disagree	6	15
Strongly disagree	3	8
Total	40	100

Source: Primary Data

Results in table 17 above depict that 44% of the respondents strongly effectiveness is measured through quality services and products to the customers, 21% agreed, 13% were not sure, 15% disagreed and 8% strongly disagreed. Majority of the respondents agreed. This implies that Effectiveness in Western Division Tororo municipality is measured through quality services and products to the customers.

Table 18: Responses on whether the small scale enterprises are able to build customer satisfaction through quality products and services

Response	Frequencies	Percentage (%)
Strongly agree	3	5
Agree	9	23
Not sure	5	13
Disagree	15	39
Strongly disagree	8	21
Total	40	100

Source: Primary Data

Results in table 18 above show that 5% of the respondents strongly agreed that the small scale enterprises are able to build customer satisfaction through quality products and services, 23% agreed, 13% were not sure, 39% disagreed and 21% strongly disagreed. Majority of the respondents disagreed. This implies small scale enterprises are not able to build customer satisfaction through quality products and services.

Table 19: Responses on whether the performance of the small scale business results from assets finance, employee skills and processes involved in production and marketing

Response	Frequencies	Percentage (%)
Strongly agree	15	38.5
Agree	12	30.8
Not sure	7	17.9
Disagree	4	7.7
Strongly disagree	2	5.1
Total	40	100

Source: Primary Data

Results in table 19 above show that 38.5% of the respondents strongly agreed that the performance of the small scale business results from assets finance, employee skills and processes involved in production and marketing, 30.8% agreed, 17.9% were not sure, 7.7% disagreed and 5.1% strongly disagreed. Majority of the respondents agreed. This implies that performance of the small scale business results from assets finance, employee skills and processes involved in production and marketing.

Table 21: Responses on whether small scale businesses are on track to achieve their desired goals and better customer response time on-time delivery

Response	Frequencies	Percentage (%)
Strongly agree	4	10
Agree	14	36
Not sure	8	21
Disagree	10	26
Strongly disagree	4	8
Total	40	100

Source: Primary Data

Results in table 21 above show that 10% of the respondents strongly agreed small scale businesses are on track to achieve their desired goals and better customer response time on-time delivery, 36% agreed, 21% were not sure, 26% disagreed and 8% strongly disagreed. Majority of the respondents agreed. This implies that Small scale businesses are on track to achieve their desired goals and better customer response time on-time delivery in Western Division Tororo Municipality.

4.5 Findings on the relationship between management skills and performance of small scale businesses in Western Division Tororo Municipality.

Table 22: Correlations

		Management skills	Small scale business performance
Business management skills correlation	Pearson Sig. (2-tailed) N	1 . 40	.617** .000 40
Small scale business performance correlation	Pearson Sig. (2-tailed) N	.617** .000 40	1 . 40

** Correlation is significant at the 0.01 level (2-tailed).

The results in the table above indicate a significant positive relationship between management skills and performance of small scale business enterprises in Western Division Tororo municipality ($r = 0.617^{**}$, $P \text{ value} < 0.01$). And therefore strategies to

curb down these problems have to be set aside for example increases skilling of entrepreneurs with business management, participation in decision making and policy making process as at all levels.

While business management is a process, its effectiveness is a state or condition of the process at a point in time. Accordingly, the effective profitable functioning of small scale business enterprises of providing a reasonable assurance regarding achievement of one or more of the stated categories of objectives to ensure high levels of small scale business performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion, conclusion and recommendations of the study findings and ends with areas of further research.

5.2 Discussion of major findings.

5.2.1 To examine the effectiveness of management skills in Western Division Tororo Municipality

Findings indicated that the management skills in Western Division Tororo Municipality were ineffective and unsatisfactory. Findings are in line with studies by Patel who argued that many professionals find starting a business difficult as it requires skills and knowledge about various managerial aspects of management skills therefore, it is very important for entrepreneurs. It helps to increase a trading and economic return and improve self-esteem and general well-being of those involved in micro enterprises management to construct a challenge to management decision and take an active role in ensuring that an appropriate “tone at the top exists” giving direction to the business with technical subordinates and management.

5.2.2 To establish the level of performance of small scale business enterprises in Western Division Tororo Municipality

The findings revealed a low level of small scale business enterprise performance in Western Division Tororo municipality. Findings are in agreement with studies by Brown

(1996) who argues that performance measures in organizations must focus attention on what makes, identifies and communicates the drivers of success, support organizations learning and provide a basis for assessment and reward. Furthermore, Dixon (1990) adds that appropriate performance measures are those which enable small scale business enterprises to direct their actions towards achieving their strategic objectives. This is because according to him a business' performance is central to the future well-being and prosperity of any enterprise.

5.2.3 To establish a relationship between Management skills and performance of small scale business enterprises

The results in the table above indicate a significant positive relationship between management skills and small scale business performance of Western Division Tororo ($r = 0.617^{**}$, $P \text{ value} < 0.01$). These findings, relate well with previous studies by Mill who suggested that the skills associated with entrepreneurship are rare and limited in supply. He claims that the ability of the entrepreneurs is so great and so numerous that very few people can exhibit them all in a very high degree. Furthermore, Marshall (1994), believes that entrepreneurs must have a thorough understanding about their initiative and they must be natural leaders. Additionally, he said entrepreneurs must have the ability to foresee changes in supply and demand and be willing to act on such risky forecasts in absence of complete information.

Accordingly, the effective continuity by small scale business provides a reasonable assurance regarding achievement of one or more of the stated categories of objectives to ensure high levels of small scale business performance.

5.3 Conclusion

From the study findings, it is concluded that; the study findings indicated that the management skills used by entrepreneurs in Western Division Tororo Municipality were ineffective and unsatisfactory, the level of small scale business performance was found to be inadequate and a significant positive relationship between management skills and small scale business enterprise performance was established to exist.

5.4 Recommendations

5.4.1 To examine the effectiveness of management skills used in Western Division Tororo Municipality

The management and traders of Western Division should design effective means of skilling small scale business entrepreneurs by ensuring that adequate training is done by management, on capital assets control, financial management, customer care and protection of the assets.

5.4.2 To establish the level of performance in Western Division Tororo Municipality

The management and entrepreneurs of Western Division should ensure that they strengthens strategies aimed at improving small scale business performance in all categories of market vendors by setting required standards and this should continuously be used to ensure that performance levels are satisfactory.

5.4.3 To establish a relationship between management skills and performance of small scale business enterprises in Western Division Tororo Municipality.

The management of Western Division Tororo Municipality should appreciate the findings in the relationship between management skills and performance of small scale business enterprises to ensure their continuity in provision of goods and services in a competitive industry in Uganda more so against powerful foreign investor especially Indian community of Tororo.

5.5 Limitations of the study

Some respondents feared to give information to the researcher for that they may be collecting data for tax purposes other than research.

The study was limited by lack of time due to the commitment of both subordinates and management organization especially in holidays and in public occasions.

The language barrier problem by the researcher since the field comprised of different people with different tribes and some of them don't know English

The researcher experienced low turnover by the respondents to answer the questionnaires during the study.

5.6 Areas for further research

The study did not exhaust all the dependent variables that influence the performance of small scale business enterprises thus the need for other researchers to conduct an exhaustive study on variables under listed;

- Loans and small scale business performance
- Culture and small scale business performance
- Consumer behavior and small scale business performance

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APPENDIX I: QUESTIONNAIRE
KAMPALA INTERNATIONAL UNIVERSITY-KAMPALA

SECTION 1:

**Questionnaire to be answered by the traders, management and employees of Western
Division Tororo Municipality.**

Dear respondent the researcher is a student of Kampala International University pursuing a Bachelor's Degree in Business Administration. The researcher is conducting a study on the topic *"the effect of management skills on the performance of small scale business enterprise"* the questionnaire is addressed to the traders, management and employees of Western Division Tororo Municipality in order to collect data that will be used to accomplish the study.

Your response will be treated with absolute confidentiality. Results will be aggregated and reported in general terms but not per individual respondent.

I kindly request you to participate in this study by responding to this questionnaire. The questions usually take about 10 minutes.

SECTION 2: Background information.

Please Tick your appropriate Choice

1. Age (Years): 21-30 ☐ 31 – 40 ☐ 41 – 50 ☐ Above 50 ☐

2. Gender: Male ☐ Female ☐

3. Marital Status

Single ☐ Married ☐ Divorced/Separated ☐

4. Level of Education

Professional ☐ Master's Degree ☐ Bachelor Degree ☐ Diploma ☐

Certificate ☐ Any other please specify

5. How long have you been in small scale business enterprise

Less than one year ☐ 1 – 3 years ☐ 3 – 6 years ☐ Above 6 years

SECTION 3: MANAGEMENT SKILLS

EFFECTIVENESS OF MANAGEMENT SKILLS

Please Tick the appropriate alternative

Key; Where SA-strongly agree, A- agree, NS-not sure, SD-strongly disagree D-disagree

STATEMENT	SA	A	NS	SD	D
There are adequate item listing done by management					
Procedures in place ensure business continuity, growth and proper accountability					
All business purchase are approved by appropriate level of management					
There is effective management of money and time through good task scheduling.					
There is effective leadership, decision making and employee management and good customer relationship					
There is proper management of inventory and up to date bookkeeping					

Stock taking is done following the procedures and in the presence of management					
The petty cashier is well managed in circulation by technically skilled personnel					
There are adequate policies to ensure effective collection and follow ups of due accounts					

SECTION FOUR:

PERFORMANCE OF SMALL SCALE BUSINESS

In this section the researcher seeks to establish the level of performance of small scale enterprises in Western Division Tororo municipality. Please Tick the appropriate alternative

Key: Where, SA=strongly agree, A= Agree, NS= Not sure, D=Disagree, SD=strongly disagree

STATEMENTS	SA	A	NS	SD	D
Cost of production has been reducing dramatically for the past two years					
The enterprises are now in better position to serve clients more efficiently and					

effectively					
Effectiveness is measured through quality services and products to the customers					
The enterprises are able to build customer satisfaction through quality products and services					
Performance of the company results from assets finance, employee skills and processes involved in production and marketing					
There is evaluation and discussion of the business performance annually by management					