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## The Influence of Managerial Competencies on the Performance of Small and Medium Enterprises in Jordan

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### Abstract

This article looks at how managerial competencies affect SMEs' (Small and Medium Enterprises) performance in Jordan. 354 SMEs were chosen randomly. Structured questionnaires were used to gather data, focused on SME owners' and managers' perceptions of managerial competencies and SME performance. The investigation made use of the structural equation modeling (SEM) package SmartPLS, enabling the evaluation of intricate linkages with latent variables. The results demonstrate the significant influence of managerial competencies on the operation of SMEs in Jordan. By presenting empirical data on the impact of managerial competences in increasing SME performance and stressing their significance for achieving sustainable growth and competitiveness, the study adds to the body of existing knowledge in this area. These insights can help managers, policymakers, and SME owners improve their managerial skills, which will improve the performance of the Jordanian SME sector. Small and Medium Businesses.

**Keywords:** Managerial Competencies, Small and Medium Enterprises, Performance, Jordan, SmartPLS.

### Introduction

Small and medium-sized businesses (SMEs) are essential to the development and expansion of economies around the world (Manzoor et al., 2021; Opute, 2020; World Bank, 2020). According to Zighan, *et al* (2023), SMEs make up a sizeable section of the commercial environment in Jordan and help spur innovation and Employment. Despite their significance, SMEs frequently encounter a number of difficulties that impair their performance, including a lack of resources, fierce competitiveness and, and managerial weaknesses (Anwar & Shah, 2020).

There is a research gap addressing the precise impact of managerial competencies on SME performance in the Jordanian setting, even though the literature has acknowledged the importance of managerial competencies for SME performance. Despite the fact that research from other nations have looked at the connection between managerial skills and SME success, the distinctive socio-cultural, economic, and institutional framework of Jordan justifies a intensive investigation (Alzbaidi, 2020; Welsh et al., 2017).

Furthermore, in order to fully evaluate the relationship between managerial competencies and SME success, empirical research that uses innovative statistical methods, including structural equation modeling (SEM), is required. Simple regression methods are frequently used in existing studies, which may not adequately make interpretation for the complex changing aspects and possible mediating or moderating effects involved (Abu-Rumman, 2018; Byukusenge et al., 2021). As a result, using a powerful analytical tool like SmartPLS can produce results that are more accurate and trustworthy (Mashavira & Chipunza, 2021).

By examining how managerial competences affect the success of SMEs in Jordan and using the statistical package SmartPLS for analysis, this study intends to close these research gaps. This study, which takes a quantitative approach, aims to offer empirical proof of the importance of managerial skills in improving the performance of SMEs in particular within the Jordanian economic environment.

The results of this study will add to the body of knowledge by supplying important evidence about the connection between managerial skills and SME success in Jordan. These observations will be especially useful for policymakers, SME owners, and managers since they will emphasize how crucial it is to build and improve managerial competencies in order to achieve sustainable growth and competitiveness in the Jordanian SME sector.

The literature review will examine how SMEs are now perceived in Jordan, how managerial skills affect SMEs' success, and the theoretical framework supporting this study in the parts that follow. The research design, data collection procedure, measurement equipment, and data analysis methods will all be included in the methodology section. The findings and their consequences will be presented in the results and discussion section, which will be followed by a conclusion that highlights the major contributions of this study and suggests areas for additional research.

## **Literature Review**

According to Manzoor et al (2021); Opute (2020), small and medium-sized businesses (SMEs) play a significant role in Jordan's economic development, creation of jobs, and innovation. According to their studies, Juanda et al (2023), SMEs are essential for boosting economic growth and lowering unemployment rates in the country. However, SMEs in Jordan confront a variety of difficulties, such as restricted access to financing, Administrative obstacles, and a lack of managerial skills (Erdin & Ozkaya, 2020).

The abilities that managers possess to carry out their responsibilities well are referred to as managerial competencies (Martini, *et al.*, 2018). Many empirical study examine that, managerial abilities significantly affect the performance of SME's. For instance, Andriani et al (2018) research revealed that transformational leadership, a crucial element of management competences, has an encouraging impact on performance and innovation in high-tech SMEs. Orobias, *et al* (2020) showed that management competences have a direct impact on SME performance and that business model innovation further mediates this effect.

Furthermore, numerous studies have emphasized the significance of particular managerial skills for the success of SME. Examples of important capabilities for SME growth and performance include an entrepreneurial orientation, strategic thinking, and financial management abilities (Eller, *et al.*, 2020). These skills give SMEs the ability to take advantage of opportunities, adjust to shifting market conditions, and manage resources efficiently.

### Theoretical Framework

To understand the relationship between managerial competences and SME success, the theoretical framework that underpins this study includes multiple theoretical approaches. In order to achieve a sustained competitive advantage, the resource-based view (RBV) places a strong emphasis on the significance of firm-specific resources, particularly managerial competencies (Barney, 1991). According to RBV, SMEs are more likely to produce higher performance outcomes if they have superior managerial competencies.

Additionally, the dynamic capabilities perspective suggests that SMEs' ability to adapt, learn, and innovate is crucial for their performance (Ferreira et al., 2020). Managerial competencies, as dynamic capabilities, enable SMEs to respond to market changes, identify new opportunities, and effectively manage resources for superior performance.

The link between managerial abilities and SME performance has been supported by empirical research conducted in several nations. For example, Knight, *et al* (2019) discovered a favorable correlation between managerial skills and SME success in the Australian setting. Srisathan et al (2020), investigated how innovation mediate and supported the positive Influence of managerial competencies on SME performance in China.

Regarding the precise impact of managerial competences on the performance of SME's in Jordan, there is a study gap. To fully comprehend the significance and implications of management abilities for the success of SME in this particular setting, an intensive analysis is required due to Jordan's distinctive socio-cultural, economic, and institutional background.

This study seeks to fill this study gap by analyzing the existing literature and offering useful information about the connection between managerial skills and SME success in Jordan.

The following section of this study will describe the research strategy, data collection procedure, measurement tool, and data analysis methodologies used in the following sections. The findings and their consequences will be presented in the results and discussion section, and then there will be a conclusion outlining the major contributions of this study and outlining potential directions for future research.

### Research Conceptual Framework

This framework was generated by the researcher based on the literature from earlier studies (i.e. Knight, *et al.*, 2019; Srisathan, et al., 2020; Eller, *et al.*, 2020; Coelho, & Moutinho, 2020). It describes the relationship between management competences and SME performance in Jordan.

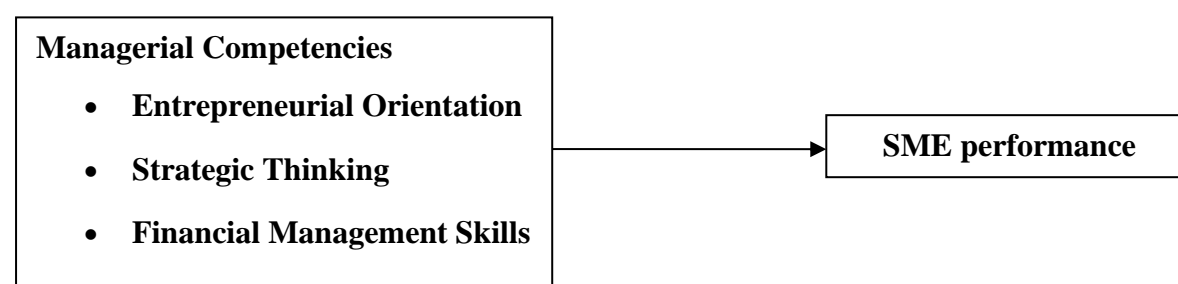


Figure 1: *Conceptual Framework*

Source: Knight, *et al* (2019); Srisathan, *et al* (2020); Eller, *et al* (2020); Coelho & Moutinho(2020)

### **Methodology**

Quantitative research strategy was used to examine the impact of managerial competences on the performance of SMEs in Jordan. To guarantee representativeness and generalizability of the results, a sample size of 354 SMEs in Jordan was randomly chosen. Information gathered through the administration of standardized questionnaires to SME owners or managers, with an emphasis on their assessments of managerial capabilities and SME performance. The measurement tool was created using scales that have already been tested in earlier research (Sidek & Mohamad, 2014). SmartPLS 4.0, a vigorous statistical package for structural equation modeling (SEM), was used to examine the data. SmartPLS is suited for analyzing multidimensional management competencies and their effects on SME performance since it enables the assessment of complicated connections and latent variables.

### **Results and Discussion**

Regarding the impact of managerial competences on the performance of SME's in Jordan, the analysis of the data gathered using SmartPLS produced illuminating results. The measurement model demonstrated strong validity and reliability, with adequate loadings for all latent constructs and composite reliability. Significant links between managerial skills and various aspects of SME success were found via path analysis.

### **The Measurement Model**

Prior to evaluating the capacity of the measurements, the measurement model's primary goal is to assess the consistency and accuracy of the constructs. A criterion of 0.4 was deemed to be acceptable after an analysis of the data was done to verify the dependability of the indicators. Composite reliability was used to assess the internal consistency, and a score of 0.7 or greater was regarded as satisfactory. According to Chin (1998), the average variance extracted (AVE) was employed with a criterion of 0.5 or higher to evaluate convergent validity. According to Hair et al (2010), discriminant validity was assessed by comparing the factor loadings to make sure that items had higher loadings on their respective constructs compared to other constructs. The instrument employed in the study was reliable since every item met the minimal requirements. The factor loadings above the 0.4 criterion and varied from 0.496 to 0.814. The composite dependability values were higher than the suggested value of 0.7, ranging from 0.765 to 0.834. The AVE was over the minimum cutoff of 0.5 and ranged from 0.506 to 0.558, demonstrating convergence validity. Additionally, the interconnected variables' squared correlation and AVE both showed good discriminant validity.

Table 1

*Factor Loading*

Items	Composite Reliability	AVE
<b>Entrepreneurial Orientation</b>	0.765	0.506
<b>Strategic Thinking</b>	0.834	0.548
<b>Financial Management Skills</b>	0.783	0.558
<b>SME performance</b>	0.828	0.547

Prepared by the Author (2023)

Table 2

*Discriminant validity*

Variables	EO	FMS	ST	PRF
EO	<b>0.75</b>			
FMS	0.41	<b>0.73</b>		
ST	0.50	0.51	<b>0.76</b>	
PER	0.62	0.52	0.56	<b>0.78</b>

Prepared by the Author (2023)

**Structural Model**

Testing the study's hypotheses came next after making sure the measuring model conformed with the standards for construct validity and reliability. By employing the PLS algorithm and Smart PLS 4.0 bootstrapping, this can be made possible.

Table 3

*Hypothesis Testing Results*

Hypotheses	Relationship	Beta ( $\beta$ )	S E	T Statistics	Decision
H1	EO -> PER	0.367	0.051	7.12**	Supported
H1	FMS -> PER	0.242	0.035	6.914**	Supported
H1	ST -> PER	0.321	0.084	3.82**	Supported

Note: \*\*Significant at 0.01 (1-tailed), \*significant at 0.05 (1-tailed)

Particularly, the results show that entrepreneurial orientation (EO), a crucial component of managerial competences, significantly and favorably influences SME Performance. This shows that SMEs with managers who exhibit entrepreneurial characteristics, such as a tendency for innovation, taking risks, and acting pro-actively, likely to obtain superior performance outcomes. This result is consistent with other research that highlights the value of entrepreneurial orientation in fostering the growth of SME's (Ferreira, *et al.*, 2020).



The investigation also showed that strategic thinking (ST), another managerial competency, has a substantial impact on SME's performance. SMEs are more likely to do better when their managers exhibit strategic thinking abilities, such as the capacity to foresee market shifts, recognize possibilities, and create successful strategies. This result is in line with studies that highlight the significance of strategic thinking for the development and adaption of SME's (Byukusenge *et al.*, 2020).

Financial management skills equally discovered to have a favorable and significant effect on SME success. SMEs with managers who have strong financial management skills—including planning budgets, conducting financial analyses, and allocating resources—tend to perform better financially. This result confirms earlier research that emphasized the importance of financial management expertise in improving SME success (Orobia, *et al.*, 2020).

Overall, the study's findings offer empirical proof of the significant impact that managerial skills have on SME performance in Jordan. The results emphasize the significance of fostering sustainable growth and competitiveness in the Jordanian SME sector by developing and improving entrepreneurial Orientation, strategic thinking, and financial management abilities among SME managers.

## Conclusion

This study attempted to determine how managerial abilities affected the success of SMEs in Jordan. A sample of 354 SMEs was analyzed using SmartPLS, while data on managerial skills and SME performance was gathered through the use of structured questionnaires. The results of this study support the notion that managerial competences have a substantial influence on SME performance in the Jordanian setting.

As important components of managerial capabilities that enhance SME success, entrepreneurial orientation, strategic thinking, and financial management abilities have been recognized. SMEs with managers that exhibit these skills are more likely to have improved performance results. The findings highlight how crucial it is to encourage entrepreneurial qualities, strengthen strategic thinking talents, and cultivate financial management qualities among SME managers in Jordan.

This study offers important implication for policymaking, SME owner, and manager. These findings can be used by policymakers to build specific support and assistance initiatives that encourage the growth of managerial skills among SME managers. In order to increase performance and sustain growth, SME owners and managers can use this insight to prioritize skill development activities and strengthen their own competencies.

It is vital to recognize certain aspects of this investigation's shortcomings. Jordan was the focus of the study, so it's likely that the results cannot be directly applied to other nations or locations. Furthermore, the study used information that was self-reported, which can be biased by responses. By performing comparative studies across other nations and using a mixed-methods strategy for data collecting, future research can solve these issues.

Overall, by presenting empirical data on the impact of management competences on SME success in Jordan, the current study contributes to body of knowledge. This study provides valuable data for improving the success and competitiveness of SMEs in Jordan's business environment by highlighting the significance of developing and strengthening these competencies.

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