

Relationship Between Managerial Competence And Organizational Performance Of Manufacturing Firms

In Mbarara City, Uganda

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Abstract

The study established the relationship between employee competence and organizational performance of manufacturing firms. The study adopted a cross sectional research design which involved collection of data on different variable from the same place at one point in time. The design was used to collect data on the role of inventory management, employee competence and Performance of manufacturing firms in a short period of time. A sample size is the representative number of respondents chosen from the entire study population. The sample size was determined based on Yamane (1967) and 133 respondents were determined. Findings showed that employee competence has a positive significant relationship with organizational performance of manufacturing firms, this means that when organizations invest in recruiting well experience workers and workers with right qualification, it will result in into reduced with cost of production and it will enable to manufacturing firms that meet the demands of their clients and this will increase on the performance of organization. Therefore, based on the findings, manufacturing firms need to invest a lot of time in ensuring that different stock items are managed well since not all items have equal contribution to production. Employee competence is much important in the running of a manufacturing company, thus the qualification and experience of work force is to important such that good quality and timely production is achieved and this would bring about improved organizational performance.

Keywords: Competence, Employee, Performance, Manufacturing Firms.

Introduction

Management skills are an essential factor if businesses are to survive in this rapidly changing environment. This has provided an opportunity for firms to develop recruitment programs and processes to motivate and retain employees with capable skills (Christopher, Komunda, et al., 2022). This would increase the competitive advantage of the firm over others. Effective human resources play a significant role in the performance of an organization compared to its financial and technological resources (Ntirandekura, Ainebyoona, et al., 2022). This is true because a resourceful and capable workforce is critical to achieving a firm's overall goals and strategies. To develop a competent workforce, managers must involve employees in the decision-making process, which will provide an environment for continuous learning where the necessary skills can be acquired (Ntirandekura, Friday, et al., 2022). When employees have a clear idea of job expectations and the company's strategic goals, tasks and jobs are designed in accordance with these stated goals. This provides employees with job satisfaction and increases their commitment to both their individual work and the organization as a whole (Christopher, Moses, Muhindo, & Komunda, 2022). Competent and loyal employees increase the potential of a company's success because they would increase work efficiency and reduce waste.

The term organizational performance is a measure of how well an organization achieves its intended goals, both financial and market (Musaibah et al., 2023). An organization's procurement performance refers to efficiency and effectiveness. Efficiency measures how successfully inputs have been transformed into outputs, while effectiveness measures how successfully a system achieves a desired output (Faith et al., 2023). Organizational performance includes the organization's actual output or results measured against its intended outputs, and organizational performance includes three specific areas of corporate performance: financial performance, product market performance, and shareholder return. Performance measurement in organizations is still largely focused on financial data for coordination and control purposes (Isaac et al., 2023).

Globally, the evaluation of the organizational performance of US manufacturing firms includes a comprehensive assessment of various dimensions, including financial, operational and strategic indicators. Financial metrics such as return on assets (ROA), return on equity (ROE), gross margin and profitability ratios provide insight into a firm's efficiency in using its resources to generate profits (Annet et al., 2023). Operational metrics such as manufacturing efficiency, cycle times, and quality performance reflect a firm's ability to optimize processes and deliver products efficiently to meet customer demands. Several critical factors contribute to the organizational performance of US manufacturing firms. Technological progress and digitization have changed production processes, increased efficiency and product quality (Polycarp et al., 2023). A skilled and motivated workforce drives productivity and innovation, enhances a firm's operational excellence, and tailoring products to customer preferences and sustainability considerations strengthens market presence and competitiveness (Faridah et al., 2023).

The organizational performance of manufacturing firms in sub-Saharan Africa (SSA) has shown both opportunities and challenges (Winny et al., 2023). The region's manufacturing sector is characterized by a combination of factors that influence its performance. On the positive side, there is a growing emphasis on economic diversification, technological advancement, and increased investment in infrastructure that could potentially increase the performance of manufacturing firms (Musaibah et al., 2023). In addition, the African Continental Free Trade Area (AfCFTA), which aims to create a single market for goods and services across the continent, presents new prospects for manufacturing firms to expand their market reach (African Union, n.d.). However, the manufacturing sector in sub-Saharan Africa also faces several challenges that affect its performance (Christopher, Moses, Muhindo, & Nturanabo, 2022). Limited access to finance, insufficient infrastructure, bureaucratic obstacles and an unstable regulatory environment hinder the growth and efficiency of manufacturing firms (World Bank, 2020). Inadequate skills and human capital development, together with low levels of research and development (R&D) investment, have also contributed to constraints on innovation and productivity (African Development Bank Group, 2020). In addition, the region's heavy dependence on commodity exports, along with vulnerability to global market fluctuations, affects the stability and growth prospects of the manufacturing sector (Annet et al., 2023).

The organizational performance of manufacturing firms in Uganda is a complex landscape characterized by a combination of opportunities and challenges. Although the country's manufacturing sector has demonstrated growth potential, it faces multifaceted obstacles that affect its overall performance. Uganda's manufacturing industry contributes significantly to GDP and provides employment opportunities (Frank et al., 2023). However, the sector faces several challenges, including inadequate infrastructure, unreliable energy supply and high production costs, which hinder productivity and competitiveness (Turyatamba et al., 2022). Limited access to finance and a challenging business environment characterized by bureaucratic obstacles and corruption further hinder the growth and expansion of manufacturing firms (Paul et al., 2023).

Relatedly, the lack of skilled labor, together with the lack of technical and vocational training programs tailored to the needs of the industry, is a barrier to innovation and efficient operations (Emmanuel et al., 2023). In addition, limited access to modern technologies and low levels of investment in research and development hinder progress and improvements in production processes and product quality (World Economic Forum, 2019). In addition, the landlocked nature of Uganda's geography presents logistical challenges and increases the cost of importing raw materials and exporting finished products, impacting supply chain efficiency (Christopher, Moses, Muhindo, & Komunda, 2022). Despite these obstacles, efforts are being made to improve the business environment and infrastructure and create an environment conducive to increased organizational performance of manufacturing firms in Uganda.

Therefore, the link between inventory management (Deus, 2023), managerial competencies and organizational performance in selected manufacturing firms in Mbarara City forms a critical link that requires further investigation.

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The study aimed at the relationship between managerial competence and organizational performance of manufacturing firms in Mbarara city, uganda

Study Objective

To establish the relationship between managerial competence and organizational performance of manufacturing firms in Mbarara City, Uganda.

Research Question

What is the relationship between managerial competence and organizational performance of manufacturing firms in Mbarara City, Uganda?

Methodology

A research design was a detailed plan that guided the study. According to Mugenda (2003), a research design was the plan and structure of investigation conceived to obtain answers to research questions. The current study used a cross-sectional research design. A cross-sectional survey design was where data was gathered over a period of time to answer research questions (Sekaran, 2003). This study adopted a quantitative approach to investigate the relationship between inventory management, managerial competence, and organizational performance in selected manufacturing firms in Mbarara City. The research design involved collecting and analyzing numerical data to draw statistical inferences and identify patterns and correlations.

The study population consisted of four manufacturing firms operating in Mbarara City. The selection criteria for these firms included:

- Manufacturing firms that had been in operation for at least two years.
- Manufacturing firms that had a minimum of 50 employees.
- Manufacturing firms that had a well-established inventory management system.

The inclusion of manufacturing firms with a minimum of 50 employees helped ensure that the sample was representative of medium to large-sized firms. Larger firms often faced distinct challenges and opportunities in terms of inventory management, managerial dynamics, and overall organizational performance compared to smaller enterprises. This enhanced the generalizability of the study's findings to similar firms in Mbarara City and potentially in other contexts.

Therefore, the total study population was 200 respondents from four manufacturing firms operating in Mbarara City, Uganda. The researcher hoped that the study population was representative enough for the study.

The sample size was determined by use of scientific method derived by Yamane (1967).

The formula is expressed as follows;

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

Where N = target population, e = marginal error of 0.05 (5%) and n = sample size

$$n = \frac{200}{1 + 200(0.05)^2}$$

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$$1+200(0.05)^2$$

N= 133 respondents.

The study took into consideration quantitative data that was analyzed using descriptive statistics of frequencies and percentages generated from the Statistical Package for Social Scientist (SPSS). Additionally, the Statistical Package for Social Scientist (SPSS) was used to determine the correlation and regression using the Pearson rank coefficient (Nelson et al., 2022). The ranking of the relationship was based on the table below. Stratified sampling was employed, where the target population was categorized into strata or sub-groups sharing similar characteristics. In this study, the target population was grouped as procurement staff, stores staff, and production staff. The subgroups helped the researcher ensure full representation of all staff members without discrimination in the selected manufacturing firms. This aided in obtaining unbiased and comprehensive information.

The relationship between inventory management, employee competence and organizational performance

To establish the relationship between inventory management and employee competence on organizational performance, a hierarchical regression was used, since it helps to establish the contribution of the two independent variables to the dependent and also gives the individual contribution of each independent variable to the dependent variable and it also gives the direction of the relationship between the study variables

Table 1: Hierarchical Regression model

	Model 1			Model 2			Model 3			VIF
	B	SE	β	B	SE	β	B	SE	β	
(Constant)	3.832	0.254		1.463	.320		.865	.321		
Age of the firm	0.039	0.091	0.056	.015	.044	.035	.004	.039	.010	1.031
Inventory Management				.551	.092	.612**	.027	.152	.030	3.546
Employee competence							.710	.174	.692**	3.559
R		0.133			0.618			0.719		
R Square		0.018			0.383			0.517		
Adjusted R Square		0.002			0.362			0.493		
R Square Change		0.018			0.365			0.134		
F Change		1.114			36.044			16.702		
Sig. F Change		0.295			.001			.001		
Dependent Variable: Organizational Performance; N=119; *regression is significant at 0.05;										
**regression is significant at 0.01										

Source: Primary Data, 2023

In order to determine the predictive potential for each of the independent variable we entered control variable in model I. The control variable selected the age of the firm

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Results

The results in table 1 indicate that the age of the firm explain ($\beta = 0.056$, $P \leq 0.05$) an insignificantly affects performance of manufacturing firms for 1.8% of the change. This means that age of the firm does not matter in explaining organizational performance since the results shows that the relationship was insignificant (Nelson et al., 2023)

The results in table 1 further indicate that inventory management contributes 36.5% change in organizational performance of manufacturing firms. This implies that for a unit change in inventory management, performance of manufacturing firms would improve by .612 units. The results show that inventory management is a significant predictor of organizational performance of manufacturing firms ($\beta = 0.612$, $P \leq 0.01$) (Christopher, Moses, Muhindo, & Komunda, 2022).

Discussion

The results indicated that there is a positive significant relationship between employee competence and organizational performance. This means that when manufacturing firms hire well qualified employees with experience in terms of knowledge and skills, it will improve organizational performance of these manufacturing firms. The manufacturing firms can also train their own employees so that they get the required qualification and good experience in handling the work-related activities and this will improve the organizational performance. These manufacturing firms can also use the services of well experience firms in hiring competent employees who have the right skills in executing all their duties and this will result in to improved performance of the manufacturing firms in terms of saving money which would have been used to train the unskilled workers.

This is in line with the findings of McClelland and Boyatzis (2013) who developed a method for identifying competencies that differentiate superior from average performers. The differential or behavioral approach described competencies as the characteristics shown by superior performers that are not shown by average performers, i.e., “a generic body of knowledge, motives, traits, self-images, social roles, and skills that are causally related to superior or effective performance in the job” (McClelland & Boyatzis, 2013). The science of individual differences focused mainly on innate abilities, while the educational psychology perspective was on performance outcomes and shaping behaviors to drive individual success (Kazaara & Kazaara, 2023).

Through the dynamic interaction and combination of explicit and tacit knowledge, new knowledge was generated (Nonaka & Takcuchi, 2013). The concept of “practical intelligence” stemmed from tacit or informal knowledge, which is highly useful, personal, and acquired without direct help from others, making it difficult to articulate. Explicit knowledge, however, was formal, systematic, and easy to communicate and share. Given the importance of combining explicit and tacit knowledge in the generation of new knowledge, it was concluded that measuring both cognitive-academic ability and practical intelligence results in more effective prediction of performance success than reliance on either one alone (Nonaka, 2014).

Conclusion

The findings and the discussions indicate that employee competence has a positive significant relationship with organizational performance of manufacturing firms, this means that when organizations invest in recruiting well experience workers and workers with right qualification, it will result in into reduced with cost of production and it will enable to manufacturing firms that meet the demands of their clients and this will increase on the performance of organization.

Recommendations

There is also need to improve on the employee competence by employing a hiring firm which enable the manufacturing firms to hire the right employees with skills and experience which can help manufacturing firms increase their production and hence reduce the costs of production which the firm would have spent in training the hired workers with no or less skills in work related activities.

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