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Effect of Managerial Skills on Performance of SMEs in Lodwar Municipality, Turkana County, Kenya

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Abstract

Purpose: To establish the effect of Managerial skills on SMEs performance in Lodwar Municipality, Turkana County, Kenya.

Methodology: The research adopted a descriptive design. The target population for this study comprised of SMEs owners/managers. The study relied on primary data, which was obtained directly from respondents. Data collection was conducted through the use of structured questionnaires, specifically tailored to capture information relevant to the study variables from SMEs in Lodwar Municipality. Questionnaires were selected as the preferred tool due to their efficiency in collecting uniform responses from a relatively large sample.

Findings: The findings indicate a strong positive correlation between Managerial skills and the performance of small and medium-sized enterprises (SMEs). This implies that as SMEs gain better access to financial resources, their overall performance improves significantly

Unique Contribution to Theory, Practice and Policy: Governments and development agencies should initiate or strengthen structured training programs aimed at building managerial capacity among SME owners and managers. These programs should cover areas such as strategic planning, financial management, human resource management, marketing, operations, and innovation. In this regard, partnerships with universities, technical institutes, and private sector trainers can enhance the reach and quality of such programs.

Keywords: *SMEs, Access to Finance, Performance*

JEL Classification Code: *G21, L25, L26*

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INTRODUCTION

Small and medium-sized enterprises (SMEs) are crucial for fostering economic growth, creating employment, and driving social development. Globally, they represent over 90% of businesses and contribute approximately half of the Gross Domestic Product (GDP) (World Bank, 2021). SMEs are particularly vital for job creation and innovation, often developing localized products and services. However, they commonly face hurdles such as limited access to formal markets, fragmented supply chains, insufficient capital, and weak institutional support. While high-income countries mitigate these challenges with government credit guarantees, digital platforms, and microfinance institutions (Beck & Demirgüç-Kunt, 2006), resource-constrained regions frequently lack such safety nets, leaving their SMEs highly vulnerable to economic shocks, market volatility, and inadequate infrastructure.

The definition and contextual variations of SMEs differ globally, yet they consistently highlight their scale and economic contribution. For instance, in Japan, manufacturing firms with up to 300 employees or ¥100 million in capital are considered small, while retail or hospitality firms with up to 50 employees or ¥10 million in capital fall into this category (Ministry of Economy, Trade and Industry [METI], 2024). In the U.S., the Small Business Administration (SBA) uses sector-specific thresholds (500 to 1,500 employees or industry-dependent revenue caps), noting that SMEs account for 75% of net job additions and 99.7% of all employers (SBA, 2023). The European Union classifies micro-enterprises as those with fewer than 10 employees and a turnover or balance sheet total under €2 million, small enterprises with fewer than 50 employees and up to €10 million turnover, and medium enterprises with fewer than 250 employees and up to €50 million turnover (European Commission, 2018). These diverse criteria collectively affirm the universal importance of SMEs in fostering economic resilience and inclusive growth.

In Kenya, the Kenya National Bureau of Statistics (KNBS, 2020) defines micro-enterprises as having up to 10 employees, small enterprises as 11 to 50 employees, and medium enterprises as 51 to 100 employees. According to the Economic Survey (KNBS, 2020), SMEs constitute 98% of registered enterprises, generate 80% of national employment, and contribute 18.4% of GDP. Despite these substantial contributions, most Kenyan SMEs remain micro in scale, employing fewer than five individuals, and face a high failure rate, with 80% collapsing before their fifth anniversary (World Bank, 2019). Scholars attribute this widespread failure to a combination of factors, including capital inadequacy, infrastructural deficits, limited market access, and significant gaps in managerial competencies (Kithae et al., 2012; Kepha, 2013).

Kenya's devolved governance structure highlights stark regional disparities in SME performance. While counties like Nairobi and Mombasa benefit from developed business ecosystems, marginalized areas, particularly arid and semi-arid zones, significantly lag behind national averages (Odhiambo et al., 2021). Turkana County, covering over 77,000 square kilometers with a low population density of approximately 10 persons per square kilometer, exemplifies such marginalization. Its economy primarily relies on pastoralism, although cross-border trade with South Sudan, Uganda, and Ethiopia offers opportunities for SMEs in Lodwar Municipality, the region's administrative and commercial hub. Despite these opportunities, businesses in Lodwar face challenges including recurrent droughts, inadequate road networks, and unreliable electricity, leading to transport costs up to 30% higher than in central Kenya (Odhiambo et al., 2021).

An Integrated Labour Market Assessment (ILMA) in 2021 found that SMEs in Lodwar with improved managerial capacity achieved profitability rates 25% higher than those lacking such advantages (ILMA, 2021). Conversely, a UN-Habitat (2022) survey revealed that 60% of SMEs in Turkana failed within two years, with 72.5% of surviving enterprises rating their performance as “poor” (28.5%) or “below average” (44%). Qualitative interviews by the Turkana SMEs Consortium (2023) consistently highlighted recurring constraints, notably inadequate financial record-keeping, deficient business planning, and a lack of adaptive marketing strategies for seasonal demand fluctuations. These findings underscore the critical need to investigate the role of managerial skills as a direct determinant of SME sustainability in Lodwar Municipality.

Managerial skills encompass the capabilities that empower entrepreneurs to effectively plan, organize, lead, and make decisions within their enterprises (Katz, 1974). Planning involves setting organizational goals, forecasting economic and market trends, and formulating strategic and operational action plans, including detailed financial projections and risk assessments (Bryson, 2011). Organizing refers to structuring human, financial, and material resources into coherent workflows, establishing reporting hierarchies, and implementing standard operating procedures (Burns & Stalker, 1961). Leading comprises motivating and guiding employees, fostering a supportive organizational culture, and employing effective communication and conflict resolution (Bass & Avolio, 1994). Decision-making requires systematically gathering and analyzing data, evaluating alternative solutions, and selecting optimal courses of action, particularly under uncertainty (Simon, 1960).

Beyond these foundational areas, several specialized managerial competencies are crucial in SME contexts. Financial management involves budgeting, accurate bookkeeping, cash-flow analysis, and optimizing capital structures to maintain liquidity and solvency (Beck et al., 2005). Marketing management includes market research, customer segmentation, value proposition development, pricing strategies, and deploying digital marketing tactics to maximize reach and engagement (Kotler & Keller, 2016). Operations management focuses on process optimization, supply chain coordination, quality assurance, and cost control to enhance efficiency (Slack, Chambers, & Johnston, 2010). Finally, innovation management entails systematically generating and implementing new ideas, adopting appropriate technologies, and establishing continuous improvement cycles for products and services (Tidd & Bessant, 2013).

In resource-constrained environments like Lodwar Municipality, managerial skills are often the primary determinants of SME survival and growth. Effective planning allows entrepreneurs to navigate income seasonality—driven by livestock cycles, relief aid distributions, or transitory trade opportunities—by prioritizing investments in working capital, inventory, and equipment maintenance. Strong organizing capabilities enable SMEs to adopt lean staffing models, where employees fulfill multiple roles, enhancing operational flexibility in shallow labor markets. Leadership skills are vital for sustaining employee morale and commitment amidst infrastructural challenges, policy shifts, and environmental stresses; effective leaders communicate clear expectations, provide informal training, and exemplify resilience.

Decision-making agility is equally essential, as entrepreneurs must respond promptly to sudden cost fluctuations—such as fuel price increases or tariff changes—by conducting rapid cost-benefit analyses, renegotiating supplier contracts, or adjusting product and service offerings. Financial management practices, integral to managerial expertise, not only facilitate internal resource allocation but also improve SMEs’ credibility with lenders and microfinance institutions by reducing information asymmetries through transparent record-keeping and realistic cash-flow forecasts. Marketing management strategies, tailored to small communities, leverage interpersonal networks and affordable digital platforms to expand customer reach at minimal cost. Finally, operations and innovation competencies contribute to process efficiencies and incremental product enhancements, enabling SMEs to scale sustainably even under stringent resource constraints.

Problem Statement

Small and medium-sized enterprises (SMEs) are widely recognized as key drivers of economic growth, innovation, and employment, particularly in developing economies. In Kenya, SMEs contribute approximately 33% to the national GDP and account for over 80% of job opportunities (Kenya National Bureau of Statistics [KNBS], 2016). Despite their critical role, the sector faces persistent structural and operational challenges that significantly undermine business continuity and growth. Alarmingly, KNBS (2013) reported that over 60% of small businesses in Kenya fail within their first three years of operation.

The Government of Kenya has acknowledged these challenges and, through frameworks like Kenya Vision 2030, has prioritized SME development as a core strategy for poverty alleviation and economic resilience (Government of Kenya [GOK], 2021). However, empirical evidence suggests these efforts have yielded limited success. Among the key factors inhibiting SME performance is the inadequacy of entrepreneurial and managerial competencies required to navigate complex business environments, manage growth effectively, and sustain competitiveness (Kinyua, 2020; Mugo, 2016; Rotich, 2014). Many SME owners lack formal management training, resulting in weak business planning, poor financial management practices, inadequate marketing strategies, and limited human resource management capacity.

Ramsden (2010) emphasizes that SMEs thrive within ecosystems where managerial skills are reinforced by transparent governance, robust infrastructure, and strong institutions. Yet, in marginalized and arid regions like Turkana County, these conditions are often absent. Here, managerial skill deficits are compounded by geographic isolation, underdeveloped infrastructure, insecurity, and limited public and private investment. SMEs remain the dominant form of enterprise but operate under severe constraints that limit their ability to grow and formalize.

A UN-Habitat (2022) survey in Turkana County found that 60% of SMEs failed within two years. Additionally, 28.5% reported poor performance, while 44% were categorized as below average in growth and profitability. Contributing factors included limited managerial skills such as business planning, financial literacy, record keeping, customer relationship management, and strategic innovation. Most SMEs cluster in low-barrier, traditional sectors like small-scale retail and crafts, which offer limited prospects for value addition or scalability and demand adaptive managerial competencies to remain competitive.

Despite increasing research on SMEs in Kenya, existing studies often generalize findings without fully accounting for the country's geographic and socio-economic diversity. The unique challenges facing SMEs in remote and underdeveloped counties like Turkana, particularly regarding managerial skills, remain underexplored in empirical literature. For instance, Dahir (2015) examined financing and capacity-building constraints among SMEs in Wajir County but did not sufficiently contextualize the role of managerial competencies in performance within localized business environments.

LITERATURE REVIEW

The Resource-Based View

The **Resource-Based View (RBV)**, introduced by Wernerfelt (1984), emphasizes the pivotal role of internal resources in enhancing operational effectiveness and sustaining a firm's competitive advantage. The theory posits that firms outperform competitors by leveraging unique, valuable, and inimitable resources. Mahoney and Pandian (1992) argue that strategic management of such resources, particularly those difficult to imitate, is essential for maintaining long-term competitive advantage. Barney (2010) further asserts that for firms to achieve sustainable competitiveness, their resources must be rare, valuable, non-substitutable, non-tradable, and firm-specific.

RBV examines how businesses utilize unique and valuable resources to establish enduring competitive edges. Acquiring, transferring, or replicating these resources is often challenging due to their rarity and embeddedness within firm capabilities. However, despite its strengths, RBV has been critiqued for lacking generalizable theoretical propositions (Kraaijenbrink et al., 2010). Moreover, its applicability in informal or subsistence-based SME environments has been questioned, as it assumes rational strategic management processes not always present in such contexts.

This study adopts RBV as a key theoretical lens to examine how **managerial competencies**, as firm-specific resources, influence SME performance. RBV underscores the significance of internal resources and capabilities in shaping competitiveness and success. Within the context of this research, critical resources such as **managerial skills**, entrepreneurial competencies, human capital, and social networks are emphasized to align with the objective of assessing their influence on SME performance. Applying the RBV framework enables the study to investigate how SMEs in Lodwar Municipality strategically acquire, deploy, and manage these resources, while contextualizing these dynamics within the socio-economic realities of Turkana County. This offers deeper insights into how internal capabilities shape SME resilience, formalization, and growth in marginalized regions. For example, a successful water vending business in Lodwar might not just rely on its access to a borewell (a natural resource), but critically on the owner's **managerial skills** in maintaining the water pump, efficiently managing distribution routes, handling customer complaints, and reinvesting profits to expand capacity. These specific managerial capabilities are rare and difficult for competitors to imitate, thus contributing significantly to the business's sustained advantage.

Contingency Theory

Contingency Theory, as posited by Scott (1981), argues that optimal organizational strategies are contingent upon specific attributes of the environment in which an organization operates. The theory primarily investigates how contingency variables influence organizational structure and performance. Structural Contingency Theory dominated organizational studies in the 1970s, with Pennings (1975) conducting significant empirical work demonstrating the relationship between environmental uncertainty, organizational structure, and performance outcomes.

Battilana (2012) emphasizes that there is no universally ideal organizational arrangement; instead, structures must align with operational contingencies such as technology, environment, and market dynamics. Danese (2013) similarly asserts that each organization faces distinct internal and external challenges, with unique environmental factors contributing to varying

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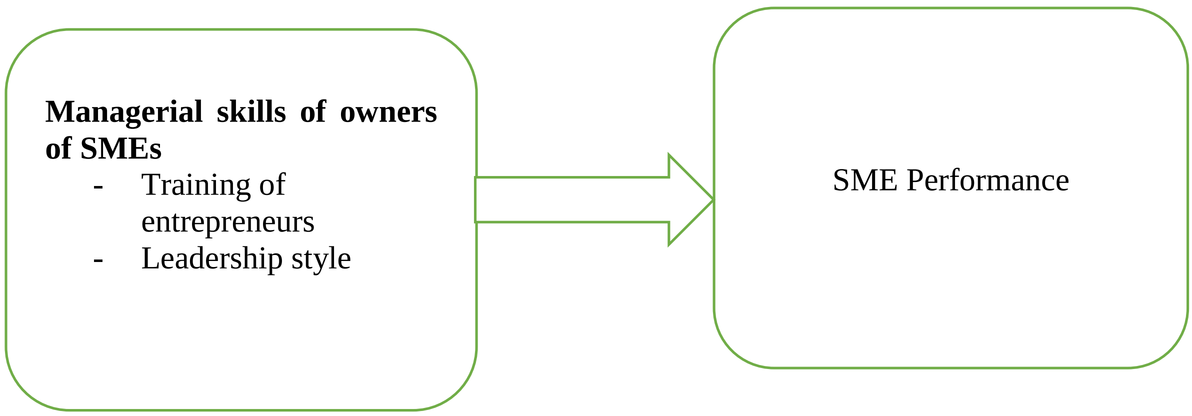
levels of uncertainty. Therefore, organizational design and managerial approaches must be adapted to fit these contextual variables.

In management and problem-solving, Contingency Theory suggests that no singular strategy or approach is superior in all contexts. Effective management requires situation-specific solutions tailored to the distinct challenges faced (Scott, 1981). Despite its utility, the theory has been critiqued for its limited adaptability, with critics arguing that its prescriptive recommendations can be inflexible in dynamic environments.

This study finds Contingency Theory highly relevant in analysing SMEs within Lodwar Municipality. The theory supports the premise that organizational success depends on aligning **managerial competencies** and strategies with prevailing environmental conditions. By applying Contingency Theory, the research will examine how **managerial skills** interact with socio-economic and environmental factors to influence SME performance. Recognizing the dynamic and context-dependent nature of these relationships, the study aims to explore how SMEs adjust their managerial practices to address unique challenges within the local community, thereby enhancing understanding of the determinants of SME success in Turkana County. For example, a small retail shop in Lodwar facing erratic supply chains due to poor road networks (environmental contingency) would require **managerial skills** in adaptive inventory management and flexible sourcing strategies rather than rigid, large-scale procurement. Similarly, during periods of drought, an SME dealing with livestock products would need specific **managerial skills** in diversifying product lines or finding alternative markets to survive the reduced local deman

Conceptual Framework

Independent variable **Dependent variable**



Empirical Review

Global empirical studies consistently highlight the pivotal role of managerial skills in determining SME performance, competitiveness, and sustainability. For example, Mitchelmore and Rowley (2010) found that strategic planning, financial management, and marketing competencies were strongly linked to business growth and profitability among UK SMEs. Their research showed that SMEs with formally trained owners had higher survival rates and stronger market positions. Similarly, Kitching et al. (2009) established that skills like operational planning, employee supervision, and adaptive decision-making were crucial for SMEs navigating dynamic markets and seizing new opportunities.

In Africa, Mungai and Ogot (2012) analyzed managerial competencies in Nairobi, Kenya, concluding that business planning, financial record-keeping, and human resource management significantly boosted firm profitability and growth. Their findings indicated that SMEs with owners who received formal entrepreneurship training reported higher annual turnovers and longer survival. Kithae et al. (2012) further identified inadequate managerial competencies as a primary constraint for Kenyan SMEs, alongside limited finance and unfavorable regulations. They argued that these deficiencies impede strategic decision-making, efficient resource use, and innovation, undermining competitiveness and sustainability.

Research specifically on Kenya's marginalized and arid regions remains limited. Dahir (2015), studying Wajir County, found that while financial access improved operations, a lack of managerial capacity severely limited SMEs' ability to leverage resources for growth. Dahir noted that most capacity-building programs focused narrowly on financial literacy, neglecting broader managerial skills, leading to minimal overall performance gains. Similarly, Ogbo and Agu (2012) concluded that managerial incompetence, particularly in strategic planning and financial management, was a leading cause of business failure in Nigeria, even when microfinance services were available.

Empirical research within Turkana County is particularly sparse. A UN-Habitat (2022) survey revealed that roughly 60% of SMEs failed within two years of establishment, with respondents citing inadequate managerial skills as a key factor alongside limited start-up capital and poor infrastructure. Qualitative interviews by the Turkana SMEs Consortium (2023) highlighted that entrepreneurs often lacked skills in business planning, record-keeping, customer relations, and adaptive marketing, significantly hindering their ability to grow or formalize. Furthermore, Integrated Labour Market Assessment (ILMA, 2021) findings indicated that SMEs with stronger managerial capacity achieved 25% higher profitability rates than those without, reinforcing the direct link between managerial competencies and firm performance outcomes.

Micro, Small, and Medium Enterprises (MSMEs) are globally recognized as vital for economic development, job creation, and poverty reduction (World Bank, 2022). In Kenya, SMEs make up roughly 98% of all businesses, generate almost 80% of jobs, and significantly boost household incomes and national GDP (KNBS, 2020). Yet, despite their crucial role, SMEs in marginalized, arid regions like Turkana County remain severely underdeveloped, plagued by high failure rates and limited growth potential (UN-Habitat, 2022).

Turkana County, particularly its urban center Lodwar Municipality, is marked by deep socio-political neglect, poor infrastructure, and chronic poverty. Historically overlooked in Kenya's development, Turkana has largely depended on food aid, fostering a fragile economy with weak local purchasing power and minimal private investment (Ndubi & Ngugi, 2021). The nearby Kakuma Refugee Camp further shapes the economy, as business activities are heavily influenced by seasonal cash flows from humanitarian efforts, causing significant demand swings (Betts et al., 2018).

Critical infrastructure challenges worsen these difficulties. The region's poor transportation networks, including the deteriorating A1 Road, lead to high transport costs and market isolation (Ministry of Transport, 2020). Energy access is extremely limited, with Turkana West still off the national grid, forcing businesses to rely on expensive and unreliable solar or diesel generators (EPRA, 2021). Widespread water scarcity, compounded by poor infrastructure and reliance on boreholes, undermines sanitation and operational efficiency for many businesses (Ngigi et al., 2021). Furthermore, the lack of proper public market infrastructure—like organized waste management, running water, and secure storage—exposes traders to health risks and inefficiencies (UN-Habitat, 2022). The absence of a functional property market, characterized by scarce commercial spaces and inadequate housing, further restricts investment and expansion (Kenya Urban Support Programme, 2021).

Most MSMEs in Turkana County are informal sole proprietorships, often unregistered due to bureaucratic hurdles and costs (KNBS, 2020). These businesses typically start with minimal capital (often under KES 50,000 / USD 500) from personal savings. Limited access to formal finance is a major obstacle, largely because informal land tenure systems mean unregistered community land can't be used as collateral for bank loans, effectively shutting traders out of credit markets (Coulson Harney LLP, 2020).

Moreover, the local economy is weak, with limited income opportunities leading to low purchasing power. Many businesses are "survival ventures," generating less than USD 50 weekly and lacking growth potential (UN-Habitat, 2022). Market competition is uneven, as MSMEs often face direct rivalry from a few wholesalers who also act as retailers, squeezing the margins of smaller enterprises (Betts et al., 2018).

The COVID-19 pandemic made these vulnerabilities worse; 28.5% of businesses reported poor performance and an additional 44% operated below average during the crisis. Reduced customer purchasing power, job losses, curfews, and movement restrictions cut into sales and profits (KNBS, 2021). While businesses adapted by raising prices (30.8%), offering home deliveries (22.4%), specializing in high-demand items (18.2%), or shifting to readily available goods (12.6%), these measures only partly eased the pandemic's impact.

Amidst these widespread structural and market challenges, managerial competencies have been explicitly identified as a critical barrier to SME growth and sustainability in Lodwar Municipality (UN-Habitat, 2022). Local entrepreneurs often lack essential skills in planning, organizing, leading, decision-making, financial management, marketing, operations management, and innovation management. These skill deficits lead to inefficient resource allocation, inadequate strategic planning, poor operational oversight, and an inability to adapt to market changes, resulting in business stagnation or failure (Ngigi et al., 2021). The average business longevity in Turkana West is only about two years, with 31% failing in under a year (UN-Habitat, 2022).

Despite the well-documented importance of managerial skills for SME performance, several critical research gaps persist:

Geographical Gap: Most existing literature focuses on urban areas (e.g., Nairobi, Kisumu) with minimal research on marginalized, arid counties like Turkana (Kamau & Wanyoike, 2020; Waweru & Omwenga, 2021).Theoretical Integration Gap: Few studies combine the Resource-Based View (RBV) and Contingency Theory to explore how managerial competencies interact with environmental factors like market infrastructure, socio-cultural dynamics, and policy (Barney, 2010; Scott, 1981).Variable Scope Gap: Current studies often assess managerial skills individually (e.g., just financial management or planning), without comprehensively analyzing the combined impact of all eight key competencies on SME performance (Kamau & Wanyoike, 2020).

Contextual Moderation Gap: There's limited empirical data on how environmental and contextual factors specifically moderate the relationship between managerial competencies and SME performance in resource-constrained settings like Turkana County.Policy and Practice

Gap: Existing policy recommendations are often generic and urban-focused, lacking tailored strategies and capacity-building interventions suited to the unique socio-economic and infrastructural realities of marginalized, arid regions (Waweru & Omwenga, 2021).

METHODOLOGY

The research adopted a descriptive design, which served as the overarching framework for guiding the study towards addressing the stated hypotheses. The target population for this study comprised of SMEs owners/managers. The target demographic included several types of enterprises, including Cloth shops, Clinics, Restaurants, Butcheries and Retail that are operating within Lodwar municipality. The research got the data from the Turkana County Chambers of Commerce. The study relied on primary data, which was obtained directly from respondents. Data collection was conducted through the use of structured questionnaires, specifically tailored to capture information relevant to the study variables from SMEs in Lodwar Municipality. Questionnaires were selected as the preferred tool due to their efficiency in collecting uniform responses from a relatively large sample. This method ensured consistency, enhanced reliability, and helped reduce potential researcher bias. The instrument featured a mix of closed-ended and open-ended questions, allowing for both quantitative analysis and the capture of additional qualitative insights from participants.

RESULTS

Conceptual Scope: We're focusing on the link between managerial skills (including planning, organizing, leading, decision-making, financial management, marketing, operations management, and innovation management) and SME performance (measured by profitability, growth rate, survival rate, and market share). We'll also examine how environmental and contextual factors (like market infrastructure, socio-cultural dynamics, policy environment, and access to finance) influence this relationship. Our theoretical foundation rests on the Resource-Based View (RBV) and Contingency Theory.

Geographical Scope: The research will specifically take place in Lodwar Municipality, Turkana Central Sub-County, Turkana County, Kenya. This narrow focus helps us address the existing research gap in marginalized, arid regions and provide specific insights into SME challenges and successes in such unique settings.

Target Population: We'll be collecting data from owners and managers of Small and Medium-sized Enterprises (SMEs) operating within Lodwar Municipality.

Methodological Scope: We're using a descriptive research design. Data will be gathered primarily through structured questionnaires given to the targeted SME owners/managers. The analysis will be quantitative, aiming to establish relationships and moderating effects among the variables. We won't be conducting in-depth qualitative interviews beyond the questionnaire responses.

Temporal Scope: While we acknowledge historical conditions, the data collected will reflect the current state of managerial skills, SME performance, and environmental factors during the period of data collection (July - August 2025). This study isn't designed for a long-term analysis of changes over an extended historical period.

Table 1: Summary of the Research Problem

Aspect	Description	Key Issues & Gaps Addressed
Context	SMEs are vital for Kenya's economy (98% businesses, 80% jobs), but face severe underdevelopment and high failure rates in marginalized, arid regions like Lodwar Municipality, Turkana County. The region is characterized by poverty, neglected infrastructure, reliance on aid, and influence from humanitarian activities (Kakuma Refugee Camp).	**Geographical Gap:** Limited research on SMEs in marginalized, arid areas like Turkana.
Core Challenges	**Infrastructural Deficiencies:** Poor roads, limited and expensive electricity/water access, lack of market infrastructure. **Financial Access:** Limited access to formal credit due to informal land tenure. **Economic Weakness:** Low purchasing power, survival ventures, intense competition from wholesalers. **COVID-19 Impact:** Amplified vulnerabilities, reducing sales and profits.	**Variable Scope Gap:** Comprehensive analysis of all managerial competencies (e.g., beyond just planning or finance).
Managerial Skills Deficit	Managerial competencies (planning, organizing, leading, decision-making, financial management, marketing, operations management, innovation management) are explicitly identified as critical barriers, leading to inefficiency, poor adaptation, and high business failure rates (average 2-year longevity, 31% fail within 1 year).	**Theoretical Integration Gap:** Few studies combine RBV and Contingency Theory to explore managerial skills and environmental factors. **Contextual Moderation Gap:** Limited empirical data on how environmental factors moderate the managerial skills-performance link in resource-constrained settings. **Policy/Practice Gap:** Lack of tailored strategies for marginalized, arid regions.

Export to Sheets

This study aims to investigate the impact of managerial skills on the performance of Small and Medium-sized Enterprises (SMEs) in Lodwar Municipality, Turkana County, Kenya. It will also analyze how environmental and contextual factors influence this relationship. Specifically, we'll explore how core managerial competencies—like planning, organizing, leading, decision-making, financial management, marketing, operations management, and innovation management affect key SME outcomes such as profitability, growth rate, survival rate, and market share in this marginalized region.

Response Rate

The results of the response rate were 64% which was adequate for further statistical analysis.

Table 2: Response rate

Category	Frequency	Percentage
Actual Response	90	64
Non-Response	51	36
Total	**141**	**100%**

This finding also highlights the importance of capacity building among SME managers. It suggests that efforts to improve the performance of SMEs should not only focus on access to finance or markets, but also on enhancing the managerial abilities of business owners and leaders. Training programs, mentorship, and continuous professional development can empower managers with the necessary tools to run their businesses more effectively. Ultimately, strengthening managerial skills can serve as a catalyst for the growth and competitiveness of SMEs, particularly in environments characterized by rapid economic and technological change.

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Table 3: Summary of Literature and Empirical Review (2020–2025) on Managerial Skills and SME Performance

Study/ Author(s)	Context & Year	Key Findings	Methodology/ Scope	Identified Gaps
Mugambi & Kamau (2021)	Nairobi, Kenya	Strategic planning increases revenue growth by 17% in SMEs with formal plans.	Quantitative survey of 150 SMEs.	Focused on urban SMEs; lacks analysis in marginalized areas like Turkana.
Njogu et al. (2022)	Kisumu, Kenya	Effective organizing skills improve customer satisfaction.	Cross-sectional survey of 120 SMEs.	Limited to service sector; generalizability to rural retail/agro SMEs untested.
Githinji & Mutisya (2023)	Eldoret, Kenya	Transformational leadership improves employee performance and productivity.	Mixed-methods study.	Urban-focused; little insight into informal SME contexts.
Oloo et al. (2021)	Kenya	Data-driven decision-making boosts SME market share by 21%.	National survey across counties.	Does not account for environmental moderators like market infrastructure in arid regions.
KIPPRA (2022)	Kenya (National)	Financial literacy linked to 30% higher profitability among SMEs.	Policy analysis and survey.	Recommends capacity building but lacks localized strategy for marginalized counties.
Otieno et al. (2024)	Western Kenya	Marketing competencies positively correlate with sales growth and market diversification.	Survey of 200 SMEs.	No integration of contextual moderators like cultural factors or infrastructure barriers.
Rotich (2022)	Kenya	Operations management improves gross margins by up to 15%.	Empirical survey.	Does not examine interaction with managerial competencies holistically.
Koech & Muthoni (2021)	Nakuru, Kenya	Innovation management drives 22% higher growth in SMEs.	Cross-sectional study.	Applicability in resource-constrained environments unexplored.
Mwaura et al. (2021)	Machakos, Kenya	Managerial competencies explain 38% variance in SME profitability.	Quantitative study.	Limited generalizability to counties with market isolation and drought cycles.
World Bank (2022)	Sub-Saharan Africa	Managerial skills gaps are primary barriers to SME growth.	Regional competitiveness outlook.	Broad regional focus; lacks micro-level empirical data for Turkana County.
UNCTAD (2023)	East Africa	Managerial training increases revenue by 19% within 18 months.	Impact evaluation study.	Impact pathways in marginalized counties remain unexamined.
Chege & Wangari (2024)	Kenya	Digital adoption success depends on managerial planning and innovation skills.	Mixed-methods study.	Limited to digital SMEs; traditional sectors in marginalized regions excluded.
Gachanja et al. (2025)	Arid regions, Kenya	Contextual factors mediate the managerial skills-SME performance relationship.	Survey in arid counties including Turkana.	Limited sample size for Turkana Municipality-specific policy insights.

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Regression analysis

Table 4: Model Summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of Estimate**
1	0.653	0.752	0.451	0.52965

a) Predictors: (constant), Managerial skills

b) Dependent Variable: Performance of SMEs in Lodwar Municipality

To determine the extent to which management abilities account for the variation in SME performance, the coefficient of determination was calculated. The model produced a correlation coefficient (R) of 0.653, which indicates a significant positive link between the two variables. According to R Square as represented by the value of 0.752, management abilities accounted for around 75.2% of the variation in the performance of SMEs in Lodwar Municipality. This implied that management skills just like communication, leadership, and decision-making have a big impact on how businesses operate in the area. The study's conclusions concur with those of Orji, who demonstrated that many traits, including technical, interpersonal, and financial acumen, had a significant impact on the operational efficacy of SMEs in Jabi District (Abuja *et al.*, 2023).

Analysis of Variance (ANOVA)

Table 2: Analysis of Variance

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	21.775	2	50.675	171.802	.000
	Residual	27.000	65	0.252		
	Total	**48.775**	**67**			

a) Predictors: (constant), Managerial skills

b) Dependent Variable: Performance of SMEs in Lodwar Municipality

To ascertain the linear association between the management abilities and performance of SMEs in Lodwar Municipality, Analysis of Variance (ANOVA) was used. The model was deemed statistically significant with the computed value of F of 171.802. The results of this ANOVA test showed that the F-statistic's significance value at 5% significance level.

Table 3: Regression Coefficients

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
	(Constant)	1.034	0.215		4.805	0.000
	Managerial skills	0.704	0.052	0.146	13.885	0.000

a) Predictors: (constant), Managerial skills

b) Dependent Variable: Performance of SMEs in Lodwar Municipality

The findings indicated that management skills is a significant determinant of performance of SMES in Lodwar Municipality, Turkana County. The research also found that the performance of SMEs in Lodwar Municipality would rise by 0.704 for every unit improvement in management capabilities.

CONCLUSION AND RECOMMENDATIONS

The findings indicate a strong positive correlation between managerial skills and the performance of small and medium-sized enterprises (SMEs). The realization that managerial skills have a significant effect on the performance of SMEs leads to the conclusion that effective management is a critical driver of business success. SMEs that are led by individuals with strong managerial capabilities tend to perform better in terms of productivity, profitability, and overall growth. This is because skilled managers are better equipped to make informed decisions, allocate resources efficiently, motivate employees, and respond strategically to market changes and business challenges. As such, the competence of those in leadership positions directly influences the ability of SMEs to sustain operations, innovate, and expand.

This finding also highlights the importance of capacity building among SME managers. It suggests that efforts to improve the performance of SMEs should not only focus on access to finance or markets, but also on enhancing the managerial abilities of business owners and leaders. Training programs, mentorship, and continuous professional development can empower managers with the necessary tools to run their businesses more effectively. Ultimately, strengthening managerial skills can serve as a catalyst for the growth and competitiveness of SMEs, particularly in environments characterized by rapid economic and technological change.

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