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## Article

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# Managerial Skills for Micro, Small and Medium-sized Enterprises (MSMEs)

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**Abstract:** Effective managerial skills can play a key role in the internal governance of micro and small businesses in Africa, enabling them to survive, compete and thrive in a dynamic business environment. However, due to the low absorption capacity, many micro and small entrepreneurs and managers lack the necessary managerial skills. We collected data from MSMEs owners and managers in Tanzania to examine the managerial skills required and their effect on business performance based on thematic content analysis and regression analysis. The results show that the managerial skills of MSMEs owners and managers have a significantly positive effect on MSMEs performance, in particular, financial management, marketing, human relations, and entrepreneurial skills were crucial skills in running small businesses successfully. However, financial management, marketing and entrepreneurial skills were the main skills gaps for many MSMEs owners and managers, suggesting that education, mentoring, and training in these areas for MSMEs owners and managers need to be strengthened. This study argues that since young people form the majority of the stakeholders running small businesses, targeted policies and strategies to promote entrepreneurship among young people through entrepreneurial learning and experiences can help instil an entrepreneurial mindset, one of the crucial skills in small business management.

**Keywords:** small business management; managerial skills; micro, small and medium enterprises (MSMEs); MSMEs performance; entrepreneurship.

## Introduction

Micro, small and medium-sized enterprises (MSMEs) are recognized as engines of economic growth and development worldwide (Lwesya, Mwakalobo, & Mbukwa, 2021; Nishantha & Kawamura, 2011; Stanislaus & Mornay, 2011; Taraki, 2019). MSMEs play an important role in job creation, innovation, regional development, and social cohesion. In 2008, MSMEs were estimated to contribute over 50% to the gross domestic product (GDP) and around 63% to formal and informal employment (UNEP, 2008). In the African context, informal MSMEs form a large part of the MSME sector and governments are making significant efforts to support them by formulating policies and strategies to encourage their development and speed up their formalization process. Many people start businesses in the MSME sector due to the flexibility in raising initial capital, access to technology, management, utilities and even ease of responding to market dynamics compared to large companies (Vandenberg, 2009). However, many MSMEs are still constrained by several factors in developing and emerging countries. These factors are related to deficiencies in investment policy and business environment (Aikaeli, 2012; ESRF, 2016; Mkenda & Rand, 2020), supply-side constraints (Juma & Said, 2016; Mkenda & Rand, 2020; Pasape, 2018) and financial constraints (Mkenda & Rand, 2020; Pasape, 2018). Similarly, several studies have highlighted the importance of business training, entrepreneurship and marketing skills for SME growth and development (Kazimoto,

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2014; Kotorri & Krasniqi, 2018; Mbago, 2013). Although the resource-based view (RBV) and dynamic capability theories allude to the importance of resources including human capital for small business development, few studies focus on the managerial skills necessary for the growth and development of small businesses in developing and emerging countries. It has been reported that most MSMEs in these countries are constrained by the low quality of human resources (HR) in areas such as technical skills, human relational skills, conceptual skills, product innovation abilities, especially in the mastery of technology, management, information, and markets (Hamsani et al., 2020).

In the Tanzanian context, the MSME sector is one of the most important economic drivers. The Tanzania Development Vision 2025 (1999) highlights that the SME sector consists of more than 3 million companies accounting for 27% of the total GDP. However, as in other African countries, the MSME sector faces several challenges including access to finance, technology, market information and fierce competition, as well as insufficient human and managerial skills (Balunywa, 1992; Haselip, Desgain, & Mackenzie, 2015; Juma & Said, 2019; Nyangarika, 2017; Olomi, 2006; Rutashobya & Jaensson, 2004). Managerial skills are one of the key areas highlighted in previous studies as important for the growth and development of the MSME sector in Africa (Anderson, 2017; Juma & Said, 2019). However, due to the heterogeneity of MSMEs, which have different requirements in terms of managerial knowledge, techniques, skills, experience, and training needs, there is little understanding of the characteristics and managerial competencies MSMEs need to drive their growth and development. Therefore, the purpose of this case study was to understand the managerial competencies MSMEs need to drive their growth and development, with a focus on MSMEs owners and managers. MSMEs were classified based on the number of employees, micro-enterprise (1-4), small enterprise (5-49) and medium enterprise (50-99) (URT, 2002). The specific goals were to: identify the types and forms of management skills used in different MSMEs, assess management-related variables that affect the performance of MSME and determine the effect of owner or manager management skills on MSME performance.

Thus, the following research questions were formulated: What types and forms of managerial skills are used in different MSMEs?; Which management-related variables influence the performance of MSMEs?; What effect do the management skills of owners or managers have on the performance of MSMEs?

## **Literature review**

### ***Human Capital Theory***

This theory brings the labor economics perspective into organizational development. The human capital theory states that education and training increase workers' productivity by imparting useful knowledge and skills, and thus increase workers' future income by increasing their lifetime incomes (Becker, 1964; Xion, 2001). The theory emphasizes public and private investments in the education and training of workers to make workers productive by acquiring certain skills or experiences that increase workers' productivity. This theory rests on the assumption that education is highly instrumental and necessary to improve a population's productive capacity. Building on the work of Schultz (1975), Dew and Xiao (2011) states that education improves the individual's ability to deal successfully with imbalances in changing economic conditions. This ability includes the perception of a specific imbalance, the analysis of information and the reallocation of resources. Since the performance of SMEs depends on their degree of flexibility and adaptability to rapidly changing market demand and supply (Criveanu et al., 2011), this means that MSMEs will benefit from investment in education and training and this training will be made available to workers to acquire skills, knowledge and experience

essential to the growth and development of the business. Therefore, the theory supports the relationship between managerial skills and SME performance.

### ***Resource Based View (RBV) Theory***

The theory was pioneered by Barney (1986, 1991). The theory argues about the importance of resources for a firm to operate efficiently and become more competitive. It claims that resources that are distinct will enable a firm to gain a competitive advantage. The theory identifies three types of resources that are physical capital resources (physical, technological, plant and equipment), human capital resources (training, experience, insights), and organizational capital resources. This means that human capital is one of the most important resources for the development and growth of MSMEs and that human capital with the necessary management skills is one of the elements to achieve competitive advantage.

### ***Dynamic Capability Theory***

The theory argues how important is it to consider the dynamics of the business environment in the development and growth processes of enterprises. According to Teece et al. (1997, p. 515), dynamic capability focuses on “the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments”. While the resource-based view theory focuses on the key resources an enterprise needs to operate efficiently and become more competitive, the dynamic capability theory focuses on taking into account the changing business environment. This means that an enterprise has to react or respond to the events in the business environment, be it changing customer needs, new skills required by the market, etc. This is also very relevant for MSMEs in low-income countries in order to be competitive and penetrate global markets which leads to their growth and development.

### ***MSMEs performance***

There is no consensus on what constitutes MSMEs performance, various metrics and names have been used to define MSMEs performance. For example, MSMEs performance is synonymous with MSMEs development (Dobbs & Hamilton, 2007), “survival, success and competitiveness” (Eniola & Entebang, 2015, p. 241). Some authors have discussed the performance of SMEs concerning the financial and non-financial elements of the business (Effiom & Edet, 2018). Financial elements include profits, sales, return on investment, etc. and the non-financial aspects are “continuous business processes for a period of three years, personal commitment and autonomy, work-life balance” (Effiom & Edet, 2018, p. 118). This study uses MSME gross margin to assess MSME performance. Several previous studies have shown the relationship between management skills and business performance. This includes studies of Tamkin (2005) who found that investing in people is one way that companies can achieve positive productivity gains and other business results. Similarly, Nishantha and Kawamura (2011) examined the role of human and social capital on business growth and factors such as formal education, acquisition of technical and manual skills, years of work experience in the same or a different field, previous ownership experience in the same occupational field or another, the training received, the family background and the technical skills of the employees were considered important. On the other hand, Yahya et al. (2011) found that high business success is associated with high business skills, skills to acquire market share commensurate with size and ability, and skills to offer more specialized services. In addition, Scheers (2010) found that a lack of marketing skills contributes to a high failure rate of SMEs in South Africa. The study argues that an MSME's marketing determines the company's long-term success. The

underlying view is that no one will do business with you if the potential customers are not familiar with your product or service.

### ***Key management skills for the development of MSMEs***

#### *Managerial skills*

Skills can be perceived as the ability of a person to perform a specific task or responsibility acquired through training or experience that manifests itself both physically and mentally. Managerial skills consist of a combination of characteristics that enable better results to be achieved, the means and techniques of management efficiency, and the management style used in terms of strategies, techniques, and tools to achieve expected results (Mănăilă et al., 2014). According to Hamsani et al. (2020) managerial skills are reflected in a person's conceptual abilities, human relational skills, and technical skills. Ardiana et al. (2010) posit the “indicators of skills include production skills, communication, teamwork and organization, supervision, finance, administration and accounting”. However, while skills are critical for improved performance, the relationship between skills and performance is nonlinear and they cannot be understood by the linear theories. This is because factors such as knowledge, innovation, change, excellence, quality, corporate values, and many others are highly non-linear concepts that cannot be tackled with linear thinking because the effects are no longer proportional to their causes or efforts (Bratianu & Vasilache, 2009). Therefore, the issue of organizational learning becomes important for the development of MSMEs (Bratianu et al., 2020).

Organizational learning is reflected in the key process of knowledge management including knowledge creation, knowledge acquisition, knowledge sharing, knowledge transfer and propagation, knowledge use, vision and business opportunities identification, training programs for employees, business analyses, and innovation support and they are considered critical to business performance (Bratianu et al., 2020). Organizational learning enables companies to identify critical management skills for business success. Stone et al. (1995, p. 19) emphasize the existence of the link between SME performance and managerial performance, implying that the success of SMEs is highly dependent on their managers. Some of the most important management skills are as follows:

#### *Financial skills*

Financial knowledge and skills are one of the most important management skills that can fuel the development of the MSME sector in low-income countries. The Organization for economic cooperation and development (OECD, 2015; 2017) argues that the success of micro, small and medium enterprises depends on a mixture of supply and demand-side factors, including adequate financial knowledge and skills. The importance of financial knowledge and skills was explained in the “G20/OECD high-level principles on MSME financing, developed in 2015”. The critical financial areas highlighted are the choice and use of financial services, financial and business management and planning, financial landscape and risk and insurance. This study focuses on access to capital, keeping records of business transactions and preparing financial Statements which are key financial management skills in low-income countries. It is therefore hypothesized that:

Hypothesis 1 (H1): Financial skills have a positive significant effect on the performance of MSMEs in Tanzania.

### *Marketing skills*

Marketing refers to anticipating and identifying customer needs and wants and providing them when they are needed, at the right time and with the right quality and at an affordable price (Onah, 2007). Marketing is one of the key skills entrepreneurs use to inform, attract and retain customers. Marketing is one of the crucial skills entrepreneurs need to run their businesses successfully. However, in many micro and small businesses, marketing is one of the neglected skills (Agbonifoh, Oseyomon, & Asein, 2007). Several previous studies have shown that MSME's owners' or managers' marketing skills may determine the firm's long-term success. This lies in the importance of making your products known to customers and the public, it is the only way that people will buy your products. A study by Scheers (2010) in South Africa found that a lack of marketing skills contributed to a high failure rate among SMEs, arguing that improving MSMEs' marketing skills will reverse the trend of failure. However, it is often claimed that small businesses lack marketing techniques and skills (Kozan & Akdeniz, 2014). Some of the important marketing skills are identifying customer needs (customer needs assessment), developing a market niche or segment and identifying market strategies or tactics. Therefore, this study hypothesizes that:

Hypothesis 2 (H2): Marketing skills have a positive significant effect on the performance of MSMEs in Tanzania.

### *Human relations skills*

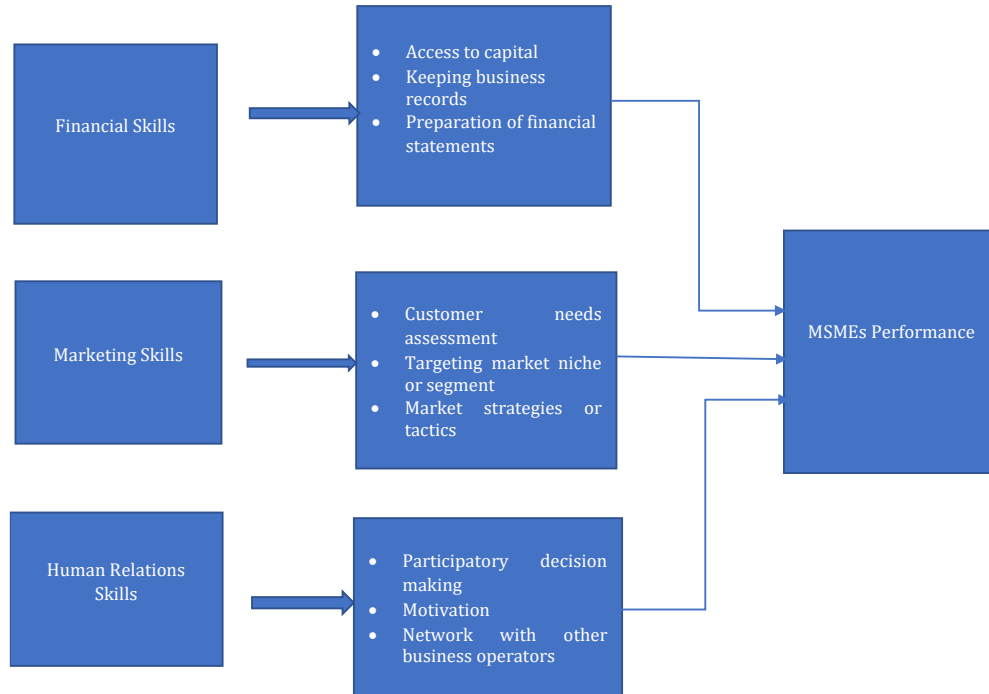
Human relations skills “refer to the abilities of managers to establish and maintain good contacts with subordinates, superiors, other managers, even with people outside the organization” (Popescu et al., 2019, p. 1119). The success of any business organization depends on the quality of its human resources. This has been stated in several studies (for example, Ardiana et al., 2010; Purwidiyanti, 2015; Soetjipto et al., 2002). However, the ability to engage in human relationships is one of the crucial skills in both small and large firms that increase employee productivity and makes a significant contribution to business performance. This succeeds when employees are motivated, paid attention to and encouraged to participate, they become more productive there by doing high-quality work. The focus is on good communication and interpersonal skills. Some of the indicators of human relations skills are participatory decision-making employee motivation and the ability to network with other business operators. It is therefore hypothesized that:

Hypothesis 3 (H3): Human relations skills have a positive significant effect on the performance of MSMEs in Tanzania.

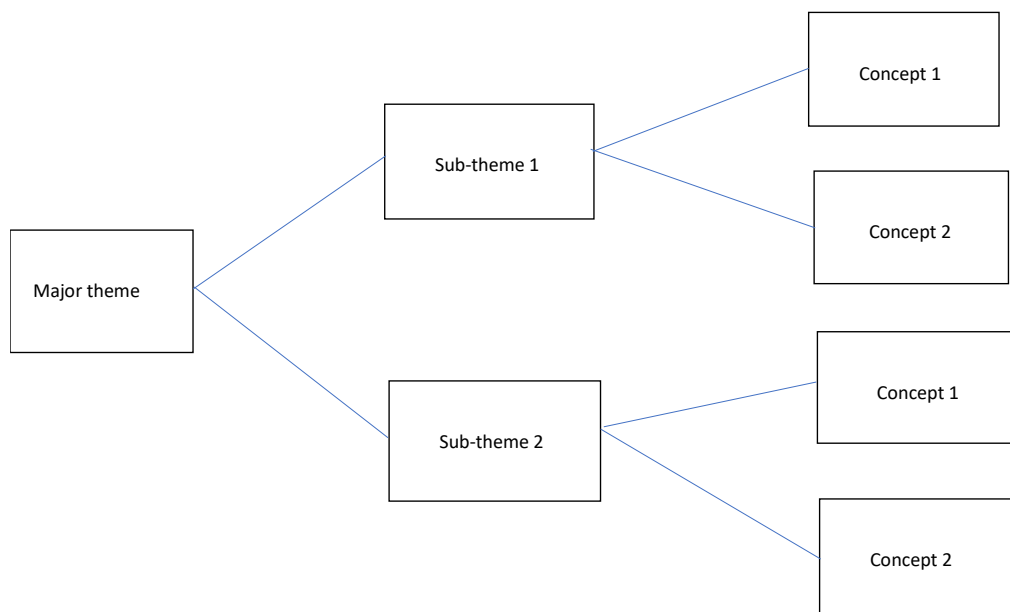
### **Research methodology**

This study uses the data collected in the city of Dodoma. Data were collected from MSME owners and managers in the city of Dodoma, the capital of Tanzania. Both questionnaires and structured interviews were used to collect data. A sample of 60 MSME owners and managers were approached and interviewed using questionnaires. We used thematic analysis and regression analysis to analyze the data results. We followed a deductive thematic analysis to analyze interview data and were guided by coding and theme development using existing theories or concepts in the literature. According to Nandonde (2019), thematic analysis is guided by an identified framework when searching for patterns or themes, but this approach does not limit the exploration of new themes that emerge from data analysis (Yin, 1981). As this study involved interviews with 60 MSME owners and managers, the thematic content analysis was used in data analysis. According to (Wei, 2020, p. 34) thematic content analysis (TCA) “is a descriptive presentation of

qualitative data and qualitative data may take the form of interview transcripts collected from research participants or other identified texts that reflect on the topic of the study". We used the framework proposed by Creswell (2008) in Figure 2, which shows a hierarchy of major themes, sub-themes, and concepts in data analysis that represent the properties of data.



**Figure 1. Conceptual framework**  
 Source: own processing



**Figure 2. The structure of thematic content analysis**  
 Source: adapted from Creswell (2008)

## Results and discussions

### *The demographic profile of the respondents*

Based on the gender of the respondents, 43.3% were male, and 56.7% were female. Most of the respondents were between 30 and 39 years old (36.7%) and between 20 and 29 years old (33.3%). This indicates that there is a high concentration of most owners and managers aged between 20 and 40, suggesting that the majority of those involved in micro and small businesses are young people. About 43.3% of the respondents had secondary education and 16.7% had primary education and another 16.7% had no formal education. This indicates the need for managerial skills for MSME owners or managers to improve business performance (Table 1).

**Table 1. The demographic profile of the respondents (owners and managers)**

Characteristics	Categories	Frequency (N)	Percentage (%)
Gender	Male	26	43.3
	Female	34	56.7
Education	Degree	2	3.3
	College (Diploma)	6	10
	Post-secondary education	6	10
	Secondary	26	43.3
	Primary	10	16.7
	No formal training attended	10	16.7
	Age	Under 20 years	2
	20-29 years	20	33.3
	30-39 years	22	36.7
	40-50 years	14	14
	Above 51 years	2	3.3
	Marital status	Single	12
	Married	36	60
	Divorced	8	13.3
	Widow	4	6.7
Duration of business	1-5	30	50
	6-10	8	30
	Over 10	12	20

Source: survey, 2013

Regarding the distribution of the activities performed by the MSMEs surveyed, most of them are engaged in retail (23.3%), sunflower oil (13.3%), food sales (10%) and grocery stores (10%), others are engaged in clothing, charcoal shops, cosmetic shops, saloon and spare parts (34%). The results show that all respondents in this study are mainly engaged in off-farm activities in the area of trade and services. The results are consistent with the OPSD (2005) report, which revealed that most MSMEs 30 were described as being involved in off-farm economic activities such as trade and services. In relation to owners' or managers' perceptions of the importance of managerial skills. The results show that 43.3% of respondents said management skills are very important and 56.7% of respondents said management skills are important. This shows that all respondents appreciate the importance of managerial skills for their business development.



## **Themes and sub-themes generated from interviews on managerial skills for MSMEs performance**

### ***Theme one: Financial management skills***

It was found that financial management skills are one of the crucial skills needed by the owners and managers of MSMEs in the study area (Table 2). Many respondents argued that managing business finance and knowing how to allocate it efficiently is key to business growth and development. However, few of the owners and managers had acquired the appropriate training in financial management. This includes training on different sources of capital for MSME development, in particular on the different financing options. Some respondents appreciated the importance of credit and the need to explore different financing options. For example, one respondent stated that... "Funds from low-cost sources make up a higher proportion of my capital structure". Similarly, some other respondents expressed scepticism about relying on external sources of funding. One responder commented that... "relying on credit for more than half of the capital could put the business at risk of failure in the long run". Management of business records is another aspect which emerged to be an important component in financial management. Some respondents stated that... "record keeping allows me to determine the status of my business". Others claimed.... "Keeping records of business transactions such as sales, expenses, and profits and losses is my primary responsibility in business operations". However, some of the respondents also expressed the challenges they face in the preparation of annual financial statements. For example, some respondents stated that "I can't produce good financial statements without expert help". Other respondents indicated that small businesses do not need to keep records of business transactions. These results suggest that financial management skills are one of the most important managerial skills required for MSMEs development. Previous studies have shown that financial management skills can improve MSMEs' financial resource allocation as well as MSMEs' accessibility to external financial resources (Adomako et al., 2016; Hussain et al., 2018; Kimani & Ntoiti, 2015). Given the financial challenges faced by many MSMEs in Africa, this means that providing training and guidance on financial management can empower many MSMEs to address these challenges.

### ***Theme two: Human relations skills***

Human relations skill is another skill that has been found to be important for business development from the perspective of MSME owners and managers. Interpersonal skills, especially conflict management skills and motivation of others, were crucial factors from the point of view of the interviewees. According to Popescu et al. (2019, p. 1119) interpersonal skills is "the ability to work with people, to communicate with groups or individuals and understand them" One respondent stated that... "when I experience conflict with others, I strive to be cooperative yet assertive". Another respondent replied.... "I seek advice from friends, businesspeople and experts to cope with business challenges". Another prominent feature highlighted by respondents about human relations skills is the ability of some MSME owners and managers to develop group skills. This was reflected in effective teamwork and empowering employees by allowing them to participate in decision-making processes. For example, one respondent noted that "I delegate my responsibilities to other employees and encourage them to participate in decision-making processes". On the other hand, networking with other entrepreneurs is another characteristic of human relationship skills, especially for micro and small businesses. Their ability to communicate and build good relationships with other entrepreneurs has been found to be one of the sources of business information and access to some of the resources for their competitiveness. This means human relations skills are vital in driving the development of MSMEs in Africa. For example, Popescu et al. (2019) state that the sustainable development of SMEs is ensured when there is a combination of emotional intelligence, self-awareness, and interpersonal skills.

**Theme three: Marketing skills**

Marketing skills were highlighted as important by many MSME owners and managers in this study. Marketing was used to identify customer needs and wants through market research. One respondent stated: “I first identified the needs of the customers before embarking on this business”. Another respondent claimed that: “I chose to operate here because nobody operates here as long as there is a shortage of goods or services”. However, due to firm size, limited resources, and lack of marketing skills, some MSMEs owners and managers do not use marketing as a strategic tool for better business performance. For example, one respondent stated that: “I believe that the quality of the goods is self-expressing, so no need for promotion”. This result reflects what was found by Chinedu et al. (2020), that small businesses are more likely to prefer the direct channel of distribution to advertising, partly due to the lack of marketing departments and the stiff competition they face from established competitors.

**Theme four: Entrepreneurship skills**

The study found that entrepreneurial skills are another important managerial competence needed for MSME development among MSMEs owners and managers. This was reflected in leadership qualities, especially business management skills. Most respondents indicated that identifying business opportunities, organizing skills, planning skills, and negotiating skills are critical to small business development. One respondent claimed that.... “Firm location is an important factor in my business”. Another respondent stated that.... “My leadership qualities, my previous experience and my planning skills have led to my business success”. Similarly, technical skills were also important, particularly job-specific knowledge and techniques needed to competently handle and perform specific tasks. This includes managing supplies, equipment, production processes as well as adapting to new technologies. Behavioral skills, on the other hand, were considered important. This includes motivation and passion, which are reflected in creativity and foresight and a willingness to take risks. For example, one respondent stated that... “I always sell products that offer real value to customers”. However, despite the importance of entrepreneurship skills, many micro and small businesses lack these skills due to limited resources and inadequate government support. Brixiova and Kangoye (2013) find that young African entrepreneurs cannot fully realize their entrepreneurial aspirations because they lack the right skills. Therefore, improving the conditions for doing business in Africa is vital, as is the provision of entrepreneurship education that addresses critical entrepreneurial skills that are required, such as leadership skills, negotiation skills, creative thinking, innovation and motivation and passion to instil an entrepreneurial mindset among MSMEs owners and managers.

**Table 2. Themes and sub-themes on management skills for MSMEs performance**

Theme	Sub-theme
Theme one: Financial management skills	Sub-theme One: Financial literacy of MSME owners or managers Concept: Financial literacy training
	Sub-theme Two: Sources of capital for the development of MSMEs Concept: Assess various financing options
	Sub-theme Three: Management of business records Concept: The challenges of maintaining financial records
Theme two: Human relations skills	Sub-theme One: Interpersonal skills Concept: Conflict management and motivation of others
	Sub-theme Two: Group skills Concept: Build effective teams and empower employees
	Sub-theme Three: Networking Concept: Communication with outsiders
Theme three: Marketing skills	Sub-theme One: Customer needs assessment Concept: Market Research
	Sub-theme: Two: Product or service promotion

	Concept: Marketing strategies or Tactics
Theme four: Entrepreneurship skills	Sub-them One: Leadership skills Concept: Business management skills
	Sub-theme Two: Technical skills Concept: Operations management
	Sub-theme Three: Behavioral skills Concept: Motivation and passion

Source: own elaboration

### Effects of owner or manager's management skills on the performance of MSMEs

Based on the information obtained from the thematic content analysis, we assessed the impact of owner or manager managerial skills on MSME performance. This aimed to answer the three hypotheses of the study using a linear regression model. We set up the following equation:

$$\pi = \beta_0 + \beta_1M + \beta_2F + \beta_3HR + \beta_4ED + \beta_5L + \beta_6C + \beta_7A$$

Where:

$\pi$  = estimated gross margin for 60 selected enterprises in the city of Dodoma

$\beta$  = coefficients to be estimated,

M = Marketing skills

F = Financial skills

HR = Human Relation skills

Ed = Level of education

L = Entrepreneurial education of owners or managers of enterprises

C = Amount of capital invested

A = Age of owners or managers

**Table 3. The effects of management skills on MSMEs Performance**

Dependent variable: Performance of MSMEs			
Variables	Coefficients ( $\beta$ )	t-value	p-value
(Constant)		-5.858	0.000***
Marketing skills	0.265	5.032	0.001***
Financial skills	0.196	1.476	0.030**
Human relation skills	0.204	3.009	0.007**
Level of education	0.150	2.935	0.026**
Entrepreneurship skills	0.198	1.156	0.035**
Capital invested in business	0.541	5.234	0.000***
Respondent age	0.268	3.109	0.003**
Adjusted R-Squared	0.689		
Sample size	60		

(\*\*) p<0.05 (\*\*\*) p<0.01

Source: own elaboration

### The effects of owner or managers' management skills on the performance of MSMEs

In terms of the effects of owner or manager's management skills on performance of MSMEs, marketing skills had coefficients of the estimate which was significant ( $\beta_1 = 0.265$ ,  $p < 0.001$ ). This means that there were up to 0.265 increases in MSME performance for each unit increase in marketing skills to MSMEs. Several previous studies have shown how

important marketing is for small businesses because if an entrepreneur has all the necessary management skills, without marketing knowledge and skills, an entrepreneur may not be successful in business. Oparah et al. (2018) show that marketing is one of the critical factors that can determine the success or failure of any new venture. This suggests that the acquisition of marketing skills by business owners or managers is expected to improve the performance of MSMEs. Similarly, Financial skills had a significant relationship with MSMEs performance ( $\beta_2 = 0.196$ ,  $p < 0.030$ ). There was up to 0.196 increases in MSME performance for each unit increase in financial knowledge and skills to MSMEs. Some previous studies indicate that good financial literacy can minimize financial risks as it enables entrepreneurs to identify opportunities and risks related to business and financial decisions (Gärling et al., 2009), while low financial literacy limits access to financing for MSMEs due to their inability to properly prepare financial reports and inaccurate financial management (Purwaningsih & Kusuma Damar, 2015).

On the other hand, human relational skills turned out to be important, this factor showed a significant association with MSME performance ( $\beta_3 = 0.204$ ,  $p < 0.007$ ). There were up to 0.204 increases in MSME performance for each unit increase in networking with other businesses and operators. This suggests that human relation skills are important for MSMEs' growth and development. It is evident that MSMEs, through their human relations skills, can be able to seize business opportunities and resources that are not available to them and negotiate with other operators. The key elements of human relationship skills are effective communication, negotiation, multitasking, and conflict resolution. This finding is consistent with Karami's (2004) claim that improving the firm's core competencies, particularly its human resources, results in the firm's highly successful performance within the small and medium-sized electrical and electronics manufacturing companies in the United Kingdom. Furthermore, the result is consistent with the human capital theories of Schultz (1961) and Becker (1964) that investments in human capital lead to an increase in human productivity which in turn leads to an increase in the efficiency of the firm. In addition, the level of education had a significant impact on MSMEs performance ( $\beta_4 = 0.541$ ,  $p < 0.026$ ). This means that there were up to 0.150 increases in MSME performance for each unit increase in the level of education to MSMEs. For example, in a study by Dissanayake (2016) on institutional forces and life cycle stages of female-led SMEs in developing countries, low education and lack of business training are some of the barriers that hamper the development of SMEs in developing countries.

Entrepreneurial skills are another skill that has been identified as important for MSME growth and development. This factor was positively related to MSMEs performance ( $\beta_5 = 0.198$ ,  $p < 0.035$ ). This lies in an entrepreneur's ability to spot opportunities, take risks, implement innovative ideas, and locate businesses where they are likely to sell their products. Several previous studies have shown that entrepreneurial skills are important for business success (Gümüşay & Bohné, 2018; Shehnaz & Ramayah, 2015). According to Ibidunni et al. (2017, p. 45) "entrepreneurial skills facilitate entrepreneurs' ability to identify industry opportunities, leverage cross-industry collaborative platforms, and define an appropriate path for future business success". Other factors positively related to MSME performance are the capital invested in companies ( $\beta_6 = 0.541$ ,  $p < 0.000$ ) and the age of the respondents ( $\beta_7 = 0.268$ ,  $p < 0.003$ ).

## Conclusion

The aim of the study was to understand the managerial competencies MSMEs need to drive their growth and development, with a focus on MSMEs owners and managers. In particular, it aimed to identify the types and forms of management skills used in different MSMEs, assess management-related variables that affect the performance of MSMEs and

determine the effect of owner or manager management skills on MSME performance. The results show that critical skills that entrepreneurs and managers need to have to drive the growth and development of MSMEs are financial management skills, marketing skills, human relations skills, and entrepreneurship skills. These skills are crucial in the context of African countries where MSMEs face more or less similar challenges. The results corroborate with Popescu et al. (2019) finding showing that human relation is one of the crucial skills managers use to create an atmosphere of approval and security in which subordinates feel free to speak their minds without fear, leading to efficiency and productivity in organizations. Similarly, their study has also highlighted the importance of entrepreneurship education and suggested its inclusion in the curriculum of educational institutions.

However, in the context of this study, it was found that many MSME owners and managers have a skills gap in financial management skills, marketing skills and entrepreneurship skills, indicating the need for regular education and training to teach these skills. Some of the most missing skills include preparing financial documents and evaluating different financing options. On the other hand, marketing is one of the neglected skills of small businesses, resulting in some of the MSMEs not selling their products as many customers are unaware of them. Similarly, entrepreneurship skills are a crucial skill needed by many MSME owners and managers as most of the youth running small businesses, skills such as business management skills, technical skills and behavioral skills are important to develop an entrepreneurial mindset. The entrepreneurial mindset is crucial, especially in terms of identifying business opportunities, innovation, and creativity, and risk-taking. In the Tanzanian context, the government, and institutions responsible for small business development, such as the Small Industries Development Organization (SIDO) need to formulate targeted policies and strategies to promote entrepreneurship among young people through entrepreneurial learning and experiences that can foster an entrepreneurial mindset, a crucial skill to run small businesses. The findings of this study may help the regional or national government policies meant to support MSMEs development in Africa and elsewhere to understand the critical skills required for MSME development and incorporate them into their Business Development Services (BDS). Additionally, while it is helpful for small business owners to understand what managerial skills are critical to running their business successfully, it could also be helpful for financial institutions to understand important managerial skills that could be useful in evaluating the application for funding and the potential success of MSMEs. Lastly, the results contribute to the literature on critical managerial skills for small business management.

This study was limited by the sample size of respondents, which consisted of 60 MSME owners and managers. Future studies could consider extending the study to include regional and cross-country comparative analyses in developing and emerging economies.

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