Multiple Skills and Medium Enterprises’ Performance in Punjab Pakistan: A Pilot Study

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Abstract
This research study aims to assess the face validity and reliability of the construct of skills set and explore quantitatively a small sample of data on the determinants of performance of MEs in Punjab, Pakistan. The survey method approach was adopted to collect the data from MEs’ owners or managers through 41 usable questionnaires and adopted the stratified random sampling method. Therefore, validity and reliability of the instruments were examined through panel of experts from industry and academia and also small sample of the data analysed by using SPSS version 23.0 for Mac. While, results confirmed the reliability and face validity of the adapted instruments in the pilot study.

Keywords: Firm performance; Technical skills; Managerial skills; Entrepreneurial skills; Business skills; Resources; Pakistan.

1. Introduction

Recognizing the importance of Medium Enterprises (MEs) to economic growth and their capabilities for providing the job opportunities, poverty alleviation, and social cohesion, especially in developing countries (Asad et al., 2018) many researchers have been considered the significant role of SMEs Specially MEs performance. Despite this, however, the Small and Medium Enterprises (SMEs) failure rate is still hushed on success rate (Dar et al., 2017). Some researchers suggested that continues the success of Medium Enterprises (MEs) consist on the continuity of innovative activities (Abouzeedan, 2011b; Brunswicker and Vanhaverbeke, 2015; Ours et al., 2016) which is constrained due to the lack of multiple resources in the firm. Small and Medium Enterprises (SMEs) are facing barriers to gain the performance such as lack of multiple skills, resources, lack of knowledge, lack of market access, and lack of strategic planning especially Medium Enterprises (MEs) (Hashim, 2015; Khan M., 2015; Narkhede et al., 2014).

Preceding studies related to resources and performance, however, mainly focused on Medium Enterprises (MEs) engaged in export trade and internationalization (Aziz and Samad, 2016). These kinds of studies have been carried out within large organization, out of which many large organizations are enriched in multiple resources and have sufficient infrastructure to achieve better performance (Yahya et al., 2012). However, only few empirical studies (Khan and Ghouri, 2011; Khan M., 2015; Zafar and Mustafa, 2017) have focused on resources and better performance in relationship with Medium Enterprises (MEs). In Pakistan, Similarly, studies on the influence of resources on medium enterprises (MEs) have been conducted on large and international organizations (Shahzad et al., 2017). The study of relationship between resources (such as multiple skills) and better performance in small and medium enterprises (SMEs), however, is still lacking even through these firms contributed the 40% in the national Gross Domestic Product (GDP) of the country.

Despite the comprehension of the influence of multiple skills on SMEs' better performance, the prior studies documented that MEs are more innovative, thus give the even more beneficial for its performance (Sen and Cinar, 2010). This research, therefore, suggested that medium enterprises (SMEs) are more contribute in economic growth, job creation, and poverty alleviation aggressively. Other quantitative research, however, suggested that with strategic planning firm behave more proactive, flexible, and aggressive (Boateng et al., 2015; Klacmer Calopa, 2017; Kylahaiko et al., 2016; Salman et al., 2016a). In Pakistan medium enterprises (MEs) are operating in a traditional way means lack of clear vision and well-defined objective (Salman R. et al., 2016b), which indicates that unbalancing in multiple resources becomes the major cause of high failure rate in MEs. On the basis of empirical studies, its shows that, there are mixed findings related to the mediating effect of strategic planning on the relationship between multiple skills and firm’s performance. Therefore, the reliability and validity of the construct investigated in different economic and environmental context at large but conducting the main survey of the study is needed to be ensure the reliability, content validity and internal consistency of the measures.

However, not only the study aims to test the reliability and validity of the instruments. As well as to get a glimpse of the real form of the effect of assessments, which allows the investigators and examiners to anticipate the potential problems and adjust when embarking on the actual research. According to Sekaran and Bougie (2010) validity measure the magnitude to which a particular instrument is measuring what it should be supposed to measuring, while the reliability measures the magnitude to which an instrument is consistent, free form error and
stable across the items of the scale. Similarly, to extend to which collaboration between managerial, technical, entrepreneurial, and business skills with the mediating effect of strategic planning based on the previous finding. For this purpose, this study represent the results of pilot test about determinants of the economic and non-economic performance of MEs in Punjab, Pakistan.

2. Literature Review

The term Medium Enterprise (MEs) are defined in various context. Different nations defined the MEs on the basis of their expected role of country’s MEs. Similarly, some nations considered their industrial development level and some are considered economic indicators in defining the MEs (Iqbal et al., 2017). Therefore, MEs can be defined based on the organization’s size in term to the number of employees and total value of their assets or level of their working capital (Musa and Chinniah, 2016). Accordingly, European Union (EU) documented that Small Enterprises (Bubou et al., 2014) can be defined with the number of employees between 10-250, having income between $10 to $50 million with regards to turnover, and or also assets value range between $10- $49 Million (Bello Rogo et al., 2018). Similarly, firm regards as a Medium Enterprises (MEs) when they have total number of employees are less then 250 and their turnover rate below $50 million or with not less than $43 million financial balance sheet (Asad et al., 2018; Bello Rogo et al., 2018; Zafar and Mustafa, 2017). Similarly, Small and Medium Enterprises Development Authority (SMEDA) (2016), defined the Medium enterprises (MEs) with 51-250 number of employees and with paid up capital of Rs.150 million or with annual sale turnover up to Rs.800 Million and also the small enterprises (SMs) are defined with Medium enterprises are defined with up to 50 number of employees and with annual sale Rs.150 Million.

Furthermore, Small and medium enterprises (SMEs) are considered a fundamental instrument of economic growth and recognized as the economic engine in both developing and developed nations (De Klerk, 2009). In United Kingdom (UK) SMEs contribute in relation with economic growth rate is 50% to GDP and with 54% employment rate (Bello Rogo et al., 2018). Similarly, in china SMEs contribution rate in GDP is 55% and employment rate is 75%. However, in South Korea SMEs’ contribution rate is 55% to GDP and 70% is employment rate. While, in Taiwan, the SMEs’ contribution rate stand in GDP is 55% and 70% in the favor of its employment (Group, 2013). The prior literature identified many issues related with SMEs faces in the context of developing counties such as Malaysia, Nigeria, and China especially in MEs. The many problems are highlighted, how to get the green initiative by including lack of capabilities, lack of resources, lack of data, and as well as lack of experience (Smith E. and Perks, 2006). Similarly, in Pakistan many factors have been identified in many studies as the major problems and encounters confronting SMEs, these factors contribute significantly to their pre-mature death hence, in spite of numerous benefits derived from MEs in Pakistan (Asad et al., 2018).

Therefore, the following are the issues are highlighted in Pakistan’s MEs sector which are considered as major predicaments and big challenges such as lack of capabilities, lack of resources, lack of data, lack of experience, lack of multiple skills, lack of proper record of firm, lack of marketing plan, lack of strategic planning, inadequate research and development, low working capital, inability to use modern machinery, lack of quality management, poor market orientation, and as well as lack of utilization of resources (Asad et al., 2018; Khan and Ghouri, 2011; Khan M., 2015). Thereby, several studies are using different factors, but this study will review the empirical relation between multiple skills such as technical, managerial, entrepreneur, and business skills and MEs’ performance. Skills or capabilities are defined as the firm’s resources that represent the technical, managerial, entrepreneurial, and business skills. According to Smith W. et al. (2007) and Zarook et al. (2013) skills are the significant factor for organizational growth. Similarly, some researcher argues that every organization not a specialist in any specific skills but need a multiple skill which makes more grip on income tasks (Kunene, 2009a; Shabbir et al., 2016; Zarook et al., 2013).

Technical skills is defined as understanding the use of technical equipment, operations of the machinery, product application, usage of technology, supply and chain process, and product and service development (Shabbir et al., 2016). Technical skills also called as pre-condition skill for the entrepreneurs (Kunene T. R., 2009b). However, technical skills are important for the organization to be able to get the work very effectively (Lyons, 2002). Prior studies describe that technical skills are also dimension of technical capabilities (Wijaya and Irianto, 2018) and Similarly, four dimensions are measured using indicators such as operations, supplies/raw material, product and services development and production are used to measure the technical skill (Kunene, 2009a; Shabbir et al., 2016).

Managerial skills are the stock of abilities, competences, knowledge, and attributes that are embedded the labour’s abilities on to economic values (Asah et al., 2015). Managerial skills are more important for business function and also crucial for business success or failure (Aliyu, 2015). Similarly, managerial skills have better role in the organization because it could be able to the organization to measure the abilities and capabilities of the employees and effectiveness of their strategies (Asah et al., 2015; Kanungo and Misra, 1992), added that any kind of organization depends on the different factors in one of them is the operations of the organizations and however, all the operation handles by the different skills such as marketing, management, financial and accounting, legal operation, administration, and high-order.

Prior literature identify that entrepreneurial skills are very important for new venture start-ups (Asah et al., 2015; Carter and Tamayo, 2017; Salman et al., 2016a; Shabbir et al., 2016). Shabbir et al. (2016) defined the entrepreneurial skills as the skill which involve the recognizing economic opportunities and acting effectively on them. While, performance of the MEs related to the achievement of the objective and goals. Therefore, entrepreneurial skills play a very imperative role to build the strategies and utilized the resources, how to achieve the
organizational objectives and sustain the better performance (Carter and Tamayo, 2017). In preceding studies different dimension are being used to get the better performance but this study depends on the dimensions such as risk taking, risk management, creativity, innovative ability, and ability to interact successful entrepreneurial models.

According to the Kunene T. R. (2009b) Business skills are involved to operate day to day the business operations. However, business skills are crucial to formulate the organizational resources, business plans, operations, achievements of the goals and objectives, ability to develop the plan for utilization of resources, make relation worth internal and external resources, HR management, business structure and systems, and networking (Afolabi and Macheke, 2012; Kunene, 2009a; Ladzani and Van Vuuren, 2002). The studies find that high score of multiple business skills in the organization is positively associate with better performance (Afolabi and Macheke, 2012). However, prior literature points out that lack of the business skills has reduce the capacity of better performance in MEs (Hashim, 2015; Kunene, 2009a).

A principal element of strategic management is strategic planning (Arasa and K’Obonyo, 2012). Strategic planning is a process which aims to process and managing the organization through implementing the organizational planning (Salman et al., 2016a). It’s also help to promote the long term planning, help to explicit the organizational capability, helps to set the organizational goals and objectives, helps to penetrate the marketing, and contribute to reduce the uncertainty rate in the firm (Berry, 1998). In general, strategic planning is a long term oriented process (three years or more), put forward to the future potential, and helps the higher management to determine the organizational mission, vision, objective, and strategies of the company (Arasa and K’Obonyo, 2012). Studies reveals that the existence of strategic planning in the SMEs significantly correlate with their performance and source of the competitive advantage (Arasa and K’Obonyo, 2012; Falshaw et al., 2006; Mazzarol et al., 2009; Miller and Cardinal, 1994). In this study strategic planning contribute as mediator between skills-set and firm’s performance. Pervious empirical research studies with in the domain of business management indicate that strategic planning on of the best contributor between capabilities/skills and organisational performance.

3. Methodology
This study based on pilot test to access and removes any doubt for the reliability and validity of the instruments. However, the final research study will include the suggestions obtained from the pilot study and revises all the items where necessary. However, survey research method was used in this study. The purpose of this pilot study to assessed the opinion of owner/mangers of the Medium Enterprise (Salman et al., 2016a). The sample for this pilot study are commonly small. Thus, the total 60 questionnaire were randomly distributed through email and personally visit. (Sekaran and Bougie, 2016) documented that self-distributed questionnaires helps to build the understanding with respondent and also increase the response rate. Additionally, Five-point Likert scales will use for rating the MEs competencies/skills. Out of 60 distributed questionnaires 48 were returned back and 7 are not filled correctly. So only 41 questionnaires were used for analysed the reliability and validity of the instruments. However, the response rate were about to 85% which is due to distribution and received personally. The reliability and validity of instruments concern with the evidence that instruments used in this study is appropriately measuring the intended concept ((Hair, 2007; Sekaran and Bougie, 2016). The face validity was conducted to ensure the validity of the items which is measuring the intended content. Similarly, this study also conducted the reliability test, however, Cronbach ‘s alpha coefficient is used to test the reliability which is most common method to test the reliability (Sekaran and Bougie, 2010) and this study used SPSS 23.0 Mac version to test the reliability of the measurements in the final study.

4. Results
4.1. Validity Test
Panel of expertise and small sample of respondents’ form MEs in Punjab, Pakistan were asked to give their comments and input on the appropriately of the adopted items. Experts including associate professor and assistant professors form Department of Business Administration, Bahauddin Zakariya University, Multan Islamic International University Islamabad and University of the Punjab, Pakistan as well as some experts form MEs’ owners and managers that acquainted with Pakistan. However, based on given recommendations some items were re-worded correctly to measure the construct before pilot study.

4.2. Reliability Test
The reliability test shows that all measure have high reliability value which is ranging from 0.72 to 0.95. It means that Cronbach’s alpha value of 0.60 is considered an average reliability, while a coefficient of 0.70 (Higher value) shows the higher reliability standard of the instruments (Sekaran and Bougie, 2011). After pilot testing, the results of the reliability test shows the Cronbach’s alpha value for the respective examined construct are all above 0.70. Consequently, although the given threshold value of Cronbach's alpha is 0.70. It can be concluded that all the construct of technical, managerial, entrepreneurial, and business skills are reliable, and therefore, there was no need to remove any item form given instruments.
In addition, the descriptive analysis in table 2 demonstrates that 43.90% respondents have one year of working experience, 12.1% from 2 years, 7.31% from 3 years, 19.51 from 4 years, while 17.07% have more than 5 years of working experience. Moreover, the data collected from different sectors reveals that 21.95% from agriculture sector, 41.46% from industrial sector, and 36.58 from services sectors from Punjab, Pakistan. Furthermore, 78.05% of the respondents were male while 29.95% were female respondents. Similarly, as well as form education background 2.43% have doctoral degree, 12.19 have Ms/MPhil degree, 29.26% have Master degree, 39.03% have Bachelor’s degree from different fields, 7.31% have Equivalent to Bachelor’s (4 year) degree, and 2.76% have Diploma and equivalent and others. Frequency details in below table 2.

<table>
<thead>
<tr>
<th>Items</th>
<th>Frequency</th>
<th>Present</th>
</tr>
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<tbody>
<tr>
<td>Educational Background</td>
<td></td>
<td></td>
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<tr>
<td>Doctoral Degree</td>
<td>1</td>
<td>2.43</td>
</tr>
<tr>
<td>MS/MPhil Degree</td>
<td>5</td>
<td>12.19</td>
</tr>
<tr>
<td>Master’s Degree</td>
<td>12</td>
<td>29.26</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>16</td>
<td>39.03</td>
</tr>
<tr>
<td>Equivalent to Bachelor’s (4 year)</td>
<td>3</td>
<td>7.31</td>
</tr>
<tr>
<td>Diploma and equivalent</td>
<td>2</td>
<td>4.76</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>4.76</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
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<tr>
<td>Male</td>
<td>32</td>
<td>78.05</td>
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<tr>
<td>Female</td>
<td>09</td>
<td>21.95</td>
</tr>
<tr>
<td>Working Experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 year</td>
<td>18</td>
<td>43.90</td>
</tr>
<tr>
<td>2 years</td>
<td>5</td>
<td>12.19</td>
</tr>
<tr>
<td>3 Years</td>
<td>3</td>
<td>7.31</td>
</tr>
<tr>
<td>4 years</td>
<td>8</td>
<td>19.51</td>
</tr>
<tr>
<td>5 years or more</td>
<td>7</td>
<td>17.07</td>
</tr>
<tr>
<td>Type of business</td>
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<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>9</td>
<td>21.95</td>
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<tr>
<td>Industrial sector</td>
<td>17</td>
<td>41.46</td>
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<tr>
<td>Services Sector</td>
<td>15</td>
<td>36.58</td>
</tr>
</tbody>
</table>

5. Conclusion
The purpose of this study to conduct the pre-test for measuring the face validity and reliability of the items for final research study and will help in preparation for main research study. The results of the pilot study depict that the value of Cronbach’s alpha for the construct under examination are all above 0.70. Therefore, given absolute threshold of 0.70. It can be concluded that all the constructs of technical, managerial, entrepreneurial, and business skills set are reliable, and therefore, there was no need to change, to detach and re-write any single item. So, this research study can be used to measure the skills set such as technical, managerial, entrepreneurial, and business skills for medium enterprises (MEs) keeping in view the regional preventions.

References


