

# Quality Management Effect: An Exploratory Study on Market Share of SMEs Manufacturing Companies in Port Harcourt and Aba, Nigeria

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**Abstract:** *Investor in Nigeria have trace unimpressive performance of small and medium enterprises to pitiable leadership commitment which has limited the market share of manufacturing SMEs This study focused on exploring market share of SMEs in the manufacturing sector in Port Harcourt and Aba, Nigeria. The study utilized cross sectional survey research design where eight hundred and forty four questionnaires were administered. On analysis of the data, the result revealed substantial insignificant effect of quality management on market share of selected manufacturing SMEs in Port Harcourt and Aba, Nigeria. The study concluded that quality management dimension such as leadership commitment has insignificant effect on market share of SMEs in Port Harcourt and Aba, Nigeria. However, the study encountered methodological limitations as the adoption of cross-sectional survey research design which collection of data at a single point in time made it impossible to examine issues like time series. It therefore recommended that owners/managers or investors especially those into SMEs manufacturing should implement quality management practice as it is a veritable tool for market share target.*

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## Introduction

Interest in the role of small and medium-sized manufacturing enterprises (SMEs) in the development of nation's economy continues to be in the forefront of policy debates in both developed and developing countries of the world. Their role is crucial to the economy development of nations as they are predominantly noticed in product manufacturing, processing, mining, wholesale and retail services. Their recital can be measured in relations to profitability, sales growth and market share, based on the expectations of the stakeholders (Aigboje, Akpa & Egwaikhe, 2021). SMEs are dynamic and flexible and are major driver for industrialization, modernization, urbanization, gainful and meaningful employment generation for those who have the interest to work (Adeoye & Elegunde 2012). Vast majority of SMEs especially those in the manufacturing sector play significant role in the economic growth of nations as they make an enormous contribution to the nation's gross domestic product (Hossain, Tasnim, & Hasan, 2017). In Nigeria, SMEs have contributed tremendously to the nations GDP, according to small and medium enterprises development agency of Nigeria (SMEDAN, 2017). In particular, manufacturing SMEs are key engine to economic growth and development. They are responsible for most of the advances in new products and processes, providing most of the employment opportunities and are identified as key indicator of the overall performance of any economy. However, the adoption of product quality management by small and medium size enterprises

owners over time has led to increased success in the areas of profitability outlay and market share target (Banbadi, 2019). Yet SMEs development tends to be challenged with series of market share issues. This is focused in this study with the aim to explore the market share of manufacturing SMEs in the Port Harcourt and Aba, Nigeria.

According to the Manufacturing Association of Nigeria (MAN, 2016), manufacturing SMEs have failed in the area of performance as the enormous benefit accruable to SMEs that give significant representation to continuous improvement practice and leadership commitment at the SMEs level yielded paucity result and conversely pruned the SMEs market share target. These depressed challenges are precarious issues associated with pitiable quality management which owners and managers could not address to bring about positive performance result (Babandi, 2019).

## **2. Literature Review**

Quality management has been identified as a successful management philosophy associated with manufacturing and service delivery of industry (Giogio, Verbane & Kasren, 2015). Chibba (2017) defined quality management as a managerial philosophy that aims to providing customers with products and services that satisfy their needs. Cloud (2017) identified quality management as the degree to which the product or service meets the specifications and the needs of customers. Scholars emphasized that there are several critical principles for successful quality management practices which among others include top management commitment, customer focus, supplier relationship, teamwork, training and benchmarking ( see **Ufua, Olujobi, Ogbari, Dada, & Edafe, 2020**). Jones (2018) observed quality management as an embracing philosophy of management which aims at coordinating all functions of organizations that aligned to meet customer expectations and the organization's objectives. Ohikere and Chukwuemeka (2018) see quality management as a philosophy and methodology for managing the operations of companies by utilizing the resources accessible to enhance performance. However, Yusuf and Saffu (2015) manufacturing SMEs have been contributing to strengthen the state economics by producing intermediate product for consumption. However, a critical question raised in the current study is how can the practicing SMEs in the Nigerian manufacturing sector sustain their market share? It hoped that answer to this question would project productive learning and further debate among practitioners and research on the of SMEs' development and market share sustainability, crucial to their contribution to the national economy.

**Yinka (2019)** opined that SMEs shrinkage in efficiency has consequentially restrict the capacity of the sector to compete proficiently in the global market. He reiterated that entrepreneur's inability to promote leadership commitment has inadvertently affected the SMEs market share. Makinde and Agu (2018) stressed that SMEs in Aba metropolis have not invested adequate resources on the utilization of modern technology that will enhance their performance. Olusanya and Adegbola (2014) observed that SMEs in Port Harcourt has been facing series of performance problems linked with poor product quality as made in Nigeria goods could no longer compete favorably in the global market thereby affecting the market share and competitive advantage of the manufacturing SMEs. This challenge tends to leave the operators and managers of SMEs with the core responsibility to engage in the continuous strive to secure sustainable market share development among

Parvadavarddini, Viyek and Devaddasa (2015) referred to quality management as a concept or terminology that is mostly associated with manufacturing organizations which seek to adopt and implement a set of quality practices that have been successful elsewhere and that will help to

identify changes in their environment. Hansson (2017) opined that quality management (QM) is a concept associated with continuous improvement in an organization which assists in promoting the quality of products and services required by the market. It equally has underlining intent to continue to deliver customer satisfying products and services that can inform their loyalty to an organization's offers in the market (Ufua, Ibidunni, Akinbode, Adeniji, & Kehinde, 2021). Organizations can improve their competitiveness by implementing quality management strategies in their business model (Hossain, Tasnim, & Hasan, 2017).

The pursuit for quality by manufacturing SMEs leads managers and owners to improve their processes and products, which consequently make them, become competitive in the world market (Taddese, & Osada, 2010). It positions them for the competitiveness in the global market. The technical aspects of SMEs practice that is therefore associated with product quality reflect the orientation for improvement in area of operations and the demand for a systematic process which will enables continuous improvement practice by manufacturing small and medium enterprises of quality goods and services to the customers. Similarly, there is the social aspect that focuses on human resource management such as leadership, teamwork, training and commitment of employees towards SMEs product quality (Vecchi, Brennam, 2011). To this end, the researcher refers to product quality as the commitment made by the producers on such product in order to satisfied the needs of the players given that the purpose of the product highlight the standard required by the customers. Similarly, product quality denotes how organization perceived the usefulness and the satisfaction of the product to the market

Edin, Milan and Senab (2017) defined entrepreneurial leadership as an effective response of leaders to the entire organizational activities and the degree of attachment or loyalty leaders exercise towards SMEs goals and objective. Sabahatti and Faruk (2014) observed SMEs leaders as simply leaders' attitude to an organization. This definition of leadership is broad in the sense that leadership' attitude encompasses various constituents of organizational activities (Kumar, 2016). Guo, Li and Wu (2015) defined entrepreneurial leadership as a process of changing an organization from what it is to what the leader intends it to be while the senior managers are expected to contribute to improving customer's satisfaction and all quality-related issues. Ivan and Munja (2014) outlined that quality improvement process and quality initiative of SMEs begins with leadership's commitment and employee's involvement in the organization and their contribution to realizing the organizational goals and objectives through quality initiatives. Sabahatti, Faruk and Tastan (2014) suggest that entrepreneurial leaders have been put at the apex of the list by most quality models for the purposes of effective quality management implementation. The majority of QM literature has highlighted the important role entrepreneurial leaders have plaid in the manufacturing of product quality in an organization as they are critical factors for SMEs competitiveness.

## **Empirical Review**

Several studies have been conducted on quality management with variation in findings. Different views have been advanced on quality management and market share. Boulding and Staelin (2018) found a positive relationship between quality management and market share. The scholars noted that unless managers and their firms achieve a high market share or dominate its chosen market, the firm should withdraw from such unproductive market and invest elsewhere. Also, manufacturing organizations without leadership commitment witness depressed market share and

dipped in competitive advantage. Adesoji (2021) found a positive and statistically significant relationship between quality management practice and operational performance at 5% level of significant. Similarly, Wanyoike (2016) found significant positive effect between quality management and SMEs market share by utilizing teamwork, reward systems and understanding of ISO 8001 as a measuring index. Abbas (2018) discovered management could perceive SMEs high market share position as a successful achievement by itself, which could lower the motivation to really leverage the strong SMEs market power position. Moreover, only an organization that has both the ability and the motivation to lower costs have a chance to benefit from high market share. Aaron (2018) found that what determines the profitability base of a business is a function of the commitment of the employees and adequate coordination of strategic quality management dimensions. The study did not show much evidence on the level of improvement between different dimensions of performance caused by the implementation of quality management practice on profitability. Based on the positions of the authors, despite the disagreement with some authors on the linkage between quality management and profitability, profitability can still be used as sufficient evidence to indicate the performance level. Aduralere (2019) found a significant relationship between quality management and firm size. Continuous improvement which is the core issue in quality management that promotes firm size become noticed when the staff at all levels are subject to regular training and improvement in work culture which enables employees to be updated with the recent technology and principles that support and accelerate the organization's position. He noticed that large firms stand the test of easy borrowing because of the availability of collateral. Horsfall, Ukoha and Alagah (2018) discovered a positive and significant relationship between quality management dimensions and organizational success. However, the researcher defined firm size as the number of employees a firm owned and managed to effectively deliver the required products and services. Erdal and Ferdi (2015) discovered a positive effect between quality management and SMEs market share. He found that the improvement in firm market share is significantly related to quality management which is determined by the constant expenditure on research and development by top management, which implies that the leadership of QM organizations should always motivate and inspire individuals to work hard in order to achieve the SMEs market share target. Lyndon, Ajayi (2021) discovered that the combination of quality management and effective leadership commitment result in organization doing the right thing at the right time. Paymaster and Meshack (2016) found a significant positive effect between quality management and market share. The author emphasized for a positive link between quality management and market share, entrepreneurs should ensure that strategies to achieve a high market share and/or dominate its chosen market is realized; otherwise the firm should withdraw or strategically diversify investment.

### **3. Methodology**

This study adopted a cross-sectional survey research design. The justification for the selection of Port Harcourt and Aba is because the two commercial hubs are the economic valves of the SMEs manufacturing companies and the selected companies have been in operations for over fifteen years. The defense for the adoption of the twenty four 24 manufacturing SMEs is on the basis that they had operated for more than fifteen years and have made several relative contributions to the development of the two states. The Port Harcourt Rivers State chamber of commerce and industry and Aba Abia State chamber of commerce and industry on SMEs manufacturing companies has data base of 3798 registered SMEs. The study chose 24 indigenous SMEs manufacturing firms out of 3794 registered SMEs in the two regions. The justification for the selection of Port Harcourt and Aba is because the two commercial hubs are the economic valves of the SMEs manufacturing

companies and the selected companies have been in operations for over fifteen years. This thus gives a target population of 17 indigenous SMEs selected out of 1452 in Rivers State and 7 indigenous SMEs selected out of 2342 in Abia State. In Port Harcourt, the SMEs are classified into 10 small businesses and seven medium size businesses while Aba has six small businesses and one medium size business.

### **3.1 Targeted Population**

The population for this study was made up of 844 employees from 24 selected manufacturing SMEs in the two regions. The justification for the selection of the 24 SMEs manufacturing companies in the two districts is on the informed that Port Harcourt and Aba is the economic hub of the above SMEs manufacturing companies. The focus was however limited to regional capital and commercial hubs where SMEs are concentrated and are thriving. The justification for the selection of Port Harcourt and Aba is because the two commercial hubs are the economic valves of the SMEs manufacturing companies and the selected companies have been in operations for over fifteen years.

### **Data Analysis Results and Discussion**

Since two variables are identified in this study, multiple regression analysis was utilized for market share, quality management and leadership commitment. The result of the analysis and the perimeter estimates obtained are presented in 1

Table 1 Summary Result of Multiple Regression Analysis of Market Share on Quality Management of Selected manufacturing SMEs in Port Harcourt and Aba Nigeria.

VARIABLES	<i>B</i>	<i>T</i>	<i>Sig.</i>	<i>F</i> (5834	<i>R</i> <sup>2</sup>	<i>Adj. R</i> <sup>2</sup>	<i>F</i> ( <i>Sig</i>
Constant	7,538	4, 418	. 000	48. 381	0. 225	0. 220	0. 000
Leadership commitment	.99	1. 838	. 066				

(a) Dependent Variable. Market Share

(b) Predictors Constant Leadership Commitment

Table 1 Below is the outline of multiple regression result for the effect of quality management dimension (leadership commitment on market share for selected manufacturing small and medium enterprises in Port Harcourt Nigeria. On analysis of the data, the result revealed that leadership commitment ( $\beta = 0. 099$ ,  $t = 1. 838$ ,  $p = 0. 066$ ) have positive and insignificant effect on market share of selected manufacturing SMEs in Port Harcourt and Aba, Nigeria. This implies that the results of the multiple regression analysis further show that quality management dimensions such as leadership commitment explained 22% of the variation in market share of the selected manufacturing SMEs ( $Adj. R^2 = 0. 220$ ). However, the model did explain 78% of the variation in market share of the selected manufacturing SMEs in Port Harcourt and Aba, Nigeria, implying that there are other factors associated with market share of the selected manufacturing SMEs in Port Harcourt and Aba which were not captured in the model. The result indicated that leadership commitment is important factor that needed to be improving upon in order to enhance the market share of the selected manufacturing SMEs in the two districts. The multiple regression models from the results is thus expressed as:



$$MS = 7.534 + 0.099LC.$$

Where:

MS = Market Share

LC= Leadership Commitment

Looking at the regression equation above, it was revealed that holding leadership commitment constant (at zero), market share of the selected manufacturing SMEs in Port Harcourt and Aba will be 7.534 which is positive. This implies that if leadership commitment takes on the values of zero (do not exist), there would be 7.534 times level of repetition of the market share of the selected manufacturing SMEs in Port Harcourt and Aba, Nigeria. Further, the model shows that for every unit increase in leadership commitment, there was a respective increase in the market share of the selected manufacturing SMEs in Port Harcourt and Aba by 0.099, units respectively.

## **Discussion**

Diverse views have been advanced on quality management and market share (Boulding & Staelin, 2018; Wanyoike, 2016; Erdal & Ferdi, 2015; Lyndon, Paymaster & Meshack, 2016). Boulding and Staelin (2018) found a positive relationship between quality management and market share. They distinguished that unless managers and their firms accomplish a high market share level or dominate its chosen market, the firm should withdraw its activities from that market and invest elsewhere. Similarly, manufacturing organizations deprived of leadership commitment witness depressed market share and dipped in competitive advantage. Correspondingly, Wanyoike (2016) utilizing leadership commitment, employee participation, teamwork, continuous improvement, reward systems, and understanding of ISO 8001 as a determining index and found a significant relationship between quality management and market share. He ranked and supports the involvement of leadership commitment a most critical factor for market share and firm performance. In contrast, that firms with significant market share target could also run the risk of lacking organizational aspirations.

Abbas (2018) learned that management could perceive high market share position as a successful achievement by itself, which could worsen the motivation to really leverage the strong market power position. Moreover, only an organization that has both the capacity and the inspiration to lower costs dominate the platform of high market share target (Abbas, 2018). Erdal and Ferdi (2015) discovered a positive relationship between quality management and market share. The scholar perceived that the improvement in firm market share is significantly related to quality management which is determined by the constant expenditure on research and development by top management. These intellectuals reiterated that the headship of QM establishments should be proactive by a way of motivation which will inspire individuals to work unbreakable to accomplish the organization market share mark. Similarly, the scholars discovered that for quality management to have positive relationship to market share, leaders must support employees and colleagues to achieve the vision and mission of the organization through adequate provision of working instruments. Lyndon, Paymaster and Meshack (2016) found a significant positive relationship between quality management and market share. The author emphasized for a positive link between quality management and market share, and management should ensure that strategies to achieve a high market share and/or dominate its chosen market is realized; otherwise the firm should withdraw from that market and invest elsewhere.

It is true that some studies have provided evidence as to why the relationship between quality management and market share should stand; though, there are studies that prove otherwise that market share may be detrimental as the widespread popularity can project a negative effect on perceived quality by reducing the image of exclusivity (Waldma, 2001). More so, firms with significant market share target could also run the risk of lacking organizational aspirations (Tosi, 2004). Furthermore, Yusof, Laosirihongthong and Shaharoun (2010) identified no significant relationship between quality management dimensions with market share. The studies on quality management and market share reveal convergent and divergent assessments; however, the researcher discovered that increase bargaining power from the middle men like the retailers and the wholesalers may be willing to allocate space to companies that have more clout advertently increasing their market share. Conversely, the researcher discovered that a small company may lose its higher profit margin or market share target by drastically increasing its product selling price. Nevertheless, this study adopts market share as an indicator of quality management and firm performance.

### **Conclusion and Recommendation**

From the empirical result obtained, this study concluded that there was a statistically insignificant effect of quality management dimension such as entrepreneurial leadership commitment on market share of selected manufacturing SMEs in Port Harcourt and Aba Nigeria. This study supports manufacturing SMEs owners and managers to identify the importance of quality management practice as veritable tools to attain the overall SMEs objectives which can be best measured by performance. The study equally resolved that SMEs managers in cultivating a business culture which involves constant formulation and implementation of an effective and responsive quality management practice required to aid maximization of the overall market target. Two research gaps have been identified that needed to be addressed by other scholars as future scholars should investigate the possibility of generalizing SMEs by drawing a comparative analysis of large industry apart from the manufacturing SMEs as this will enable researcher to compare findings and draft recommendations. Besides, there was a generally a weak positive and insignificant effect of quality management and market share of manufacturing SMEs in Port Harcourt and Aba Nigeria. Further study is needed in western world to verify similarities in findings.

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