

EFFECT OF LEADERSHIP SKILLS AND TECHNICAL SKILLS ON GROWTH OF SMALL AND MEDIUM ENTERPRISES IN SOUTH EAST NIGERIA

ONYEMOBI Uche Kessington
Department of Business Administration
Nasarawa State University, Keffi
Email: uchennaonyemobi@gmail.com

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Abstract

Despite the significant contribution of SMEs to national economic development and various government support initiatives, including credit schemes, tax incentives, and regulatory interventions, the sector has continued to experience declining performance. This decline is reflected in the reduction of SMEs' contribution to Nigeria's GDP from 50% in 2021 to 43.3% in the fourth quarter of 2022. The study specific objective was to examine the effect of leadership skills and technical skills on the growth of small and medium enterprises in South East, Nigeria. Survey designed was adopted wherein, a sample of 400 owners/managers of SMEs was drawn by using Taro Yamani (1967) from 57,035 population. The sample was selected using convivences sampling technique. Data was collected using a five-point Likert scale questionnaire and analyzed using the Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings revealed that leadership skills and technical skills had positive and significant effect on growth of small and medium enterprises in South East, Nigeria. Based on the findings, the study recommends that SME managers should invest in continuous leadership development and managerial training, particularly in strategic decision-making, employee motivation, delegation, conflict management, communication, team building, and problem-solving. They should also cultivate participative leadership practices that encourage employees to contribute ideas and take responsibility for organisational objectives. In addition, managers with adequate technical competence can improve operational efficiency, reduce errors and wastage, adapt to technological changes, improve product or service quality, and respond more effectively to customers' needs.

Keywords: Growth, Leadership skills, Technical Skills, and PLS-SEM

INTRODUCTION

Globally, Small and Medium Enterprises (SMEs) constitute an important component of modern economies because of their contribution to employment generation, income creation, innovation, poverty reduction and economic diversification. Beyond their numerical dominance, the growth and sustainability of SMEs are important indicators of the capacity of

an economy to create productive opportunities for individuals and communities (Aguka et al. 2026). SME performance is commonly reflected in indicators such as sales growth, profitability, market expansion, productivity, asset growth, employment generation and business survival. SMEs account for about 90 percent of businesses and more than half of employment, making them important engines of economic activity and job creation (World Bank, 2024). However, the mere

existence of SMEs does not necessarily translate into sustainable economic benefits. The ability of SMEs to survive, expand their operations, improve productivity and compete effectively depends on the managerial, financial, technological and organisational capabilities available to them.

The World Bank (2024) observes that SMEs remain central to productivity, diversification and employment in developing economies, although access to finance and other business constraints continue to restrict their growth. Consequently, the performance of SMEs cannot be understood solely in terms of financial resources. Managerial capabilities are equally relevant because managers determine how available resources are acquired, combined and deployed. In this regard, managerial skills may encompass planning, communication, leadership, decision-making, financial management, marketing, problem-solving, time management and strategic management skills. Iheanacho et al. (2024) argue that managerial skills are essential to SME growth because entrepreneurs must combine technical, human and conceptual capabilities to navigate increasingly complex business environments.

The importance of SMEs is particularly pronounced in Africa, where small businesses provide livelihoods for a large proportion of the population and serve as an important source of employment and entrepreneurship. African SMEs operate within environments characterised by infrastructural deficiencies, restricted access to finance, regulatory challenges, limited managerial capacity and rapidly changing markets. The International Labour Organization (2024) notes that improving access to finance for African MSMEs is closely connected with their ability to improve productivity and create decent jobs. These challenges mean that the growth of African SMEs is influenced not only by the availability of external resources but also by the capacity of owners and managers to utilise such resources effectively. In environments where capital, technology and infrastructure are

constrained, managerial competence can become particularly important because managers must make efficient decisions concerning resource allocation, employee utilisation, customer relationships and market opportunities. Thus, strengthening managerial skills represents a potentially important mechanism through which African SMEs can improve productivity, competitiveness and growth.

In Nigeria, SMEs occupy a central position in the structure of economic activity. The NBS/SMEDAN MSME survey reported that MSMEs accounted for 96.9 percent of businesses, 87.9 percent of employment and 46.32 percent of GDP, demonstrating their substantial contribution to the Nigerian economy (Idemobi & Dike, 2026). Despite this contribution, Nigerian SMEs continue to experience significant difficulties in sustaining growth. The business environment is characterised by inflationary pressures, high operating costs, limited access to affordable finance, inadequate infrastructure, regulatory burdens, exchange-rate volatility, weak purchasing power and increasing competition. Idemobi and Dike (2026) identifies macroeconomic pressures, financing constraints, changing market conditions and the need for digital and technological transformation among the major issues affecting Nigerian MSMEs. These conditions place considerable demands on SME managers, who are required to make effective decisions despite resource limitations and uncertainty.

Managerial skills therefore represent an important internal capability that may determine whether Nigerian SMEs merely survive or achieve sustained growth. A manager with effective planning skills can establish realistic objectives and allocate resources according to business priorities, while financial management skills can improve budgeting, cash-flow management and investment decisions (Idowu & Babalola, 2026). Similarly, communication and interpersonal skills can enhance relationships with employees, suppliers and customers,

whereas leadership skills can facilitate employee commitment and organisational coordination. Decision-making and problem-solving skills may enable managers to respond effectively to operational challenges, while marketing and strategic skills can assist SMEs in identifying changing customer needs and developing appropriate competitive responses.

The South-East region of Nigeria provides an important setting for examining the relationship between managerial skills and SME growth because SMEs constitute a major component of commercial and entrepreneurial activity in the region. The region comprises Abia, Anambra, Ebonyi, Enugu and Imo States and has a strong tradition of private enterprise, trading, manufacturing and entrepreneurship. However, SMEs in the region operate under constraints that may limit their capacity to expand, including financing difficulties, infrastructural challenges, intense competition, technological changes and managerial limitations. Recent empirical evidence from the South-East indicates that entrepreneurial and managerial capabilities are associated with SME outcomes. Further evidence reinforces the relevance of managerial capabilities in the South-East. Okoye et al. reported that managerial skills had a significant positive effect on the growth and output of SMEs in South-East Nigeria, based on evidence from 315 respondents. More recent research by Isaac et al. (2026) also demonstrates the growing attention being given to management capabilities among South-Eastern SMEs, examining proactive management through dimensions such as strategic foresight, competitive intelligence and risk management in relation to SME performance across the five South-Eastern states. These studies indicate that managerial capability is relevant to SME outcomes, but they also reveal the need for further investigation because managerial skills constitute a broad construct involving multiple competencies that may affect different aspects of business growth.

Leadership skill is an important managerial capability that can influence the growth of small

and medium enterprises (SMEs) by shaping how business resources, employees and opportunities are coordinated. Effective leadership enables SME owners and managers to establish clear goals, communicate organisational expectations and motivate employees towards the achievement of business objectives. Through effective delegation, supervision and employee engagement, competent leaders can improve productivity and create a work environment that supports innovation and organisational commitment (Odusegun & Orga, 2026). Leadership skill also enhances the ability of SME managers to respond to changes in customer preferences, competition, technology and market conditions. In addition, effective leaders are better positioned to make timely decisions, manage risks and mobilise employees during periods of uncertainty, thereby improving the capacity of SMEs to survive and expand. In the context of South-East Nigeria, where SMEs operate within highly competitive and resource-constrained environments, strong leadership may enable business owners to utilise limited resources efficiently, develop customer relationships and identify opportunities for market expansion.

Technical skill is an important managerial capability that can contribute significantly to the growth of small and medium enterprises (SMEs) by improving the effective performance of business operations. Technical skills refer to the knowledge and practical competencies required to perform specific tasks, operate equipment, use business technologies and solve technical problems associated with an enterprise's activities (Olubiyi, 2024). SME managers with adequate technical skills are better positioned to understand production processes, identify operational inefficiencies, maintain quality standards and ensure the effective utilisation of organisational resources. Such skills can also facilitate the adoption of modern technologies and innovative production methods, thereby improving productivity and reducing operational costs. In addition, technical competence enables

managers to provide effective supervision and guidance to employees, minimise errors and improve the quality of products and services offered to customers. For SMEs operating in the competitive business environment of South-East Nigeria, technical skills can strengthen the ability of managers to respond to technological changes, improve production efficiency and maintain competitiveness.

Growth is central to understanding the success and viability of small and medium-sized enterprises (SMEs). Growth encompasses various dimensions, including financial metrics, operational efficiency, customer satisfaction, and innovation. By examining these aspects, one can gain insights into how well an SME is achieving its goals and responding to market demands. Financial performance is often the most visible indicator of an SME's health. This includes metrics such as revenue growth, profitability, and return on investment. For SMEs, maintaining strong financial performance is crucial for sustainability, especially given their typically limited resources. Effective financial management, including budgeting and forecasting, allows SMEs to allocate resources wisely, invest in growth opportunities, and navigate economic uncertainties. Focusing on financial health, operational efficiency, customer satisfaction, and innovation, SMEs can enhance their overall performance (Orji et al. 2022). It is based on the foregoing that this study seeks to examine the effect of managerial skills on growth of SMEs in South-East, Nigeria.

Despite the known importance of the SME sector towards the improvement of nation's economy as well as the supports received by these firms such as provision of financial credit schemes, tax holidays, creation of a regulatory agency to promote and stimulate their activities, the sector has continued to witness dwindling performance. This is seen in the drop of their contribution to the nation's economy from 50% percent contribution to GDP in 2021 to 43.3 % in the last quarter of 2022. In addition, a good number of these SMEs have remained stagnant in terms of growth

despite these supports received. This is further compounded with the SMEDAN (2021) report which showed a decline from 73,081 active registered small and medium enterprises in 2017 to 57,035 in 2021 in South East, Nigeria. It therefore becomes pertinent for SMEs to review their internal activities with a view to improve performance and create a shield against the negative effects of the external environment and hence this study which seeks to examine the effect of managerial skills on the performance of small and medium enterprises in south east, Nigeria.

The core objective of this research is to examine the effect of leadership skills and technical skills on growth of SMEs in South East Nigeria. The specific objectives are to:

examine the effect of leadership skill on growth of SMEs in South East Nigeria; and

ascertain the effect of technical skill on growth of SMEs in South East Nigeria.

LITERATURE REVIEW

Growth is defined as a change in size during a determined time span. Ogaji et al. (2020) opine that growth is seen as a positive increase in effectiveness and efficiency of all dimensions of business operations of a given firm which could be in monetary and non-monetary measures. Odusegun and Orga (2026) stated that enterprise growth can be measured in various ways which he suggested the use of quantitative features such as; value addition, revenue generation, volume of assets and volume of business or qualitative features like market position, quality of product, and goodwill of the customers, on the contrary Akinruwa and Bankole (2024) opine that financial structure, productivity, sales revenue and total assets have a more direct impact on growth but caution that the number of employees, investment in (R&D), and other intangible assets have minimal influence on the enterprise's growth prospects.

This study adopts the definition of Ogaji et al. (2020), who conceptualise growth as the measurable expansion of an enterprise's financial, operational, and market capacity over time. Such growth may be reflected in improvements in sales, profitability, market share, asset base, employment, and business expansion. This definition is considered appropriate for the present study because it treats SME growth as a multidimensional construct rather than relying on a single financial indicator. It therefore provides a broader basis for assessing how managerial skills contribute to the expansion and development of SMEs in South-East Nigeria.

Leadership skill

Leadership skill is concerned with capabilities of creating a sense of purpose and direction, critical enablers that allow interaction with key internal and external stakeholders in pursuit of high performance. Idowu and Babalola (2026) view of leadership is anchored on the thinking and visionary capabilities of leadership whose aim is to create an organization that is transformation. Olubiyi (2024) argue that leadership skills is not only concerned with the possession of unique abilities that allows for the absorption and learning of new information and ideas, but having the adaptive capacity to appropriately respond to the dynamism and complexity of the external environment. They further posit that such abilities allow strategic leaders to continuously and tactically adjust the organization in response to the uncertain environment.

Onochie et al. (2026) also stated that, leadership skill refer to the ability of an entrepreneur(s) to have high tolerance for ambiguity, persistence, perseverance, and demonstrating high degree of creativity and builds strategic culture and organization. It is glaring base on the aforementioned analogy that strategic and leadership are highly related as such are the bases for the development of leadership skills. In order to demonstrate the importance of leadership skills to the organization,

This study adopts the definition of leadership skills provided by Onochie et al. (2026), who conceptualise leadership as the ability to influence and persuade individuals to cooperate and work collectively towards the achievement of common organisational objectives. Leadership skills therefore involve the capacity of managers to motivate, guide, coordinate, and influence employees to contribute effectively to organisational goals. This definition is appropriate for the present study because effective leadership enables SME managers to align employees' efforts, facilitate teamwork, motivate performance, and direct organisational activities towards business growth.

Technical Skill

Shomoye et al. (2024) conceptualised technical skills as the specialised knowledge and abilities required to perform specific managerial tasks, including knowledge of organisational methods, processes, procedures, equipment, products, and services. These skills enable managers to understand and effectively apply the technical aspects of their business operations. Technical skills are developed through formal education, training, and practical work experience and are essential for improving operational efficiency, solving technical problems, and managing organisational activities effectively. This definition is appropriate for the present study because technical competence equips SME managers with the practical knowledge required to manage business operations and support enterprise growth.

Technical skills refer to one's ability to understand the proficiency in a specific kind of activity, particularly one involving methods, processes, procedures, or techniques; it involves specialized knowledge, analytical ability within that specialty, and ability in use of tools and techniques of a specific discipline (Logose, 2022). Technical skills are required for a manager to be able to do specialized tasks in the workplace. Supervisory managers need these skills the most because they deal frequently with

employees who generate the company's products and/or services (Katz, 2015).

This study adopts the definition of conceptual skills provided by Shomoye et al. (2024), who describe conceptual skills as the cognitive abilities required for analytical thinking, logical reasoning, problem-solving, creativity, sound judgement, and understanding complex organisational situations. These skills enable managers to recognise relationships among different parts of an organisation, anticipate the implications of changes, and coordinate specialised activities towards the achievement of organisational objectives. Conceptual skills are therefore essential for effective planning, organising, decision-making, and problem-solving, particularly in complex and uncertain business environments. This definition is appropriate for the present study because SME managers require strong cognitive and analytical abilities to understand their business environment, make informed decisions, coordinate resources, and identify opportunities that can contribute to enterprise growth.

Empirical Review

Interpersonal Skills and SMEs Growth

Odusegun and Orga (2026) examined entrepreneurial capabilities and the economic sustainability of SMEs in South-East Nigeria, including leadership skills as one of the explanatory capabilities. The researchers adopted a survey approach and used a simple random sampling technique to select respondents. The population comprised 863 SME employees, from which a sample of 266 respondents was determined using the Ferund Williams formula. Of the questionnaires distributed, 238 were properly completed and returned, representing an 89% response rate. Data were collected using a structured questionnaire and analysed using mean scores and standard deviations, while the hypotheses were tested using the Z-test. The findings showed that leadership skills had a significant positive relationship with cost maintenance among SMEs in South-East Nigeria,

while creativity also had a significant positive relationship with waste reduction. The study recommended that SME entrepreneurs should strengthen entrepreneurial capabilities, including leadership and creativity, to enhance sustainability. The study is highly relevant to the proposed research because it was conducted in the same geographical area and explicitly incorporated leadership skills. However, its dependent variable was economic sustainability rather than SME growth, and cost maintenance represents only one dimension of organisational outcomes. Furthermore, the use of mean scores, standard deviations and Z-test provides less comprehensive explanatory evidence than regression or structural equation modelling. The proposed study can therefore extend this evidence by examining leadership skill directly against multidimensional SME growth.

Onochie et al. (2026) investigated the influence of transformational leadership on product innovation among micro, small and medium enterprises in South-East Nigeria. A survey research design was adopted, with owners and managers of MSMEs constituting the respondents. The population was reported as 5,283,034 enterprises, from which a sample of 400 respondents was determined using Taro Yamane's formula and proportionally distributed across the five states of South-East Nigeria. Primary data were obtained through a structured five-point Likert-scale questionnaire. The researchers established instrument reliability using Cronbach's alpha, obtaining coefficients of 0.767 for transformational leadership and 0.755 for product innovation, while face and content validity were established through expert review. Descriptive statistics and regression analysis were used, with hypotheses tested at the 5% level of significance. The findings demonstrated that transformational leadership had a positive and statistically significant relationship with product innovation, with $\beta = 0.572$ and $p = 0.000$. The authors recommended that MSME owners and managers encourage creative thinking, develop shared organisational vision and motivate

employees because these leadership behaviours can strengthen product innovation. This study provides strong geographical and empirical support for the proposed research, particularly because it demonstrates that leadership behaviour can generate measurable organisational outcomes among South-East Nigerian enterprises. Nevertheless, product innovation is different from business growth, and transformational leadership represents only one approach to leadership. The present study can therefore broaden the evidence by examining leadership skill as a managerial capability and linking it directly with sales, profitability, employment, assets and market expansion.

Olubiya (2024) investigated the effect of leadership competencies on SME profitability in Lagos State, Nigeria. The study adopted a descriptive survey design. A sample of 742 respondents was established from the population of selected small businesses and was selected using proportionate and stratified sampling, combined with a multistage sampling approach because the SMEs were distributed across the five geopolitical areas of Lagos State. A closed-ended questionnaire was administered, with 701 valid responses, representing a response rate of approximately 95%. The findings demonstrated a significant relationship between managerial roles and self-efficacy, with $\beta = 1.2663$, $t = 31.2138$ and $p < 0.05$. The study recommended that SME owners and managers strengthen leadership and entrepreneurial skills and improve administrative practices to enhance profitability. The major strength of the study is its relatively large sample and multistage sampling procedure. However, its geographical focus on Lagos State limits direct generalisation to South-East Nigeria. More importantly, profitability was used as the principal outcome rather than growth, meaning that other dimensions of growth such as employment, asset accumulation, market share and customer expansion were not captured.

Leadership Skills and SMEs Growth

Opara (2026) examined the technical competencies required by information-processing specialists for effective performance in SMEs in Enugu State. It adopted a descriptive survey research design and covered a population of 1,800 information-processing specialists working in registered SMEs in Enugu State. A sample of 180 respondents was selected using proportionate stratified random sampling. Data were collected using a structured 10-item questionnaire titled the Cognitive Innovative Technical Competencies Needed of Information Processing Specialists for Effective Performance Questionnaire. The study formulated one research question and tested two null hypotheses at the 0.05 significance level. The findings established that cognitive, innovative and technical competencies were important for effective performance in SMEs. The researchers recommended that SME operators and relevant stakeholders should strengthen technical competency development through appropriate training and continuous professional development. The study is highly relevant to the proposed research because it provides recent evidence from Enugu State, which is within the geographical scope of South-East Nigeria, and explicitly focuses on technical competencies. However, its principal limitation is that it examined technical competencies required by information-processing specialists rather than the technical skills of SME owners or managers. More importantly, the dependent variable was employee effectiveness rather than SME growth. Thus, although it establishes the relevance of technical competence to SME outcomes, it does not directly explain whether technical skill produces measurable growth in sales, assets, employment, profitability or market share.

Onyeizugbe et al. (2026) examined the role of informal technical and vocational education and training in the entrepreneurial development of SMEs in Anambra State. A survey research design was adopted, while 150 respondents were selected through purposive sampling. Data were collected from SME operators through a

structured research instrument. The study focused particularly on vocational skills such as fashion design, garment making and hair styling and examined their contribution to entrepreneurial performance and sustainability. The findings indicated that informal technical and vocational skills contribute to entrepreneurial development and can strengthen the performance and sustainability of SMEs. The researchers recommended greater recognition and strengthening of informal technical and vocational training as a mechanism for improving entrepreneurial capabilities and enterprise sustainability. The study provides useful evidence because it was conducted in Anambra State and directly connects technical/vocational competencies with SME development. Nevertheless, its purposive sampling procedure may limit the generalisability of the findings, while the relatively small sample of 150 respondents may not adequately represent the wider population of SMEs in Anambra State. Furthermore, entrepreneurial development and sustainability are broader concepts than SME growth. The present study can therefore extend the evidence by examining technical skill as a distinct managerial competency and SME growth as a measurable organisational outcome.

Ikupolati et al. (2017) examined the influence of entrepreneurs' managerial skills on SME growth, including technical skills. The study adopted a survey research design and conducted a full study of 204 entrepreneurs from registered SMEs in Abuja, Kaduna, Kano, Ibadan, Lagos and Aba. The respondents were selected from SMEs registered with the Corporate Affairs Commission using a simple random sampling procedure. Data were collected through a structured questionnaire and analysed using regression techniques. The study specifically examined conceptual and technical skills and found that entrepreneurs' technical skills significantly influenced SME growth. The study demonstrated that technical knowledge enables entrepreneurs to perform operational activities effectively and contributes to the expansion of

their enterprises. The inclusion of Aba makes the study particularly relevant to the South-East context, but its geographical coverage was nationally dispersed and the study is considerably older than the contemporary evidence required for the proposed dissertation. Furthermore, technical skill was treated as one aspect of managerial skills rather than investigated as a comprehensive independent construct.

Theoretical Framework

Dynamic Capabilities Theory (DCT)

The Dynamic Capabilities Theory (DCT), propounded by Teece et al. (1997), provides a suitable theoretical foundation for explaining the effect of managerial skills on SMEs growth in South-East Nigeria. The theory is premised on the view that firms achieve and sustain superior performance through their ability to integrate, build, and reconfigure internal and external resources and competencies in response to changing business environments. In particular, the theory emphasizes technological, organizational, and managerial processes as important mechanisms through which firms identify opportunities, coordinate resources, adapt to environmental changes, and create value.

The relevance of DCT to this study lies in its direct connection between managerial capabilities and organisational growth. Managerial skills, including technical, leadership, and decision-making skills, constitute capabilities that enable SME managers to effectively mobilize resources, respond to market changes, solve operational problems, innovate, and exploit emerging opportunities. In the context of South-East Nigeria, where SMEs operate amid intense competition, technological changes, financing constraints, and changing customer preferences, managers with stronger capabilities may be better positioned to adapt their businesses and achieve growth through increased sales, profitability, employment, assets, and market expansion. Thus, DCT provides a logical mechanism linking the dimensions of managerial skills to SME growth.

A major strength of DCT is its emphasis on organisational adaptation and the development of internal capabilities, making it particularly applicable to SMEs operating in dynamic environments. It also explains why similar firms possessing comparable resources may experience different growth outcomes because their managerial capabilities differ. However, the theory is relatively broad and can be difficult to operationalise because dynamic capabilities encompass several overlapping organisational processes. Its emphasis on adaptation may also give insufficient attention to stable environmental conditions and external institutional constraints affecting SMEs. Therefore, Dynamic Capabilities Theory is adopted as the underpinning theory of this study, because it provides a coherent explanation of how managerial skills enable SMEs to develop, deploy, and reconfigure capabilities that contribute to sustained business growth.

METHODOLOGY

This study utilized the cross-sectional survey research because it allows for the collection of data at a single point in time, providing a snapshot of the variables of interest. This design is particularly suitable when the objective is to assess relationships, differences, or trends among variables in a specific population without the need for long-term observation or intervention. The population of the study consists of all accredited registered small and medium enterprises in South East, Nigeria. According to SMEDAN survey report (2021) the total populations of owners of small and medium enterprises is fifty-seven thousand and thirty-five (57,035) in South East, Nigeria. Table 3.1 is showing list of the states and population in South East, Nigeria:

Table 3.1 List of State and registered SMEs in South East, Nigeria

S/N	State	Registered SMEs
1	Abia State	14,905
2	Anambra State	9,230
3	Ebonyi State	13,949
4	Enugu State	10,603
5	Imo State	8,348
	Total	57,035

Source: Authors Computation (2026)

The minimum sample size for this study was ascertained using the formula proposed by Taro Yamane for statistically attaining sample size from a given population (Yamane, 1967), which is 57,035 for this study. Calculations were made at 5% significance level as follows:

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

Where:

n is sample size, N is the population size, e is the margin of error (5%, which is 0.05).

Given: Population size N = 57,035, Margin of error e = 0.05

Substituting in to the formula:

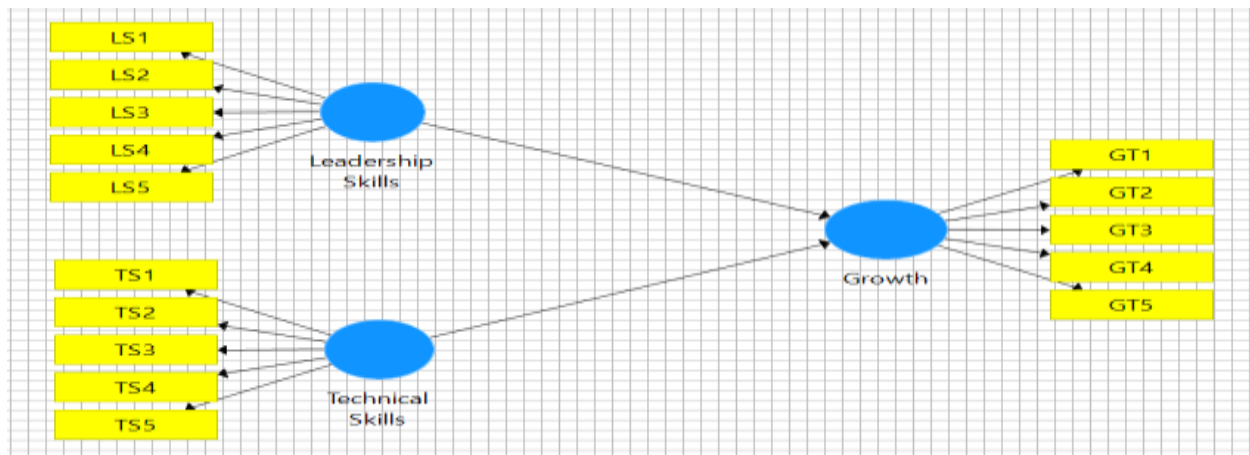
$$n = \frac{57,035}{1 + 57,035 (0.05)^2}$$

n = 400

Therefore, the minimum sample size for the study is four hundred (400). The study utilized convenience sampling technique for selection of its respondents; convenience sampling allows for the researcher to select his/her convenience i.e persons they can easily reach.

The data for this study was primarily collected using a structured questionnaire adapted by the researcher from various sources such as (Olubiyi, 2023; Emele 2024) respectively. The well-designed questionnaire was distributed to the registered SMEs in South East, Nigeria. To

facilitate accurate measurement, the questionnaire utilized a 5-point Likert scale, where respondents were asked to rate their level of agreement with each statement as follows: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = Strongly Disagree. The data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with Smart-PLS 3, ensuring robust and efficient analysis. A pictorial representation of the Partial Least Square Structural Equation Model (PLS-SEM) model for the study is provided as follows:



Source: SMART-PLS Output, 2026

RESULTS AND DISCUSSION

Assessment of Measurement Model

In assessing the measurement model, we begin by assessing the item outer loadings. As a rule, loadings above 0.7 are recommended, as they indicate that the construct explains more than 50 percent of the indicator's variance, thus providing acceptable item reliability (Hair, et al., 2019). The result in table 2 shows loading of above 0.7 for all the constructs, hence they were deemed acceptable by the study.

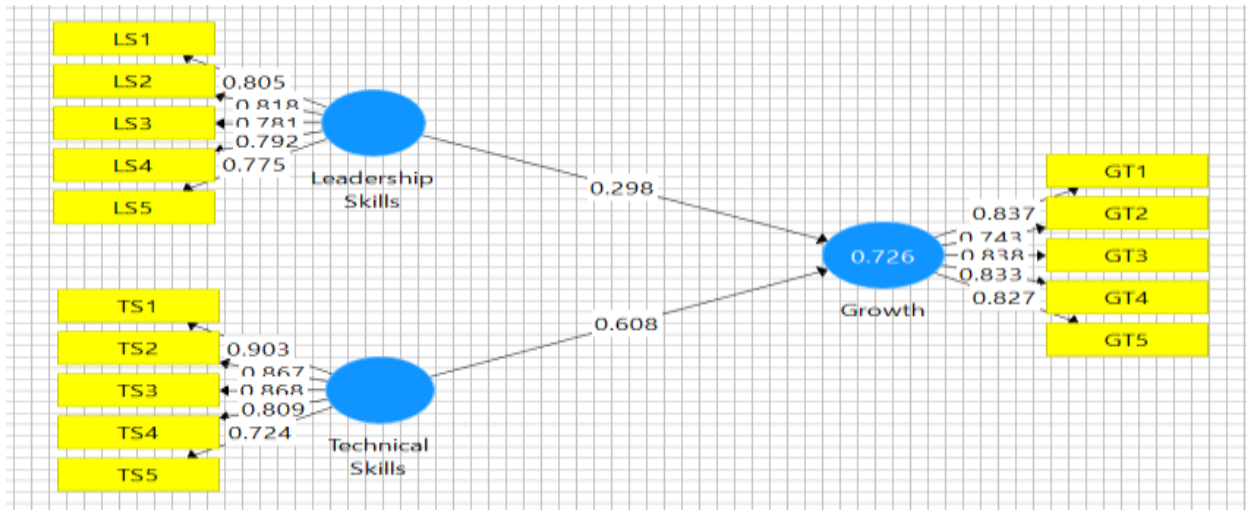


Fig 2: Indicator Loadings

Table 2: Reliability of study scale

S/N	Variables	Items	Factor Loadings	Cronbach Alpha	Composite Reliability	Average Variance Extracted (AVE)	No of Items
1	Leadership Skills (LS)	LS1	0.805	0.851	0.845	0.721	5
		LS2	0.818				
		LS3	0.781				
		LS4	0.792				
		LS5	0.775				
2	Technical Skills (TS)	TS1	0.903	0.891	0.921	0.700	5
		TS2	0.867				
		TS3	0.868				
		TS4	0.809				
		TS5	0.724				
3	Growth (GT)	GT1	0.837	0.912	0.928	0.619	5
		GT2	0.743				
		GT3	0.838				
		GT4	0.833				
		GT5	0.827				

Source: Smart-PLS Output, 2026

Composite reliability of Jöreskog's (1971) was applied to test for internal consistency of the study. All the values fall within the Hair, et al., (2019) rating of good consistency. The Cronbach alpha value were above 0.60 which is the minimum threshold as recommended by Sekaran

(2010). To test for the convergent validity, the average variance extracted (AVE) was used. All the latent variables showed values greater than 0.50 which indicates that the constructs explain at least 50 percent of the variance of its items.

Table 3: Heterotrait-Monotrait Ratio (HTMT)

	LS	TS	GT
LS	1.000		
TS	0.420	1.000	
GT	0.492	0.462	1.000

Source: Smart-PLS Output, 2026

According to Henseler et al., (2015) the Fornell-Larcker criterion does not perform well when explaining discriminant validity, particularly when the indicator loadings on a construct differ only slightly. As a replacement, they proposed the Heterotrait-Monotrait (HTMT) ratio of the correlations which is the mean value of the item

correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct (Voorhees et al., 2016). Discriminant validity problems are present when HTMT values are high than 0.90 for structural models (Henseler, et al., 2015).

Table 4: Inner VIF Values of the Model

	Growth
Leadership Skills	1.015
Technical Skills	1.009

Source: Smart-PLS Output, 2026

The variance inflation factor (VIF) was used to evaluate collinearity of the formative indicators. All the VIF values were less than 5 indicate the absence of critical collinearity issues among the indicators of formatively measured constructs (Hair, et al., 2019). Sequel to the need to validate the PLS model, there is a need to assess the goodness of fit of the model as Hair, et al. (2017) suggested. This study used the standardised root mean square residuals (SRMR). The choice of this index was based on the fact that the SRMR provides the absolute fit measure where a value of zero indicates a perfect fit. The study adopted Hu & Bentler (1998) suggestion that a value of less than 0.08 represents a good fit while applying

SRMR for model goodness of fit. The study result indicates an SRMR value of 0.030. This indicates the model is fit.

Assessing the Structural Model

Having satisfied the measurement model assessment, the next step in evaluating PLS-SEM results is to assess the structural model. Standard assessment criteria, which was considered include the path coefficient, t-values, p-values and coefficient of determination (R²). The bootstrapping procedure was conducted using a resample of 5000.

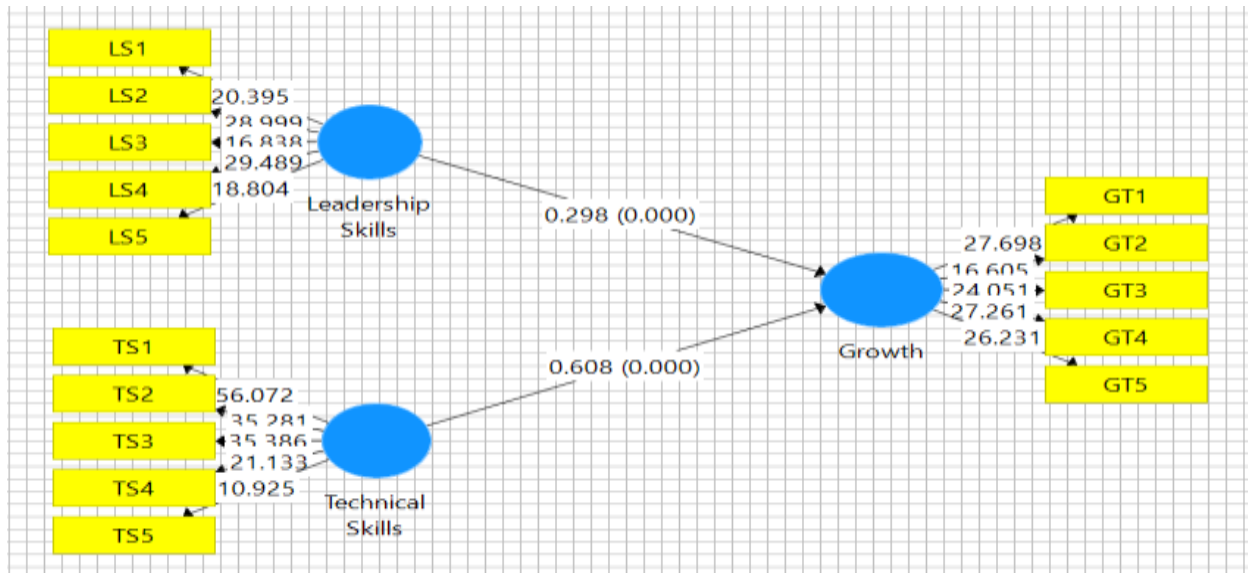


Fig. 3: Path Coefficients of the Regression Model.

The R-square value stood at 72% indicating that leadership skills and technical skills are responsible for 72% variation in growth. The remaining 28% variation could be explained by other factors not included in the study. Based on

Hair, et al., (2019), the r-square is considered moderate and negate the findings of the study. Also, the Q2 value of the result of the path analysis is presented in the table below:

Table 5: Coefficient of Determination (R2) and Predictive relevance (Q2)

	R Square	R2Adjusted	Q Square
Growth	0.726	0.721	0.722

Source: SMART-PLS Output, 2026

Test of Hypotheses

Table 6 shows the path coefficients, t-values and p-values used to test the hypotheses of the study:

Table 6: Path Coefficient of the Model

Variable	Beta	T Statistics (O/STDEV)	P Values	Decision	F2 value
Leadership Skills -> Growth	0.298	5.439	0.000	Rejected	0.206
Technical Skills -> Growth	0.608	10.763	0.000	Rejected	0.108

Source: Smart-PLS Output, 2026

Hypotheses One

HO1: Leadership skills has no significant effect on growth of small and medium enterprises in South East, Nigeria.

The result from table 6 shows that leadership skills has positive and significant effect on growth of small and medium enterprises in South-East, Nigeria, with $\beta = 0.298$. and $p = 0.000$. Thus, null hypothesis one which states that leadership skills has no significant effect on growth of small and

medium enterprises in South-East. was rejected at 5% level of significance. Thereby accepting an alternative hypothesis which states that leadership skills has significant effect on growth of small and medium enterprises in South-East, Nigeria.

This implies that that improvements in the leadership abilities of SME managers are associated with significant improvements in the growth of their enterprises. The positive direction suggests that managers who demonstrate stronger leadership abilities are more likely to guide their businesses towards higher levels of sales, profitability, customer base, employment, asset growth, and market expansion. The statistical significance further indicates that the observed relationship is sufficiently strong to conclude that leadership skills make a meaningful contribution to SME growth within the study. Effective leaders can provide direction, motivate employees, coordinate organisational activities, encourage teamwork, resolve conflicts, make timely decisions, and create an environment that supports innovation and productivity. In South-East Nigeria, this may be particularly relevant because effective leadership can help SME managers mobilise limited resources and respond to competitive and changing business conditions.

This finding is consistent with that of Onochie et al. (2026) who found that leadership skills has positive and significant effect on growth of small and medium enterprises in South-East, Nigeria. However, the finding disagrees with that of Odusegun and Orga (2026) who found positive but insignificant effect on growth of small and medium enterprises in South-East, Nigeria.

Hypotheses Two

HO2: Technical skill has no significant effect on growth of small and medium enterprises in South East, Nigeria

The result from table 6 shows that customer trust has positive and significant effect on growth of small and medium enterprises in South-East, Nigeria with $\beta = 0.608$ and $p = 0.000$. Thus, null hypothesis two which states that customer trust has

no significant effect on growth of small and medium enterprises in South-East, Nigeria was accepted at 5% level of significance. The alternative hypothesis which states that customer trust has significant effect on growth of small and medium enterprises in South-East, Nigeria will therefore be accepted.

This implies that that improvements in the technical skills of SME managers are associated with significant improvements in enterprise growth. The positive relationship suggests that managers who possess stronger technical knowledge and practical abilities are better positioned to manage business operations efficiently, solve operational problems, use relevant technologies, improve production processes, and make informed technical decisions. The significant effect further indicates that technical skills make a meaningful contribution to SME growth within the study. Managers with adequate technical competence can improve operational efficiency, reduce errors and wastage, adapt to technological changes, improve product or service quality, and respond more effectively to customers' needs.

This finding is consistent with that of Aguka et al. (2026) who found that technical skills has positive and significant effect on growth of small and medium enterprises in South-East, Nigeria. However, the finding disagrees with that of Idowu and Babalola (2026) who found negative but significant effect of growth of small and medium enterprises in South-East, Nigeria.

The f^2 examines the effect caused on the endogenous construct's R^2 value as a result of removal of a certain predictor construct. Cohen (1988) guideline was used to measure the effect size which revealed that all relationships were either small or medium effect.

CONCLUSION AND RECOMMENDATION

This study examined the effect of that leadership skills and technical skills on growth of small and medium enterprises in South-East, Nigeria. Based on the research findings, the study concluded that leadership skills and technical skills are significant

factors, which affect growth of small and medium enterprises in South-East, Nigeria. Based on the findings and conclusions above, the study recommends thus:

SME managers should invest in continuous leadership development and managerial training, particularly in strategic decision-making, employee motivation, delegation, conflict management, communication, team building, and problem-solving. They should also cultivate participative leadership practices that encourage employees to contribute ideas and take responsibility for organisational objectives.

SMEs managers should seek practical training, mentoring, and exposure to emerging technologies relevant to their industries. This will enable them to improve operational efficiency and competitiveness and create better conditions for sustained SME growth.

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