MANAGERIAL COMPETENCE, INVENTORY MANAGEMENT AND FINANCIAL PERFORMANCE OF SMALL BUSINESSES

LAURA A. OROBIA

Department of Accounting and Finance, Makerere University Business School, Regional Campus, Mbarara, Uganda
E-mail: lauraorobia@gmail.com

Abstract- Purpose – The purpose of this paper is to investigate the mediating role of inventory management in the relationship between managerial competence and financial performance of small businesses in Uganda.
Design/methodology/approach – A questionnaire survey of 304 small businesses in Mbarara district in Uganda was undertaken. A bootstrap method was employed to test the mediating effect of inventory management using Analysis of Moments Structures (AMOS) software. Descriptive analyses were also conducted to describe the data and the sample characteristics.
Findings – The specific mechanism or pathway by which the relationship between managerial competence and financial performance occurs is partly direct and partly indirect through inventory management. Secondly, the squared multiple correlation of the hypothesized model is 50%.
Research limitations – The findings imply that investigating inventory management as a conduit in the association between managerial competence and financial performance of small businesses provides a better understanding.
Practical implications - Small business owner/managers should emphasize competence building in order to improve inventory management, which in turn will improve profit and liquidity levels of the business.
Originality/value – Rather than focusing on only the direct effects of managerial competence and inventory management, moreover independently, the indirect effect of inventory management is tested.

Keywords – Inventory management, managerial competence, financial performance, small business
Paper type – Empirical research paper