



## **School of Commerce, Addis Ababa University**

Project Management challenges in Small and Medium Enterprises: the case of Arba Minch town.

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*A research paper submitted to school of commerce, Addis Ababa University for the requirement of master's degree of art in project management.*

September, 2024.



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## Deceleration

I, undersigned, declare that this is my original work prepared under the guidance of Dr. Zegeye Muluye. All sources of material used for this thesis have duly acknowledged. I further confirm that this thesis has not been used and submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

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School of commerce, Addis Ababa University September, 2024

## Endorsement

This thesis has been submitted to Addis Ababa University, school of graduate studies for examination with approval as a university advisor.

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Contents	
Abstract	<b>Error! Bookmark not defined.</b>
Chapter One Introduction	11
Background	11
1.2 Statement of the Problems	13
1.3 Research Questions	15
1.4. Objectives of the study	15
1.4.1. General objective	15
1.4.2. Specific objectives	15
1.5. Research Hypothesis	<b>Error! Bookmark not defined.</b>
1.6. Significance of the study	16
1.6.1. Academicians	<b>Error! Bookmark not defined.</b>
1.6.2. for SMEs	<b>Error! Bookmark not defined.</b>
1.6.3 for Government	<b>Error! Bookmark not defined.</b>
1.7 The scope of study	16
1.8. Limitation of the study	16
1.9. Definition of Terms	17
1.10 Organization of the study	18
Chapter Two Litrature Review	19
2.1 Theoretical Review	<b>Error! Bookmark not defined.</b>
2.2 Emperical Review	<b>Error! Bookmark not defined.</b>
2.3 Conceptual Framework	19
Chapter Three Research Methodology	<b>Error! Bookmark not defined.</b>
3.1. Introduction	31
3.2. Research Approach	31
3.3 Research Design	31
3.3.1. Population and sample size	32
3.4 Data Collection Techniques and Procedures	33
3.4.1 Data Source	33
3.4.2 Data Collection Instrument	33
3.4.3 Data Collection Techniques	34

3.5 Data Analysis Methods .....	34
3.6. Validity and reliability .....	34
3.6.1 Validity .....	34
3.6.2 Reliability .....	34
3.7. Ethical Consideration .....	35
Chapter four Analysis, Discussion and Interpretation od Data	<b>Error! Bookmark not defined.</b>
4.1 Introduction .....	36
4.2 Response Rate .....	36
4.3. Respondents and their SMEs information.....	36
4.4 Strategic management issues.....	39
4.5 project management practice.....	40
4.5.2 SMEs managers’ opinion on success criteria of their project and success factors	44
4.6 Pearson correlation test .....	48
Chapter Five Summary of findings, Conclusion and Recommendations .....	51
5.1 Introduction .....	51
5.2 Summary of Major Findings .....	51
5.3 Conclusions .....	51
5.4 Recommendations .....	52
Annex1 References .....	54
Appendix 2 Questionnaire .....	59

## **List of Abbreviations**

CSA: central statistical agency

SMEs small and medium enterprises

PM Project management

ETB Ethiopian birr

GDP Gross domestic product

DBE Development bank of Ethiopia

MSME micro, small and medium enterprises.

## List of Figures and Tables

Figure 1 SMEs managers project management literacy, june 2024, .....	38
Figure 2 SMEs strategic management issues, June 2024, Arbaminch, South Ethiopia.....	39
Figure 3 SMEs turnover percentage spent on projects, June,2024.....	41
Figure 4 SMEs average duration of projects, Arbaminch town, south Ethiopia June 2024	<b>Error!</b>

### **Bookmark not defined.**

Figure 5 managers view of their SMEs progress in comparison to previous yearJune 2024..	43
Figure 6 managers view of their SMEs progress in comparison to previous yearJune, 2024.	44
Table 1 proportion of sample size determined.....	33
Table 2 response rate of studied SMEs, June 2024 .....	36
Table 3level of enterprises and level at establishment Arbaminch town, June 2024. ....	37
Table 4: cross tabulation of enterprises by their catagory Arbaminch town,June 2024. ....	37
Table 6 Managers Educational status by level of Enterprise Arbaminch town, June 2024	<b>Error!</b>

### **Bookmark not defined.**

Table 7 PM identifiable process and presence of project managers ArbaminchJune 2024...	40
Table 8 number of people working in SMEs projects, Arbaminch town, June 2024. ....	42
Table 9 Interpretation interval of mean .....	44
Table 10. PM literacy and project plan developed for last project executed. ....	48
Table 11. Cross tabulation of SMEs growth versus project planning.....	48
Table 12 Pearson correlation test.....	50

## Abstract

*The purpose of this study was mainly to assess project management challenges of SMEs in the case of Arba Minch town, South Ethiopia. Which aimed to determine SMEs' project management practices, identify related challenges, and examine the correlation between managers' project management literacy and SME growth. To achieve these objectives, the study employed a descriptive research design with a quantitative approach. Stratified sampling was used to select a sample of 221 SMEs from a total population of 515 SMEs in Arba Minch town. Data collection was conducted using adapted questionnaire, and the collected data was analyzed using SPSS version 27. The major findings of the study revealed that project management was an identifiable process in only 2 (1%) of the SMEs surveyed. Furthermore, a significant majority of 179 (89.9%) SMEs had their projects managed by individuals who lacked project management literacy. The study also found a positive and moderate correlation between project management literacy and the growth of SMEs. This suggests that higher levels of project management literacy among managers are associated with better growth outcomes for SMEs. Based on these findings, the study recommends further research into the intertwined challenges related to project management in SMEs. It also suggests identifying the most significant factors affecting the performance and growth of SME projects to develop targeted interventions that can enhance project management practices and support SME growth.*

Key words: project, project management challenges, small and medium enterprises.

## **Chapter one: Introduction**

The research in general was aimed to assess project management challenges of small and medium enterprises (SMEs) in Ethiopia, a case study of Arba Minch town of Gamo zone southern Ethiopia. This chapter mainly discusses the background of the research problem, statement of the problem, research objectives, research questions, hypothesis significance, scope and limitation of the study as well as definition of key terms

### **1.1 Background**

Worldwide, in economic and developmental points of view, it was broadly accepted and acknowledged that small and medium scale enterprises (SMEs) are key players in overall national development (Ihesiene, 2004). However, the performance of SMEs falls below expectations in developing countries which raise concerns in reduction of failure rate for small businesses (Dalitso and Peter 2000). So far there is no specific arguably sated definition of small and medium enterprises. In global situation the definitions of small and medium enterprises varies with period of time, experience, country, authors, contexts and also their level of contribution in respective national economy too. In African context, even though the contribution of SMEs varies with nations, it contribute more than half of GDP in most African countries and contribute averagely about 60% of employment (Muriithi, S. 2007). In Ethiopia, their contribution to employment even stretch up to 90% and contribute about 34% of GDP (CSA, 2003).

On October 18, 2022 the Ministry of Trade and Industry reported, as Ethiopia has an estimated 2 million MSMEs. Micro, small, and medium enterprises (MSMEs), which can offer assistance to invigorate development and frame the spine of dynamic economies around the world. The National Bank of Ethiopia reported, an increased trend in both number of SMEs creation number and job creation shown significant increment. The number of SMEs established in 2011/12 was 51,987 which was increased to 271,519 in 2014/15. Whereas its contribution number of employment was increased from 804,322 to 2,800,000 in similar period of time.

There are about 515 SMEs currently functional under the categories of manufacturing, construction, urban agriculture and service sectors (Arba Minch town job creation and Enterprise office annual performance report September, 2023).

The synthesis implies, SMEs are essential for economic development globally, particularly in Africa and Ethiopia, where they play a significant role in GDP and employment. Despite their potential, SMEs in developing countries face performance challenges, highlighting the need for supportive policies and capacity-building initiatives.

The definition of SMEs in this paper follows the Ethiopian government's revised criteria, which consider assets and job creation. Small Enterprises: Service Sector, employ 6 to 30 people, with total assets between 50,001 and 500,000 Ethiopian birr. Whereas Industry Sector, Employ 6 to 30 people, with total assets between 100,001 and 1.5 million Ethiopian birr. Medium Enterprises: Both Service and Industry Sectors: Employ 31 to 100 people, with total assets between 500,001 and 7.5 million Ethiopian birr (Source: PDRE, 2011).

Managing all projects requires time, exertion, and discipline and it isn't as it were these variables sum and exertion which separate small scale projects from bigger projects, but too the method and tools. Most project management methodologies of huge projects cannot effectively be custom-made to fit all the requirements of small-scale projects. In spite of the fact that small projects have special challenges that are not common in huge projects, small projects can still advantage from best practices of project management, (Rowe, 2007). Which implies project management is a key to successes if SMEs managers identify best suiting methodology and tools while leading the SMEs to attain the maximum benefit.

Ethiopian SMEs actively participate in range of project-related activities. These businesses are vital to the nation's economic growth and are involved in project initiatives mainly to support the Sustainable Development of their firms, improve productivity, and expand access to financing. Further Africa report, (August12, 2022) indicated that the Development bank of Ethiopia/DBE alone has set aside around 10 billion Ethiopian birr for the past 2023 plan to provide SMEs projects a financial access. And since and before then the largest policy bank of Ethiopia has been actively supporting SMEs projects through training and financial accessibility modalities.

Ihesiene (2014), sees project as a critical and building squares for proceeded presence of any small and medium enterprise, whereas fighting that successfully managed projects enhance esteem in revitalizing small and medium enterprise sub-sector. Safiriyu and Niogo(2012) also observe that the familiarity rate of SMEs decrease in economics that hone project management. Numerous small and

medium enterprises projects have either fizzled or been surrendered due to executions without essential management systems, tools, and advances, tested and broadly acknowledged guidelines of practice.

In light of this reality, the researcher has made detailed study of the project management challenges of small and medium enterprises by using stratified random selection the case of Arbaminch town, Arbaminch is a town located in the southern Ethiopian region, which got its name from naturally sprinting more than 40 springs available in the town. It is located in the Gamo zone of south Ethiopia, about 50kms south of the capital Addis Ababa, at an elevation of 1285 meters above sea level. It is the largest town in Gamo zone and also one of cluster administrative centers of newly organized south Ethiopia region. It is one of famous tourist destinations characterized by its naturally gifted charming ecology where a total of 515 SMEs available and a home of more than 95,373 people.

## **1.2 Statement of the Problems**

Small projects likewise of SMEs projects require less convention and structure than bigger projects. Processes and tools ought to be adaptable and versatile. They ought to be scalable so that the time went through utilizing the process, and the focus of the process, all fit the requirement of the project. The processes and tools ought to be versatile so that the tools chosen to bolster the project can be effectively applied, (Rowe, 2007). Ghobadian and Gallear (1997) has described the variation between SMEs and larger organizations particularly, they identified the processes as, and SMEs require simple planning and control system, informal evaluation and reporting procedures. They also stressed SMEs have a low degree of standardization, with idealistic decision making structures. SMEs have also a low degree of specialization, with multi- tasking, but a higher degree of innovative people because of the higher consequences of failure in SMEs people prefer tested techniques.

SMEs at a key stage of their development also undertake many projects which were managed by amateurs. Therefore, a simplified version of project management should have required a definition at its core, and practices for managing the work, duration and resources used. And also most importantly people focused methods which seek team member commitment are preferred the most (Turner, R, Ledwith, A and Kelly, J 2012).

It was also stressed that, Project management activities might only require a few dedicated hours per week, however leadership for small projects is more fluid, as the project manager encourages the project stakeholders to work together to accomplish the project objectives. When continuing to work in small projects, managers will develop their own best practices which is something that has been found to work over time (Rowe, S. F. 2007).

Despite the SMEs contribution to economic growth and development, different research findings highlighted the specific challenges SMEs face in the developing world which are mainly infrastructure, policy environment, access to financing projects, corruption...etc. but specifically, poor management and unskilled man power was the main problem identified almost in all research findings assessed, (Rodney Turner, J., Ledwith, A., & Kelly, J. (2009), Ussif, R., & Salifu, K. (2020), Mulu, G., Abebe, A., Tigabu, G., Berihu, A., Girum, A., Seid, H., & Haileselassie, M. (2018).

Since 2022, several studies have continued to highlight the challenges faced by SMEs in the developing world, including: Limited IT infrastructure and the inability to keep up with digitalization remain significant barriers. Many SMEs struggle to adopt new technologies, which hampers their growth and competitiveness. The policy environment and access to financing continue to be major hurdles. SMEs often face difficulties in securing loans and other financial support, which is crucial for their expansion and sustainability. Poor management and a lack of skilled labor are still prevalent issues. Many SMEs lack the necessary managerial skills and trained workforce to effectively run their operations and scale their businesses. Barriers to accessing global markets have been identified as a growing concern and also Insufficient monitoring and reporting of sustainability data have also been highlighted (Khalil, W. I., Malik, M. O., & Ahsan, A. 2024), (Lin, D. Y., Rayavarapu, S. N., Tadjeddine, K., & Yeoh, R. 2022). These findings underscore the ongoing challenges that SMEs face and the need for targeted interventions to support their growth and development.

SMEs, upon formulation get different supports like working area arrangement, technical and basic business idea planning and implementation, credit service linkage with financial institutions and others from supporting government structures. SMEs were supposed to grow from small to medium and further to investment level and expected to stay maximum of 5 years according to

government policy (PDRE 2011). But this is not the reality in Arba Minch town. The performance report revealed that the trend of last three year experience indicated less than 1% SMEs transformed to the next level and majority were still struggling to progress and few were on brink of failure (Arba Minch town job creation and Enterprise office annual performance report September, 2023). In Larson E. and Larson R. (2009), one of the problems with small projects is that they are barely recognized as such, they are started up quickly (with no planning) and therefore communication fails and counting of financial losses starts. This facts and insights were initiated this research.

Therefore, this research aimed to investigate the challenges that need to be addressed in project management within SMEs. Specifically, it focuses on project management literacy, the practical applicability of project management methodologies and tools, and the factors hindering the growth and success of SME projects in Arba Minch town, South Ethiopia.

### **1.3 Research questions**

The study was try to answer the following questions.

1. To what extent SMEs in Arba Minch practice project management?
2. What project management related challenges are there in Arba Minch SMEs?
3. To what extent manager's project management literacy correlated with SMEs growth?

### **1.4. Objectives of the study**

#### **1.4.1. General objective**

Generally, the study was sought to assess project management challenges of small and medium enterprises, a case of Arba Minch town.

#### **1.4.2. Specific objectives**

More specifically the study was attempted to attain the following objectives.

1. To investigate project planning practice of small and medium enterprises in Arbaminch town.
2. To identify project management challenges of small and medium enterprises in Arbaminch town.
3. To examine the correlation between PM literacy and SMEs growth

### **1.5. Significance of the study**

This study holds significant value for various stakeholders. For academicians, it provides a foundational knowledge base that can spur further research and inquiry into project management challenges within SMEs. This foundational knowledge is crucial for understanding the inner concepts of the study and can aid in the development of future research in this area.

For SMEs, the study's outcomes are particularly beneficial for owners, managers, and employees by highlighting the project management challenges that impact their performance. It offers insights into formulating strategies to overcome these challenges, thereby improving performance and fostering firm growth. Additionally, the findings are valuable to the Ethiopian government, as they can help enhance support and reduce barriers for SMEs, recognizing their role as key drivers of economic growth in the country.

### **1.6 The scope of the study**

The study was restricted to SMEs specifically to pursuit project management challenges facing the growth of SMEs in Arba Minch town. The population for this study mainly limited to Arba Minch town. This is mainly because of diversified presence of small and medium enterprises in Arba Minch town. In assessing project management challenges this study did not focus on content details of project management parameters rather on the respondents' judgment/opinion. And also, stratified random sampling was used, descriptive and correlation test was employed to analyze the data.

### **1.7. Limitation of the study**

#### **Limitation**

Due to relies on managers' judgments to assess the growth of SMEs without using standardized growth measuring methods, several limitations can arise which includes, Subjectivity and Bias Managers' judgments are inherently subjective and can be influenced by personal biases, experiences, and perceptions. Lack of Standardization, without standardized growth measuring methods, it is challenging to compare growth across different SMEs or over time. Limited Scope, managers may focus on specific aspect of growth that align with their interest or expertise, potentially overlooking other critical dimensions of growth. Influence of External Factors,

manager's judgements may not adequately account for external factors such as economic conditions, industry trends, or competitive pressures that can significantly impact SMEs growth.

### **Mitigation Strategy**

To achieve more accurate, reliable, and comprehensive insights, explanation was provided on growth measure metrics (revenue, profit margins, market share, customer feedback, and employee satisfaction) to ensure more comprehensive and balanced view of growth

### **1.8. Definition of Terms**

. Small and medium enterprises:

According to federal democratic republic of Ethiopia 2011 definition small and medium enterprise development policy small enterprise under service and industry categories both consists of 6-30 employees with capital of 50,001-500,000 and 100,001-1.5million for service and industry respectively. Medium enterprises under the same category accommodating 31-100 employees and capital of each 500,001 to 7.5 million Ethiopian birr.

Project management literacy:

Measuring the project management literacy of managers involves evaluating their knowledge, skills, and competencies in various aspects of project management. These include knowledge assessment, performance metrics of tracking key performance indicators such as on time, budget. Cochran, D. (2000). Having this facts as a reference this study operationally defined project management as follows:

Project management literate; if the manager of the SMEs trained and certified in project management by government agency, NGOs, online modalities and higher institutes irrespective of their level of certification.

Growth of SMEs

In this study, Growth of SMEs operationally defined as enterprises manager opinion regarding the net income of the firm taking the previous year performance as a reference and considering enterprise revenue growth, profit margin, market share, customers' acquisition and retention rate and also employee growth as a metrics.

### **1.9 organization of the study**

This study consists of five chapters. The first chapter deals with introduction to the study which consists of background, statement of the problem, research questions, objective of the study, significance of the study, scope and limitations, finally definition of terms. The second chapter was about review of relevant literatures both theoretical and empirical reviews. The third chapter was about the research methodology. Chapter four deals with analysis of collected survey data and discussion of findings based on the objectives of the study. Finally the chapter five deals with the conclusions and recommendations forwarded basing the findings.

## Chapter two: Review of Related Literatures

This section is sub divided in to two focus set of studies. It first consider selected theoretical studies regarding project management issues around SMEs. Followed by a discussion of empirical studies.

### 2.1 Theoretical Review

#### 2.1.1. Project Management Practices in SMEs

Small and Medium Enterprises (SMEs) are vital to economic growth and innovation. However, they often face unique challenges in implementing effective project management (PM) practices due to resource constraints and limited expertise. In the context of SMEs, PM practices can be seen as valuable resources that enhance organizational capabilities. Barney (1991) stressed that, resources must be valuable, rare, inimitable, and non-substitutable to provide a sustainable competitive advantage. Implementing PM practices helps SMEs optimize their resource utilization, leading to improved project outcomes and business performance (Barney, 1991, p. 105). For SMEs, developing dynamic PM capabilities can enhance their agility and responsiveness to market changes, thereby fostering innovation and growth (Teece et al., 1997, p. 522).

Contingency theory suggests that there is no one-size-fits-all approach to management; instead, the effectiveness of management practices depends on the specific context and environment. In the realm of PM, this theory implies that SMEs should tailor their PM practices to fit their unique circumstances, such as industry, project complexity, and organizational culture. Donaldson (2001) highlights the importance of aligning PM practices with organizational contingencies to achieve optimal performance (Donaldson, 2001, p. 45).

Stakeholder theory, proposed by Freeman (1984), emphasizes the importance of managing relationships with all stakeholders to achieve organizational success. In SMEs, effective PM involves engaging stakeholders throughout the project lifecycle to ensure their needs and expectations are met. This approach can lead to higher stakeholder satisfaction and project success rates (Freeman, 1984, p. 56).

Project Management Maturity Models assess the maturity of an organization's PM processes and provide a roadmap for improvement. Models such as the Capability Maturity Model Integration (CMMI) and the Project Management Institute's Organizational Project Management Maturity Model (OPM3) offer frameworks for SMEs to evaluate and enhance their PM capabilities. Higher maturity levels are associated with better project performance and organizational outcomes (PMI,

2013, p. 78). Agile methodologies, originally developed for software development, have gained popularity in various industries due to their flexibility and iterative approach. For SMEs, agile PM can provide a more adaptable and responsive framework compared to traditional PM methods. The Agile Manifesto (2001) outlines principles such as customer collaboration, adaptive planning, and continuous improvement, which are particularly beneficial for SMEs operating in dynamic environments (Beck et al., 2001, p. 12).

Lean Project Management focuses on maximizing value while minimizing waste. This approach, derived from lean manufacturing principles, emphasizes efficiency, continuous improvement, and value delivery. SMEs can benefit from lean PM by streamlining their processes, reducing costs, and enhancing project outcomes. Womack and Jones (1996) highlight the importance of lean thinking in achieving operational excellence (Womack & Jones, 1996, p. 34).

Theoretical perspectives on project management provide valuable insights into how SMEs can enhance their PM practices to achieve growth and sustainability. By adopting tailored PM approaches, developing dynamic capabilities, and engaging stakeholders effectively, SMEs can overcome their unique challenges and thrive in competitive markets.

#### 2.1.2. Project Management Literacy in SMEs

Project management literacy is crucial for the success and sustainability of Small and Medium Enterprises (SMEs). It encompasses the knowledge, skills, and competencies required to effectively manage projects. The Resource-Based View posits that a firm's resources and capabilities are critical to achieving competitive advantage. In the context of SMEs, project management literacy can be seen as a valuable resource that enhances organizational capabilities. Project management literacy helps SMEs optimize their resource utilization, leading to improved project outcomes and business performance (Barney, 1991, p. 105).

The basic considerations on this regard includes, applying simplified project management practices in straight forward and people focused manner, understanding basic key success factors which are Important factors for project success in SMEs include client consultation, effective planning, monitoring and control, and proper resource allocation. In addition to this it also includes using of scalable tools and techniques that fit their specific project and also managing innovations and growth which helps SMEs to contribute effectively to the economy. (Rodney Turner, J., Ledwith, A., & Kelly, J. 2009)

Project management literacy assessments are designed to evaluate an individual's understanding and proficiency in project management principles and practices. These assessments typically cover various aspects such as: **Project Planning:** Understanding how to create effective project plans, including timelines, resource allocation, and task prioritization. **Risk Management:** Identifying potential risks and developing strategies to mitigate them. **Communication Skills:** Ensuring clear and effective communication among team members and stakeholders. **Problem-Solving:** Applying logical, numerical, and verbal reasoning to address project challenges (Munger, K. A. 2016).

There is a significant correlation between project management literacy and the growth of small and medium enterprises (SMEs). R. Turner (2009) and Igor Vrecko, Polona Tomine and Karin Sirec (2000) discussed some key points highlighting this relationship as project management literacy as it: **enhanced Efficiency and Productivity:** Project management literacy helps SMEs streamline their processes, leading to more efficient use of resources and increased productivity. This efficiency is crucial for SMEs which often operate with limited resources. **Improved Project Success Rates:** SMEs with higher project management literacy tend to have better project success rates. **Effective PM Practices** helps in setting clear objectives, managing risks and ensuring timely delivery, which are crucial for the success of projects. **Innovation and Growth:** Project management plays a vital role in fostering innovation within SMEs. By effectively managing projects, SMEs can innovate more efficiently, leading to new products, services, and market opportunities. **Stakeholder Engagement:** Effective project management involves engaging stakeholders, which can lead to better project outcomes and increased support from customers, suppliers, and employees. This engagement is further essential for the growth and sustainability of SMEs (R. Turner 2009), (Igor Vrecko, Polona Tomine and Karin Sirec 2000)

Literacy enables SMEs to scale their operations more effectively. As SMEs grow, having robust PM practices in place helps in managing larger and more complex projects. And also it enhances **Financial Performance:** There is evidence that SMEs with strong project management practices tend to perform better financially. Which includes higher profitability and better cash flow management. ). R. Turner (2009), Igor Vrecko, Polona Tomine and Karin Sirec (2000)

Theoretical perspectives on project management literacy provide valuable insights into how SMEs can enhance their project management practices to achieve growth and sustainability. By adopting

tailored project management approaches, developing dynamic capabilities, and engaging stakeholders effectively, SMEs can overcome their unique challenges and thrive in competitive markets.

### 2.1.3. Growth of small and medium enterprises

Managers of small and medium enterprises (SMEs) often highlight several key factors that influence the growth and success of their businesses: such as access to finance, digital transformation, skilled employee's acquisition and retention, market access government support and also innovations and adaptability, Albaz, A., Dondi, M., Rida, T., & Schubert, J. (2020)..

The growth of small and medium enterprises is measured using a variety of indicators, reflecting both financial and non-financial aspects. Which includes, Revenue Growth: This is one of the most straightforward measures, tracking the increase in sales or revenue over a specific period. Profitability: This includes metrics like net profit margin, return on assets (ROA), and return on equity (ROE), which indicate how efficiently a company is generating profit relative to its resources. Employment Growth: The increase in the number of employees is often used as an indicator of growth, reflecting the enterprise's expansion and its contribution to job creation. Market Share: An increase in market share indicates that an SME is growing relative to its competitors. Productivity: This can be measured by output per employee or other efficiency metrics, showing how effectively the enterprise is utilizing its resources. Innovation: The number of new products or services introduced, patents filed, or technological advancements made can also be indicators of growth. Customer Base: Growth in the number of customers or clients served is another important measure. These indicators provide a comprehensive view of an SME's growth, capturing both quantitative and qualitative aspects (Gerba, Y., & Viswanadham, P. 2016) and (Vettriselvan, R., & Balakrishnan, A. 2014).

The growth of small and medium-sized enterprises (SMEs) is influenced by a variety of factors. Managerial Skills and Education is one of key factors affecting the growth of SMEs. The skills and knowledge of the management team play a critical role in the success of SMEs. Continuous training and development in areas such as financial management, marketing, and operations can create a solid foundation for growth and sustainability of SMEs. Njanike, K. (2019).

DiMaggio and Powell (1983), organizations conform to institutional pressures to gain legitimacy and access to resources. For SMEs, aligning with industry standards, regulatory requirements, and cultural norms can enhance their legitimacy and support growth (DiMaggio & Powell, 1983, p. 150). Network theory highlights the importance of relationships and networks in organizational success. Granovetter (1985) stressed, social networks provide access to information, resources, and opportunities. SMEs that build strong networks with suppliers, customers, and other stakeholders can leverage these connections to drive growth (Granovetter, 1985, p. 490).

Stage Models of Growth, such as the Greiner Growth Model, propose that organizations grow through a series of developmental stages, each characterized by specific challenges and crises. Greiner (1972) identifies five stages of growth: creativity, direction, delegation, coordination, and collaboration. SMEs can use these models to anticipate challenges and implement appropriate strategies at each stage (Greiner, 1972, p. 41). Innovation and continuous learning are critical for SME growth. Schumpeter (1934) emphasizes the role of innovation in economic development, arguing that entrepreneurial activities drive growth through creative destruction. SMEs that foster a culture of innovation and continuous learning can maintain a competitive edge and sustain growth (Schumpeter, 1934, p. 66).

Theoretical perspectives on SME growth provide valuable insights into the factors that drive their success and sustainability. By leveraging unique resources, developing dynamic capabilities, aligning with institutional pressures, and building strong networks, SMEs can overcome challenges and achieve sustained growth.

#### 2.1.4 Project Management Challenges in SMEs

Small and Medium Enterprises face unique challenges in implementing effective project management (PM) practices due to resource constraints, limited expertise, and organizational complexities. Limited financial and human resources pose significant challenges to implementing PM practices. In this regard Barney (1991) stressed that, resources must be valuable, rare, inimitable, and non-substitutable (VRIN) to provide a sustainable competitive advantage. SMEs often struggle to allocate sufficient resources to PM, impacting project outcomes and business performance (Barney, 1991, p. 105).

Teece et al. (1997) argue that dynamic capabilities are essential for firms to adapt and innovate. For SMEs, developing dynamic PM capabilities is challenging due to limited expertise and resources, hindering their ability to respond to market changes and innovate effectively (Teece et al., 1997, p. 522).

Contingency theory suggests that there is no one-size-fits-all approach to management; instead, the effectiveness of management practices depends on the specific context and environment. In the realm of PM, this theory implies that SMEs should tailor their PM practices to fit their unique circumstances, such as industry, project complexity, and organizational culture. Donaldson (2001) highlights the importance of aligning PM practices with organizational contingencies to achieve optimal performance (Donaldson, 2001, p. 45).

Stakeholder theory, proposed by Freeman (1984), emphasizes the importance of managing relationships with all stakeholders to achieve organizational success. In SMEs, effective PM involves engaging stakeholders throughout the project lifecycle to ensure their needs and expectations are met. However, limited resources and expertise can make stakeholder engagement challenging, impacting project success rates (Freeman, 1984, p. 56).

Project Management Maturity Models assess the maturity of an organization's PM processes and provide a roadmap for improvement. Models such as the Capability Maturity Model Integration (CMMI) and the Project Management Institute's Organizational Project Management Maturity Model (OPM3) offer frameworks for SMEs to evaluate and enhance their PM capabilities. However, achieving higher maturity levels can be challenging for SMEs due to resource constraints and the need for continuous improvement (PMI, 2013, p. 78).

Agile methodologies, originally developed for software development, have gained popularity in various industries due to their flexibility and iterative approach. For SMEs, agile PM can provide a more adaptable and responsive framework compared to traditional PM methods. However, the adoption of agile practices can be challenging due to the need for cultural change and training (Beck et al., 2001, p. 12).

Lean PM focuses on maximizing value while minimizing waste. This approach, derived from lean manufacturing principles, emphasizes efficiency, continuous improvement, and value delivery. SMEs can benefit from lean PM by streamlining their processes, reducing costs, and enhancing

project outcomes. However, implementing lean PM requires a cultural shift and commitment to continuous improvement, which can be challenging for SMEs (Womack & Jones, 1996, p. 34).

Theoretical perspectives on project management challenges provide valuable insights into how SMEs can enhance their PM practices to achieve growth and sustainability. By adopting tailored PM approaches, developing dynamic capabilities, and engaging stakeholders effectively, SMEs can overcome their unique challenges and thrive in competitive markets.

## 2.2 Empirical Review

A study conducted in Europe shows, over 40% turnover of SMEs undertaken as projects and it even exceeds up to 60% in the first 2 years up on formulation. People in those companies engaged in multitask and managed by people whom PM is not primary discipline. It was also revealed that at a key stage of their development, SMEs undertake many projects managed by amateurs. (Turner, R., Ledwith, A. and Kelly J., 2012)

Small companies are increasingly using project teams and computer support. However, the limited use of Gantt charts indicates that planning is still largely informal. Medium-sized companies are adopting more advanced tools, such as change control and stage gates. Despite this, the use of highly sophisticated tools like the critical path method (CPM) and earned value analysis (EVA) is minimal across all company sizes, suggesting that CPM offers little value and EVA is considered too bureaucratic (Turner, 2008).

Another study conducted by similar scholars regarding use of project management, the study identified project management as a process and recruiting single or more project managers, it has shown huge enhancement in the percentage from micro to small companies, and a little enhancement from small to medium. Small enterprises in which project management is identifiable process and had single or more project managers is 50% which is nearly equates to greater than 20% of turnover on projects. Whereas in medium enterprises, 70% recruit one or more project managers with 55% project management as identifiable process spending over 20% turnover on projects. Thus, investigators conclude that “*medium-sized companies take a greater interest in projects at a lower level of activity.*” (Rodney Turner, J., Ledwith, A., & Kelly, J. 2009 p 17-20).

A study conducted in Australia on 290 enterprises by Kraus, S., Harms, R., & Schwarz, E. J. (2006) entitled “*Strategic planning in smaller enterprises—new empirical findings*” showed that,

project planning formulation has a positive and high significant impact on the probability of belonging to the succeeded enterprises.

A study conducted in 19 SMEs on project management in small and medium sized enterprises regarding the use of project management indicated, an identifiable project management practices are used by 18 to manage external projects for clients. And 8 of them responded as they used identifiable project management practices to manage internal development projects (Turner, R., & Ledwith, A. 2018).

The study entitled enhancing SMEs performance through project management and stakeholder engagement showed as there was significant relationship between effective project management process, proactive stakeholder involvement, and the subsequent success trajectory of highly growing SMEs. They also revealed that *“Effective project management is a critical component of SME growth, and managers should prioritize key processes including careful planning, proactive monitoring, and risk management.”* (Vrečko, I., Tominc, P., & Širec, K. 2023).

Regarding project parameters and elements another study has showed that, parameters specifically cost and time management, stakeholder coordination and top management support were identified by all enterprises as most important whereas time management was identified as most important element as the required methodology of project management. This study similarly highlighted that, the larger the enterprises, there is high tendency of preferring all the components (Oukennou, A., El Oumami, M., Beidouri, Z., & Bouksour, O. 2021).

A longitudinal study conducted by Pollack, J. (2014) in Australia on the impact of project management on SMEs productivity has tested and confirmed as the use of project management has impact on productivity. The study showed nearly 15% more of study participants implemented PM shown an increment in productivity than those not used project management. He also identified basing 2004/05-2009/10 information's, there was about 26.7% increment in odds of using project management and enhanced productivity as opposed to their productivity staying the same. The increment further reach to 36.7% in the 2006/07to 2010/11 data set.

A qualitative research conducted Ghiyasinab, M and Chevrier, P. (2017) on Challenges and important competencies for project managers in Small and Medium Sized Enterprises shows that, in overall project management was never recognized as considerable profession of focus in small

and medium enterprises which is needed to be developed. The finding also stresses as there was need to clarify the methodologies for measuring human abilities for recruiting people as a project manager. As per their FGDs, the most crucial elements for project managers in small and medium enterprises identified were team leading, openness, assertiveness and risk management.

A study carried out in Africa specifically to explore SMEs project management situation in Morocco, it was found that in all SMEs using project management, SMEs processing project management as an official process is correlated with the size SMEs. The large enterprises use formal techniques while the small companies use informal ones. According to this study the common methods applied were requirement management, project roadmap and milestone schedule. Excel and the messaging are the tools the most used for the whole enterprises. As for success and failure factors (Oukennou, A., El Oumami, M., Beidouri, Z., & Bouksour, O. 2021).

A survey based study conducted in Nigeria highlighted important findings SMEs faced. According to the findings management problem areas were the greatest challenges to the application of project management in the SMEs and also correlation was identified between application of effective project management techniques and reduction in project failures (Ihesiene, U.C., 2014).

A qualitative study entitled the prospects and challenges of SMEs 21st century Africa, explained that the SME owners lack the needed skills for business management it was also explained that businesses have failed due to unskilled workers and many SMEs were challenged to prevent turnover of skilled employees (Emezie, S. 2017).

A study conducted by Karende Gacheri Njeru(2015) in Kenyan top 100 SMEs regarding strategic management and performance, the study found that all top one hundred SMEs had adopted various strategic management practices relating to situational analysis, strategy formulation, implementation and evaluation. Further, all the studied SMEs had a written vision and the mission statement.

Analysis made by Aksa (April 15, 2022) regarding problems encountered by Kenyan enterprises Kenya discussed inadequate managerial training was one of challenges identified in the sector. In this regard majority of the owners that established enterprises were untrained in management and managed to process their firms by trial and error way which enables Failures and wastage of

resources. The owners also usually not recruit appropriate professionals which can do management activities responsibly due to lack of budget which in turn leads owners to burnout.

The study conducted in Zimbabwe entitled, the factors influencing SMEs growth in Africa: A case of SMEs in Zimbabwe showed as there was significant correlation at 1% level indicating those with better education of managing projects correlated with profitability of SMEs business implying educational level contributes positively to profitability and growth of SMEs business (Njanike, K. 2019).

A study conducted in neighboring Somaliland by Fashina, A. A., Ahmed, M. H., Salah, J. A., & Fakunle, F. F. (2020). Showed, regarding the respondents' education background, half (50%) were degree holders followed by diploma and certificate which account 20% and 13.3% respectively. The result also revealed, in undertaking project management, the major challenges faced by small and medium enterprises in sequential order and their respective level of significance were unrealistic timeline (RII = 0.813), inadequate understanding of project and product scope (RII = 0.807), poor communication/miscommunication (RII = 0.800), misestimating expenses (RII = 0.773), and insufficient technical skills (RII = 0.747) and delays in implementation (RII = 0.747)

Similarly, The study conducted in Addis Ababa assessing the challenges SMEs showed only 34% of top managers were completed their first degree and above in small enterprises. Unskilled managers and employees including routine business operations which lack sound plan were common challenges identified. Hence business failures result from lack of managerial competence and experience. Lack of essential and required expertise in production, maintenance, marketing and finance can lead to funds misallocation and utilization due to wrong decision-making. Hence, managerial experience among SMEs is important as it will influence the manner in which the SMEs operate and how they are able to interact with the environment (Abagissa, J. 2021).

The gap analysis from the reviewed literature highlights several key areas where small and medium enterprises (SMEs) face challenges and opportunities in project management. These gaps indicate areas where SMEs can improve their project management practices, such as increasing formal PM training since SMEs projects often managed by amateurs indicating gaps in professional project management skills and individuals without formal project management training , adopting more advanced PM tool mainly rely on informal planning methods and limited use of project

management tools, and developing key competencies for project managers enhancing stakeholder engagement to drive growth and productivity. This research was effectively assessed project management challenges of SMEs in Ethiopia mainly in Arba Minch town to fill local evidence gaps of project management challenges in SMEs mainly Investigated what the project management practice looks like, potential challenges affecting SMEs project management activity and also the association of project management literacy on the success of SME projects.

### **2.3 Conceptual Framework**

The conceptual framework explores the impact of Project Management Literacy on Project Management Practices and the Growth of SMEs. It posits that higher literacy in project management among managers leads to more effective practices, which in turn drive SME growth. Additionally, these practices influence the Project Management Challenges faced by SMEs. The framework detail explanations and hypothesized relationships basing reviewed literatures were discussed as follows.

#### **Explanation:**

**Project Management Literacy:** This construct was project management literacy of the manager. It is hypothesized to influence both the project management practices and the growth of SMEs

**Project Management Practice:** This construct includes various aspects of project management practices within SMEs. It is influenced by the project management literacy of the manager and, in turn, affects the growth of SMEs.

**Project Management Challenges:** This construct includes the challenges faced by SMEs in project management. It is influenced by the extent of project management practices.

**SMEs Growth:** This construct bases on SMEs managers' opinion analyzing various growth metrics of SMEs in comparison with previous year performance. It is influenced by both the project management literacy of the manager and the effectiveness of project management practices.

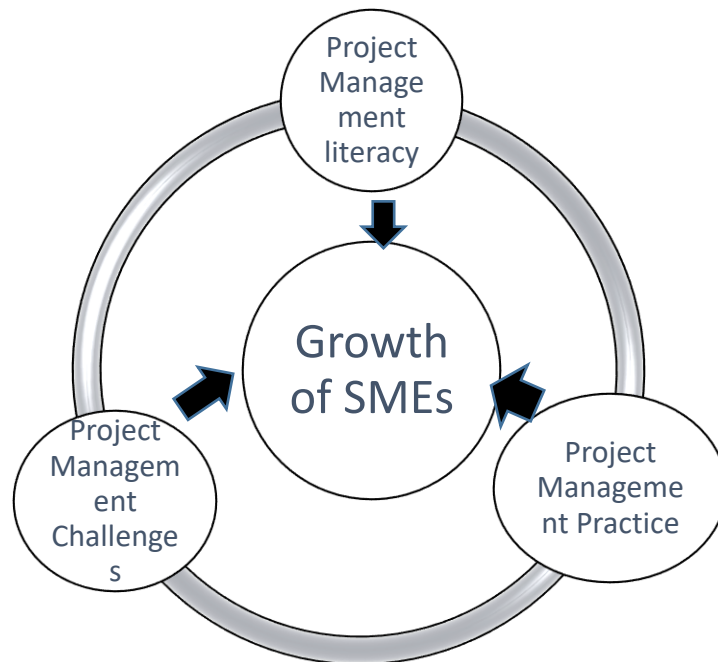
#### **Hypothesized Relationships**

1. **Project Management Practice and Project Management Challenges:** The extent of project management practice is expected to influence the types and severity of project management challenges faced by SMEs.

2. Project Management Literacy and Project Management Practice: Higher project management literacy of managers is expected to positively influence the extent and effectiveness of project management practices within SMEs.

3. Project Management Literacy and SMEs Growth: Higher project management literacy of managers is hypothesized to correlate positively with the growth of SMEs.

4. Project Management Practice and SMEs Growth: Effective project management practices are expected to contribute to the growth of SMEs.



## Chapter Three: Research Methodology

### 3.1. Introduction

This chapter covers the study area, the research paradigm and approach, research design and techniques, population and sampling techniques, data collection methods, data analysis methods, validity and reliability of research instruments and finally ethical considerations.

### 3.2. Research Approach

A descriptive survey design with a quantitative research methodology was used in this investigation. In his 2014 book, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, John W. Creswell provides a comprehensive overview of quantitative research approaches. Creswell defines quantitative research as an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers, and analyzed with statistical procedures. Quantitative research often starts with a theory or hypothesis that is tested through data collection and analysis. Quantitative research is widely used in fields such as psychology, education, health sciences, and social sciences to test theories and hypotheses, and to make predictions about future outcomes.

As discussed by John W. Creswell Statistical analysis is usually used in conjunction with a large sample size in this type of research to draw conclusions about the population from which the data is gathered. To get quantitative data, surveys, experiments and other organized collection techniques are used frequently. On other hand quantitative design aid equip with better tools to address a greater range of research problems. Therefore to assess the project management challenges faced by SMEs, Quantitative data were collected from managers of SMEs using an adapted and structured questionnaire.

### 3.3 Research Design

Research design is the arrangement of conditions for collection, analysis and interpretation of data in a manner to combine relevance to the research purpose with economy in procedure (Kothari, 2004). Descriptive research design which is aimed to describe the characteristics, behaviors, attitudes, or perceptions of a group or population was used in this research. It was also used to describe the characteristics of community, population, organization or people who are participating in the study. Moreover this design was chosen to provide insight and comprehensive concerns and the challenges facing SMEs regarding project management in Arba Minch town.

### 3.3.1. Population and sample size

#### 3.3.1.1. Population

The population of this research was a total of 515 registered small and medium enterprises which were under operation in Arba Minch town.

#### 3.3.1.3 Sample size and sampling technique

There are about 515 SMEs in the town which were further sub categorized as service, construction, manufacturing and urban agriculture sectors in Arba Minch town (Arba Minch town job creation and enterprise office annual report September, 2023). Using the standard sample size determination formula with finite population correction with 95% confidence interval, 50% population proportion and 5% margin of error, the sample size was determined as follows.

$$n_0 = \frac{\hat{p} \times (1 - \hat{p}) \times z^2}{MOE^2} = \frac{0.5 \times 0.5 \times 1.96^2}{0.05^2} \quad n_0 = 385$$
$$n = \frac{n_0}{1 + \frac{n_0}{N}} \quad n = \frac{385}{1 + \frac{385}{515}} \quad n = 220.306 \rightarrow \text{which rounds up to } 221$$

Where:

**$n_0$  = sample size pre-correction (round up)**

**$\hat{p}$  = sample proportion**

**$Z$  = found by using z-score table = 1.96**

**$MOE$  = margin of error**

**$n$  = sample size**

**$N$  = population size**

The researcher employed a probabilistic sampling technique to explain, predict, and generalize findings to the entire population. Specifically, stratified sampling with systematic sampling within each stratum was used. Stratified random sampling is a common method because it ensures that each subgroup of interest is represented, providing a sample population that best reflects the entire population (Kothari, 2004). The researcher first determined the representative sample, then stratified the total population of SMEs according to regulations, and applied a proportionate method to determine the sample size from each stratum.

Total sampled 221 participants were further distributed to each category of SMEs based on their proportion as specified in the table below.

Table 2 proportion of sample size determined.

s.no	Category of SMEs	Number of SMEs	Proportion	Samples from each category
1	Service	168	33%	73
2	Construction	125	24%	53
3	Manufacturing	146	28%	62
4	Urban agriculture	76	15%	33
Total		515	100%	221

### 3.4 Data collection techniques and procedures

#### 3.4.1. Data Source

To fulfil the purpose of the study, the researcher collected primary data and observations of documents to confirm availabilities of written documents as required. In which in the primary data, adapted questionnaire was used in clear and understandable way for the respondents to easily comprehend.

#### 3.4.2. Data collection instrument

##### 3.4.2.1. Questionnaire

The original questionnaire, developed by Rodney Turner, J. Ledwith, A. and Kelly, J (2009), was adapted to suit the context of small and medium enterprises (SMEs) in Ethiopia. The adaptation was necessary to address specific project management challenges faced by SMEs in this region.

The adaptation process involved translating the questionnaire from English to Amharic, followed by a back-translation to ensure accuracy. Several items were modified to reflect the local business environment and terminology.

To validate the adapted questionnaire, we conducted a series of statistical tests, including Cronbach's alpha for internal consistency and factor analysis for construct validity. Expert reviews were also sought to ensure the content was relevant and comprehensive.

### 3.4.3 Data collection Techniques

Primary data was collected by using adapted and structured questionnaire. The questionnaire was designed in a manner which was appropriate to achieve the objective of the study. The research data was collected by 5 trained and skilled first degree holder data collectors from 221 SMEs owner-managers.

### 3.5. Data Analysis methods

To acquire findings and draw conclusions, the data was processed and examined after the collection. Statistical package for social science (SPSS) version 27 was used to analyze data collected. Hence descriptive analysis such as frequencies, percentage, mean and standard deviation analysis was made to analyze the data obtained from the questionnaire. Further Pearson's correlation test was made to examine correlations between variables of interest.

### 3.6. Validity and reliability

Before entry of data for analysis a series of pre-test was carried out and data scanning and scrutiny techniques were undertaken from variables questionnaires examine and validate the survey instruments so as to ensure content validity and reliability.

#### 3.6.1. Validity

As per Middleton (2019), validity refers to how accurately a method measures what it is intended to measure. If a research has high validity which implies it produces a results that corresponds to real properties, characteristics and variations in the physical or social world. Therefore, a pilot test was conducted to check the validity of instrument if it provides adequate coverage of topic under study. 20 SMEs managers were assessed to test the validity of the adapted questionnaire.

#### 3.6.2 Reliability

Data reliability is a key for successful and meaningful study. While to test the reliability of the Likert scale used in this study, reliability analysis was done using Cronbach's alpha as the measure.

For all 16 Likert scale questions included in the questionnaire, A Cronbach's alpha analysis was performed and indicated 0.941 implying an excellent internal consistency as shown in table below.

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
0.941	16

### . 3.7 Ethical considerations

During data collection, ethical considerations were prioritized. The analysis tool's main page clearly explained the study's aim and assured participants of their anonymity. All respondents were informed that participation was voluntary, and only those who provided written consent were included. Throughout the research, contributions from other scholars were acknowledged, and anyone who assisted the researcher was treated with respect.

## Chapter Four: Analysis, Discussion and Interpretation of Data

### 4.1. Introduction

This research studied the project management problems of SMEs in the case of Arbaminch town, in south Ethiopian region. This chapter present the output of the analysis and discusses major findings. The data collected were analyzed using SPSS version 27. The data analysis and discussion were carried out and organized according to the objectives of the research. The analysis output is presented using figures and tables. The major findings are discussed and the results are compared to the literature review.

### 4.2 Response rate

A total of 221 questionnaires were used to collect data from all SMEs managers randomly sampled from each stratum using 5 trained and qualified data collectors. Out of which 199 SMEs managers responded to all parts of the questionnaire and the response rate was 90.04% as specified in the table below.

Table 1 Response rate of studied SMEs, June 2024

s.no	SMEs category	Samples from each category	Responded from each category	Response rate
1	Service	73	68	90.04%
2	Construction	53	44	
3	Manufacturing	62	55	
4	Urban agriculture	33	32	
Total		221	199	

According to Rut (2007), response rate of 50% is satisfactory, 60% is good and 70% and above is excellent for a study. This implies the information gained were sufficient enough to conduct analysis. Hence based on the response rate of 199(90.04%) the next analysis was carried out.

### 4.3. Respondents and their SMEs information

This section provides a profile of the SMEs. This information is presented on a number of basic information's of SMEs, including level of SMEs and their category, year of establishment, level at establishment, educational status and project management literacy of the SMEs manager and number of employees. This information offers general understanding about the population under study.

Table 2 Cross tabulation of level of enterprises and level at establishment Arba Minch town, South Ethiopia June 2024.

Cross tabulation		Level at establishment			Total
		micro	Small	medium	
Level of enterprise	small	6(3%)	106(53.3%)	0(0%)	112(56.3)
	medium	3(1.5%)	7(3.5%)	77(38.7%)	87(43.7%)
Total		9(4.5%)	113(56.8%)	77(38.7%)	199(100%)

As shown in the table 4 among participated 199 enterprises in the study, the majority 112(56.3%) were small enterprises and the remaining 87(43.7%) were medium. While looking at the enterprise level at establishment, among 199 responded enterprises the majority 113(56.8%) were responded small level enterprises, about 77(38.7%) and 9(4.5%) were leveled their level at establishment as medium and micro enterprises respectively.

Taking micro level as a reference at establishment, the data also shows us, as there was very small margin of progress to the next consecutive levels since only 9(0.04%) of SMEs participated progressed from micro level irrespective of their year of establishment.

SMEs managers also asked about the year of establishment of their respective firms and the majority 100(50.3%) has more than 5 year's life since the date establishment. Followed by 3 to 5 years and less than 3 years with 73(36.7%) and 26(13.1%) proportion respectively.

Table 3: Cross tabulation of enterprises by their category Arba Minch town, South Ethiopia June 2024.

		Category of enterprise				Total
		service	construction	manufacturing	urban agriculture	
Level of enterprise	small	59(29.6%)	14(7%)	8(4%)	31(15.6%)	112(56.2%)
	medium	9(4.6%)	30(15%)	47(23.6%)	1(0.6%)	87(43.8%)
Total		68(34.2%)	44(22%)	55(27.6%)	32(16.2%)	199(100%)

As shown in Table 5, the service sector represents the largest category of business areas, with 68 enterprises (34.2%). This is followed by the manufacturing sector with 55 enterprises (27.6%) and the construction sector with 44 enterprises (22%).

In assessing the educational status of SME managers, only 66(33.2%) of managers have educational status of degree and above. Compared to other studies, the proportion of managers with degree and above in this study is lower than the 50% found in a Hargeisa, Somaliland, (Fashina et al. 2020). However, it is nearly similar to the 34% reported in an Addis Ababa, (Abagissa 2021).

Regarding the project management literacy of SME managers, out of 199 respondents, a significant majority of 179 (89.9%) lacked project management literacy. Only 20 (12.6%) reported having some level of literacy, supported by certificates, as illustrated in Figure 1.

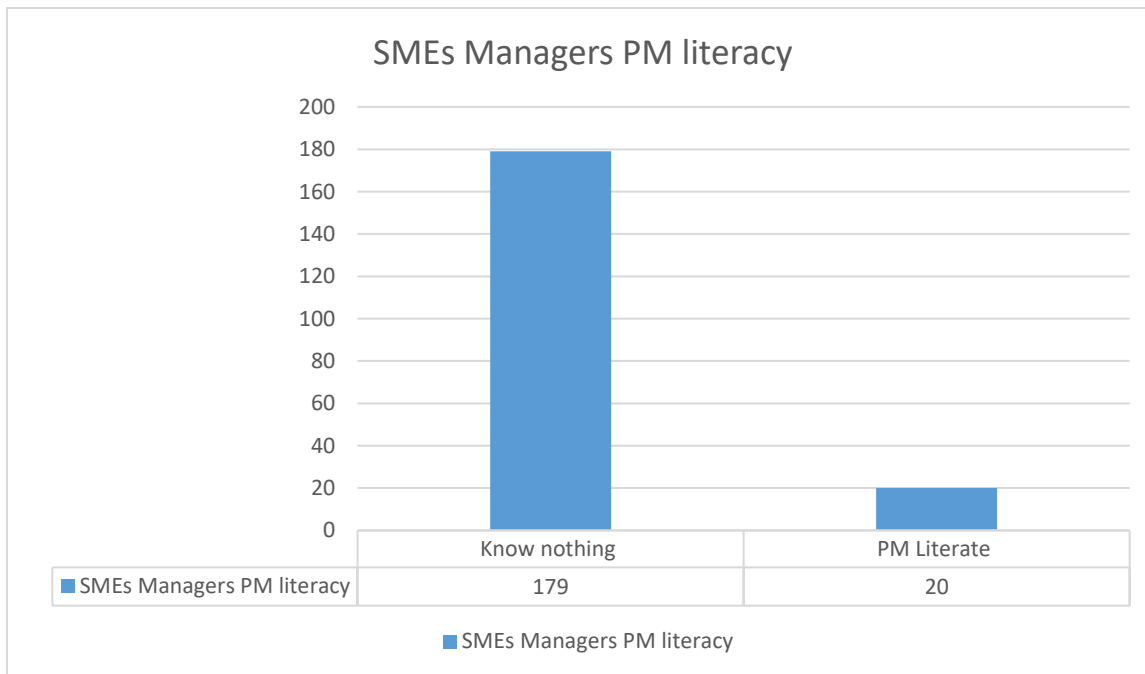


Figure 1 SMEs managers project management literacy, June 2024, Arbaminch, south Ethiopia.

This finding aligns with Turner, Ledwith, and Kelly’s (2010) argument that many SMEs manage projects without dedicated project managers, relying instead on individuals whose primary skills are not in project management. Similarly, Aksa’s analysis (April 15, 2022) on the challenges faced by SMEs in Kenya highlighted inadequate managerial training as a key issue. Many SME founders

are not trained in management and often learn through trial and error, which can lead to failure and resource loss.

#### 4.4 Strategic management issues

This section addresses strategic management issues among SMEs, focusing on vision, mission, core values, goals, objectives, and the presence of a written strategic plan.

In this study, It was found that the vast majority, 180 firms (90.45%), lacked a written strategic plan, vision, mission, goals, objectives, and yearly plan. Only 19 firms (9.55%) had these documents, as confirmed during data collection as illustrated in Figure 4.2.

Comparing this finding with a study by Karendi Gacheri Njeru (2015) on the top 100 SMEs in Kenya, which showed that all SMEs had adopted various strategic management practices, reveals a significant gap. This difference may be due to variations in the populations studied and business environmental factors.

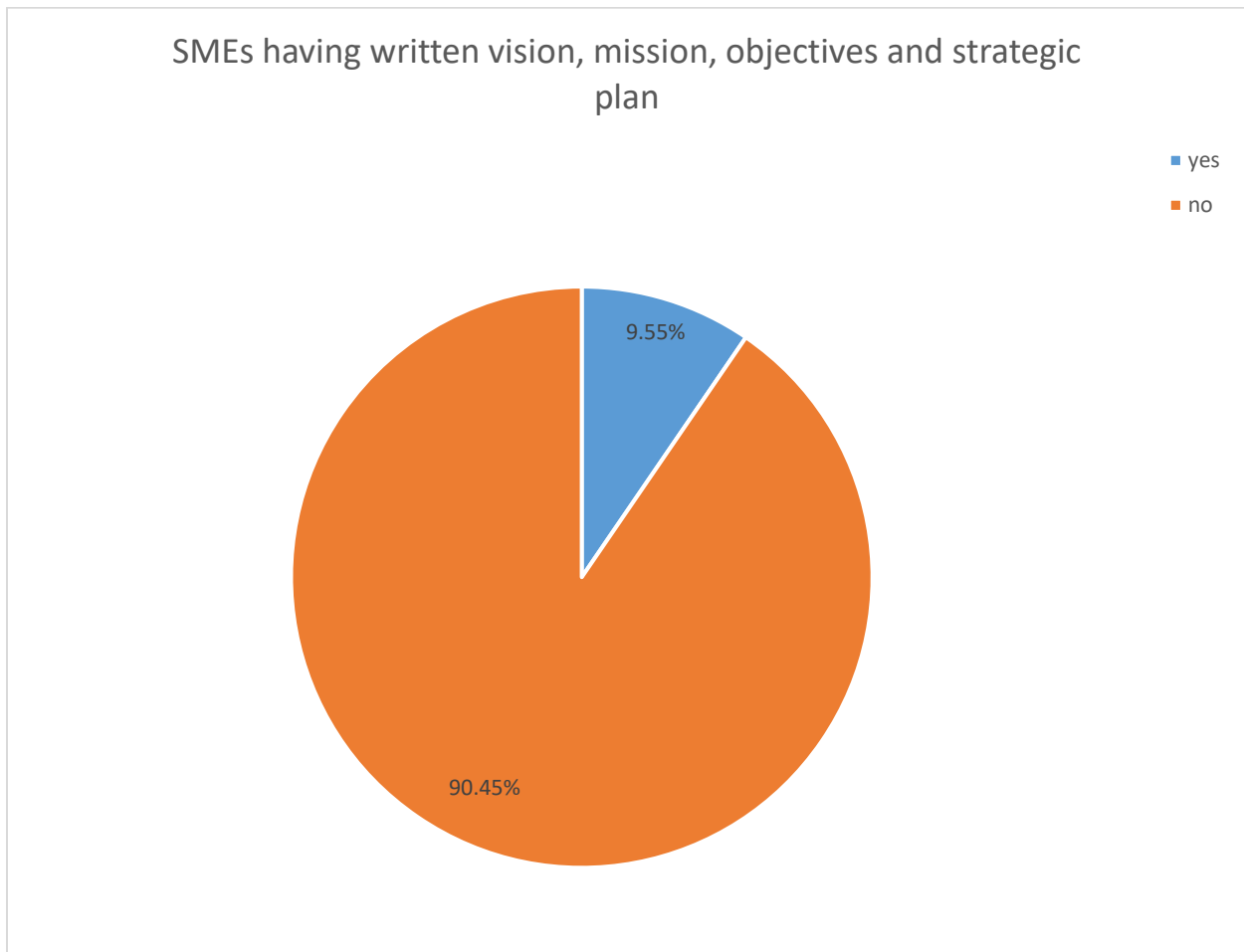


Figure 2 SMEs strategic management issues, June 2024, Arbaminch, South Ethiopia

#### 4.5 project management practice

This section details the project management practices of SMEs. It covers the presence of project managers, whether project management is an identifiable process, the number of people working on projects, the percentage of turnover spent on projects, average project durations, managers' evaluations of their firms compared to the previous year, the project management tools used by SMEs, and findings on project success factors and criteria, assessed using a Likert scale questionnaire.

Table 4 PM as identifiable process and presence of project managers Arbaminch town, south Ethiopia June 2024

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	2	1.0	1.0	1.0
	no	197	99.0	99.0	100.0
	Total	199	100.0	100.0	

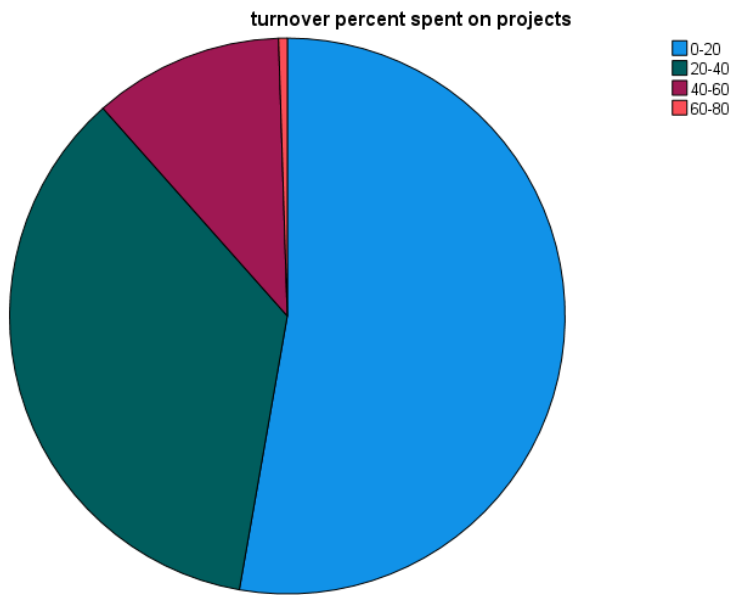
Regarding SMEs utilization of project management as their firm's identifiable process and availability of project managers, the study identified similar findings for both questions. Almost all 197(98%) SMEs mentioned project management is not an identifiable process in their project activities and they don't have project manager too. The remaining 2(2%) noted as project management was an identifiable process and as they have project manager in their respective firm.

The finding of this study shows significantly lower when compared to the study by Rodney Turner, Ledwith, and Kelly (2009) found that project management practices significantly increased from micro to small companies and slightly from small to medium companies. In small enterprises, 50% had identifiable project management processes and one or more project managers. In medium enterprises, 70% recruited project managers, with 55% having identifiable project management processes. This huge variations might be due to differences of economy, SMEs type and development status of countries.

Similarly, the finding of this study argues with narratives made by various scholars which states, Businesses that used PM practices commonly reported increased profitability as (Pollack & Adler, 2016) revealed and the major challenge facing businesses from different parts of the world is poor

management which arises from the fact that most SMEs operators or their managers lack managerial expertise. Since many business owners lack appropriate training and experience to operate their businesses, their management style is basically on trial and error and driven by performance and short-term gains with little attention paid to strategic planning (Hill, 1987).

Regarding average turnover percent spent on projects more than half 105(52.8%) SMEs spent 0-20% followed by 71(35.7%) and 22(11.1%) SMEs average percent spent of turnover on projects were identified 20-40% and 40-60% respectively as specified in the figure 4.3 below.



*Figure 3 SMEs turnover percentage spent on projects, Arbaminch town, south Ethiopia June 2024*

On the other hand SMEs managers were also asked regarding average duration of projects and almost three quarter 142(71.4%) responded as their projects last in three months and the remaining 32(12.6%) and 25(12.6%) mentioned as their project duration averagely ranges in between 3-6 months and 6-12 months respectively. the mean duration SMEs project was 4 months with standard deviation of 1.97 months.

Table 8, SMEs Average duration of projects Arba Minch town, south Ethiopia June 2024

Average duration of projects					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3months	142	71.4	71.4	71.4
	3-6months	32	16.1	16.1	87.4
	6-12months	25	12.6	12.6	100.0
	Total	199	100.0	100.0	

Table 9 Number of people working in SMEs projects, Arbaminch town, south Ethiopia June 2024.  
**Number of people working in projects**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-10	190	95.5	95.5	95.5
	10-30	9	4.5	4.5	100.0
	Total	199	100.0	100.0	

Assessing the number of people working in SMEs projects, the vast majority of firm managers 190(95.5%) mentioned as there are 1-10 people while the remaining 9(4.5%) responded as there are 10-30 people working in their respective projects.

SMEs managers also asked to evaluate their firm’s progress in comparison to previous year and the majority 110(55.3%) responded as it was similar to previous year followed by 52(26.1%) responses mentioned an increment compared to previous year. About 37(18.6%) mentioned as their firm performance decreased this year as shown in the figure 5. The self-reported growth/progress of SMEs who use project management as identifiable process 100 % (2 out of 2) whereas 50 SMEs out of 197 responded an increment among enterprises whom project management is not identifiable process.

Keeping the variations of study area, when compared to similar study, the findings were supportive to a longitudinal study by Pollack (2014) in Australia confirmed that project management positively impacts SME productivity. The study found that SMEs using project management saw a nearly 15% increase in productivity compared to those that did not. Additionally, data from

2004/05 to 2009/10 showed a 26.7% increase in the odds of using project management and enhanced productivity, which further rose to 36.7% in the 2006/07 to 2010/11 period.

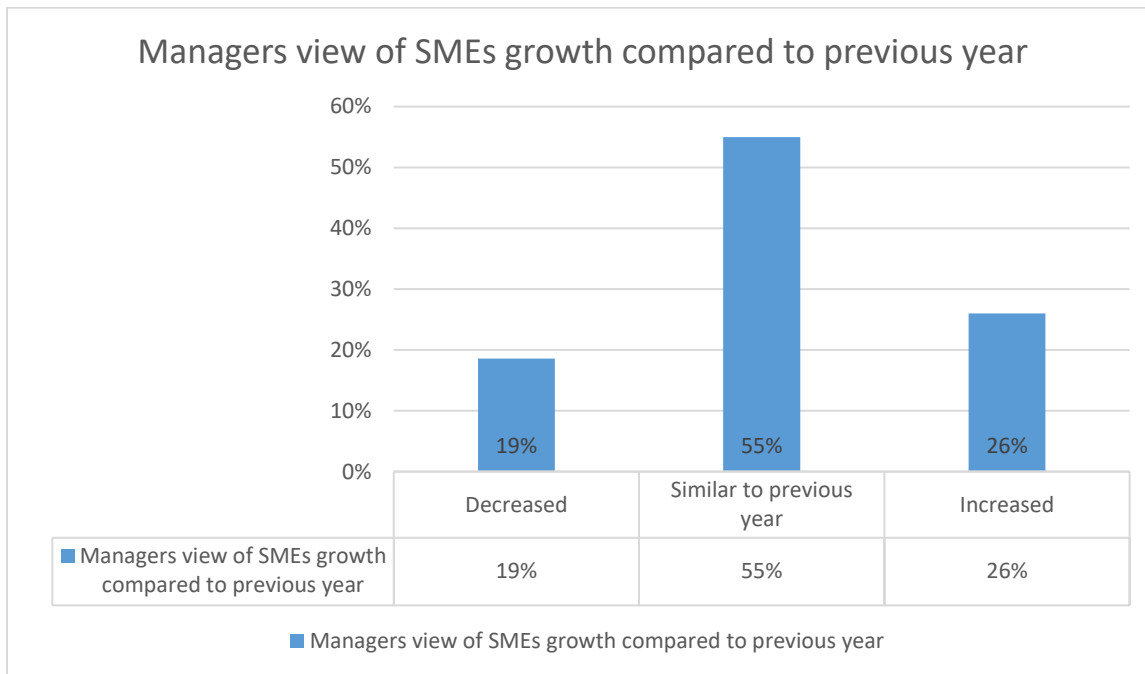


Figure 4 managers view of their SMEs progress in comparison to previous year arbaminch town, South Ethiopia, June 2024.

Study participants also asked about the project management tools used by SMEs while undertaking project activities. The majority respondents 134(67.3%) mentioned as they never used any tool whereas project team and project planning tools were used by 45(22.6%) and 18(9%) SMEs as single only tool respectively. The remaining 2(1%) mentioned as they use more than one tools Project management tools such as Critical path method, Project control, Change control, Earned value method and Stage gates were not used at all by single firm.

The findings of this study was against Turner (2008), which notes that small companies are using more project teams and computer support, but planning remains informal due to limited Gantt chart use. Medium-sized companies are adopting advanced tools like change control and stage gates. However, sophisticated tools like CPM and EVA are rarely used across all company sizes, as CPM is seen as low-value and EVA as too bureaucratic. This variations might be due to study population variations, technology and economic situations.

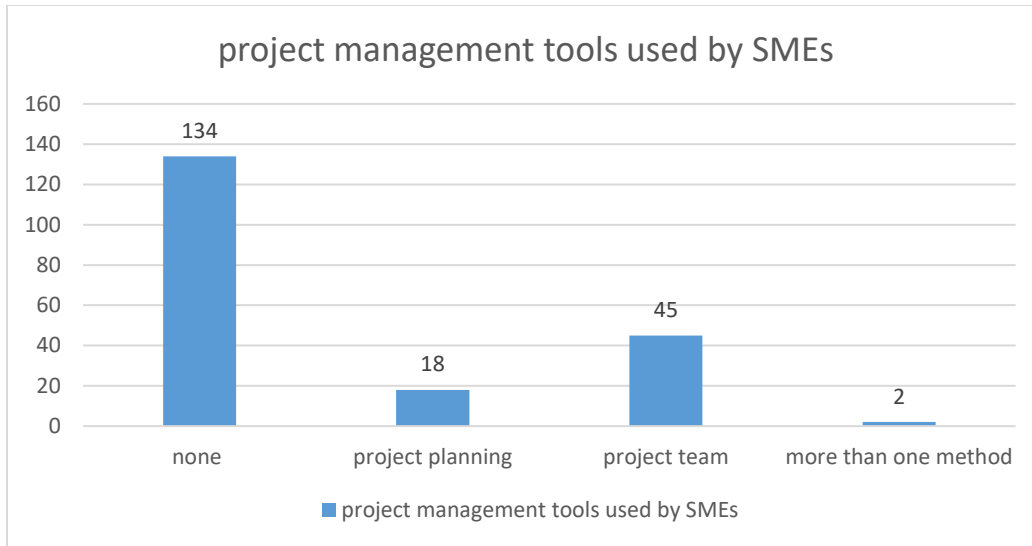


Figure 5 managers view of their SMEs progress in comparison to previous year arbaminch town, South Ethiopia, June 2024.

#### 4.5.2 SMEs managers' opinion on success criteria of their project and success factors

According to De Winter, Joost C. F., and Dimitra Dodou. 2010. 5 scaled Likert scaled assessments interpretation intervals was as described in the table blow.

Table 5 Interpretation interval of mean

level	level	Interval length	Lower limit	Higher limit
Very low	1	0.8	1	1.8)
low	2	0.8	[1.8	2.6)
average	3	0.8	[2.6	3.4)
high	4	0.8	[3.4	4.2)
Very high	5	0.8	[4.2	5

### Descriptive Statistics

outcome of SMEs projects against	N	Minimum	Maximum	Mean	Std. Deviation
Budget	199	1	5	2.92	.934
Schedule	199	1	5	2.44	.856
Performance	199	1	5	2.87	.761
Valid N (list wise)	199				

*Note: 1, very low 2, low 3, average 4, high 5, very high*

Based on their mean, SMEs outcome of their projects against budget, schedule and performance was 2.92, 2.44 and 2.87 falls in average which ranges between 2.60 and 3.40. The scores suggest that while SMEs are relatively average in managing budgets and achieving performance outcomes, they struggle more with adhering to project schedules.

### Descriptive Statistics

success criteria	N	Minimum	Maximum	Mean	Std. Deviation
Budget	199	3	5	4.66	.516
Schedule	199	3	5	4.32	.700
Quality standard	199	3	5	4.46	.566
Specification	199	1	5	4.04	.953
Appreciation by users	199	1	5	4.24	.841
Appreciation by stakeholders	199	1	5	4.15	.929
Appreciation by project personnel	199	1	5	4.20	.841
Grand Valid N (list wise)	199			4.30	0.780

*Note: 1, very low 2, low 3, average 4, high 5, very high*

## Descriptive Statistics

Success factors	N	Minimu m	Maximu m	Mean	Std. Deviation
Clear goal and objective	199	3	5	4.51	.521
Senior management support	199	3	5	4.25	.813
Planning monitoring and control	199	3	5	4.52	.530
Resource allocation	199	4	5	4.57	.497
Risk management	199	3	5	4.02	.864
Client consultation	199	2	5	4.06	.830
Grand Valid N (list wise)	199			4.32	0.676

*Note: 1, very low 2, low 3, average 4, high 5, very high*

Majority of the success criterias (budget, quality standard, schedule, appreciation by users and appreciation by project personnel) falls on very highly important with mean value of 4.66, 4.46, 4.32, 4.24 and 4.20 respectively. The remaining success criterias (appreciation by stakeholder and specifications) were scored highly important with mean of 4.15 and 4.04 respectively.

Regarding success factors, resource allocation, planning monitoring and control, having clear goal and objectives and senior management support success factors were identified as very highly important with respective mean of 4.57, 4.52, 4.51 and 4.25. Whereas success factors of client consultation and risk management were identified as highly important success factors with mean of 4.06 and 4.02 respectively.

In overall, Success The majority of the success criteria (budget, quality, schedule, user and personnel appreciation) are considered very highly important, with mean values ranging from 4.20 to 4.66. The remaining criteria (stakeholder appreciation and specifications) are still highly important, with mean values just above 4.00. whereas key success factors such as resource allocation, planning, clear goals, and senior management support are very highly important, with mean values ranging from 4.25 to 4.57. Client consultation and risk management are also important, with mean values slightly above 4.00.

There was variations in parameters when compared to a study by Oukennou et al. (2021) which found that cost and time management, stakeholder coordination, and top management support are crucial project parameters for all enterprises, with time management being the most important. The study also noted that larger enterprises tend to prefer all these components.

**Grand Mean :** This value of 4.32 represents the average importance rating of all the success factors combined. Since the grand mean is quite high (close to 5), it indicates that, on average, the success factors are considered very important by the respondents. This suggests that the factors you have identified are crucial for the success of projects in SMEs. The grand mean of 4.30 indicates the average level of success across all criteria. This suggests that, on average, the success criteria are rated quite high, close to the maximum value of 5. This high average implies that the projects are generally perceived as successful across various dimensions such as budget, schedule, quality, and stakeholder appreciation

**Grand Standard Deviation:** This value of 0.676 measures the variability or dispersion of the importance ratings around the grand mean. A standard deviation of 0.676 indicates that there is some variability in how respondents rate the importance of different success factors, but the ratings are relatively consistent. The grand standard deviation of 0.780 reflects the overall variability in the success criteria ratings. A standard deviation of 0.780 indicates that while the average ratings are high, there is some variability in how different success criteria are rated. This variability could be due to differences in how well projects meet specific criteria, such as budget or schedule, compared to others like stakeholder appreciation or specification adherence.

## 4.6 Comparison of project planning, project management literacy and growth

Table 6. Cross tabulation of project management literacy and project plan developed for last project executed.

		Cross tabulation		Total
		Has written project plan for last project executed		
		yes	no	
PM literacy	no literacy	2(1%)	177(89%)	179(90%)
	Has literacy	11(5.5%)	9(4.5%)	20(10%)
Total		13(6.5%)	186(93.5%)	199(100%)

Comparing the project plan development between managers having and has no project management literacy taking the last project executed or under execution as a reference, from the total of 13 SMEs who developed project plan, the majority 11(84.6%) has project management literacy and the remaining 2(15.4%) has no project management literacy but developed a plan for their last project as shown in the table above. The trend implies that SMEs managers who has project management literacy has about 69.2% higher tendency in planning projects.

Improving project management literacy among SME managers is crucial. It not only increases the likelihood of developing project plans but also enhances overall project success. Investing in training programs can therefore be a strategic move to boost the performance and growth of SMEs (PMI 2012).

Table 7. Cross tabulation of SMEs growth versus project planning

		Cross tabulation of project planning and growth of SMEs			Total
		Growth of SMEs in comparison to last year			
		decreased	similar to last year	increased	
Has written project plan for last project executed	yes	1(0.5%)	1(0.5%)	11(5.5%)	13(6.5%)
	no	36(18%)	109(54.5%)	41(20.5%)	186(93.5%)
Total		37(18.5%)	110(55.5%)	52(26%)	199(100%)

Out of 13 SMEs that had a written project plan for their last project, 11 (84.6%) reported growth compared to the previous year. whereas Out of 186 SMEs that did not have a written project plan, only 41 (22%) reported growth. The data indicates, there is a 64.6% higher growth rate among SMEs that planned their projects compared to those that did not. This highlights the importance of project planning in achieving business growth suggesting project planning is a critical factor in the

growth and success of SMEs. This also suggests that SMEs should prioritize project planning to enhance their chances of growth and success.as shown in the table above.

Table 12. Cross tabulation of SMEs growth versus PM literacy

<b>Cross tabulation</b>					
		Growth of SMEs in comparison to last year			Total
		decreased	similar to last year	increased	
PM literacy	no literacy	37(18.5%)	110(55.5%)	32(16%)	179(90%)
	has literacy	0	0	20(10%)	20(10%)
Total		37(18.5%)	110(55.5%)	52(26%)	199(100%)

Out of 20 SMEs with PM literacy, all 20 (100%) reported growth compared to the previous year and none of these SMEs reported a decrease or no change in growth. Whereas, out of 179 SMEs without PM literacy, only 32 (16%) reported growth. The data indicates there is a substantial growth rate among SMEs with PM literacy compared to those without it which is about 84% increment. This highlights the importance of PM literacy in achieving business growth suggesting PM literacy is a critical factor in the growth and success of SMEs.

The findings of data’s highlighted above were supported by various literatures. Turner, Ledwith, and Kelly (2010) stressed, effective project management practices, including detailed project planning, are crucial for the success and growth of SMEs. The study emphasizes that SMEs that adopt formal project management planning and methodologies tend to perform better in terms of project outcomes and overall business growth. Similarly Gibson and Cassar (2005) found that strategic planning, including project planning and PM literacy significantly impacts the performance of SMEs. The study revealed that SMEs with formal planning processes and PM literacy are more likely to achieve their growth objectives and sustain competitive advantages.

#### 4.7 Pearson correlation test

Correlation test was made to assess the level of significance and direction of correlation between project management literacy and SMEs managers’ self-evaluation about the growth of their firms in comparison to previous year.

Table 14 Pearson correlation test

Pearson Correlation test

		<b>PM literacy</b>	<b>Growth of SMEs compared to previous year</b>
<b>PM literacy</b>	Pearson Correlation	1	.447**
	Sig. (2-tailed)		.000
	N	199	199
<b>Progress of SMEs compared to previous year</b>	Pearson Correlation	.447**	1
	Sig. (2-tailed)	.000	
	N	199	199

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The finding indicates there was positive and significant correlation between manager’s project management literacy and growth of SMEs as shown in the table 12

The Pearson correlation coefficient was 0.447 which indicates a moderate positive correlation between project management literacy and growth of the enterprise. This means that as project management literacy of the SMEs manager increases or when managers become literate on project management, the growth of their enterprise tends to increase as well, but the relationship is not perfectly linear.

This finding was supportive to Turner, R., Ledwith, A., & Kelly, J. (2012). SMEs with higher project management literacy tend to have better project planning, execution, and monitoring processes. This leads to increased efficiency and productivity which are crucial for growth.

## **Chapter Five: Summary of findings, Conclusions and Recommendations**

### **5.1 Introduction**

This final chapter is sub divided in to three sectors. The first is about summary of major findings of the study, the second was about conclusions made from the finding and in last the forwarded recommendations based on established findings and conclusions that could be useful and viable for the SMEs sector.

### **5.2. Summary of major findings**

The study investigated 199 SMEs and found that although a significant majority of SME managers have an educational status of TVET/college diploma and above, only 20 managers have project management literacy, primarily gained through training, and only 2 managers hold a project management qualification.

Regarding project strategic management practices, only one in ten SMEs had written vision, mission, goals, objectives, core values, and strategic plans. These elements are crucial for firms to have a clear understanding of their mission, future vision, and guiding values.

In terms of project management practices, only 1% SMEs had an identifiable project management process managed by project management professionals. According to the self-evaluation of SME managers regarding the comparative growth of their enterprises, more than half reported that their growth remained similar to the previous year.

The assessment of project management tools revealed that only a quarter of SMEs used project management tools and When evaluating project outcomes against budget, schedule, and performance, the pooled mean score of managers' opinions indicated an average score across all three metrics.

Finally, a Pearson's correlation test showed a positive and moderately significant correlation (correlation coefficient of 0.447) between project management literacy and enterprise managers' self-evaluation of yearly performance compared to the previous year. Overall, the main challenges identified in this study include managing projects without PM knowledge, not planning project activities while executing project activities, and low usage of project management tools.

## 5.3 Conclusions

The study reveals significant gaps in project management practices among SMEs. Despite a high educational status among managers, only a small fraction have formal project management literacy or qualifications. Strategic management practices are underdeveloped, with few SMEs having written vision, mission, goals, and strategic plans. Project management is rarely an identifiable process, and the use of project management tools is limited, with many SMEs not using any tools at all. The correlation between project management literacy and enterprise performance suggests that enhancing PM skills could improve outcomes. Key challenges include managing projects without PM knowledge, inadequate planning, and low tool usage. Addressing these gaps could significantly enhance SME performance and growth.

## 5.4 Recommendations

Based on the results of the study presented in the preceding chapter, the researcher proposed the following list of action points. These suggestions are a series of solutions for reducing potential growth hindering factors needed due attention.

### **Practical Applications**

1. Enhance Project Management Training:
  - Formal Training Programs: Develop and promote formal project management training programs tailored for SME managers and staff.
  - Certification and Qualifications: Encourage managers to obtain project management certifications and qualifications to improve their skills and knowledge.
2. Develop Strategic Management Practices:
  - Documentation: Assist SMEs in creating and maintaining written vision, mission, goals, and strategic plans.
  - Workshops and Seminars: Organize workshops and seminars to educate SMEs on the importance of strategic management and how to implement it effectively.

### 3. Formalize Project Management Processes:

- **Standardization:** Encourage SMEs to standardize project management processes and make them identifiable within the organization.
- **Best Practices:** Share best practices and case studies of successful project management implementations in SMEs.

### **Policy Recommendations**

The federal SMEs development agency as a policy entity of the country, in collaboration with higher educational institutions and global development agencies must work intensively to ensure all SMEs managers and member parties to have basic project management knowledge and skills before and after engagement in the sector. In addition Policymakers should create programs to financially support project management training for small and medium enterprises, promoting business growth and efficiency.

### **Actionable Steps:**

Adopting a streamlined project management framework designed specifically for small and medium enterprises contextualizing for Ethiopian SMEs businesses could be an effective initial step which could be followed by training and equipping SMEs managers on project management basics and practical applicability.

### **Future Research:**

Upcoming research should investigate, potential intertwined challenges that affecting projects of SMEs and also how various project management training programs impact the performance of SMEs.

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## Appendix 1 Questionnaire



Addis Ababa University College of business and economics, school of  
commerce  
Questionnaire

Survey for master's thesis entitled assessment of project of small and medium enterprises in the case of Aminch town by Dawit Ermias

Advisor Dr. Zegeye Muluye, for the partial fulfilment for the degree of master of art in project management.

June 2024.

I am currently conducting a research for partial fulfillment of master of art in project management under the supervision of Dr. Zegeye Muluye at Addis Ababa University College of business and economics school of commerce. This questionnaire is designed to study about the challenges of small and medium enterprises in the case of Arba minch town. I kindly request your participation and support in my research by responding this questionnaire. All the information gathered thorough out this questionnaire will be kept strictly confidential and will be used only for academic matter. Thank you in advance for your time and kind cooperation. If you have any questions, please contact me through the following address.

Email: [cdemitu@gmail.com](mailto:cdemitu@gmail.com)

Phone: +251911761407

### Part-1 respondent and company information

The questions below are related to your personal information and your firm. Please indicate your response from the possible answers.

s.no	Questions	Possible answers
1	Level of the enterprise	1. Small 2. medium
2	Category of enterprise	1. service 2. manufacturing 3. construction 4. urban agriculture
3	Year of establishment	-----
4	Level at establishment	1. micro 2. small 3. medium
5	Educational status of the manager	1. illiterate 2. primary 3. secondary 4. TVT/college diploma 5. Degree Masters and above
6	Project management literacy of manager	1. No literacy 2. Training certified 3. Has diploma/degree/master's degree in PM

PART2; Strategic management issues.

The questions below are related to your firm strategic management issue. Please respond and indicate the availability of written document. I kindly ask you to allow me to observe just for confirmation.

s.no	Strategic management questions	Possible answers
1	Does the enterprise has written vision?	1, Yes, (if yes observe and confirm the availability by observing either posted or documented) 2, No
2	Does the enterprise has written mission?	1, Yes, (if yes observe and confirm) 2, No
3	Does the enterprise has written goals and core values?	1, Yes, (if yes observe and confirm) 2, No
4	Does the enterprise has written objectives?	1, Yes, (if yes observe and confirm) 2, No
5	Does the enterprise has written strategic plan?	Yes, (if yes observe and confirm) 2, No
6	Does the enterprise has developed project plan for at least last project implemented?	Yes, (if yes observe and confirm) 2, No

### PART3: project management practice

The questions below are related to your enterprise project management practice. Please indicate your response from possible answers.

s.no	Questions	Possible answers
1	Is there one or more full-time project manager?	1. Yes 2. No
2	Is project management an identifiable process in the firm?	1 yes 2 No
3	What percentage of turnover is spent on projects:	.1. 0-20 % . 2. 20-40 % .3. 40-60 % . 4. 60-80 % . 5. 80-100 %
4	What is the average duration of projects?	.1. < 3 months? . 2. 3-6 months? . 3. 6-12 months? . 4. > 12 months?
5	What is the number of people working on projects?	1. 1-10 2. 10-30 3. Greater than 30
6	Which of the following project management tools are used? More than one answer is possible	.1. MS project. . 2. Gantt (bar) charts. . 3. Critical path method. . 4. Project planning. . 5. Project teams. . 6. Project control. . 7. Change control. .8. Earned value method.

		. 9. Stage gates.
7	Based on your opinion/judgment considering enterprise revenue growth, profit margin, market share, customers' acquisition and retention rate and also employee growth as a metrics. Comparing with previous year achievement, how you evaluate your enterprise growth.	1. Decreased 2. Similar to last year 3. Increased

Based on your experience indicate the extent of the following 3 detailed questions regarding outcome of your project, project success criteria's and success factors on scale of 1-5 by marking (X) under each preferences.

8. On a scale of 1-5, what is the outcome of their projects against the following? Indicate your choice/opinion by ticking a (X) mark.

Where 1=very low 2= low 3= average 4= high 5=very high

Your project outcome against	1	2	3	4	5
Budget					
Schedule.					
Performance.					

9. On a scale of 1-5, what is the importance of the following success criteria? Indicate your choice/opinion by ticking a (X) mark.

Where 1=very low importance 2= low importance 3= average importance 4= high importance 5= very high importance.

	1	2	3	4	5
Budget.					
Schedule					
Quality standards.					

Specification					
Appreciation by users.					
Appreciation by stakeholders.					
Appreciation by project personnel					

10. On a scale of 1-5, what is the importance of the following success factors? Indicate your choice/opinion by ticking a (X) mark.

Where 1=very low importance 2= low importance 3= average importance 4= high importance 5= very high importance.

Success factors	1	2	3	4	5
Clear goals and objectives					
Senior management support					
Planning, monitoring and control					
. Resource allocation					
. Risk management					
. Client consultation					

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