American Journal of Business, Economics and Management
2014; 2(5): 135-143
Published online September 30, 2014 (http://www.openscienceonline.com/journal/ajbem)

Financial control and organisational performance of the Nigerian small and medium enterprises (SMEs): A catalyst for economic growth

Hakeem Adeniyi Ajonbadi[1], Abdulazeez Abioye Lawal[2], Dauda Abiola Badmus[3], Bisayo Oluwatosin Otokiti[4]

[1]The Centre for Entrepreneurship, Kwara State University, Malete, Kwara State, Nigeria
[2]Lagos State Polytechnic, Ikorodu, Lagos State, Nigeria
[3]Department of Accounting and Finance, Kwara State University, Malete, Kwara State, Nigeria
[4]Department of Business and Entrepreneurship, Kwara State University, Malete, Kwara State, Nigeria

Email address

ajons2003@yahoo.co.uk (H. A. Ajonbadi), hakeem.ajonbadi@kwasu.edu.ng (H. A. Ajonbadi), alhajilawal2000@yahoo.com (A. A. Lawal), abiola.badmus@kwasu.edu.ng (D. A. Badmus), busyayo02@yahoo.com (B. O. Otokiti), bisayo.otokiti@kwasu.edu.ng (B. O. Otokiti)

To cite this article

Hakeem Adeniyi Ajonbadi, Abdulazeez Abioye Lawal, Dauda Abiola Badmus, Bisayo Oluwatosin Otokiti. Financial Control and Organisational Performance of the Nigerian Small and Medium Enterprises (SMEs): A Catalyst for Economic Growth. *American Journal of Business, Economics and Management*. Vol. 2, No. 5, 2014, pp. 135-143.

Abstract

The premium interest that contemporary organisation invest in control mechanism within their organisations foregrounds control as a crucial function of management. A number of financial control tools are used in this regard to foster effective handling of this function. The study investigated the relationship between financial control tools and organisational performance. A survey of two hundred and sixty eight SMEs in Lagos was undertaken by means of self-administered questionnaire. Data generated were analyzed by means of descriptive statistics and Pearson Product Moment Correlation. The results revealed that participating firms significantly use the traditional control tools such as stocktaking, quality control and financial statements. Other forms of control were to a lesser extent used by participating firms. In addition, the correlation between the use of these control tools and organisational effectiveness demonstrated a significant relationship. Hence, the need for application of financial control tools for effective performance of Nigerian SMEs was suggested.

Keywords

Financial Control, Organisational Effectiveness, Small and Medium Enterprises

1. Introduction

Studies on small and medium enterprises (SME) have shown that entrepreneurship development in SMEs is a viable means of promoting self reliance in economic development as well as accelerating the pace of industrial and technological progress through the promotion of small and medium enterprises and encouraging entrepreneurial spirit and skills in these business ventures (Dekeng, 2014). Small and Medium Enterprises (SMEs) development has generally been discussed from the perspective of poverty, under-employment, diversification in economy, rural/urban imbalance, regional dispersion of industrial growth and long term contribution which entrepreneurship in small and medium enterprises can make in resolving and eliminating some of these problems (Sule, 1986; Nnanna, 2001; Essien, 2001; Chang et.al, 2012).

In today's highly fluid and intense competitive environment, running a small business professionally is not just a good idea; it is a requirement for survival. (Essien, 2001; Ariyo, 2009; Banabo and Koroye, 2011).

There is evidence that the small business subsector is characterized by high rate of failure that could be reduced if the businesses were properly managed. A frequently mentioned specific shortcoming of many small business managers is the failure to put in place effective financial control tools that guarantee meaningful organization performance (Nwanko et al, 2012).

In addition, the Nigerian small and medium enterprises stand at the threshold of a new era in the contemporary globalized world. Perhaps, never before has it had, at the same time, so many problems and bright prospects for the future. There is need for control in SMEs to solve organisational problems and realize its prospects.

The primary problem of this research therefore is to establish empirically, the state of the art of financial control practices and their relationship with organisational performance.

Therefore, this research addresses two primary questions/hypotheses:

i. Whether or not there is significant relationship between financial control practices and organizational effectiveness of SMEs?
ii. Is there a relationship between these practices and the effectiveness of SMEs?

2. Conceptual and Theoretical Framework

After strategies are set and plans are developed, management's primary task is to take steps to ensure that plans are carried out or adjustment effected if conditions warrant that plans are modified. Control is therefore a critical function of management. Control is devoid of commonly accepted framework or typology. The notion of control is sometimes confused with the notion of management. This may be fallacious to manage is not to control. In differentiating the two concepts, Malhotra (2001) maintains that success of knowledge management system could often result from propagating and nurturing the autonomy and self-control of organisational members, instead of exerting external influence to modify or manipulate their knowledge creating and knowledge sharing behaviour.

Control can be defined in three ways: as a system, a management function and as a process (Sen, 2012). System theorists have described a management control system as a "cybernetic" system in which information is obtained from sources within the system – feedback, and makes possible the alteration of the system towards its goals (Weihrich and Koontz 2006: Cole, 2006 and Baleiyan and Snell 2006). Control as a managerial function, seeks to anticipate, plan and take corrective actions as needed. Control as a process ensures that intended results are consistently achieved (Lawal, 1993; and Rosli, 2011). The process of control can be summarized as a process of maintaining, evaluating and providing feedback (Dornbush and Scott, 1975; Ibrahim, 2008; Sen, 2012).

Meanwhile, a generally acceptable framework for management control consists of four parts identified as: setting of standards measuring performance, comparing the performance with standards and taking appropriate action when and where necessary (Jamil, 2011).

Despite the absence of typology of organisational control, some writers (Lawler, 1976; Henderson and Lee 1992; Kirsch, 1996; Jasra et.al, 2011) have interpreted control in terms of the influence exerted on the subordinates to seek compliance with organisational goals.

Traditionally, managers relied on the use of external control rather than self-control. Argyris (1990) referred to the transition from traditional external control mechanism to the paradigm of self-control as the "current revolution" in management theory. Variety of control techniques used by contemporary managers to cope with differing problems and elements of their organisations include quality control, systematic control, inventory control, budgeting and financial ratios to mention just a few. (Bedian, 1987; Stoner, Gilbert and Freeman, 1995; Jones, George and Hill, 2000; Maseko, 2012).

Effective control techniques according to Donnelly, Gibson and Ivancevich (1995) must have standards, information and corrective actions. Table 1 (in appendix) presents comparison of these techniques in terms of the standards, information and corrective action relevant for each one. A review of some literature on control practices indicates that controls are necessary for accomplishing organisational objectives. Table 2 (in appendix) summarizes some empirical findings on the relationship between control and organisational effectiveness.

Most researches have shown that good control leads to greater organisational effectiveness (Glueck, 1981; Donnely et.al, 1995; Jasra et al, 2011). In fact, Memba (2012) rationalize the need for control in organisations' desired performance as he opines that given that we live in an imperfect world where plans do not always work, control becomes necessary. This is predicated upon the incessant changes in our business environment which often alter organisational plans. Again, since organisations deal with different categories of employees who may not be so motivated to achieve set plans and objectives, it becomes imperative that control measures are infused in business plans and activities to achieve desired performance.

3. Financial Control Practices among SMES in Nigeria: Empirical Evidence

Nigerian SMEs are evidently aware of financial control system (Melodi, 1995). A survey of inventory control practices according to Melodi (1995) reveals that participating firms have knowledge of modern inventory systems or policies but have not appreciated the application of modern tools of making inventory decisions beneficial to their businesses. Nevertheless, this shows that Nigerian SMEs are not just at the ready state to use the modern inventory planning systems but the SMEs have the tools that are founded on operation's research/management science techniques of which mostly are application of mathematical models with added advantage of programme decision as practiced in the industrialised countries from which the technology used was borrowed.

Nyakundi et al (2014) study on management practices in Nigerian private companies indicates that Nigerian firms use some financial control techniques occasionally. Similarly, an attempt to examine the degree of fit between size and structural variables in small and medium enterprises also recommend increase in the use of control measures to achieve high economic performance in these enterprises (Siwangaza et al, 2014).

Meanwhile, it should be noted that financial control in large organizations is the responsibility of different groups of managers such as audit committee, management committee, executive committee, chief accountants, financial controller, purchasing manager, and credit manager to mention just a few. The situation is usually different in small and medium enterprises. All stages and levels of financial control are likely to be the responsibility of a single manager; often times, the owner or at least the manager who typically does much of the work rather than assigning it to other managers (Memba, 2012). This decreases the need for coordination and control but requires the small business manager to understand and perform a wide variety of activities.

4. Research Settings

The setting for the research is the Lagos State. The state is situated in the South Western part of Nigeria. It is bordered by the Atlantic Ocean in the South, with the swamp mangrove forest along the coastal line and in the Northeast and West by Ogun State. Lagos State occupies an area of 3,345 square kilometers and has an estimated population of over 21 million according to the Nigerian Population Commission (NPC, 2013). The state is the commercial nerve centre of the country and was her former capital. With its vantage position, it has the major seaports. The cosmopolitan nature of the state which sits on a small space does not encourage exclusive agricultural activities. Hence, it has the largest concentration of different industries (Olabisi, et al 2011).

Collectively, the foregoing characteristics of Lagos justify the state as the basis for our research setting. Our focus is on financial control and organisational performance of SMEs in Lagos, primarily because of the dearth of research in this area.

The Corporate Affairs Commission - the body that registers businesses in the country, estimated that about 90% of all Nigerian SMEs in 2013 employed between 50 - 300 people. Similarly, a study conducted by the International Finance Corporation during the same period estimated that 96% of all Nigerian Association of Small-Scale Industrialists (NASSI) had over 30,000 registered members all over the federation. The Nigerian Association of Small and Medium Enterprises (NASME) founded with two classes of membership also had 500 direct and nearly 10,000 indirect memberships (NIPC, 2013).

The foregoing presents the enormous potentials and opportunities for both local and foreign entrepreneurs in small and medium enterprises which justify the selection of the SMEs sub-sector as our focus.

4.1. Research Method and Design

This study is a correlation research concerned with assessing relationship among the variables of the study: financial control as practiced by management of SMEs and organisational performance. The research did not necessarily establish a cause-effect relationship. A cross-sectional survey design was also employed to assess the characteristics of small and medium enterprises across different industries operating in Lagos. Ogunleye (2000), MacMillan and Schumacher (2001), Saunder et al (2009), and Creswell (2013), have justified the use of correlation research in determining whether a relationship exists between or among variables.

Given the nature of this study, an epistemological research philosophy was adopted, using social constructionism while relying on the authorities of Saunder et al (2009), Bryman (2011) and Creswell (2013). The research strategy is case study (Yin, 2011) to allow for indepth understanding of the financial control and organisational performance of the Nigerian SMEs, with specific attention to the businesses operating in Lagos State.

Cross sectional survey design is perhaps the most predominantly employed survey in the social sciences and identified with survey research design (Bryman and Bell, 2013). It is used to structure research process for eliciting useful information particularly where data must be collected from a defined population to describe the present condition of the population using the variables under study (Asika, 2001; Creswell, 2013).

4.2. Data Collection Methods and Unit of Analysis

Data for the study were obtained through the primary and secondary sources. The primary data were generated through self-administered questionnaire. The instrument was administered on participating firms (SMEs) to determine their financial control practices while the secondary data were generated by means of content analysis of financial report of the participating firms. Due to the difficulty encountered in generating requisite data on financial performance, particularly among the smaller firms, exclusive use of self-administered questionnaire to generate data on relevant variables was adopted. The chief executive officers of participating firms were requested to rate their performances relative to competitors on a number of effectiveness measures.

All data for the study were analyzed at two levels. At the primary level, the scores of individual employees in participating firms on job satisfaction and organisational commitment were obtained and aggregated to obtain the scores at organisational level of analysis. There is however organisational level of analysis where responses of participating firms on management practices viz-a-viz financial control and effectiveness criteria were used to constitute one level of analysis. The main variables of interest in this study were financial control practices and organisational effectiveness. The independent variables of management practices include financial control.

The dependent variable of organisational effectiveness was divided into:

i. Economic and behavioural effectiveness
ii. Organisational commitment and job satisfaction were considered as the major indices of behavioural performances. The economic measures of effectiveness included profit growth, sales growth, potential for growth and competitive strength to mention just a few (as shown in table 5.2 below).

4.3. Description of Population and Sampling Plans

A survey research collects data from the population. The population of the study comprises select small and medium enterprises operating within Lagos State. Meanwhile, comprehensive and up-to-date statistics on SMEs are rarely available. The Lagos State Ministry of Commerce and Industry was approached for detailed information on SMEs in the State. The request was directed to the Lagos State branch of the Nigerian Association of Small-Scale Industrialists (NASSI) in Matori on the premise that government programmes on SMEs development are executed in collaboration with NASSI – the umbrella body for SMEs in Lagos.

Self-administered questionnaires were given to these SMEs spread all over Lagos State. Some of these firms are concentrated in Matori, Oyingbo and Isolo Industrial Areas. A total number of 209 copies of the questionnaires were properly filled and returned out of the 268 distributed and subsequently used for the analysis. The SMEs, which did not participate, were apathetic and reluctant to divulge information. Some adduced reasons such as management policy and suspicion to justify their lack of cooperation.

In each of the participating firms, five employees were selected randomly for measurement of job satisfaction and organisational commitment. The samples were chosen both purposively and randomly to guarantee the provision of required information.

A correlation research should have a minimum of twenty subjects (Creswell, 2013). In research comparing groups, there should be at least fifty subjects in each group (McMillan and Schumacher, 2001). In total, 209 small and medium firms participated in the study. SMEs included in the study were defined as any enterprise with a maximum asset base of N200 million excluding land and working capital and with the number of staff employed by these enterprises not less than 10 and no more than 300.

The primary instruments for the study were two sets of structured questionnaires. The first set of questionnaires measure financial control practice. The use of financial control techniques was examined by adapting and modifying measurement of sophisticated control techniques. Alpha reliability coefficient was 0.76. The second set of questionnaires measured organisational effectiveness. This was measured subjectively by means of a scale adapted from Khandwalla (1995). Respondents were requested to rate performance of their firms relative to competitors on the scale ranging from 1 (low) to 5 (high) performances. The main effectiveness criteria used were: Public growth, Sales growth, and Financial strength.

To derive useful meaning from the data generated, the following statistical techniques, and procedure were used:

i. Descriptive statistics such as percentage, mode, median and standard deviation to measure management practices viz-a-viz financial control of responding firms.
ii. Product Moment Correlation (r) was employed to ascertain the association between each pair of the variables and also inter-correlation among them.

Data processing and analysis were carried out with the aid of computer using Statistical Packages for Social Sciences (SPSS) software. In addition, all the statistical tests and analysis were conducted at the conventional 95% of confidence (i.e. significance level $P < 0.05$).

5. Results and Analyses

5.1. Financial Control Practices of Nigerian Small and Medium Enterprises

Table 3. *Control practices of participating Nigerian Small and Medium Enterprises: N = 209*

S/N	Nature of Control	Mean	Median	Mode	SD	SE	95% Confidence Interval	
							Lower	Upper
1.	Profit Centre	3.97	4	5	1.22	0.84	3.80	4.13
2.	Stock Taking	4.46	5	5	0.99	.068	4.32	4.59
3.	Centralization	3.85	4	5	1.29	.087	3.68	4.02
4.	Financial Statement	4.07	5	5	1.29	.089	3.90	4.25
5.	External Audit Control	3.50	4	5	1.48	.102	3.30	3.70
6.	Internal Audit	3.85	4	5	1.46	.101	3.67	4.06
7.	Periodic Performance	3.95	4	5	1.20	.083	3.79	4.12
8.	Evaluation Budgeting	3.78	4	5	1.33	.092	3.60	3.96
9.	Quality Management	4.27	5	5	0.95	.067	4.14	4.40

Source: Field Survey, 2013

The use of financial control techniques was measured by examining the practice of some control techniques such as profit centre, stocktaking, centralisation, financial statement, internal audit, external audit, personnel evaluation, budgeting and quality control.

These techniques were measured on a five-point scale ranging from never used (scored 1) to always used (scored 5).

The results of the analysis of control practices of participating (SMEs) are presented in Table 3 below.

From the table 3 above, participating firms reported a significant use of some financial control techniques such as: stocktaking, quality management and financial statements. Other forms of control were to a lesser extent used by participating SMEs.

The mean values of control range from 3.50 to 4.46. At 95% confidence interval and 209 degree of freedom, the confidence intervals means range from 3.30 – 4.59.

5.2. Organisational Effectiveness of Nigerian Small and Medium Enterprises (SMEs)

Performance appraisal of Nigerian small and medium enterprises was undertaken by requesting responding firms to subjectively evaluate their effectiveness relative to competitors on a scale ranging from 1 (low) to 5 (high).

The descriptive statistics of organisational effectiveness of responding firms are given in the table 5.1 below.

Table 5.1. *Descriptive Statistics of Participating SMEs Effectiveness*

S/N	Effectiveness Criteria	Mean	S.D	S.E	95% Confidence Interval	
					Lower	Upper
1.	Profitability	3.76	.94	.065	3.63	3.89
2.	Growth Rate	3.77	.85	.059	3.65	3.88
3.	Financial Strength	3.52	1.07	.074	3.38	3.87
4.	Operating Efficiency	3.88	.97	.057	3.75	4.01
5.	Performance Stability	3.95	.96	.066	3.82	4.08
6.	Public Image	4.05	.91	.063	3.93	4.18
7.	Staff Moral	3.75	1.05	.972	3.62	3.90
8.	Adaptability	3.76	.96	.066	3.64	3.89
9.	Innovativeness	3.88	1.01	.070	3.74	4.01
10.	Social Impact	4.69	S1.10	.076	3.54	3.84

Source: Field Survey, 2013

Table 5.2. *Control Practices and Organizational Effectiveness of Participants SMEs*

S/N	Effectiveness criteria	Measures of control
1.	Profitability	.151*
2.	Growth Rate	.166*
3.	Financial Strength	.168*
4.	Operating Efficiency	.080
5.	Performance Stability	.217**
6.	Public Image	.133
7.	Staff Morale	.134
8.	Adaptability	.130
9.	Innovativeness	.178**
10.	Social Impact	.180**
11.	Organizational Commitment	.042
12.	Job Satisfaction	.093

- $p < 0.05$
- **$p < 0.01$ N = 209

Source: Field Survey, 2013

Table 5.1 shows a satisfactory performance with means ranging from 3.52 to 4.69. This table demonstrates that the trend in effectiveness of participating SMEs is quite encouraging.

5.3. Financial Practices and Organisational Effectiveness

In this section, the operational hypotheses were tested and a brief discussion of findings provided. The following is a detailed analysis of the data generated from the study.

Control practices are significantly related to organisational effectiveness. Thus, to determine the strength of relationship between financial control practices and organisational effectiveness, Pearson Product Moment Correlation was employed. Tables 5.1 and 5.2 above show the results.

In hypothesis I, we attempt to test the significance of the relationship between financial control practices and organisational effectiveness. Table 5.2 presents 12 correlation coefficients and 6 are statistically significant. Financial control practices are significantly related to profitability, growth rate, financial strength, performance stability, innovativeness and social impact. This, to some extent, confirmed our prediction in hypothesis II; that there exists a meaningful relationship between financial practices of SMEs and their relative effectiveness.

6. Discussion of Findings

The need for management control is widely accepted and appreciated by Nigerian SMEs (Akinruwa et al, 2013). A control system is necessary in any organisation in which activities of different units, departments and divisions must be monitored and coordinated. The purpose of control is to ensure, as much as possible, that actual performance conforms to standards.

Control problems have a way of quietly snowballing into overwhelming proportion. Progressive managers adapt variety of control techniques to keep behaviour and organisational culture in check (Siwangaza et al, 2014). The results of the findings of this work indicate that financial control techniques such as stocktaking, quality control, financial statement, centralisation, external audit, budgeting and periodic performance evaluation with the exception of internal audit are used very well in participating SMEs. This is in line with the findings of Ariyo (2009); Chittithaworn et al (2011); and Dekeng (2014).

In small and medium enterprises, financial control plays a critical role in planning and leadership. SMEs that deem planning as essential must incorporate financial control for proper implementation and evaluation. This confirms the common adage that planning and control are two sides of the same coin. The hallmark of a good plan lies in its in-built controls for without provision of effective financial control, a plan becomes an unguided missile in action. It might crash on the business that launches it.

The dynamic and competitive nature of the Nigerian business environment has caused organisations to monitor their effectiveness and consequently stressed the need for performance improvement through financial control. The recession that plagued the Nigerian economy in 1980s was arguably the first to jolt the economy's consciousness to the compelling need on reducing costs and increasing profit (Olabisi, et al, 2011). Also, the recent consolidation in the banking sector in 2005; and global recession that broke out in 2008 have resulted into the use of budgeting, accounting ratios, establishment of profit centres, quality control and so on (Bodunrin, 2012; Maseko, et al, 2012; and Nyakundi, 2014).

Furthermore, Nigerian SMEs stand at the threshold of a new era in a globalized world. Arguably, they never before had, at the same time, so many problems and such biggest prospects for the future. Hence, there is need for financial control to solve the problems and realize the prospects of the SMEs sub-sector, especially when viewed from the extravagance lifestyle of SMEs owners' avoidable display of affluence rather than developing the business (Akinruwa et al, 2013).

The assessment of organisational effectiveness of participating Nigerian SMEs shows that the trend of organisational effectiveness of Nigerian SMEs is encouraging. Most of the participating firms reported quite good performance in all dimensions of effectiveness with the highest in social impact followed by public image, performance stability, operating efficiency, innovativeness, among others as shown in Table 5.1 above. This confirms the findings of Abere et al, (1998) and Akinruwa, et al (2013) on the determinants of SMEs' performance.

Abere (1998) attributes the enhanced profitability of the informal sectors to the motivation of the operators who seek opportunities with high potentials in the post reforms environment. Beyond this is the ingenuity and imagination of the entrepreneurs who are determined to make a livelihood in a grossly hostile economic and social environment.

Several researchers have attempted to assess the role of financial control on organisational effectiveness. Majority of results reveals a positive relationship (Awe, 2008; Ariyo, 2009; Chittithaworn et al 2011; and Siwangaza et al 2014). To achieve economic performance, financial control mechanisms need to be installed. These mechanisms enable SMEs to ensure that managers are held responsible for results (Dekeng, 2014). In fact, organizations need to be highly cost conscious. Seemingly management cost disadvantages in operation can make a difference between success and failure. Control helps organisations to obtain superior efficiency, quality, responsibility to customers and innovation – the four building blocks of competitive advantage (Jones et al 2000).

7. Conclusion

Control is an important function that must be practised by SMEs. Most researches have shown that good control leads to greater organizational effectiveness. Nigerian business environment is fluid, dynamic and competitive hence planning is a fundamental requirement. The effectiveness of such planning will depend on application of control measures to monitor and evaluate the progress of the planning.

The findings on organisational effectiveness of participating SMEs suggest that apart from acting as avenue for employment generation, Nigerian SME sub-sector has offered profitable engagement for Nigerians. The policy lesson is that despite the environmental crises and infrastructural deficiency, the SMEs continue to serve as avenue for improving the standard of living of the people as they are regarded as essential to the path out of poverty for developing countries and for effective organisational performance (Nyakundi et al, 2014).

- The significant relationship between organizational performance of participating SMEs and financial control practice suggests the need for skill development in these areas for Nigerian SMEs to make significant contribution to industrial development and economic growth of the nation.

Appendix I

Table 1. *Control Techniques, Standards, Information and Corrective Action*

S/N	Techniques	Standards	Information	Corrective Action
1.	Job description	Job specification – skills, experience, education, learning on job success	Test scores, credentials; background data	Hire/no hire; remedial training
2.	Selection	Job specification – skills, experience, education, learning on job success	Test scores, credentials, and background data	Place/no place; remedial training
3.	Material inspection	Percent of number defective within alternate limits	Sampling of input.	Accept, reject, or retest.
4.	Capital budgeting	Simple rate of return, payback period, discounted rate of return.	Projected cost, revenue, and engineering data.	Accept, reject.
5.	Financial budgeting	Requirement arising out of the forecasting step of planning.	Projected cost, revenue, and engineering data.	Accept, reject, and revise.
6.	Direction	Required job behavior and end result.	Plans and job specifications.	Change plans and/or job specifications, train, the people.
7.	Financial statement analysis	Relevant date found in trade, banking and the rule of thumb sources.	Balance sheet, income statement.	Revise input, revise direction.
8.	Standard cost analysis	Standard times/usage from engineering studies.	Cost accounting system.	Revise input, revise direction.
9.	Quality control	Percent of number defective consistent with marketing strategy.	Sampling procedure.	Revise input, revise direction.
10.	Employee performance evaluation	Job-related performance criteria	Managerial observations, self-response.	Retain, replace personnel, change, and assigned jobs.

Source: Adopted from Donnely J.A, Gibson J.L and Ivancevich J.M, (1995).

Appendix II

Table 2. *Research on the Relationship between Control and Effectiveness*

Research(es)	Setting	Findings
Farris and Butterfield. (1972)	16 Banks in Brazil	The greater the control, the greater the effectiveness. Effectiveness is greater if the manager at the lower level perceives the manager at the next level as having greater control over him or her than is actually the case.
Lawrence and Lorsch. (1967)	6 American companies	The greater the control, the more effective the firm. But the firm's unstable industries use conversation control mechanisms. Those in volatile industries use liberal mechanisms
Woodward (1970)	100 British companies	Effective control leads to organisational effectiveness. The control mechanisms vary. However, effective small-batch firms use behavioural control based on single measures of effectiveness. Effective automated firms use mechanical control (output controls) in mass production both behavioural and output controls are used but on an infrequent (not continuous) basis
Bell. (1965)	204 Employees in 30 departments of a Connecticut Hospital	Control leads to effectiveness. The more routine, the job, the greater the use of behavioural at control (personal supervision). The more volatile, the greater the use of output controls. This confirms the Quichi and Maguire study
Khandwalla. (1992)	80 Large American firms	The more volatile the environment (as measured by type of competition), the greater the control in effective business
Tannanbaum (1968)	104 Leagues of Women voters Units	The greater the amount of control, the greater the effectiveness
Bowers. (1983)	40 Life Insurance Agencies	The greater the amount of control, the greater the effectiveness as measured by job satisfaction and organisation development (not by growth, sales, or turnover). Greater control costs more, too.
Turcatte. (1970)	2 state government agencies	Higher performance is found where output measures are clear, the control level executives are clear, the control level executives are high' and the control system emphasizes and helps achieve high output. Not all measures of output are equally high
McMahan and Ferrit. (1973)	2,537 Line managers in 2 plants of a large and successful mass production technology firm	The greater the control, the greater the effectiveness.

Source: Glueck, W. F. (1981): Management Hinsdale Illoise, Drydes Press.

References

[1] Abere, S. (1998): The informal sector in Nigeria Development, Policy Centre, IFC Research Report, Central Bank of Nigeria: A report on the informal sector.

[2] Agyris, C. (1990): Integrating the individual and the organisation transaction, New Brunswill: New Jersey.

[3] Akinruwa, T.E., Awolusi, O.D., and Ibojo, B.O., (2013): Determinants of Small and Medium Enterprises (SMEs) Performance in Ekiti State, Nigeria: A Business Survey Approach. European Journal of Humanities and Social Sciences. Vol. 27(1).

[4] Al – Eqab, A. & Noor A.I. (2011): Contingency Factors and Accounting Information System Design in Jordanian Companies, IBIMA Business Review, Article ID 166128, 1-13.

[5] Ariyo, D. (2009): Small Firms are the Backbone of Nigeria Economy. Africa Economic Analysis Africa Enterprises Information Service, Bridgnorth, United Kindom.

[6] Asika, N. (2001): Research in Behavioural Science, Nigeria, Longman Publishers Limited.

[7] Awe, I.O. (2008): Entrepreneurship Development; (Fourth Ed). Akure: Adeyemo Publishing House.

[8] Banabo, E. & Koroye, B.H. (2011): Sales Promotion Strategies of Financial Institutions in Bayelsa State, Asian Journal of Business Management, 3(3), 203-209.

[9] Bateman S. T. and Snell, S. A. (2006): Management: Leading and Collaborating in a Competitive World, 7th ed, USA McGraw Hill Incorporation.

[10] Bedian, A. G. (1987): Management, New York, Dryden Press

[11] Bell, G. (1965): Influence of Technological Components on Work upon Management Control, Academy of Management Journal, 8, 127 – 132.

[12] Bryman, A. (2011) Mission Accomplished? Research Methods in the first five years of Leadership.

[13] Bryman, A. and Bell, E. (2013) Business Research Methods, 4th Edition. Oxford: Oxford University Press.

[14] Bodunrin, R. (2012): Internal Economic Policy: Reliable Tool for Rapid Development, Retrieved from www.ekitistate.gov.ng. August, 2013.

[15] Chittithaworn, C., Islam, M.A., Keawchana, T. & Yusuf, D.H (2011): Factors Affecting Business Success of Small and Medium Enterprises (SMEs) in Thailand Asian Journal of Social Science: 7(5); 1-11. European Commission (2005). The New Small Medium Enterprises Definition User Guide and Model Declaration: Enterprise and Industry Publications.

[16] Cole, G. (2006): Management: Theory and Practice, London, Kogan Page Limited

[17] Creswell, J.W. (2013) Educational Research: Planning, Conducting, and Evaluating Quantitative and Qualitative Research, 5th Edition, Pearson Education.

[18] Dekeng, S.B. (2014): Accounting Information System (AIS): Alignment and Non- Financial Performance in Small Firms. International Journal of Computer Networks (IJCN). Vol. 6(2).

[19] Donelly, J. A., Gibson, J. L. and Ivancerich, J. M. (1995): Fundamental of Management U.S. Irwin Publishers, P. 288.

[20] Essien, O. E. (2001): The Role of Development Financial Institutions (DFIs) in the Financing of Small Scale Industries, Bullion, 25 (3) 3-6.

[21] Farris, F. and Bullerfield, D. A. (1972): Control in Brazilian Organisation, Administrative Science Quarterly, 17, 574 – 585.

[22] Glueck, W. F. (1981): Management, Hindsdale Illinois, Dryden Press.

[23] Ibrahim, U. (2008): An Analysis of Strategic Factors Affecting: The performance of Small and Medium Industries in Borno State of Nigeria at the St Clement University, Published doctorial dissertation, St. Clement University, Australia.

[24] Jackson, K and Frigan N. (1994): Management 2000: The Practical Guide to the World Class: New York, Northread and Royceland.

[25] Jamil, C.M. and Mohamed, R. (2011): Performance Measurement System (PMS) In Small Medium Enterprise (SMES): A Pratical Modified Framework, World Journal of Social Sciences; 1(3): 200 212.

[26] Jasra, J.M., Asifkhan, M., Hunjra, A.I., Rehman, R.A and I-Azam, R. (2011): Determinants of Business Success of Small and Medium Enterprises, International Journal of Business and Social Science, 2(20), 274-280

[27] Jones, G. R., George, J. M. and Hill, C. W. (2000): Contemporary Management Irwin McGraw Hill.

[28] Kirch, L. J. (1996): The Management of Complex Tasks in Organisation: Controlling the system Development Process: Organisational Science, 7, 1, 1-21.

[29] Kwandalla, P. (1995): Management Style: New Dehli, Tofa McGraw Hill Publishing Company Limited.

[30] Lawal, A. A. (1993): Management in Focus: Nigeria, Abdul Industrial Enterprises.

[31] Lincoln, R. (1989): Employees Work Attitude and Management Practices in the US and Japan, Evidence from a large Comparative Survey, California Management Review, 89 – 106.

[32] Malhotra, Y. (2001): Organisational Control as Enablers and Constraints in Successful Management System Implementation in Malhotra, Y. (2001) ed. Knowledge management and Business Model Innovation, U.S., Ideal Group Publishing, 326 – 336.

[33] Manyani, O. (2014): An Investigation into Venture Financing: A Cases Study on Small to Medium Scale Enterprises in Bindura Urban, Zimbabwe. Elite Research Journal of Accounting and Business Management. Vol. 2(2).

[34] Maseko, N. (2012): An analysis of the Impact of Targeted Government Assistance on SMEs Growth and Development in Zimbabwe. Journal of Research in International Business Management Vol. 2(2) pp. 051-059.

[35] Maseko, N., & Manyani, O., (2011): Accounting practices of SMEs in Zimbabwe, an Investigative study of Record Keeping for Performance Measurement. Journal of Accounting and Taxation.

[36] Mcmillian, J. H. and Schumacher, S. (2001): Research in Education: A Conceptual Introduction, New York Addison Wesley, Longman.

[37] Melodi, G. O. (1995): A Survey of Inventory Control Practices of Nigerian Manufacturing Firms", Journal of Management, Vol. 7(1).

[38] Memba, S.F., Gakure W.R, & Karanja,K., (2011): Venture capital, its Impact on Growth of Small and Medium Enterprises in Kenya. University Press.

[39] Nigerian Investment Promotion Commission (NIPC) (2013): Overview of Small and Medium Enterprises in Nigerian. NIPC Annual Report.

[40] Nigerian Population Commission (NPC) (2006): National Population Census: Official Report, NPC Publications.

[41] Nigerian Population Commission (2013): National Population Commission Quarterly Publication.

[42] Nnamma, O. J. (2001): Financing Small Scale Business under the New CBN Directives and the likely Impact on Industrial Growth of Nigerian Economy, Bullion, Vol.25(3).

[43] Nyakundi, D.O., Nyamita, M.O, and Tinega, T.M., (2014): Effect of Internal Control Systems on Financial Performance of Small and Medium Scale Business. International Journal of Small Business. Vol. 3(1).

[44] Ogunleye, A. O. (2000): An Introduction to Research Methods, Sunshine International Publication, Nigerian Limited.

[45] Olabisi, S.Y., Olagbemi, A.A., and Atere, A.A., (2011): Factors Affecting Small-Scale Enterprises Performance In Informal Economy In Lagos State Nigeria, Africa Journal of Enterprises, Vol. 3(2).

[46] Rosli, M.M. (2011): Determinants of Small and Medium Enterprises Performance in the Malaysian Auto Part Industry, African Journal of Enterprises management, Vol. 5(20).

[47] Sen, S. (2012): Corporate Social Responsibility in Small and Medium Enterprises: Application of Stakeholders Theory and Social Capital Theory; A Research Thesis Submitted to Southern Cross University, Austalian.

[48] Siwangaza, L., Smit, Y., Bruwer, J., and Ukpere, W.I.,(2014): The Status of Internal Controls in Fast Moving Small Medium and Micro Consumer Goods Enterprises within the Cape Peninsula. Mediterranean Journal of Social Sciences. Vol. 5(10).

[49] Stoner, J. Freeman, E. and Gilbreth, D. (1995): Management, Prentice Hall International.

[50] Sule, E. I. (1996): Small Scale Industries in Nigeria: Concepts, Appraisal of Government Policies and Suggested Solution to Identified Problems, Economic and Financial Review, 24 (4).

[51] Saunders, M.N.K., Lewis, P., Thornhill, A. and Wang, C.L. (2009) Research Methods for Business Students, 5th Edition, Prentice Hall, UK.

[52] Tabnnenbaun, A. (1986): Control in Organisations, New York McGraw Hill.

[53] Turcottee, W. (2001): Control System, Performance and Satisfaction in two State Agencies" Administrative Science Quarterly, Vol. 19(1).

[54] Weihrich, H. and Koontz, H. (2006): Management U.S.A. McGraw Hill.

[55] Yin, R.K. (2011) Case Study Research: Design and Methods (5th Edition) Applied Research Methods Series, Vol. 5. Sage.