



Received: 11-01-2025
Accepted: 21-02-2025

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Analyzing the Effectiveness of Business Management Practices Utilized in SMEs: Case Study of Selected Automotive Mechanics in Lusaka

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DOI: <https://doi.org/10.62225/2583049X.2025.5.2.3805>

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Abstract

This study focuses on analyzing the effectiveness of various business management practices utilized in indigenous SMEs within the context of selected automotive mechanics in Lusaka district. The research objectives focused on investigating the impact of capital financial sources, evaluating marketing management techniques, and assessing the effect of financial management practices on the performance and growth of automotive mechanics. Data was collected through questionnaires administered to 50 respondents from various selected companies in Lusaka Zambia which included business owners, managers, employees, and industry experts. Findings were presented using frequency tables and pie charts. The study revealed that a significant majority of respondents recognized the positive influence of capital financing on business performance. Diverse capital sources, such as bank loans, personal savings, and venture capital, exhibited varying

impacts, emphasizing the multifaceted nature of financial decision-making. Moreover, the study underscored the importance of marketing management techniques for business growth. Digital platforms, particularly social media and email marketing were identified as key drivers of growth. Furthermore, the findings emphasized the crucial role of budgeting in financial management. Challenges in financial resource management included cash flow management, capital budgeting decisions, and debt management. The study recommended tailored strategies to address these challenges effectively. In conclusion, the study's outcomes provide valuable insights into the intricacies of business management practices and their impact on business growth and performance. The study's recommendations offer guidance to businesses, entrepreneurs, and policymakers on optimizing their practices for sustained growth and success.

Keywords: Automotive Mechanics, Business Management practices, Capital Financial Sources, Financial Management Practices, Marketing Management Technique

1. Introduction

1.1 Background to the study

The automotive industry plays a crucial role in the economic development of countries, including Zambia. Effective business management practices and systems are essential for the success and growth of businesses in this industry. The management practices employed in automotive machine shops directly impact on the efficiency, productivity, and profitability of the business. Therefore, analyzing the effectiveness of business management practices in the context of automotive mechanics in Lusaka becomes crucial to understanding the current situation and identify areas for improvement. When it comes to the SME sector's contribution to GDP growth, categorical data is lacking. When the Ministry of Commerce, Trade, and Industry (2014) [13] said that there is little knowledge about the commercial operations of the SME sector and its contribution to national development and economic progress. Data from the Central Statistical Office (CSO) does not break down national production in relation to enterprise size, it is difficult to estimate the entire size of the SME sector in Zambia. According to studies, Zambian SMEs face a skills gap problem that affects their businesses' efficiency. In order to close the skills gap and increase the productivity of SMEs, one of the initiatives put out in the SNDP is to encourage entrepreneurship (Ministry of National Development Planning, 2017) [6]. The Parliamentary Committee report on Communications, Transport, Works and Supply of the National Assembly of Zambia confirms that many SMEs in the sector have been struggling when it comes to business performance, causing them to either fail or remain at the same stage of growth, infancy.

1.2 Statement of the problem

This research aims to investigate the current state of business management practices within this industry and identify potential areas for improvement. Statistics indicate that a significant number of businesses struggle with issues related to poor management practices. According to a study conducted by World Bank (2019), 65% of small and medium enterprises (SMEs) in Zambia reported difficulties in implementing effective management systems. Additionally, a survey by the Ministry of Commerce, Trade, and Industry (2020)^[14] revealed that 45% of businesses in the country face challenges in aligning their management practices with industry standards. These statistics highlight the need for research to explore and analyze the effectiveness of business management practices in Zambia. Furthermore, a report by the Zambia Association of Automotive Engineers (2021)^[5], highlighted that a considerable number of automotive mechanic businesses in the country experience low productivity levels, leading to suboptimal utilization of resources and limited growth opportunities.

1.3 Objectives

1.3.1 General objectives

The main objective of the study is to Analyzing the effectiveness of business management practices utilized in indigenous SMEs; case study of selected automotive mechanics, Lusaka.

1.3.2 Specific objectives

1. To ascertain the effect of capital financial sources on the performance of automotive mechanics.
2. To evaluate marketing management techniques of automotive mechanics on the growth of business.
3. To assess the effect of financial management practice and the performance of automotive mechanics.

1.4 Research questions

1. What is the effect of different capital financial sources on the performance of automotive mechanics in Zambia?
2. How do marketing management techniques employed by automotive mechanics in Zambia contribute to the growth of their business?
3. What is the relationship between financial management practices and the performance of automotive mechanics in Zambia?

1.5 Theoretical framework

Resource-Based Theory (RBT) will be applied to the study and case studies on automotive mechanics in Zambia to understand how firms can gain a competitive advantage and achieve superior performance by effectively leveraging their unique resources and capabilities. In the context of business management practices (systems), RBT emphasizes the importance of identifying, acquiring, and developing valuable resources that are rare, difficult to imitate, and non-substitutable. This theory suggests that firms can achieve a sustainable competitive advantage by effectively managing and leveraging their resources and capabilities. In the case of automotive mechanics in Zambia, the application of RBT would involve analyzing the specific resources and capabilities that are unique to automotive machine businesses in the country.

2. Literature Review

Saeed (2009) investigated the impact of financial sources on firm growth in Brazil. The empirical results revealed that internal finance maintains a positive relationship with firm growth. In the UK, access to finance for small and medium enterprises (SMEs) is key to the recovery and long-term growth of the UK economy. The principal providers of external finance are the major UK banks. In Japan, SMEs account for 99.7% of all companies, 70% of all employees, and more than 50% of all added value, forming the very basis of the Japanese economy (Ministry of Commerce, Trade, and Industry, 2013)^[7]. In China, small and medium-sized enterprises have played an active role in economic growth. 99.6% of enterprises in China are SMEs. Empirical evidence presented by Kayumba, E. B., Bwalya, M. (2018)^[1] indicated that most companies in the private sector have been unable to develop as well as realize their full potential largely because of, among other things, the high cost of finance and lack of collateral required by financial institutions.

Companies need to find the best way to access their customers and make sure that they are satisfied with their own products and services. Marketing is used to identify the customer, keep the customer, and satisfy the customer. The marketing mix assists you in defining the marketing elements required to successfully position your market offer. Social media as websites and applications that are designed to allow people to share content quickly.

While others may use social media for various purposes, one of the important opportunities provided by social media is doing business online, thereby enabling it to be used as a marketing tool by small and medium-sized enterprises. Chisanga, B., & Kaseke, E. (2016)^[11].

The core contribution of small and medium-sized enterprises (SMEs) towards the overall economic boom and sustainability cannot be ignored (Muneer, Ahmad, and Ali, 2017). Financial performance is decisive for the survival of SMEs. Financial management plays an important role in the successful development and survival of SMEs, as various previous studies conducted in the same areas of financial management have largely recognized. Financial management is used by financial managers in order to guarantee that the balances of a firm's current assets and current liabilities are maintained at levels that are optimum for the organization. The efficient management of finances ensures that the cash flow generated by a project is sufficient to cover both the short-term loan commitments and the ongoing operating expenses of the project.

3. Research Methodology

3.1 Research design

The study employed a case study design rooted in quantitative approaches. A case study design was chosen as it provided an opportunity to understand the unique context in which the business operated. The Zambian automotive industry had distinct characteristics, challenges, and opportunities that impacted business management practices. Through conducting case studies, the researcher gained insights into the local business environment, regulatory frameworks, cultural factors, and industry dynamics that shaped management practices in automotive mechanics. According to Lewis and Thornhill (2009)^[4], the quantitative approach assumed that facts could be measured through a

specific set of objective methods, and this paradigm further believed in a single apprehensible reality that could be known, categorized, and measured.

3.2 Target population

The target population for the research consisted of 50 respondents from the automotive mechanics’ sector in Zambia.

3.3 Sampling design

The study used both random and non-random sampling techniques to select the respondents. Stratified random sampling was employed to select staff members, providing a greater number of respondents from the population a chance to be part of the sample. Purposive sampling was utilized to select administrators. This sampling method was chosen for this specific subsample to gather in-depth responses from respondents who were well informed about the research problem.

3.4 Sample size determination

The participants for the study were drawn from automotive mechanics in Zambia. The selection of this participant group was crucial as they possessed firsthand experience and expertise in the field of automotive machine repair and maintenance.

3.5 Triangulation

Triangulation was a technique used for analyzing the results obtained from research designs that employed multiple methods. It was primarily employed as a means of cross-checking to validate outcomes derived from various types of methods, including the collection of demographic and other pertinent information. The study encompassed the utilization of the survey method, implementation of a structured questionnaire or interview guide during interviews, selection of a sample, and application of a probability sampling technique to establish the sample size. Data were encoded and subsequently subjected to thematic analysis.

4. Presentation of Research Findings and Discussion of Results

4.1 Presentation of results on background characteristics of the respondent

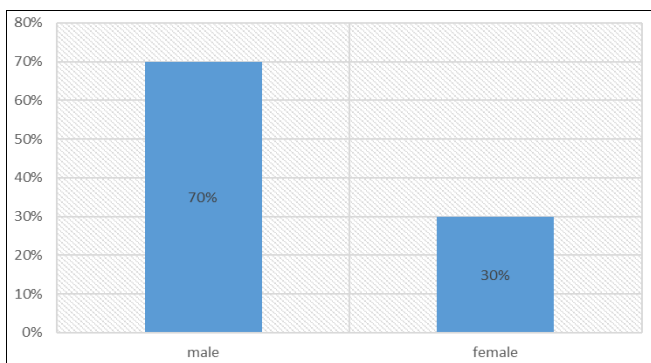


Fig 4.1.1: Gender

The study requested respondents to indicate their gender. From the collected data, 70% of the majority respondents indicated male while 30% of the respondents indicated female.

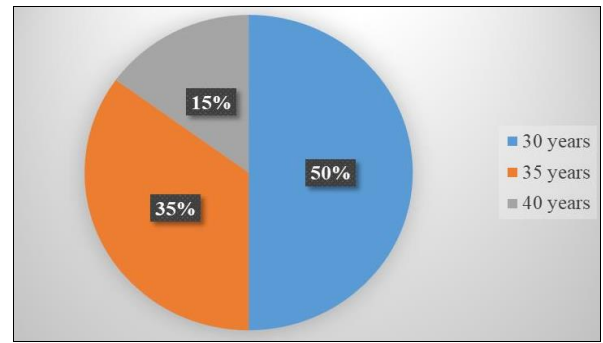


Fig 4.1.2: Age

The study requested respondents to indicate their age. 50% of the majority respondents indicated 30 years, 35% of the respondents indicated 35 years and 15% of the respondents indicated 40 years.

4.2 To ascertain the effect of capital financial sources on the performance of automotive mechanics

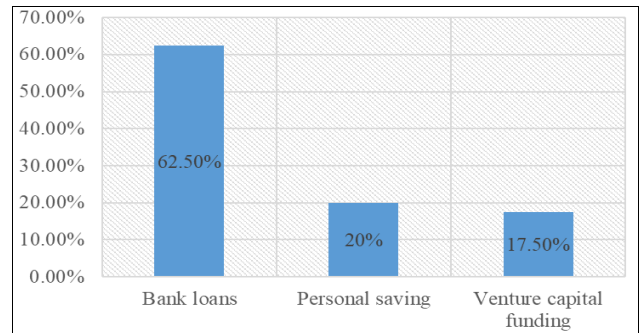


Fig 4.2.1: What is the primary capital financial source for your business?

The study requested respondents to indicate their primary capital financial source for their business. 62.5% of the respondents indicated bank loans as the source of their finances, 20% of the respondents indicated personal saving and 17.5% of the respondents indicated venture capital funding.

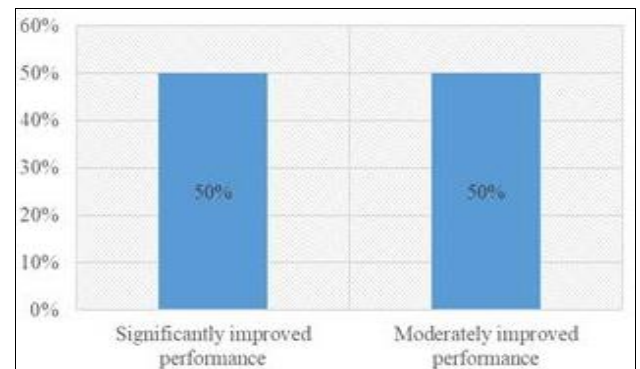


Fig 4.2.2: How has the chosen capital financial source impacted your business performance?

The study requested the respondents to indicate how the chosen capital financial source has impacted their business performance. From the data collected, 50% of the respondents indicated significantly crowdfunding platforms as a financial source on improved performance and 50% of

the respondents indicated moderately improved performance

Table 4.2.3: Which factor do you consider most important when evaluating capital financial sources for your business?

Response	Frequency	Percent
It enables businesses to access capital from a large pool of investors, potentially boosting performance	24	60%
It increases public exposure and brand recognition, positively impacting performance	8	20%
It may create higher expectations and scrutiny from crowd funders	8	20%
Total	40	100%

47.5% of the majority responded businesses to access capital from a large pool of indicated flexibility of repayment terms investors, potentially boosting performance, 35% the respondents indicated influence/control given to external investors 17.5% of the respondents indicated the amount of funding available.

Table 4.2.4: What is the effect of utilizing crowd funding on business performance?

Response	Frequency	Percent
Amount of funding available	7	17.5%
Cost of capital	14	35 %
Flexibility of repayment terms	19	47.5%
Influence/control given to external investors		
Total	40	100. %

The study requested the respondents to indicate the effects of utilizing crowd funding platforms as a factor which they consider most important when financial source on business performance. 60% of the majority respondents indicated that it enables business to access capital from a large pool of investors, potentially boosting performance, 20% of respondents indicated that it increases public exposure and brand recognition positively impacting performance, and 20% of the respondents indicated that it may create higher expectations and scrutiny from crowd funders.

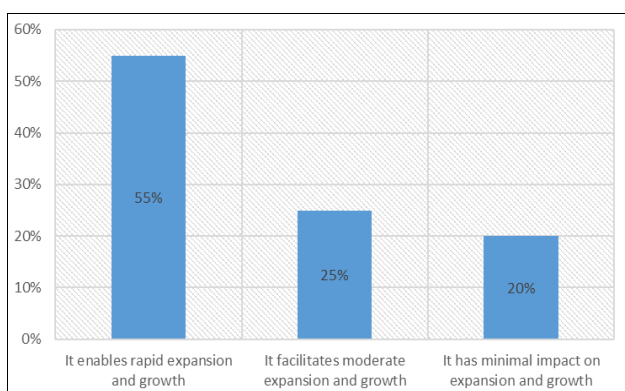


Fig 4.2.5: How does access to capital financial sources influence a business's ability to expand and grow?

The study requested respondents to indicate how access to capital financial sources influence a business's ability to expand and grow. 55% of the majority respondents indicated that it enables rapid expansion and growth, 25% of the respondents indicated that it facilitates modes rate expansion and growth and 20% of the respondent indicated it has minimal impact on expansion and growth.

4.3 To evaluate marketing management techniques of automotive mechanics on the growth of business

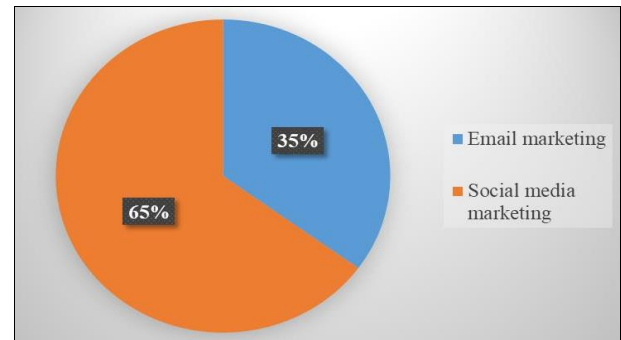


Fig 4.3.1: Which marketing management technique has proven most effective in driving business growth?

The study requested respondents to indicate which marketing management technique has proven most effective in driving business growth. 65% of the majority respondents indicated social media marketing and 35% of the respondents indicated email marketing.

Table 4.3.2: How do you measure the success of your marketing campaigns in terms of business growth?

Response	Frequency	percent
Expansion into new markets	8	20%
Higher customer retention rates	8	20%
Improved brand awareness and recognition	18	45%
Increase in sales revenue	6	15%
Total	40	100%

The study requested respondents to indicate how they measure the success of marketing campaigns in terms of business growth. 45% of the majority respondents indicated improved brand awareness and recognition, 20% of the respondents indicated higher customer's rates, 20% of the respondent indicated expansion into new markets and 15% of the respondents indicated increase in sale revenue.

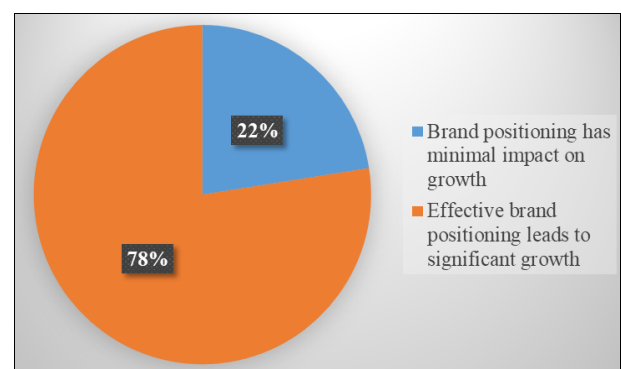


Fig 4.3.3: What role does brand positioning play in the growth of a business?

The study requested respondents to indicate what role brand positioning play in the growth of a business. 77.5% of the majority respondents indicated that effective brand positioning leads to significant growth and 22.5% of the respondents indicated that brand positioning has minimal impact on growth.

4.4 To assess the effect of financial management practice and the performance of automotive mechanics

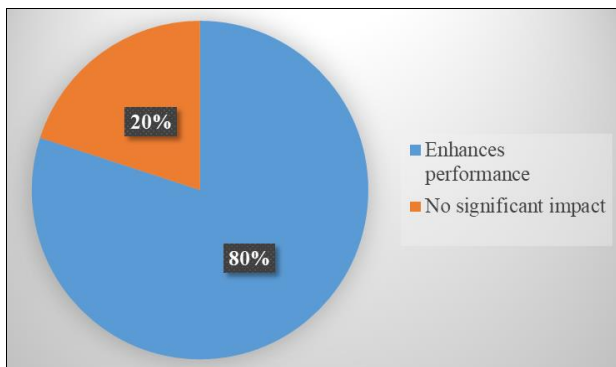


Fig 4.4.1: What role does effective budgeting play in determining the performance of a business?

The study requested respondents to indicate what role effective budgeting play in determining the performance of a business. 80% of the majority respondents indicated that it enhances performance on the business and 20% of the respondents indicated that there is no significant impact on business performance.

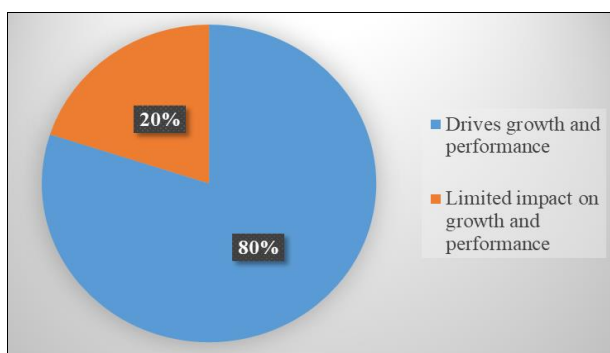


Fig 4.4.2: To what extent does effective capital budgeting impact the growth and performance of a business?

The study requested respondents to indicate to the extent to which effective capital budgeting impact the growth and performance of a business. 80% of the majority respondents indicated that it drives growth and performance while 20% of the respondents indicated that it has limited impact on growth and performance.

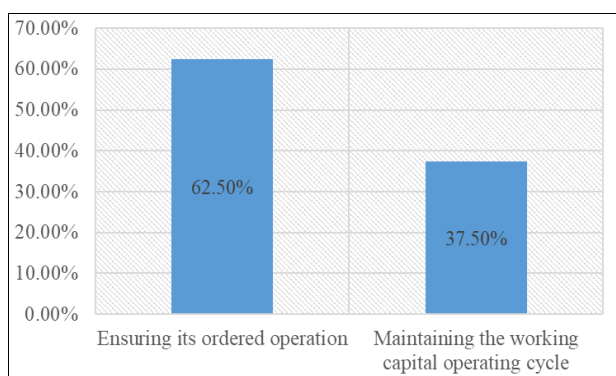


Fig 4.4.3: What is the main objective of financial management practice?

The study requested respondents to indicate the main objective of financial management practice. 62.5% of the

majority respondents indicated that it is ensuring its ordered operation and maintaining the working capital operating cycle, while 37.5% indicated that it is maintaining the working capital operating cycle.

Table 4.4.4: What are the primary challenges faced by businesses in managing their financial resources?

	Frequency	Percent
Capital budgeting decisions	11	27.5%
Cash flow management	20	50.0%
Debt management and financing	9	22.5%
Total	40	100.0%

The study requested respondents to indicate the primary challenges faced by businesses in managing their financial resources. About 50% of the majority respondents indicated cash flow management, 27.5% of the respondents indicated capital budgeting decisions and 22.5% of the respondent indicated debt management and financing.

4.5 Discussion of research findings

The prevalence of bank loans as a primary capital financial source is in line with traditional financing practices. According to a report by the World Bank Group, bank lending remains a fundamental source of financing for small and medium-sized enterprises (SMEs) around the world, contributing to economic growth and job creation (World Bank Group, 2020). The utilization of personal savings for business capital reflects the significance of owner equity in business startup and development. A report by the Small Business Administration (SBA) suggests that the impact of financing on business performance can be influenced by factors such as business size, industry, and market conditions (Small Business Administration, 2021) [15]. Most respondents (65%) identified social media marketing as the most effective technique in driving business growth. This finding aligns with the increasing prominence of social media platforms as powerful tools for reaching and engaging with target audiences. Email marketing remains a reliable method for direct communication with customers and nurturing leads. Most respondents (45%) identified improved brand awareness and recognition as a significant outcome of their marketing efforts. An analysis by McKinsey & Company emphasizes the importance of customer-centric marketing strategies in driving revenue growth (McKinsey & Company, 2020) [16].

The study reveals that a substantial majority of respondents (77.5%) believe that effective brand positioning plays a significant role in driving business growth. However, it's important to note that a minority of respondents (22.5%) indicated that they believe brand positioning has minimal impact on business growth.

The majority's recognition (75%) of the positive impact of optimal capital structure on financial performance aligns with established finance theory. This aligns with the findings of a study published in the Journal of Applied Corporate Finance, which emphasizes the importance of efficient capital budgeting in ensuring the alignment of investments with strategic goals (Graham & Harvey, 2001) [2].

The perception that the main objective of financial management is to ensure ordered operation and maintain the working capital cycle aligns with the foundational role of financial management in maintaining the financial health of

a business. This aligns with the research by Deloof (2003)^[3], which underscores the importance of working capital management in maintaining a firm's financial soundness. The study's findings reflect the intricate relationship between financial management practices and business outcomes.

Cash Flow Management (50%) The fact that half of the majority respondents indicated cash flow management as a primary challenge emphasizes the critical role that cash flow plays in the financial health of a business.

These findings highlight the importance of implementing sound financial strategies, utilizing appropriate tools, and seeking expert advice to address these challenges effectively and promote sustainable business growth.

5. Conclusion

In conclusion, the study's findings provide valuable insights into various aspects of business management and their impact on business growth and performance. The results from different sections of the study shed light on key considerations that businesses must consider succeeding in a competitive environment. The findings demonstrate that different capital financial sources have varying impacts on business performance.

6. Acknowledgment

I thank the almighty God for teaching and guiding me. For strengthening me through all the challenges and obstacles that came my way. My sincere thanks and undying gratitude go to my supervisor Mr. Kabubi, who was tirelessly supporting me through and through so that I can see my dream of attaining a degree come to fruition. My indebtedness also goes to my family and friends especially Niza Nayame for diligently encouraging me in my academic aspirations. Thank you for your support and prayers. To all my lecturers, thank you for your guidance and time. You are the greatest heroes who made it possible for this work to be a success.

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