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# THE EFFECT OF MANAGERIAL SKILL ON BUSINESS SUCCESS

*Case  
Study*

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*Marketing;*  
*Business performance;*  
*Business success;*  
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*Key factors for business success;*  
*Business management;*

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## **JEL Classification**

*M13; L25; M31; M21*

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## **Abstract**

*The primary aim of this research is to identify the influence of managerial skill on business success. This study is based on in-depth interviews with 15 senior executives from Israeli international industry. Content was analyzed to reveal factors affecting success. In addition, the research uncovered several additional key factors such as marketing knowledge, sales skills and team quality, each closely associated with business success. This work is the second to incorporate factors most affecting business success and should help entrepreneurs and / or managers leading such organizations take actions to increase their chances of success.*

## **INTRODUCTION**

Business success hardly happens inadvertently. It is usually the result of entrepreneurs' long journey, which is laborious, pressing, and difficult, forcing them to cope with multiple challenges. Not often do entrepreneurs fail to complete this endeavor. Some fail and try again; others wait for the opportunity and take a safer route to success when time and place are right. Over 100 million new businesses were established around the world in 2014, but only a quarter kept afloat (Get2Growth, 2014). Data in Israel shows that every year, the majority of business (90%) opened in Israel shut down. The global era, with the world open to nearly everyone, the internet plays a key role in the business world, and global competition in developed countries increases owing to open skies policies, as well as additional challenges forces company managers and entrepreneurs to adapt to a constantly and fast-changing market by introducing constant and consistent changes to their systems and modus operandi and adapt their strategies and practices to the rapidly changing dynamic markets, to new generations and to numerous challenges they are facing.

The research literature has shown that company managers need to identify and emphasize proper managerial skills, the influence of which requires fast decision making. These managerial skills determine the necessary degree of commitment on the part of employees and suppliers so that the company can reach high business achievements that are influential factors in the journey to success. This research sought to explore entrepreneurs' attitudes towards the issue of managerial skills and identify those that constitute a significant factor as a key to success, in order to construct a marketing model that will guide entrepreneurs and company managers in making good and solid decisions in the course of the first five years of their business activity.

## **LITERATURE REVIEW**

Evidently, entrepreneurs develop business initiatives with the main goal being achieving business success. To reach this goal, they need to use creative and innovative thinking, and keep up with rapid and frequent changes in the business world.

It is known that not all business ventures succeed. According to Mason (2020), as many as 100 million businesses are opened each year around the world. Research, however, reveals that nearly 50% fail or break down during their first five years, and

half of those that persevere, half fail in the next five years.

Does the fact that half the business fail mean that the remaining half succeed? What are the differences between failing and successful businesses? Do successful company managers have particular managerial and marketing skills? Does business failure lead to employees' mistrust of management? Is such mistrust a result of lack of managerial competence? The development of a new marketing model to guide and direct leaders towards efficient resource distribution so as to ensure business success by understanding its core elements and their variables.

Previous studies have shown a direct correlation between labor market performance in the U.K. Work was more efficient and effective in companies that invested in employee skills (Machin & Vignoles, 2001), thus leading to greater profit to the company and better wages and benefits to employees (Blundell, Dearden & Meghir, 1999; Harcotte, 2000). Other studies have revealed a significant correlation between employee skills and company performance. For example, Tamkin (2005) found that highly qualified workers encouraged innovation and more advanced processes thus achieving better quality products, whereas Haskel and Hawkes (2003) showed that high manufacturing companies in the U.K. employed workers that were more highly qualified than those in low manufacturing ones.

Training investments in employees can be tricky because high costs do not guarantee desired outcomes. Consequently, questions arise as to whether high quality team workers contribute to the performance of start-up companies and whether this performance is a result of management quality or solely that of employees. Furthermore, what is the desired level of investment to achieve preferred results? However, it is possible to establish excellent teams at a lower cost, for example by improving work environments, developing teamwork, and setting goals and objectives for teams and individuals (Haskel & Hawkes, 2003).

Examples of manager types include: (1) managers as mentors who share their experiences; (2) managers as consultants who advise on best possible choices to make; (3) managers as coaches who lead their employees by directing, supervising, providing feedback, supporting, and motivating them in real time. McGrath and Bates (2017) argued for the third option and referred to the potential meaning of performance as having skilled managers, who with less interference, produce better employee performance. To quote Bill Gates: "When you are a manager, you work for your company, when you are a leader, your company works for you" (Gates, 2008).

Managers also need to be leaders, and some leadership components particularly apply to them:

(1) Effective and open communication skills; (2) Decision making skills – ability to pose the right questions, ability to grasp and understand the situation in its entirety, manage risks and alternative scenarios, act efficiently and effectively. This also includes setting goals and determining priorities (Slater, 1995) as well as allocating resources. Decision-making can be made top-down, emergent or improvised (Varadarajan & Clark, 1994); (3) Teamwork - Teamwork – ability to manage individuals as part of a team and ensuring that tasks are allocated according to team members' skills to achieve company goals; (4) Problem-solving – being approachable, open, ready, willing, and able to help solve problems (Andriotis, 2018); (5) Empowerment – ability to strengthen employees by supporting and encouraging them to take responsibility, initiate appropriate actions, develop professionally and personally; (6) Empathy – awareness of, attention to and understanding of employees' emotions, and how to address them constructively while considering how these affect team morale.

Research literature has shown that business performance, profits, growth and return on investments are influenced by marketing strategies and actions. Companies always need to take their target audiences, sales strategies into account, in the attempt to influence customers' views of their products and services (Deshpande, Farley & Webster, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990). In a study by Protcko & Dornberger (2014), they examined strategic business units in the U.S.A. and their findings confirmed the association between business performance and marketing activities (Protcko & Dornberger, 2014). Clifton and Harter (2019) conducted a management consultancy study, surveying more than 50,000 managers between 2014 and 2019, and asking over 500 questions about their workplace experiences, thus pinpointing the prominent role of managers for employees through steps taken on way to achieving their goals.

**In conclusion**, the literature review reveals that managerial skills constitute a key factor affecting business performance and success. Hence, to what degree is this key factor influential and which resources must be invested to reach optimal performance and success? The literature reviewed has provided no answer to this question, and no studies have been found to address this association between managerial skills and business successful performance. Therefore, it is important to address this connection so as to develop an innovative marketing model to direct managers to efficient, correct, and successful investment and use of resources.

## QUALITATIVE RESEARCH

In-depth interviews with 15 entrepreneurs and senior corporate managers managing activities in Israel and around the world in various fields were undertaken Seeking to better appreciate the strength and influence of managerial skills as a significant element determining business performance, as maintained in the literature review. In-depth interviews lasted between 30 minutes and an hour, and conducted between July 21<sup>st</sup> and December 2<sup>nd</sup>, 2021, as part of the qualitative research. Interviewees signed an informed consent form expressing their agreement to take part in the study. Interviews were recorded, transcribed, and processed before analysis.

Questions focused on interviewees' experiences and views regarding managerial skills and their effect of these skills on their business success or lack thereof. According to the findings, a company managers' capacity to lead negotiations, motivate workers, manage risks, crises, tasks, projects, and technology is of the utmost importance its success. Lack of this capacity will result in numerous efforts to reach goals and will often be expressed in irritation and lack of motivation. This is reflected in interviewers' words.

A.R. said, "As a young manager, I made all the possible mistakes, because I didn't know how to manage employees and what motivated them, my employees left me and ran away and I remained alone, I was an aggressive manager who did not know how to empower a person. I didn't know what methodology was, I went to study it for three years in London".

A.SH. offered an opinion, "I don't think that a company can survive for many years without management abilities, it can survive a few years but it won't last".

Y.Z. maintained, "If you don't know how to manage, you won't succeed, your values affect management, if you like parties and drugs then of course this will have an effect on management, most businesses that close do so because of management issues, I am a role model to my employees, I clarify, remark and always try to maintain good and matter-of-fact communication".

M.M. posited, "In general, if an entrepreneur has the best management skills, his chances of success will be greater. Yes, without a doubt". He stated that a company manager must be competent at managing crises and be able to depict the overall picture, "There are arguments between some managers, because people see things from different angles, a company manager looks at things from above and always tries to make everyone look at the broader picture".

O.Y. described how she had encountered managers who were not suitable for their management role, thus leading the company to failure, decline and

breakdown. She said, “You see people who are managers get stressed, don’t function, are not capable of making decisions, protesting, lagging, postponing, not making decisions for better or worse”. She argued that a manager must be the heart of a company, a focused and determined decision-maker, even when heavily burdened, “A manager must make decisions and fast, and not every decision is made once every two months, must move things on fast and well, for better or worse. Yes, to make decisions even when they are unpleasant, and to know how to act under pressure. Must know how to cope if an employee leaves without getting hysterical that the whole company will collapse. Must be strong and assure employees, that everything is okay”.

R.I. provided an example to explain that a manager who successfully drives people to readily work long hours, bearing in mind that they are coping with demanding challenges and that they are trusted, significantly increases the likelihood of business success. “When people know that they work an infinite number of hours, reflect their other things, understand that we are dealing with very, very difficult challenges, with all sorts of business matters, internally, between companies and they know how to do this well, I think this is a large percentage of success.”

D.M. stated that management skills are imperative to motivate employees and necessary to motivating them to make efforts and reach good results. For this purpose, employees remuneration must be impartial in both theirs and the company’s perspective, “We have a huge process of assessment and feedback for employees that is managed by targeted systems to manage processes, even conversations with employees, reaching goals, task etc. ... and managers’ feedback to employees about things in which they must improve and ultimately it is also linked to their reward system”.

A.A. told about lack of management skills. Her narrative reveals that he business failed because of her inability to develop a process that would protect her, and she was over-trusting of a business colleague. She described her situation, “I am now starting from zero... because will tell you, I had a huge business in India, simply a huge business of face masks. It was last year, during the holidays, and the business lagged a little, and then after we had signed a contract, India closed its exports and the whole business collapsed. We are talking about a great deal of money; it was business of almost half a million dollars per month. My colleague who was from Holland, signed the deal with both suppliers and customers and the money simply went to his bank and remained there. My part never arrived. It was a huge, huge fall”.

B.V. emphasized that he had established clearly structured work processes in his company, According to him, it does not work otherwise, as he

explained, “We have a structured work process between us that we have sat and consolidated opinions, I write the analysis, I go over it, especially if a new analyst comes to work for me. I guide, provide instruction and explanations. We have a fixed and well-organized work format, and the approach is to come and teach and make my comments during work”.

O.T. highlighted management skills great significance for business success. She noted that she used intelligence and reason to motivate employees; she attempts to grasp their needs and narrow gaps if and when possible. She said, “When there is an employee who needs to improve, we have a personal conversation with him to discuss what is needed and reflect the situation. This is my management approach, an open conversation to listen to him. Is it correct? Is it incorrect? What he needs from me as a short and long-term manager. And then the goal is to define a challenging and common project or task and create a success story to increase motivation and even if it is very small thing, but it still empowers the employee, and of course, if it is important for him to remain in the system”. She further told that in order to increase motivation, members of management often meet to assign tasks and set ways of supporting one another. These discussions and decisions are crucial for their success, as she added, “We conduct a series of manager discussions and look at cross-organizational efforts. In other words, who should take part and to what and how much, to what does agreement that everyone understands is the strategy contribute? Can we support one another and not just write it down on paper”. Management believes that they must improve constantly so as to make progress. She said, “The management team is highly experienced but improvement is always needed. If we don’t improve, we won’t progress”.

A.G., CEO of the largest transport-related production company in Israel, said that a prominent factor in company success are managerial skills, including the ability to cope with crises and difficulties, “The ability to overcome crises, the COVID-19 crisis, from one crisis to another, no shortage of crises such as Supersal (the largest supermarket chain in Israel), which has a number of difficult events at the moment”. He also emphasized that being able to analyze the market and a managers responding on time and adequately are critical elements on the way to success. “You analyze the market, you see where it is going, you react each time to one or another scenario even though it is not always clear”.

D.V. explained that they usually hold weekly meetings, summarizing their latest activities and drawing conclusions so as to take their activities forward. According to him, this was how he successfully built a successful company, “We have weekly management and team’s meetings, where

we firstly sit and talk about what occurred in the recent week, we talk about the goals for the next week. They always add sometime more and more". He also noted t how important it is to set clear procedures and adhere to them meticulously, as this leads to quality and hence, customer satisfaction and volume grow, "Firstly to check they know the procedures as they should to enforce the procedure, they carry out day to day. I have now given my marketing managers an opening speech procedure, and the better they follow this, the more we have we seen our customer satisfaction growing and our volume of trade increasing".

D.D. told how he had seen managers who had never engaged in risk management nor addressed organizational quality and processes, which led to their decline and total failure. "I know many businesses that do not manage risks. I see managers who manage their organization as if 'by the way' and that is the worst thing because they closed the business".

**To summarize,** it can be concluded that company managers must possess several managerial skills to be able to develop well-structured work processes, motivate and encourage employees, supervise tasks, and pay a great deal of attention to customers' satisfaction. Without these skills, chances of achieving business success are rather small.

Three observations were conducted at three different companies during management meetings:

- A. A Mechanical Engineering Equipment Company with some 50 years' experience and 650 employees. The company imports equipment from 'Caterpillar' company. Observation was conducted on a meeting with about five senior managers.
- B. A small five-year-old sports coaching business with six salaried workers and ten freelancers, providing instruction services and developing guides and trainers in various fitness and sport fields. The entire senior management team took part in the meeting on the topic of "Where to now".
- C. Company in the field of import, operating about three years with 9 employees. The meeting observed was attended by senior management team members addressed the introduction of a new product to the market.

Observations served as an additional and visual data collection tool, which was employed with regard to the specific of the examined environment, events, and conduct. They were based on methodological events, behaviors, and physical details in the examined environment.

The observations revealed company managers' values and influence on their teams, and their way determination, charisma and behavior contributed to teams' motivation, performance, and outcomes.

Companies A and C, had leading managers with well-expressed management skills, values and resources to motivate and lead their team. Managers were predominantly determined, charismatic and knew what to request from their teams and had regular meetings. Tasks were clear to team members, who knew what they were expected to perform. The two companies appeared to be experts in their fields of business and their products. This is reflected in what team members at company C said, "We closed the deal with Egged garages, they will service the buses"; "We create a technical knowledge library, we have instruction manuals for those garages, we set out the warranties and technical support procedures", "We have a problem with a manufacturer, pay per hour is low and the garages have expressed their dissatisfaction." "We must stock replacement parts, we lack another function to manage replacement parts and warranties" "We produced marketing and advertising material (presented at meeting), we have a program of meetings with large companies such as E, D, A, K and other smaller companies such as M.T and A".

Similarly, at the Tractors and Equipment team meeting where the general manager showed charisma and determination while presenting his presented arguments, he said, "the company cannot live with the numbers you brought this month... I want to hear from each manager what he is doing or what he intends to do to prevent these numbers again... I want to have another discussion tomorrow and you to show me your criticism of the sales personnel, treatment of existing opportunities and progress of planning versus performance of the work plan... We are entering into a new branch, I want to produce business information and exchange it for money! ... Why are we not meeting the marketing plans we set?" Team members responded, "We are operating constantly via-a-vis the sales personnel, carry out controls, deal with opportunities and follow the work plan, we will present all our activities to you tomorrow".

In company B, however, whose owner seemed desperate and weak, had no charisma and was indecisive, and clearly lacked managerial skills and marketing knowledge. Thus, the team acted without a clear direction the team operated without any clear direction, as could be seen what team members said to the owner, "U, your management is not sound, you create the cash flow problems, perhaps you need to take on a financial advisor"; "a large number of lecturers have not been paid and therefore, are threatening not to continue" and "the sales department doesn't have enough leads to contact". In a conversation with the owner following the meeting, he communicated having made significant financial mistakes resulting in company failure and actual ruin, and that they were about to close.

**In Summary**, observations reaffirmed the conclusions that emerged from the in-depth interview findings. Values (pleasant manners, charisma, determination, and perseverance), ability to manage risks and crises, technology, to motivate employees and carry out negotiations are all managerial skills that constitute a key factor contributing to business success.

## DISCUSSIONS

This study's main aim was to examine the degree of association between managerial skills and business success, as part of a model to be developed for business executives, so as to guide them towards appropriate investment of resources.

The findings yielded a variety of associations between variables that influence business success and reaffirmed the correlation between managerial skills and business success.

In the future, additional variables will be examined so as to construct an innovative model expressing the internal organizational connection to a company's marketing and business success.

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