




**IMPORTANCE OF MANAGERIAL
SKILLS AND KNOWLEDGE IN
MANAGEMENT FOR SMALL
ENTREPRENEURS**



Zuzana Papulová & Matej Mokroš
Comenius University
Faculty of Management
Bratislava, Slovakia

Abstract

- small enterprises more flexible than big companies
- limited focus on operations can have its advantages and disadvantages
- problems with existence and development of small enterprise could be solved with managerial skills and management knowledge

Introduction

- transformation to knowledge economy - strategic resources in the form of information, knowledge, creative thinking and innovation
- development of market economy in Central and Eastern Europe has been suspended for decades
- whether the neglect of managerial skills by small enterprises affects their success are the questions which we would like to cover in this contribution

Content

- 1. Level of management of small enterprises**
 - **Problems of small enterprises**
 - **Situation of small enterprises in Slovakia**
 - **Knowledge in management**
- 2. Fundamental management knowledge for small entrepreneurs**
 - **Managerial abilities, roles and skills**
 - **Phases of development of small enterprises**
- 3. Education for small entrepreneurs**
 - **Education in management**
 - **Educational programs for Small Entrepreneurs**

1. Level of management of small enterprises

1.1. Situation of small enterprises in Slovakia

1.2. Problems of small enterprises

1.3. Knowledge in management

1.1. Situation of small enterprises in Slovakia

- small and medium enterprises (SMEs) together form 98.8% of all companies in EU
- in Slovakia it is only 41,9%
- SMEs play significant part in employment - they employ more women, young people and part-time employees.

1.1. Situation of small enterprises in Slovakia

The most significant recent changes that influenced Slovak business environment are:

- establishment of new tax system – flat tax of 19%
- speeding up of the procedures needed to start business
- change from defined benefit to defined contribution pension plans
- slight improvement of communication with tax offices

1.2. Problems of small enterprises

Based on studies in USA, there is a prevailing notion that “small enterprises simply do not work.”

Out of 1,000,000 enterprises that start in a year:

- 40% will be out of business within 1 years
- 80% will be out of business within 5 years
- 96% will be out of business within 10 years

1.2. Problems of small enterprises

„The fatal assumption is – you understand the technical work of a business, you understand a business that does that technical work “

Second most significant reason of not wanting to be in business (right after lack of financial capital) were missing skills and experience needed for conducting a business.

1.3. Knowledge in management

- the management of the enterprise at the beginning is carried out by the sole founder/owner
- the inadequate level of management and financial management knowledge was one most significant internal factor for bankruptcy (3/4 of respondents)
- these problems become more important, mainly as the enterprise grew older

2. Fundamental management knowledge for small entrepreneurs

2.1. Managerial abilities, roles and skills

2.2. Phases of development of small enterprises

2.1. Managerial abilities, roles and skills

Scholars from Faculty of management in Slovakia tried to identify necessary abilities of managers (Papula):

- creativity – ability to search and find new solutions
- intuition – be able to predict future development from own experience without analysis
- goal-oriented – be able to set real goals and respect the goal's hierarchy
- responsibility – sense for achieving set goals and objectives
- self-confidence – belief in own strength and ability to achieve goals
- initiative – an effort to look for new possibilities and solutions for reaching set goals

2.1. Managerial abilities, roles and skills

- independence – the courage to make decision based on own judgment
- cautiousness – be able to make decision under stress and unsure conditions
- scrupulosity- support social values and norms
- discipline – self- control and regulation of own behavior
- persistence – tenacity needed to overcome barrier when achieving goals
- optimism – orientation towards positive goals and things in connection with faith in success
- fantasy – creation of visions and imaginations about future

2.1. Managerial abilities, roles and skills

Every man has hidden potential of certain kind inside. It is important how one can utilize this potential

Manager use the managerial functions – planning, organizing, leading and control; while “playing” the following roles in the enterprise:

- interpersonal role
- information role
- decision making role

2.1. Managerial abilities, roles and skills

Basic managerial skills, which are needed for an effective managerial work (Piškanin):

- Technical – usage of methods like break even analysis (not technical skills)
- Interpersonal – abilities include motivation of workers, solving work conflicts, communication and working with people.

2.1. Managerial abilities, roles and skills

- Conceptual – these skills are must for middle or top manager. This is the ability to “grasp the whole picture”.
- Communication – manager needs information for decision making. Ability to disseminate and receive information is important.

Managerial Skills

- Technical/professional knowledge is not sufficient for successful development of the enterprise (needed to make the “technical side” of doing the business work)
- Acquiring of managerial skills is not a simple task, because it means to apply theoretical knowledge into praxis

2.2. Phases of development of small enterprise

The phases can be summarized as follows
(Penrose):

- pre start-up / actual start-up
- survival
- first growth
- expansion
- global perspective

Phases

Pre start-up

- questioning of possible marketability of their schemes or ideas
- managerial skills of would-be entrepreneur vary enormously

Actual start-up

- “spin off” from parent firm, university, government or private laboratory
- “incubator”

Phases

Survival

- mix of management and entrepreneurialism
- a simple cash flow problem/mismanagement can cause fatal problems

First growth

- the enterprise needs to open to surrounding
- communication various levels with relevant stakeholders.

Phases

Expansion

- entering maturity – growing up
- the entrepreneur should be able to withdraw from the enterprise gradually
- formalization helps reduce failure rate

Global perspective

- determine which direction the enterprise should go
- setting global perspective – consider export markets

3. Education for small entrepreneurs

3.1. Education in management

3.2. Educational programs for Small
Entrepreneurs

3. Education for small entrepreneurs

Three types of positions needed for running an enterprise (Gerber):

- technician
- manager
- entrepreneur

Small entrepreneurs generally do not know how to delegate

3.1. Education in management

Pyramid of managerial skills – different levels of managerial skills based phases of development.



3.2. Educational programs for Small Entrepreneurs

There should be a difference between education in entrepreneurship and management:

- entrepreneurship should focus more on how to be innovator, visionary and creator of strategy orientation of an enterprise
- management should focus mainly on acquiring and developing managerial skills

3.2. Educational programs for Small Entrepreneurs

Research on Slovakia shows the educational system for managers is not sufficiently or at all defined

It would not reflect current and future trends, characteristics of particular regions

The educational activities should focus mainly on the entrepreneurial awareness and skills, such as these:

3.2. Educational programs for Small Entrepreneurs

- marketing
- information systems
- tax laws
- corporate finance
- acquiring new ICT skills
- study of world languages (technical terminology)
- crafts development
- environment and customer protection

Conclusion

Managerial skills and knowledge are needed for successful management of small enterprises

At the same time there is some kind of resistance of small entrepreneurs to learn these skills

The question is whether to maintain their position in the technical aspect of the enterprise and delegate the management to professional manager or to move into the management of the enterprise.