

THE INFLUENCE OF THE COMPETENCES OF THE MANAGER: FOUNDER ON THE SUCCESS OF THE ORGANIZATION

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Abstract:

The environment, where the changes are everyday occurrence and the competition continuous threat, forces the leading people in the organizations to look after everything that goes on inside the organizations, as well as everything that goes on outside of them. Thus, depending on the founder's capability, respectively the manager of the organization, the success of the organization can go up or down. The individuals that have entrepreneurial spirit, that know how to combine their knowledge, education and work experience with the successful guiding of the employees toward the goal, strengthen their business and open possibilities for its expansion.

If under competence we imply to the knowledge of business, working experience and skills necessary for effective performance at the workplace, then undoubtedly the entrepreneur-founder in order to obtain the optimum knowledge for the business that he starts, previously has to build his competences through appropriate education and work experience.

Herein we present working research conducted in order to prove the connection of the organization's success with the knowledge, skills and competences for the corresponding business of the organization's founder, particularly if the founder is also general manager of the organization. This research is conducted within the frames of the scientific and research activity of the University of Tourism and Management in Skopje, FYRO Macedonia.

As a research sample 271 respondents – employees and 10 leaders of the companies included in the research. The leaders are managers and founders of the private companies. As a research technique questionnaire is used. Practical aim of the research was to use the results in order to create a basis for improving the performance of companies by developing the competencies of the management teams in them. One of the main conclusions of the research is: The manager-founder who starts up a business, needs to have optimum knowledge of the business i.e. appropriate education for the same, prior to working it in another company or otherwise acquired knowledge of relevant business.

Keywords: entrepreneur, competences, organization, manager, founder, effectiveness, efficiency.

Jel Classification: M12

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INTRODUCTION

It's no secret that the establishment of own business is a challenge for people with an entrepreneurial spirit. They consider themselves to be successful if they manage to establish, lead and if they develop their enterprise. The number of those who are trying to realize this dream is very big, but very few of them manage to survive the first years. To survive and to become a factor in the local and wider level is the goal of every company founder. The questions: “*What makes some companies great and successful?*” and “*how much do founders of the organizations have a share in it?*” are current and a lot treated topics of theorists. One of the important factors for the success of the enterprise, especially in the first years of development is the competence of the founder who later in most cases is the manager of the organization. The survey that was conducted in 2012 in the 20 most successful organizations² in FYRO Macedonia gave specific indicators of linkage variables that define the competence of managers-founders of private organizations.

COMPETENCES OF THE ENTREPRENEURSHIPS IN REPUBLIC OF MACEDONIA (FYROM)

The structure of the Macedonian economy is such that the dominant market shares have small and medium businesses. Specifically about 96% of all economic entities are considered as small. Larger domestic enterprises that successfully overcome the transition and have introduced western standards of operation as well as several foreign direct investments are the rest of what has been called the country's business environment.

In terms of practice, experience and life cycle of enterprises in the period of transition from planned to market economy, and in the context of the competencies of the founders, the facts show that the analysis of the business environment most companies make the opposite of the intended methodology, which is complete disagreement with the behavior of market actors in the developed economies. This situation is a result of a lack of competences because of the relative importance of business planning i.e. making insufficient efforts to anticipating future business environment to better predict the future effects of the investments, which they get even more significance. What is true for the developed world today is true for (FYROM) Republic of Macedonia. The time of improvisation and volunteering is past. Experiences of the advanced market systems show that only serious companies, led by competent leaders, with full respect for market rules and behavior in accordance with the advanced trends have a chance for a prolonged business success. The objective assessment of the market and the financial viability of the business idea and development of a complete business study, are very rare. Lacking knowledge about many important business concepts, and some of them wrongly translated and understood make things worse (Boyatzis 2008, 5).

Investment activity in the years after the change of social and political system mainly is done by means of investors themselves, and the formalized business planning is not practiced any more. Basic tools for planning and management are prepared only

² Official website of Euro Business Center – Skopje, 200 most successful companies in 2011.

when entrepreneurs turn for credit before any of the banks, but even then, it is done superficially or with the idea to display an idealized image of the proposed investment before the Credit Committee. Entrepreneurs are asked if they have a business plan, often confused answer that they do not need one, because they do not require credit.

Many years, practice and science are trying to answer the question: What characteristics should a successful entrepreneur have? With these attempts appear more conceptions of entrepreneurship that see the entrepreneur from different perspectives.

There are many concepts of entrepreneurship and entrepreneur:

- Some researchers believe that entrepreneurship is a skill and that it cannot be taught.
- Others believe that entrepreneurship can be taught, and then implemented.
- The third kind of thinking about entrepreneurship refers to claims that an entrepreneur has to be born with certain additional characteristics and further through education, these characteristics will be developed.

There are stereotypes about gender — it is believed that men are better entrepreneurs. Some believe that firstborn children are more successful entrepreneurs.

CHARACTERISTIC FEATURES OF SUCCESSFUL ENTREPRENEURS

To achieve success in business certain optimum features combined in the person of businessman are required. Even though there are many surveys (McClelland 1987) that show the great importance of managers' characteristics, the following are the most accepted:

- In order one person to be a successful entrepreneur, he has to possess distinctive features like **perseverance** and **persistence**. He will always feel the need of perseverance, because in business nothing is easy. There will always be different pressures in the form of financial pressures, employees, customers, resistance to change, etc.
- If the entrepreneur is not persistent he will never reach the goal. On the other hand, even without pressure the implementation of certain activities requires time. Also time is needed to feel the advantages of the results of this implementation. On one hand it is necessary to perform the systematization of the business, but on the other the implementation of such a process will take several weeks. The results will be known in a few months. That is why the entrepreneur has to have patience and perseverance in order to reach the desired results.
- Desire to learn and develop the skills necessary for their own advancement and promotion of business of course are characteristic of a successful entrepreneur. The one who thinks he knows everything and does not need further education; he will soon be overtaken by the competition. Philosophy of "lifelong learning" is synonymous with every successful businessman.

Despite these distinctive features of the entrepreneur, it is good to consider the needs of the following:

- Talent — a talent is not the most important thing in order one to be successful. Why? Simply put because there is no specific innate talent that is crucial for the development and success of the business. Different businesses have different entrepreneurial needs for certain kind of talent. Some businesses require more talent to deal with financial, other management, third require talent for quality

analytics, and most of the businesses have a need for all types of possible talents. So business is a mix of talent, that an entrepreneur or manager should possess and manage in order to get the most of everything. Possession of other talents on behalf of any of them is used to compensate for it.

- **Honesty** — Is it necessary for a businessman to be honest? Objectively speaking it cannot be said that only honest entrepreneurs are successful. There are many examples of built business empires where honesty did not exist as a feature of the entrepreneur. Therefore it is not considered as something without which a person cannot survive. But it should be stressed that in many situations honesty can bear more benefit in terms of consumers and in terms of suppliers.
- **Connections** — Even to complete the slightest thing one should have some connection especially in administration. Most banal things as obtaining birth certificates or identity card requires someone known to us that will expedite the proceedings. That is our society. In such conditions, managing relationships can have a great impact on the success of an entrepreneur.
- **Luck** — Someone really believe in luck, but there are those who do not believe and do not want to be based on luck in business. Yet to admit, sometimes it really is nice to "be lucky" to achieve some success.

Nowadays unique phenomenon is entrepreneurship that allows leaving the problems on the surface. Entrepreneurship urgently requires as a condition for survival in all spheres of social and economic life to think creative, innovative and to offer a real alternative.

The following characteristics are common among those who have "what it takes":

- Confident, full of self-confidence and independence
- Ability to set clear and measurable goals
- Ability to search for information and resources to achieve goals
- Leadership skills
- To accept the fact that risk and errors are part of the success.

REASONS FOR BUSINESS SUCCESS

Throughout the business development entrepreneurs have to put up with many different situations and business activities (Rose, Kumar, and Yen 2006). Private business, like any other, has its strengths and weaknesses. How you run the business depends on the abilities and knowledge of the entrepreneur.

In fact, every business will best be understood by evaluating the strengths and weaknesses, understood as two sides of one coin. Whether certain dimensions of private business are weakness or advantage largely depends on the following factors:

- the degree of separation (differentiation) of the family business;
- the manner of placement of each business system and
- the degree of adaptability and ability to learn and progress.

Every person that started their own business a long time before starting to work asked himself the following questions: why to start a business, what kind of business I should start, and how will I do it?

Why do people start their own business? Is it because of need? Is it because of desire? Because of the advantage of a sudden opportunity? For prestige? For money? Why do people start their own business? Of need? Of desire? Because of the advantage

of a sudden opportunity? For prestige? For money? The reasons are various and very individual. Someone started the business because he lost his job, one because it has a great idea how to fill a gap in the market, and someone simply because he wants himself to be his own boss. In most cases the people who go into business, decided to be in a business that is already working or in a business for which they have gained experience through study, work or hobbies.

What are the reasons for success/failure of a business? Anyone that decides to start a business and to successfully develop it, should not focus only on the new idea because it is a new baby in the family, but should have enough enthusiasm and ideas to overcome all obstacles that found on the road. Successful entrepreneurs deal with all the problems and obstacles and continue to work daily, while less successful give up on the first major obstacles.

The fact is that many successful entrepreneurs have insufficient qualifications or experience when starting their own business, but they work hard, improve and learn from their daily work, but also from the mistakes they and others make. Entrepreneurs who fail to maintain their business despite having invested a lot of money in the business and in the latest technology, have a problem with understanding the market, competition and learning. Their biggest mistake is that they see these categories in one dimension, not as developing and interrelating.

For example, people who are not willing to learn and build on throughout life, they are not able to recognize changes in the organization, the market and society. Very often are the following examples:

- Businesses that have a great product but no distribution,
- Businesses that do not have insight into cash flow became insolvent
- Businesses that are not able to separate the costs of business and family
- Businesses that allow the firm to be managed by family members who are not capable for it.

There are lists of preferred and most promising businesses for each region. But as there are successful examples around us, the best business for any entrepreneur is the one for which he has knowledge, experience, aptitude and interest in the work, but also friendship and a team of experienced people who can realize the goals of the business.

METHOD

The survey was conducted in FYROM ten most successful organizations ranked by certain financial ratios derived from authorized financial institutions by FYROM and ranked nationally³ in 2011. These are private companies.

The research was conducted within the scientific research projects at the University of Tourism and Management in Skopje⁴. As a research sample 271 respondents — employees and 10 leaders of the companies included in the research. The leaders are managers and founders of the private companies. As a research technique used is.

Practical aim of the research was to use the results in order to create a basis for improving the performance of companies by developing the competencies of the

³ Official website of Euro Business Center – Skopje, 200 most successful companies in 2011.

⁴ The Influence of the Competences of the Manager – Founder on the Success of the Organization, University of Tourism and Management, Skopje, 2012.

management teams in them. The philosophy of "lifelong learning" should become a way of life for employees, especially for those on managerial positions.

Answers to the following questions are expected to be answered after the conducted research:

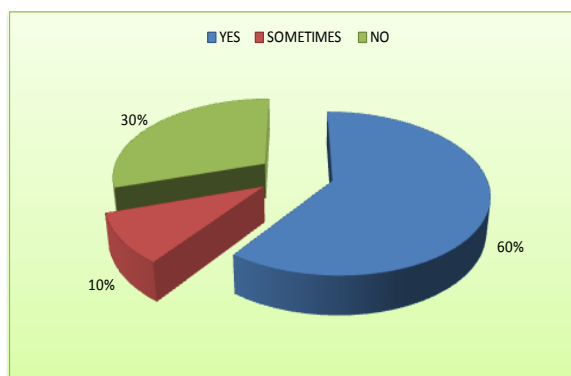
- How much does the manager influence on who will run the business?
- What is his basic education?
- The way in which he approaches work?
- How does he organize the work?
- What is his basic knowledge of the business he has started?
- To what extent does he do market research?
- Does he follow the requirements of consumers?
- Does he monitor the competition?
- Does he work according to the law?
- Does he follow the rules and procedures that apply in the process of production / services?

FINDINGS

The general hypothesis is: If the manager-founder possesses the optimal competencies and continuously manages the business then it will grow upwards i.e. it would be considered successful. The general hypothesis has been divided into individual hypotheses that treat following variables: previous knowledge of the manager-founder of technical skills required for running a particular business; required managerial competencies; required optimum of entrepreneurial spirit for realization of innovative elements in management.

Here are selected items that are indicative of the previous knowledge of the business activity that is now lead by the managers-founders of the best small companies in FYRO Macedonia.

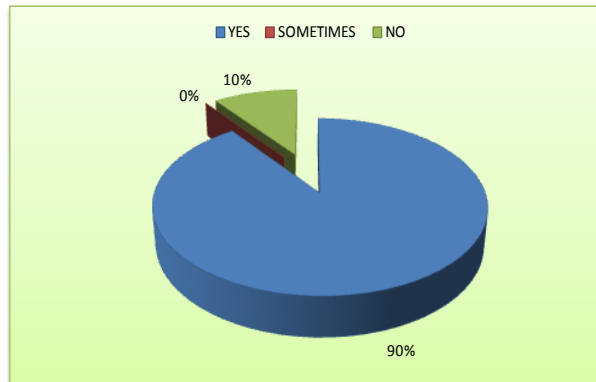
On the question: "Do you have any previous experience in the activity which is essential in your company?", out of 10 respondents managers-founders of the companies 60% gave affirmative answer. (See Graph 1)



Graph 1. Do you have any previous experience in the activity which is essential in your company?

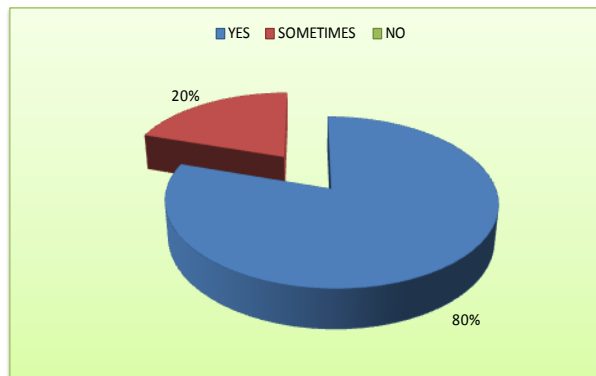
On the question: "Is the manager's education appropriate to the business he runs?", high 90% answered yes. (See Graph 2)

This indicates that previous knowledge of the managers -founders of the business were high, i.e. not only they had an adequate theoretical preparation obtained through education, but also worked in the appropriate organization or they have practiced specified period the same activity they have in the organizations that have founded later.



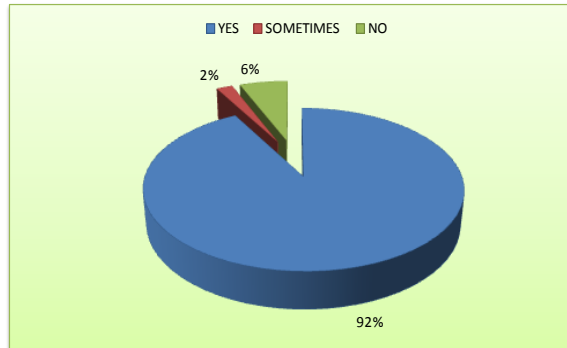
Graph 2. Is the manager's education appropriate to the business he runs?

On the question: "Do you continuously follow the development of competing companies?", even 80% of the managers-founders answered yes. (See Graph 3)



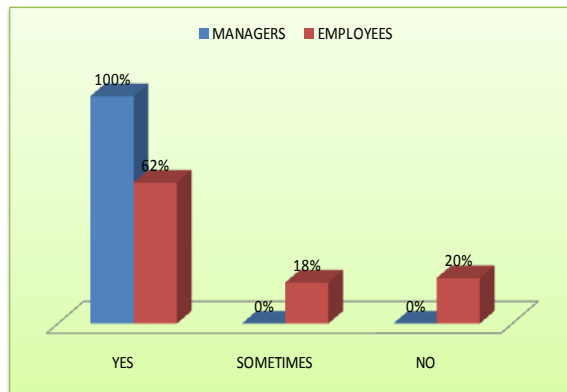
Graph 3. Do you continuously follow the development of competing companies?

The employees were asked the same questions, and high 92% answered yes, that indicated the fact that employees feel that their superiors are following the competition more than they declared. (See Graph 4)



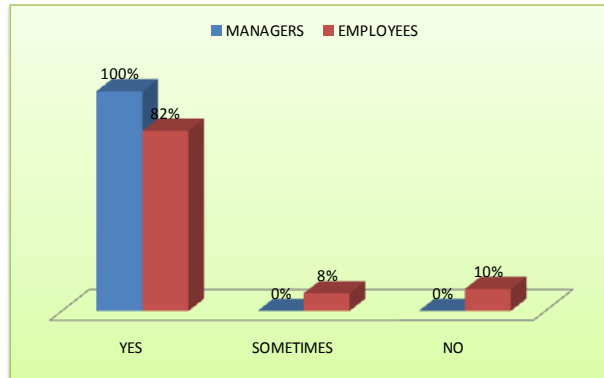
Graph 4. Does your manager continuously follow the development of competing companies?

On the question: “Do you properly value your employees’ labor?” 10 out of 10 managers- founders answered yes. On the same question: “Does the manager- founder of the company properly value your labour?”, out of 20 employed in the company, 62% answered yes, 18% said sometimes and 20% answered no. (See Graph 5)



Graph 5. Is the employees’ labor valued properly?

All of the managers-founders said yes to the following question: “I divide the tasks to my employees according to their competencies”. The same question: “Does your manager-founder of the business divide the tasks according to the employees’ competences? ” was given to their employees and their answers were: 82% yes, 8% said sometimes and 10% answered no. (See Graph 6)

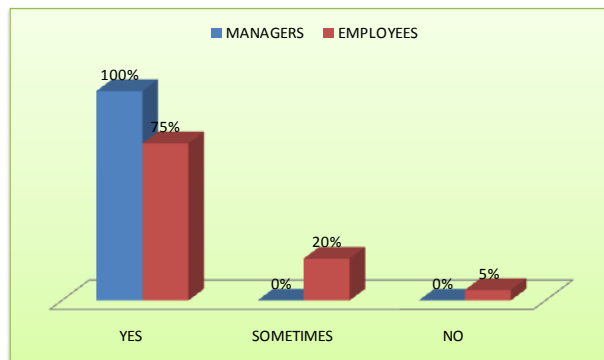


Graph 6. Are the work tasks divided according to the employees' competences?

These questions are posed in the context of indicators to demonstrate managerial competence of the company's leader and if he knows how to delegate tasks and responsibilities he will contribute to creating a positive organizational climate.

To prove the last variable of the research, set of questions were asked in order to prove the necessity of entrepreneurial spirit among managers for identifying opportunities in the environment and their implementation in organizations which undoubtedly is required to take a certain risk. Questions which give a specific answer about the competence of managers-founders to deal with the changes occurring in the environment were asked. Here are some of the results obtained.

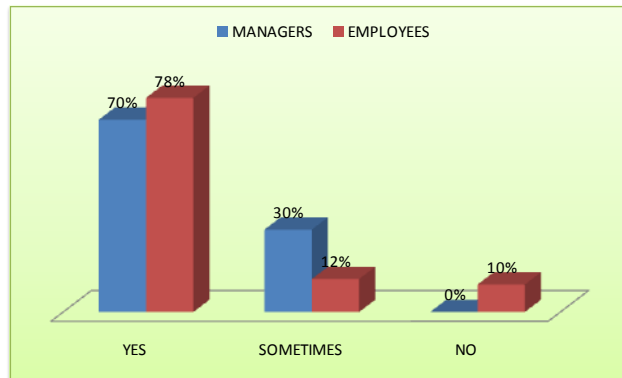
On the question: "Do you try to implement European standards in your company?" all of the managers- founders answered affirmatively. The same question: "Does your manager try to implement European standards in your company?" 75% of the employees answered yes, sometimes said 20% and only 5 % said no. (See Graph 7)



Graph 7. Does your manager try to implement European standards in your company?

In the same context are the questions about how managers- founders of the successful companies provide needed training for staff in order changes to be successfully implemented and institutionalized.

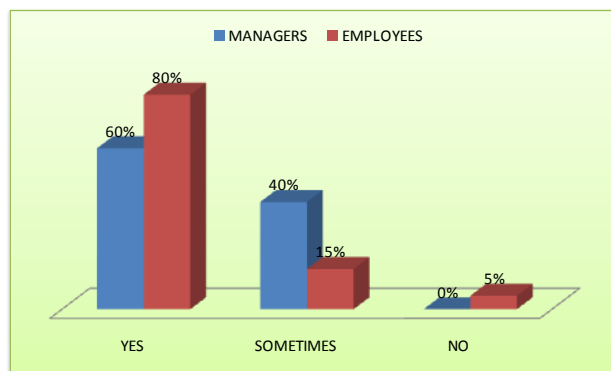
So, on the question:” Do you provide staff training needed to move closer to the European standards?” 70% of the managers-founders answered yes and 30% said sometimes. The same question was given to the employees:” Does your manager provide you with training needed to move closer to the European standards?” and 78% said yes 12% applied sometimes and 10% said no. (See Graph 8)



Graph 8. Does your manager provide you with training needed to move closer to the European standards?

The results clearly indicate that the managers of the most successful companies in FIRO Macedonia possess competencies for identifying and monitoring changes in the environment, as well as their implementation and institutionalization. Their steps are unequivocally recognized by employees.

In the context of risk taking is the next question: “I know in advance (I’m aware of) how much damage would cause the risk I take”. The managers-founders (60%) said that they are aware and 40% are partially aware, and no one thinks it is not aware of the risk he takes for specific activities.



Graph 9. Is your manager aware of the fact how much damage would cause the risk he takes?

Similar are the answers of the employees on the same question:”Is your manager aware of the fact how much damage would cause the risk he takes?”. Namely, 80% of the employees said yes, sometimes said 15% and no answered 5%. (See Graph 9)

CONCLUSION

Research techniques provided a fund of information which confirmed the expected results. Only few of them are presented in this paper:

- The manager-founder who starts up a business, needs to have optimum knowledge of the business i.e. appropriate education for the same, prior to working it in another company or otherwise acquired knowledge of relevant business.
- The working knowledge of the business gives the manager – founder competencies necessary for each stage of organizational development in order to maintain and improve the effectiveness and efficiency of the same.
- Managers-founders that have an initial optimum working knowledge of the business and over the years have developed and upgraded that knowledge are able to recognize and exploit opportunities in the surrounding area.
- The risks that managers take in order to implement and institutionalize changes in organizations, in accordance with European benchmarks is calculated and anticipated in advance.
- Legal obligations, rules and procedures are adhered to by all staff that speaks of a highly built organizational culture.
- Staff training for successful implementation of the change is carried out continuously with the optimal number of employees.
- Allocation of work and work tasks is performed according to the ability and affinities of employees and that positively reflects the organizational climate.
- The competent manager knows how to make the right decision (in the interest of the company) and when it comes to hiring members of his family. He employs family members on suitable job positions and only those who are able to perform work in the organization.
- The manager has inspection into the financials in the firm at any time. He makes the analysis of bank statements for payments, determines the limit of indebtedness for each client individually, depending on the amount or percentage by which he participates in mutual trade.
- These managers are committed to the work and business they lead so that the bulk of the day they spent in the company.
- Individual professional development is not a problem for managers. They are rather interested to learn about everything that is new in the business they do.

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