Journal of Management and Corporate Governance *© 2016 Cenresin Publications* *Volume 8, Number 2, 2016*
www.cenresinpub.org
ISSN: 2277-0089

Managerial Competencies by an Entrepreneur for Achieving Business Success in Economic Downturn

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ABSTRACT

No business can survive, grow or develop without efficient and effective entrepreneurial practices. It can be posited that without entrepreneurship (which involves the conceptualization, birth, growth and development of new enterprises) there would be no serious business development in any economy. Competencies as a broader concept are regarded as networks of capabilities and other firm assets, and can be used for both internal and external industry comparisons. Most entrepreneurs find it difficult to stand the taste of time because of absence of managerial ability which contributes highly to the failure of their businesses. This paper examines the need to develop managerial competencies by entrepreneurs to explore the means of surviving in business through effective management in economic downturn. The researcher employs a qualitative research approach through theoretical analysis of some conceptual definitions and review of related literature. The key to successful entrepreneurship are discussed to mean the managerial competencies which are in-built skills entrepreneurs must hunt for, and utilize in order to outperform their competitors thereby achieving the motive of profit maximization. The paper concludes that managerial competencies must be stress by entrepreneurs to enable them contribute optimally to the economic development of the society. Recommendations were given which include the need for effort to be intensity by integrating managerial competencies in teaching manuals of entrepreneurship development programmes in our tertiary levels of education.

Keywords: Business Success, Entrepreneur, Managerial Competencies and Economic Downturn

INTRODUCTION

Entrepreneurs are the engine to economic development while entrepreneurship is the key to industrialization and wealth creation. Entrepreneurs are agents of employment generation and poverty reduction in both developed and developing economy Abubakar and Ibrahim (2010). Entrepreneurship practices exist in most countries of the world, including developing economy like Nigeria. In the United States of America, for example, entrepreneurial business practices have created the personal computer, biotechnology, fast food, and overnight package delivery services; transformed the retailing business; invented the integrated and microprocessor; among others. No economy can survive, grow or develop without efficient and effective entrepreneurial practices. It can be posited that without entrepreneurship (which involves the conceptualization, birth, growth and development of new concerns or enterprises) there would be no serious business development in any economy. The total process of economic change in Nigeria would be a function of the entrepreneurs available, the competencies they have build in themselves as they establish and manage their business.

Competencies as a broader concept are regarded as networks of capabilities and other firm assets, and can be used for both internal and external industry comparisons. For any society to develop, people with creative ability are needed to make a difference to improve the living condition of the society they belong. Entrepreneurs exploit the available opportunities in the society to create, produce or develop goods or services, thus adding value to society even though they integrate maximization of benefit of profit into the decision to create such goods or services. Competencies influence business performance by affecting the rate and success of innovation Tidd and Bodley, (2002). The knowledge development process and results in competitive products. As proposed by Swink and Song (2007), there is a substantial impact of both marketing and technological capabilities in each stage of product development in small and medium scale industries, which is in turn associated with higher project return on investment for entrepreneurs.

However, the relationship between managerial competences and business success still remains an important issue within organizational literature e.g. Crook et al., (2011); Mitchelmore and Rowley, (2010). Yet, the current literature on the subject does not provide sufficient explanation of the role of managerial competencies in the success of business enterprises. Most of the competencies have been studied in isolation and with little effort to recognize mutual relationships Markman, (2007); Mitchelmore and Rowley, (2010). The present study attempts to explain how general and more specific managerial competencies affect business success measured as a subjective assessment of economic growth indicators in comparison with the competitors on the market. The activity of entrepreneurs is a source of new jobs and an important factor in a free-market economy; it has a significant impact on economic development and immense influence on the market Bosma et al., (2008) and Lukes and Laguna, (2010).

THE CONCEPT OF AN ENTREPRENUER AND ENTREPRENEURSHIP

The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. Many simply equate it with starting one's own business while most scholars believe it is more than that. To some scholars, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur's role as an innovator who markets his innovation. Still other scholars say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied. In the 20th century, economist Joseph Schumpeter (1883-1950) focused on how the entrepreneur's drive for innovation and improvement creates upheaval and change. Schumpeter viewed entrepreneurship as a force of "creative destruction." The entrepreneur carries out "new combinations," thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them.

Business expert Peter Drucker (1909-2005) took this idea further, describing the entrepreneur as someone who actually searches for change, responds to it, and exploits change as an opportunity. A quick look at changes in communications – from typewriters to personal computers to the Internet, illustrates these ideas. Most scholars today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world, successful small businesses are the primary engines of job creation, income growth, and poverty reduction. As the Business and Industry Advisory Committee to the Organization for Economic Cooperation and Development (OECD) said in 2003, "Policies to foster entrepreneurship are essential to job creation and economic growth." Government officials can provide incentives that encourage entrepreneurs to risk attempting new ventures. Among these are laws to enforce property rights and to encourage a competitive market system.

CONCEPT OF MANAGERIAL COMPETENCIES

Managerial competencies could be understood in terms of strength and weaknesses existing in a business which are factors that relate to knowledge, attitudes and skills an entrepreneur need while managing an enterprise. Attention is always devoted to sources of finance with lip service to those managerial factors. Iyang (2002), an entrepreneur or small scale enterprises can achieve high level of productivity through the application of what he call the people based approach through commitment. Managerial competencies must be stress in the entrepreneurs to enable them contribute optimally to the economic development of the society.

MANAGERIAL COMPETENCIES REQUIRED BY AN ENTREPRENEUR

Managerial competencies have positive impact on success of business as its run by entrepreneurs. This section dwells on comprehensive approach and analysis of managerial competencies as a critical success factors to business success by entrepreneur. These factors are as follows:

PRODUCTION AND OPERATIONS MANAGEMENT COMPETENCIES

The success of every business depends on the quality of its product, entrepreneurs needs to manage the production activities in order to achieve quality of output. Mohammed and Ango (2010), posit that entrepreneur's needs to manage their production efficiently and effectively, because production is one of the basic functions of all business enterprise, and an entrepreneur may engage in production of goods or provision of services for human consumption for the purpose of realizing profit.

To maximize this profit, an entrepreneur must assemble and utilize factors of production, men, money, material, and machines, in an efficient and effective manner. However, an entrepreneur that fails to be efficient and effective in his/her production may not attain break -even - point thereby leading to loss and failure of business. Johnson (2009), postulate that, the only way an entrepreneur can make it through in business is to be low cost producer and ensure that production management is given adequate attention. Production cost if reduced help entrepreneurs to maintain considerable level of output that equates the cost, thereby helps in achieving profits which define a stable business condition.

HUMAN RESOURCE MANAGEMENT COMPETENCIES

Human Resource Management include all the activities managers engage into attract, manage, retain, employees and to ensure that they perform at a high level and contribute to the accomplishment of the organizational goals. These activities are the components e.g. Recruitment and selection, training and development, performance appraisals and feedback, pay and benefits and labour Relations, Gareth and Jennifer (2006). An entrepreneur is expected to exploit these activities, develop them to the best of advantage. Boxall et al. (2007), cited in Armstrong (2009), remark that "Human resource management covers a vast array of activities and show a huge range of variations across occupation and organizational levels, business units, firms, industries and societies". Human resource is the most essential resource within the organization because; it is the human resource department that recruits people who work in other functional areas of the organization or business. Entrepreneurs however, need to consider employee as an asset and should therefore accord them respect by looking after them to put in more effort into working for the enterprises.

Storey, (1989), describe human resources management as the process of treating employees as valued asset; a source of competitive advantage through their commitment, adaptability and high quality (of the skill and performance). Small entrepreneurs may not have opportunity to recruit large number of employee; this may be due to the size or nature of the organization. It is the view of the writer that, as the business grow from small size to large size organization, hiring of employee set in, an entrepreneurs must therefore follow the modern recruitment and selection procedures in order to get the right candidate to do the right job. However, efficiency and effectiveness most stressed.

FINANCIAL MANAGEMENT COMPETENCIES

Before the start of any business, finance is a basic factor to be considered.
Ojong, (2005), identities that, one of the characteristics of a successful entrepreneurs is his/her ability to source for funds for his enterprise, this funds have to be properly managed to ensure that at any point in time, there will be adequate funds to carter for the day to day running of the enterprise.

Ayeni, (1990), if an enterprise is not doing well and there is no sufficient margin between revenue from sales and the expenditure of its operational activities to cover the other expenses of running the business, the available finance will gradually be used up; the financial frame will begin to contract and so to exert an increasing pressure on the operational activities of the business. If an entrepreneur fined no means to prevent this, the operational activities themselves will be forced to contract. It will no longer be possible to pay for raw materials in sufficient quantity to maintain production. An entrepreneur may be unable to pay wages and other cost at original level, he must ensure that there is adequate cash on hand to meet the necessary current and capital expenditures as well as to assist in maximizing growth and profit Nwachukwu, (2005). Therefore an entrepreneur most be competent in discovering or identifying financing windows for his business in order to achieve business success.

MARKETING MANAGEMENT COMPETENCIES

Kotter and Armstrong, (2006) define marketing as 'the process by which companies create value for customer and build strong customers relationship in order to capture value from customers in turn". Entrepreneurs often think that it is only large firms that need marketing. It is the believed of researcher that both, small and big businesses need marketing for two major reasons. Firstly small and large business all deal with customer and it is the customers demand for the company's product or services that determines the business success. Secondly, both small and big firms must generate enough revenue to cover the cost incur in producing goods and service if profit is to be realized. An entrepreneurs must be informed that, no matter the quality of product he produce and or the qualified workers he maintain, he/she must strive hard to make sure that the product reach the customers in a most efficient and effective manner, in order to guarantee survival, growth and business success.

LEADERSHIP COMPETENCIES

An entrepreneur is a good mixer, he listen to his customers and his employee, get along well with people and is responsive to their suggestions and criticism and he adapts himself to meeting the demand of his workers ad customers. For an entrepreneur to succeed, he/she must have the ability to direct the organization and influence others to contribute towards organizational objective; llesanmi, (2000). Entrepreneurs should be able to keep good relationship with the employees and customers, because this is part of leadership qualities. Therefore entrepreneurs should endeavor to build personal trust. In building personal trust, Galford and Drapeau (2007), postulates as follows:

ENGAGING: Finding a common ground and relating with employees, by appreciating the key challenges that employees face in their job.

LISTENING: An entrepreneur should build trust by showing that he/she cares enough to invest his time to listen. Asking thoughtful questions, getting clarification when necessary, and giving his/her complete attentions to the conversation reveal the message that an entrepreneur cares for his employees.

FRAMING: An entrepreneur should make sure that he understands the core of what the employees are conveying, and letting them know it.

ENVISIONING: An entrepreneur should be looking to the future and identifying an optimistic and achievable outcome, and helping the employee to visualize the benefits of that outcome.

COMMITTING: The entrepreneur and the employee agree and commit to moving toward the envisioned future. Effective leadership is basic pre-requisite which an entrepreneur can utilize in order to active an optimistic business objective.

DECISION-MAKING COMPETENCIES

One of the key success factors of an entrepreneur is effective decision making. A key role of the entrepreneur is his ability to make creative decisions to arrest future effect on his business. His decisions should be quick or precise and direct. Lack of information may impinge on his ability to make correct decisions but he uses past experience to overcome most of the problem that may arise due to lack of information.

Decision making is the process of selecting among available alternatives, this process may be difficult, but an entrepreneur makes a continuous decision with a view to get adequate knowledge to enable him or her make a right decision for the business Tracy, (2000).

CONCLUSION

This paper has examined the managerial competencies for successful entrepreneurship in Nigeria. Haven extensively discuss the managerial competencies needed by entrepreneurs, the study concludes that an entrepreneur or small scale enterprises can achieve high level of productivity through the application of what he call the people based approach through commitment. Managerial competencies must be stress in the entrepreneurs to enable them contribute optimally to the economic development of the society.

RECOMMENDATIONS

1. This study recommends that, those competency factors if properly utilize by entrepreneurs, will go a long way to strengthen their

business performance and enhance competitive ability of entrepreneurs.
2. Effort needs to be intensity by integrating those managerial competencies in teaching manuals of entrepreneurship development programmes in our tertiary levels of education.
3. The lip service given to managerial competencies e.g. production management, financial management, marketing management, effective human resource management and decision making must be improve upon by entrepreneurs because they serve as basic requirement for business success.

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Reference to this paper should be made as follows: Ibrahim Abubakar Mikugi; et al. (2016), Developing Managerial Competencies by an Entrepreneur for Achieving Business Success in Economic Downturn. *J. of Management and Corporate Governance,* Vol. 8, No. 2, Pp. 1 – 10.