



## Impact of Entrepreneurs' Management Qualification on the Competitive Performance of Their Businesses

Maria Vasilska<sup>1</sup>

University of National and World Economy – Sofia, Bulgaria<sup>1</sup>

### Abstract

*The success and competitive performance of today's companies depends on many factors. When it comes to enterprises personally managed by their founders, the entrepreneurs' educational background and qualifications, incl. management one, are among these factors.*

*The paper examines the impact of entrepreneurs' management qualification, acquired through business-related education or training, on some performance indicators of their companies.*

*The paper contains a literature review on the role of entrepreneurship and management education and training in obtaining management qualification and further – its relationship with the entrepreneurial companies' competitive performance. Some data about Bulgarian economy, entrepreneurs and enterprises are given. The conclusions drawn are based on a research of 500 Bulgarian SMEs that evidences the positive relation between the presence of specialised university education or training of entrepreneurs and the success of the companies they manage. Their companies have enhanced competitive performance compared to the other entities in the sample due to better dealing with customers and achieving greater financial efficiency.*

Keywords: *education and training, management qualification, entrepreneurs, enterprises, competitiveness*

### 1. Introduction

Many studies show that the level and the quality of the entrepreneurs' educational background and qualifications have impact on their abilities to manage their businesses successfully. The higher educational level is connected with acquiring knowledge and skills that are important for organising and performing entrepreneurial activities, such as detecting and utilising opportunities; taking calculated risks [10]; providing external funding; business development planning; establishing fruitful relations with business partners, subordinates, equals and superiors [3]; conceptual thinking; proper decision-making [1], etc.

However, the relationship between the presence of management qualification of the entrepreneurs and the competitive performance of their companies has not been deeply examined, especially in the developing or ex-socialist countries. At the same time, the literature attributes the failure of a significant part of the newly started enterprises (during the first three years of their existence) namely to the scarce managerial competencies of their executives [6]. This is so, because along with the overall education that provides important knowledge and skills, the management qualification of the entrepreneurs who are personally leading their companies is supposed to be a main prerequisite for the survival and competitive performance of their businesses.

The aim of the paper is to examine the impact of entrepreneurs' management qualification, acquired through education or training, on some performance indicators of the companies they manage.

### 2. The relation “education – management qualification – competitive performance”

High management qualification could be hardly obtained without university education in entrepreneurship or management, or long-time involvement in business courses. Entrepreneurship education develops both the entrepreneurial and managerial qualities of the students.

A study made by a team of the World Bank on the entrepreneurship education and training programs around the world [11] categorizes the programs' outcomes into a series of four domains. One of them is the entrepreneurial performance that refers to how some indicators of a venture's performance change when entrepreneurs have passed such education and training (e.g., higher profits, increased sales, greater employment of others, higher survival rates). The narrower in scope training in management also develops competencies that are important for nowadays entrepreneurs, helping them to be good managers of the businesses they have created. In addition to the above indicators for venture's performance, the following can be also mentioned here: growth and productivity [2],



competitiveness through managing the company's intellectual property portfolio [5], important personal and social outcomes of the business [7].

Of course, some entrepreneurs possess innate managerial flair and they are successful without such education and training but this is not the general case. Other entrepreneurs learn by their own professional and business experience. As Simpson, Tuck and Bellamy [9] found out, most enterprises that they have investigated actually rely heavily on prior knowledge and experience, not on education and training. Such entrepreneurs gain entrepreneurial and managerial expertise through trial and error, but usually this happens slow and is expensive. Thus, specialised education and training remains the main tool for accumulation of management qualification by entrepreneurs or at least they foster the development of some management competencies.

As Rambe and Makhalemele [8] pointed out, there is a growing body of literature that examines the positive relationship between management competencies and company performance. In spite of this, most of the competencies have been studied in isolation and with little effort to recognise their mutual relationships with specific aspects of performance such as profit, growth and efficiency. Moreover, many of the studies tend to emerge from advanced economies and little is known about this relationship in emerging economies.

The competitive performance of an enterprise usually relates to the efficiency and effectiveness with which it carries out its tasks in the process of providing products and services to customers and it should be as good as or better than its competitors when doing this. The competitive performance is a phenomenon with multiple aspects that are difficult to quantify. That is why there is no consensus on appropriate measures of the competitive performance but among the most used indicators are the customers' satisfaction and some financial outcomes compared to the competitors' ones.

### 3. Empirical evidence from Bulgaria

Bulgaria has relatively young developing market economy where the private business sector has history of only three decades. The changes after 1989 gave freedom and many opportunities to the Bulgarian entrepreneurs – opening new markets, accessing new technologies, joining international networks, absorbing managerial knowledge from foreign partners, etc. Since 2007 Bulgaria has been a EU Member State and its entrepreneurs have the chance to benefit from the single European market and from the financial instruments of the European funds [4].

Currently Bulgarian economy is of open type and many Bulgarian enterprises (mostly the larger ones) already have internationalised their activities. The dominating as a number and importance business units in the country are small and medium-sized enterprises. They are the major creators of employment, added value, innovations and their activities contribute significantly to the formation of a new (entrepreneurially oriented) business culture [10].

Educational level of Bulgarian entrepreneurs is relatively high. In the last two decades between 50 and 60% of them possess higher educational degree.

For Bulgaria, there is no official information and targeted research on the management competencies possessed by the entrepreneurs and their impact on the success of the enterprises they manage [6]. A fundamental scientific research project contributes to filling this gap. The project titled „Determinants and models of the competitive performance of the small and medium-sized enterprises in international business environment“ was funded by the National Science Fund of the Bulgarian Ministry of Education and Science and implemented by a research team with the participation of the author of the current paper. The empirical survey within the project was conducted in 2018 and covered a representative sample of 500 Bulgarian SMEs having international activities.

Predominant part of the surveyed entrepreneurs were also managers, i.e. have not recruited professional managers and delegated management activities yet. In this case, the success of the companies should depend largely on themselves.

32% of the surveyed entrepreneurs declared that they had acquired management qualification in the course of their higher education, which included management subjects or other specialised business subjects. This not so high percentage can be largely explained by the mentioned young market economy of Bulgaria, giving due attention to education in economics only in the last 20 years. Therefore, it is not surprising that 9% of the surveyed entrepreneurs had decided to improve their management skills by attending management courses, and 5% planned to attend such courses in the future.

The impact of entrepreneurs' management qualification (obtained only through education/training and not otherwise) and the main performance indicators of their companies was examined with two questions.



First, the respondents have been asked to evaluate the company's performance over the past three years compared to their major competitors in terms of customer satisfaction and ability to retain the most valuable customers. Although no quantitative measures have been used for this, and only the subjective assessment of the respondents has been relied upon, the companies whose entrepreneurs possessed formal management qualification had higher scores on the above two indicators.

Second, the respondents have been asked to make assessments concerning some of the company's financial outcomes over the past three years, compared to their main competitors, namely: business profitability, efficiency, return on investment, achievement of financial goals, actual profit against the planned one. The average scores on these indicators for all companies included in the sample were good, as all outcomes had higher values for companies whose entrepreneurs possessed management qualification acquired through education/training. The largest difference has been observed in the indicators of business profitability and return on investment.

#### 4. Conclusion

Possessing high level of education is important for entrepreneurs because it develops qualities and skills necessary not only for establishing but also for managing own business. For entrepreneurs who are managing their businesses by themselves (without the help of professional managers) the management qualification is substantial as well, no matter how it has been gained. However, the education and training remains the most reliable method for this. The impact of entrepreneurs' management qualification on the competitive performance of their businesses is still little researched but the study of Bulgarian entrepreneurs shows that those of them who have a specialised university education with included management or business subjects or have attended management courses do better as managers. Their SMEs report better competitive performance due to successful customer relationship management and higher financial outcomes of the business.

#### References

- [1] Bridge, S., K. O'Neill "Understanding Enterprise, Entrepreneurship and Small Business", Fifth Edition, Macmillan Education, London, UK, 2018
- [2] Bryson, A., J. Forth "The impact of management practices on SME performance", IZA – Institute of Labor Economics, Bonn, Germany, 2018
- [3] Davidkov, T. "Values for enrichment. The entrepreneurs in Bulgaria in the period 1991-2004", University publishing house "St. Kliment Ohridski", Sofia, 2010 (in Bulgarian)
- [4] Georgieva, S. "Financial instruments from European funds supporting entrepreneurship", Management and Sustainable Development Journal, University of Forestry, Sofia, Vol. 62, 2017, pp. 84-87 (in Bulgarian)
- [5] Markova, M. "Company Competitiveness through Intellectual Property", Economic studies, Issue No: 5, 2018, pp. 35-55
- [6] Kolarov, K., M. Vasilska "International Experience of Entrepreneurs as a Factor in Their Managerial Development: Theoretical Aspects and Results of an Empirical Study", Proceedings of the VIII international conference „The International Entrepreneurship: Trends, Challenges, Achievements”, 6-9 June 2017, Bulgaria, BAMDE, 2018
- [7] Orser, B., A. Riding "Management Competencies and SME Performance Criteria: A Pilot Study", Small Business Policy Branch, Industry Canada, Ottawa, 2003
- [8] Rambe P., N. Makhalemele "Relationship Between Managerial Competencies of Owners / Managers of Emerging Technology Firms and Business Performance: A Conceptual Framework of Internet Caf Performance in South Africa", International Business & Economics Research Journal, Volume 14, Number 4, 2015, pp. 677-690
- [9] Simpson, M., N. Tuck, S. Bellamy "Small business success factors: the role of education and training", Education + Training Journal, Vol. 46 No. 8/9, 2004, pp. 481-491
- [10] Todorov, K. "Business Entrepreneurship", BAMDE, Sofia, 2015 (in Bulgarian)
- [11] Valerio, A., B. Parton, A. Robb "Entrepreneurship education and training programs around the world: dimensions for success", The World Bank, Washington, USA, 2014