

CHAPTER I: LITERATURE REVIEW

Preview

In the 21st century, over the years, researchers have developed marketing models for businesses. Models such as Customer Value (Reichheld & Sasser, 1990); Ansoff Matrix (Ansoff, 1957), generic strategies (Porter, Business Strategy, 1990), the 3C Model (Ohmae, 1991), or even Blue Ocean Strategies (Kim & Mauborgne, 2011). They were all created to help companies employ additional sales methods and systems and to grow. These models will be described in more detail below.

Despite all marketing models' developed, many companies still close and fail to face the challenges encountered along their way. According to Erica Olsen (2020), the most frequent reasons for failure are: (1) lack of customer behavior understanding, competitors' actions and marketing rules; (2) opening a new business in the market without profit goals; (3) meager communication with customers and inadequate sales skills; (4) flawed cash flow management; (5) lacking business and marketing plans; (6) no response to competitors' reactions; (7) dependence on one customer; (8) misguided decisions concerning investment in worthless activities and superfluous financial expenditure; (9) lack of knowledge how to reject unprofitable customers; (10) insufficient knowledge and competence regarding plan development and business control; (11) operate beyond management resources and/or skills (Olsen, 2020).

Furthermore, research has revealed that the British labor market is directly associated with workers' skills (Machin & Vignoles, 2001). It was found that investment in improving employee skills, brings about huge effectiveness advantages for companies (Blundell, Dearden, & Meghir, 1999). Additionally, Tamkin (2005) found that the better employees' skills, the greater their innovation leading the higher quality products (Tamkin, 2005). To provide employees with necessary skills, one must train them. For better team one must invest money and in most cases, this means high costs for businesses, and difficulty awaiting compensation for investment. Therefore, one needs to ask what influences quality team members with regard to start-up companies' performance. Is the outcome built on management and its quality or does it depend on team members?

In the investigation of the key factors for business success according to the theoretical literature, it was found that company leaders must have the following three main factors:

- a. Marketing strategies
- b. Financial knowledge
- c. Skills and good team (Andriotis, 2018).

The other factors relate to management topics. Also, perseverance and focus are the two main obstacles for high performance and business success (Kuligowski, 2020).

First of all, the question arises, what is business success? Can business success be interpreted in a large number of perceptions and definitions?

The literary definition of business success is presented in the following section.

I.1 Business Success

What is business success? How is it perceived by entrepreneurs and managers? Making enough money to be considered wealthy? Developing a successful career and influencing the area in which one operates represents success?

Professor Yoram Yovel (2016) discussed Ernest Hemingway, one of the most admired authors around the world, Nobel Prize winner for literature, whose novels were translated into numerous languages, such as "The Old Man and the Sea", and "For Whom the Bells Toll". Hemingway was wealthy, pleasant, charming, and very popular among women. Additionally, Hemingway loved adventures and to live an exciting life. He traveled around the world and met royal families, state leaders, and famous figures. He was highly successful. However, he did not feel successful and did not enjoy his enormous achievements nor did he feel that he had succeeded. He shot himself in the head, probably due to clinical depression.

Yovel (2016) also referred to another world-known author, who sought adventure and excitement no less than Hemingway, Antoine de Saint-Exupéry, was a pilot and fought the Nazis until his plane was shot down over the Mediterranean Sea and has not been found to this day. In his much-loved book "Le Petit Prince", cherished around the world, he wrote, "It is only with the heart that one can see rightly; what is essential is invisible to the eye." (Chapter 21). Business success is the sense of achieving goals and internal

perfection, including its financial aspect, which is why entrepreneurs and managers seek to decipher the "secret of success".

The various theories developed over the years are predominantly directed at the external relationship between a firm and the customers' market. They are aimed at marketing strategies, added values, quality and service. However, at the same time, these theories and models lack the "business tools" component, the tools that a company manager is required to manage within the organization - the same "business tools" that directly and indirectly affect the customers' market, and business performance. The theories rarely address this component owing to the need for much experience and massive professional training participation (Yoval, 2016).

According to Ran Bracha (2015), a business consultant, factors affecting business success include, inter alia, understanding a company's resource and tax management, good sales, self-management and discussion skills vis-a-vis authorities, banks and customers. Entrepreneurs who lack the tools to maintain intelligent business activity may experience business "blows" that will prevent them from seeing a horizon of measurable external business success, and consequently, lack of motivation. Personal development, learning about business content worlds, rules and taxes constitute part of the key to success. Obviously, there is no magic way for growth and achieving business success, but knowledge is the force to illuminate the safest way to external and measured financial business success (Bracha, 2015).

Moshe Grimberg, a senior business consultant wrote in his article *"The Secrets to business success were found ...in an instant"* (2018, translated from Hebrew) about the first entrepreneurs' and senior managers' failures conference. He wrote that celebrated entrepreneurs and managers got on stage and spoke about their personal failures the way to success. He was exposed to the interesting conclusion that every success followed numerous failures, and behind every person is the story of a single individual or group that dreamed of success, are years of sweat when their first attempts failed. Only a few successfully overcame their failures and disappointment and persevered until achieving success. In his article, he tried to shed light on the DNA of successes and determined 6 iron-clad rules:

1. Never give up after failures – an example presented at the conference was that of the Jewish entrepreneur Max Levchin, born in the former-U.S.S.R, who failed

several times and spoke at the conference about his first company falling apart, his second company closing, and the third simply failing. The fourth company survived, and the fifth company he established is called PayPal.

2. Do not seek perfection, as when seeking it, one can stand on the same spot – In searching for perfection, one stands on the spot – business success addresses the ability to persevere, be determined and tolerant. Michelangelo said, "Genius is eternal patience", and General George Smith Patton Jr. (November 11, 1885 – December 21, 1945) who was a general in the United States Army who commanded the Seventh United States Army in the Mediterranean of World War II, and the Third United States Army in France and Germany after the Allied invasion of Normandy in June 1944, stated "A good plan today is better than a perfect plan tomorrow (09.04.2021). There is no magic in ongoing success. It requires hard work.
3. Business endeavors fail quite often before great success – Rovio, the game company had created 51 games and was nearly bankrupt "Angry Birds" was created, leading to "instant" measured success, a process which in reality lasted eight years.
4. Determination and resolve are necessary to recover from failures along the way – examples are Abraham Lincoln, who experienced multiple failures before becoming a president and a key figure in American history. Steve Jobs was fired from the company he established, was determined and returned ever bigger, and Michael Jordan, for whom being thrown out of the school's basketball team did not harm his motivation and had the greatest career in the basketball world. Entrepreneurs who learn how to cope with and learn from their own failures are likely to learn how to achieve success.
5. Without sales, a business will vanish – It is not enough to create a unique product and brand. Without recurring sales, up-sale and cross-sale, it is impossible to create a growing business. It is right to recruit some new customers, but identifying, planning, and implementing recurring sales processes will take the business to a completely different and result in success.
6. When pressure takes over, it is destructive – A survey conducted by the Bank of America (2018) revealed that the majority of small business owners believe that managing a successful business is twice as stressful as maintaining healthy relationships with partners, three times as stressful than raising children, and far

more stressful than managing personal finances. Furthermore, it was also found that business owners neglect hobbies and physical activity owing to the high demands of managing a business. Additionally, in the attempt to promote their business, 38% of small business owners still work as salary-paid employees (Grimberg, 2020).

Based on the literature review, business success can be defined as the inner place of company leaders or entrepreneurs where they aspire to reach.

The following sections will describe the variables that can influence the business success, namely: management skills, marketing and sales skills, financial knowledge, team quality, personal characteristics and values, entrepreneurship and performance.

I.2 Management Skills

Since this research addresses a marketing strategy leading to business success, improvement of management skills may be perceived as one of the most influential factors.

There are numerous ways for managers to choose so as to achieve employees' and management teams' high-quality performance with relatively low investment, such as assigning joint tasks and making them work tighter as a team, developing work environment, establishing joint goals, etc. (Haskel & Hawkes , 2003).

According to McGrath and Bates (2017), a manager needs to be like a coach. Managers can be classified into several management types: (1) managers as consultants – those who consult with regard to the most relevant alternatives; (2) managers as mentors sharing their experiences; (3) managers as coaches, going through processes with employees, supervising, directing and leading them to achievements, accompanying and supporting them.

Performance is considered potential without intrusion, the more competent managers, the less they interfere and the higher business performance obtained (McGrath & Bates, 2017).

Moreover, Nikos Andriotis (2018), maintained that one key issue in developing management skills is leadership, which consists of several important aspects that are vital to succeeding as a manager:

1. Open discourse and productive **communication**.
2. **Teamwork** – managers must have team building and activation strategies so as to work in collaboration, designate tasks and apply personal competences for achieving set common goals.
3. **Decision-making** – knowledge how to present appropriate questions, seeing a comprehensive, global picture, managing various situations and risks, acting efficiently while taking cost-effective actions.
4. **Problem solving** - successful leaders are always involved when a problem arises.
5. **Empowerment** - managers must be able to reassure employees so as to enable them to take initiative and aspire to personal development.
6. **Empathy** – ability to pinpoint and understand how employees' feelings influence their mood and resolve and know how to respond to them (Andriotis, 2018).

In summary, it can be said that according to Andriotis, managers' success depends on six components related to their skills and the more skilled they are in each of these components, the greater their business performance will be.

Another aspect of management skills is expressed by Ramo (2014), who pointed out that poor employees' placement harms both organizations and the employees themselves. He stated that one of the greatest disasters in any society would be placing people in the wrong positions and turn successful people into failures. However, such a situation can be avoided through proper talent management. Watson (2004) identified increased productivity owing to employees being better suited to their job roles as one of the benefits of skills management.

Management skills can help companies reduce expenses and make better use of developing their workforce (Mesheal, 2016). First, management skills can help a business reduce unnecessary expenses. For instance, a company that spent exorbitant amounts of money on contractors although they had the required skills among intra-company employees, In fact, it operated inefficiently and caused large expenses when it could have used its employees and saved a lot of money. . They studied and analyzed existing skills within the company, and which people had the appropriate skills, thus reducing reliance on external sources. IBM had a similar experience, when choosing to implement the workforce management skills approach. One question on the minds of HR leaders was how they might show financial and tangible accounting returns.

Significant attention was paid to improving utilization rates, particularly among the full-time employee ranks. The new approach indeed worked.

Second, management skills improve workforce quality. It is a known fact that an organization can only be as great as the people who work in it. Thus, an organization with high quality is more productive and economically stable. Third, management skills provide data to support economically wise decisions. Projects can be performed better because people with the right skills are engaged, daily activities run smoothly because people are in the right position (Mesheal, 2016).

According to my perception, it is possible to look at company general management by dividing it into small projects, as in the superposition method where a large and complex subject is broken down into small parts, handling each part separately. And from this it can be understood that general management contains project management skills, so, an important facet of managements skills is represented by project management.

Project management –Landaeta (2008) maintained that to achieve goals, project management requires three types of knowledge. Technical knowledge is the first thing that makes it possible to move forward in the project and carry out the tasks as set. Nevertheless, when problems arise, the need to know how to solve them emerges. Ongoing enhancement of project assignments is another type of knowledge required. Zhang et al. (2017) maintained project management also calls for standardization, knowledge management through conclusions drawn and controlling budgets by managing expenditures by employing information systems.

Despite findings indicate low levels of **risk management** influence on project performance, Carvalho & Rabechini (2015) noted that other studies found that even soft risk management planning levels suffice to reduce risk's negative effects on project success. The contingency approach can explain these contradictory findings, maintaining that the type of project affects both performance and the effectiveness of project management. Another explanation is that these studies predominantly addressed risk management, but overlooked highly relevant aspects such as stakeholders' project management, negotiation, leadership, conflict management skills, etc. (Carvalho L. , 2015).

In conclusion, management skill is an important component on which business performance depends. The absence of appropriate management skill will result in huge costs, problems, mistakes and customer dissatisfaction, whereas high management skill will result in saving money, process flow in task performance and customer satisfaction. In other words, the greater managers' management skills the greater their chances of success. In particular, there are three essential facets of the management skills, briefly described below, namely: communication, negotiation, decision making.

I.2.1 Communication

According to Lindhard & Larsen (2016), management skills, good communication and knowledge sharing contribute to improved expenditure, time management and performance. Thus, improved communication and experience sharing, coordination, commitment and skills are likely to boost business success. Cunha et al. (2014) found knowledge management to be a key integrative function, affecting organizational learning leading to improved business performance (Favoretto & Monteiro de Carvalho, January 2021).

Effective communication is a significant success predictor (Muazam, Siti Sarah, & Umi Kartini, 2021). Furthermore, studies show that it plays a key role in business success and serves as an intermediary between leaders and the agents who carry out projects and tasks. Therefore, organizations aiming to improve business performance should encourage managers' leadership style with effective communication. Organizations can promote this style through leadership development plans, through which managers will express thoughts, ideas, information and vision of the organization to their team members in an effective manner (Muazam, Siti Sarah, & Umi Kartini, 2021).

Can every manager communicate effectively or are certain social skills required? How is a manager required to create a network of effective connections? In what ways and what skills are needed?

One of the proposed models for creating effective communication is a four-step model that has been shown to be applicable to any situation, allowing to create a good mutual connection, whether during a coffee break, meeting with new customers, at events, or at sales conferences where people only meet once or twice a year (Boothman, 2012).

Boothman (2012) suggested a procedure to welcome people in the vast majority of situations. Whenever possible, one should stand up and greet the person you meet. If at work, get up and go around the table to greet all visitors, whether they are customers, new colleagues or acquaintances. For example, turning one's heart towards the person one meets, removing barriers and opening up and start a conversation. The process is divided into five stages:

1. **Openness** - The first part of the meeting is opening: attitude and body. Using body language, it can communicate openly and create credibility and transparency.
2. **Eye contact** – Eye contact focuses communication and attention.
3. **Smile** – A smile reflects the approach. A hearty smile shows confidence and enthusiasm.
4. **Speak** - The tone and form of speech directly affects communication, whether it is polite and friendly or whether it is threatening and aggressive.
5. **Synchronize** - One must immediately begin synchronizing a person's body language and general voice characteristics. If speaking to more than one person, should address each person in turn.

These stages/rules also apply when another person takes the lead. In this case, too, the approach should be matched to the required communication (Boothman, 2012).

In summary, it can be stated that through correct and effective communication, employees can be efficiently motivated to perform tasks, share ideas and create support and sympathy, effective communication is part of the required management skills affecting business success.

I.2.2 Negotiation

As part of management skills, businesspeople, in the private or public sector, from senior managers to juniors, all need to negotiate with someone in their daily routine life. The **negotiation** element is always in the background, managers and entrepreneurs represent themselves and their companies. For them the role of negotiation comes to the forefront and they must employ various negotiation skills to reach their goals on the business side of the profession (Osmičević & Meško, 2020).

People who use negotiation as part of their daily routine use different styles and forms of negotiation, which suit specific needs and actions. Also, two businessmen discussing how to close a deal may use different negotiation tactics in the attempt to reach a final agreement on a business proposal (Osmičević & Meško, 2020).

The world is changing and negotiation skills constitute a key aspect of our daily work. Some people are natural negotiators; others find it challenging, but they can learn how to negotiate. Negotiation books were highly successful in the 1980s and provided advice, tactics and strategies. These books were full of academic negotiation examples that showed how one could become a successful negotiator. It can be said negotiation skills are essential for every manager (Osmičević & Meško, 2020).

Moreover, in negotiations, it is essential to set a goal and strategy to objectively assess what kind of negotiation is required, and who is the leader of the negotiating team, if there is more than one person to deal with (Frost, 2009).

Negotiation ultimately seeks to reach an agreement, relying on mutual trust and cooperation, which are the essence of the procedure. Negotiation involves productive relationships and communication skills. In negotiations, objective interests and self-discipline are the sole factors that must prevail, while not involving other emotions. It is advisable that one takes the first step wisely and rapidly and take weighed risks in the process. Goals must be at the forefront and any compromise should be considered. Last but not least, negotiation as a form of interpersonal communication, renders the ability to communicate interpersonally is as important as good acquaintance with the issue negotiated and negotiation skills (Frost, 2009). From a distribution point of view, in negotiations, one party tries to show superiority over the other, believing that the other is weak because of lack of resources. In a distributive situation negotiation one side fights hard for their goals (specific prices or amounts) because the other side's loss is their gain. From this point of view, the negotiation leads to there being a clear winner and loser (Frost, 2009).

From an integrative perspective, negotiators believe that all parties can benefit by reaching constructive solutions. Integrative negotiation solves access problems, focusing on the exchange of information in order to identify fundamental issues and interests and create results that benefit them all. Negotiators reach agreement by using