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Managerial Competence and Inventory Management in SME Financial Performance: A Hungarian Perspective

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Abstract: This study examines how managerial skills and inventory management affect the financial performance of SMEs in Hungary's Business Products and Services sector. It employs a mixed-methods approach, combining qualitative research through semi-structured interviews with 73 inventory and financial managers, alongside a quantitative survey involving 210 participants representing various SME experiences.

Qualitative methods like thematic and hermeneutic analysis are used to explore participant experiences deeply, while the quantitative survey assesses specific variables. The findings reveal a consensus among participants on the pivotal roles of managerial competence and advanced inventory management practices. Managerial competence encompasses data-driven decision-making and adaptability, while advanced inventory techniques like Economic Order Quantity (EOQ) and Activity-Based Cost (ABC) analysis significantly impact profitability. Inventory management is identified as a key mediator between managerial decisions and financial outcomes.

The study emphasizes the importance of investing in managerial development, education, and sustainable growth for SMEs. Recommendations include adopting advanced inventory management techniques, prioritizing customer satisfaction, embracing continuous improvement, expanding globally, and promoting knowledge sharing to optimize SME operations. These insights offer practical guidance for SMEs to enhance growth and competitiveness across diverse business settings.

Keywords: Managerial Competence, Inventory Management, Financial Performance, Small and Medium-sized Enterprises (SMEs), Economic Order Quantity (EOQ), Business Products and Services Sector.

1 Introduction

Small and Medium-sized Enterprises (SMEs) are pivotal in global economies, driving job creation and economic growth. In Hungary, the Business Products and Services sector within SMEs has witnessed remarkable growth and innovation [1,2]. However, within this landscape, challenges persist, particularly concerning managerial competence and efficient inventory management, both profoundly influencing financial performance [3].

This research dives into the interconnectedness of managerial competence, inventory management, and financial performance in Hungary's SMEs operating in the Business Products and Services sector. By analyzing these critical factors, this study aims to illuminate pathways for sustainable growth and enhanced competitiveness.

Exploration of Hungary's economic dynamics through the Resource-Based View (RBV) and Dynamic Capability Theory (DCT) unveils crucial insights [4]. RBV emphasizes the strategic leveraging of internal resources for sustained competitive advantages, while DCT accentuates adaptability and innovation in a rapidly changing global landscape.

Existing literature underscores the correlation between managerial competence and financial performance [5–7]. Similarly, studies emphasize the pivotal role of efficient inventory management in driving financial performance [8,9]. However, a noticeable gap lies in understanding inventory management's mediating role between managerial competence and financial outcomes [10,11].

This study fills this gap by using empirical research to determine the effects of effective inventory management and competent managerial abilities on the financial performance of Hungarian SMEs. It looks at inventory management's mediating role in order to provide a thorough understanding of how these factors interact to influence financial results. In a

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market where competition is fierce, this research is essential because it clarifies tactics for enhancing SME operations and bolstering Hungary's economy.

To fulfil the study's objective, the research questions listed below were used

RQ 1: Examines the link between managerial competence and financial performance.

RQ 2: Explores the relationship between inventory management and financial performance.

RQ 3: Investigates inventory management as a mediator between managerial competence and financial performance.

literature review is presented in Section 2, methodology is described in Section 3, findings are presented in Section 4, and the discussion, implications, and conclusion are presented in Sections 5 and 6.

2 Related Literature Review and Research Questions

2.1. Hungary's Economic Performance Analyzed through the Resource-Based View and Dynamic Capability Theory

Understanding Hungary's economic dynamics calls for an exploration of two vital theories in economics: the RBV and the DCT [4]. These frameworks offer insightful perspectives into Hungary's ability to flourish amidst the constantly shifting global economic landscape.

2.1.1. Resource-Based View (RBV)

RBV theory centers on the idea that a nation's economic success largely hinges on how effectively it leverages its internal resources to secure sustainable competitive advantages [12]. For Hungary, these resources span a wide spectrum, including its skilled workforce, abundant natural resources, rich cultural heritage, well-established infrastructure, and strong educational institutions [13].

RBV operates on two fundamental assumptions that are particularly pertinent in Hungary's economic context. Firstly, it acknowledges that resources are not uniformly distributed among nations; some countries possess unique and invaluable resources that confer them with a competitive edge. Secondly, RBV recognizes that the diversity of resources among nations tends to persist over time, mainly due to the substantial costs involved in transferring resources [14].

To ensure Hungary's long-term economic prosperity, its resources must meet specific criteria. These resources should be not only valuable but also rare, difficult to replicate (inimitable), and resistant to easy substitution. The essence of RBV lies in Hungary's ability to nurture and effectively capitalize on these distinctive resources, thereby cultivating core competencies that distinguish it on the global economic stage [15].

2.1.2. Dynamic Capability Theory (DCT)

DCT takes RBV a step further by addressing the ever-evolving nature of today's global business environments. It contends that, in an era characterized by rapid technological advancements and market fluctuations, a nation's ability to adapt and thrive hinges on its mastery of internal technologies, innovation, and adaptability [16].

Dynamic capabilities, as defined by scholars, revolve around a nation's capacity to integrate, develop, and reconfigure both its internal and external competencies to effectively respond to changing global circumstances. For Hungary, this involves fostering an environment conducive to innovation, entrepreneurship, and the development and adoption of advanced technologies [17].

DCT underscores the pivotal role of Hungary's processes, including coordination, learning, and reconfiguration, in effectively managing change. Additionally, it highlights the significance of Hungary's market position, which encompasses technology adoption, intellectual property creation, global trade relationships, and competitiveness on a global scale [13].

2.1.3. Implications for Hungary's Economic Development

This literature review underscores that Hungary's economic performance is intricately linked to its ability to cultivate and leverage its internal resources while adapting to ever-evolving global dynamics. Embracing the principles of RBV and DCT offers Hungary a roadmap for sustainable economic growth and competitiveness on the world stage.

Within the RBV framework, Hungary's unique resources, such as its highly skilled workforce and strategic geographical location in Central Europe, lay the foundation for a competitive advantage. Policymakers and stakeholders should prioritize investments in education, research and development, and infrastructure to bolster these advantages and maintain Hungary's competitiveness in global markets [18].

DCT emphasizes innovation and adaptability as essential in a rapidly changing world. To stay at the forefront of global economic trends, Hungary should foster a culture of innovation, support entrepreneurship, and create an ecosystem that encourages the development and adoption of cutting-edge technologies [19].

As Hungary navigates the ever-evolving global economic landscape, this literature review underscores the importance of managerial competencies, encompassing knowledge and skills, in steering economic growth. Effective resource management, such as optimizing trade relations and embracing technological advancements, can pave the way for improved economic performance. Conversely, a failure to prioritize these competencies may impede progress [20].

This literature review offers a comprehensive examination of Hungary's economic landscape through the lenses of the RBV and DCT. These frameworks illuminate Hungary's potential for economic development, emphasizing the significance of harnessing internal resources and fostering adaptability within the context of a dynamic global economy.

2.2. Formulation of Research Questions Based on Empirical Literature

2.2.1. Managerial competence

In this section, the study delves into the existing body of research concerning managerial prowess and its impact on financial performance. Managerial competence, in this context, encompasses an individual's knowledge, capabilities, and aptitude in the spheres of planning, overseeing, and orchestrating an organization's operations [5]. Competent management entails the adeptness to access and transmute data into invaluable insights, enabling astute decision-making for the successful execution of tasks [7].

A plethora of antecedent studies has consistently underscored a salutary correlation between managerial competence and financial performance. For instance, prior research has meticulously scrutinized the quandaries surrounding managerial competence among executives of small enterprises, consistently unveiling a propitious nexus between managerial comportment and firm performance. These findings posit that executives endowed with indispensable managerial proficiencies are better poised to navigate their organizations towards the realization of their predefined objectives [21].

Equally, extant literature posits that an individual's financial performance is undergirded by an amalgamation of skills, erudition, attributes, and dispositions germane to their role or occupational purview [22]. This concomitantly exerts an imprint on the overarching financial performance. This viewpoint is corroborated by research concerning the ramifications of managerial competencies on the performance of enterprises owned by immigrants, which has asseverated that businesses owned by individuals boasting higher education and pertinent prior experience tend to outshine those devoid of these credentials [10].

Moreover, a gamut of studies has undertaken the exploration of the nexus between managerial competence and the fiscal performance of diverse organizational typologies. Invariably, these investigations have espied a sanguine affiliation between managerial prowess and financial performance. This concretizes the notion that adroit management is an indomitable catalyst for financial prosperity [6,23].

In light of this copious repository of research in this realm, our study postulates that any augmentation in the managerial competence of proprietors or managers of small enterprises will engender a concomitant amelioration in financial performance. Consequently, the study postulates the ensuing research question:

RQ 1 - Does there exist a positive relationship between managerial competence and the financial performance of SME's?

2.2.2. Objectives of Managing Inventory

Efficient inventory management plays a pivotal role in shaping the overall performance of an organization. Its primary mission is to strike a delicate balance: maintaining the right inventory levels to ensure seamless production and sales while simultaneously minimizing the costs associated with holding excess stock [8]. Furthermore, it aims to enhance customer satisfaction, ultimately resulting in improved profitability and financial stability for the organization [24].

To establish a robust inventory management system, organizations need to implement careful planning and budgeting procedures, coupled with accurate sales forecasts. This involves adopting effective reporting systems and using inventory management techniques such as Economic Order Quantity (EOQ) and ABC analysis to optimize inventory levels. Effective inventory management reduces the risk of production interruptions and cuts down on the expenses associated with holding inventory [25,26].

It's important to note that many small and medium-sized enterprises (SMEs) often grapple with the complexities of managing their inventory effectively. For instance, a significant portion of SMEs does not regularly review their stock levels or employ advanced models like EOQ, indicating the challenges they face in this area [27].

Given these challenges, organizations should prioritize the development of effective and efficient inventory management strategies to avoid stockouts and minimize holding costs. This endeavor requires expertise in determining the right inventory levels, meticulous planning, continuous monitoring, and effective control, all underpinned by a deep understanding of the fundamental principles of inventory management [28]. Competence in this area is essential because skilled managers can turn inventory into a proactive asset, reducing investment and holding costs while instilling confidence in supply and distribution services [29].

Several studies have explored the implications of inventory management on financial performance. These studies consistently show a strong and positive correlation between the effectiveness of inventory management practices and an organization's financial performance. It's clear that inadequate inventory management strategies can lead to reduced sales and profitability [30–32].

Similarly, research conducted on SMEs in various regions consistently reveals a positive relationship between financial performance and the proficient execution of inventory management practices. Since inventory is susceptible to various challenges such as theft and obsolescence due to changing consumer preferences, meticulous monitoring of inventory movements is of paramount importance. Neglecting this aspect could result in avoidable losses that might ultimately hinder an organization's financial performance [9].

RQ 2. Dose there a positive relationship between inventory management and financial performance?

The study is embarking on an investigative journey to explore the intriguing possibility that effective inventory management serves as a pivotal intermediary between managerial competence and a company's financial performance. In the contemporary landscape of fiercely competitive business environments, the paramount importance of managerial expertise in the realm of inventory management is self-evident[11]. This significance emanates from the proficiency of individuals tasked with overseeing inventory, who, when armed with requisite knowledge and competencies, can deftly deploy a spectrum of inventory management methodologies, including but not limited to the just-in-time and economic order quantity, facilitating the precision in determining opportune moments for replenishment [33]. Furthermore, these adept individuals, through their negotiation prowess, are well-positioned to maintain inventory levels in an optimal equilibrium, obviating the perils associated with excessive stockpiling and detrimental stockouts. Prior scholarly research has duly highlighted how such competent inventory managers can accurately discern the precise quantum of inventory required, judiciously identify dependable suppliers, impeccably time order placements, and adroitly circumvent the pitfalls of inventory deficits or surpluses, thereby collectively contributing to an augmentation of the company's financial performance[34].

However, a conspicuous void in scholarly inquiry emerges concerning the exploration of inventory management's mediating role in elucidating the intricate relationship between managerial competence and financial performance[10]. Existing empirical investigations have predominantly concentrated on the direct assessment of the impact of managerial competence and inventory management on the financial performance of companies[35]. Notwithstanding, must not lose sight of the financial implications intricately intertwined with the practice of inventory management, encompassing the pertinent aspects of holding and handling costs. In this context, positing that judicious inventory management can yield substantial cost efficiencies and simultaneously stimulate the growth of sales, consequently mitigating the specter of stockouts. It is noteworthy that contented customers, who receive their orders with alacrity, are more inclined to disseminate positive endorsements, thereby exerting a direct and favorable influence on the financial performance of the company. Nevertheless, it is incumbent upon the manager to be equipped not only with knowledge and skills but also with the requisite panoply of capabilities to achieve optimal inventory management characterized by the harmonization of cost minimization and revenue maximization[36–38].

The central thrust of our study is to undertake an empirical investigation to ascertain whether managers, fortified with competencies encompassing knowledge, skills, and abilities, can strategically harness inventory management as a catalyst for significantly elevating their company's financial performance. In summation, the study advance the following question:

RQ 3. What is the role of inventory management as a pivotal mediator in the complex relationship between managerial competence and financial performance?

3 Methodologies

3.1. Study Design

A mixed-methods approach is used, combining qualitative research through semi-structured interviews [39, 40, 41] and a quantitative survey. The qualitative research explores in-depth participant experiences, while the survey quantitatively assesses specific variables.

3.2. Participant Selection

Initially, 73 inventory and financial managers from SMEs in Hungary's Business Products and Services sector were selected for qualitative interviews [41]. Additionally, 210 participants were selected for the quantitative survey, representing diverse experiences in the SME sector.

3.3. Language Utilized

All interviews and surveys were conducted in English.

3.4. Sample Size Determination

The qualitative sample size followed the saturation principle [42, 43], while the survey involved 210 participants.

3.5. Data Collection

Data collection comprised online semi-structured interviews [44] and a survey assessing Managerial Competence, Inventory Management Practices, and Financial Performance.

3.6. Data Analysis

Qualitative data were analyzed using thematic and hermeneutic techniques [45], and quantitative data were analyzed statistically. NVivo software was used for thematic analysis.

3.7. Ethical Considerations

Ethical standards, including informed consent and confidentiality, were maintained in both qualitative interviews and the quantitative survey.

4 Results

The analysis of responses to research question 1 ("Is there a positive relationship between managerial competence and SME financial performance?") aligns with existing literature [5]. Respondents emphasize the vital role of managerial competence, including data-driven decision-making [7], practical abilities like inventory management [22], and the risks of managerial incompetence [21]. Formal education and industry expertise enhance financial performance [10], and capable managers in financial planning and strategic management drive sustainable growth, as supported by research [6,23].

Global research confirms the universal link between managerial competence and business success, including cultural competence, as highlighted here, aligning with literature suggesting competence extends to adapting in diverse contexts [6,23]. The call for continuous investment in managerial development resonates with the literature, emphasizing the long-term commitment needed for managerial excellence.

In conclusion, respondent insights align with existing literature, emphasizing the critical role of managerial competence in Hungarian SMEs and beyond, reinforcing the need to invest in managerial competence for SME improvement in Hungary and worldwide.

The thematic analysis:

Managerial Competence Definition: Respondents define managerial competence as a multifaceted skill set vital for effective management.

Data-Driven Decision-Making: Emphasis on using data for informed decision-making as a core aspect of competence.

Practical Skills: Practical skills, particularly in areas like inventory management, are vital for overcoming operational challenges.

Consequences of Incompetence: Highlighting the negative impact of incompetence, including financial mistakes and poor cost management.

Education and Expertise: Recognition of the role of formal education and industry expertise in improving financial performance.

Sustainable Growth: Competent management linked to sustainable growth and financial prosperity.

Global Relevance: Acknowledgment of the global applicability of managerial competence.

Cultural Competence: The importance of cultural understanding in fostering fruitful relationships and business success.

Investment in Development: Encouragement for continuous investment in managerial development to enhance competence and drive financial success.
Respondents emphasize the importance of efficient inventory management in Hungary, echoing existing literature [8]. They

endorse inventory optimization techniques like EOQ and ABC analysis in line with literature recommendations [25,26].

Acknowledgment of inventory challenges for SMEs aligns with literature on resource constraints [27]. Highlighting the link between inventory management and financial performance mirrors consistent literature findings [30–32].

Mention of unique Hungarian inventory challenges corresponds with literature recognizing external challenges [9]. Emphasizing inventory's role in enhancing customer satisfaction aligns with literature on improving customer relations [24].

Viewing inventory as a proactive asset aligns with literature's recommendations for cost reduction and reliable supply [29]. Prioritizing inventory management to avoid adverse financial effects corresponds with literature's call for effective strategies [28].

In summary, respondents' perspectives reinforce well-established literature on the critical link between inventory management and financial performance in Hungary's competitive business environment. This analysis confirms alignment with existing literature.

The thematic Analysis:

Cost-Benefit Balance: Efficient inventory management for cost-control aligns with literature.

Optimization Techniques: Emphasis on EOQ and ABC analysis echoes cost-reduction strategies.

SME Challenges: Acknowledgment of SME difficulties mirrors resource constraints discussed in literature.

Performance Link: Recognizing a positive link between inventory and financial performance is consistent with established research.

Unique Challenges: Hungary's unique inventory challenges resonate with literature on external impacts.

Customer Focus: Prioritizing customer satisfaction aligns with literature emphasizing customer relations.

Proactive Asset: Viewing inventory as a proactive asset corresponds with cost reduction and supply reliability in literature.

Priority Need: Stressing inventory management's priority aligns with literature's call for effective strategies.

Hungary's Competitive Edge: Respondents' consensus highlights the strong link between inventory management and financial performance in Hungary, reinforcing literature's findings.

This study investigates the role of inventory management as a mediator between managerial competence and financial performance [11]. The findings support existing literature by highlighting that effective inventory management optimizes levels, reduces costs, and ensures availability [33]. Maintaining optimal inventory balance, as emphasized, aligns with prior research [11]. Competent managers impact financial performance through sales growth, cost savings, and efficient negotiations, consistent with the literature [46]. The discussions on order timing correspond with the literature's assertion about competent managers' decisions [33], and continuous training and improvement correlate with previous research [33]. Financial performance, as noted, encompasses more than just profits, in line with the literature [10]. The emphasis on balancing inventory and cash flow aligns with the literature's focus on cost minimization and revenue maximization [37,38]. This study reinforces the literature's themes regarding the vital role of inventory management in linking managerial competence to financial performance [11].

Thematic Analysis :

Central Role of Inventory Management: Responses echo the literature, emphasizing inventory management's central role.

Effective Inventory Management: Competent managers optimize inventory, reduce costs, and ensure product availability.

Optimal Inventory Equilibrium: Maintaining balanced inventory levels is critical.

Direct Impact of Managerial Competence: Competent managers drive sales, profits, efficient cash flow, supplier negotiations, and cost savings.

Timing in Inventory Management: Timely order placement is crucial.

Indirect Impact on Customer Satisfaction: Inventory management indirectly affects customer satisfaction.

Continuous Training and Development: Ongoing training aligns with adapting to change.

Continuous Improvement: Evolving methods require continuous improvement.

The study's statistics section offers a thorough examination of the connection between Hungarian SMEs' financial performance, inventory control, and managerial competency. This section provides a quantitative perspective on the effects of managerial abilities and inventory practices on business success by using sophisticated statistical techniques to validate the theoretical concepts previously discussed. It's an important section to comprehend the research hypotheses' empirical underpinnings.

Variables Description

Independent Variables

1. **Managerial Competence (MC)**
2. Description: A measure of the managerial skills and abilities in the SMEs.
3. Scale: Scored on a scale from 1 to 10, with higher scores indicating greater competence.
4. **Inventory Management Practices (IMP)**

- Description: A measure of the efficiency and effectiveness of inventory management strategies employed by the SMEs.
- Scale: Scored on a scale from 1 to 10, with higher scores indicating more advanced and effective practices.

Dependent Variable

1. **Financial Performance (FP)**
2. Description: A measure of the financial success of the SMEs, primarily focusing on revenue growth.
3. Scale: Represented as a percentage increase in revenue, indicating the financial growth or decline over a specific period.

Correlation Analysis

The Pearson correlation analysis revealed the following relationships:

Variable Pairs	**Pearson Correlation Coefficient**
Managerial Competence & Financial Performance	0.50
Inventory Management & Financial Performance	0.45

These coefficients indicate strong positive relationships between Managerial Competence and Financial Performance and between Inventory Management Practices and Financial Performance.

Regression Analysis

The regression model assessing the impact of Managerial Competence and Inventory Management on Financial Performance is given by:

Financial Performance=9.0907+0.40×Managerial Competence+0.35×Inventory Management+ϵ

The analysis yielded the following results:

Predictor	**Coefficient**	**p-value**	**95% Confidence Interval Lower**	**95% Confidence Interval Upper**
Constant	9.0907	-	6.405	11.776
Managerial Competence	0.40	0.03	0.15	0.65
Inventory Management	0.35	0.04	0.10	0.60

The coefficients for both Managerial Competence and Inventory Management are positive, indicating that increases in these variables are associated with an increase in Financial Performance. The p-values for both predictors suggest statistical significance.

5 Discussions and Implications

5.1. Discussion

Numerous similarities and differences across a range of dimensions within the context of Hungarian SMEs are revealed by contrasting the research findings with the literature studies.

The literature provides a thorough picture of how utilizing internal resources and adjusting to global dynamics are essential for Hungary's economic development with regard to the investigation of Hungary's economic performance through RBV and DCT [4]. According to [5], the research findings support this by highlighting the value of managerial competence and reiterating the significance of utilizing resources to achieve financial success. Hungary's distinctive resources, cultural heritage, trained labor force, and flexibility play a critical role in a dynamic global economy, and both the literature and research recognize this as the basis for competitive advantage [13].

And yet, although the majority of the literature concentrates on the more general theories and frameworks (RBV and DCT), the research delves further into the implications of managerial competence and inventory management in Hungarian SMEs. The research directly supports the notion that managerial competence is crucial for economic prosperity, as evidenced by the way in which it directly affects the financial performance of small and medium-sized Hungarian enterprises [36–38].

Knowledge, skills, and data-driven decision-making are critical components of managerial competence, according to research and literature[7]. [22]emphasize the positive relationship that exists between managerial capability and financial performance.

Likewise, when it comes to inventory management, research and literature agree on the importance of good inventory management for financial performance [30,32]. Both emphasize the significance of cutting expenses, maximizing levels, and matching inventory procedures to customer satisfaction; however, the research focuses on the difficulties faced by Hungarian SMEs and the requirement for knowledge in this particular field [9].

Additionally, while the literature typically focuses on the individual effects of these factors, the research elaborates on the connections between managerial competence and financial performance and the mediating role of inventory management. Both sources concur that skilled management plays a critical role in efficiently utilizing inventory to affect financial results [6,23] .

The study not only confirms and expands upon the conclusions of previous research, but it also provides a unique perspective on the particular difficulties encountered by Hungarian SMEs. It explains the critical roles that managerial proficiency and skillful inventory management play in mitigating these difficulties. By highlighting the useful applications of these theories within the context of Hungarian SMEs, the research adds to the more general theoretical frameworks presented in the literature and provides a more nuanced view.

5.2. Implications

Develop Managerial Skills: Prioritize ongoing training and education for managers to enhance their diverse skill set, reflecting the study's emphasis on crucial competencies for effective management.

Improve Inventory Practices: Adopt efficient inventory management techniques such as EOQ and ABC analysis to control costs and boost financial performance, aligning with established principles of inventory management.

Address Unique Challenges: Tailor strategies to tackle specific hurdles faced by Hungarian SMEs, considering external influences that impact business operations.

Strategic Inventory Management: Recognize inventory management as a key link between managerial competence and financial success, emphasizing the importance of maintaining optimal inventory levels and continuous improvement.

Promote Continuous Learning: Foster a culture of continual learning and adaptation, ensuring managers and practices evolve to sustain financial growth

6 Conclusions and Recommendations

The comprehensive exploration of the relationships among managerial competence, inventory management, and financial performance within Hungary's Small and Medium-sized Enterprises (SMEs) operating in the Business Products and Services sector has yielded valuable insights. This conclusion summarizes the key findings and offers practical recommendations for both academia and practitioners.

6.1. Conclusion

The research findings align closely with existing literature, revealing the integral roles of managerial competence and efficient inventory management in shaping SMEs' financial performance. These findings highlight the multifaceted nature of competence and underscore the need for SMEs to invest in managerial development, consider hiring managers with relevant educational backgrounds, and prioritize sustainable growth.

Efficient inventory management emerges as a crucial driver of financial performance, emphasizing the importance of implementing optimization techniques, addressing unique SME challenges, and placing a strong emphasis on customer satisfaction. Balancing inventory levels is pivotal for cost control and profitability.

Furthermore, the study highlights the mediating role of inventory management in the complex relationship between managerial competence and financial performance. This underscores the importance of integrating managerial training, data-driven decision-making, continuous improvement efforts, and a holistic financial performance perspective within SMEs.

The recognition of cultural competence and the global applicability of these principles emphasize the adaptability and universality of managerial competence and effective inventory management practices.

6.2. Recommendations

6.2.1. For Academia:

Further Research: Academics should continue to investigate the nuanced relationships between managerial competence, inventory management, and financial performance, considering diverse contexts and industries.

Cross-Cultural Studies: Research on the impact of cultural competence in managerial effectiveness should be expanded, considering its relevance in the global business landscape.

Pedagogical Development: Educational institutions should enhance managerial training programs to equip future managers with not only technical skills but also the ability to navigate diverse cultural contexts and make data-driven decisions.

Industry Collaboration: Collaborative research projects with SMEs can offer real-world insights and contribute to the development of tailored solutions for SME challenges.

6.2.2. For Practitioners:

Managerial Development: SMEs should prioritize the continuous development of managerial competence among their leadership teams, recognizing its direct influence on financial performance.

Inventory Management Strategies: Implement advanced inventory optimization techniques such as EOQ and ABC analysis to reduce holding costs and improve profitability.

Customer-Centric Approach: Place a strong emphasis on customer satisfaction through effective inventory management, recognizing its potential to drive increased profitability.

Continuous Improvement: Embrace a culture of continuous improvement in inventory management practices, adapting to evolving methods and technologies.

Global Expansion: SMEs aspiring to expand into international markets should incorporate managerial competence and efficient inventory management as core strategies for success, while also considering cultural adaptability.

Knowledge Sharing: Engage in knowledge sharing with SMEs from different regions to exchange best practices and experiences, contributing to enhanced managerial competence and inventory management practices.

Finally, the research findings underscore the interconnected nature of managerial competence, inventory management, and financial performance within SMEs. Implementing the recommendations outlined here can help SMEs in Hungary's Business Products and Services sector thrive in a dynamic and competitive business environment, fostering sustainable growth and long-term success.

Conflicts of Interest Statement

The authors certify that they have NO affiliations with or involvement in any organization or entity with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, employment, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-

financial interest (such as personal or professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

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