FACTORS DETERMINING SUCCESS OF SMALL AND MEDIUM ENTERPRISES (SMES) IN KOSOVO

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Abstract: Small and medium-sized enterprises (SMEs) are integral part of economic and social development and regeneration, they promote economic growth and increase a country's competitiveness and wealth, and are a key driver to innovation. They are acknowledged worldwide as the drivers of socio-economic development because of their important role in GDP growth, new job creation and entrepreneurship. Today SMEs have gained importance in the developing economies too, have become advantageous by having the capability of quick adaptation, working with less capital but more intense labor and having low cost of management and relative cheap production. Small and Medium Enterprises play an important role in the national economy and the development of Kosovo too, this is reflected in the impact they have on employment, on contributing to national income and at the level of population welfare.

The aim of this study is to explore the success factors of small and medium-sized enterprises (SMEs) in Kosovo. A qualitative methodology and secondary data sources was used to glean the key success factors.

A qualitative methodology and secondary data sources was used to glean the key success factors. Primary data, were collected through structured questionnaire. A questionnaire was developed using factors / indicators identified from the previous researches. From 150 respondents, a total of 117 questionnaires were returned. Data were analyzed using descriptive and inferential statistics with the aid of Statistical Packages for Social Scientists (SPSS).

Using IBM SPSS, the results of multiple regressions indicated a set of seven factors separately identifiable factors that have positive and significant impact on the success of the sample firms. These factors, when ranked in their order of importance are as follows: recruiting was the most dominant factor that significantly affects the success of SMEs in Kosovo, followed by training, motivation, experience, education, age and gender.

Overall this paper shows that the factors in the study have 78.5% influence in the success of small and medium enterprises in Kosovo and they are statistically significant at the significance level.05.

Overall this paper has a positive impact on entrepreneurs and managers, where in the future priority will be given to the above factors, which determine the success of SMEs.

Keywords: Business success, SMEs, Success Factors, Factor Analysis.

1. INTRODUCTION

This study focuses on the factors that determine success of small and medium enterprises (SMEs). The primary purpose of the study is to analyse the factors that determine success in the SMEs in Kosovo. The impact of small and medium enterprises have a very early history, and their occasional expansion and stagnation mark their development. The most extensive expansion that small and medium enterprises reached, has been in the early 70s - of the century XX. The novelty is that, since then, the small and medium enterprises have successfully faced the challenges of competition and globalisation. Although a small part of SMEs applies traditional techniques and technology, most apply new and advanced technology and a modern organisation (Mustafa M. et al., 2006). Both scholars and the general society have recognised the great importance they have. They are often even considered as the "locomotive of economic growth." Generally, about 65% of the total number of employees are hired by small and micro-businesses. While in developing countries, the SMEs employ about 22% of the adult population (Madsing, D., 1997).

Additionally, based on simple and straightforward logic, it is evident that small and medium enterprises have particular importance for the private sector's growth and perspectives. The widespread use of the term "SME" in the definition of economic development policies has implied that the segment of businesses that occupy the space between micro and large enterprises presents opportunities and challenges significantly different from those of the other two groups. The claim that SMEs are the mainstay of the economy highlighted in journals, presentations, and articles related to private sector development (Guibson & Vaart V. 2008). According to official statistics, enterprises with up to 250 employees, classified as SMEs, have the most significant impact on job creation in the European Union countries. More than 80 percent of new jobs are created in small and medium-sized businesses in the

European Union. In addition to recognising the importance of this business, the European Commission is trying to minimise bureaucratic constraints and take a series of measures to integrate them into a single market, i.e., under the same conditions in all countries. In most European countries, enterprises with less than 50 employees make up 90-99% of the total number of registered enterprises.

The impacts on increasing SME's importance come mainly from the increasing weight of the services sector, construction sector, and information technology (OECD, 2017). Kosovo continues to have higher-than-average economic growth in the Western Balkans region. According to the World Bank, Kosovo is expected to have stable economic growth over the next three years, with 3.9% for 2017, 4.2% for 2018, and in 2019 is projected to be 4.4% (Riinvest Institute, 2017). According to the Kosovo Agency of Statistics (KAS), ie, the publication "Statistical Repertoire of Enterprises in Kosovo Q4 2019", which contains statistical data on businesses registered with the Kosovo Business Registration Agency (KBRA), the number of SMEs is as follows: Micro Enterprises with 1 - 9 employees, the number of businesses of this type is 2539 or 98.9% of the total number 2566 of registered businesses. Small enterprises with 10 - 49 employees, the number of businesses is 2 or 0.1%. The contribution of SMEs to economic development is a unanimously recognised reality, showing their beneficial effects both in economic terms and in society (Avasilicai, 2009).

2. MATERIALS AND METHODS

Recognising the importance of the contribution of small and medium-sized enterprises to the economy, researchers and policy-makers in many developed and developing countries have stepped up their efforts to conduct valuable research and undertake and implement numerous policies and programs to help enterprises succeed in fostering economic prosperity. Various concepts and theories of firm growth have been developed through a diverse group of researchers. In this regard, most researchers argue that a small group of rapidly growing enterprises can create more employment and contribute more to the economy (Cooney & Malinen 2004). Many empirical studies focus on the relationship between owner/manager/employee characteristics and business growth. Within the broad category of characteristics, Storey (David. J. Storey, 1994) suggests seven elements that are likely to influence success: Age, Gender, Education, Experience, Recruitment, Training, and Motivation. The growth of a firm depends on managerial knowledge (Macpherson & Holt 2007). According to the author, Storey (1994) suggests two of the five elements that are likely to influence growth: age and gender. According to the author, (Jameson, S. 2000), SMEs face difficulties in hiring and retaining skilled graduates because they prefer higher salaries, job security, and career opportunities. To meet the demands of the rapidly changing work environment that is usually associated with SMEs, smaller firms must ensure that they can attract, retain, and motivate high-quality employees. According to the author Sinha (Sinha, T. N. 1996), entrepreneurship education affects effectiveness and success as such operators understand dealing with difficult situations intuitively. The SMEs are evolving faster, and this requires the collection and processing of complex information to succeed. Thus, entrepreneurs with higher education tend to adopt more innovative practices than others with no or less education.

According to Flamhotz, EG & Lacey JM (1981), experience and knowledge have economic value for organisations because they enable them to be productive. According to the authors (Hamerman & Harrington, 2004), growing organisations are spending a large portion of their budget on recruiting, training, and retaining their workforce. Some studies have shown that organisations can spend about 40% -60% of their total budget on such employee-related costs as selection, training, development, salaries, and allowances. According to the authors (Thassanabanjong et al., 2009), training is essential for productivity and quality. It affects the efficiency and motivation of employees. According to the authors (George. JM & Jones. GR (2012), motivation can be defined as the strength within the individual that determines the direction of that individual's behaviour in relation to work in that organisation, the level of his efforts, perseverance in overcoming obstacles that come out during work. Various growth concepts and theories have been developed through the work of a diverse group of researchers. However, most researchers argue that a small group of rapidly growing enterprises can create more employment and contribute more to the economy (Cooney & Malinen 2004).

2.1 Research Question (Hypotheses)

This research aims to answer the question related to: *success factors in small and medium enterprises as a built system affecting the success of small and medium enterprises.*

Based on this, the following hypotheses have been raised:

H1: Age is positively related to the success of small and medium enterprises.

H2: Gender is positively related to the success of small and medium enterprises.

H3: Education is positively related to the success of small and medium enterprises.

H4: Experience is positively related to the success of small and medium enterprises.

H5: Recruitment is positively related to the success of small and medium enterprises.

H6: Training is positively related to the success of small and medium enterprises.

H7: Motivation is positively related to the success of small and medium enterprises.

This study is a quantitative research of descriptive nature, aiming to determine the correlation between several independent variables and a dependent variable in a population (Mugenda. O & Mugenda. A, 1999). Based on the author Storey (David. J. Storey, 1994), seven elements likely to influence success are: *Age, Gender, Education, Experience, Recruitment, Training, Motivation* as independent variables, and *Success* as the dependent variable.

3. RESULTS

This section provides an overview of data analysis and presentation of findings concerning the research. This paper is mainly a quantitative approach; the surveys' answers are essential and necessary to assist us as researchers and the potential readers of this paper. Based on Independent Variables, the data on respondents' gender are presented. Out of 117 respondents, it was found that 49 or 41.88% of them are female, while 68 or 58.12% are male. The education level can be an important determinant of business growth and development. An inadequate level of education can affect the unsustainable development of businesses. Out of a total of 117 respondents, 13 or 11.11% of respondents have finished primary school, 51 or 43.59% of them have secondary or vocational education, 30 or 25.64% have higher education - university, 23 or 19.66 % of them have postgraduate education, and none of the respondents has a doctorate.

It is known that experience has a positive impact on the success of the enterprise. The findings on work experience were presented as follows: In the category, less or one year of work experience is 21 or 17.95% of respondents, while 2-4 years are 38 or 32.48%. 5 - 7 years are 29 or 24.79% of respondents, 8 - 10 years are 27 or 23.08% of respondents, and over or 11 years of work experience are 2 or 1.71%.

There is Descriptive and for the standy variables										
Variables	Ν	Minimum	Maximum	Mean	Standard Deviation					
SUUCCESS	117	2.27	5.00	3,9356	.89162					
RECRUITMENT	117	1.67	5.00	3.7838	1.01213					
TRAINING AND DEVELOPMENT	117	1.63	5.00	3.3574	1.15911					
MOTIVATION	117	1.33	5.00	3.5416	1.08018					

Table 1:	Descriptive	data for	the study	variables
	1		<i>.</i>	

Source: Author

The table above shows the number of questionnaires, which is 117 in total and the descriptive data for the study variables from the survey. Recruitment 1.67; Training and Development 1.631; Motivation 1.33, while the maximum number of responses is 5 for all variables. The average shows the data's central trend; the standard deviation measures the distribution, which provides an index of spread or variability in the data. The mean of responses to the variables and standard deviation is as follows: Success mean 3.93 and standard deviation .89162; Recruitment mean 3.78 and standard deviation 1.01213; Training and Development mean 3.35 and standard deviation 1.15911; Motivation mean 3.54 and standard deviation 1.08.

Reliability analysis

Variables	Number of questions	Cronbach Alpha
SUCCESS	11	.829
RECRUITMENT	12	.811
TRINING AND DEVELOPMENT	8	.773
MOTIVATION	6	.779

Source: Author

The reliability analysis measures the internal consistency and stability of data. A scale coefficient more significant than 0.7 is considered a construct with valid measurements. (Nunnally, J. C., 1967). The Cronbach Alpha of the success variable is 0.829, which indicates an adequate level of internal stability. Referring to the table above, the reliability test (Cronbach Alpha) results for the following variables are: Recruitment is .811; Training and Development are .773; Motivation is .779. Referring to the data obtained from the reliability test (Cronbach Alpha), all data is more significant than 0.7, and it is understood that the data are reliable, and there is consistency between the data.

Pearson Correlation Matrix

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		GENDER	AGE	EDUCATION	WORK EXPERIENCE	RECRUITMENT	TRAINING AND DEVELOPMENT	MOTIVATION
	Pearson Correlation	.557**	.657**	.511**	.549**	.688**	.679**	.669**
SUCCESS	Sig. (2- tailed)	.000	.000	.000	.000	.000	.000	.000
	Ν	117	117	117	117	117	117	117

Table 3: Pearson Correlation Matrix

**Correlation is significant at the 0.01 level (2-tailed). Source: Author

The correlations evaluate the strength of the linear correlation between the two variables. The correlation coefficients range from -1.0 (a perfect negative correlation) to a positive 1.0 (a perfect positive correlation). The closer the correlation coefficients reach -1.0 or 1.0, the stronger the correlation. The closer a correlation coefficient is to zero, the weaker the correlation between the two variables. Based on the results shown in Table 3, the correlation coefficients and the significance for the variables are: the correlation coefficient of Success and Gender is .557, and the significance is .000. There is a strong positive correlation between Success and Gender; the correlation coefficient between Success and Age is .657, and the significance is .000. There is a strong positive correlation between Success and Age; the correlation coefficient of Success and Education is .511, and the significance is .000. There is a strong positive correlation between Success and Education. The correlation coefficient of Success and Work Experience is .549, and the significance is .000. There is a strong positive correlation between Success and Work Experience; the correlation coefficient of success and recruitment is .688, and the significance is .000. There is a strong positive correlation between Success and Recruitment; Success and the correlation coefficient of Training and Development are .679, and the significance is .000. There is a strong positive correlation between Success and Training and Development, and the correlation coefficient for Success and Motivation is .669, and the significance is .000. There is a strong positive correlation between Success and Motivation.

4. DISCUSSION

Selection of variables

Based on the literature and objectives of this study, the regression model is specified as follows:

SUCCESS = \int (GENDER, AGE, EDUCATION, EXPERIENCE, RECRUITMENT, TRAINING, MOTIVATION) SUCCESS $t = \beta 0 + \beta 1$ GENDER + $\beta 2$ AGE + $\beta 3$ EDUCATION + $\beta 5$ EXPERIENCE + $\beta 6$ RECRUITMENT + $\beta 7$ TRAINING + 8 MOTIVATION + εt

Therefore, the model is constructed by taking Success as a dependent variable, while as independent variables, the impact of which is expressed on Success are Gender, Age, Education, Experience, Recruitment, Training and Motivation.

4.1. The econometric model building

The regression model was constructed using the questionnaires' data to explain the impact of Gender, Age, Education, Experience, Recruitment, Training and Motivation on the Success of small and medium enterprises. The multiple regression makes it possible to determine the model's overall state (explanations of variables) and the relative contribution of each independent variable to the dependent variable.

The multiple regression is an extension of simple linear regression. It is used to show the value of a variable based on two or more other variables.

Variables	(Constant)	Gender	Age	Education	Experience	Recruitment	Training	Motivation
Standard Error	.077	.046	.038	.035	.041	.080	.065	.066
T- test (T- statistics)	12.924	2.231	1.976	2.390	2.638	7.337	4.150	3.875
Observed alpha (P- values)	.000	.028	.050	.021	.010	.000	.000	.000

Table 4: T-test for statistical significance of the model.

Source: Author

The section above showed the T-regression test for each time series. With the help of the T-test (t-statistics), it was tested the impact and statistical significance of the variables in particular, and if all the variables included turn out to be statistically significant, then in general the model is important. According to the model values for (GENDER) t-statistics = 2.231 with significance 0.028; for (AGE) t- statistics = 1.976 with significance 0.05; for (EDUCATION) t- statistics = 2.390 with significance 0.021; for (EXPERIENCE) t-statistics = 2.638 with significance .010 for (RECRUITMENT) t- statistics = 7.337 with significance .000, for (TRAINING) t-statistics = 4.150 with significance .000 and for (MOTIVATION) t-statistics = 3.875 with significance .000.

All variables with a probability of less than 5% indicate significant variables in this model. The null hypothesis at the predetermined 5% level is rejected, i.e., accept the alternative hypothesis (H1) that the series is stationary.

Standard errors (s.e) indicate the average deviation of estimates from the parameters' true value. They show how accurate the estimates are; the smaller the estimated coefficients' accuracy and reliability, it means that as the number of observations increases, the standard errors are smaller.

P - Values (Probability values) is the exact level of significance, which indicates the relative power with which they can reject the null hypothesis for the significance of the variable in the conventional values of percentages. As usual, if the P-value is less than 0.05 (or 5%), then the result will be considered statistically significant (significant) and the null hypothesis will be rejected.

The following table presents the coefficients of the model estimated by this method; the traditional Smaller Squares method known in econometrics for estimating the linear regression model. In practice, the Small Squares Method optimisation is performed by minimising the sum of squares model errors. According to this method the model is consistent when the regressors are exogenous and there is no multicollinearity. To have correctly estimated parameters, the errors must be homoscedastic (with constant variance) and uncorrelated with each other. An additional hypothesis used is the normal distribution of errors. In the second row of table 9 is presented the coefficient estimation for each variable. From the results it is seen that the parameters are statistically valid. In the third row, is showed the observed alpha level (or p-value). Based on the F test's observed alpha, the hypothesis rejected that the estimated model is statistically invalid because the alpha is equal to zero (i.e., less than 5%).

Variables	(Constant)	Gender	Age	Education	Experience	Recruitment	Training	Motivation		
Coefficients	.998	.057	.106	.114	.131	.665	.348	.310		
(P- values)	.000	.028	.050	.021	.010	.000	.000	.000		
F	93.348				.000 ^b					
\mathbb{R}^2	.785									
Adjusted R- Squared	.684									

Table 5: Model results

Source: Author

*R*2 (R - squared) shows how close the observations are to the regression line. The values of this coefficient are $0 \le R2 \le 1$. If R2 = 1, then all observations lie on the regression line, whereas when R2 = 0, no observation lies on the regression line or the regression line has no application. The coefficient of determination is converted into a percentage if it takes values from 0 - 100%.

In our example the coefficient of determination is $R^2 = 0.785$, which shows that about 78.5% of the success variation is explained by the independent variables; only 21.5% of the success variation could not be explained by a change in any of the variables in the model. It is also tested the significance of R2 with the F - test (F - statistics), which shows the statistical significance of all the independent variables together. High values of F - statistics reject the null hypothesis in favor of the alternative one. In this case of F-statistics = 93,348 Prob. (F- statistics) = .000, which is less than 5%, a significant indicator which shows that the independent variables together significantly explain the dependent variable. Also, the estimated coefficient of determination (Adjusted R-squared) indicates that the estimated model explains about 68.4% of the dependent variable variable variable.

Accordingly, the model was expressed in the form:

SUCCESS t = .998 + .057 GENDER + .106 AGE + .114 EDUCATION + .131 EXPERIENCE + .665 RECRUITMENT + .348 TRAINING + .310 MOTIVATION + εt

R2= .785 F = 93.348 p = .000

Based on the regression results, all hypotheses raised H1, H2, H3, H4, H5, H6, and H7 are approved, so the factors gender, age, education, experience, recruitment, training and motivation have a positive impact on the success of small and medium enterprises, so through the findings are confirmed all the hypotheses raised.

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Hypotheses	H_1	H ₂	H ₃	H_4	H ₅	H ₆	H ₇
Approved	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark	\checkmark
Refused							

5. CONCLUSIONS

The main objective of the study was to analyze the factors that impact the success of small and medium enterprises. In general, this paper showed that the factors analyzed have a 78.5% impact on the success of small and medium enterprises in Kosovo and are statistically significant at the significance level .05. Based on the findings, it can be confirmed that there is a strong positive correlation between the success variable and the gender, age, education, experience, recruitment, training, motivation variables, respectively: Success and Gender, r = .557, p = .000; Success and Age, r = .657, p = .000; Success and Education, r = .511, p = .000; Success and Experience, r = .549, p = .000; Success and Recruitment, r = .688, p = .000; Success and Training, r = .679, p = .000; Success and Motivation, r = .669, p = .000. The regression analysis showed that all the tested variables are essential for model building. Gender, age, education, experience, recruitment, training, motivation, have a significance less than .05 and impact the success of small and medium enterprises. Therefore, based on the analysis of the general findings, it can be concluded that, the determination of success factors in small and medium enterprises in Kosovo have been identified, the objective of this study achieved, and the impact the factors have on the success of the SMEs.

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