MANAGEMENT PERSPECTIVE AND DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN KOSOVO

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Abstract: Issues undertaken in this work include: how to increase the development of small and medium enterprises, the factors that affect their development, barriers in this process, how to help new entrepreneurs, how to increase the number of employers in this economic activity, innovations in enterprises, improvement of retailer balance, and how to increase local production and performance in general. This study will help address specific difficulties and problems of enterprises in Kosovo, and provide necessary recommendations for future steps for small and medium enterprises, while making it easier and supporting them in economic activities to develop economic support and have better employment for future generations in general.

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Introduction

In this study, we specify the actual state of diagnostification, and identify barriers and obstacle to the development and perspective of SME in Kosovo, especially its management. This is done keeping in mind the needs and requests of the community for improvement in condition of SMEs, advances in development process, and development of positive trends in the strategic aspect. This paper aims at identifying the factors that affect performance of SMEs, and challenges faced in the activity of these enterprises in Kosovo, which adversely affect the presentation of product and services provided by these enterprises in the international market. Furthermore, this paper attempts at proving impact of gender on managers and performance network of SMEs. Gender of managers impacts performance of business, showing big inequality in management of actual businesses in Kosovo, whereas in developed countries managerial ability and experience play an important role in success of a business.

The importance gender in a managerial role

Different researchers give different opinions about success of women in management of SMEs. Despite the fact that women in different fields have reached levels of success in comparison to men, we do not have the same results in the field of business management. According to Feminist (2016), 1/3 of the women are graduating from business and management schools, offering a chance in the near future to have gender equality in steering councils of small businesses. Portal (2015) came to conclusion that men are more creative than women and intend to be promoted faster than women in many different occupations. Powell (1993) opposes this idea, saying that women and men do not differ in their effectiveness as leaders, but some situations may favor the women and others may favor the men. Currently in Kosovo, 83% of SME managers, are male, whereas, only 13% are female. These results show that men are favoured for management and leadership of SMEs. Generally, there is no clear consensus from different researchers if effectiveness of men and leadership in women differ in general conditions or special ones.

Management of small and medium enterprises in Kosovo

Management is a process of self-conscious orientation of human activities towards goal achievement. It is also a process of forming and maintaining surroundings in which individuals work together to achieve their goals. Enterprise management depends on the organization forms of enterprise (Ministry of Trade and Industry, 2011).

At small enterprises, usually the owner manages the enterprise. At enterprises among partners to medium enterprises, management is easier because the owners beside their capital, merge their professional skills too, which makes management easier. The success of managers and has an important role in the work process as it merges together and coordinates rare sources to achieve objectives of enterprise, which accept risk and bring decisions in a dynamic environment where economic, social and technical factors are cooperating. Manager's role in an enterprise is to ensure that

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the organization is achieving its main target and is producing efficient products and services, to determine and maintain the enterprises' operational stability, to compose strategies, and to adapt the enterprise against environmental changes in a controlled manner as an official authority that manages the organizational system.

Organizational sufficiency and the acceptance of products or services by consumers depends on how the business manages main functions which are: planning, organization, leadership, staff and quality control, which fulfills the activities, process and work of enterprise, i.e. necessary activities to finish the work and create quality for clients.

Economic role of small and medium enterprises in Kosovo

The development of SMEs is marked as extended and getting stuck from time to time. Their biggest development was during the beginning of the 70s in the 20th century. Since then SMEs have successfully resisted challenges in competition and globalism (Mustafa, Kutllovci, Gashi & Krasniqi, 2006).

While trying to provide a fair reflection on the role and importance of SMEs in states economy, we concluded that SMEs are becoming more and more successful in market economy.

Their importance is reflected everyday in the opening of new job opportunities which solves the problem of unemployment. Economic active politics in the state will contribute increasing to the competitive capacity without creating market disorder (Kosovo Governance, 2013).

The role of SMEs is seen as an unreplacement referring point. According to this, the innovation field can be forced, there can be an improvement in economic structures and market offers, and development in enterprise. It is important to mention that enterprise development has a great role and a lot of projects from foreign organizations that are financing and supporting the field of enterprises by supporting local businesses and trying to increase and develop the general level of economy were heard of.

However, our local entrepreneurs are not using this to their advantage and are not valuing these foreign organizations as they should, and though this may come as a relative valuation, this generally results in what we have been seeing and continue to see to this day.

Even though they are oriented to the local market, SMEs have a greater role in national exchange.

According to Ahmeti, Hoxha and Hoti (2015) there are four factors involved in the contribution of small and medium enterprises to the market economy:

- Contribution to the processes of technological changes;
- Contribution to healthy competition behavior;
- New vacancies;
- Wealthy offers of local products.

It is considered that about 60-70% of the new job positions in countries under OECD or the developed countries of the world are based on development of SMEs. There is an increasing importance of SME due to the increasing weight of services, production and construction sector (OECD, 2013)

SMEs are demonstrating a high scale of innovation, flexibility and adaption towards changes in the surroundings.

Economies with a higher percentage of SMEs get out of recession easier and with less consequences. Now-a-days there are environmental disadvantages and lack of creativity and entrepreneur culture, but the economy is changing constantly securing more opportunities for new businesses.

The request for services is growing and approximately 97% of the service enterprises are small with less than 100 employees. Private sector has directly positively effected the field of technology in competition behavior while opening new job positions and offers on products in the local markets. According to recent researches, keeping in mind the current situation in the region, we can say that the level of SMEs inspite of their continuous development is facing more barriers that involve the lack of legal infrastructure, unequal competition and the absence of approach in external financial sources (RIINVEST, 2013).

Situation of SMEs in Kosovo - barriers of their development

SMEs create new job positions which leads to economic prosperity. They greatly benefit the youth as SMEs hire the largest number of Kosovo's youth. Functions of SMEs play an important role in the general scheme of economic development because SMEs provide 65% of the employments in the Republic of Kosovo (Ministry of Trade and Industry, 2011).

The role of SMEs is noticed because of their impact and contributions regarding employment and the increase in local products. Besides that, Kosovo is still in a transition where enterprises and creation of small businesses is expected to play an important role in the modern economy of free market and towards economic enhancement and development (Ministry of Trade and Industry, 2011).

The lack of innovative businesses with the fast increase of the creative culture of enterprises, lead Kosovo to a lack of investments and researches for development, just like in employment places in developed western economies. More than 50% of SMEs in Kosovo are oriented to market sector, which is categorizes by small investments and only 10% of them operate in the production section (Ministry of Trade and Industry, 2011).

This happens mainly because of the fact that SMEs in Kosovo are not as competitive as SMEs on an international level and therefore are not oriented correctly.

There is a need to have a greater regional extension, and an increase in educational and training levels. More hardwork is required to increase the participation of Kosovos products in the markets of neighbouring states, especially in the EU sates. Because of the relatively low level of integration of Kosovo in the global economy and weak fiscal policies, the economy has been clearly protected from economic global crises (Ahmeti, Hoxha & Hoti, 2015). The greatest economic increase has come from the market expenses, and the external foreign balance has stayed high. Based on the report by World Bank, a part of economic progress recently has been based on the help of donators and the remittances, which can be the base of economic stable strategies. Understanding the development of policies, the report "Policies Index for SMEs 2009" shows that for different reasons, Kosovo is still completing basic institutional, legal and statute requests which has to do with SME policies (Ministry of Trade and Industry, 2011).

Researches that have been made with the micro small, small and medium enterprises, especially referring to researches on 800 SMEs completed in the end of 2010, and beginning of 2011, show that the main barriers in development of SME interconnected with creating job positions are:

- Approach in finances (credits, interest fees, deadlines);
- General economic situation;
- Electric energy;
- Market external circumstances (Ministry of Trade and Industry, 2011).

SME in Kosovo suffers also from a variety of internal and external barriers which are (Ministry of Trade and Industry, 2015):

Protected market: SMEs in Kosovo act inside a market that is protected from the fact that it is too small in volume, with transport and a high cost of import. As a result it is outside the focus of international enterprises. This results in prices that in general are high compared to EU standards.

Kosovo's manufacturers with low salaries are able to achieve a good difference of profit even though they've showed low levels of skills, city and effectivity in general.

The fact that some companies can generate a profit despite of inappropriate objects of production and ineffective organization, lead companies to believe that they are competitive, when the real reason they believe they are competitive is the lack of international competition (Ahmeti, Hoxha & Hoti, 2015).

In Kosovo, people are under the impression that free money and grants are the main reason to develop the company. This is a very disturbing and risky attitude for the competitive environment of business and can risk the future of some companies in the country.

Problems and obstacles faced by SMEs

Knowing that Kosovo is still under development and is progressing very slowly towards economic development, small business in Kosovo have a lot of obstacles in their development. Different

researchers identified different obstacles in development of these enterprises. According to Doern (2009), the main obstacles in development of SMEs are: innovation, export, trade, strategy, planning and management. Other authors separate growth barriers on SMEs into two classifications: dependence on internal factors such as limitations on owners and size of business, and dependence on external factors such as industry and competition. Seeing that SMEs can face unsurpassable barriers, institutions in our country should support this category of business in order to have sustainable economic development in the country.

According to Agca & Mozumdarb (2008), most of institutions in the world are focused on support programs for development of family businesses trying to create the sustainable economic development of the country. Doern (2011) states that barriers hindering the growth of small businesses can be classified as: financial, managerial skills, institutional and market. For most businesses, source of financing is the main growth barrier. Despite the desire to grow, finding financial sources is an obstacle. According to Casson (2005), high costs push more businesses to support through their own source or get a small loan permitted by banks limiting the possibility of increasing this way. These barriers are called obstacles of qualified human source. According to Liewa & Vassalou (2000), small businesses do not invest in training the working staff or managerial staff, whereas, training of staff should be considered an investment without which growth of business would be impossible. Institutional obstacles have certain rules that must be applied to the business during growth and development. According to Holmesa & Smitha (1997), these rules include formal and informal obstacles which regulate economic activity by influencing social, economic, political and technologic environment within the business. These formal obstacles are laws and regulations, and informal obstacles include traditions and customs of a culture. In economic environment formal obstacles can't apply to the increase impact of informal obstacles. Market obstacles relate to a number of factors such as: market structure, competition conduct, market requirements, export, etc. According to S. Kim & F. Davidson (2004), external market obstacles include changing market and lack of demand, while internal obstacles include market finding of chance, by choosing product or wrong segment of the market.

Importance of small and medium economic development of country

More than 99% of the SME listed in the main sectors are creating a stable economical budget in Republic of Kosovo. Development of SMEs is an important part of Kosovo's economic development and contributes to the enhancement of employment, security of existence, and the social-economic prosperity of families (Ministry of Trade and Industry, 2011).

However a lot of people hesitate when creating a family business for many of reasons. First of all they don't have the education, the experience or the money, they are terrified of failure, and some are not familiar with the idea that they can change their life while creating their own business which leads to a lack of trust. For others that are unemployed and don't have incomes to survive, creating their own business is challenging and there is a risk factor involved due to the economic needs. So the question remains whether the institutions of Kosovo have strategic documents that help in the development of the country in an economy aspect?

The government of Kosovo has approved a strategic document known as Vision 2014, that states ambitious intentions to increase the economy by 7-8 % and decrease unemployment by 8-10 %. The strategy for SMEs defines the clear intention that Kosovo aims to support the competition in the private sector (Ministry of Trade and Industry, 2011). However, development of familiar economies and SMEs face a serious challenge in attaining the financial support needed to create a business, and based on daily experiences there are very little options for businesses so they have to look to family, friends, banks, and suppliers of loans for finances. Beside family, all other financial sources have deadlines. Another solution is that the financial sources can be assured based on the financial sector (based on commercial banks) which operate in our country. This includes micro financial institutions that help family businesses. SME act in all parts of economy including the service sector, retail sector and other fields involving economic activity.

To develop a healthy and stable economy and open new job positions, Kosovo needs financial support from the government for bigger projects that would help SMEs in general, to buy new and advanced technologies and open new stores with different economic activities so that more people can be hired

depending on the skills they possess and requirements of the job, which will result in development of the local economy in general.

It is important that the government separates enough funds for those businesses that have a better performance but also try to motivate new businesses, especially present better business plans to open new businesses that claim that their products guarantee new job positions because the main element in our country is the issue of youth unemployment and the active middle class population. It has made an attempt to strengthen and support the private sector, because the private sector is a system that functions better compared to the social one (Ministry of Trade and Industry, 2011). SMEs are promoters of economic development of population and are among the main poles of our economic development.

Conclusion

Our recommendation to managers of SMEs is encouraging continuous research in the market and entertaining desires and requests of customers, is the best way to achieve sustainable concurrent in the market. SMEs should invest in enhancing managerial skills and training of work staff, in the most professional way through different practices in order to maintain their competitive advantage. SMEs management should not be bounded by gender, but determination of family business manager should be on the base of skills of the members of family and their own will to contribute to the family business. SMEs should constantly investigate investment opportunities for new products and services, qualitatively even from foreign investors. This is one of many profitable ways for businesses to seep into the international market and produce quality products and services by using advanced information technology in the future.

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