

Role of managerial staff in success of the enterprise and importance of small and medium enterprises – SME in economic development

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Abstract

Small and Medium Enterprises (SME) in Kosovo together with recon-structuring and privatization of economy are considered among main factors for realizing of strategic goals for economic development of the country. Successful enterprises are one of the factors for economic development. In Kosovo major number of enterprises does not reach to pass with success phases of expanding or its development. Based to statistical data from Statistic Agency of Kosovo, Ministry of Trade and Industry, Central Bank of Kosovo comes out that a big part of registered enterprises extinct on the second phase of the expansion.

This study addresses the importance of managerial staff, which is considered to be the key to enterprise success which means that good management is an orientation for the road to its success.

On this study were used results from quantitative research analyses (quantitative) where data collection was done through questionnaire. Were used describing statistics from Statistic Agency of Kosovo - SAK, Agency for Business registration of Kosovo- ABRK, Central Bank of Kosovo etc. Also was used theoretical, scientific literature from studies of conferences as well as national and international scientific journals.

Keywords: Managerial staff, success, trainings, SME, economic development.

Jel codes: M12; M29; M53; M29; O1

1. Enterprise success

Success in general has to do with achieving goals and objectives in any sector of human life. In business life, success is an important term in management field although it is not always stated clearly. Success and failure can be interpreted as a result of good or poor management. (Philip, M., 2010; Chittithaworn, Ch., et al., 2011)

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In business studies the concept of success is often used to refer to the financial performance of an enterprise. However, there is no universal way as an accepted definition of success, so the success of an enterprise or business has been interpreted in many ways (Foley & Green 1989).

There are at least two important dimensions of success: 1) financial success vs. next success and 2) short-term success vs. long-term success. Therefore, success may have different forms, e.g. survival, profit, return on investment, sales growth, number of employees, entrepreneur's satisfaction, workers, clients, reputation, etc. In other words, success may have different meanings from different people. (Philip, M., 2010; Chittithaworn, Ch., et al., 2011)

Theoretically and practically it is acknowledged that there are a whole set of factors that influence creation of conditions for achieving enterprise's success.

Some of these factors are:

- macro economic environment, political and legal environment - government regulation, social environment that are considered *external factors* and
- Entrepreneurial and managerial skills, skilled and adequate staff, level of modern technology (applied at the enterprise), organizational structure of enterprise, etc., are considered *internal factors*.

Sustainable economic growth improves political and social stability that contributes to creating a safe and sustainable environment for private sector enterprises. In an environment where there is a lack of transparency and fair competition, enterprises are more difficult to carry out activities as well as to be successful. Creating a secure economic, political and legal environment influences the favorable climate for forming, developing and achieving enterprise success. (Buble, M. et al., 2008).

Enterprises are successful and survive to the extent that effectively and economically meet demands and needs of consumers. For success of an enterprise it is necessary and indispensable to know the market and customers.

The success of an enterprise is closely connected with *qualified managerial staff and its necessary (adequate) selection*, the right person at the right place and at the right time. To achieve success at the enterprise is indispensable the management process (planning, organizing, managing and controlling).

Successful managing of the enterprise requests:

- Careful market study;
- Well-planned planning of business activities, careful control of investments, goods, personnel, equipment and buildings to ensure maximum utilization during production and sufficient data for expenditures;

- Professional organization and leadership;
- Good working relationship with suppliers;
- Loans guaranteed legally;
- Customer choice and market concentration;
- Well-trained selected personnel;
- A well-planned program for promoting sales.

All of these elements represent a general set of modern operating rules that should be present, to create an appropriate business balance.

To manage in effective manner, personal factors are of particular importance. The ability to run, manage, even motivate or inspire others is human quality, as is the ability to take on and give responsibility to others.

Generally, individuals have or do not have the required ability and having that ability, they do a good job or want or fail when they do not have it. (Buble, M. et al., 2008)

2. Role of managerial staff in success of the enterprise in circumstances of global economy

Global economy is part of rapidly changing environment faced by managers who are no longer limited to national borders. In defining operational boundaries of organizations, national borders have virtually no role. Technology changes the way information is created, stored, used and disseminated and makes it more accessible. Information has influenced the world to be considered a global village. To be effective in this world without borders, *managers* need to adapt to cultures, systems and techniques that are different from theirs. One of the first issues that managers have to deal with is perception of foreigners and acceptance of culture deviance.

According to Wang Y., (2008) organizations of every kind and size are created and *rely on the work of the staff they have*. World experiences more and more show ***that staff is the key to organizations' success***. New challenges of globalization, technologies that change with astounding rates, interculturalism, etc., *extract the need for flexible staff that learns during their whole life, which moves continuously etc.*” Modern organizational structures are all about people's competencies and especially the quality of employees. The level of service quality depends on the quality of employees. (Gjuraj E., Oelfke T., 2010)

Success in the enterprise occurs because of successful employees and it is said that strong managers are one of the most important components for employee success. Managing staff is a pillar of commitment to recruiting, inspiring and retaining the largest asset of the enterprise - employee staff.

When analyzing the manager's skills during the work that he is doing then it is seen how important his role is in the success of the enterprise. Successful manager who knows the performance of his employees increases their engagement by nearly 60%. (Greene S. L., 2015). Increased engagement leads to improved customer service, better customer service which means more loyal customers.

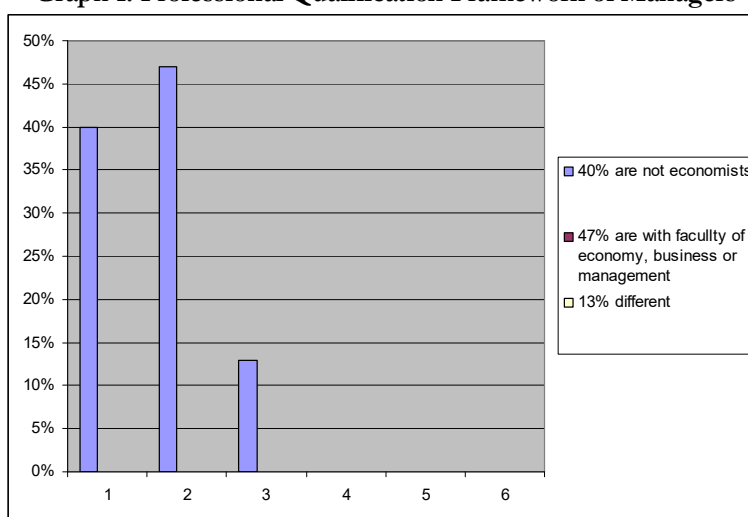
Work productivity is not the employee's responsibility but manager's responsibility. (Drucker P., 2006). To start a business the right staff should be selected. Often it happens that in the beginning are chosen inadequate managers who bring failure to the enterprise. Based on a global survey conducted by Jack Wiley (2009) involving 22,000 employees in 18 countries regarding employee opinion on the assessment and role of their managers (managerial staff) on how effective they are in employee engagement and perception of employees their overall findings for organization, it is concluded that India leads the world chart of managerial effectiveness. In India 68% of respondents estimate that their managers are effective followed by Brazil 61%, United States 60%, Russia and Gulf countries 57%, Canada 56%, China 53%, Germany 51%, Great Britain 50 %, Spain 46%, Italy 44%, Japan 43% and France 41%. While these rankings may be of interest, it is more important that organizations recognize the benefits that come from possession of effective managers. Of course those good managers for their performance are more likely to get better appraisal from employees. Good management for the enterprise or organization has benefits that extend far beyond productivity. **According to Jack Wiley (2009)**, those employees who are satisfied with their managers are aiming to stay longer in their organization than those who are dissatisfied. Those who appreciated their managers as good feel that they have promising prospects within the enterprise (organization) and greater confidence in their future. In fact, those employees who feel they are working for good managers have engagement results three to four times higher than those who consider their managers as ineffective. (Wiley, J., 2009). So with good management employees are more engaged, more committed and more productive. For organizations good management staff or managers means high employee retention, reduced absenteeism, improved service quality, customer satisfaction and overall performance. In addition to the usual responsibilities managers have to inspire a team and to achieve the company's objectives, have mandate and scope for engaging young employees and talents. It is known that knowledge is power; this view is the key to considering that managers have personal responsibility for team management. (Razor S., 2013).

In Kosovo special attention should be paid to SME management staff. In most (micro and small) enterprises in Kosovo task of managers is carried out by unqualified employees to manage. The big flaw is that they are not aware that

failures come mainly from their inability to manage in today's competitive environment.

Based on the results of 250 questionnaires (distributed for the purpose of conducting a research by author of this paper in 2018), it emerges that in seven main cities of Kosovo (Prishtina, Peja, Gjakova, Prizren, Mitrovica, Gjilan, Ferizaj) comes out that 40% of managers who are mostly micro enterprise owners and small enterprises managing their enterprises are not economists or have not followed any business management training or course. About 47% of managers have economics, business and management faculty.

Graph 1: Professional Qualification Framework of Managers



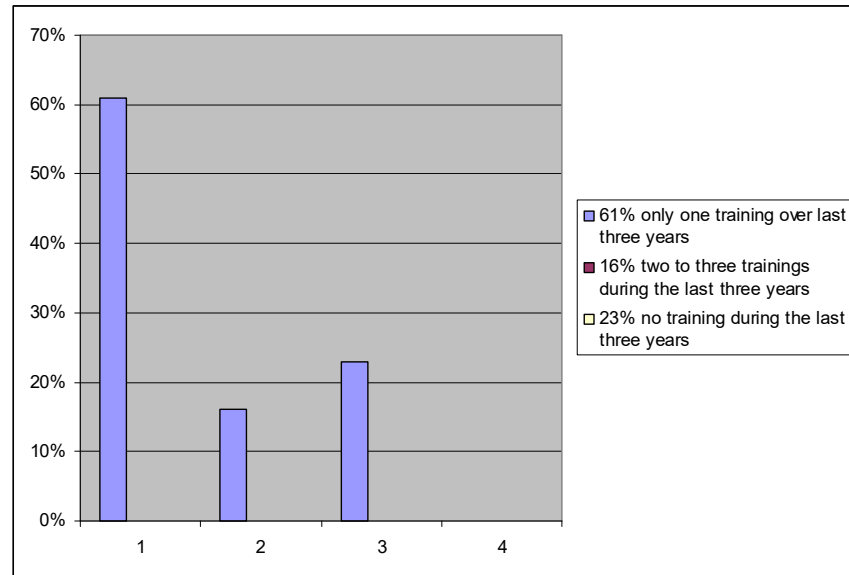
Source: from the author, 2018

From these 47% managers are 26% are with bachelor, 19% with master and 2% of them with doctorate. The remaining 13% of managers are managers who had faculties that do not have to do with economics, management or business faculties but were already completing a master's degree in economics or pursuing courses and trainings for business management. (Mustafa L., 2018)

According to results of this research it is also noticed a low level of attendance of trainings that have to do with preparation or qualification increase for duties and responsibilities of managerial staff in workplace.

As to the number of trainings attended by managers in the last 3 years, 61% of respondents said they had attended only one training, 16% attended two to three trainings, while 23% responded that they did not attend any training. (Mustafa L., 2018)

Graph 2: Trainings followed by managers



Source: from the author, 2018

These results show that a large number of enterprises do not pay much attention to management staff and their preparation for responsibilities they carry. I consider that these are some of causes that lead to failure in the enterprise. Management staff should be given more importance in upgrading and continuing professional trainings depending on their authority and position in the enterprise. For businesses in Kosovo to operate successfully, especially small businesses (employing 10 to 49 employees) and medium-sized businesses (employing 50 to 249 employees), management staff should be careful in selecting and selection of working staff, continuously preparing staff as well as in drafting appropriate strategies and realizing them successfully.

2.1 Training of working staff (managerial and operational) and success of the enterprise

Trainings according to literature is the process of increasing skills and knowledge of employees to do a particular job. The training process shapes thinking of employees and leads to quality performance. The training must be continuous and permanent. (Amstrong M., 2001). The main objective of training is to provide skilled and ready employees to the organization. Regardless of the type of

business, training has a positive effect on the work of management staff and employee staff as well as a measurable impact on the success of the enterprise.

Skills of managerial staff and operational staff are the largest permanent asset of the enterprise. Training is important to keep the company's staff up to date and is a proven way to create high-caliber staff to make sure it is up to date. Regular trainings are an investment that will enable employees and enterprise to develop, giving the company highly skilled staff and a competitive edge in the market. (BE, 2015).

The role and importance of trainings for working staff

Through trainings employees learn how to perform systematically-targeted work at the same time it makes them understand what they need or should not do by providing the necessary information.

As soon as they acquire the necessary skills and knowledge, employees will feel safer, more aware and will require less guidance on how to perform their duties.

For employees and supervisors trainings are an important tool due to the large degree of organizational change in internal and external environment, is an essential activity for the organization's success because it provides employees with knowledge and skills to perform the job according to requirements of enterprise and is vital to any business. Its purpose is to make employees give the best performance and enable company to successfully fulfill its business goals. (Arthur WJ, et al., 2003)

Everyone has their weak points that often are an obstacle to their performance. Trainings identifies and corrects weaknesses that can be reversed to make the employee give the best of his work. Employees are trained to perform at a faster and more efficient rate by increasing the company's overall productivity.

For the advancement of work methods and enterprise management in general the trainings are a very important activity in terms of profitability and motivation of management and employee staff. By improving skills in performing tasks required by the enterprise, trainings provide better use of human resources.

The main goals of the trainings are: to make the use of workforce more effective; improve performance at work; to prepare staff to perform tasks at the level of competencies in an economical, efficient and satisfactory manner; develop staffing skills to adapt to varied changes; to do the coordination at work. (Mc Namara, F., 2005); to prepare young and old employees to deal better with changes in job requirements in organization; Prevent obsolescence of knowledge (by updating); provide basic knowledge, skills for new initiatives that need intelligent performance in a particular job; to prepare employees for higher level tasks; to help employees to function more effectively in their current positions by exposing

concepts, information and techniques for development of skills they need in specific areas. (Kulkarni, P., P., 2013)

Professional increase of staff, trainings, application of contemporary management principles makes enterprises more open and flexible to the changing environment and market competition.

Implementation of a complex training program related to business education and management is a component that plays an important role in developing entrepreneurial, managerial skills. Trainings are important factors for creating conditions for enterprise development as well as for developing skills and spirit of entrepreneurship, culture, business ethics as well as vocational increase for building a business community in Kosovo.

Management of Kosovo Enterprises is increasingly assessing the role and importance of staff training, both for level of operational staff and level of management staff.

3. Impact of SME in economic development in Kosovo

SME in Kosovo are an important factor of economic development, an essential source of employment growth and a key factor in poverty reduction. Small and medium-sized enterprises have a wide range of different sectors, affecting diversity for needs of society but because of their specifics they cannot be turned into a wider industry and with a high profit base.

Today private sector in Kosovo as well as in many transition and even developed countries is the main source of job generation and national income growth. The SME sector has been becoming more and more an imposing factor in creation of key economic parameters for years.

New and terminated bussiness in Kosovo

New businesses are constantly registered in Kosovo but a part of them are extinguished mainly due to poor management. The duration of operation has a significant effect on business success of small and medium-sized enterprises, as long as the enterprise is in function it is considered to be successful.

In the period from 1999 to 2017 there was a trend of registering new businesses from year to year, **but the largest number of newly registered businesses occurred in 2004 about 13,441 new businesses** while the lowest number of new businesses registered is in 2007 about 6124 businesses. Based to activities dominated businesses of manufacturing, transportation, warehouses and telecommunications, processing industry, hotel and restaurant enterprises. During the period 2013-2017 number of new businesses registered on average is around 9,660 businesses per year, whereas for period 2004-2017 on average within the

year about 9,001 businesses were registered and re-registered annually. (ASK, 2017). Following is a table of new registered businesses and terminated businesses during 2004-2017.

Table 1. Number of new businesses registered and terminated on 2004-2017

	New Businesses	Chain index	Terminated businesses	Chain index
2004	13441	-	-	
2005	10853	80.75	1247	-
2006	7099	65.41	1318	105.69
2007	6124	86.27	1205	91.43
2008	7557	123.40	943	78.26
2009	7505	99.31	1136	120.47
2010	7729	102.98	1363	119.98
2011	7879	101.94	924	67.79
2012	9529	120.94	1081	116.99
2013	9420	98.86	1508	139.50
2014	9404	99.83	1671	110.81
2015	9833	104.56	2205	131.96
2016	10424	106.01	2376	107.75
2017	9223	88.47	1623	68.30
	126020		18600	

Source: Statistical Repertoire of Economic Enterprises in Kosovo, 2004-2017 and authors calculations, 2017

Role of small and medium enterprises in economic development is linked with the fact that they are the most turbulent part (emergence and intense market downturn) of a national economy. Their success depends by activities they develop by segmentation of market they aim, by human resources they hire as well as their qualitative managing.

According to some preliminary calculations of Kosovo Business Registration Agency (KBRA, 2017), it is considered that contribution of Kosovo enterprises to GDP creation during 2016 reaches from 51% to 56%. Even in 2017 small and medium-sized enterprises are estimated to have an approximate percentage of GDP share with the previous year.

Number of employees in SME sector in Kosovo

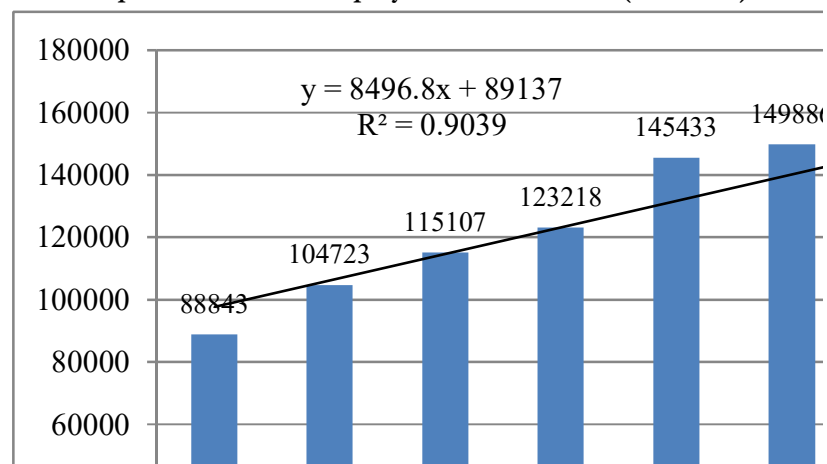
According to Kosovo Statistics Agency number of employed persons in SME sector for period 2008-2016 was as follows:

Table 2. Number of employees in the SME sector (2008-2016)

	Number of Employees	Base Index 2008=100	Chain index
2008	88843	100.00	-
2009	104723	117.87	117.87
2010	115107	129.56	109.92
2011	123218	138.69	107.05
2012	145433	163.70	118.03
2013	149886	168.71	103.06
2014	145736	164.04	97.23
2015	155135	174.62	106.45
2016	156504	176.16	100.88

Source: ASK, 2018

Graph 3. Number of employees in SME sector (2008-2016)



Source: ASK - Kosovo Agency of Statistics, 2018

According to the results on 2016 Kosovo Labor Force Survey total number of employed persons in Kosovo in 2016 was 331,761 while on private enterprise sector there are **156504** employed this year, which means that **47.17%** of all employees are in the SME sector. If we analyze the distribution of employees by economic activity we see that the largest number of employees is in wholesale and retail trade enterprises 34.89%, followed by enterprises in manufacturing sector (15.63%), construction sector includes 10.66% etc. (Ask, 2018). Such a structure is similar to previous years.

See table below:

Table 3. Number and structure of employees by economic activities on 2016

Description of Economic Sections	2016	Structure %
B Mining and quarrying	2780	1.78
C Production	24457	15.63
D Supply with electricity, gas, steam and air conditioning	7770	4.96
E Water supply, sewage, waste management and land revitalization activities	4560	2.91
F Construction	16687	10.66
G Wholesale and retail trade, repair of vehicles, motorcycles	54609	34.89
H Transportation and storage	6634	4.24
I Accommodation and food service activities	11895	7.6
J Information and communication	8714	5.57
K Activities of other services L, M, N, R, S	18398	11.76
Total	156504	100

Source: ASK - Kosovo Agency of Statistics (2018)

Based on the above data, through tables and charts, it is seen that the contribution of small and medium-sized enterprises to Kosovo's economy is extremely high in GDP and employment growth.

4. Conclusions and recommendations

The longevity and success of these enterprises depends largely on management skills of managers, their flexibility, presence, creativity to bring innovation to the market.

For successful management, managerial staff are considered the key to enterprise success, which means that good management is the path to success.

In order for enterprises to be more successful in their activity, special managerial staff are of particular importance, which must be qualified and adequate with the position and responsibilities it carries (the right person at the right place).

Employees satisfied with managers are aiming to stay longer in their organization than those who are dissatisfied.

Managing staff or good management means high employee retention, reduced absenteeism, improved quality of service, customer satisfaction and overall performance.

Enterprises are successful and survive to the extent that effectively and economically meet the demands and needs of consumers.

For businesses in Kosovo to operate successfully, management staff should be careful in selecting and selection of staff, continually preparing them and in drafting appropriate strategies and successfully achieving them.

Investments need to be made with regular trainings to give the company skilled working staff and create competitive advantage in the market.

For management to be effective and efficient in dealing with hardships management staff should make efforts to constantly be creative, carefully monitor changes and developments that occur in the market.

In order to succeed, small and medium enterprises in Kosovo should apply the increase in the number of European standards regarding the quality of products and their implementation, to participate in scientific technological progress, to the genuine scientific and professional development of cadres, with the aim of transforming the theoretical system into the practical one and educating the management personnel in developed countries.

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