THE RELATION BETWEEN THE MARKETING RESEARCH AND THE ANNUAL TURNOVER INDICATOR FOR SMALL ENTERPRISES SECTOR IN REPUBLIC NORTH MACEDONIA[1]

Snezana Obednikovska, Associate Professor,
obednikovskas@yahoo.com, University St, Kliment Ohridski-Bitola,
Faculty of Economy- Prilep
Kosta Sotiroski, **Full time Professor**, kostasotiroski@gmail.com,
University St, Kliment Ohridski-Bitola, Faculty of Economy- Prilep
Natasha Trajkova – Najdovska, **Associate Professor**,
natashatrajkova@yahoo.com, University St, Kliment Ohridski-Bitola,
Faculty of Economy- Prilep

Abstract

Small enterprises have an important role to play in one country's economic growth and development. Their role is even greater in the small economies, such as the case of Republic North Macedonia (RNM), where the strong small enterprise's sector contributes highly to the economy.

The objective of this paper is to access marketing factors determining annual turnover as one indicator of short term enterprise attainment in RNM and also to determine the impact of the various factors on it. Findings of this research show that the good marketing research of a small enterprise was found to be important factor that contributes to the annual turnover of firms.

The findings may be useful for the RNM entrepreneurs, start up centres, acceleration hubs and finally to the policy and decision makers.

---

[1] review scientific paper

Introduction

Worldwide, small enterprises sector (SEs) is regarded as a basis for economic development and growth. Hence, the promotion of small business development in the economies, small developing economies especially, such as the case of RNM, becomes imperative for the desired economic growth and prosperity. However despite this recognition, SEs in RNM still encounters problems and limitations. Hence, the assessment of the factors that influence their success and goals attainment might help to better understand the economic climate for running small business in RNM, offering useful insights not only for the entrepreneurs, but also for the decision makers in RNM.

SEs in RNM are quite large, accounting for almost two thirds of total value added in the economy. In addition, nearly three quarters of all jobs belong to SEs which is well above the respective EU averages of 57 % and 66 %. SEs in RNM recorded huge increase for the period 2008 to 2015, when the value added by SEs increased by 17 %, while employment grew by 19 %. However, although these numbers look impressive, the main challenge for SEs in RNM is to increase not only numbers in quantity, but also to improve in quality of the operations catching up with European productivity levels.

The purpose of this paper is exactly that, to assess the marketing factors that influence the annual turnover as one indicator of short term enterprise attainment in RNM. Small business owners from RNM, 73 in total were surveyed in order to gather information. Owners were asked about their beliefs and feelings regarding factors that affect the performance of their small businesses. The specific objectives of this paper are:(1) To present a descriptive profile of small enterprises in RNM, (2) To determine the factors influencing the performance of small enterprises related to marketing research they perform and (3) to determine greatest obstacles and challenges for the small businesses with a view of coming up with recommendations to improve effective small business development.

To achieve the objectives, this paper is organized into five sections. The first section is the introduction. The second part consists of literature review and the theoretical framework. The third part is the statistical analysis; the fourth part is the discussions and critical analysis of the data while section five is the last part which consists of conclusion and implication of study.

Theoretical background and empirical findings

The small business sector is usually defined as a driving force for economic growth, job creation, and catching up factor for transition lagging economies. (Harris et al, 2006; Sauser, 2005).In addition, small enterprises has been recognised as a necessary service to large scale industries (Fabayo, 2009). However, although the contribution of small businesses to one economy growth is generally accepted, small firms entrepreneurs face many obstacles that limit their long term survival and development.

In the literature many obstacles that affect small business performance are identified: lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions, as well as some peculiar factors characteristic for RNM (and Balkan region as a whole) such as: poor infrastructure, corruption, low demand for products and services, and low export.(Fiti 2014) Among the less assessed factors that affect small firms' success are the one related to the marketing research activities within small enterprises. Hence, this paper aims to fill that gap in the existing literature.

There is no single criterion for classifying business enterprises as small or medium scale. However, the literature suggests that in defining small scale business, several criteria such as: number of people employed, investment outlay, the annual turnover (sales) and the asset value of the enterprise or a combination of these measures. At the moment in RNM, following the Firm Act, Article 470, RNM small scale business fall within the following categories of enterprises: Small scale business, if the enterprise has a capital outlay of between 1.5million and 50million including working but excluding cost ofland and or workforce of between 11 - 100 employees. Generally, these enterprises engage in the

production of light consumer goods that are primarily related to production or trade of food and beverages, clothing

Strong competition and change, accompanied by the introduction of new technologies affect the way of small businesses are run. The changes create new market possibilities but also many obstacles for SEs. In general, small enterprises are considered to be more flexible as compared to the large firms, reacting faster on the impulses of the market. However, the problem with SEs is that is not engage in marketing or innovative practices, as much as large firms. In addition, the small firms have no access to brand names and strong market power; they lack of staff in marketing sector, sometimes face imbalance between production and sales and marketing. In general, they are unsuccessful in using marketing research and activities.

In terms of marketing characteristics, SEs face rather limited demand and price which is set by the market. Hence, small enterprises can affect the external factors. However, even the internal factors, the ones within the firm, are not favourable. Poor marketing experience, expertise, random reactions rather than strategic approach to marketing, SEs faces difficulties in exploiting marketing opportunities. Another problem for small enterprises in RNM is small expenditure on marketing.

Statistical analysis

In this research we used SPSS package for the statistical analysis and presentation of the indicators. For data assessment and hypothesis testing we have constructed statistical assessment and Correlation and Regression analysis, calculated the ANOVA parameters and χ^2 - test.

Dependent and independent variables in this statistical model are shown and defined in the tables below:

Table 1 Dependent variables in the models tested:

RVR	Number of employees
PMPV	Growth dynamic of the firm
GO	Annual turnover
BRKL	Number of clients

DRF	Average monthly salary for employee
UFP	Enterprise's part on the market
NFVS	One off sum of the biggest investment in the small enterprise

Table 2 Independent variables in this model, related to the marketing research:

|	
GRANKA	Field of the firm
VRBIZ	Existence on the market
PFP	Firm's positioning
FSK	Positioning comparing with competition
SKAP	Everyday usage of market research
VPO	Type of data used
AKRM	Agencies/experts that exist in Macedonia for market research
NKMI	Agencies consulted for market research
PSKMI	Benefits from everyday usage of market research
PMIOP	Support for marketing research within the firm
FP	Employee for marketing within the firm
SPP	Situations when is necessary to use information from the market
DSKF	Differentiation of the firm comparing to the competition
SIKZB	Conducted market research when starting the business

These variables were assessed as a result of analysing data by using Data Analysis in Microsoft Excel.

From the intercorrelational matrix shown in table 5, the intensity of correlations that exist among dependent and independent variables can be defined in the regression modeland the statistical important correlation can be identified. Namely, there are some statistical important interactions between variables in regression developed model.

Namely, at the risk level of 0.01, it can be concluded that there is a significant correlation between the annual turnover of the firm's firm and the number of employees in the firm, the average monthly salary of the employees, the number of clients with whom the firm cooperates, the position of the firm on the market, the company's market share, the everyday use of marketing analysis, that is, market research, the use of external marketing research agencies, the support of marketing research in the organizational set-up of the firm, the existence of a person or a team in the firm in charge of marketing.

From the graphic presentation of Figure 1 the trend of the variable annual turnover of the capital depending on the answers of the respondents i.e. the values that the independent variable support for marketing research is obtained in the organizational structure of the firm expressed and statistically significant value of the coefficient of determination.

Figure 1 The regression line of the dependent variable GO (annual turnover) depending on the responses, i.e. the values of the independent variable PMIOP(Support for marketing research within the firm), taking into account the corresponding percentile of the sample.
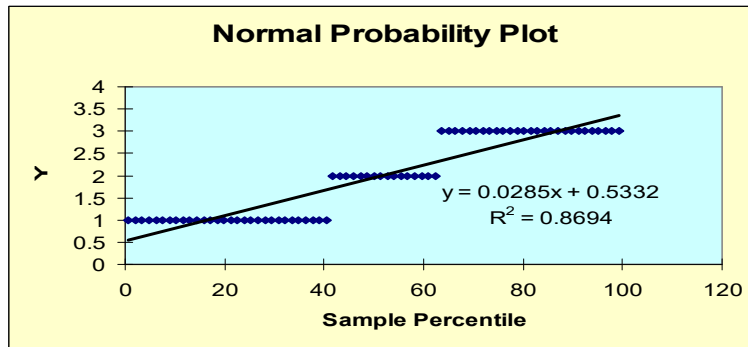
The application of the regression analysis (multiple linear regression model) of statistical data from the survey provides the following tabular and graphical reports. In the case where the dependent variable is an annual turnover (GO) and independent of all other variables covered by the model then the following indicators are obtained.

Table   3   –   Estimated   Coefficient   after   regression

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.867^a	.752	.663	.516	.752	8.457	19	53	.000

a. Predictors: (Constant), SIKZB, FSK, PMPV, SPP, VPO, NFVS, UFP, GRANKA, VRBIZ, BRKL, NKMI, PSKMI, FP, DRF, SKAP, AKRM, PFP, PMIOP, BRVR

b. Dependent Variable: GD

The coefficient of multiple correlations between the listed independent variables and the annual turnover (GD) of capital as a dependent variable is 0.867 which reveals statistically significant and strong positive correlation. The coefficient of multiple determination shows that 75.2% of the changes in the annual turnover of the firms' capital are the result of the changes from the defined independent variables included in the regression model. This interaction is statistically significant, as is seen in the value of the significant F as the realized risk level for the error.

Table 4 Table of ANOVA for the defined regression model ANOVA (b)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.769	19	2.251	8.457	.000[a]
	Residual	14.108	53	.266		
	Total	56.877	72			

a. Predictors: (Constant), SIKZB, FSK, PMPV, SPP, VPO, NFVS, UFP, GRANKA, VRBIZ, BRKL, NKMI, PSKMI, FP, DRF, SKAP, AKRM, PFP, PMIOP, BRVR

b. Dependent Variable: GD

As ANOVA's table shows, the partial regression coefficients (which apply to all independent variables) are not equal, but statistically different. This means that the independent variables (starting from the branch of the firm's affiliation, the time of the existence of the business, conducting research when starting a business) has a different influence on the size of the annual turnover of the firm.

The table above shows the direction and intensity of the correlation between the dependant variable annual turnover of capital and all the variables included in the regression model, above all statistically significant.

Table 5 Partial coefficients of the correlation of the variables included in the regression model in the case when the dependent variable is the annual turnover of the capital of the firms

Coefficient Correlations[a]

Model			SIKZB	FSK	PMPV	SPP	VPO	NFVS	UFP	GRANKA	VRBIZ	BRKL	NKMI	PSKMI	FP	DRF	SKAP	AKRM	PFP	PMIOP	BRVR
1	Correlations	SIKZB	1.000	.018	.020	-.011	.165	-.146	-.124	-.389	-.180	-.114	-.093	.156	-.175	-.027	-.299	-.295	-.088	.074	.033
		FSK	.018	1.000	.002	.106	.010	-.054	-.176	.094	-.006	-.076	-.242	.208	-.231	-.359	-.021	-.198	-.530	.057	-.071
		PMPV	.020	.002	1.000	.102	-.103	-.126	-.016	.081	-.119	-.130	-.183	.186	-.038	-.117	-.274	.263	.074	.074	-.239
		SPP	-.011	.106	.102	1.000	.008	-.176	-.030	.017	-.045	-.217	-.217	-.013	.053	-.133	-.148	.136	.100	.156	.170
		VPO	.165	.010	-.103	.008	1.000	-.063	.093	.012	-.045	-.114	.155	.089	.107	.159	.007	-.184	-.137	.027	-.048
		NFVS	-.146	-.054	-.126	-.176	-.063	1.000	-.077	.048	.258	.249	.106	-.140	.030	.198	.089	-.063	.163	-.095	-.054
		UFP	-.124	-.176	-.016	-.030	.093	-.077	1.000	.207	-.101	-.084	.059	-.031	.455	.064	.126	.262	-.084	-.245	-.105
		GRANKA	-.389	.094	.081	.017	.012	.048	.207	1.000	.089	.134	.065	-.019	.055	.079	.099	.249	-.022	.019	-.236
		VRBIZ	-.180	-.006	-.119	-.045	-.045	.258	-.101	.089	1.000	.292	.078	-.290	-.098	.282	.303	.198	.061	-.019	-.138
		BRKL	-.114	-.076	-.130	-.217	-.114	.249	-.084	.134	.292	1.000	.188	-.069	-.132	.204	.241	-.049	-.077	-.018	-.174
		NKMI	-.093	-.242	-.183	-.217	.155	.106	.059	.065	.078	.188	1.000	.135	.111	.203	-.017	-.156	.145	-.194	.086
		PSKMI	.156	.208	.186	-.013	.089	-.140	-.031	-.019	-.290	-.069	.135	1.000	-.083	-.120	-.370	-.297	-.062	-.092	.27
		FP	-.175	-.231	-.038	.053	.107	.030	.455	.055	-.098	-.132	.111	-.083	1.000	.212	-.104	.256	-.056	-.332	.235
		DRF	-.027	-.359	-.117	-.133	.159	.198	.064	.079	.282	.204	.203	-.120	.212	1.000	.071	.139	-.083	.049	.058
		SKAP	-.299	-.021	-.274	-.148	.007	.089	.126	.099	.303	.241	-.017	-.370	-.104	.071	1.000	.043	.011	-.289	-.173
		AKRM	-.295	-.198	.263	.136	-.184	-.063	.262	.249	.198	-.049	-.156	-.297	.256	.139	.043	1.000	.075	.018	.150
		PFP	-.088	-.530	.074	.100	-.137	.163	-.084	-.022	.061	-.077	.145	-.062	-.056	-.083	.011	.075	1.000	.037	-.052
		PMIOP	.074	.057	.074	.156	.027	-.095	-.245	.019	-.019	-.018	-.194	-.092	-.332	.049	-.289	.018	.037	1.000	.397
		BRVR	.033	-.071	-.239	.170	-.048	-.054	-.105	-.236	-.138	-.174	.086	.027	.235	.058	-.173	.150	-.052	.397	1.000
	Covariances	SIKZB	.025	.000	.000	.000	.004	-.001	-.002	-.008	-.004	-.002	-.004	.004	-.003	-.001	-.008	-.008	-.002	.003	.001
		FSK	.000	.027	3.38E-005	.001	.000	-.001	-.003	.002	.000	-.001	-.009	.006	-.004	-.008	-.001	-.006	-.015	.002	-.002
		PMPV	.000	3.38E-005	.019	.001	-.002	-.001	.000	.001	-.002	-.002	-.006	.005	-.001	-.002	-.006	.006	.002	.002	-.005
		SPP	.000	.001	.001	.005	7.99E-005	-.001	.000	.000	-.001	-.002	-.004	.000	.000	-.001	-.002	.002	.001	.002	.002
		VPO	.004	.000	-.002	7.99E-005	.020	-.001	.001	.000	-.001	-.002	.005	.002	.000	.000	.000	-.005	-.003	.001	-.001
		NFVS	-.001	-.001	-.001	-.001	-.001	.004	.000	.000	.002	.002	.002	-.002	.000	.002	.001	-.001	.002	-.001	.000
		UFP	-.002	-.003	.000	.000	.001	.000	.008	.002	-.001	-.001	.001	-.001	.004	.001	.002	.004	-.001	-.005	-.001
		GRANKA	-.008	.002	.001	.000	.000	.000	.002	.015	.001	.002	.002	.000	.001	.001	.002	.005	.000	.000	-.004
		VRBIZ	-.004	.000	-.002	.001	-.001	.002	-.001	.001	.016	.004	.002	-.007	-.001	.005	.006	.004	.001	-.001	-.002
		BRKL	-.002	-.001	-.002	-.002	-.002	.002	.002	.002	.004	.012	.005	-.001	-.002	.003	.004	-.001	-.001	.000	-.003
		NKMI	-.004	-.009	-.006	-.004	.005	.002	.001	.002	.002	.005	.057	.006	.003	.007	-.001	-.007	.006	-.010	.003
		PSKMI	.004	.006	.005	.000	.002	-.002	-.001	.000	-.007	-.001	.006	.033	-.002	-.003	-.011	-.010	-.002	-.004	.001
		FP	-.003	-.004	-.001	.000	.000	.000	.004	.001	-.001	-.002	.003	-.002	.011	.003	-.002	.005	-.001	-.008	.004
		DRF	-.001	-.008	-.002	-.001	.000	.002	.001	.001	.005	.003	.007	-.003	.003	.019	.002	.003	-.002	.001	.001
		SKAP	-.008	-.001	-.006	-.002	.000	.001	.002	.002	.006	.004	-.001	-.011	-.002	.002	.028	.001	.000	-.010	-.004
		AKRM	-.008	-.006	.006	-.002	-.005	-.001	.004	.005	.004	-.001	-.007	-.010	.005	.003	.001	.032	.002	.001	.004
		PFP	-.002	-.015	.002	.001	-.003	.002	-.001	.000	.001	-.001	.006	-.002	-.001	-.002	.000	.002	.028	.001	-.001
		PMIOP	.003	.002	.002	.002	.001	-.001	-.005	.000	-.001	.000	-.010	-.004	-.008	.001	-.010	.001	.001	.047	.012
		BRVR	.001	-.002	-.005	.002	-.001	.000	-.001	-.004	-.002	-.003	.003	.001	.004	.001	-.004	.004	-.001	.012	.020

a. Dependent Variable: GD

Figure 2 Histogram of the dependent variable annual turnover of capital (in standardized residuals)

Histogram

Dependent Variable: GD

Mean = -4.46E-16
Std. Dev. = 0.858
N = 73
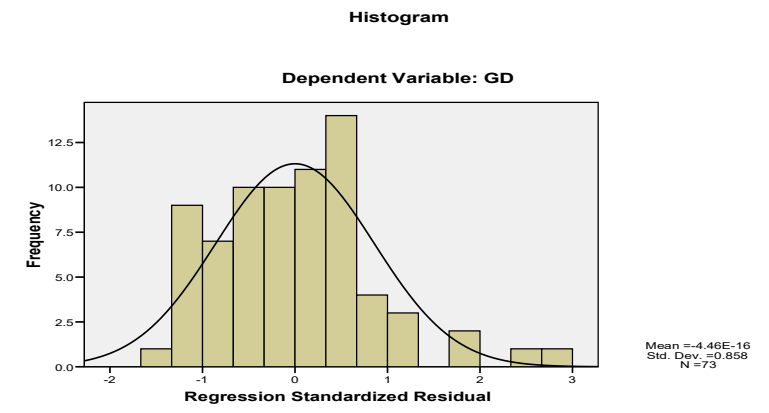
The upper histogram shows the concentration of the values of the residuals around the average. Thus, in addition to the average value, the value of the average variability, i.e. the standard deviation that confirms the approximation to the normal theoretical distribution, is represented.

Discussion of the results and conclusion

This paper investigates factors influencing small enterprise performance by the annual turnover indicator using regression analysis to relate it with the marketing activities within the small firms in NRM. The paper reveals the poor marketing profile of small firms in NRM. Most of the respondents had revealed minor marketing performance.

From the research perspective, we can therefore make a safe conclusion that our present knowledge on marketing factors affecting performance of SEs in Macedonia is still insufficient. Further research is needed to develop data base on marketing factors that

Influence small scale business in NRM. A better understanding of enterprises and entrepreneurs can make a major contribution to the development of improved marketing approaches for promotion of efficient and equitable growth of small business.

From policy perspective, in the long run, effective policies and programmes to support the development of small scale enterprises and to support their marketing activity depend critically on adequate knowledge of characteristics and constraints of small firms. Such an understanding of the prerequisites for NRM entrepreneurs to succeed in their businesses is of critical importance especially in today's competitive environment.

The characteristics of this study have certain limitations in respect to the applicability of the findings. Firstly, the empirical evidence was limited only to 73 small firms, which is still a small sample size. Secondly, a more detailed questionnaire with detailed questionnaire with more specific questions could be more helpful to gain a better description of marketing factors affecting business performance.

According the results, managers of NRM's SEs are aware about factors that can influence firm's annual turnover such as products quality, reasonable prices, good positioning, serving existing customers and finding potential one, good established network of marketing communications, greater investments etc.

Firm's annual turnover is in direct correlation with support from marketing research, positioning of the firm and competition. Firm's part on the market is in close correlation with number of employees, annual turnover,

everyday's usage of analyses and activities of marketing sector within the firm.

Perturbing fact is that in NRM more than 60% of SME's do not use marketing researches in everyday's activities, suggesting that SE's are not aware for benefits that regular usage of this process can bring to the firm. According to the main SE's characteristics, mainly their limited financial and human resources, they should become aware of the benefits from engaging marketing agency for such process. Service and expertise of those agencies can guarantee to the SE's accurate information that can be useful for bringing right decisions in the precise moment.

Bibliography:
1. Piter J. Paul, Donnelly H. James, Marketing Management: Knowledge and Skills, McGraw-Hill 2011
2. Kotler P., Armstrong G., Principles of Marketing, Pearson Education, 2008,
3. ZabinJeff, BrebachGresh, Precision Marketing, 2004, Ars Lamina DOO,
4. Snezana Risteska – Jovanovska, Boshko Jakovski, Consumer behavior, NUB St. Clement of Ohrid – Skopje 2008
5. http://www.consumersinternational.org/who-we-are/
6. Kotler Philip, Kevin Keller, Marketing Management, Pearson Education, Inc 2009
7. Charles W. Lamb, Joseph F. Hair, Jr, Carl McDaniel, Marketing, Cengage Learning Company Copyright 2011
8. Warren J. Keegan, Marc C. Green, Global Marketing, Pearson Education Inc. 2011
9. Fiti Taki, Hadzi Vasileva-Markovska Veriva, Bejtman Milford, Entrepreneurship, Faculty of Economy- Skopje, 2007