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RESEARCH PROJECT FOR THE DOCTORAL DISSERTATION:

THE IMPACT OF HUMAN CAPITAL ON SME GROWTH:

International experience and evidence for Kosovo

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LIST OF ABBREVIATIONS

The following abbreviations are used throughout the thesis:

ABRK Agency for Business Registration Agency

BSCK Business Support Center Kosovo

ECIKS Economic Initiative for Kosovo

EU European Union

GDP Gross Domestic Product

KOSME Kosovo SME Promotion Program

MTI Ministry of Trade and Industry

OECD Organization for Economic Co-operation and Development

SMEs Small and Medium-Sized Enterprises

SPSS Statistical Package for the Social Sciences

US United States

VIF Variance inflation factor

% Percentage

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Abstract

The vital role played by SMEs in the economic development of South Eastern European (SEE) countries remains relatively unexplored, despite the attention of academics and policymakers. Kosovo's private sector business is dominated by small and medium-sized enterprises, creating the growth of SMEs very vital to the nation's economic development. The growth of SMEs in transition economies by traditional economists is affiliated with firm characteristics of age and size. However, it the researcher noticed that Kosovo lack's empirical evidence regarding other specific determinants which may impact SME profit, and consequently the growth of the economy in Kosovo. Also, the purpose of this paper is to explore the critical determinants of growth in small and medium-sized enterprises in Kosovo, by emphasizing the importance of general and human capital and by revealing the paramount significance between these two.

After conducting a review of the literature on related studies, we compiled other secondary data. The target population for this study is Kosovo's based entrepreneurs who were interviewed by the Business Support Centre Kosovo (BSCK). The population consisted of 500 entrepreneurs. Businesses who are representing trade, manufacturing and services sectors in Kosovo. The data were analyzed using both descriptive statistics, as well as inferential techniques, such as logistic regression analysis. SPSS system was used to aid the analysis process. We looked into the relationship between an individual's background, individual's competencies, firm's attributes, and SME growth. The main conclusion was that age, gender and education are likely to have positive effects on business growth. On the other hand, Becker (1964) argues that employers will only invest in specific training, not general training when labor markets are competitive. Therefore, this study shall reassess Becker's theory. Basically while using his framework, we indicate that there is an incentive complementarity between employer-sponsored general and specific training: the chance to offer specific training leads the employer to invest in general human capital, or vice and versa. We shall discuss some empirical facts that are already explained by the theory, based on the information received through face to face interviews comprising 30 business owners in Kosovo. The main recommendations were that general, and specific education and training are essential and should be offered to a more significant number of enterprises at affordable costs. Also, business management training programs should encounter the needs of the clients and should be tailor-made. The results of our empirical research also have some policy implications: we argue that governments in Kosovo must to pay improved attention to small and medium-sized

enterprises, and attempt to design and implement better strategies that will be beneficial for human capital development, and consequently SME growth.

Executive Summary

Today's entrepreneurs are aware that firm's intangible assets, such as the general knowledge and specific skill of their employees, are essential to building value and reaching a sustainable competitive advantage over competitor's firms. Businesses nowadays find themselves functioning in a knowledge economy, and this raises many inquiries as to how firms can ease the establishment, development, and sharing of knowledge amongst its workers.

This research analyses the literature surrounding human capital management with the purpose of examining the traditional and modern academic standpoints on assessing the impact of human capital. The research reviews the academic literature at both the individual and organizational level and emphasizes the factors that assists create an environment where human capital can succeed.

Five of hypotheses have been raised, such as:

- growth is positively influenced by the age of the entrepreneur;
- growth is positively influenced by gender;
- growth is positively influenced by (a)previous experience in higher education, (b) previous experience, and(c) highly trained entrepreneurs in managerial skills;
- growth is positively influenced by (a) previous experience in previous experience in the business field, (b)longer years of experience, and (c) business training;
- the growth of the firm is positively influenced by the fact that the (a) size of the firm is bigger, (b) age of the firm is older, (c) location and headcount increase.

The derived theoretical framework helped in analyzing BSCK data, in the selection of themes, setting of interview questions, analysis of the data gathered, as well as the discussion of the findings of this thesis.

Initially, it aims to contribute to the understanding of the demographic factors that impact the growth of Small and Medium-sized enterprises (SMEs) in Kosovo. The BSCK report was used, which gather data from 500 small and medium businesses.

Logistic regression analysis was used to test the relationship between the hypothesized relationships. Empirical research has proposed that firm growth is determined not only by the traditional characteristics of age and size of a firm but also by other firm-specific factors such gender, age and education level, experience, business specifics, as well as managerial training of entrepreneur. Also, the firm's characteristics such as location, size, and headcount are analyzed and discussed.

Entrepreneur characteristics such as age, gender, and education are found to be important factors in determining a firm's growth and performance. Whereas other used variables connected to firms and the entrepreneur's characteristics do not seem to be able to explain firm growth, or the observed effect is marginal.

Most of the studies performed in Kosovo have so far discussed human capital, but not 'specific capital' figures prominently in Becker's original Human Capital theory, and in empirical and theoretical work on this topic. Consequently, this study will also explore the theory and empirics of general and specific capital. However, so that the results are not restricted to a single survey or the data was not collected from only one source, the study continues through qualitative strategy, by performing face-to-face structured interview to explore human capital practices within SME. The interview was conducted with SME owners in Kosovo, who fell under the classification of SMEs in the framework of Kosovo. This interview looked into the relationship between general education, specific training, experience and small and medium-sized enterprises‟ growth in Kosovo. It is left to say that the findings and discussion of the study were based on the information given by the 30 participants of this study, and it makes some contributions concerning matters of both theoretical and practical concern.

In short, the results recommend that certain demographic characteristics of the entrepreneurs are certainly important predictors of the growth of SMEs in Kosovo. The findings suggest that age, gender, and education affect the growth of SMEs regarding profit. Secondly, our research contributes to current knowledge by presenting that different types of education; previous experience significantly explains the variance in the growth of SMEs. More precisely, with regards to education and training, the findings show that not all types of education or training play an equal role in explaining the growth of SMEs. However, an inadequate education system in Kosovo seems to be the biggest disadvantage for the development of employees, and significant drawback in the growth of SME's. Education received outside Kosovo showed a stronger relationship with SMEs growth than any other types of education

received locally. Consequently, some owner is keener on having employees with specific skills than general education received in Kosovo.

Consequently, Human capital development is seen as a significant factor to SME growth in Kosovo. Most entrepreneurs value equally, general and specific training. However, international education is much more appreciated due to the not proper education system in Kosovo.

The study also has contributed to the existing knowledge on human resource practices by bringing to light the problems engaged in by the SME owners in Kosovo who participated in this study, how and why such choices were made, and the constraints faced in the deployment of such practices.

Also, recommendations were given to assist the practicing of effective human capital development within the enterprises which participated in this study, and the SME sector in Kosovo in general, which may uphold enterprise success to enhance economic growth.

CHAPTER I

INTRODUCTION, GENERAL PURPOSE OF THE STUDY AND MAIN RESEARCH QUESTIONS

1. Introduction

1.2 Problem statement

The growth of small and medium-sized enterprises (SMEs) is a fundamental component of economic development. SMEs play a vital role in creating new employment, generating income, promoting innovation and other social changes. Given the importance of small businesses to the global economy, it is profound to understand what determines their performance.

Traditionally, the human capital has been regarded as a cost to organizations. Nowadays, human capital is not perceived as a magic wand; however, it is considered to have an essential role since researchers believe that global investment in education and human resources promote economic growth. Findings from many studies consistently support the positive relationship between the business owners' human capital level and the business performance (Brüderl, et al., 1992; Chandler & Hanks, 1994; Cooper et al. 1994; Preisendörfer & Voss, 1990; Sandberg & Hofer, 1987). As Alleyne (2006) states, employees and employee management practices appear to be one way that companies can improve their performance. Human capital is seen as the main strength of the company that makes the difference (Colakoglu, 2006), as is considered as a strategic asset for creating competitive advantage in the market. Consequently, it is prominent that firms leverage on the workforce as a competitive advantage. An important focus is directed toward the strategy for improving workforce productivity to improve human capital productivity. Hitt et al. (2001), for example, finds that firms with greater investment and utilization of human capital experience higher levels of performance. Research in strategic human resource management indicates that human capital is a key determinant of organizational performance (Bowen & Ostroff, 2004; Gelade & Ivery, 2003; Hitt et al., 2001). Correspondingly, Ojokuku and Sajuyigbe (2014), believe that SME's are engines of economic growth and development.

Lately, small and medium enterprises are facing vivid challenges and threats, such as financial constraints, -, lack of human capital and other challenges. Many researchers admit that something new is happening with the economic dynamism, the evolving of SMEs being the prime change. There are rapid changes in organizational structures, employment conditions, and arrangement, as well as in organizational values or culture (Mabey et al., 1999). Skills and knowledge of employees are becoming essential factors in the development and performance of small and medium enterprises in nowadays

economy. Therefore, rapid technological change, globalization and economic liberalization in recent years have led governments in developed and in developing countries to set development of human capital skills as a strategic priority for economic growth and competitiveness.

SMEs are in constant battle to optimize their workforce through development programs for human capital to achieve their goals related to their long-term survival, sustainability and performance (Marimuthu, 2009). Investing in human resources ensures that employees get the most recent know-how, information, competencies, and skills to work in increasingly competitive markets. Ofoegbe and Joseph (2013) also state that human capital development is indispensable for the survival of SMEs.
Human capital skills affect people's lives and social and economic growth in many ways. Skills improve their labor market outcomes regarding employment rates as well as income. However, the decisive role of human capital development extends beyond its impact on career prospects; adults with low levels of basic skills are more likely to report poor health as a result of lower revenues and standard of low living compared to adults with higher levels of basic skills.

Recently, there has been a growing interest amongst researchers about the importance of human capital development in SMEs that contribute to their growth. Nevertheless, few studies have examined its effectiveness between General and Specific Human Capital.

Becker (1994) argues that human capital is directly useful in the production process. Human capital increases an employee's productivity in all tasks, with some variations depending on the functions performed, organizations, and situations. Pfeffer (1998) agreed that a focus on intellectual capital, human capital, social capital, core competencies, and capabilities is becoming highly recognized as critical success factors for business. Numerous authors have grouped human capital into three categories: (1) firm-specific human capital; (2) industry-specific human capital; and (3) individual specific human capital. In the literature, a distinction often is made between ‘general' and ‘specific' component of human capital (Acemoglu & Pischke, 1999) stating that on-the-job performance requires employees to apply both general and specific skills accumulated.

However, organizations are operating in economic environments that often deviate from the theoretically derived assumptions, including costs associated with worker's mobility and other imperfect

markets. Acemoglu and Pischke (1999) further study a two-period model based on the firms' ex-post monopsony power to explain organizations' investment in general training. Specific human capital is used within the context of a specific job or a specific firm, and general human capital can be -used across jobs, firms, and industries.

While at first glance, the majority of research studies indicate a positive impact, however, this positive effect should be interpreted with caution. According to Drucker (1985), entrepreneurship is a practice and that most of what you hear about entrepreneurship is all wrong. It is not magic; it is not mysterious, and it has nothing to do with genes. It is a discipline and, like any discipline, it can be learned. Also, Gibb (1987) stated that the entrepreneurial role is being influenced by education and training.

If one agrees with Drucker's and Gibb's concept of entrepreneurship, then it follows that education and training can play a crucial role in its development. Nowadays, entrepreneurship is being seen as a way of thinking and behaving that is important to all parts of society and the economy. Therefore, educational methodology required nowadays is one who assists in cultivating an individual's mindset and skills which can be applied to generate value in a range of contexts and environments from the public and social organizations, corporate companies and new venture start-ups. Lichtenstein and Lyons (2001) argued that it is crucial for service providers to recognize that entrepreneurs come to entrepreneurship with different levels of skills. These skill-sets can be broken down into General Skills which include Entrepreneurship Skills which involve recognizing economic opportunities and acting effectively on them, and Management Skills which are essential to the day-to-day management and administration of the company. Specific Skills which include Technical Skills which are those skills necessary to produce the business's product or service. Kutzhanova et al. (2009) examined an Entrepreneurial Development System located in the Appalachian region of USA identified additional fourth skill called as Personal Maturity Skills which include self-awareness, accountability, emotional skills, and creative skills. The level of education and training required to develop each of these skills will be extremely reliant on the levels of human capital that individuals may possess before embarking upon their entrepreneurial journey. Indeed, it has been debated that developing these skill-sets will engender individuals who should be equipped to fulfill their potential and build their future (NESTA, 2008).

Moreover, Barrett and O'Connell (1999) suggest that the amount number of general skills have positive impact on productivity, in contrast with specific company training. On the other hand, other researchers often highlight the importance of firm-specific human capital for having sustainable competitive advantage (Chadwick and Dabu, 2009; Mayer, Somaya, and Williamson, 2012).

In theory, firm-specific skills (with less value externally) create a gap between employees' value in their current job and their next best alternative. Such skills are assumed to be shared between employees and firms and impede movement as other firms would offer lower wages (Becker, 1993). Therefore, firm-specific human capital reflects essential knowledge that sustains advantages and allows firms to appropriate some of the value created (Coff, 1997). Nevertheless, this conclusion requires labor markets to be efficient in that actors have unbiased estimates of general and firm-specific human capital (Campbell, Coff, and Kryscynski, 2012; Coff and Raffiee, 2015). It is anticipated expected that "firms and individuals do understand how much firm-specific human capital they possess" (Groysberg, 2010).

When we allow for such market imperfections, perceptions of firm-specificity become a central issue, and it is unclear whether such perceptions would be widely shared. If they are not shared, it is unclear that they would constrain mobility in the fashion anticipated in existing theory.

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Key findings from the literature review about the impact of human capital on company performance show that companies pay for different types of training, and it is believed that firms benefit from such training investments. The two investment behaviors in general versus specific skills have different policy implications regarding who pays for, and who benefits from, the particular investment activities.

1.3 The context of the research

Educational and Skills Development takes place within the framework of a current existing reality and preferred future. The gaps in many emerging countries between existing (present) reality and desired future are massive, and the challenges for skills and educational development that will bring the future closer are consequently essential and substantial. These skills are not just the asset of individuals, but also of the company, which can share and apply new knowledge regularly over time. Therefore, education and skills development have become very important to the business. However, through a

constant change in technology, learning has become an acute investment for entrepreneurs but also a significant policy consideration also for the government.

Analyses show that firms in transition countries lag behind advanced industrialized countries regarding the quality of their workforce (Spagat,2001) since the previous education system emphasized narrow technical skills, which were appropriate to the nature of socialist economies (World Bank, 2000). Also, Hotı (2003) concludes that the lack of successful reforms and high unemployment means that over time, there will be a continuing loss of skills, leading to an even more significant gap in quality of the workforce. Druska et al. (2002) believed that there was a significant mismatch between the types of skills which workers possess and the type of skills that the new emerging economy demanded. As revealed later during the transition, these skills were not valued in the market economy. Hotı (2003) continues his remark by saying that much of the human capital in the transition economies would have a low market value, having been acquired under communism when priorities were very different from what they are today.

There is a wide gap among these desired futures of knowledge economies and knowledge societies and the current realities of most transition countries, where unemployment and black or gray economies define day to day life for most of the residents. One way to close the gap is through education and training. Primary education and foundations of literacy are necessary initial steps on the path to becoming prosperous knowledge economies.

The knowledge revolution has generated enormous opportunities for countries to radically growth their competitiveness. However, it also brings significant challenges knowledge-driven economies now dictate the global economy. Kosovo has been in the transition period for nearly two decades. If Kosovo does not place itself in this knowledge-based economy, we will not be able to compete. The ability to implement, adapt, and generate knowledge is critically dependent on Kosovo' institutions, predominantly laws and regulation.

University graduates cannot find a job when they finish their studies. According to UNDP (2016), the education system is characterized with poor quality at all levels and is yet unable to equip youth with a full set of general knowledge and skills to match the demands of the labor market, especially those of the private sector. Also, t\here is no precise allocation of resources towards the strategic development of

cadres. Therefore, students cannot be sure if they are choosing the right profession. Problems are seen in the quality of education as well as the “detachment” of Kosovo’s education system from the latest global trends which produce a labor force whose skills are obsolete and in low demand.

Outdated education and qualification programmes are presently used that do not match labor market needs (especially specific skills training), lack of internship and practical experience opportunities. Although Kosovo has taken some steps in the direction of offering training, there is a slight change in the outcome of those training. One of the crucial problems in Kosovo remains the lack of a professional labor force that possesses the most up-to-date knowledge and skills.

‘General knowledge' may be defined as the common scientific, technological, and cultural heritage potentially available to everyone (Aghion & Howitt.1998). In other words, general training, such as reading and mathematical skills, general management development and project management skills is likely to generate a basic ‘ability to learn' that is vital to the innovation process (Foster,1987). A further advantage of general knowledge is, according to Hirshleifer (1966) and Judson (1998), an indicator of the suitability for further education (education's ‘option value'). More precisely, education, in addition to providing a direct improvement in company productivity, also works as a source of information about the individual's capability to convert education into skills.

Nowadays we have enormous specialized occupations; therefore, the private sector should offer specific training to operate; such as software or machinery, to pursue organizations' economic objectives. Know-how skills can be generated through learning-by-doing (working on the job). Skills, therefore, appear as a chain concept linking human capital, knowledge, and technology – much "technology" being knowledge of certain sorts of skilled workers and differences in technology may, in reality, be differences in the availability of particular skills (Wood & Tunzelmann, 1996). The concept of specific training provided a theoretical framework for understanding training behavior and has been widely accepted by Human Resource Development (HRD) professionals (e.g., Rothwell & Sredl, 1992; Swanson & Holton, 2001). With the modern economy, we notice tremendous division labor.

Individual general education and specific skills are important to competitive advantage. Exceptional human capital is a scarce resource in any company. The literature on human resources usually accepts

that human capital (HC) is a source of competitive advantage in small and medium enterprises (SMEs) (González-Loureiro & Pita-Castelo, 2012). Human Capital is unique because people cannot be separated from their knowledge, skills, in the way they can be separated, from their physical and financial assets. The ability to recognize and assess the competitive advantage of employees' transferable and innovative characteristics is of importance to firms and policymakers. The difference might come from the different situations such as from age, gender or maybe they come difference comes from training or education. This research extends the common measure of human capital by analyzing Kosovor's Human Capital and emphasizes its effect on small and medium firm productivity and hence growth. Analysis of this shall try to find out the cause and explain.

1.4 General Purpose of the Study and the Main Research Questions

Therefore, the primary focus of this research is to study the effect of human capital on SMEs growth.

We study the consequences of employees attributes on business development and sustainability. Primarily these characteristics that are related to general human capital or specific human capital.

More specifically, the research objectives of this study are:

- To investigate the nature of human capital in transition economies, with particular focus to Kosovo;
- To analyze the human capital impact on SME growth;
- To develop a policy proposal related to increasing the level of human capital in Kosovo.

Our, the findings may contribute to business development service providers to determine how the SMEs can achieve competitiveness and the endurance of the business. The study also provides an analytical framework for thinking about the interaction between public policy and the private sector's role as a driver for economic growth and development. The study provides examples of public policy initiatives designed to strengthen the private sector's role in the economy. Our study of policies has looked at different regions throughout the world to illustrate the evolution of diverse policy choices that support private sector development. Our general statement is that there is no rule of thumb, or replicas of policy aptitude that can be taken as benchmarks, or bases of direct policy imitation. Instead, policy dimensions are constantly changing. These findings can be used to develop public policies by state institutions that

would support the development of skills in the private sectors, and which in turn leads into supplementary progressions in policy dimensions, -

1.5 Contribution of the Doctoral Thesis

Research studies concerning the effect of the employees' specific factors on SMEs growth are scarce in Kosovo's context. Therefore, this study will provide the empirical evidence regarding SMEs growth in a developing country. This study, thus, is expected to assist human resource practitioners - an understanding of the importance of human capital to organizations, as a source of competitive advantage.

We also anticipate that researchers of human-resource management will find this study a useful guide- to a better understanding of the role played by the enterprise's human capital. Hence, the study shall strengthen the theoretical basis of work in the area of - human capital theory and the impact of general and specific human capital on SME development.

Policymakers can use the research results as valuable input in creating regulations and introducing measures for promoting human development activities of SMEs as an essential prerequisite for strengthening business growth potentials in Kosovo.

1.6 Content of the Doctoral Thesis

This thesis starts with the introductory chapter as chapter one. The introduction chapter also contains problem discussion, research’s purpose, and the research question, as well as the contribution of the doctoral thesis.

Chapter 2 discusses relevant literature, and by relying on the established theory of human capital on SME development. This chapter discusses the SMEs definition, significance of SMEs to the foundation of job creation and economic growth. Because employment can be considered as the primary challenge Western Balkan economies and especially job creation, the benchmark of between Western Balkans is performed. A fundamental question of whether the combined effect of human resource management (HRM) practices produces good performance or whether specific practices, such as training of an employee, produce effects

on company performance is answered, with an indication that training has a more significant impact when undertaken in connection with supporting HRM practices. The explanation of Human Capital is presented and introduced the important distinction between “general” human capital and “firm-specific” human capital. The chapter through literature review provides an explanation and conclusion of general and specific human capital.

Chapter 3 reviews the situation of Human Capital in Transition Economies, and its historic transition from communism to capitalism and democracy. In this study, the effect of literacy enrolment and job creation in transition economies for 1998-2005 periods, with a particular focus on Kosovo situation, is performed. A snapshot of south-eastern Europe (SEE) general economic situation is discussed, specifically for Balkans Labor Market Trends and Kosovo. The chapter presents evidence on the current state of SME's and Human Capital in Kosovo, emphasizing out their importance in the economy in conclusion.

Chapter 4 describes the variables, data, and econometric models. It presents the analyses and the statistical results, by incorporating a multi-method research process, where the researcher combines primary data of quantitative and qualitative research approaches. This chapter also develops the relations between the concepts under study and produces some resulting hypotheses. In this study, we also define the dependent variable and independent variables which impact on SME growth. We have extensively discussed the determinants of firm growth from three dimensions, more specifically individual, organizational and environmental determinants. The logistic regression model was used to predict a dichotomous variable of firm growth from predictor variables. It presents the results, the analysis of the multycolleniary issues was analyzed, and the findings of the model were discussed.

The purpose of chapter 5 its second contribution to the is to review the most closely related empirical research to identify gaps in the literature and others empirical work and present new information in this area in which this dissertation may lead to the generation of new insight. It shall elaborate in detail the qualitative data analysis commenced for this study. Initially, the process of data collection and questionnaire sample shall be discussed. The use of Nvivo 11 in data analysis shall also be underlined, as well as the design for semi-structured interviews for data collection.

Finally, Chapter 6 presents a discussion of the overall body of work, its implications for research and practice, and its contributions to the field of Human Capital and Human Resource Management. In general, it concludes by summarizing the main findings.

CHAPTER II

THEORETICAL FRAMEWORK

2. SME's and Human Capital

2.1 Introduction

SME's form a vital part of modern economies since they are the source of a significant share of job creation and GDP growth around the world. The small and medium-sized enterprise sector is perceived vital to the European Union competitive growth and social changes. It employs a vast number of the EU labor force, -where most of the expansion of the employment has been in micro-enterprises. Economics of SME is seen as a distinct field of research.

An increased attentiveness of the vital role of SMEs in modern economies is augmented through this research on entrepreneurship, organizational growth, and small business economics. The research contains considerable evidence of a significant linkage between the development of human capital and organizational growth.

On the other hand, the importance of human capital in organizations redirects the view that the company's market value depends less on tangible resources (technology, stock), and more on intangible ones, and predominantly human resources.

The first sections of this chapter provide an introduction to human capital theory in the specific mainstream of SMEs, which is followed by a literature review on human resource management within SMEs in section 2.1.1.

In this chapter section 2.4. General approach on HRM within SMEs relates to determinants of human capital impact and human resource practices within small and medium-sized enterprises. The primary outcomes are discussed in subsections 2.4.1 (on impact factors Human capital towards HRM in general) and 2.4.2 (HRM determinants focusing on a specific aspect of HRM: firm-provided training).

The final section presents some general conclusions and discusses outcomes which relate to the main body of knowledge on Human Capital within SMEs.

2.2 The development of human capital theory

Capital is perceived as an asset that allows the business to further its goals. In early modern times capital meant money investable, or the capability to participate in the creation of commodities and services and generate social wealth.

The pre-Smithian meaning of capital referred to money or other saleable assets that could be used as collateral (Hodgson,2015). This connotation continues in current times, where investment is considered flows while the result thereof (e.g., capital) is considered stocks (Wang,2015).

Capital has a variety of forms, including physical capital, money, shares, assembly lines, and human capital. There are all forms of capital in the sense that they yield income and other useful outputs over long periods of time. Of these, human capital possesses a substantial role in economic development. –

Adam Smith (1723-1790) is seems like the primary cultivators of human capital theory. Adam Smith (1723-1790) incorporated in the category of fixed capital the skills and useful abilities of human beings. The skill of a man, he alleged, may be considered as a machine that has a substantial cost and yields a profit.

What was called the human capital 'revolution' commenced around three decades ago? Its pioneers includeTheodore, Schulz, Mincer, Friedman, Rosen. Nelson and Phelps. Lucas; Becker, Murphy, and Tamura.

In his series of books entitled "The Wealth of Nations" (1776) Smith discussed his theories with the prosperity or "wealth" of a nation. Smith for the first time made a connection between the skill of the worker and higher wage levels(Becker,1992).
While defining capital he noted:

"The acquisition of ... talents during ... education, study, or apprenticeship, costs a real expense, which is capital in [a] person. Those talents [are] part of his fortune [and] likewise that of society" (Smith, 1776).

Smith (1776) was the first traditional economist to embrace human capital in his definition of capital. Smith preserved physical assets, machines, and people as ‘capital' and this definition is used economics since then. According to Hodgson (2015), the pre-Smithian meaning of capital referred to money or other saleable assets that could be used as collateral. In the book "Wealth of Nations (1776) Adam Smith set the grounds through his theories, which is also perceived as a development of the human capital science. Smith argues that the leading cause of prosperity or "wealth" of a nation was the increase of "division of labor." Smith (1976) reflected by stating that such progressive contemporary thought when he wrote that by educating its people, a society derives no inconsiderable advantage from their instruction. In this case, he instructed, and intelligent people are always more decent and orderly than ignorant ones. Smith views the externalities to education as necessary to the proper functioning not only of the economy but also for a democratic society.

Becker (1992) believes that Smith is seen as the first theoretician who connected the skill of the worker with higher wage levels. Contemporary economists such as Rosen (1986) finds that Smith's insight theory of "compensating wage differentials, clarifies the connections between the pay rate and unattractive aspects of a specific job. This is perceived as the additional ’quantity’ offered to the employee to encourage them to accept not 'likable' job, called compensating factor. (Rosen,1986).

Walsh (1935) examined whether the amount spent on education and training was a kind of investment comparable to machines. Walsh argues that skills learned through professional education are similar to conventional capital. Subsequently, the more advanced the education (such as vocational training), the more profitable it is, and hence the motive for undertaking it is an economic gain. His research disclosed the idea that the discounted value of life earnings increased with the level of education.

The first use of the term "human capital" in modern economic literature was done by Schultz, where he classifies expenditures on human capital as an investment rather than consumption. Schultz (1961) noted in his research that free people could not be considered or compared to any property and commercial assets. He stated that human capital might be seen as the capacity to adapt. According to this method, human capital is particularly beneficial in dealing with "disequilibrium" circumstances, or more generally, with circumstances in which there is a changing environment, and workers have to adapt to this.

Economists quickly embraced Schultz's metaphor of human capital. The same year, Weisbrod (1962) developed a first theoretical framework for estimating the value of assets in the form of human capital. Human capital investments which include expenses on education, training, health information and labor mobility (Weisbrod 1961) are acknowledged to generate spillover effects, increasing the regional capital stock productivity (Lucas 1988). The compelling argument of the study was that to apply cost-benefit analysis to educational expenditures within the context of Pareto optimality, and one must consider all the benefits of education, both those received by the individual being educated and the "external" benefits received by others as a result of the individual's education.

Also, according to the author, investment in education expands and extends knowledge, leading to advances which raise productivity. Capital values of people as productive assets are merged into an analytical function of sex, age, the stock of human capital, etc. The present value of individual skills at any given age a is defined as the sum of his discounted expected future earnings Yt (equal to the value of productivity):

$$V(a) = \sum_{t=a}^{\infty} \left(\frac{Pat}{(1+r)t-a} + Y_t \right)$$

Also, the author continued hid studies study of the external benefits of education by writing a book three years later, rising many further strategies for estimating those benefits, and applying them in a case study of a local community (Weisbrod, 1964).

Pat denotes the probability of an individual of age a to be alive at age t and r is the discount rate. In general, there are two approaches by Kiker (1966), to determining the value of human capital, namely by summing up the costs of production (input-based) and by considering capitalized earnings (output-based).

Kiker (1966) believes that human capital theory had its origins as far back as William Petty (1691), which considered labor to be 'the father of wealth.' It was one of the first attempts to estimate the monetary value of human beings, more precisely examine the issue of human capital measurement for fiscal problems. Petty believes that human capital coincided with labor-generated income. Pay is taken as the perpetual yield caused by human capital stock.

Gary Becker published his monograph “Human Capital” in 1964, which is a comprehensive theoretical framework providing an extensive description of what was known as the human capital theory. He defined human capital as "activities that influence future monetary and psychic income by increasing resources in people" (Becker,1994), and its core forms were schooling and on-the-job training, not forgetting to include migration, medical care, and searching for information about prices and incomes.

Moreover, Nelson and Phelps (1966) believed that a country with more human capital would be more inclined to the adaptation of technologies that were discovered elsewhere. He thinks that the country with more human capital tends to grow faster because it catches up more quickly to the technological leader. Consequently, the more developed human capital for a follower country, the higher the rate of absorption of the leading technology and hence, the more developed country's growth rate.

On the other hand, Welch (1970) argues that while there are no markets in which human capital can be bought and sold, these forms of capital are nevertheless valuable to the person who possesses them because of the economic services they render. Most of the producer services of human capital carry price tags regarding wages and salaries. Also, for self-employed workers, it is the part of their income that is attributed to the work they do. The economic value of the services of the human capital that enters into entrepreneurial abilities is harder to come by, where Welch (1970) argued that an increased education might enhance a worker's ability to grasp and decode information about costs and productive characteristics of other inputs.

Mincer (1974) made many contributions in the area of human capital theory, but perhaps most noteworthy is his theoretical explanation for the shape of age-earnings profiles. The first is that the typical pattern starts at a low earnings level in people's early work years, exhibits a rise in earnings which gradually peaks in the mid-late work years, and then shows earnings modestly declining until the end of work life. Mincer (1974) derives the prediction about the relationship between experience and earnings inequality from the human capital model of investment in schooling and on- the - job training.

Schultz through the period of 10 years, 1960 to 1960, played a vital part in translating this notion of “human capital” from a suggestive metaphor to the foundation for a comprehensive program in economics. Schultz’s philosophy attempt to explain education more thoroughly, by raising questions

such as what it was, why people might want it, and how it affected society emphasized certain aspects of education and abstracted away from others economist's studies. The focus of this paper is on the emergence and adoption of the human capital idea as a framework for thinking about education and education policy. On the other hand, Schultz also involved health care, on-the-job training, and migration in the analysis to take advantage of better job opportunities as activities that can be regarded as human capital investments, and that the analysis of these activities was also part of the human capital study program in economics from its inception (Schultz,1962) Therefore, Schultz's philosophy of human capital was rapidly embraced by economists, by recognizing it as innovative way of approach in education. His work encouraged the research of young economists, including Gary Becker and Jacob Mincer, into questions raised by the human capital concept.

The initial assumptions of Becker's economic approach to the family–maximizing behavior and equilibrium–as well as such primary auxiliary assumptions as household production and interdependent preferences, are now extensively acknowledged not only by economists but also by family sociologists, demographers, and others who study the family (Pollak,2003). Nevertheless, the thought-provoking allegations of Becker's economic approach to the family do not follow from the foundational assumptions or from the primary auxiliary assumptions. As a substitute, they depend on contested auxiliary assumptions to which neoclassical economics has no commitment and which lack empirical support.

Becker's economic model of the traditional household, in which the wife specializes in household production, forgoing investment in market human market capital, while the husband specializes in market production, has been used to explain how male-female wage differentials, so often used in litigation as evidence of sex discrimination by employers, can be due simply merely to decisions by the household on the allocation of work and investment between household and market. The economic model of the household also has broad implications for family law, for taxation, and for inheritance. Moreover, Becker's economic model of the household is part of his more general model of the allocation of time and effort and the production of nonmarket commodities, and the more general model has applications to the law as well.

The author concluded that demand shifted more towards educated persons after 1940, partly due to the rapid growth of expenditures on technology and services. According to the author, some activities firstly affect future well-being. Some effect cash salaries (money), and others psychic income (consumption). Sailing mainly affects consumption, on the job training primarily affects money income, and college education could have an impact on both (Becker, 1993). According to Becker (1993), this kind of capital produces human, and not to physical or financial capital, since there is no possibility to separate the person from his knowledge, skills or values the way it is possible to move from financial and physical assets while the owner stays put.

2.3. Defining SME's

Small businesses prospered in almost all ancient cultures. The Egyptians, Arabs, Babylonians, Jews, Greeks, and Romans contained a large population of small business. Lately, political strategists consider SMEs as "seed" of economic revival.

One of the earliest SME descriptions is given by the Bolton Committee in its 1971 report on Small Firms essential characteristics, stating that a small firm is an independent business, managed by its owner(s), having a small market share. In 1996 the European Commission established the definition of SMEs, used from the entire region of the Europian Union, through the 96/280/EC Recommendation (European Commission, 1996). Internationally the SME abbreviation is used for Small and Medium Sized Enterprise, whereas MSME is used for Micro, Small and Medium Sized Enterprise. In 2015, the European Commission prepared a Guide to SME Definition (2015), affirming that 'the first step to qualify as an SME is to be considered an "enterprise." The enterprise contains both, material and human components, which is seen as endurably organized independent economic-legal unity of persons, property, obligations and economic activities oriented on the realization of profit (Khatuna,2014***)***.

On the other hand, European Court of Justice Definition of an enterprise is 'any entity engaged in economic activity, notwithstanding of its legal form', and that the owner, family firms, partnerships, and associations or any other entity that is regularly engaged in economic activity may be considered as enterprises. According to Roman (2010), the enterprise is the typical way of an organization made of

one or more employees who have economic activities using multiple material and economic means to obtain profit.

The definitions assigned to SMEs vary across countries and institutions. Thassanabanjong and Mirbargkar (2010), believe that there are different definitions of what constitutes an SME, which vary between countries with some using the number of members or business capital.

Most of the definitions are based on factors such as workers, assets, sales, and sometimes differentiated by industrial sector. Some examples of SME definitions are presented by Kushnir, Mirmulstein, & Ramalho (2010) stating that business culture, the size of the country's population, industry, the level of international economic integration, and even political reasons play a role for governments to decide on a certain definition.

In the UK in the year 1969, small firms were defined as "companies having less than 200 employees. It is run by the owner and has a relatively small share of its market". Many developing countries have defined micro-businesses which include businesses employing less than five people. Companies which possess less than 50 people are defined as small, whereas medium businesses are defined with less than 150 people.

The Commission of European communities (2003) has seen the criterion of staff numbers (the "staff headcount criterion") unquestionably one of the utmost importance and must be perceived as the main criterion. Nevertheless, introducing a financial criterion is on the other hand a necessary adjunct in order to grasp the real scale and performance of an enterprise and its position paralleled to its competitors. On the other hand, the communion believes that it would not be appropriate to use turnover as the sole financial criterion, especially because enterprises in the trade and distribution sector have by their nature higher turnover figures than those in the manufacturing sector. Consequently, the commission argues that the turnover criterion should be combined with that of the balance sheet total, a criterion which reflects the overall wealth of a business, with the possibility of either of these two criteria being exceeded.

Furthermore, according to Users Guide to SME Definition (2015) classification of enterprises are done by comparing its data with the thresholds for the different criteria.

Table 1: EU Classification of enterprises – Three different criteria's

Enterprise Category			
	Medium Size	**Small**	**Micro**
Headcount	Less than 250	Less than 50	Less than 10
Annual turnover	≤ 50 million	≤ 10 million	≤ 2 million
Annual balance sheet Total	≤ 43 million	≤ 10 million	≤ 2 million

Source: EU Users Guide to SME Definition

As shown in Table 1 the population of small and medium-sized enterprises may be defined in various ways. Most classifications depend on statistical principles. Turnover is sometimes used, but the most common principle is the size of the workforce.

The Law 03/L-031, prepared by the Kosovo Assembly in 2008, governs the determination of the size of enterprises in Kosovo (mei-ks.org, 2012). This law classifies the size of enterprises matching European Union criteria (as shown in Table 2 and 3) yet with a difference in the calculation by taking into the consideration only the number of employees (mti-ks.org, Strategjia për Zhvillimin e NVM-ve 2012-2016, 2011).

Table 2: Classification of enterprises by size in Kosovo

Type			
	Macro	**Middle**	**Small**
Number of employees	Less than 250	Less than 50	Less than 10

Source: ARBK (Agjencia për regjistrimin e bizneseve në Kosovë)

On the other hand, Users Guide to SME Definition (2005), state that the enterprise's size (employees, turnover and balance sheet total) is not the only factor that is taken into account. If an enterprise has access to significant additional resources, it might not be eligible for SME status.

Table 3: Eligibility of SME status

SIZE		
EMPLOYEE	Turnover	Balance sheet
	and	
	Resources	
OWNERSHIP	**Partnership**	**Linkages**

Source: Users Guide to SME Definition

Whether an enterprise draws up consolidated accounts or not, the final data to consider should include the data of:

(1) any partner company;

(2) any company linked to it;

(3) any company linked to any of its partners;

(4) any of the companies linked to its linked companies;

(5) any of the partners of the linked companies.

Putting it more formally, the contextual dimension "firm size" is related to the other aspects of organizational characteristics, for example, the firm's size can influence the structural aspects of organizations. Whenever, organizations become larger, the need to decentralize and communicate between employees and departments increases.

2.3. SME and job creation

SMEs denote the core foundation of economic growth, government revenues, and especially job creation. Consequently, SME's create a significant portion of tax revenues essential to make available health care, education, and other significant public services within a country.

In the enlarged European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent 99% of all enterprises (European Commission. 2005). Ayyagari (2007) asserted that the promotion of the SME sector is a core element to foster employment, economic growth, and poverty alleviation later on. Also, Stein (2010) highlighted that SMEs in developing countries represent

approximately 45 percent of employment and roughly 33 percent of GDP. Wymegnga (2011), stated that that the degree of employment generated by SMEs in EU was 67%, out of which micro companies contribute to approximately 30% of that percentage, small enterprises with about 20% and middle companies with 17%. An increase in the employment and labor litigation was noticed since 2007 when the value of that indicator was 60% in EU (Wymenga et al., 2011).

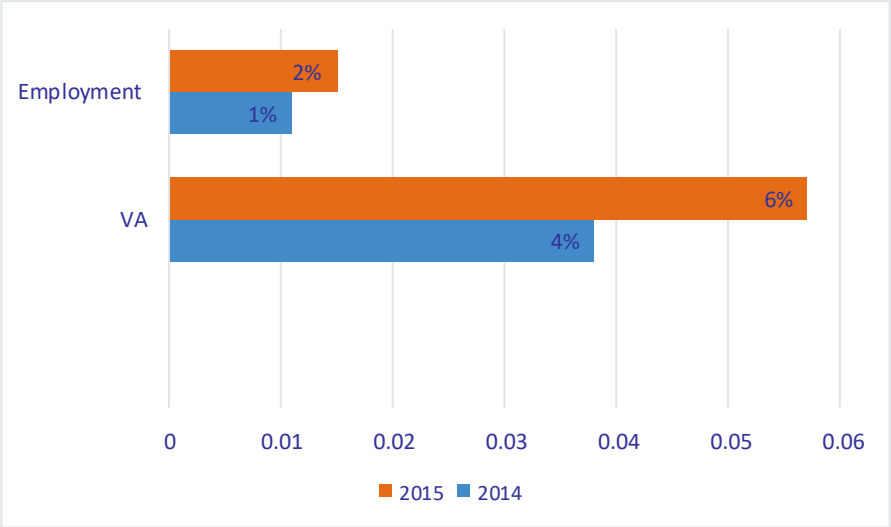
In developing economies, SMEs contribute up to 45% of total employment and 33% of GDP. When taking the impact of informal businesses into account, SMEs contribute to more than half of employment and GDP in most countries irrespective of income levels (IFC, 2010). This indication got supported through a study performed by Meghana (2011) made on 47.745 firms from 99 countries during 2006 -2010 proved that on average, companies with 5 to 250 employees engage 66.76% of the active population of a state. Also, EU Report Support to SMEs in Developing Countries (2011) augmented that SMEs are responsible for new employment as these generate approximately 86.01% of new jobs.

According to EU Commission Guideline for Enterprise (2015), SMEs are the central pillar of the EU economy, which create more than 85 % of new jobs in the EU, where nine out of every ten enterprises is an SME which generate two out of every three jobs. In the OECD area, SMEs are the most abundant form of enterprise, encountering around 99% of all firms. They provide the foundation of employment, accounting for about 70% of jobs on average, and are leading contributors to value creation, creating between 50% and 60% of value added on average (OECD, 2016).

In contrast, unemployment is expected to fall in 2017 in developed countries (by 670,000), bringing the rate down to 6.2 percent (from 6.3 percent in 2016). In the EU-28, the share of unemployed people who had been looking for a job for 12 months or longer reached 47.8 percent in the second quarter of 2016, up from 44.5 percent for the same quarter of 2012 (ILO,2017)

The private sector is also seen as vital to reaching development outcomes around the world and is also responsible for around 90 percent of the jobs in the world by World Bank in 2012. Whereas, the Organization for Economic Co-operation and Development (OECD) reports that more than 95% of enterprises in the OECD area are SMEs, of which almost 60% of private sector employees make a substantial contribution to innovation, and regional support development and social cohesion.

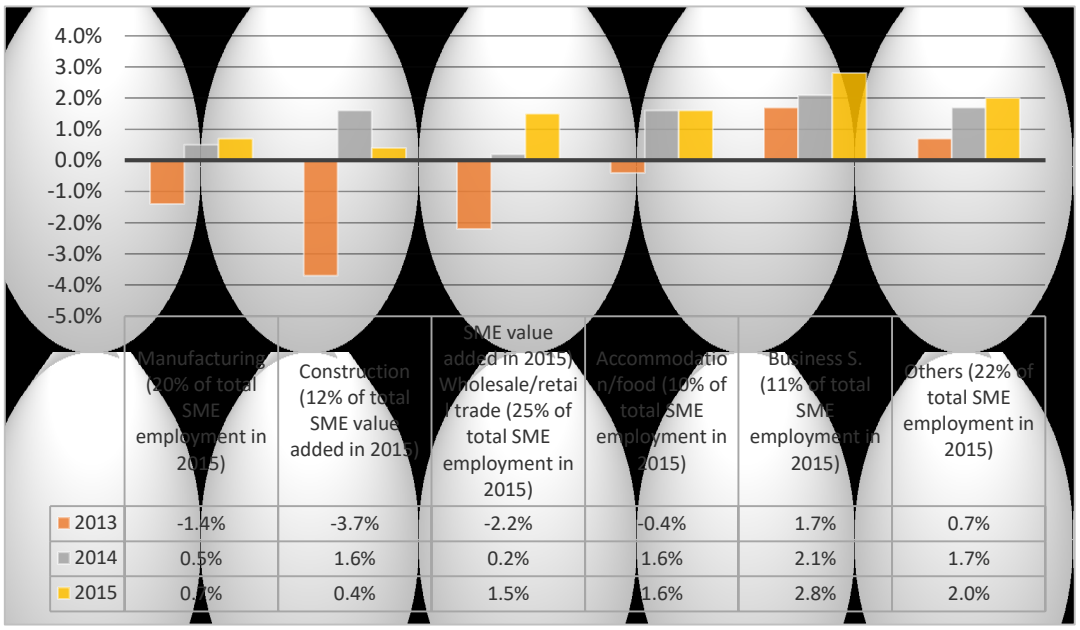
Figure 1: SME employment and value added growth in 2014 and 2015, EU28



Source: Eurostat, National Statistical Offices, DIW Econ

As shown in Figure 1, since 2013, SME employment followed a moderate growth path, growing by 1% in 2014 and 2 % in 2015. In contrast, SME value added has grown at a comparatively fast pace, posting growth of 4 % in 2014 and 6 % in 2015.

Figure 2: Annual growth in SME employment by sector in EU28, 2013-15

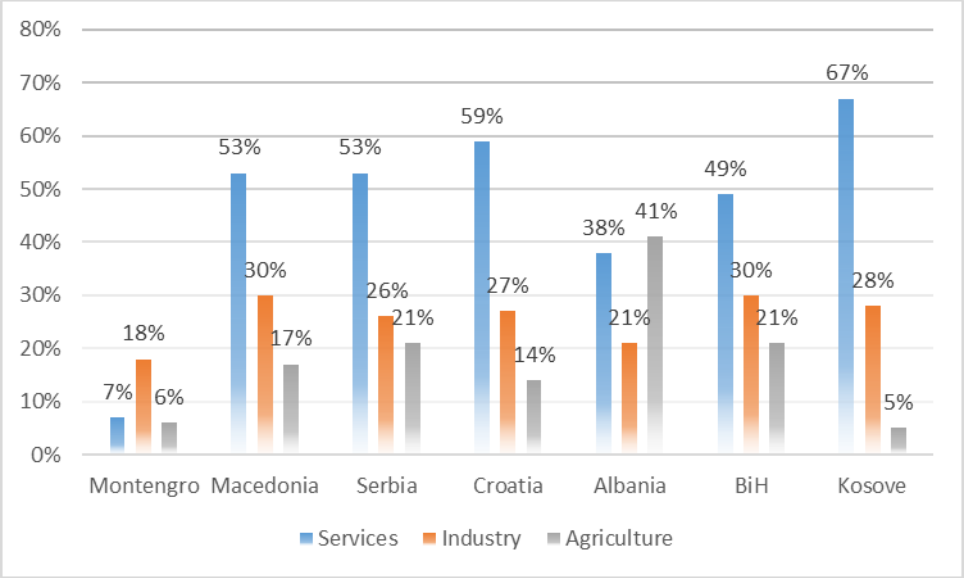


Source: Eurostat, National Statistical Offices, DIW Econ

By looking at sectoral perspective (Figure 2), 'business services' has constantly outperformed since 2013 all other sectors concerning both values added and employment, displaying growth of 7.6% in value added and 2.8% in employment in 2015. Nevertheless, the 'wholesale & retail trade' sector contributed mostly to gross value-added growth due to its size. Despite value-added growing at a slower rate in 'wholesale and retail trade' than in 'business services' (5.3% compared to 7.6%), 'wholesale & retail trade' contributed mostly to SME value-added growth overall, due to its larger absolute size.

According to the report performed by Berthomieu, Cingolani, and Riz (2016), employment can be considered as the primary challenge to Western Balkan economies. From 1991 until 2013 the ratio of employment to population decreased from around 45% in 1991 to 38% in 2013. The unemployment rate is very high with more than 23% of the active population being unemployed. As shown in Figure 3, the situation is predominantly problematic in Kosovo and BiH where unemployment gives small signs of decreasing. Nevertheless, in Serbia and Macedonia a positive trend seems final to take place: in Serbia the unemployment rate decreased from 23.9% in 2012 to 17.9% in 2015, while in Macedonia, where the positive trend in employment started in 2005 was not interrupted by the crisis, it went down from 29% in 2013 to 26.1% in 2015 (Berthomieu, Cingolani, and Riz. 2016).

Figure 3: Distribution of Employment by main productive activity, 2012



Source: International Labor Organization KILM 8th edition Note: 2010 data for Albania

Service is essential for the sector for employment in Kosovo. More than 67% of employed persons in Kosovo and more than 59% in Croatia and 53% in Serbia as well as Macedonia (Figure 3). Agriculture is the least productive sector where Montenegro agriculture sector produces 6%, whereas the highest in the region is Albania with 41%. Industry sector seems to have similar a impact throughout the region.

Having in mind the structure of employment in Kosovo, particularly employment categories enterprises, the results from the processing of data are presented in Table 4. The table confirms that the highest number of enterprises in Kosovo are the once that employee only one person, which account for 56.3% of all businesses. Consequently, concerning employment microenterprises constitute the most important size category since they account for almost one-third of jobs in private sector businesses, more precisely 31.9%. On the other hand, small, medium and large enterprises employee similar number of employees, starting from 18.7% up to 19.3%.

Table 4: Number of private sector enterprises and persons employed, by size categories, in 2013

		Enterprises		***Persons Employed***	
Enterprise		Number	Share	Number	Share
Solo entrepreneurs	1 person employed	25,938	56.3%	25,938	13.7%
Micro	2-9 persons employed	17,797	38.7%	60,422	31.9%
Small	10-49 persons employed	1,940	4.2%	35,546	18.7%
Medium	50-249 persons employed	310	0.7%	31,094	16.4%
Large	250+ persons employed	47	0.1%	36,623	19.3%
	Total	46,032	100.0%	189,623	100.0%

Source: KOSME calculation based of ATK register

In general, the private sector represents the primary source of economic growth, job creation, poverty alleviation, and government revenues in many developed and developing countries (BCK) (Riinvest.2014).

2.4 The role of Human Capital in SME performance

Numerous empirical researchers have revealed the idea that physical assets play a significant role in the performance of firms, and a greater quantity of funds are being allocated to improve the physical capital of SMEs. The aspect which can play a more significant role in developing a firm's performance is its human capital. Nowadays, Human Capital is seen as a most vital component of competitive advantage. These assets are mainly all of the competencies of the people within an organization, which include education, skills, and experience.

Koubek (2007) talks about business resources (Figure 4), which are material, financial, information and human. Human resources are seen as decisive importance in business management and employees.

Figure 4: Business Resources

Source: (own work according to Koubek, J. 2007: Human Resources Management. Praha. Management Press)

According to Grant (1996), the human component has grown in importance since knowledge has developed into a critical component to gain a competitive advantage, predominantly in the new economic landscape. The human capital is the tool of for achieving competitive advantage through one of the most important assets: its employees (Richard, 2001). Human capital is considered as a critical resource for a company and suggest that human capital attributes like, education, experience and skills and affect the firm's performance" (Hitt, 2001).

Companies have developed into warriors in an extremely competitive environment. Therefore the utilization of organizational internal and external resources is considered very vital for the organization to gain the competitive advantage. The other sources of competitive advantage, like technology and physical resources, are comparatively easier more natural to emulate and transfer. Human capital characterizes the factor which provides a specific character to the business. Therefore, the important differentiating factor between companies can be how human capital is developed and nurtured in a particular organization (Yazdani, 2008). Thus, human capital is seen as imperative for a successful long-term operation of the business on the market (Vodák, 2010).

The human capital can turn into the vital source of competitive advantage, if it has worth, continue to be hard to emulate and is exceptional.

2.5. SME and the nature of Human Capital

Coyleet (2013) defines "*management"* as the art and science of coordinating activities within a company, through the process of managerial decision-making, within areas of finance, operations, sales and marketing, and human resources. Whereas, traditionally, the term "*human resources*" is perceived equivalent along with material or natural resource.

Nayab (2011) treats human resources as a key to linking workforce management with organizational strategy. In other words, the linkage of operational issues, such as headcount planning, job analysis, recruitment and selection, compensation and benefits, employee performance evaluations, contract negotiations, and labor legislation to corporate strategy. It perceives employee's e as passive resources that the company can use and dispose at will. Ojokuku (2012) considers that SMEs are usually unwilling to spend a lot of money human resource management practices that can ensure their survival, such as full-blown recruitment efforts, because of the costs associated with such endeavors.
Nayab (2001) has another consideration of human resources, which considers human capital as "assets" rather than "resources." This model contains issues such as organizational development, conflict management, corporate culture, and relationship building as a means of increasing trust and ensuring performance through collaboration Nayab (2011).

The notion that people are assets rather than variable costs, (treated as human capital), was initially advanced by Beer (1984) and continued by Caliskan (2010). The authors believed that all assets of an organization, other than people, are inert, and that entire passive resources require the human application to generate value.

On the other hand, *"Capital"* is something we spend now, in anticipations of getting a return in the future. However, "*human capital"* cannot be perceived equivalent to other material or natural resource, as it also includes the character, ethics, personality and creativity of a person. Therefore, the difference between these groups is that material and natural resources are passive economic factors, in other words, ability-free and attribute-free.

Employees can add value if they can assist firms to lower costs or provide increased benefits to customers because the value of human resource has a direct impact on the performance of enterprises. The businesses and organizations differ in the human resource and its capabilities. In the case of human capital, it is essential to make a distinction between people's abilities, which comprise their skills, knowledge, and attributes such as physical, psychological, and cultural, which contribute to the company growth. Bontis (1999) and Armstrong and Baron (2002) argue that people and their collective skills, abilities, intelligence and experience coupled with their capability to deploy these in the interests of the employing organization make a significant contribution to organizational success. These collective skills, abilities, and experience constitute a primary source of competitive advantage that is key to reaching the company's strategic objectives.

Hellriegel defines human Resource Management at, el, (2009) as a process of managing an organization's human resource needs to reach company strategic objectives. Therefore, SME's need to is capable of defining the best system to meet the demands of their business objectives through their employees. Some economists argue that an informal approach is more suitable to the small firm. For example, Hill and Stewart (1999) suggest that smaller companies should be more flexible and informal to cope with the higher levels of environmental uncertainty. Whereas, Golhar and Deshpande (1997) argue that a lack of understanding of human resource management issues by small business owners may be one of the explanations for firm size differences in Human Resource Management practices

Today, SMEs recognize the need for proper and well-established recruitment strategies to hire the most talented individuals and retain specialized people with the top skills, to develop innovative solutions that give them competitive advantages to push the company forward. Voorde (2010) shows a positive relationship between human resource management and organizational performance. Being competitive through human capital means taking steps to understand and satisfy future employee needs, and to develop the present skills of employees – their contributions, potential, and employability – by providing learning and continuous development opportunities. It involves the operation of 'recruitment and selection procedures, performance-contingent incentive compensation systems, and traininga linked to the needs of the business' (Becker,1997). Caliskan (2010) believes that for a productive interaction of people with technology and process, the individuals in the company have to be competent enough, with the required knowledge and training, skill and abilities.

Lado and Wilson (1994) believe that human resources are a significant source to generate sustained competitive advantage: As they state, human resource systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm-specific and create tacit organizational knowledge.

Therefore, even though humans are born with attributes, it is vital that we spend money to retain or to grow them in many ways, such as through education, on the job training, and work experience.

Currently, companies are trying to adopt technological and social changes to stay competitive. The term competitiveness does not only incorporate economic aspects, but it also integrates aspects of social development, education, health, political and environmental sustainability, quality of human resources, among others. Becker (1964) asserts that human capital theory suggests that education or training raises the productivity of workers by imparting useful skills, hence increasing workers' future income and their life earnings. As an outcome, a better education shall generate a higher income.

"If you want a good position, get a good education" advice, embodying the essence of human capital theory, is offered daily to school children, adolescents, displaced homemakers, and unemployed workers by parents, teachers, members of the clergy, outplacement counselors, and seekers of public office (Strober,1990).

Butta (2015), argues that the human capital theory and human resource management approach to SME development raises some questions, specifically with regard to human capital topics (which relate to recruiting, retaining, developing and compensating human resources to make and keep a skilled, loyal and motivated employees); matters associated with the structural capital (connected to the size and development of organizational structures that stimulate; and issues of corporate capital (those related to knowledge management).

Nowadays, the modern economy is based on knowledge and education, having in mind the development in communication, biotech and globalization have made the knowledge a tremendous asset to any economy. Recent studies indicate that countries who supported this knowledge are seen as successful. In the early 20th century a new economy emerged, and the United States led the world through mass education by creating a new and unique education system. The 20th century involved greater use of science, inventions, the rise of large businesses and growth of the mass of retailing, where industrial nations acknowledged the shift from physical to human capital.

2.6. The impact of firm-provided training on the SMEs performance

The fundamental question of whether the combined effect of human resource management (HRM) practices produces good performance or whether specific practices, such as training of an employee, produce effects on company performance is not easy to answer. In general, there is an indication that training has a more significant impact when undertaken in connection with supporting HRM practices.

Before Becker's (1962) theory of company training, traditional economists perceived education and training as the investment decisions of individuals. From a business standpoint, investments in human capital differ from investments in other assets for the reason that the employee may leave the company, start salary negotiating and, in general, influence the outcome of the investment decision. However, Becker believes that human capital is directly useful in the production process. More explicitly, human capital increases a worker's productivity in all tasks, though possibly differentially in different tasks, organizations, and situations. Becker (1962) advanced a theory of investment in human capital, placing

forward levels of investment and forecasting who should pay for, and who will benefit from, the completed training. Becker separated training into general and specific skills.

Wu (1992) claimed that skills could be defined as the required competence or needs of employment, while in a more comprehensive sense Naville (1965) argued that skill might be identified as a complex "social relation." According to Green (1996) skill is itself a rather ambiguous term. It can be understood as the capability to accomplish certain duties or to master several techniques or, it can be interpreted as the range of behavioral attributes such an ability to work with less or without supervision.

According to Barney (2001), the ownership of human capital can contribute in the long term and sustained company advantages since they are valuable, rare and hard imitate. The company needs to have educated and skilled employees to increase the production rate and create higher revenues. Crook (2011) present the correlation between human capital and firm performance measures using a meta-analysis technique to analyze 66 studies with 68 samples involving 12,163 observations. The results of the analysis show that human capital considered alone has a positive association with financial performance. Therefore, companies should develop employee's knowledge which has a valuable part to firms' performance. Human capital is vital to businesses to have a competitive advantage and achieve desired performance.

Analysis performed by various researchers show that the impact of firm-provided training on labor productivity is seen to be positively related to general and specific training that firms provide: firms that devote more time and spend more money in preparing and managing their training activities enjoy higher productivity growth within the firm.

2.7. General vs. specific human capital

According to Becker (1993), human capital is the crucial determinant in explaining the rise and fall of nations as well as the primary factor in determining individual income. Theories on human capital distinguish between general skills (such as education and labor market experience), and skills more specific to the form or work. Consequently, depending on the category of skills developed by education,

training or work experience human capital can be divided into general and specific human capital. Therefore, the approach to the idea is straightforward.

There are different types of tasks performed in the labor market such as manual and analytical. Similarly, to Jerbashian et al. (2015), we define two distinct types of human capital: "general" and "specific." Both tasks are productive in numerous professions. Professions combine these two tasks in different methods. For example, accounting depends on analytical tasks, whereas bakers more on manual tasks and musician combines the two in equal proportion. Skills accumulated in a profession are then ‘specific’ because they are only productive in professions which place a similar value on combinations of tasks (Lazear, 2003).

This type of task-specific human capital differs from general skills since it is valued only in professions that need skills analogous to the existing one. It differs from profession- specific skills in that it does not entirely depreciate if the employee l leaves his profession. Match, for example, a carpenter who chooses to convert his profession into a cabinet maker with a carpenter who chooses to become a mechanic. In our approach, the two former can transfer more skills to his new profession than the last one. The partial transferability of skills between professions has significant values for professional flexibility and earnings. It suggests that employees are more expected to move to professions with skills requirements comparable to their existing profession. It also suggests that task-specific human capital, our measure of the mobility of skills through professions, will be an essential basis of employee’s income growth compared to general or more specific labor market skills.

Becker (1993) defines general human capital as acquired general education (such as literacy), which develops skills and knowledge of the employees to perform their job more effectively to all employees. Educational reimbursement is also an example of general training, as the skills acquired can be of use to many different employers (Kaufman and Hotchkiss, 2006). Specific human capital on the other hand is developed through specific training, which comprises of enterprise-specific training programs, which develop skills and knowledge of the employees to perform their job more effectively to a single employer or industry.

It appears that training offered by employers is not characterized by being general or specific but by what is required to stay ahead of competitors,

Numerous economists are suggesting that firms are financing both types of training. Acemoglu and Pischke (1999) argue that general and specific skills are balancing to one another. They specify that organizations indirectly invest in general skills while offering skills that are alleged to be “firm-specific.”

2.7.1. General Human Capital

As the general human capital, we describe a set of skills that facilitate employees to perform generic tasks that are necessary for production in a wide range of industries. Coff (2002) defines human capital as the set of knowledge, skills, and abilities (KSA) in which know-how can be classified as tacit or explicit. Explicit KSA is the general know-how, such as general education, which economies and firms can imitate quickly; consequently, employers are less prone to offer this category of training.
However, even though education is an element of general human capital, some studies have found positive effects on the probability of engaging in entrepreneurial activities (Lucas.1988; Romer.1990). SME's who have educated, skilled and experienced workers are highly efficient (Hewitt &Wield, 1992; Batra & Tan 2003).

Lucas (1988) model is based on human capital accumulation (the growth of human capital determines the growth of the economy). In the model formulated by Lucas, human capital enters into the production function similarly to the way in which technology does in the Solow model, that is, in labor supplementing form. This hypothesis has been much questioned since the Lucas (1988) model is grounded on constant marginal returns to human capital accumulation, it is uncertain that Lucasian growth can last indefinitely. A promising justification may be that persons with higher levels of education more quickly obtain additional knowledge or skills. However, there are other also choices like an increasing quality of human capital over time and increasing transfers of knowledge between different generations within a company (L'Angevin & Laïb 2005). Glick and Feuer (1984) suggest that general training is superior to straight money payment to ensure personnel turnover and that firms should invest in general training to safeguard joint investments in specific training.

The model of Romer (1990) believe that technological growth depends on human capital (Sianesi &Van Reenen.2003). This model consequently sees human capital as a factor of production and, subsequently, values human capital as ‘skills' that are to some extent opponents.

Lucas (1988) did not state through what channels capital accumulation causes endogenous growth. This could well be by easier adaptation of technologies from technological frontier countries meaning that both theories lead to endogenous growth by technological growth. Since equilibrium turnover is lower the higher the level of firm-specific skills, one would expect lower turnover rates in industries where specific investments are very viable. The complementarity result implied a negative correlation between both types of training and equilibrium turnover although low turnover rates per se do not improve a firm's incentives to provide general training as has sometimes been suggested by Blinder and Krueger (1996).

On the other hand, Kinsler and Pavan (2012) analyzed specifically the value of education of an individual by stating that the returns to business and science majors are still economically significant. They come up with the question 'why do individuals pursue less remunerative majors?', and the response is 'Lack of knowledge about the true returns upon obtaining a related job". Individuals may face an unreliable wage since they do not know their skill level precisely. Imminent success in the labor market depends on the skills a worker accumulates and the type of job pursued. If individuals do not know specifically their skills when making their primary choice, then they risk that the human capital that students accumulate will be devalued if they do not get a job related to their field of study.

Barrett and O'Connell (1999) believe that the amount of general training has a highly positive impact on productivity, in contrast with specific company training. The debate continues with (Carnevale., 2010) primarily regarding academic skills and educational attainment, since employers are primarily concerned about occupational competencies and such employability skills like communication, teamwork, allocating resources, problem-solving, reliability and responsibility. A Houston staffing agency lately reported that 60% of job seekers are disqualified for the reason that they possessed weak basic skills or testing positive for drugs (Campoy 2015). Since the benefits of developing general skills go mainly to individuals and cannot be easily captured by firms, government and individual funding of investments in skills seem appropriate. Also, general skills complement specific skills. As a result, increasing general skills raises workers' ability to use their specific skills. Interestingly, transparent skill standards could erode the information advantage for employers (Greeenhalgh, 2002)

On the other hand, wages depend on jobs, which in turn is a measure of the cost of worker displacement. The two base salary growth pattern and the question raised by many economists are (a) how wages increase with experience, and (b) how wages increase with education and training. It is widely accepted, that wage growth mirrors productivity growth. Leuven (2004) argues that all wage growth comes from moving between jobs rather than productivity growth due to human capital investment. Finally, contractual considerations may cause the slope profiles wages up, because delaying bonuses can provide an incentive for workers to exert effort earlier.

On the other hand, Krueger and Rouse (1998) investigated workplace education programs in two American companies in the service and manufacturing sectors separately. The programs comprised learning of generic skills (reading, writing, and mathematics) as well as more work-related skills (such as how to work with a particular technology). The results showed that participating in generic training modules had no substantial impact on employee wage growth. On the other hand, work-related training modules yielded a positive effect.

Barrett and O'Connell (2001), on the other hand, continue their analysis and argument that employees may observe some human resource practices as a "gift." Training is one such practice that employees may view it as a "gift." This practice shall make employees feel like "insiders" into the organization, as a consequence, they are more committed and devoted to the company. Nevertheless, 60-70 % of the training provided by companies categorized as general training (e.g., Barron., 1999; Loewenstein & Spletzer, 1999). The study shows that the generality of training increases with more complex jobs, which states that the training completed in capital-intensive individual companies is useful to other companies.

2.7.2 Specific Human Capital

According to Ahmad (2017), specific human capital is specific individual abilities, specific knowledge, talent, skills and experience of the employees in an organization in order to enhance the organization performance. Specific human capital is measured through the tenure at the transferring firm. It is presumed that at minimum part of the learning on the job cannot be relocated across firms. Learning by doing (on the job training) on the particular job is categorized as the specific human capital. This know-how cannot be imitated or transferred easily (Crook,2011). Since this method of training does not benefit other companies and, consequently, the trainee's market value is not affected. This type of training will not influence the employee's salary to other firms. Consequently, the company shall pay for

specific human capital having in mind that providing the training the firm shall accumulate increased productivity, and at the same time this training is generally not transferable to other companies.

In a study of programming consultants in Sweden, Hansson (2001) found substantial evidence that the employer paid for all training, even though the resultant skills were highly attractive to other firms. This study is unique because it had access to employee measures such as profitability, the amount of training, wages, and the employee's acquired human capital stock (approximated by the individual's competence profile). The outcomes suggest that the employer recuperated the investment in training in the long run, as individual skills (competence) were significantly associated with profitability.

While employees do not habitually use the terms firm-specific and general skills, they unquestionably are aware of the idea that investments organizations make in their skill sets are more or less significant to a specific firm. Bosma (2002) studied the value of human capital for start-up companies in the Netherlands, where they concluded that their findings support the thesis that specific investments are more influential for company success in start-ups than global investment. For example, spending on specific relationships within the company or learning the company's proprietary software is considered firm-specific investments. While those skills could give us the impression that they are applicable only to the specific firm in which they were invested, these investments can also send valuable indications to rival firms that such employees are ready and able to make similar investments elsewhere.

The main conclusions are that investments in industry-specific human capital, such as former experience, and entrepreneurship-specific human capital, such as experience in business ownership, contribute significantly to the performance of small-firm founders. On the other hand, general investments, such as the level of higher education, play a minor role. A methodological problem of the study is that investments are only operationalized by the experience of the founder, without a direct analysis of training expenditure during the firm's life (Tessaring,2004).

2.8. Conclusion

To increase our general understanding of human capital development and resource management practices within SMEs, comprehensive literature review on human capital theory and its impact on firm

performance is conducted. The literature review includes authors such as Theodore, Schulz, Mincer, Friedman, Rosen, Nelson and Phelps. Lucas; Becker, Murphy, and Tamura amongst others.

This study also includes literature on defining SME and its impact on job creation. This is the most widely covered aspect in the number of studies conducted on the importance of human capital, managing human capital, exploring human capital as a real business asset in a changing world.

A comprehensive comparison of the existing evidence on relative contributions job creation is linked to the diversity of data used in various studies. This issue includes literature on core competence, examining human capital consequents, essential factors proposing growth of the enterprise.

We have noticed that SMEs mark vital contributions to job creation and firm growth and overall GDP growth across both developed and developing counties, SMEs are considered as the central pillar of the EU economy, which create more than 85 % of new jobs in the EU. In EU the SME employment followed a moderate growth path. Regarding the static snapshot of where individuals are employed, annual growth in SME employment was seen in retail, following by manufacturing sector. Employment is considered as the main challenge to Western Balkan economies. From 1991 until 2013 the ratio of employment to population decreased from around 45%, where the predominantly problematic situation is seen in Kosovo and Bosna and Hercegovina where unemployment gives small signs of decreasing. Statistics show that service is important for the sector for employment in Kosovo.

Based on the reinterpretation of human capital concept, the concepts of human capital, general human capital and specific human capital, guide future theorizing and empirical research on human capital. Each concept has distinct theoretical suggestions concerning antecedents and effects and can be the foundation for gaining a better understanding of the role of human capital in competitive advantage.

On the empirical side, our approach has some implications that are similar to those of the existing literature. The finding, therefore, indicates that specific and general training is ‘incentive’ from the employer's point of view. Becker (1962) was the leading scholar who showed a significant distinction between "general" human capital (which is valued by all potential employers) and "firm-specific" human capital (which involves skills and knowledge that have productive value in only one particular

company). He highlighted that general human capital refers to skills and knowledge which is transferable across jobs. General training increases the value of the employee, proposing that the employee should pay for this category of training, such as, by accepting wages below employee's productivity.

Most of the economists have acknowledged the fact that education and training play a key role in human capital creation. The arguments presented in the previous section of this and the following chapters suggest that human capital is a leading factor in generating productivity effects. As a conclusion, human capital does contribute to the organizational advantages and profits, and an economical increase in general.

CHAPTER III

DEVELOPMENT OF HUMAN CAPITAL IN TRANSITION ECONOMIES

(WITH PARTICULAR FOCUS TO KOSOVO)

3. Introduction

Through the years, south-eastern Europe (SEE) has undergone a dramatic transformation. Country experiences across the region have been notably diverse over the past twenty years. Therefore this chapter talks about administrative policies, prepared to blend the multiple ethnic identities, which was in time reversed by an assimilative thrust.

This chapter continues its discussion regarding human capital and examines the general crisis of transition economies, with the particular focus on Kosovo's human capital development. It outlines its history, such as the break-up of the former Yugoslav federation, military conflict and discusses the war effect on economic and social shock throughout these years.

Also, it analyses the importance of the present situation and points out how this crisis is particularly severe for SME and Human Capital in general. It analyses the quality of education, gender and income disparities in Kosovo. Through the system of a benchmark, looks at SMEs in the surrounding region, their role in the economy.

The chapter presents evidence on the current state of SME's and Human Capital in Kosovo - their importance in the economy.

3.1 Human Capital in Transition Economies

Numerous features joint to the countries of the region before the transition were based on Marxist-Leninist dogma, on the role accorded to the labor requirements of central planners, and on educational concepts and practices that were said to represent "socialist realization."

Nearly a generation has passed since Central, and Eastern Europe embarked on its historic transition from communism to capitalism and democracy. Nowadays people have diminutive or no information of the old system, nor the significant alteration track that brought countries in the region to where they are today. Almost all transition countries went through recessions with the initial economic dislocation and

trade disruption. The scale of the recession differed between countries, and it was incredibly profound and prolonged in some cases.

Accomplishments in education were one of the successes of communism. According to Berryman (2000), adult literacy was universal since participation and completion rates for children and youths of both genders were high at all levels of education. General admittance to free primary education is a crucial element of the idea of this system. In several countries, broad educational access was built upon rates of enrolment that were already high by the Second World War. Universal access to free primary education was generally attained by the early 1980s, often with large enrolments at other levels of schooling as well. Table 5 shows the overall enrolment of tertiary students and appears to have fallen only in Albania at 4.6% in 1994, whereas the highest increase was seen in Slovenia at 24.7% in 1995.

Table 5: Tertiary enrolments (gross rates, percent of 18-22 age group)

	1989	1990	1991	1992	1993	1994	1995	1996
Slovenia	18.2	19.3	21.8	21.6	22.9	23.4	24.7	—
Croatia	—	—	13.9	14.3	16.0	16.5	16.6	17.2
Macedonia	—	—	14.4	14.4	12.6	11.3	—	—
Bosnia-Herzegovina	—	—	—	—	—	—	—	—
FR Yugoslavia	17.1	16.9	15.8	13.7	14.8	14.5	14.9	16.5
Albania[e]	4.8	5.8	6.0	5.9	5.2	4.6	—	—

Source: UNDP (1996)

However, financing mechanisms did not offer incentives to graduate school to diminish costs; any budget surpluses that arose only reduced the allocation for the subsequent year. Regardless of the volume of comprehensive statistics on inputs, planners required the categories of information required to observe the quality of outcomes. For example, the system of student assessment was very much decentralized, and response to decision-makers was marginal; centralized control over inputs and procedures in the education system was supposed to have anticipated outcomes so that any assessment of students would be redundant (UNICEF, 1998).

On the other hand, during this period, Soviet Union accommodated ethnic groups through the administrative policy of “korenizatsiya” (“indigenization”), which pursued to blend the multiple ethnic

identities. Ethnic-language schools and other organizations received state support. This policy was in time reversed by an assimilative thrust, since some minorities in the former Soviet Union were moved by force for political reasons, rather than migrating out of choice, creating bitter antipathy. Campaigns to assimilate minorities also occurred in other parts of the region, such as in Bulgaria all teaching in Turkish was banned, in Romania, ethnic Hungarian children had access to education in their language from pre-school through university. By 1974, however, university entrance exams were given only in Romanian (UNICEF, 1988).

On the other side, the lack of competition during the years of the centrally planned economy has stopped enterprises from undertaking actions for diminishing costs or increasing productivity. According to Hashi and Krasniqi (2010), during the early period of transition, a large number of new firms entered the market. Although their rate of entry varied widely across countries, they contributed to the progress of the transformation process by meeting the accumulated unsatisfied demand of the population for a variety of goods and services and increasing the competitive pressure on the large firm sector. Limited innovative actions led to the technological slowness of industry in transition countries. Students from some countries that participated in international assessments of mathematics and science performed well, and repetition and dropout were subtle. Given such a legacy, transition economies were inclined to have no problems with the education system. However, ECA countries are moving at different rates from centrally planned economies to market economies. Therefore, to deal with the uncertainties and continuous changes characteristics of market economies, students needed strategic skills, such as how-to-learn skills, problem-solving and evaluated skills (Berryman, 2000). Kolodko (1999) stated that the transition process should be managed at a pace compatible with human capital development as loosed market forces will not be able to form economic structures and processes and raise competitiveness and growth ability.

Among economies, in which the development of human capital can contribute to increasing of economic growth are probably the European countries in transition, since in these countries the downfall of communism enabled migration of human capital and consequently contributed to the introduction of knowledge, but on the other to the outflow of an educated workforce. In communism period living standard of society was low. "Brain drain" or migration of human capital played a role in all transition countries. Emigration from the Balkans was critical in determining labor markets and institutions of SEE

EU region. High emigration rates also caused a high level of remittances inflows, which delivered a steady stream of non-work-related income and undoubtedly consequently considerably relaxed budget constraints and affected labor-leisure decisions of households. Internal migration of better-skilled labor from rural to urban areas likely also fueled structural unemployment in some countries (Ebeke and Everaert. 2014). Poland, similar to other communist countries, was full or even over-full employment economy. Therefore, the transition process led to an abrupt increase in unemployment. Transition to a market-based economy in Poland had thus strengthened the incentives for human capital investment and development (Matras & Bolibok. 2015).

As shown in Table 6, literacy enrolment was quite high throughout the years 1984 – 2005. Highest literacy enrolment from 1984 – 1985 is in Slovenia 99.5%, whereas Slovenia remains on top of the list even for the following years with 99.7 %, followed by Russia with the small difference of 99.4%. The lowest percentage is in Macedonia at 96.1%. The highest percentage of tertiary students enrolled in science, math, and engineering is in Bulgaria with 27%, continues by Macedonia 26%, whereas the lowest percentage is in Albania 12%. The share of tertiary students enrolled is in natural sciences; engineering; mathematics and computer sciences; architecture and town planning; transport and communications; trade, craft and industrial programs; and agriculture, forestry, and fisheries.

Table 6: Literacy enrolment

	Adult literacy rate (% aged 15 and older)		**Youth literacy rate** (% aged 15 and 24)		**Tertiary Students**
	1985 1994	1995 2005	1985 1994	1995 2005	(% of tertiary students)
Slovenia	**99.5**	**99.7**	**99.8**	**99.8**	**21**
Hungary	..	..	..	..	**18**
Poland	..	..	..	..	**20**
Croatia	96.7	98.1	99.6	99.6	**24**
Bulgaria	..	98.2	..	98.2	**27**
B&H	..	96.7	..	99.8	**..**
Russian Federation	98.0	99.4	99.7	99.7	**..**
Albania	..	98.7	..	99.4	**12**
Macedonia	94.1	96.1	98.9	98.7	**26**

Source: The MONEE Project CEE/CIS/Baltics. UNICEF 1998

Table 7 shows that the highest unemployment rate by the year 1996 occurred in Macedonia with 38.8%, continuing with FR Yugoslavia with 25.7%. The unemployment rate that year was only 13.9% in Slovenia and did not change in the following year. Whereas a 13.9% unemployment rate was seen in Albania one year before, more precisely in 1995.

Table 7 Annual registered unemployment rate (percent)

	1989	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	—	0.3	2.6	3.1	3.0	3.3	3.0	3.1	—
Slovakia	—	0.6	6.6	11.4	12.7	14.4	13.8	12.6	—
Poland	—	6.1	11.8	13.6	16.4	16.0	14.9	13.6	—
Hungary	0.4	0.8	8.5	12.3	12.1	10.4	10.4	10.5	10.4
Slovenia	2.9	4.7	8.2	11.5	14.4	14.4	14.1	13.9	13.9
Croatia	8.0	9.3	14.9	15.3	14.8	14.5	14.5	15.9	—
FYR Macedonia	22.6	23.0	24.5	26.0	27.7	30.0	35.6	38.8	—
Bosnia-Herzegovina	—	—	—	—	—	—	—	—	—
FR Yugoslavia	17.9	19.7	21.4	22.8	23.1	23.1	24.6	25.7	—
Albania	—	9.5	8.3	24.4	24.8	16.1	13.9	—	—
Bulgaria	—	—	—	13.2	15.8	14.0	11.4	11.1	12.5
Romania	—	—	3.0	8.2	10.4	10.9	9.5	6.3	—

Source: The MONEE Project CEE/CIS/Baltics. UNICEF 1998

On the other hand, the youth unemployment, in particular, has been a problem in various countries for years. Youth unemployment it is not only a loss to the individuals, but also endures a substantial social cost. Studies indicate that an occurrence of unemployment when young, or transitioning to work throughout a recession, has tremendous an impact on potential lifetime incomes, increases the possibility of being redundant in later years, and places youth at a threat of longstanding social segregation.

A raised concern from different authors is whether early unemployment is mostly a result of a job scarcity or weak labor force attachment.

Clark and Summers (1982), in their classic study of the dynamics of youth unemployment claim that the problem of teenage redundancy arises from a shortage of jobs, by stating that aggregate demand has a strong influence on the job prospects and market experience of teenagers.

There is a secondary but fast-growing literature analyzing the long-term effects of early spells of unemployment. Freemand and Wise (1982) argue that young person's get opportunities in a small number of entry-level jobs which may lead to better jobs. Those who miss good jobs early are enduringly tracked into mediocre or low ladders. Low performers develop over the periods of disatisfation, creating weak labor force attachment and alienation. The result is unemployment followed by deterioration followed by more unemployment.

Moreover, Freemand and Wise (1982) state that the long-term influences of unemployment highlight the involuntary nature of early unemployment. If much of it is "voluntary," it still may be rational to study whether there are long-term consequences. Young persons who are unemployed cannot be strictly voluntary as it is so strongly countercyclical. However, there is a possibility that some percentage of the problem is due to weak attachment. Young people may take jobs only when they are readily available. Early experience may quicken labor force attachment and reinforce desirable work skills. If it is considered socially desirable to hasten the assimilation process, then it would be desirable to make jobs readily available to the young (Freemand & Wise, 1982).

Similar questions were raised by Becker and Hills (1978) and Stevenson (1978), who conclude that early unemployment has substantial long-term effects. The methodology usually involves regressions of wages or weeks worked of persons beyond their teens on duration and spells of teenage unemployment several years earlier. If there is a job shortage companies are going to hire the worker with the highest skills. If early unemployment is in part a reflection of weak attachment, then some persons with unemployment are also low-quality workers. In either case, early unemployment is guaranteed to be highly correlated with aspects of worker quality. The findings of these studies document persistence very convincingly, but serious questions remain about whether early experience has causal effects in later economic behavior.

On the other hand, Freemand and Wise (1982) are not alarmed with early unemployment inducing later unemployment, their theory emphasis on human investment early in the job career to describe the concave pattern of aggregate age-earnings profiles indirectly brings substantial costs on the unsuccessful young person who fails to grab early investment opportunities. Early education has been shown to

increase youth employment opportunities considerably. Countries which actively assesses policy initiatives to support entrepreneurship, provide employment services and quality apprenticeships, and upskilling rural job opportunities have also been shown to raise labor force participation and the probability to offer companies productive and decent employees.

Table 8: Euro Area - Youth Unemployment Rate

	LATEST	REFERENCE	PREVIOUS	RANGE	
YOUTH UNEMPLOYMENT RATE	16.6	18-Jul	16.80	14.80:24.70	Percent
UNEMPLOYMENT RATE	8.20	18-Jul	8.2	7.30:12.10	Percent

The World Bank analysis on Western Balkans Labor Market Trends (2017) reports youth unemployment levels as critically high. The unemployment rate is 57% in Kosovo, even though the correlation between general unemployment and youth unemployment appears to be in line with other countries. Youth Unemployment Rate in Kosovo fell to 54.00 percent from 55.90 percent, and Unemployment Rate went down to 26.50 percent from 30.60 percent in Q4 2017.

Unemployed Persons in Kosovo grew to 96709.00 from 95313.00. Unemployed Persons all-time average stands at 261849.03, and its projection for Jul 2018 is 96668.9. Unemployment Rate averaged 36.90 percent and is projected to be 23.8 in Q2 2018.

Table 9: Kosovo youth unemployment rate

	LAST	PREVIOUS	HIGHEST	LOWEST	UNIT
UNEMPLOYMENT RATE	26.50	30.60	57.00	26.20	percent
UNEMPLOYMENT PERSONS	96709.0	95313.0	339591.0	822205.0	
WAGES	526.0	476.0	536.00	168.0	Euro/Month
POPULATION	1.78	1.77	2.21	0.93	percent
LABOUR FORCE PARTICIPATION RATE	39.20	42.90	43.50	35.20	percent
YOUTH UNEMPLOYMENT RATE	54.00	55.90	61.00	50.50	percent
EMPLYOMENT RATE	28.80	29.80	30.40	25.20	percent

Source: Tradingeconomics.com, Kosovo Agency of Statistics

World Bank report on Western Balkans Labor Market Trends (2017) Albanian workforce is young. The median age of the population for 2016 is 37.02 years old ranking as one of youngest population in comparison with EU-28 and other European countries. With society aged 15-24, counting for more than 17.47%, Albania has youth that shapes its future which is seen as an advantage over some other countries. Possesses aspirational and ambition of young people who influence the country's societal and developmental trends. Benchmarked to their peers in other Central European countries, Serbian youth does not have significant work experience, except volunteering. Jobs and internships are very rare; therefore, this is seen and challenging situation for Serbian millennials.

3.2. Kosovo – a special case among transition economies

Yugoslavia between 1960 and 1980 it had one of the most dynamic growth rates. It had the free education and medical care and, a guaranteed right to a job, literacy rate of over 90 percent. The 1974 modification to the federal constitution of Yugoslavia institutionalized the autonomy of the six Yugoslav republics, through this indirectly allowing the acceleration of national – economic and ethnocentrism (Liotta, 2001). So-called 'self-management' structure is observed as a historical experiment, in which workers from the lower levels controlled and directed the decisions made by higher management.

By the end of the 1980s, disparities in socialist economies had reached severe levels. Falling world oil prices weakened the Soviet Union's export revenues and reduced its capability to support other socialist-bloc countries.

During this time, Yugoslavia introduced a planned transformation to a market economy over the medium term, by abandoning socially- owned, worker-managed companies and liberalizing import regimes. The aim was to correct economic, structural and institutional weaknesses of the economy in the context of a fixed exchange rate. The significant decline in inflation was achieved at a relatively low cost regarding output loss. However, the self-management was a façade, since it lies in the inherent inconsistency between the democratic system and the regulator of a one-party state. It was destined to be unsuccessful for the reason that workers and businesses itself had no actual influence.

The self- management's system could not be sustained. Before the collapse of and the breakdown of former Yugoslavia, Kosovo was the least developed entity, with a per capita output of 28% of the average production in Slovenia, Croatia, and Vojvodina. (Mrak, 2004).

As a result, the disparities have seriously challenged the sustainability and cohesion of the Yugoslav Federation. Similar to the policy of 'indigenization,' the population in the Kosovo region in former Yugoslavia is overwhelming of Albanian ethnic origin. Kosovo got constitutional recognition in 1974 as a semi-autonomous province of Serbia. Albanian-language schools, media, and other institutions thrived. The first organized student protests in the early 1980s were violently suppressed, and Kosovo's autonomy was revoked in 1989. In 1981, more than 260 Albanian-KosovaKosovor students and more than 210 teachers/professors were expelled from their work. After 1990, Serbian was the only language of instruction at University of Prishtina.

For this reason, Kosovar Albanians established a parallel education system as a temporary solution to the situations created during that period. For more than nine years, students were unable to attend University as they were neither allowed to enter nor attend the schools or University or Pristina. The whole system of education was organized in private houses.

According to Hoti (2010) in the early 1990s, 60 % of employment were dismissed from their jobs, which had implications for their labor-market status during the post-war period by which time their skills were likely to have deteriorated, Therefore, labor market developments in Kosovo since the end of the socialist system is are different in many respects from those found in other transition economies.

The break-up of the former Yugoslav federation led to military conflict. War affected Kosovo with significant economic and social shock throughout these years. After the war, many of Kosovar's lived in tents and close to 30% of the housing stock was severely damaged. Severe economic conditions, damaged infrastructure, and housing have caused massive migration to cities in search of shelter and jobs. A significant number of Kosovar's living in rural areas have either migrated abroad or moved to the capital city, Prishtina.

There are no official data on the emigration of high-skilled workers from Kosovo. It is evident that the country started to lose its most educated and talented workers because of migration. Highly skilled and

competent individuals, academic and technological labor force left Kosovo. Brain drain, meaning the migration of doctors, teachers, engineers, scientists, and other highly skilled workers became a severe problem.

Kosovo's second post-conflict decade is today well underway. As attention continues to focus on the many unresolved political issues, for Kosovo's inhabitants, increasingly it is the economic and social challenges in their everyday lives that dominate their concerns (UNDP, 2012).

3.3 A snapshot of economies of South East Europe

Through the years, south-eastern Europe (SEE) has undergone a dramatic transformation. Country experiences across the region have been notably diverse over the past 20 years.

All countries in the Western Balkans region have experienced growth in the Human Development Index (HDI). The Human Development Index was created in order to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country and not economic growth exclusively. The HDI composite index is a summary measure of average achievement in three key dimensions of human development: (1) a long and healthy life, (2) attainment in education and (3) a decent standard of living.

According to the Table 10 the highest literacy rate between the years 1995-2005 is in Slovenia with 99.7%, continues by Bulgaria with 98.2 and small difference of Croatia 98.1%. Consequently, the HDI value is highest in Slovenia with 0.917 and lowest in Albania and Macedonia with 0.801.

Table 10: Human development index, 1995-2005

	Human development index (HDI) value	Life expectancy at birth	Adult literacy rate	Combined gross enrolment ratio for primary secondary and tertiary education	GDP per capita	Life			Capita (PPP
		(years)	(% aged <14))	%	(PPP US$)	expectancy	Education	GDP	rank
	minus 2005 rank	2005	(1995-2005)	2005	2005	index	index	index	HDI
HIGH HUMAN DEVELOPMENT									
1 Slovenia	0.917	77.4	99.7	94.3	22,273	0.874	0.974	0.902	4
2 Hungary	0.874	72.9		89.3	17,887	0.799	0.958	0.866	2
3 Poland	0.870	75.2		87.2	13,847	0.836	0.951	0.823	11
4 Croatia	0.850	75.3	98.1	73.5	13,042	0.839	0.899	0.813	4
5 Bosnia and Herzegovina	0.803	74.5	96.7	69.0	7,032	0.825	0.874	0.710	17
6 Russian Federation	0.802	65.0	99.4	88.9	10,845	0.667	0.956	0.782	-9
7 Albania	0.801	76.2	98.7	68.6	5,316	0.853	0.887	0.663	30
8 Macedonia (TFYR)	0.801	73.8	96.1	70.1	7,200	0.814	0.875	0.714	11
9 Bulgaria	0.824	72.7	98.2	81.5	9,032	0.795	0.926	0.752	11

Source: UNDP 2007. Human development report 2007/08

The human development index (HDI) is an index that measures the average achievements in a country in three basic aspects of human development: access to knowledge; a long and healthy life; and a decent standard of living. The index is constructed from indicators that are available globally using a methodology that is simple and transparent.

HDI growth in the Western Balkans countries was driven mostly by pure economic growth, measured in GDP rather than according to the social component of the Human Development Index. While the concept of human development is much broader than any single composite index can measure, the Human Development Index offers a compelling alternative to GDP per capita as a summary measure of human well-being. It provides a useful entry point into the rich information contained in the following indicator tables on different aspects of human development.

Not surprisingly there is no continuous data series available for economic output in Bosnia-Herzegovina. Taking the Federation and Republika Srpska together, EBRD estimates indicate an 8 percent increase in GDP in 1995, 50 % in 1996 and 35 & in 1997 – reflecting the start of what will be a very long recovery from the war's destruction of the economy. Bulgaria is a compelling case where economic recovery set in but then faltered badly.

GDP fell by over 10 percent in 1996, losing out the moderate gains of the previous two years, and is estimated to have fallen again by 7 percent in 1997. Romania has gone through the same pattern, which seems to be common in Bulgaria, Romania, and Albania. Albania had oscillations throughout the years, where it started with 11.7% in 1989 and ended up with -15.0% in 1997. Slovenia stands behind only Poland in the rankings of GDP change since 1989. Slovenia has the small decrease of GDP in 1997 with 4% compared to 1994. However, it is in a good situation if it is compared to 1989 at -0.5%. Slovenia in 1997 is 1 percent beneath that in 1989, but in only two other countries, the Czech Republic and Slovakia is output within 10 percent of the 1989 level. Macedonia and FY Yugoslavia show minors increases of GDP, with 5% in FR Yugoslavia and 2% in Macedonia in 1997.

Table 11: Annual registered unemployment rate (percent)

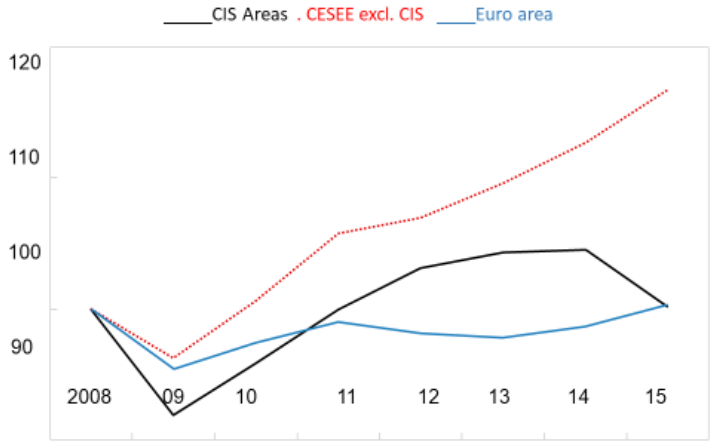
	1989	1990	1991	1992	1993	1994	1995	1996	1997
CZECH REPUBLIC	—	0.3	2.6	3.1	3.0	3.3	3.0	3.1	—
SLOVAKIA	—	0.6	6.6	11.4	12.7	14.4	13.8	12.6	—
POLAND	—	6.1	11.8	13.6	16.4	16.0	14.9	13.6	—
HUNGARY	0.4	0.8	8.5	12.3	12.1	10.4	10.4	10.5	10.4
SLOVENIA	2.9	4.7	8.2	11.5	14.4	14.4	14.1	13.9	13.9
CROATIA	8.0	9.3	14.9	15.3	14.8	14.5	14.5	15.9	—
MACEDONIA	22.6	23.0	24.5	26.0	27.7	30.0	35.6	38.8	—
BOSNIA-HERZEGOVINA	—	—	—	—	—	—	—	—	—
FR YUGOSLAVIA	17.9	19.7	21.4	22.8	23.1	23.1	24.6	25.7	—
ALBANIA	—	9.5	8.3	24.4	24.8	16.1	13.9	—	—
BULGARIA	—	—	—	13.2	15.8	14.0	11.4	11.1	12.5

Sources: UNICEF 1998. The MONEE Project CEE/CIS/Baltics

According to Anastasakis (2001), by mid-2008 it was clear that the turbulence to the global financial system was of a type and degree that had not been seen since the Great Depression of the 1930s. At this period, however, the economies of SEE continued to flourish. Many people there appeared to be idyllically unaware of, or at least unaffected by, what was happening in the global economy. Banks kept on penetrating aggressively for market share, both on the side of liability and asset. Foreign direct investment transferred into the region, and economic growth continued unabated. During the first eight months of 2008 SEE was trying to escape the worst of the contagion from the crisis.

According to IMF report (2016), the CESEE region has adjusted relatively fast in consequence of the global financial crisis, with growth in many economies running about 3 percent for some time. Businesses and governments were still optimistic, after several years of steady growth combined with macroeconomic stability. On the other hand, as shown in Figure 5 most CESEE economies experienced a deep recession after a credit boom ended abruptly with the onset of the crisis. Following a sizable adjustment, however, the region reached pre-crisis GDP levels within two years, much faster than the euro area.

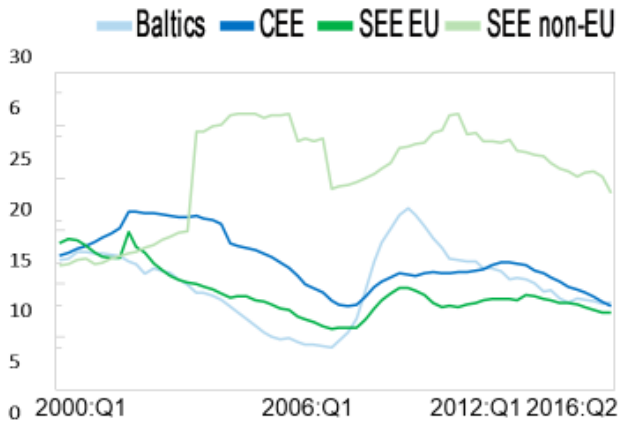
Figure 5: CESEE: Real GDP Growth Relative to the Euro Area
(Index, 2008 = 100)



Source: IMF World Economic Outlook database.
Note: CESEE = Central, Eastern, and Southeastern Europe; CIS = Commonwealth of Independent States.

Unemployment is reaching pre-crisis lows, wages have been growing at a steady pace for some time, and the current account balances have begun to deteriorate again. Figure 6 shows that labor markets have strengthened further in the CESEE countries outside of the CIS. With unemployment close to historical lows (IMF, 2016).

Figure 6: CESEE: Unemployment Rate



Sources: Haver Analytics; and IMF.

Note: CEE = Central and Eastern Europe; CESEE = Central, Eastern, and Southeastern Europe; CIS = Commonwealth of Independent States; SEE = Southeastern Europe

According to the Western Balkans Labor Market Trends prepared by World Bank (2017), specifically in the SEE countries, a threshold GDP growth rate of nearly 4% might be needed to keep the employment level firm. This threshold growth rate is lower in the EU-CEE countries, where a GDP growth of 2.2 percent has been satisfactory to maintain employment at a constant level. This shows that the SEE countries have needed much higher GDP growth rates to realize positive employment growth (WorldBank,2017).

Table 12: Employment elasticity of growth regressions

	WB 2001-2010	**WB 2001-2005**	**WB 2006-2010**	**WB 2011-2015**	**EU-CEE 2001-2010**	**EU-CEE 2001-2005**	**EU-CEE 2006-2010**	**EU-CEE 2011-2015**
	EMP_growth	EMP_growth	EMP_growth	EMP_growth	EMP_growth	EMP_growth	EMP_growth	EMP_growth
GDP growth	0.256	-0.919	0.414*	0.311	0.335***	0.610*	0.345***	0.390**
	(0.215)	(0.710)	(0.184)	(0.437)	(0.0585)	(0.262)	(0.0656)	(0.126)
Constant	-1.659	1.253	-1.651*	0.376	-0.724*	-2.325*	-0.393	-0.256
	(0.996)	(2.737)	(0.899)	(1.007)	(0.295)	(1.206)	(0.345)	(0.306)
N	33	12	21	28	78	38	40	48
R^2	0.050	0.173	0.253	0.023	0.322	0.157	0.472	0.197
Average GDP growth threshold*			3.98%		2.15%	3.8%		

Source. World Bank 2017. Western Balkans Labor Market Trends 2017

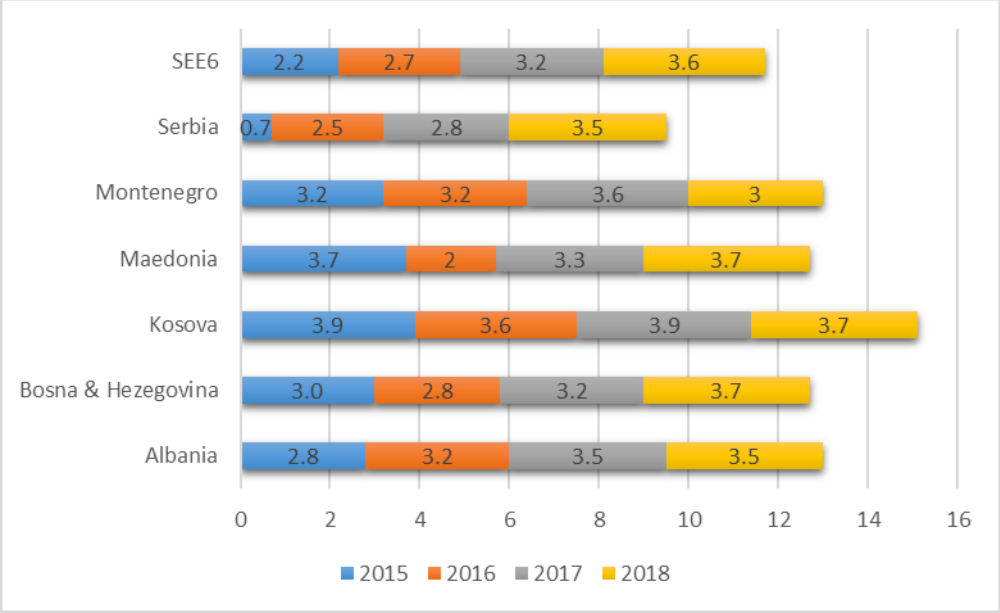
This indicates that the Western Balkan countries have needed much higher GDP growth rates to achieve positive employment growth. The employment-GDP growth relationship is analyzed over the periods 2000-2010 and 2011-2015 (Table 12) separately for the Western Balkan countries (Kosovo is not included in this report) and eight EU-CEE countries.

According to the regular economic report of the World Bank for SEE6-autumn 2015, in 2015 the growth rate in the region was expected to be 2.2 %. Developments varied across countries. Albania and Kosovo reported GDP growth over the entire 2010-2015 period, whereas Croatia faced six years of recession and only returned to growth in 2015.

Regarding employment, Macedonia and Montenegro experienced employment growth over the entire 2010-2015 period, whereas job creation in the other countries varied throughout different periods, for example, in Serbia in 2013 or Albania in 2014. Kosovo experienced a significant decrease in employment in 2014 and 2015.

The six countries of South East Europe, Albania, Bosnia and Herzegovina (BiH), Kosovo, Macedonia, Montenegro, and Serbia are operating within a challenging global environment. Lower euro area and U.S. growth, tighter global financial conditions, and continued weakness in many emerging economies are creating headwinds. However, despite the external situation, growth in South East Europe is firming up. Growth is predicted to endure at a good pace, driven by private consumption as wage growth is strengthening. Investment is left behind but should ultimately pick up the pace. Low commodity prices and other shocks endure to reverberate, but the worst is coming to an end seems to be over, and growth is beginning progress (IMF, 2016). According to World Bank Report (2016), the growth is projected to strengthen from 2.2 percent in 2015 to 2.7 percent in 2016, driven by robust investment and recovering household consumption. Figure 7 shows the regional development which reveals the recovery of growth mainly in Serbia, and also in Albania, whereas Kosovo is experiencing a small decrease.

Figure 7: Recovery consolidates through 2018



Source: World Bank, 2018

3.4 Kosovo's present situation and its neighboring countries

Kosovo is a relatively small country located in the South-East Europe, with the total land area of 10,887 km^2

Table 13: Country Context

KOSOVO	2016
POPULATION, MILLION	1.8 (rounded *)
GDP, CURRENT US$ BILLION	6.6
GDP PER CAPITA, CURRENT US$	3,641

Source: World Bank

Even though Kosovo's economic growth has outperformed its neighbors, Kosovo did not reduce the high rates of unemployment significantly or offer formal jobs, especially for women and youth.

After the war, during the initial stage of reconstruction, GDP has grown by 1.7 percent per annum since 2003 (IMF 2006). GDP growth has been profoundly influenced by the assistance of donors and private transfers from the Kosovo diaspora. Post-war growth was present mainly in the retail sector, construction, the public administration, and there has been no substantial progress in the productivity of KosovaKosovon business (ESPIG, 2004). According to the ATK register, there were approximately 46,000 enterprises in the private sector in 2013 (KOSME, 2014).

The EBRD 2016 report (2016), regarding the latest Kosovo's strategy, stated that Kosovo's economy had been managed well as it was more resistant than its neighbors in the Western Balkans during Eurozone crises. Over the period 2009-2013 Kosovo grow by 3.5 percent annually on average and is one of only four countries in Europe having documented positive growth rates in every year of the post-crisis period. An explosion in the country's largest (thermal) power producer in mid-year of 2014 temporarily stopped electricity output as well as the output of the sector's leading supplier, the mining industry, which affected the economy by slowing the growth down to 1.2 percent in 2014. The economy bounced back in 2015 with the growth of 3 percent. Growth was increased by robust domestic demand, with investment contributing the most. A strong FDI supported private investment, where at ca. 5 percent of

GDP, it was the highest level in the last four years. Increasing remittances and stronger bank credit-fueled private consumption

EBRD (2017), has stated that the economy in Kosovo has continued to perform well in 2017. In 2017 the economy grew by 4.2 percent year-on-year, mainly driven by rising investment but with positive contributions also from private consummation and net exports.

European Commission (2016) stated that Kosovo is at an early stage in developing a functioning market economy. Some development was noticed, predominantly on supporting businesses which are oriented in export, access to finance and improving contract enforcement. The persistent trade deficit has an impact on weak production base and poor global competitiveness. By relying on remittances and informal economy employment incentives decreased, resulting in low labor force participation, and high unemployment rates, especially among young and unskilled workers.

Kosovo is the most daunting economic challenge, however, with its unemployment rate of around 30 %, the highest in the SEE region. The country's Gross National Income (GNI) per capita is estimated at $3,520, ranked 93rd worldwide and behind Macedonia, Albania, Serbia and Bosnia and Herzegovina (USAID, 2014). The economy has maintained a growth rate of 3-5% for about a decade up to 2011.

However, the pace of growth is not enough to have essential effects on poverty and unemployment. Kosovo is the weakest economy in the region and struggles with high levels of poverty, massive unemployment, and over-dependence on imports combined with a minuscule export sector, and energy shortages. In short, the income gap between Kosovo and other countries in Southeast Europe is likely to remain for some time despite higher growth.

Currently, the average number of employees for businesses in Kosovo is 6.8. It was a substantial increase from 2009 when the average was 5.8. The capital city has a disproportionately higher average, by having bigger businesses located there. The increase in the employee's average number does not mean that the unemployment decreased. It only means that the companies increased their staff. Though this provides no information about the companies that did not manage to stay in business (Riinvest, 2014).

Labour market statistics of 2015 show that Kosovo remains in the worst labor market situation in comparison to the SEE countries. The labor force participation rate is 37.6%, compared that in Western Balkan countries ranging between 44.1% and 64.9%. According to Eurostat (2015) in 2015, the EU-28's employment rate was 70.1%. The EU-28 employment rate for men (75.9 %) was some 11.6 percentage points higher than the equivalent rate for women (64.3%). Kosovo was the only expansion country to register an employment rate for men that was below 50 %.

As shown in Table 13, these differences are partly due to Kosovo having a young population, and many of these young people are still in education (and therefore classified as inactive). In Kosovo, only 25.2% of the working-age population is employed compared to 52.9% in Albania (KAS, 2016).

Table 14: Regional Labor Force Participation – Employment and Unemployment Rate

	Labor Force Participation		Employment to Population ratio		Unemployment Rate	
COUNTRY	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Kosovo	41.6	37.6	26.9	25.2	35.3	32.9
Albania	61.5	64.2	50.5	52.9	17.9	17.5
Macedonia	n.a	64.9	n.a	47.8	n.a	26.3
Serbia	51.6	51.6	42.0	42.5	17.0	17.7
Montenegro	61.6	62.6	50.4	51.4	18.2	17.8
B & H	43.7	44.1	31.7	31.9	27.5	27.7

Source: Source: Eurostat Statistics. Indicators for Serbia refer to the population aged 15 and over.

Table 14 shows the highest rate of unemployment in 2015 in the SEE enlargement countries was recorded in Kosovo, where just under one-third (32.9 %) of the labor force were without work in 2015. Nearly 60% of the youth population in Kosovo is unemployed. The lowest rate of unemployment was found among people aged 55-64 years old (12.6%). Regarding the distribution of the unemployed, the majority are aged between 15 and 34 years old, accounting for 62% of the unemployed (KAS, 2016). The LFS survey state that in Kosovo there were 176,743 people aged 15-64 years' old who were

unemployed, out of which 123,052 were men and 53,691 were women. The unemployment rate was 35.3%, higher for women than for men, with rates of 41.6% and 33.1% (LFS.2015). High unemployment rates were also seen in Bosnia and Herzegovina (27.9 %) & Macedonia (26.%)

Table 15: Unemployment rates (persons aged 15–74), 2005–2015 (% of labor force)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EU-28	8.90	8.20	7.10	7.00	8.90	9.50	10.40	10.40	10.80	10.20	9.40
Montenegro	30.30	29.60	19.30	16.80	19.10	19.70	19.70	19.70	19.50	18.00	17.50
Macedonia	37.30	36.10	34.90	33.80	32.20	32.00	31.00	31.00	29.00	28.00	26.10
Albania	14.10	13.80	13.50	13.00	13.80	14.00	13.40	13.40	15.90	17.50	17.10
Serbia	20.80	20.90	18.10	16.10	16.10	19.20	23.90	23.90	22.10	19.20	17.60
B & H	43.90	31.20	29.10	24.10	24.10	27.30	28.20	28.20	27.60	27.60	27.90
Kosovo	41.40	44.90	43.60	45.40	45.40		30.90	30.90	30.00	35.30	32.90

Source: Eurostat Statistics

According to LFS (2015), the unemployment rate was the highest for people who have no education (64.6% of this group are unemployed) and lowest for people who had completed tertiary education (18.9%). With an estimated unemployment rate of above 30 % in 2013 and according to the World Bank 2015 report, the employment rate of only 28.4 %, Kosovo has one of the weakest employment records in Europe.

According to Eurostat report (2015), one of the primary goals of the Europe 2020 strategy is to increase the EU-28 employment rate within years from 20 to 64 by 2020. The EU-28 employment rate for men which is 75.9 %, was around 11.6 percentage points higher than the equivalent rate for women which is 64.3 %.

World Bank (2017) in its report claims that in 2016 an estimated 5.8 million people were employed in the SEE countries, which increased by about 5 %. As shown in Table 15, employment rose in the entire region with two exceptions: Albania and Bosnia and Herzegovina. In absolute numbers, employment grew mostly in Serbia and Macedonia. Employment fell in Croatia due to the long-lasting recession.

Table *16: Employment growth between 2010 and 2016, in %*

	Gender			Age			Education		
	Total	Male	Female	15-24	25-54	55-64	Low	Medium	High
Albania	-2.4	-4.9	0.9	-36.4	-9.5	67.1	-12.9	0.2	34.0
Bosnia and Herzegovina	-5.0	-3.4	-7.6	-13.2	-10.1	32.4	-23.2	-2.8	10.1
Kosovo	-1.5	-4.2	6.4	-16.9	-2.4	20.6	-12.8	-5.0	20.2
Montenegro	6.2	1.6	12.2	24.6	0.7	24.0	4.9	-7.0	45.1
Macedonia	12.5	11.4	14.3	-14.1	10.6	39.8	-9.6	11.6	40.4
Serbia	11.2	9.7	13.3	5.0	11.8	10.9	-11.7	11.9	34.8
Croatia	-5.9	-7.6	-3.9	-3.4	-6.5	1.4	-42.4	-5.1	19.7

Source: SEE Jobs Gateway Database, Eurostat.

Note: Data for 2016 refer to the average of the first two quarters. Data for Kosovo refer to 2012 and 2015 respectively.

The increased significance of human capital is apparent on both the demand and the supply side of the labor market. Nevertheless, an adequate supply of and demand for highly skilled labor is in itself not sufficient to guarantee economic growth; for each firm, the supply of and demand for labor and human capital must be complemented. Companies in the knowledge-based economy are challenged to meet their demand for highly trained employees in labor markets characterized by a shortage of qualified labor (Audretsch & Thurik, 2000, 2001). According to Eurostat strategy (2016), improving the parallel development between labor supply and demand by adjusting educational and training approach to produce the skills required in the labor market is the primary concern of the Europe 2020 strategies and top initiative. These comprise labor market observatories bringing together labor market actors and education and training providers, amongst others.

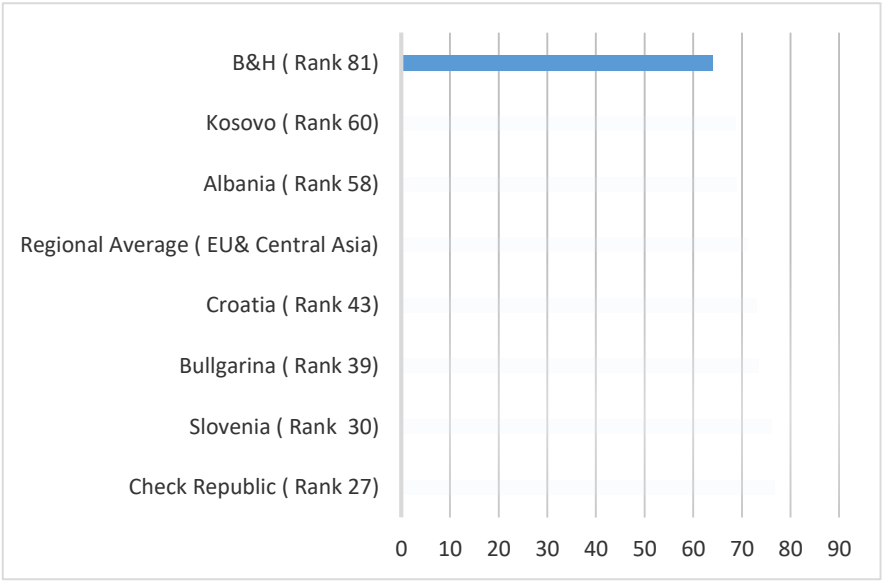
3.5 SME sector in Kosovo and its business environment

Small and medium-sized enterprises (SMEs) form the central part of Kosovo's private sector economy and account for approx. 80% of employment in the market economy. On the other hand, according to the OECD report (2016) on Kosovo: Small Business Act country profile Kosovo has made significant progress since the 2012 assessment, in particular in improving its institutional environment for SME development through launching its new Private Sector Development Strategy 2013-2017. The strategy (OSCD.2016) defines Kosovo strategic improvements and concerns as follows: (1) improved the business environment – by simplifying company registration procedures and by introducing one-stop

shops across Kosovo; (2) improved access to finance – by strengthening legal and regulatory framework improved implementation of the entrepreneurship and skills agenda – by involving higher education; (3) should improve by adopting its innovation strategy and help SMEs make better use of technology, research, and innovation; (4) the government should improve e-services and raise awareness of them among the business community; (5) the market for non-banking finance should improve by being deepened and broadened; (6) export finance tools should improve by being more developed to help export-oriented SMEs expand into foreign markets; (7) mechanisms should improve to stabilize lifelong learning partnerships among public, private and civil society should be put in place.

According to Figure 8, the World Bank's Doing Business Report (2016), despite some latest developments, Kosovo is stagnant by being rated 60th out of 189 countries, worse than all other countries in the region, except Albania (58th). Bosna and Herzegovina are ranked on top, rated 81st and Check Republic are rated lowest (27). The unfavorable business climate has been an obstacle for current Kosovo businesses (54 percent of them went through sale decreases), whereas at the same period has sent contrary indications to potential foreign investors, consequently decreasing the inflow of Direct Foreign Investments (FDI) (Riinvest, 2013).

Figure 8: Economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the ten topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies on regulatory practice, showing the absolute distance to the best performance in each Doing Business indicator. An economy's distance to frontier score is indicated on a scale from zero to 1 hundred, where the worst performance is 0 and 100 the frontier. For the economies for which the data cover two cities, scores are a population-weighted average for the two cities. Source: Doing Business database

3.6 Kosovo and Human Capital Development

According to Table 17, Kosovo's percentage of population growth, annually, did not change throughout the years. The GDP per capita, on the other hand, has experienced a gradual increase, with an average of 4.8. Percentage of Private Consummation Growth, yearly, has encountered an enormous increase in 2011 with -5.7 %, however, through the years the percentage has increased from 11.8 % in 2007 into 1.7% in 2017.

Table 17: Kosovo Selected Indicators (2007-2017)

SELECTED INDICATORS*	Avg. '00-15	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
POPULATION, EMPLOYMENT AND POVERTY												
Population, total (millions)	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Population Growth (annual %)	0.2	0.8	0.8	0.8	0.8	0.8	0.8	1.0	-0.1	-1.1	0.8	0.8
Unemployment Rate2	..	..	..	..	..	..	..	..	..	..	..	..
International poverty rate ($1.9 in 2011 PPP)²	0.5	..	..	..	..	..	..	..	0.7	0.4	0.4	0.2
OTHER												
GDP (current LCU, millions)	3998.1	3460.8	3882.9	4069.5	4402.0	4814.6	5058.8	5326.7	5533.8	5806.9	5984.8	6393.4
GDP (current US$, millions)	4992.4	4736.9	5687.6	5653.7	5830.4	6692.5	6499.9	7072.5	7341.9	6748.2	6622.8	7103.8
GDP per capita LCU (real)	2124.0	2143.8	2222.1	2283.4	2340.1	2305.7	2435.0	2492.7	2526.3	2658.9	2727.7	2817.0
GDP growth (annual %)	4.8	7.3	4.5	3.6	3.3	-0.7	6.5	3.4	1.2	4.1	3.4	4.1
GDP per capita growth (annual %, real)	3.8	6.4	3.7	2.8	2.5	-1.5	5.6	2.4	1.3	5.2	2.6	3.3
Private Consumption growth (annual %)	6.3	11.8	3.9	2.3	3.5	-5.8	7.1	2.6	7.0	4.3	4.8	1.7
Gross Investment (% of nominal GDP)	22.9	22.0	27.1	28.4	29.5	30.8	26.2	24.7	23.2	24.9	25.0	25.5

Sources: MFMOD Database, World Bank WDI and GEM databases, IMF.

The KHDR (2012), notes that poverty caused from lack of access to income through employment is said to be a pivotal obstacle to human development. Together with young age, gender, unemployment is claimed to carry severe risks to human development even for the future generations. According to the UNDP report Human Development Index (HDI), Kosovo ranks 87th in the world behind all the rest of European countries. Kosovo's has a very low HDI, high poverty rate, the poor performance of the private sector in job creation and the robust association between unemployment and socio-economic segregation (KHDR, 2016),

The human development index has three components: health, education and living standards and are calculated based on a methodology built upon the four primary indicators in life expectancy at birth, mean years of schooling, expected years of education and GNI per capita. Table 18 ranks Kosovo's

Human Development Index in the lowest place in the region with 0.714, as well as the life expectancy of 71.1. As shown in Table 17 Croatia takes the lead of Human Development Index with 0.818, 77.2 in life expectancy and GNI per capita is 19.409. Albania and Bosna and Herzegovina are in the same level of HDI with 0.733. However, they have a small difference in GNI per capita between 9.953 and 0.683. Human Development Index increased marginally from 0.678 in 2007 to 0.700 in 2010, 0.713 in 2012, and 0.739 on 2016.

Table 18: Human Development Indicator for Countries in the Western Balkans, including Kosovo (year 2014)

		Human Development	Life expectancy at birth	Expected years of schooling	Mean years of schooling	Gross national income (GNI) per capita	GNI per capita rank minus HDI rank
	Country	Value	(years)	(years)	(years)	(2011 PPP $)	
			2014	2014	2014	2014	2014
1	Croatia	0.818	77.3	14.8	11.0	19,409	11
2	Montenegro	0.802	76.2	15.2	11.2	14,558	27
3	Serbia	0.771	74.9	14.4	10.5	12,190	20
4	MK	0.747	75.4	13.4	9.3	11,780	9
5	Albania	0.733	77.8	11.8	9.3	9,943	14
6	BiH	0.733	76.5	13.6	8.3	9,638	19
7	Kosovo	0.714	71.1	10.7	14.2	9.446	9

Source: UNDP Human Development Report 2015, Life expectancy at birth (years) (WB, WDI, 2014), GNI per capita (IMF, 2014), Mean years of schooling (years) (Remittance survey, 2013), Expected years of schooling (years), (Remittance survey, 2013), IMF,2013

The UNDP (2016), the report has selected Economic development and education were chosen as the top two priorities for Kosovo economic development. However, the results of the most recent UNDP Kosovo Mosaic Survey (2015), which interviews more than 6,700 whereby 44% of Kosovons cited unemployment as the primary problem facing Kosovo. This situation is followed by the lack of economic growth (19%) and poverty/low standards of living which was selected by 9.5% of those interviewed (UNDP, 2016).

Education is seen as the primary factor to strengthen Kosovo's labor force to enhance individual skills and knowledge that would encourage the further human capital development.

According to the Labor Force Survey performed by KAS (2017) report the higher the education is, the higher will be the possibility for employment (57. 3%). The level of education received appears to be strongly related to both labor force and employment outcomes. The adult illiteracy rate stood at 2.9%. Economically inactive individuals mostly did not complete upper-secondary education (Table 19).

Also, most of the employees are working in positions of service and sales, in elementary occupations, as professionals and craft workers.

Almost half of the employed females were professional, technical and related occupations with 40. 0%, more precisely 16. 5% were in services and sales and 15.0% in elementary occupations. Males were distributed across sectors but mostly were employed in elementary occupations with 25. 4%, with 5% employees in service and sales, 17.8% as craft workers and work related, while 9. 5% were professionals.

Table 19 Employment rate by level of education in Kosovo, occupation and gender

Kosovo	Male	Female	Total
EMPLOYMENT (IN THOUSANDS)			
No official education	0,4	0,5	0,9
Primary	49,8	12,6	62,4
Secondary vocational education	106,4	18,6	125,0
Secondary education, gymnasium	65,6	11,3	77,0
Tertiary	60,1	32,3	92,3
Total	**282,3**	**75,3**	**357,6**
EMPLOYMENT RATE (%)			
No official education	4,6	2,2	2,9
Primary	30,7	4,4	13,9
Secondary vocational education	51,0	15,2	37,7
Secondary education, gymnasium	49,5	12,5	34,5
Tertiary	66,1	45,9	57,3
Total	**46,8**	**12,7**	**29,9**

Kosovo (age > 15)	Male	Female	Total
EMPLOYMENT ACCORDING TO OCCUPATION (IN THOUSAND)			
Legislators, senior officials and managers	20,7	3,9	24,6
Professionals	27,1	21,6	48,7
Technicians and related occupations with them	16,3	8,8	25,0
Clerks	12,4	7,9	20,3
Service and sales workers in shops and markets	52,9	12,5	65,4
Skilled agricultural, forestry and fishery workers	11,4	0,5	11,9
Craft and related trades workers	50,9	8,6	59,5
Plant and machine operators, and assemblers	21,0	0,7	21,6
Elementary occupations	72,5	11,4	83,9
Total	**285,1**	**75,9**	**361,0**
EMPLOYMENT ACCORDING TO OCCUPATION (IN %)			
Legislators, senior officials and managers	7,3	5,2	6,8
Professionals	9,5	28,4	13,5
Technicians and related occupations with them	5,7	11,6	6,9
Clerks	4,3	10,5	5,6
Service and sales workers in shops and markets	18,5	16,5	18,1
Skilled agricultural, forestry and fishery workers	4,0	0,7	3,3
Craft and related trades workers	17,8	11,4	16,5
Plant and machine operators, and assemblers	7,4	0,9	6,0
Elementary occupations	25,4	15,0	23,2
Total	**100,0**	**100,0**	**100,0**

Source KAS.Labor Force Survey, Q2 2017

Also, an examination of the highest educational level attained by the employed shows that 40% of them have completed secondary vocational education, whereas more than a quarter (26.1%) have completed tertiary education (KAS,2015).

According to World Bank (2017), employment status, type of employment, and returns to employment are comprehensively influenced by a person's educational level. Poor Kosovar's are inclined to be less educated and have a less secure attachment to the labor market. As of 2011, more than one-third of people age 15 or older who did not complete primary education were poor, as those with higher levels of education are typically more likely to find employment and to have access to higher paying jobs.

According to the Labor Force Survey (LFS) data, in 2014, almost 30% of males have only primary school, whereas 8.3%. Among women had no education, and more than half had no education beyond primary level. Deficiency of skilled professionals and incompatibility between skills with labor demands are amongst the foremost restrictions in finding employment.

According to Danuza (2014), there are currently 43 pre-school institutions, 969 lower secondary schools and 52 gymnasiums, while the general education system in Kosovo is comprised of:

- Level 0: Pre-primary education: 4.792 (M 2.505 & F 2.287)
- Level 1: Primary education for five: 22.132 (M 11.483 & F 10. 649)
- Level 2: Lower secondary education: 261.107 (M 134.842 & F 126,265)
- Level 3: Upper secondary education: Gymnasium 43.403 (M 19220 & F 25.183)

Lately, Kosovo has made substantial progress in improving access to education and in building institutions. However, the quality of education remains weak and biased, with substantial regional, gender, and income disparities and the method for monitoring sector performance is inaccurate. PISA survey performed in 2015 shows that the overall performance in math, science, and reading remains considerably behind averages of the OECD countries, Europe, and Central Asia Region.

According to Kosovo Statistical Office reports through the years 2013 -2106, a slight decrease of 4% is noticed between the years 2014/15 and 2015/16, more precisely 13,943.00 students. However, according

to Danuza (2014), due to a low GDP and young population, Kosovo lags behind other countries concerning student per-capita spending. Per capita spending in the Pre-University Education 2014 was 477 EUR, and 703 EUR in Higher Education. Education expenditure in 2015 has increased in total by 12 percent and in rural areas by 25 percent compared with 2014. In urban areas, education expenses have remained virtually the same during 2014-2015 (KAS.2015).

On the other hand, there are some formal and non-formal training providers nationwide, NGOs, private providers, and public institutions. According to Danuza (2014), the majority (around 60%) of the upper-secondary school students are enrolled in formal VET schools. It is estimated that there are 17 vocational fields and 140 profiles and approximately 56 occupational standards developed so far. The primary activity fields of vocational education and training are the development of competencies and training for employment of individuals by occupations and their careers according to the labor market. The creation of general and professional culture by principles of lifelong learning education and economic, scientific and technological developments and recognition of the individual's competencies based in occupational standards of the relevant level is also part of VET school strategy.

3.6.2 Training System in Kosovo

According to Likaj and Kasumi (2009), Kosovo has made upright progress in developing its expertise, on the other hand, its recent capacities to deliver high-quality training, to perform skills needs analyses and to supply customized training programs for individual companies, is not appropriately developed. Donor investment in management training has been the core driver of raising participation in learning within companies and has provided significant financial and technical support. Nevertheless, chances for all workers, including elderly individuals, workers with poor educational attainment levels and women to have admittance to training have not been sufficiently addressed by donors.

Annual report on Labor and Employment since 2003 addresses the issues related to vocational training in Kosovo. Each year, this report reveals the performance of most of the services offered by employment offices and vocational training centers. Annual report of MLSW (2015) states 4055 jobseekers were referred to vocational training and 525 persons in other training within the active measures of the labor market. Vocational training has increased from the previous year to 18.6%,

where the female's average for participation is 44.4%, whereas male participates with 56% during this reporting year.

The Law on Vocational Education and Training (2006) provides a legal framework for the regulation of VET. The objective of the reform is to steer vocational training to the future needs of the labor market and the standards of the European Union. The VET law envisages a combination of school-based education with in-company training.

The ministries with the most direct stake in the Vocational Education and Training (VET) system are:

- The Ministry of Education, Science, and Technology (MEST), which has the overall responsibility for education in Kosovo at all levels; and
- The Ministry of Labour and Social Welfare (MLSW), which is responsible for providing short job-related training courses for the unemployed and job seekers.

On the other hand, UNDP (2015), reports that activities are executed in close cooperation with donor-funded projects, such as the Swiss Agency for Development Cooperation (SDC)-funded project - Enhancing Youth Employment (EYE), European Union (EU)-funded project - Enhancing Employment for Vulnerable Groups (EEVG), EU-funded KOSVET 6 project, and the GIZ funded project related to labour market policies. Several interventions were implemented jointly by the Active Labour Market Programmes for youth (ALMP) and EYE projects, such as the establishment of the Training System and the development of the PMF.

Institutional Training is offered for free and is provided through Vocational Training Centers (VTC) to the job seekers for the particular profession. The intent of the training is to allow participants to obtain knowledge and skills to perform the job efficiently or maintain their employment. The total number of the participants in VT in the year 2015 with a total number of the unemployed registered during this time, resulting in training rate of 12 months from about 3.6%, compared to the previous year percentage of only 1.26%.

Table 20: Vocational training by qualification

Qualification	Entries to training	%	Unemployed	TR[9]	Certified	CR[10]
Unqualified	3	0.1%	68395	0.0%	3	100.0%
Primary School	1041	25.7%	17500	5.9%	769	73.9%
Secondary School	2398	59.1%	21006	11.4%	2078	86.7%
University	600	14.8%	5052	11.9%	435	72.5%
Master	13	0.3%	226	5.8%	13	100.0%
Dr. of sciences	-	-	-	-	-	-
Total	**4055**	**100%**	**112179**	**3.6%**	**3298**	**81.3%**

Source: MLSW.2015 Labor and Employment

Table 20 shows disproportionate numbers. Three groups of higher qualification still realize pro rata percentage much higher than the three groups with lower qualifications, which remain much below. The highest number of entries in Vocational training is with high school with 59.1%, then 25.7% primary school. 199 long-term jobseekers started and completed on-the-job training programs. The vast majority of the beneficiaries were placed in the private sector, from which 182 private enterprises signed agreements to provide training to young jobseekers.

However, according to UNDP annual progress report of 2015, that women beneficiaries usually report that their spouses do not permit them to take part in the training, or that they get married. Beneficiaries of social assistance report that they need to take care of their families, whereas some beneficiaries consider the training grant very low. Additionally, each VTC has assigned only one trainer who is responsible for preparing the individual training plans and monitoring their implementation.

3.7. Human Capital Kosovo and its implications for jobs and income

According to KAS (2015) report (Table 21), education has the first impact on the sources of revenue. The same report shows that more education leads to higher income from regular employment. People with higher education have regular employment as the primary source, while those with primary education primary source of income come from agriculture, pensions, and support from abroad, per diem or salaries and own business (KAS,2015).

Table 21: Sources of income according to highest level of education, 2015 (%)

Source of income	***Primary***	***Secondary***	***University or more***
Net wages and payments earned in Kosovo in the public sector	6	26	69
Net wages and payments earned in Kosovo in private sector	8	22	13
Wages in kind	0	1	0
Incomes from per diem work	7	4	0
Rent, dividends, interest (from savings in the bank)	1	1	1
Benefits from social welfare	4	1	0
Pensions from Kosovo	21	4	3
Pensions from abroad	7	3	1
The money sent in cash from Kosovo	1	0	0
Net income from self-business in Kosovo	6	16	8
Cash remittances from abroad by the members present/present / (wages, transfers, etc.)	3	2	1
Cash remittances from the diaspora from other people	10	3	1
Income from agriculture	24	15	3
Other	2	2	0
Total in %	**100**	**100**	**100**

Source KAS. Results of Household Budget Survey 2014

As shown in Table 21, KAS (2014) report females and males have equal incomes as individual average, but according to the level of education, females have lower income than males. The explanation may be found in the volume of different jobs rather than in the unfair wages.

Table 22: Average income from regular 12-months employment in 2015 according to gender, €

Income	*Yearly average male's wages by 12-month employment*	*Yearly average female's wages by 12-month employment*	*Percentage of employees by 12-month employment*
Income for 12-month employment	4,094 €	3,131 €	53%
Employees by primary education (12 months)	3,169 €	1,387 €	53%
Employees by secondary education (12 months)	3,769 €	3,132 €	53%
Employees by higher education (12 months)	5,575 €	5,171 €	51%

Source KAS. Results of Household Budget Survey 2014

Salaries are an indicator not only of the labor supply but also of the ability and willingness of companies to pay their employees decently. The average monthly wage that employers pay is €228.3 (Median: 200), and with little standard deviation. The private sector average salary falls very short from the latest (2012) figure for the average wage of €372 in the public sector. The disproportion between the private and public sector, driven mainly by the recent salary increases throughout election periods, can mislead the incentives of workers to find a job in the private sector (Riinvest, 2014).

In 2014 manufacturing segment employed 13.8%, trade 14.4%, education 11.9% and construction only 10.9% in 2014. Education and health care were the two largest employers of women (40% are women). Manufacturing, trade, and construction are the most common employment sectors for men (40 % are men) (KAS, 2016).

USAID report (2014), affirm that due to the failed educational system for addressing educational and vocational training need of Europe's youngest population, positions Kosovo with the one of the highest unemployed youth without the skills or training required for a growing economy. On the other hand, World Bank report (2013) perceives unusual situations were a cause for concern that the education system is less attractive for those young people with more financial means and potentially better employment prospects abroad.

Against the background of very high youth unemployment, Kosovo needs an education system that provides students with excellent general education and vocational training opportunities to generate a high return on time spent in education. According to the World Bank report (2015), education is an essential part of Kosovo's efforts to boost economic growth, increase productivity and wages, and reduce high unemployment.

3.8. Conclusion

This chapter starts its discussion about the past and future of countries in transition from communism. There has been little analytical economic work regarding this topic. The communist world stressed education, primarily in reaching its military objectives. The study offers different explanations of why the human capital of a transition country or region could worsen. They consist of a deprived education system either regarding quality, insufficient returns to education, financial restrictions affecting people's capability to take advantage of education and not enough stable initial distribution of human capital. Government policies have hurt the human capital circumstances in nearly all these countries. These policies that discriminated against minorities rights affecting the emigration of well-educated people. These policies had an impact also in Kosova-Kosovo. At the end of the Second World War still, 78% of Kosovo (Albanian) population were illiterate, having a very modest tradition of higher education.
However, from 1981 until the end of the conflict the number of Kosovo (Albanian) students was reduced by 25%. Therefore, most of us blame the ten years of KosovaKosovor segregation under the repression of the Serbian regime, for the created educational system disorder. The abolition of Kosovo's autonomy performed by Serbian regime provided catastrophic effects on the educational system.

According to KAS (2015) report, education has the first impact on the sources of revenue. The same report shows that more education leads to higher income from regular employment. People with higher education have regular employment as the primary source, while those with primary education primary source of income come from agriculture, pensions, and support from abroad, per diem or salaries and own business. Economic development and education were selected as the top two priorities for Kosovo economic development. However, the economic development is perceived as an unresolved issue in Kosovo, past few years. Lately, Kosovo has made substantial progress in improving access to education and in building institutions. However, the quality of education remains poor and biased, with substantial

regional, gender, and income disparities and the method for monitoring sector performance is inaccurate. PISA survey performed in 2015 shows that the overall performance in math, science, and reading remains considerably behind averages of the OECD countries, Europe, and Central Asia Region.

USAID report (2014), affirm that due to the failed educational system for addressing educational and vocational training need of Europe's youngest population, positions Kosovo with the one of the highest unemployed youth without the skills or training required for a growing economy. On the other hand, World Bank report (2013) perceives unusual situations were a cause for concern that the education system is less attractive for those young people with more financial means and potentially better employment prospects abroad.

However, many years have passed since then yet the institutional philosophy of policy evaluation is not up to the affirmed strategic objectives. To accomplish this Kosovo government should work more in improving the system if education, a structure of education that creates clear links between the general human capital and specific human capital. More precisely, individuals who want to learn a specific skill such as kitchen chief, the ones who aim a degree in becoming a nurse and study applied sciences, and lastly professors for example who pursue academic careers.

Improving education and training system will assist employees to find employment and provide companies access to skills they pursue. It will enhance labor productivity and assist Kosovo to move into modern economic sectors.

Chapter IV

DETERMINANTS OF SME GROWTH IN KOSOVO:

4. A qualitative analysis

4.1 Introduction

According to Caree & Klomp (1996), small and medium-sized enterprises are the important job generator. Therefore, understanding the factors of firm growth is important from a policy standpoint. These determinants have been studied in several disciplines, such as economics, innovation, and psychology, amongst others.

Although the latest studies try to link determinants from diverse perspectives (Baum, at el, 2001; Lumpkin & Dess, 1996), their explanatory power is low due to the relatively small number of variables, and that when studying firm's growth, it is essential to use multiple growth indicators (Davidsson, Delmar, & Wiklund, 2006).

It is therefore essential to study the determinants of firm growth in a cohesive way and to identify the ultimate significant determinants of firm growth. Consequently, in this research, we categorize the determinants of firm growth into two dimensions: individual, organizational (Baum et al., 2001), yet we shall exclude environmental determinants. This chapter research attempts to deliver an integrated analysis of the determinants of firm growth. A data survey, conducted by BSCK, provides data on a wide range of variables. It provides an opportunity to examine the determinants of firm growth in a wide-range approach. We try to categorize the most significant determinants from a wide range of perspectives within the structure of a simple model using a data set comprising 500 Kosovar's SMEs.

4.2. Developing our research hypotheses

Numerous authors believe that "growth is the very fundamental of entrepreneurship" (Sexton, 1997), making the connection between growth and entrepreneurship a relevant question. In general, company growth is usually associated with success (Baum, Locke & Smith, 2001). When asked about success factors, venture capitalists and managers themselves consider that the entrepreneur is the core critical element of a firm's performance (Herron and Robinson, 1993; Sandberg.1986).

Growth is also regarded as a reliable and easily accessible measure of a firm's performance (Wiklund, 1998). However, throughout literature review, the researchers noticed that various indicators are used to

measure growth, and there does not seem to be overall not all-inclusive measure. Several authors (Grinyer, 1988, Miller & Friesen, 1984) believe that it is necessary to test the influence of a vast number of variables simultaneously to generate a more comprehensive and representative image of the growing phenomenon. To our information, there has been no effort made to create an exhaustive list of all independent variables from previous studies.

Company growth can also be seen as market share and productivity. However, market share and productivity differ significantly within industries, and consequently, they are hard to compare. Whereas, total assets also depend on the industry's capital intensity. For developing economies, SMEs often offer the only realistic prospects for an increase in employment and value added services or products (Mirbatrgkar,2009). SME's employ the largest percentage of the workforce and are responsible for income generation opportunities (Singh, 2010). However, sales figures can be affected by inflation and exchange rates, and it is hard to compare sales figures between industries. On the other hand, indicators such as employment growth during a specific period is the most common indicators used. Markman and Gartner (2002), using longitudinal data, found that change in sales and change in employment both had a weak negative correlation on in profit.

The average growth firm can be the one that has moderately steady growth in sales over substantial time, and where this growth in sales is complemented by the growth of employees so that organizational and managerial complexity increases profit which results in growth. However, sales figures can be affected by inflation and exchange rates, and it is hard to compare sales figures between industries.

It is difficult to find any latest studies that explicitly study the growth-profit correlation. A small number of recent studies have addressed the growth-profitability as their core research question. A predominantly relevant outcome on the firm level is the effect of growth on profitability, even though according to Davidsson, Delmar & Gartner (2006) when studying firm's growth, it is essential to use multiple growth indicators. Cowling (2004) examined UK firms across industries and concluded from a series of regression analyses that profit and growth are inclined to move together.

Firm growth is an intensification of certain characteristics, such as sales, employment, or profit of an enterprise between two points in time (Hakkert & Kemp, 2006). According to Nickell & Dryden (1997),

firm growth can be determined by the degree of efficiency and competency with which firm-specific resources such as labor, capital and knowledge are developed, organized, and converted into sellable services and products conducted by organizational procedures and structure. Thus, organizational determinants must have direct impacts on firm growth. Several empirical studies are performed to explore the determinants of growth concerning this dimension.

Human capital characterizes knowledge, skills, and experience. Knowledge of an employee plays a crucial role in building the competitive advantage of a firm. Small firms are more expected to engage in innovation activities due to their limitations in available resources. Consequently, high-quality workforce and human resource development within the business are quite crucial for such firms. Rauch, Frese, and Utsch (2005) conducted an empirical analysis based on longitudinal data and found that human resources are the most critical factor in predicting the growth of SMEs.

Based on the literature reviews, it is therefore suggested that human capital leads to better company growth. Thus, the purpose of this research is to develop a model to confirm the correlation between human capital and firm growth.

Grounded on a "state of the art" of the research on profit-related growth determinants, we developed six hypotheses. This research uses all of the determining factors that we have recognized in the literature on growth, and also six original hypotheses. We have extensively discussed the determinants of firm growth from three dimensions, more specifically individual, organizational and environmental determinants. There are interactions between specific determinants which yield moderated or mediated effects, which subsequently impacts firm growth (e.g., Baum, 2001; Wiklund,2007). A substantial number of determinants exist that might have a relationship with firm growth. This situation leads to six hypotheses which show positive, negative or no relationship between a determinant and firm growth. To offer a simplistic view on these determinants derived from the literature review and the particular hypothesized relationship with firm growth, we have summarized them in Table 23.

Table 23: Determinants of growth and hypothesized relationship with growth

CATEGORY	DETERMINANTS FROM LITERATURE REVIEW	EXPECTED RELATIONSHIP
INDIVIDUAL DIMENSION		
Personal background	Age	-/+
	Gender	+/-
	Education	+
Individual competencies	Managerial skills	+/-
	Specific skills	0
	Experience	+
ORGANIZATIONAL DIMENSION		
Firm attributes	Firm age	+/-
	Location	-
	Firm size	-

Note: All the hypotheses are developed from the literature review; '+' = positive relationship, '-' = negative relationship

4.2.1 Defining hypotheses

Based on the earlier discussion, the following hypotheses are recommended to be tested in this research using regression analysis.

H1. Growth and age of the entrepreneur

Demographic variables, such as the age and gender of the entrepreneur, have also given rise to specific studies.

Authors such as Autere & Autio (2000) and one year later Welter (2001), indicate in their studies that a significantly negative relationship exists between age and growth. Academics argue that this negative affiliation may come due to the entrepreneur's initial aim for growth, or because of a higher energy level and enthusiasm of younger entrepreneurs to test their capacities as compared to older entrepreneurs (Davidsson, 1991; Welter, 2001).

However, a different set of studies believe that older individuals are more likely to be successful in their firms than younger individuals (Harada, 2003; Littunen & Virtanen, 2006). The rationality behind this idea is that that older managers are more knowledgeable and experienced various challenges, which make them strong and assertive. Syrian (2007) highlights that personal characteristics such as age, years

of education and training, work experience of the owner/manager and industry-specific experience, determine the level of success of the business.

Our hypothesis, therefore, follows that:

growth is positively influenced by the age of the entrepreneur

H2: Growth and gender of entrepreneur

The research was done by Dahlqvist et al. (1999) on newly created firms in Sweden notices a negative influence of female entrepreneur. Females with self-employment career would be a hindrance in contrast to men, due to barriers linked to education, family burden and work environment (Kalleberg & Leicht, 1991).

Delmar (1999), on the other hand, does not detect a substantial link between the gender of the manager and growth. A comparison of the endurance and performances of firms managed by men or women was promoted by Kalleberg and Leicht (1991) and concluded on a nearly general absence of variances.

However, according to the World Bank (2012), in Kosovo despite smaller size and revenues, firms with some female ownership outperform male-owned firms exclusively in certain areas. Companies with some female ownership are more likely than only male-owned firms to introduce new products and services, invest in research and development, and upgrade existing products or services to export their products and services amongst others. Firms with some female ownership leave behind male-owned firms in particular areas as shown in the tables 24 and 25.

Table 24: Female vs. Male ownership

Female ownership	*Exclusively male-owned firms*	Percentage
84 percent	*vs. 57 percent*	*firms to introduce new products and services*
77 percent	*vs. 21 percent*	*invest in research and development*
91 percent	*vs. 83 percent*	*upgrade existing products or services*
64 percent	*Vs. 52 percent*	*communicate with clients and suppliers by e-mail*

Source: World Bank (2012)

Table 25: Female vs. Male ownership in exporting

Year 2008	Female	Male
Exporter	*15 percent of firms are female-owned*	*13 percent of exclusively male-owned*
Percent of exporting	*8 percent*	*6 percent*
The average value of export	*€30,000*	*128,383*

Source: World Bank (2012)

According to the latest Labor Force Survey conducted by the SAK3, the working age population in Kosovo in the year 2015 stood at 1,176,147 people, retaining the equal gender distribution revealed in the past. However, the active labor force stands at 442,716 people, of which only 105,597 are female. Consequently, the labor force participation rate for women is much lower than that of men (18% and 56.7% respectively), with the total LFPR standing at 37.6% for 2015.

Firms with male ownership are usually more significant than those owned exclusively by the female. Firms with some female ownership also have larger sectoral concentration. Approximately 82 % of all firms with some female ownership operate in just three industries, whereas male-owned firms are more consistently spread (Figure 9). Over a half of all firms with some female ownership operate in wholesale trade.

Therefore, given this study on Kosovo, we state that:

Growth is positively influenced by gender

H 3: Growth and managerial skills

The competitiveness of an individual SME is linked to the "quality" of its owner/manager. "Quality" is, in this context, strongly related to the human capital of the individual, in turn, influenced by a mixture of formal education, experience, and training.

Eltis (1996) argues that weaknesses in management (i.e., the industry's failure to recruit those who had achieved the greatest success at the university stage of their careers) explain the low profitability of UK manufacturing firms. Increased education may enhance a manager's ability to acquire and decode information about costs (Welch, 1970), and achieve and operate the best factory organization (Fleming, 1970). For Pack (1972) managerial skill is, in fact, the critical catalytic factor for productivity growth. Kor and Mahoney (2005), stated that managers "with tacit knowledge of employee skills and interests could more accurately dedicate funds to high margin R&D projects, resulting in superior economic performance.

On the other hand, Newbert (2007) finding suggests that human capital might not be a major determinant of firm performance, though, human capital is positively and significantly related to firm performance.

In the relation between human capital and economic, competitive advantage, and performance at a firm level, several authors emphasize the fact that education may have particular effects at low as well as top levels of the firm. However, focusing on entrepreneurs instead of managers, Fluitman and Ondin (1991) found that, within a market, those entrepreneurs who have attended school for longer are more likely to be successful.

Dahlqvist (1999) has studied the influence of past experience in firm creation. They observe a positive impact of this variable on growth. Other studies, on the other hand, find no impact of previous experience in venture creation (Brush &Changati, 1998; Siegel, 1993). These studies also find that the number of years of professional experience in the broad sense is not of decisive importance for growth. In the same line of thought, there would be no link between previous self-employment experience and growth (Kalleberg and Leicht, 1991). On the other hand, Medoff and Abraham (1980, 1981) found that experience (an important component of human capital) was associated with higher earnings, where managers with more than average pre-company experience and company service have higher than average salaries, but not with higher performance ratings in the two firms they studied.

The presumption that managerial experience affects firm behavior viewed as central drivers of strategy and performance has been noted by several scholars and empirically confirmed (e.g., Chandler, 1962;

Kor 2003). Moreover, authors such as Crook (2011) recorded the correlation between human capital measures, (more precisely the top management team executive experience). Moreover, the analysis performed on managerial experience (focusing on startups) and the impact of the founder's experience on firm performance showed positive effects (Filalthocev, 2009; Syrian, 2007). Apart from statements that management training is needed and is repays, the relationship between management training and SMEs performance is not well founded (Patton, 2000). Chandler and Jansen (1992) combine the general individual and organizational competencies, referring to them as organizational skills, with opportunity recognition skills and name them as managerial skills.

To test or invalidate these conclusions, we will test the hypothesis of a positive relationship:
that growth is positively influenced by (a)previous experience in higher education, (b) previous Experience, and(c) highly trained entrepreneurs in managerial skills

H4: Growth and firm specific human capital

Hendry et al. (1991) conclude that owners of small companies view any training beyond the level necessary to perform their direct jobs as a luxury to be provided only when the firm is making massive profits. However, in contrast to general human capital, firm-specific is valuable because it helps employees make decisions that are congruent with a company's unique strategy, organizational context, and competitive environment. Also, this capital is tied semi-permanently to the firm and is thus robust to trade or exchange without loss of value, (Korr & Mahoney, 2005; Chi, 1994). The value of resources such as human capital increases as they become personal raised issues that are specific to the firm's unique competitive context (Penrose, 1959). Also, Coff(1997) and Crook, at el, 2011) believe that genuinely unique and valuable skills likely develop over time, when years of experience with firm increases, managers might efficiently allocate resources within firms, thus enabling better decisions and enhanced performance.

Therefore, **our fourth hypothesis is**

growth is positively influenced by (a) previous experience in previous experience in business field, (b)longer years of experience, and (c) business training

H5: Growth and firm's size, age, location and headcount

As regards the firm growth, the evidence suggests that firm's age and size, sectoral affiliation, legal form, and location are related to the firm's performance.

Over the last two decades, these determinants have been studied in various disciplines, such as economics, strategy, psychology, network theory, and innovation. It is observed that knowledge of firm growth is still limited. The debate on the relationship between firm age/size and firm growth has its origin in Gibrat's law (Audretsch, 2004).

Gibrat's law holds, growth measured regarding sales, in any given period, is independent of the age of the firm. This approach may be suggesting that when firms get older, they could manage their operational and long-run costs, increase their effectiveness, create networks with other firms, Therefore, all these factors may be brought up together, and firms will grow with age. However, empirical studies do not find supporting evidence (Becchetti & Trovato, 2002). Several studies show that younger firms show higher growth rates than firms that exist for many years. The negative effect of age on firm growth is consistent even among various countries and industries (Reichstein & Dahl, 2004; Yasuda, 2005).

Most of the studies which related to the firm growth are analyzed for manufacturing sector (Sutton, 1997), and there are very few studies of Gibrat's law for the service industry. A study by Audretsch et al. (2004) takes into account a large sample of Dutch firms in the service industry, where he discovers that the growth rates are independent of the firm size. They conclude that the dynamics of industrial organization for services sector may not mirror that for the manufacturing sector. Piergiovanni (2003) analyzed the Italian small-scale service industry and concluded that out of five businesses taken into account, Gibrat's law is rejected for three businesses and is accepted for two. Hence, the services sector has mixed results, unlike the manufacturing sector.

Therefore, the fifth hypotheses states that:

growth of firm is positively influenced by the fact that the (a)size of the firm is bigger, (b)age of the firm is older, (c) location and headcount increase

4.3 Describing the data used in this research

The research shall incorporate a multi-method research process, using quantitative and qualitative primary duty. This method is chosen, as we believe that both methods are significantly dependable on each other in this research context. The first phase involved the desk study where we attained valuable insights into the data.

The first, quantitative empirical research, an approach has been chosen to investigate the research questions and be able to test hypotheses statistically. The data used in the analysis are rich about the key measures of labor productivity and human capital. This research study uses empirical data gathered from 500 Small and Medium Enterprises through a Survey conducted by the Business Support Centre Kosovo (BSCK) for the year 2012, which provides information on the entrepreneurship and SMEs in Kosovo. This research was supported by the Netherland's Ministry of Foreign Affairs through SPARK organization, which has the aim to develop higher education and entrepreneurial opportunities for youth to lead their post-conflict societies into prosperity (BSCK, 2013).

Various experts have contributed to design the survey questionnaire and sample selection. The questionnaire contained nine sections, which included qualitative and quantitative questions relevant to the entrepreneurship and SMEs growth in Kosovo. The data for SMEs were collected by the trained team of interviewers at Business Support Centre Kosovo who were students at the public University of Prishtina and private College "GLOBUS." The training regarding business and economic aspects towards interviewers and related to the psychological aspects of interviewing process was performed by Mr. Krasniqi and Prof. Vrenezi, experts in the particular field. Face to face interviews was conducted mainly with owner/managers or in some cases with financial managers. Questionnaire was conducted by students who were trained who were trained in advance to obtain more reliable results from the survey.

The questions of human capital investments included all human capital conceptualizations that are based on past experiences. The outcomes of human capital investment integrated direct assessments of entrepreneurs' knowledge, skills, and competencies. The employed indicators of human capital investments used in the research are education, start-up experiences, industry-specific experience, management experience, and work experience. Other predictors of task-related human capital included

having a self-employed parent or indicators of specific experiences in trade, technology, or small business ventures.

The survey covers topics on the profile of entrepreneurship and SMEs, motivational factors at startup stage, ownership and management issues, performance of SMEs and business expectations, investment, human resources, the impact of fiscal policy, innovation and business strategy, implementation, use of information technology and the social capital.

In the sample are included SMEs across all regions of Kosove, and the sample is stratified by three main sectors, aiming to reflect the differences between trade, production, and services. BSCK performed the procedure for selecting the sample size and companies to be interviewed in Excel and SPSS using the random command (Krasniqi, 2013). After several testing phases, the BSCK research team stratified the sample into two categories: sectors of business activity and size of the company. The sample has been stratified in order to be able to draw generalized conclusions about the whole population of SMEs in Kosovo. This approach was necessary since the random sampling provided unsatisfying results while representing the medium firms and manufacturing firms. Both these categories were under-represented in the sample and as such sample would not have been valuable to analyze these categories. Therefore, the stratifications were applied; the satisfying results regarding statistical representation of the both sector and size class as seen in Table 26 were provided (Krasniqi, 2013).

Table 26: Total sample by sector and size

Sector Size	Micro	Small	Medium	Total
Manufacturing	34	24	6	115
Service	140	64	12	174
Trade	176	37	7	211
Total	**350**	**125**	**25**	**500**

Source: BSCK 20113

Table 27 presents the share of enterprises in the population and the sample by size and sector. As shown in the table below, Kosovo SME's operate mostly in the sector of trade and is followed by the service sector. Nevertheless, stratification random sampling techniques were used for this study.

The principal activity in the manufacturing industry is building construction and material construction (27%). In the trade sector, most of the firms operate as retails stores (33.2%), while transport, hotels, and tourism are the most dominant activities in the service sector.

Table 27 : Share of enterprises in the population and the sample by size and sector (in %)

Sector Size	Micro	Small	Medium	Total	% share of company size in the population	% share of company size in the sample
Manufacturing	95.2	2.4	2.4	100	10	13
Services	97.0	1.7	1.3	100	40	43
Trade	98.7	0.8	0.6	100	50	44
% share of company size in the population	97.7	1.3	1.0	100	100	100
% share of company size in the sample	70.0	25.0	5.0	100	-	-

Source: BSCK, 2013

It is of essential to highlight the quality control of this questionnaire was performed before launching final interviews with companies. The questionnaire is tested during the training of students, where they received few remarks and some technical errors. Piloting process took place with 50 interviews, and feedback on each interview process was provided. Most of the interviewed companies (about 40%) were called by phone to make sure that the interviewing process was directed at an adequate level. The data results demonstrate the reliability of responses compared to research reports of BSCK from two previous years, can be perceived as a proof of validity and reliability of the data used for this doctoral thesis. Appendix A shows the questionnaire used by the researcher, Appendix A questionare used by BSCK, and Appendix C presents a confirmation letter by BSCK to use their data for the doctoral thesis.

4.4 Defining the depended and independent variables

4.4.1. Dependent variable

In this study, the dependent variable is SMEs growth defined in annual profits. The correlation between firm growth and profitability is imprecise and has not been the subject of consistency in empirical studies (Coad and Hölzl, 2010). The correlation concerning growth and profitability is important and up to know there has been little agreement on the affiliation between these two processes.

MacMillan and Day (1987) stated that growth could lead to higher profitability grounded on data's that new firms become more profitable when they enter markets fast and on a large scale. On the other hand, Hoy, McDougall & D'Souza (1992) suggested that the pursuit of high growth may be insignificantly or even negatively correlated with the profitability of the firm. Chandler and Jensen (1992) argued that sales growth and profitability were not correlated, whereas Sexton (2000) found that firm profitability was associated with sustainable growth. According to Markman (2002) growth is a precursor to the achievement of sustainable competitive advantages and profitability. According to Nelson & Winter (1982), profitable firms shall be more encouraged to develop, since they will not only possess the financial resources to grow, but their constant profit creation shall also make it possible to endure growth.

4.4.2 Independent variables

The entrepreneur's human capital and firm growth

Assessing entrepreneurial accomplishment has been a challenge for entrepreneurship researchers. Different measures have been used, frequently without justification (Murphy, Trailer & Hill, 1996). In general, the performance of companies is a multi-dimensional concept (Comb, Crook, & Shook, 2005). One dimension of company performance which is of high importance for entrepreneurial firms growth. High growth empowers firms to overcome the liabilities of being small (Stinchcombe, 1965) and reach increased profitability stages in the long run. Moreover, small firm growth and employment is a required outcome from a macroeconomic perception. Hence, the researcher considered the growth aspect of entrepreneurial success within the scope of this research. More precisely, we use the profit of the firm for assessing entrepreneurial growth.

The UK studies from the late 1980s and early 1990s, but without combining them in an integrated model, Storey (1994) categorizes the data in the categories of 3 type's entrepreneur, the firm, and strategy. Similar to Storey's model the first section contained information regarding entrepreneur (human capital) characteristics influence company growth. Support for influence is found in all three categories.

Amongst the variables at the majority of studies found that education, functional skills impact on growth, and management experience. Prior self-employment, training, prior sector experience, gender and age evidence was mixed, or most studies suggested they did not affect growth. The lack of a gender effect is also important to observe, and this variable was incorporated in most of the studies (Storey.1994). Other, researcher suggests that women-owned businesses do not give the impression to underachieve firm profitability (DuRietz & Henrekson, 2000).

Therefore, an entrepreneur's characteristics such as gender and age are placed as control variables to include firm characteristics of the first section of this research. Gender is used as one of the control variables as per the suggestion of Cooper & Gascon (1994), where they consider that gender is associated with the variance of firm's performance. Gender of the entrepreneur (Male) is added to the model and is coded as one if the entrepreneur is male, whereas the entrepreneur (Female) is coded with 0. Whereas, age is placed as a continuous numerical variable.

Some researchers (Becker 1964, Bruederl et al., 1992; Cooper et al., 1997) have identified two different types of human capital to be exact, general human capital and industry-specific human capital. According to Cooper (1997), general human capital is connected to factors which are expected to intensify the individual's productivity for a wide array of job options, whereas specific human capital factors are associated with the factors which are related to a specific field.

However, even though general human capital is not directly related to the specific tasks of entrepreneurs, may be beneficial for the assessment and exploitation of opportunities, as well as the everyday jobs of running a business. Entrepreneurship researchers (Brüderl, Preisendörfer, & Ziegler.1992), have used different methods to assess general human capital.

In this study, the researcher uses variables related to General Human Capital General human capital, which include: years of work experience, years of management experience and level of education.

Cooper and Gascon (1992) stated that education was one of the most extensive studies on entrepreneurship variables. In this research, the entrepreneur's education (EDU) is measured as a dichotomous variable.

Ensley, Pearson, and Amason (2002) found that the top manager in new ventures is positively correlated with new venture growth. One reason for this could be that previous joint work experience among the founding team members, which improved their speed in decision making (Eisenhardt and Schoonhoven.1990). These variables are defined in Table 28.

Table 28: Education and work experience related human capital variables

Variables	Definition z	Values of the variable in the regression analysis
Education	- elementary school, - high school, - BA degree - Master's degree or more	Dummy variables: 1= if the entrepreneur has university or higher degree, 0 = high school or lower
Years of work experience	Number of years of work experience	Dummy variables: 0 = no experience, 1 = any experience

Specific human capital in the entrepreneurial context describes knowledge and skills that directly relate to the tasks of an entrepreneur. Therefore, the first category includes also variables related to training and specific experience of human capital. Specific human capital is measured through the tenure at the displacing firm and part of the learning on the job which cannot be transferred across firms or industries. Because the entrepreneur needs to fulfill many tasks when operating her/his business, several different types of specific human capital can be distinguished. Sony and Iman (2005) confirm that entrepreneurial capability which comprises management skill, industry skill, and technical skill, which are positively correlated to venture growth. Industry experience assists entrepreneurs to identify opportunities, interact with customers and employees and see the potential competitive environment.

Watson (2003), claims that work experience is related to tacit knowledge critical for devising a strategy, acquiring resources and other necessities associated with venture performance. Castanias and Helfat (2001) suggested that 'managers acquired perfect skills in part through prior work experience.' Due to the high relevance of leadership and management skills, managerial experience is an especially important type of task-specific human capital. Thus, we included a categorical variable assessing the level of previous managerial experience (Table 29).

Table 29: Training and education related human capital variables

Variables	Values of the variable in the regression analysis
Previous Experience in Business Filed	Dummy: 1 = if any previous experience in the business field 0 = if no previous experience in the business field
Business Training	Dummy: 1 = if entrepreneur had any business training 0 = if otherwise
Years of management experience	Dummy variables: 0 = no experience 1 = any experience

The second section includes firm characteristics. Those variables include variables such as firm location, size, sectoral affiliation, business age, and headcount. The debate of age and size as contributing factor of firm growth has a long tradition, starting with Gibrat's law in 1931. The law states that the rate of growth of a firm is independent of its size at the establishment of the firm and that the probability of a given growth rate through a specific period is similar to any firm within the similar industry. Nevertheless, Becchetti & Trovato (2002), found that studies typically do not find support for the independence of age and firm growth from size. Latest studies performed by (Harhoff,1998), recommends a negative correlation between firm age and firm growth. Diminishing returns to learning over time are one principal reason.

Concerning industry-specific human capital, we follow the study by Murphy (1996), who suggested five control variables, which are: the business size and the age of business. However, the researcher has added two additional variables, which stand as essential factors for attaining accurate results of this research, which include sector and headcount increase (Table 30).

Table 30: Industry-specific human capital variables

Variables	Values of the variable in the regression analysis
Business Location	Dummy: 1 = if rural; 0 = if otherwise
Business age	Years of experience in the business
Sector	Dummy: 1 = if the business is in service, 0 = for all other industries
Headcount increase	The difference of number of employees between the year xxx and xxx

4.5 Discussion of research model

We believe that the most appropriate indicators that express the aspects related to the performance growth of a firm should be chosen from the relative profitability indicators. Davidsson (1989) recommended that combined measures using multiple indicators must be taken into consideration having in mind that no universally superior growth indicator seems to exist. On the other hand, Delmar (1997) proposed using the identical explanatory model on several growth measures, because various measurements of growth are aspects of the same primary dimension of growth and are inclined to be correlated. Using multiple measures may, therefore, better capture the underlying processes of growth (Delmar et al., 2003). Furthermore, they argue that as there seems to be no standard measure of growth, the use of multiple measures may offer a better general representation of the relationships and an approach to assess the robustness of any theoretical model to misspecifications in the dependent variable. In this research, on the other hand, the empirical study of the correlations between different impact factors and profitability has been conducted by using the information taken from the BSCK report for the period 2010-2012 and by using appropriate statistical techniques.

Table 31 illustrates the descriptive statistics of the full sample. We can see that the sample is made up of small and medium firms with an entrepreneur's average age of 37 years. Education of entrepreneur's mean reached 40%, with little previous managerial experience of 26%. However, entrepreneurs reported higher experience with 51%. On the other hand, previous experience in the business field reaches 41% of the mean, with the highest year of 40 and a mean of 7 years. Specific business training is only 33%. Table 31 also shows that most of the companies were small companies, where the headcount increase within 36 months (from the date of startup) has a mean of 43%.

Table 31 Determinants of Firm Growth and Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ENTREPRENUR'S VARIABLES					
Demographic variables					
Gender	493	0	1	0.85	0.361
Age	494	17	78	37.37	11.194
General HC (Education and General Experience)					
Education	486	0	1	0.4	0.491
Experience Before Strat-up	479	0	1	0.51	0.5

Previous Managerial Training	486	0	1	0.26	0.441
Specific HC (Training and Experience in specific field)					
Previous Experience in Business Filed	467	0	1	0.41	0.493
Years of experience	280	0	40	7.3	6.873
Business Training	496	0	1	0.33	0.471
FIRMS VARIABLES (Industry specific's)					
Location	488	0	1	0.88	0.326
Sector	409	0	1	0.4	0.49
Size	483	1	3	1.21	0.512
Headcount increase	487	0	1	0.43	0.496
Business Age	466	0	73	10.3	9.012
Valid N (listwise)	212				

Table 32 shows the correlation matrix. The correlations between the different variables are very low. It can be concluded that even though numerous correlation coefficients are significant at the 0.01 level (2-85 tailed test) and the 0.05 level (2-tailed test), multicollinearity will not affect our data results as most of the coefficients are sufficiently low compared to the absolute value which is a threshold smaller than 0.7 (Lind et al., 2000).

Table 32: Correlations

		1	2	3	4	5	6	7	8	9	1	11	12	13	14	15	16	17
1.gender	Pearson Correlation	1																
	Sig. (2-tailed)		.000	.059	.209	.637	.369	.746	.682	.021	.508	.282	.022	.118	.887	.363	.467	.000
2.entrepage	Pearson Correlation	.212**	1															
	Sig. (2-tailed)	.000		.286	.007	.395	.001	.012	.909	.000	.253	.365	.623	.820	.685	.265	.428	.000
1.Eduction	Pearson Correlation	.086	**-.049**	1														
	Sig. (2-tailed)	.059	.286		.800	.381	.000	.011	.007	.075	.000	.000	.001	.426	.705	.905	.318	.550
LOCATION	Pearson Correlation	-.057	-.122**	**.012**	1													
	Sig. (2-tailed)	.209	.007	.800		.071	.000	.768	.333	.039	.001	.012	.100	.013	.919	.099	.060	.021
sector	Pearson Correlation	**.024**	**.042**	**-.044**	**.090**	1												
	Sig. (2-tailed)	.637	.395	.381	.071		.036	.008	.808	.498	.704	.100	.419	.579	.416	.219	.449	.023
Size	Pearson Correlation	**.041**	.149**	.217**	-.197**	-.105*	1											
	Sig. (2-tailed)	.369	.001	.000	.000	.036		.051	.441	.000	.000	.000	.000	.904	.687	.141	.908	.000
EXPBefstarto	Pearson Correlation	**.015**	.115*	.118*	**.014**	.133**	.091	1										
	Sig. (2-tailed)	.746	.012	.011	.768	.008	.051		.000	.002	.005	.000	.509	.317	.469	.702	.029	.000
ExpBusFiled	Pearson Correlation	**-.019**	**.005**	.127**	**-.045**	**-.012**	**.036**	.365	1									
	Sig. (2-tailed)	.682	.909	.007	.333	.808	.441	.000		.000	.013	.000	.398	.559	.924	.483	.551	.972
Years of experience	Pearson Correlation	.139*	.295**	.107	-.125*	-.043	.265**	.188	.436**	1								
	Sig. (2-tailed)	.021	.000	.075	.039	.498	.000	.002	.000		.723	.155	.223	.262	.516	.235	.790	.205
Buss_Training	Pearson Correlation	-.030	-.052	.166**	-.154**	-.019	.306**	.128**	.116*	**-.021**	1							
	Sig. (2-tailed)	.508	.253	.000	.001	.704	.000	.005	.013	.723		.000	.000	.212	.637	.073	.092	.006
PrevManTraining	Pearson Correlation	**.049**	**.041**	.220**	-.116*	.082	.263**	.372	.214**	.086	.476**	1						
	Sig. (2-tailed)	.282	.365	.000	.012	.100	.000	.000	.000	.155	.000		.014	.072	.638	.695	.486	.666
Headcount increase	Pearson Correlation	.105*	**-.022**	.156**	**-.075**	**-.041**	.343**	**.031**	**.040**	.074	.174**	.113	1					
	Sig. (2-tailed)	.022	.623	.001	.100	.419	.000	.509	.398	.223	.000	.014		.240	.580	.472	.976	.025
BusAge	Pearson Correlation	.167**	.314**	.028	-.108*	-.116*	.235**	-.168	.002	.078	.129**	**-.020**	.105*	**.021**	**-.008**	-.071	**.021**	1
	Sig. (2-tailed)	.000	.000	.550	.021	.023	.000	.000	.972	.205	.006	.666	.025	.661	.865	.138	.653	

Table 33 shows that we do not have any multycolleniary issues because entire the variance inflation factor (VIF's) are below 3. Therefore, the structure of our dataset allows us to use a panel data methodology for our empirical research. Thus, bivariate correlations and VIFs show that the data does not show any significant multicollinearity because of relatively low correlation and none of VIFs is close to the cut-off threshold of 10. Because of this, all these variables can be initially included within the model (Kleinbaum et al., 2007).

Table 33: Table Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	1.gender	0.859	1.163
	2.entrepeneur_age	0.809	1.236
	1.entrepreneur_educationlevel_new	0.806	1.241
	LOCATION	0.803	1.245
	sector	0.775	1.29
	Size	0.583	1.715
	EXP_BEF_stratup	0.646	1.549
	Exp_Bus_Filed	0.753	1.328
	Years of experience	0.599	1.669
	Buss_Training	0.661	1.512
	Prev_Man_Training	0.695	1.438
	Headcount increase	0.767	1.304
	BusAge	0.714	1.400

a. Depended variable: Profit

Table 34: Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	124	24.8
	Missing Cases	376	75.2
	Total	500	100.0
Unselected Cases		0	.0
Total		500	100.0

a. If weight is in effect, see classification table for the total number of cases.

The logistic regression model was used to predict a dichotomous variable of a firm growth from predictor variables. A dichotomous variable is firm growth in terms of profit, coding 1 if profit growth, and 0 if there is no growth in profit. The independent variables comprise of those related to entrepreneur, firm and innovation characteristics. The discussion of econometric logit model is used to investigate which of the factors lead to firm growth in terms of turnover.

Table 35: Dependent Variable Encoding

Original Value	Internal Value
otherwise	0
yes	1

Block 0: Beginning Block

Given the base rates of the two decision options (84/40 = 52.4% reported that the Profit had remained the same or decreased (otherwise), whereas 47.6% indicated that the profit increased. The best approach is to predict, for every case that the subject will report that the profit has decreased or remained the same (otherwise). Using this strategy would be correct 67.7% of the time.

Table 36: Classification Table[a,b]

Observed			Predicted		
			Profit		Percentage Correct
			otherwise	yes	
Step 0	Profit	otherwise	84	0	100.0
		yes	40	0	.0
	Overall Percentage				67.7

a. Constant is included in the model.
b. The cut value is .500

Moreover, 40 and 84 are statistically different from each other. In this case, as shown in Table 36, we are rejecting null hypotheses (Sig = .000).

Variables in the Equation Table (table 37) shows that the intercept model is n(odds) = -.742. If we exponentiate both sides of this expression we find our intercept [Exp (B)] = .476 which is 40/84, that is, the predicted odds ratio is 47.6%, which can also be interpreted as 1- 0.476.

Table 37: Estimation Results

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	**Constant**	-.742	.192	14.916	1	.000	.476

Omnibus Tests of Model Coefficients (table 38) gives us a Chi-Square of 29.469 on 13 degrees of freedom. Since the p-value is .006 lower than 0.05, therefore we reject the null hypothesis, which means that they will be significant predictors individually if they were to be used in the model.

Table 38: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	29.469	13	.006
	Block	29.469	13	.006
	Model	**29.469**	**13**	**.006**

Table 28 includes the Pseudo R^2; the -2 log likelihood is the minimization criteria used by SPSS. We see that Nagelkerke's R^2 is 0.330 which indicates that the model is good but not great. Cox & Snell's R^2 is the nth root (in our case the 500th of the -2log likelihood improvement. Table 39 tells us that 33 % of the variance of the depended variable has been affected by our predictors.

Table 39: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	126.473[a]	.212	.296

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Table 40 is also called Predictive Capacity of out model, which is testing the opposite from the above analysis. Since Sig is above .05 and is not statistically significant. As our sample size test is relatively large, and our Hosmer and Lemeshow Test is (bigger then) > 400. Also, the Contingency Table (Table 40) for Hosmer and Lemeshow Test shows those entire categories of predicted probabilities or the Expectations are similar to the Observed number. To test the fit of the logistic model, a probability p-

value is computed from the chi-square distribution with 8 degrees of freedom. Hosmer and Lemeshow goodness-of-fit test statistics should be higher than 0.05. In our analysis, it is 0.622. The non-significant value is an indication of good fit, implying that this is a good model since there is a minimal deviation between these numbers.

Table 40 Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
	6.226	8	.622

Table 41: Contingency Table for Hosmer and Lemeshow Test

		Profit = otherwise		Profit = yes		Total
		Observed	Expected	Observed	Expected	
Step 1	1	12	11.486	0	.514	12
	2	11	10.926	1	1.074	12
	3	8	10.185	4	1.815	12
	4	10	9.672	2	2.328	12
	5	11	8.924	1	3.076	12
	6	8	9.082	5	3.918	13
	7	8	7.991	4	4.009	12
	8	7	6.754	5	5.246	12
	9	5	5.511	7	6.489	12
	10	4	3.469	11	11.531	15

Block 1: Method

Table 42: Classification Table

Observed			Predicted		
			Profit		Percentage Correct
			Otherwise	Yes	
Step 1	Profit	Otherwise	77	7	91.7
		Yes	23	17	42.5
	Overall Percentage				75.8

a. The cut value is .500

Classification Table 42 concerning SMEs growth presents how good the model was when predicting profit based on independent variables included in the model. The model can predict that 92% were correctly classified for a group of firms not having profit, and about 43 % of those achieving profit. It can be concluded that 75.8% of outcomes were correctly classified in this model, implying a good model. If the model is close to 65-70% (which is a threshold) the range of correct prediction, then it can be concluded that it is a good model. The accuracy rate is higher for those firms that will not achieve firm growth, rather than SMEs that will achieve firm growth.

4.6 Findings

The Logistic model is appropriate to predict the dichotomous variable from a set of predicted variables, which shows the individual impact of independent variables on the dependent variable. The below-shown table (Table 42) shows the regression function as follows:

*P (y= PROFIT | x) = -2.562 + 1.785 * GENDER + .049 * AGE + 1.018 * EDUCATION -.479* LOCATION - .021* SECTOR +645 * SIZE + .170 * EXPERIENCE_BEFORE__START-UP + .170* - 855 EXPERIENCE_IN_BUSINESS - .078 * YEARS_OF_EXPERIENCE -.345 * TRAINING_IN_BUSNIESS -.197* PREVIOUS_MANAGERIAL_TRAINING + 822 * HEADCOUNT-INCREASE -.053 * AGE_OF_BUSINESS + Ɛ.*

Where P is the probability of SMEs being profitable

Table 43: Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	@1.gender(1)	1.785	.801	4.967	1	.026	5.958	1.240	28.623
	@2.entrepeneur_age	.049	.022	4.833	1	.028	1.051	1.005	1.098
	@1.entrepreneur_educationlevel_new	1.018	.511	3.965	1	.046	2.767	1.016	7.534
	LOCATION	-.479	.601	.637	1	.425	.619	.191	2.010
	sector	-.021	.531	.001	1	.969	.980	.346	2.776
	Size	.645	.396	2.650	1	.104	1.905	.877	4.140
	EXP_BEF_stratup	.170	.588	.083	1	.773	1.185	.374	3.751
	Exp_Bus_Filed	-.855	.526	2.641	1	.104	.425	.152	1.193
	Yearsofexperience	-.078	.046	2.877	1	.090	.925	.845	1.012
	Buss_Training	-.345	.543	.405	1	.525	.708	.244	2.052
	Prev_Man_Training	-.197	.554	.127	1	.722	.821	.277	2.434
	Headcountincrease	.822	.505	2.649	1	.104	2.275	.846	6.119
	BusAge	-.053	.035	2.370	1	.124	.948	.886	1.015
	Constant	-2.562	1.092	5.503	1	.019	.077		

a. Variable(s) entered on step 1: @1.gender, @2.entrepeneur_age, @1.entrepreneur_educationlevel_new, LOCATION, sector, Size, EXP_BEF_stratup, Exp_Bus_Filed, Yearsofexperience, Buss_Training, Prev_Man_Training, Headcountincrease, BusAge.

4. 6.1 ENTREPRENUR'S FACTORS

Demographic variables:

- **H1a,** ***gender of the entrepreneur(s) positively and significantly predict profit,***
- ***H1b, stating that age of entrepreneur positively and significantly predicts profit.***

Results indicate that there is a significant positive relationship between age and profit (p = .026), same as the age of entrepreneur with a significance of (p= .028). Hence, the results fully support hypotheses H1a, ***the gender of the entrepreneur(s) positively and significantly predict profit*** and also supports hypotheses ***H1 B stating that age of entrepreneur positively and significantly predicts profit.***

According to BSCK (2012) report, the share of employees with university level education is approximately around 11.9 percent, unqualified employees close to 14.5 percent, while others have masters and doctoral degree. Going down from the top (highest) educational level to down (lowest), study results show that males are less educated than women almost in each employment category

Table 44: Education of employees by gender and average salary

Education Level	Number of employees (in %) 2011			Average monthly salary (in €)	Number of employees (in %) 2012			Average monthly salary (in €)
	Total	Male	Female		Total	Male	Female	
Doctor of Science	0.1	0.1	0.1	250	0.5	0.5	0.3	318.75
Master's degree	1.0	0.9	1.6	545.8	0.5	0.7	0.0	646.2
University degree	16.1	15.5	17.6	347.3	11.9	11.4	13.7	315.8
High school	7.8	9.6	2.7	263.9	4.0	3.0	7.2	276.2
Gymnasium/Professional secondary school education	69.1	66.6	76.2	237.4	68.6	67.6	72	222.3
Unqualified (primary school not completed)	5.9	7.4	1.8	218.3	14.5	16.8	6.8	210.6
Total/Average	**100**	**100**	**100**	**310.5**	**100**	**100**	**100**	**331.6**

Source: BSCK SME Survey 2010, 2011 and 2012.

The report BSCK (2012), Table 44 shows that SME managers with university level education constitute 34.7 percent out of the total, with secondary level education 27.8 percent and, lastly with the lowest percent of 1.02 with primary education.

Table 45: Education of SME Management by leveling

	Educational level 2010			Educational level 2011					
Managerial position	**University**	**Secondary school**	**Primary School**	**University**	**Secondary school**	**Primary School**	**University**	**Secondary school**	**Primary School**
General manager	34.7 6	4.20	1.10	37.12	54.85	2.68	70.70	94.20	100.00
Financial manager	64.90	33.80	1.30	82.98	12.77	-	15.50	2.20	-
Operations/ Technical Manager	81.6	18.4	0	73.08	19.23	0	6.9	2.9	0
Marketing Manager	92.3	7.7	0	70.59	23.53	0	5.7	0.7	0
R&D manager	-	-	-	87.5	12.5	0	0	0	0
Total	**34.7**	**64.2**	**1.1**	**47.36**	**45.34**	**2.02**	**34.8**	**27.8**	**1.2**

Source: BSCK SME Survey 2010, 2011 and 2012.

According to BSCK (2012), in other fields of management practice where specific types of particular management tasks are necessary to be performed such as operations, finance, and marketing (that usually go beyond owners' managerial capabilities) more individuals with university degree education are found. Nevertheless, it is common that majority of owners of small businesses are general managers with secondary school.

Training of employees is an essential part of the human capital development at managerial and non - managerial levels. From analysis outcomes, we notice that only 33.06 percent of SME managers have finished some training for management and business practice (Table 45). Moreover, we see that even a smaller ratio of them have managers with previous managerial experience in other companies.

Table 46: Training, experience and consultancy services

	2011	2012	
Responses	**Have you or your managers attended any training in the area management and business? (%)**	**Have you used any consultancy from other institutions/organizations? (%)**	**Have you used any consultancy from other institutions/organizations? (%)**
Yes	23.09%	14.59%	33.06%
No	76.91%	85.41%	66.94%
Total	100	100	100

Source: BSCK SME Survey 2010, 2011 and 2012.

General Human Capital (Education and General Experience):

- **H *3a: growth is positively influenced by higher education,***
- **H *3b: growth is positively influenced by previous experience Before Strat-up,***
- **H *3c: growth is positively influenced by highly trained entrepreneurs in managerial skills.***

Moreover, results for derived from Entrepreneurs Variables on General Human Capital show positive effect in profit from Education, however do not show any positively significant effect from Previous Experience (before the start up), as well as Previous Managerial Training. Significance level of variables Education, Previous Experience before the start up, and Previous Managerial Training are (p= .046), (p= .773), (p= .772).

Therefore, for-profit increase, General Human Capital Variables fully support hypotheses H3a, ***the education of the entrepreneur(s) positively and significantly predicts profit***, however rejects hypotheses H ***3b and H 3c.*** More precisely, hypotheses H ***3b: growth is positively influenced by previous experience Before Strat-up and H3c: growth is positively influenced by highly trained entrepreneurs in managerial skills is*** not supported, and negatively related to profit.

Specific Human Capital (Training and Experience in specific field)

- ***Hypotheses 4a: growth is positively influenced by previous experience in business field***
- ***Hypotheses 4b: growth is positively influenced by longer years of experience***
- ***Hypotheses 4c: growth is positively influenced by business training***

Specific Human Capital hypotheses were tested using multiple regression analysis, interestingly, even results for Specific training and experience do not show any expected predicting factor as positively significant, instead of higher years of experience in business filed at a very low positive significance with p (.090). It leads the researcher to reject all his Specific Human Capital hypotheses (H4a, H4b, and H4c) and accept the null hypotheses, and that there is not a positive relationship between growth and specific human capital represented as previous experience in a business field, longer years of experience business filed and business training.

P-values of the predictors in this relationship are as follows experience in business field (p= .104), Years of experience (p=.090), Business Training (p=.525).

4.6.2 FIRMS FACTORS - Industry Specifics

- **Hypothesis 5a:** ***Growth of firm is positively influenced by the fact that the size of the firm is bigger***
- **Hypothesis 5b:** ***Growth of firm is positively influenced by the fact age of the firm is older***
- **Hypothesis 5c:** ***Growth of firm is positively influenced by the sector of firm***
- **Hypothesis 5d:** ***Growth of firm is positively influenced by the location of firm***
- ***Hypothesis 5e: Growth of firm is positively influenced by the headcount increase***
-

According to the BSCK (2012) research shows that the average size of employment has constantly increased since start–up. In 2007 the average employment went up to 13.4 employees, while the same enterprises confirmed an increase, where the average found was around 15.5 employees in 2010. This shows that the headcount on average from the startup phase grew by 33 percent while comparing 2007 and 2010 it grew by 1.5 percent. While paralleling 2012 with the prior year 2011, the headcount increased by 1.7 percent.

Table 47: SME employment status in percentage

Description	% share of number of employees 2010	% share of number of employees 2011	% share of number of employees 2012
Full-time employees	92.2	93.3	72.3
Permanent part time employees	1.1	4	8.6
Seasonal employees – with contract	5.1	1.9	18.2
Seasonal employees without contract	1.7	0.8	0.9
Total	100	100	100

Source: BSCK SME Survey 2010, 2011 and 2012.

The same study shows that around 87.91 percent of enterprises are located in cities, 7.38 percent in rural areas while only 4.71 percent of businesses are located in rural and urban areas. SMEs pursue more growth opportunities and also other benefits of having their presence in cities, comprising a better supply with inputs, low transportation costs, etc. (BSCK.2012)

Table 47 presents more accurate information on the share of enterprises in the population and the sample by size and sector (in percentage).

Table 48 : Share of enterprises in the population and the sample by size and sector

Sector Size	Micro	Small	Medium	Total	% Share of sector in population	% Share of sector in the sample
Manufacturing	95.2	2.4	2.4	100.0	10.1	23.0
Services	97.0	1.7	1.3	100.0	40.0	35.0
Trade	98.7	0.8	0.6	100.0	50.0	42.0
% share of company size in the population	97.7	1.3	1.0	100.0	100.0	100.0
% share of company size in the sample	70.0	25.0	5.0	100.0		

Source: BSCK SME Survey 2010, 2011 and 2012.

BSCK (2012) report shows that SMEs in Kosovo operate in the sectors of trade (41 %) and services (22.4 %). The pattern observed by BSCK (2012) is that the number of companies in building construction and material construction (27 %) remains the foremost activity within the industry sector. Wood processing is correspondingly a dominant activity of manufacturing companies. In the trade sector, firms mainly operate like retail stores (33.2 percent), whereas in the services sector the most prevailing activities are transport, hotels, and tourism.

Increasing trend of registered enterprises in production and trademarks the beginning of a positive change in the structure of enterprises by sector in Kosovo

On the other hand, it leads the researcher to reject almost all her Firm Variables (H5a, H5b, and H4c, H4d, H4f) and accept the null hypotheses that there is not a positive relationship between growth and firm variables represented as ***age, sector, headcount and the location of the firm.*** P-values of the predictors in this relationship are as follows: Size of the firm (p= .104), Age of the firm (p=.948), Sector of the firm (p=.969), Location of the firm (p=.425), and Size of the firm (p= .104).

4.7. Conclusion

Numerous determinants of growth have been put forward by academics depending on the discipline of study.

An overabundance of empirical researches on firm growth have found indication connecting firm growth to firm characteristics such as size and age. We can conclude that a limited form of Gibrat's law stands – firm size has no consequence on firm growth. The additional placed explanatory variables for growth, these variables had an enhanced explanatory influence than firm size. Our research revealed that gender differences occur with respect to human capital itself, but also concerning the effect of human capital on entrepreneurial accomplishment. We found that gender differences are important in Kosovo.

Results derived from **Demographic** variables fully support hypotheses H1a, *the gender of the entrepreneur(s) positively and significantly predict profit, and H1b, age of entrepreneur positively and significantly predicts profit.* Results indicate that there is a significant positive relationship between age and profit (p = .026), same as the age of entrepreneur with a significance of (p= .028).

According on the firm specific resources, financial resources and human capital are the significant resources for business growth (Wiklund et al., 2009). Human capital represents knowledge, skills and experience.

In our analysis, results for derived from **Entrepreneurs** Variables on **General Human Capital** back up the approach of Wilkund that education has positive impact in business growth, since hypotheses H3a, *the education of the entrepreneur(s) positively and significantly predicts profit*. However, two other variables H *3b: growth is positively influenced by previous experience Before Strat-up and* H *3c: growth is positively influenced by highly trained entrepreneurs in managerial skills* do not show any positively significant effect. Significance level of variables Education, Previous Experience before the start up, and Previous Managerial Training are (p= .046), (p= .773), (p= .772).

The researcher to reject all his **Specific Human Capital** hypotheses *H4a: growth is positively influenced by previous experience in business field, H4b: growth is positively influenced by longer years of experience and H4c: growth is positively influenced by business training* and accept the null hypotheses, stating that there is not a positive relationship between growth and specific human capital represented as previous experience in a business field, longer years of experience business filed and

business training. P-values of the predictors in this relationship are as follows experience in business field (p= .104), Years of experience (p=.090), Business Training (p=.525).

On the other hand, it leads the researcher to reject almost all her Firm Variables (H5a, H5b, and H4c, H4d, H4f) and accept the null hypotheses that there is not a positive relationship between growth and firm variables represented as ***age, sector, headcount and the location of the firm.*** P-values of the predictors in this relationship are as follows: Size of the firm (p= .104), Age of the firm (p=.948), Sector of the firm (p=.969), Location of the firm (p=.425), and Size of the firm (p= .104).

This study has implications for entrepreneurs (owners) and investors alike. This would help entrepreneurs to make wise growth plans depending on the firm resources. Investors may also profit from this research in terms of performing well informed investment decisions. This study can assist and give allegations for regulators who can structure policies to assists firms endure in problematic market.

Chapter V

CASE STUDIES ON DETERMINATES OF SME GROWTH IN KOSOVO

5. A qualitative analysis

5.1 Introduction

This chapter brings together data analysis, interpretations of findings corresponding to the research questions from in-depth interviews, which were conducted by the researcher, and the main conclusions regarding these research questions. It shall elaborate in detail the qualitative data analysis commenced for this study. NVivo software was used to analyze the empirical data. The use of Nvivo 11 in data analysis shall also be underlined, as well as the design for semi-structured interviews for data collection. An in-depth discussion is also included in this part. Finally, the key conclusions from the data analysis are emphasized at the end of this chapter, where we present some observations on how our findings relate to the core body of knowledge and skills of Human Capital on SME.

5.2 Data Collection

The arranging time and place for the twenty participant interviews took approximately ten days. The location was decided and conducted at the convenience of the participant. Participants were sent the interview protocol via email and also communicated that the interview is recorded. Questions were translated into the local language of the interviewer and then back-translated into English. A short description of the study was also delivered via email, and an approximate length of estimated time the interview would take (thirty minutes up to one hour). Each interview was confirmed, and a reminder was sent one 1 hours before the meeting.

The response from the participants was collected face-to-face, semi-structured interviews and it was via these interviews that the researcher was capable to "understand [their] experiences and reconstruct events" (Rubin & Rubin, 2005, p. 3).). The interviews are conducted with the key people in each company, and the questionnaire covers critical features of entrepreneurship (human capital development) and barriers to doing business in Kosovo. The goal is to make sure that the respondent thoroughly understands the questions to offer correct replies.

Twenty leaders at small and medium companies in Kosovo were selected as participants for this research. We thought to interview 20 persons since as Kwortnik (2003) mentioned, the informant sample

for interpretive research should be relatively small and not random since this kind of method aims to get a deeper understanding of the interviewees' opinions and behavior. Also, edition of the Journal of Business Venturing, edited by Gartner and Birley (2002), and Neergaard's (2007) recommend a sample of 21 cases. The sample size was decided by vigorously carrying out the study and detecting the point at which theoretical saturation was grasped as described by Bryman (2008). According to Bryman (2008), theoretical saturation is distinct as being reached when further increasing the sample size does not expose solid new facts regarding existing categories or finding new ones. Even though the researcher was undoubtedly detecting substantial new details about existing categories performing the fourteenth interview when the researcher reached the sixteenth interview it is evident that significant new information was not being discovered. Therefore, the last two interviews were performed out solely to be sure that this conclusion was accurate.

They were chosen through Mixed Method of Sampling. The first system used was Snowball or Chain Sampling which identified cases of interest from persons who know persons who are familiar with what cases are information-rich. The researcher began by asking the Kosovo Chambers, "Who is acquainted with a lot regarding entrepreneurship, human capital, and human resources management?" The researcher asked for nominations until the nominations snowball. In the end, few main names were revealed repetitively.

Challenges with this kind of research may hold the inherent subjectivity of the interviewer. Therefore, sensitivity should be taken into consideration when directing these categories of research to guarantee any potential conflicts of interest do not endanger the reliability of its outcomes.

Therefore, in doing so, also purposeful sampling was utilized. Explicit to this study, convenience and criterion sampling approaches were applied. The condition for the twenty selected participants in this research required that:

a) All participants have managerial positions or above at their present company,
b) Each participant is expected to have a minimum of one direct report,
d) The size of the firm in which they operate employees not more than 250 employees.

Except for fundamental question on firm's characteristics and attaining reasons on why the interviewers decided to become an entrepreneur (which raises gender issues as well). The interviews pursued to explore what entrepreneurs, owners, or managers alleged to be the acute success of human capital factors for their companies at present and in the future environment in which their businesses must operate. What impact (if any) the education and training had in their companies is part of the research as well. The research design assumes that environmental inclinations have effects on company proficiencies and human capital issues.

The Human Resource function has to play a fundamental role in countering these environmental matters by assisting the building of proper organizational capabilities, and by carrying out practical solutions to the conforming employee matters. Thus the interviewers had nine fundamental questions:

5.3 Research Questions

Before the interview, a preliminary draft of the interview protocol questions was prepared. After reviewing the phraseology and editing the questions, the researcher also made modifications to the order of the questions, with the aim of apprehending comparable data from each participant in the most natural conversational stream possible. The more important questions in the interview will be open-ended rather than close-ended questions.

Figure 9 References the thirteen interview protocol questions (also in Appendix A).

(if owner) Were you pushed or pulled to become an entrepreneur, and why?

What are your firm characteristics? (Size, Industry)

What are your entrepreneur's characteristics?
Please describe your current role within your organization.

b. How long have you been at the company?
c. How long have you been in your present position?
d. How many other positions have you had outside of this company?

Considering your experience, do you think that previous and present work experience has affected the quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities, etc.

Would you recruit a person with high educational level or you would prefer more an individual who has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they perceived the situation to be the way they were expressing it.

Did you or any of your employees have any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current employer

What are the three most important issues in the external environment that shall have the top impact on your firm, next 3-5 years?

Interviewer documented the discussion of the interviews by taking notes during the meeting, as well as recorded. The data were summarized into a customary interview content sheet.

The demographics of participants included in the interview sessions and the qualitative data analysis conducted with the aid of NVivo 10 (Edhlund and McDougall, 2013) will be discussed in details.

5.4. Method and Content analysis

Phan (2004) has argued that there is a need to develop greater diversity in the range of methods used to understand entrepreneurship better.

The method of interpretivism involves the asking of questions, studying small samples, words, and numbers, triangulation, and theory generation (Thorpe, 2011). It relies on an ontological understanding of the world that there are many truths, rather than a single truth and that these truths are constructed by social actors (Thorpe, 2011).

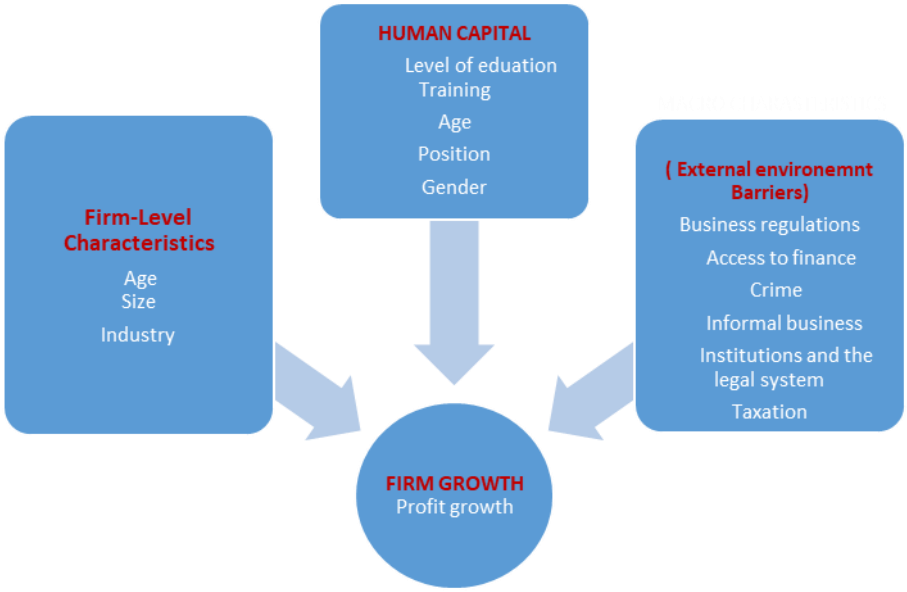
Creswell (2007) provides criteria's for measuring the quality of qualitative research and offers characteristics that embrace: concentrating on the participants and conducting research in a natural setting; rigorous fact gathering procedures with adequate reviews; letting data to emerge and develop the design; and guaranteeing a complete understanding is kept during the course of the study (p. 212).

Braun and Clarke (2006) sketch a detailed methodology for the thematic study. They propose that thematic analysis comprises numerous decisions which must be engaged in different phases of the research progression. Mainly for a study with a relatively small qualitative sample, the more times a theme is reported does not certainly make it more significant than a smaller amount of recurrent themes. The 'keyness' of a theme is dependent on its significance in responding to the research question rather than simple quantifiable indicators (Braun and Clark, 2006).

On the other hand, Ryan and Bernard (2003) argue that one method of identifying themes involves observing for such features in the document as "repetitions: themes that reappear over and over again." The guidance of Smith and Osborn (2003) was performed in the analysis. This method of analysis "attempts to explore individual experience and also looks at an individual's personal opinion (Smith and Osborn, 2003). Smith and Osborn's (2003) recommendation provided reliable means to analyze the interview data and allowed participants observations to apprise the themes and sub-themes used in this research solidly.

Since the purpose of our study is not only to count and describe but to explore and emphasize, the selection of interview informants is driven by the research objectives rather than the principle of a randomly selected sample. It was thought therefore not necessary for the sample to be randomly selected since we were interested in particular people whom we believe have the knowledge and experience to answer our questions.

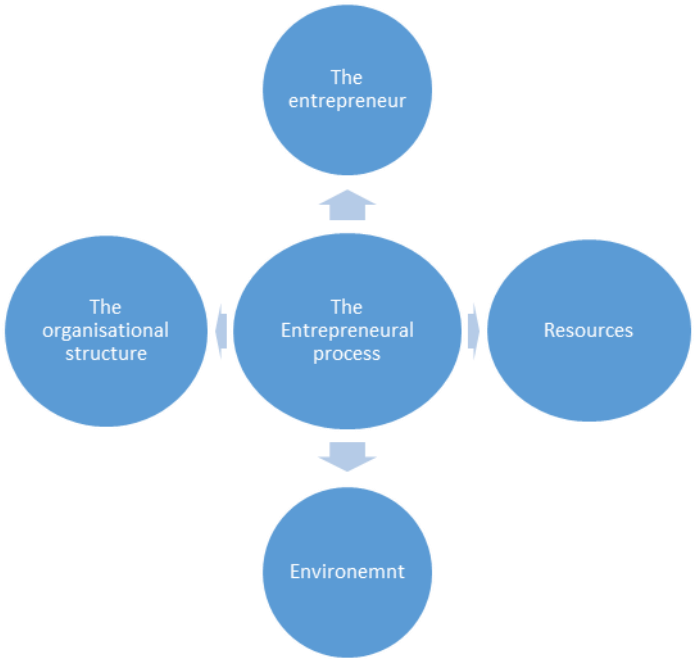
Figure 10: Human Capital and its Characteristics



Source: Author's Illustration

Therefore, from the illustration above it can be perceived that entrepreneurship is the outcome of several interactions amongst some variables: the entrepreneur, the resources, the environment, and the venture concept. For a reason, Morris et al. (2001) proposed an integrative framework. At the focus of an integrative context is the process of entrepreneurship. It is largely recognized amongst academics that entrepreneurship involves a process, and explicitly, the process is generating value by composing a unique package of resources to search for an opportunity (Stevenson.1992).

Figure 11: Integrative framework



Source: Author's Illustration

Content analysis is a method of analysis that can be done deductively or inductively, based on the purpose of the research.

In this analysis, the categories for coding are derived from the data itself. The process begins with organizing the qualitative data, which involves open coding, creating categories and abstraction (Elo and Kyngas, 2008; Vaismoradi et al., 2013). The stages involved in an inductive content analysis conducted in this research are as follows:

- Coding –Analysis is done through NVIVO with Auto coding.
- Categorization – Categories are grouped under higher order headings The aim is to reduce the number of categories by removing the categories which are similar and grouping them for further analysis. This stage of analysis is done electronically, with the aid of Nvivo 11 software.

This method produces the most concise categories for the data used in describing the findings of this study.

5.1.1 Application on NVIVO 10 in data analysis

To simplify and organize the qualitative data analysis, Nvivo 10 software is used to code the data from the interview transcripts into the nodes in the software with the process of content analysis. The following Figure 18 portrays the screenshot of the use of Nvivo 10 for content analysis in this research.

Figure 12: Portrays the screenshot

Figure 13: Nodes compared by coding of number references

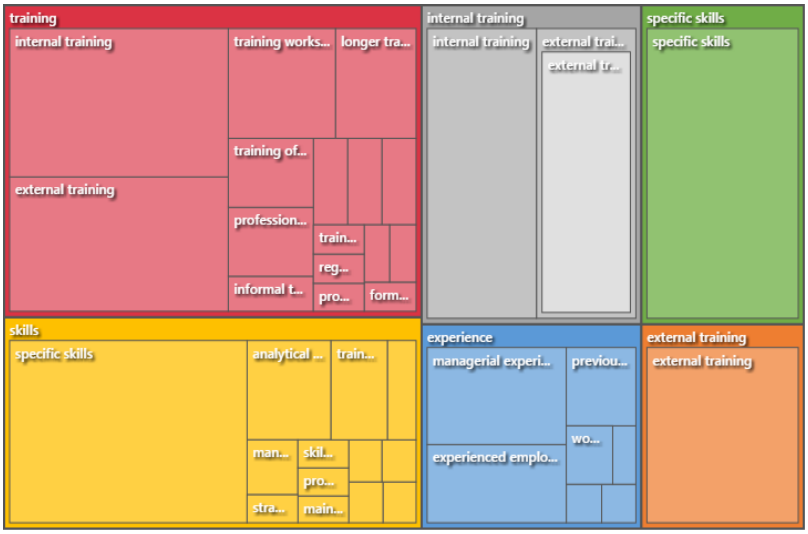


Figure 14: Nodes compared by coding of number references for training only

Figure 15: Nodes compared by coding of number references for specific skills only

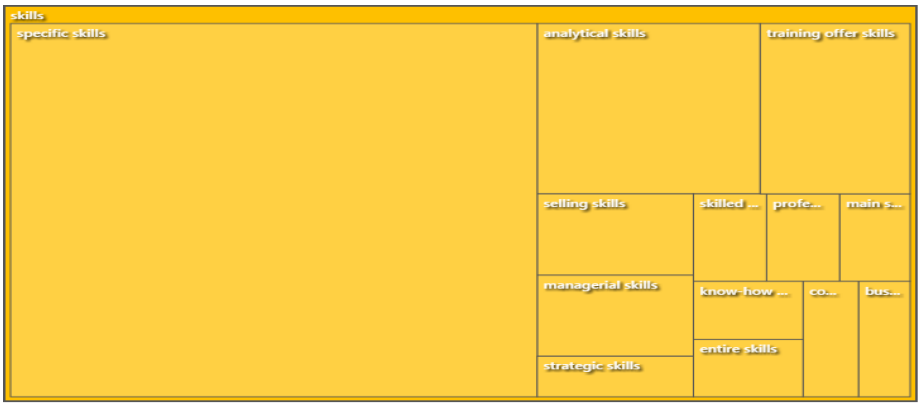
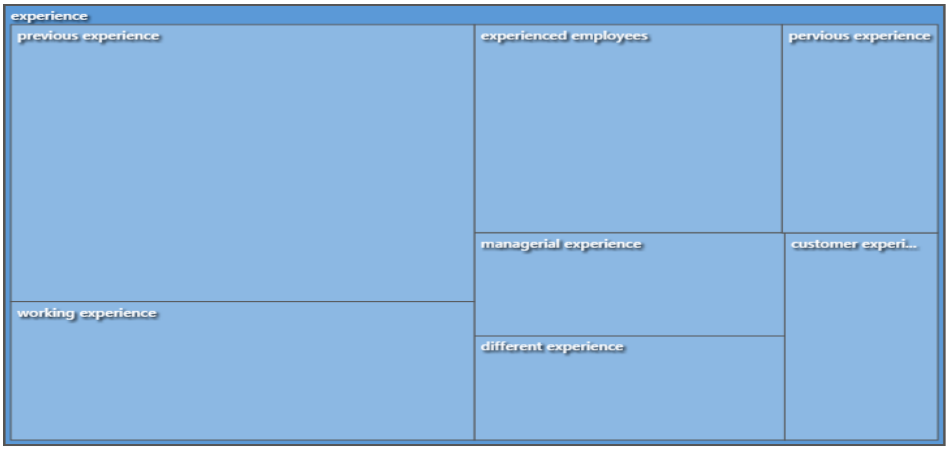


Figure 16: Nodes compared by coding of number references for previous experience only



Q.1. Were you pushed or pulled to become an entrepreneur, and why?

The first question is to assess whether entrepreneurs choose to become self-employed for "pull" or "push" drives, with attentiveness to differences between genders. Also, the interviewer was then enquired to give the reason why s/he had the certain opinion. Numerous academics raised questions why women leave the traditional employment market to enter the area of entrepreneurship, with emphasis on differences between men and women, and bring conclusions for additional theoretical work (Ghosh & Cheruvalah, 2007; Christopher Dawson 2012). Tendencies in female self-employment seem to relate more to socio-economic issues, such as the divorce rate.

Studies find that "pull" motives dominate the entrepreneurs, both genders (Segal.2005). Overall, providing feedback on the research, summed up answers of the content are as follow:

*Of course, I was **pushed**. After I finished my high, I saw it as an opportunity for my income to raise my kids*

*I was **pushed**, as I also work in …. assisting me to have a higher income.*

*I was **pushed**… as after the war I was the only person working in my family*

****

*I was **pulled**. … I saw this idea as a good opportunity to grow and earn more,*

*I was **pulled** at that time, as it as it was my dream to work*

*I was **pulled**. Maybe it was a new industry*

*could say that I was **pulled** to get into this I was pulled to get into this industry because I love Marketing, I love creating*

*and invent left myself being **pulled** by the temptation to become*

*I trust I was more **pulled** then pushed*

*I have **pulled** It was obstinacy. I thought if other could have done it I could do it as well*

I've noticed that I'm good at this professional and I like it very much. Therefore, I trust that I was pulled.

I was pulled. I like change

****

Actually, both apply. … freedom to create and invent left myself being pulled by the temptation to become free, meaning an entrepreneur. … This pushed me into entrepreneurship before I was ready to opt out of my comfort zone

I can't define, since I'm working in private business for 28 years now. I

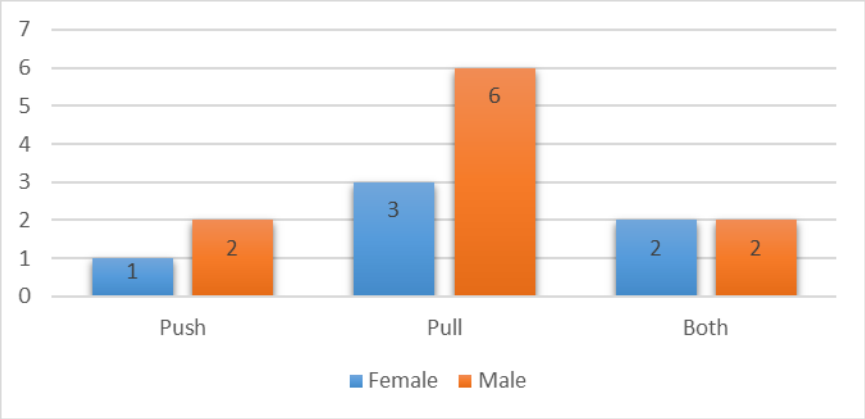
*I was pushed and **pulled** at the same time. I wanted to practice this profession … is bringing main income in my family.*

Both. Opening my own business was a good financial opportunity, however, on the other hand, it was a dream

Table 49: Push and Pull motives dominate the entrepreneurs

	A : pull	B : Push	C : Push & Pull
1 : Respondent 4	0	1	0
2 : Respondent 3	0	1	0
3 : Respondent 2	0	0	1
4 : Respondent 14	1	0	0
5 : Respondent 10	1	0	0
6 : Respondent 1	0	0	1
7 : Respondent 9	0	1	0
8 : Respondent 8	1	0	0
9 : Respondent 7	1	0	0
10 : Respondent 6	1	0	0
11 : Respondent 5	1	0	0
12 : Respondent 16	1	0	0
13 : Respondent 15	0	1	0
14 : Respondent 13	1	0	0
15 : Respondent 12	1	0	0
16 : Respondent 11	0	0	1

Figure 17: Gender difference of Push & Pull Effect

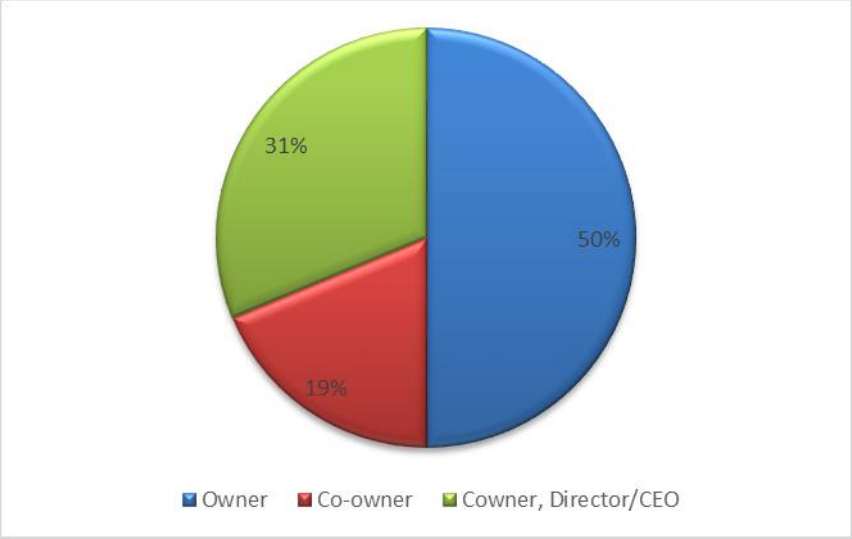


As human capital is generated by the knowledge shared among employees and it is linked to the firm's experiences (Von Krogh.1994), we study its relation through following questions

Q2. Are you the only owner of the company, and how do you perceive the idea of having a co-founder?

A crucial decision for interview entrepreneurs was whether to launch the new company alone or with a co-founder. Eight interviewers had a co-founder who had together built their company. In five cases both cofounders undertook executive roles in running the business, whereas three of them simply being a nonexecutive director, as shown in Figure 19

Figure 18: Having a Co-founder



What are your entrepreneurs and firm characteristics?

The question of this research aimed to start the discussion around the issue of general view of the entrepreneur's characteristics as well as firm's characteristic's. The interviewee was encouraged to classify factors through questions such as

Q3. How long have you been in your current role? Q4. How many other positions have you had outside of this company?); Q5. What is your educational background? Q6. How old are you?

Q7. How many employees do you have? Q8. What is the number of female workers within your company? Q9. Industry/sector of the company? Q10. When did you open your company?

The factors were chosen after an extensive study of relevant articles and literature which were discussing the size, age, and sector of business and impact of these factors, and analyzed at the researcher's theoretical background.

Answers derived from the above questions show the following pattern in Table 49 & 50 and Figure 20

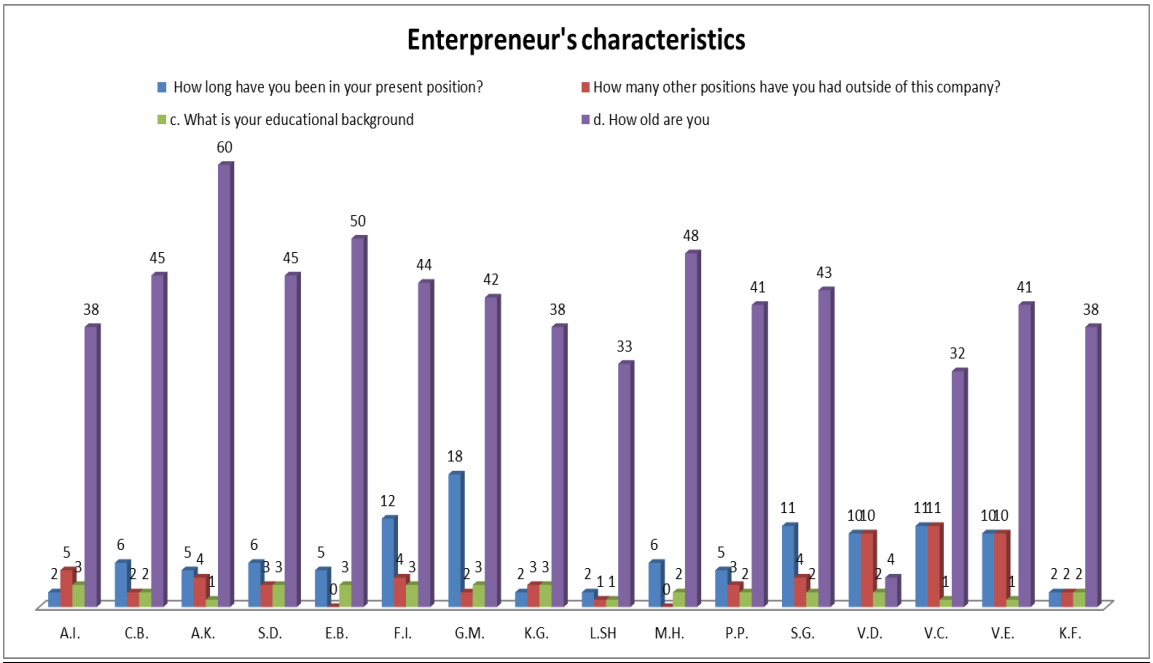
Table 50: Entrepreneur Characteristics and impact of these factors

	Arta	A.I.	C.B	A.K.	S.D	E.B.	F.I.	G.M.	K.G.	L.SH.	M.H.	P.P.	S.G.	V.D.	V.C.	V.E.	K.F.
Enterpreneur's characteristics																	
Position	What is your present position within the company	Co-owner, Director	Owner	Co-owner	Owner	Co-owner, Director	Owner	Owner	Co-owner, CEO	Owner	Owner	Co-owner, CEO	Co-owner	Co-owner	Owner	Owner	CEO
Gender		male	male	male	male	male	male	male	male	female	female	female	male	male	female	female	male
	How long have you been in your present position?	2	6	5	6	5	12	18	2	2	6	5	11	10	11	10	2
	How many other positions have you had outside of this company?	5	2	4	3	0	4	2	3	1	0	3	4	10	11	10 years	2
	What is your educational background	MBA	BA	High School	Master	MBA	MBA	MBA	MBA	High School	BA	BA	BA	BA	High school	High school	BA
	How old are you	38	45	60	45	50	44	42	38	33	48	41	43	4	32	41	38

Table 51: Firms Characteristics and impact of these factors

	Arta	A.I.	C.B	A.K.	S.D	E.B.	F.I.	G.M.	K.G.	L.SH.	M.H.	P.P.	S.G.	V.D.	V.C.	V.E.	K.F.
Firm's characteristics																	
	a. What is the size?	18	3	up to 250	1	180	12	42	22	2	9	130	14	52	9	4	19
	b. How many female workers do you have?	18	2	3	1	1 female	8	13	19	2	8	2	0	15	6	4	5
	c. What is the industry / sector?	Service (travel and industry)	Service (real estate)	Trade & Construction	Service (translation company)	Construction company	Service (Advert, event management)	Service (Marketing)	Service (retail)	Service (hairdresser)	Production (design)	Production and Service	Service sector (restaurant)	Service(business, financial and management	Service(make up artist)	Service and Production (cake production and restaurant)	Educational services – (private educational
	d. What is the age?	2015	2011	21 years	2001	2001	2005	1999	37	2015	2011	2011	2006	7	2006	10	2015

Figure 19: Entrepreneurs characteristics



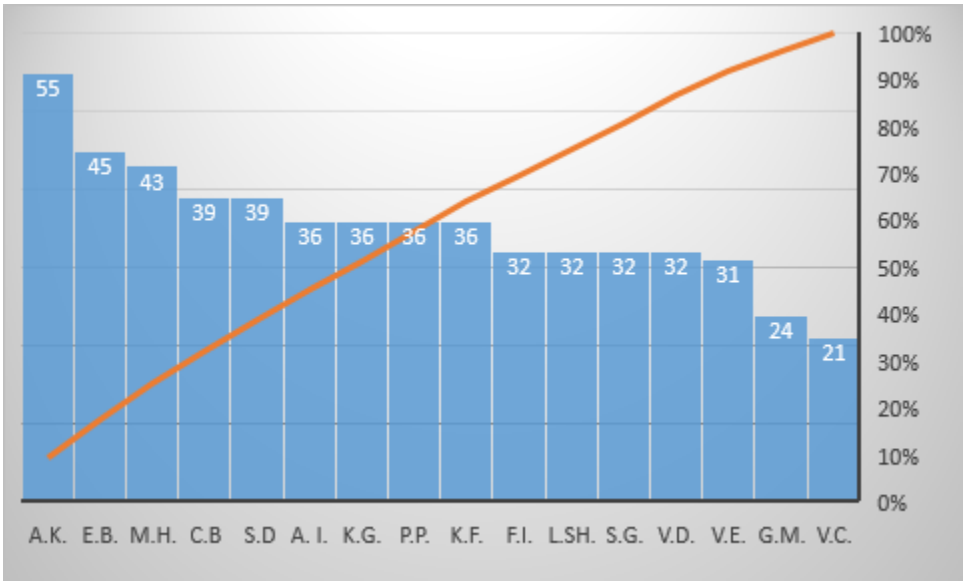
Note: High schools are ranked with 1 (one), BA with 2 (two), and MBA/Master degree with 3 (three)

The figure 20 shows that the oldest interviewer was 60 years old with high school and five years' experience in this position, whereas the youngest entrepreneur is 32 years old with BA degree and 11 years' experience in his present position.

Lewis (2009) defines a young entrepreneur as somebody opening a business below 30 years old. Lewis and Massey (2003) argument is that "the term ‘young' is used to refer generally to persons under age 30. Reynolds (2004) believes that persons in their late 30s and early 40s are more effective in building a new company than those in their late 20s and early 30s". However, the World Economic Forum (2009) report on educating young entrepreneurs describes young entrepreneurship for up to 22 years, most likely because of formal education attention of the report. Kourilsky and Walstad (2007) have studied the aims of American high school students to turn into entrepreneurs, resulting in that 65% of participants desired to start their own business. 72% percent of male students sought to start their business opposite to 58% of female students in the analysis.

As seen in figure 21 most of the entrepreneurs started entrepreneur’s business after they turned 30, only two of them started at an earlier stage.

Figure 20: Age of entrepreneur when starting a business



Formal education is seen as a significant source of developing general human capital, and as developing some relevant personal attributes (e.g., self-discipline, motivation) (Becker, 1975; Cooper et al., 1994). Also, concerning the highest qualification level of respondents which is master's degree, it can be predicted that most of the respondents will be 38 years of age and above, having completed their tertiary education. The main age group in the sample is the 45 to 60 years old, which would have been working for a firm 2 to 6 years in their company. The details of the respondent's age can be seen in the following

Figure 21: Respondents Age Distribution

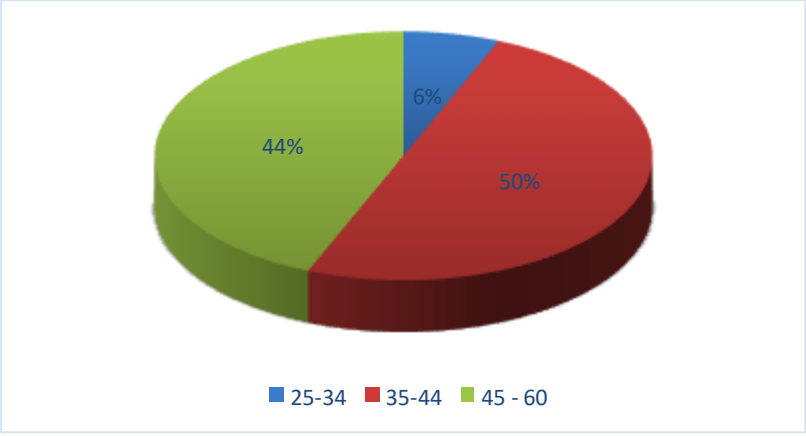
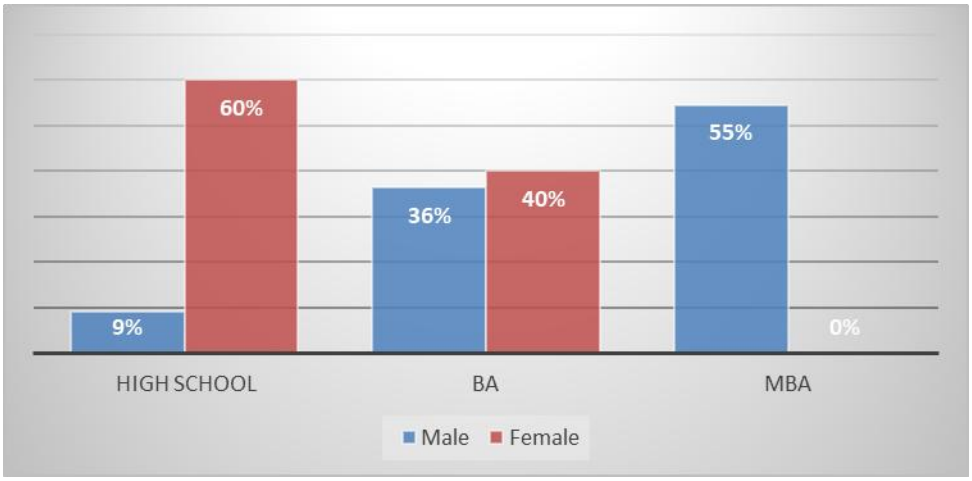


Table 51 & and figure 22 show present situation of the educational background of interview entrepreneurs, benchmarked between genders.

Table 52: Educational background of interview benchmarked between genders

	High School	BA	MBA
Male	1	4	5
Female	3	2	0

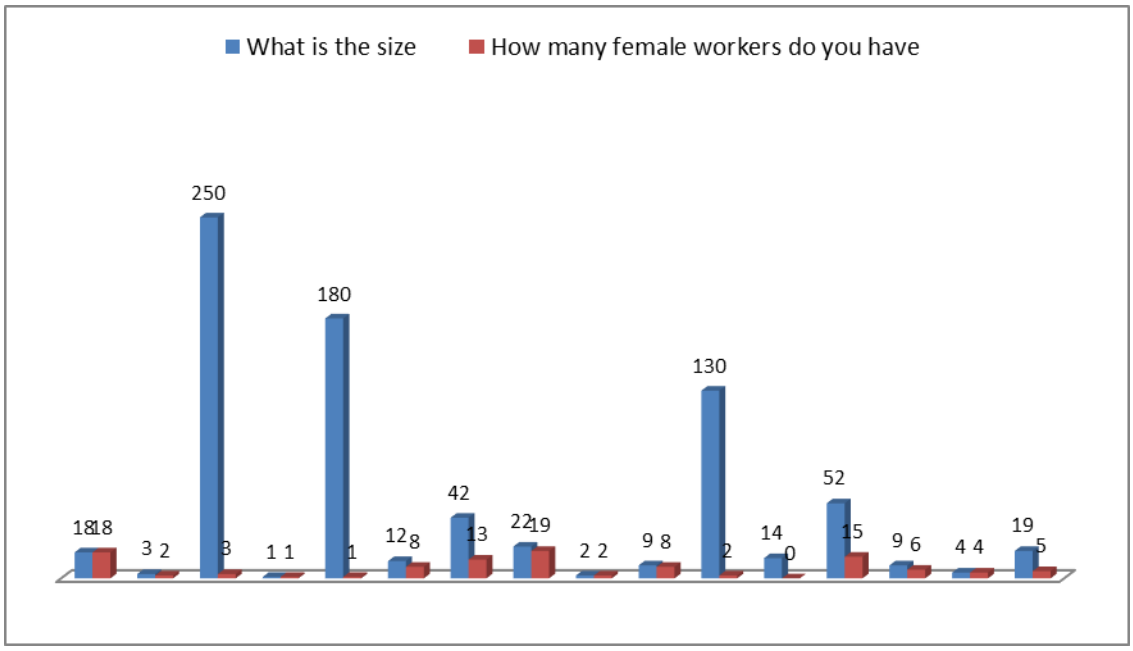
Figure 22: Gender vs. Education



These to figures indicate that most of the female interviewed enterprises have high school background. However, the percentage of interviewers with BA degree is almost the same between 2 genders. The highest percentage of MBA holders are male entrepreneurs.

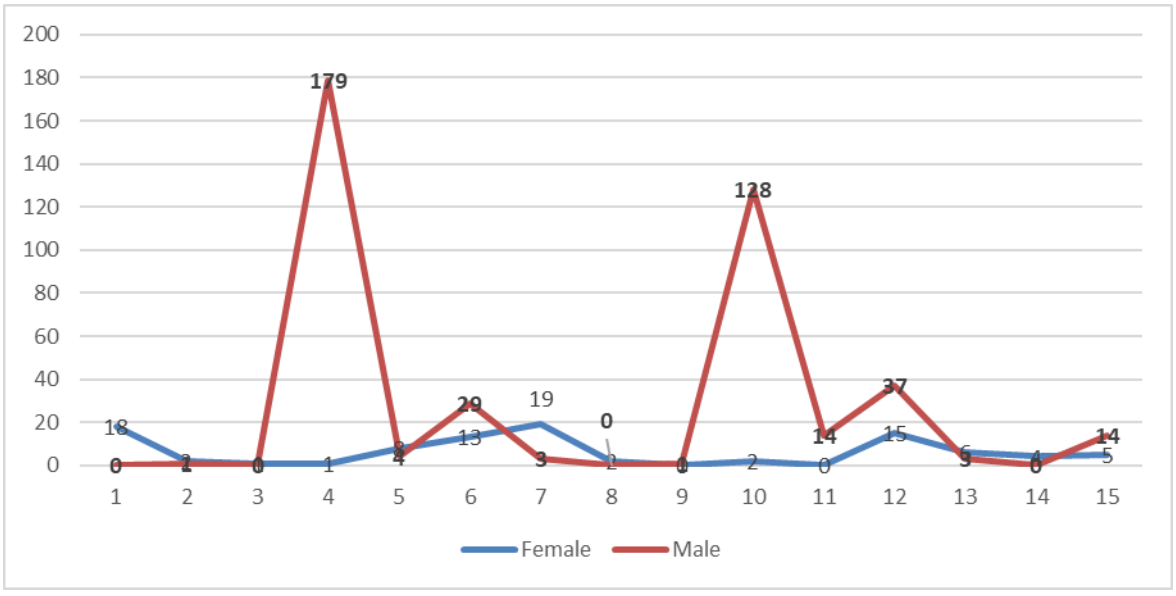
On the question what is the size and how many female workers do you have in the company, as well as what is the industry/sector of operation the analysis shows the following information

Figure 23: Firms Characteristics



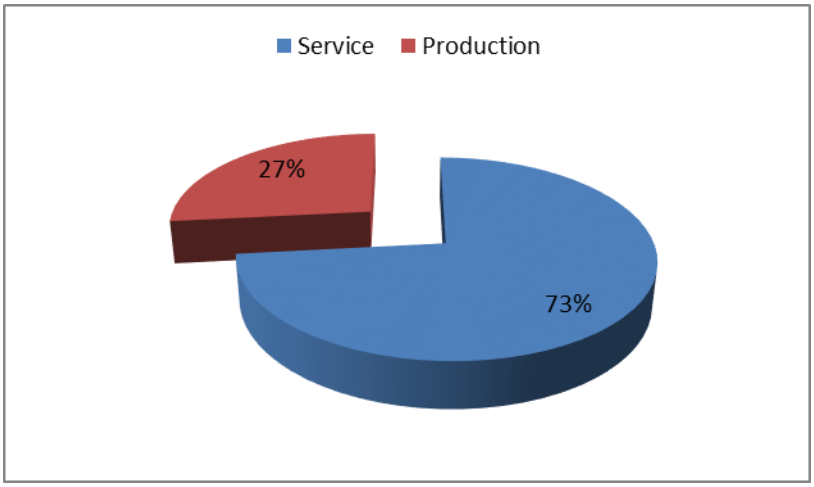
Therefore, the gender difference in these companies is as follow

Figure 24: Gender difference



The graph above shows that there is quite a small number of female employees employed, and the biggest company has 250 employees whereas the smallest one has employee's one person.

Figure 25 :Sector share (in percentage)



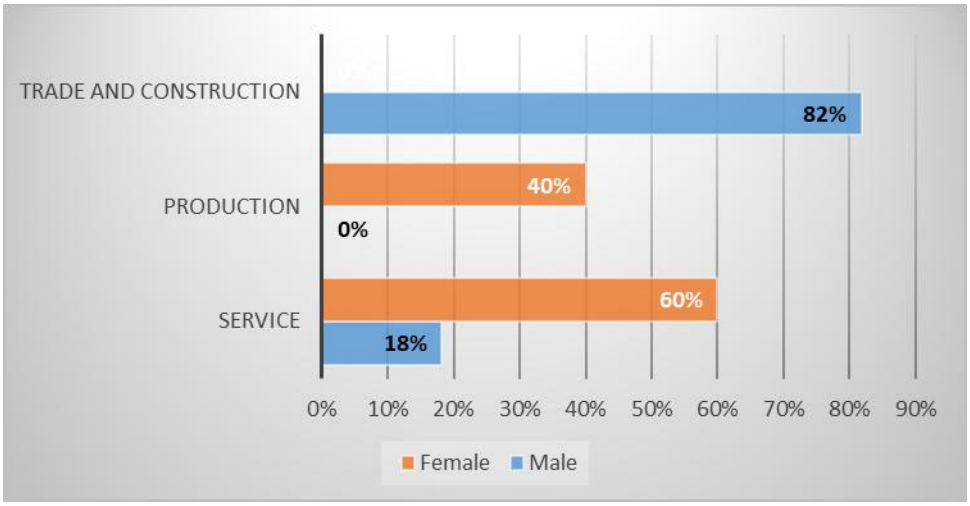
As shown in the Figure 26, 73% of companies are in the service sector. The decision for interviewing more service companies is because the survey performed by BSCK, which is already used in this research, has more production then service companies.

Also, analysis of sector and gender is performed which shows female entrepreneurs are more concentrated in the service industry, and then production. Whereas construction it's not their area of interest.

Table 53: Sector and gender

	Male	Female
Service	18%	60%
Production	0%	40%
Trade and Construction	82%	0%

Figure 26: Gender vs. Industry Sector



Q.11. Considering your experience, do you think that previous work experience has affected the quality of firm's performance?

Storey (1994) and Sengupta (1998) raised questions about the importance of skilled managers and workers in the growth process. On the other hand, a current study by Ganotakis and Love (2013) use survey responses of UK firms to explore how the characteristics and experience of the business founding team affect the export orientation and subsequent company growth they established. Other authors similarly argue that much of the variation in firm growth can be attributed to non-observable attributes, such as human capital. Also, the recently similar question on the impact of experience towards company form was raised in the book by Ordóñez & Tennyson D Robert (2014).

However, a significant portion of the unexplored mechanisms of firm growth shall be found through a more in-depth analysis throughout the interview. The third and fourth question is used to discuss the role of the entrepreneur, its experience and explore whether interviewers believe that work experience has affected the quality of firm's performance, in particular, segment or in general.

Figure 27: Impact of previous work experience

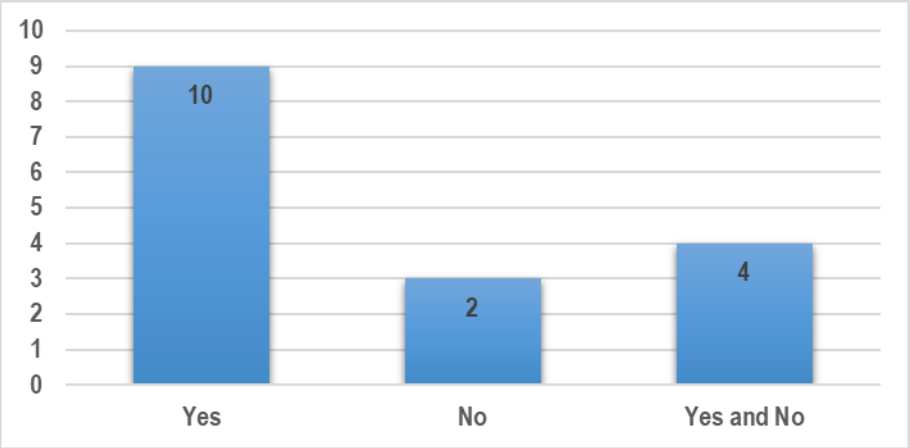


Figure 28 shows that exactly 56% % believe that is very helpful, 25 % were having doubts (yes and no), whereas only 19 % stated that is did not help.

Question 13 gave the interviewers an opportunity to give their opinion if previous work experience has affected the quality of firm's performance, where a respondent had commented the following

Yes very much. My ***previous experience*** *gave me the confidence that …*

Absolutely. My ***previous experience*** *in the UK was continuous…*

service is due to the ***previous experience****….*

Yes, even though I do not work on a similar system as I did previously. Specific skills are not useful at what I'm doing right now however by having the previous managerial experience I can see the big picture….

Totally. My ***previous experience*** *gave affected my….*

since skilled learned from my ***previous experience*** *as a hairdresser has enabled me….*

I do not think that the ***previous experience*** *gained has affected the quality ….*

I cannot say that my ***previous experience*** *affected the quality of my …*

Q12: Would you recruit a person with high Educational level or you would prefer more an individual who has Experience and Training in specific skills, and why?

Education is perceived as a crucial part of the human capital theory (Mincer 1974; Becker, 1975). The human capital theory proposes that education gives a formal knowledge, and problem-solving capabilities (Cooper et al., 1994). Higher education levels are linked with higher ranks of earnings (Becker, 1993). Researchers of human capital have found that higher levels of education are connected with higher levels of business growth. Gimeno (1997) stated that "entrepreneurs with higher education… have significantly higher performance than those with medium levels of education (high school graduates or some college. They stress, however, that while higher levels of formal education can be a valuable addition to human capital, increasing the chances of higher performance, some entrepreneurs without even a high school diploma can achieve high levels of performance. What's more important, qualifications or experience question lately was also raised by Adams in 2014.

Therefore, the question aimed to make the interviewees evaluate the discussed strategies according to their importance as this is perceived. We wanted to gain insight into what they perceive as the more demanding purpose of these questions was to make the interviewee explain what characteristics make it distinguished. Moreover, we aimed to record their opinion about other two-factor 'Education and Training in specific skills.' The interviewees were asked again the reason why they perceived the situation to be the way they were expressing it, and why they have chosen a specific stand, and the outcome of the analysis suggests that an Education is more important to entrepreneurs when hiring new employee then specific skills.

The interviewers are also asked if they would recruit a person with high Educational level, or you would prefer more an individual who has Experience and Training in specific skills, and why, and the outcome is shown in the figure 53 derived from Nvivo 11 analysis.

Eight out of sixteen participants believe Education is in the first place, whereas 4 of them are undecided, and they trust that both have the same.

…. I trust that employees with educational **background have proper culture, better**

design in my case). Therefore, educational background is my **priority**

the other hand the proper education **prepares managers for their analytical and strategic skills.**

Education **shortens time and efforts** for

*...I trust that education **is essential.** Therefore, as ...*

*....that high working experience and education **could give the best combination…***

… would hire employees **with higher** education as I trust that they

….Education for sure comes in the **first place…**

*...Education is in the first place. Of course, specific skills are **preferable** yet I...*

…only if they have proper Education. Our approach is that we

However, some entrepreneurs trust that Kosovo educational system is not a proper one and that they prefer to hire students who graduated abroad. This is reflected the comments made by respondents C.B,' **…** *Unfortunately, Kosovo educational system is very poor, yet I trust they still learn things. I'd rather have educated employees, and then I can offer them needed skills while working for my company"***,** respondent E.B … "… *I trust that our educational system in Kosove is very poor, and maybe this is the reason why I try to hire employees with specific skills, which they learn or have learned previously through experience*, and respondent F.I. …*I never hesitate to hire employees with degrees and, preferably, experience obtained in the western countries….So, experienced and educated abroad, as well as non-experienced, very young and willing, are the two groups of people I look to hire most.'*

Whereas, four remaining participants believe that specific skills gained through either experience or training are more important than education

***… try to hire employees** with specific skills, which they learn or…*

***….I need employees on**ly with specific skills, even though ….*

***…. prefer to recruit someone with** specific **professional skills due** to the ….*

***…. would rather hire employees** with specific skills ...*

Table 54: Preference of employment vs. educational background

A. I.	C.B	A.K.	S.D	E.B.	F.I.	G.M.	K.G.	L.SH.	M.H.	P.P.	S.G.	V.D.	V.C.	V.E.	K.F.
service	education	service	education	education	education	education	undecided	undecided	education	undecided	undecided	education	undecided	undecided	education
MBA	BA	High School	Master	MBA	MBA	MBA	MBA	High School	BA	BA	BA	BA	High school	High school	BA
18	3	up to 250	1	180	12	42	22	2	9	130	14	52	9	4	19
Service (travel and industry)	Service (real estate)	Trade & Construction	Service (translation company)	Construction company	Service (Marketing)	Service (Marketing)	Service (retail)	Service (hairdresser)	Production (design)	Production and Service	Service sector (restaurant)	Service(business, financial and	Service(makeup artist)	Service and Production (cake production	Educational services – (private educational

Table 53 shows that entrepreneurs who possessed either BA or MBA degree preferred employees with educational background. Those with the high school were either undecided or preferred employee with specific skills. In general, businesses such as makeup, hairdresser, cake production, construction, and retail were not very interested in having employees with general skills.

Q.13. Did you or any of your employees have any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both)

Research on informal learning in the workplace has been hampered by a lack of adequate data on informal learning from Kosovo Statistics Office. Therefore, the researchers want thus to gain understanding into what they offer to their employees and how useful these trainings are seen for the business. It is worth mentioning that due to Kosovo official data limitations, and because this study dies to refer to a particular firm, sector, it calls into question the generalizability of the research outcomes in other institutional settings.

The general tone of comments about training (formal and non-formal) practices was very positive, for example:

We offer only internal training. I try to always recruit employees with previous experience in this filed, yet informal training is offered employees, whenever they start working for my company.

A lot, we do internal training a lot for my new incomers

External training can be held only abroad

). Usually, we offer internal training to our employee, it is

External training can be held only abroad

with experience abroad often organize training workshops for less experienced employees

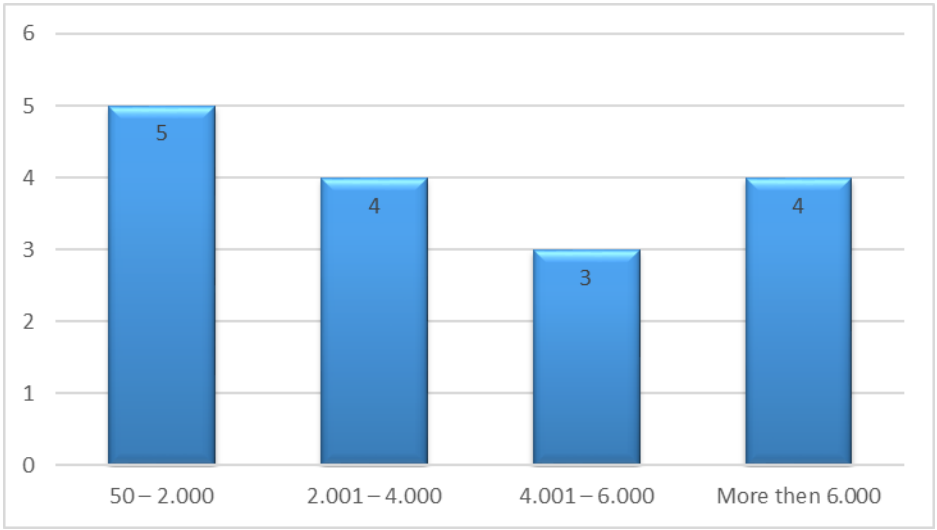
Also, should an affordable training opportunity arise abroad, we never

offer mostly internal (non-formal) training which is seen very helpful

We have internal and external training. Last January we had a master chef from Paris, who trained dour employees with specific skills. Internal training I see it more helpful since we can have longer training, through internal training we have

Q.14. What are the companies training annual expenditures?

Figure 28: Annual training expenditures



As seen in the graph 31% of entrepreneurs reported their annual training expenditures from 0 up to 2.000 Euros, 25% reported from 2.001 up to 4.000 Euros, 19% reported expenditures from 4.001 up to 6.000, and the remaining 25% reported training above 6.000 Euros.

Q.15. Does training have a relationship to employee's motivation and self-efficacy?

Bandura (1977) sees the role of self-efficacy as "people's level of motivation, affective states, and actions are grounded more on what they trust than on what is objectively factual."
Albert Bandura's published social cognitive theory in the year 1986 which focuses mainly on the concept of self-efficacy, which is described as a function of self-beliefs with which individuals can accomplish a task (Bandura, 1986), thus it can be said that high determination that is linked with self-efficacy will undeniably lead to better performance and productivity.

The goal of the research by Tai (2006) acknowledged the impact of training framing on the motivation and self-efficacy of employees. The results indicate that managers training was found to influence employee self-efficacy and motivation, also eventually affected their knowledge. Contextual determinants including post-training accountability and organizational climate are seen as a limitation since the author did not take this into account.

Figure 29: Training impact on employee motivation and self-efficacy tree map

Figure 30: Training impact on employee motivation and self-efficacy percentage

As shown in the Figure 31 out of 16 responders believe that training has an impact on self-efficacy and motivation, 3 of the entrepreneurs oppose this approach, whereas 1 of them believes that training has only an impact on self-efficacy. The answers, in general, are as follow

Yes of course … a great deal of indication that training has importance

Productively execute the difficult tasks.

If you mean like attitude, then yes

… greatest employee motivators

… employees comprehend how their job fits into their company's objectives …more motivated and enthusiastic about their job as they know that their work matters and has an impact on the success

… feel appreciated are far more motivated and consequently more creative than those who don't.

… plays a significant role …

Yes, since they feel more important … work better…

Investing in employees is the best motivation

Yes, definitely … External training offer skills and gives you refreshment and self-efficacy … you get away from the daily routine

Maybe not in motivation but they show better results at work

... if the request for training comes from the staff, then it is motivating for them, while in other cases it is not distinguished as a big motivator. However, it shows results in self-efficacy

Money is the main drive for motivation, yet training has a little or short-term impact

Yes, yet monetary benefits give more motivation

Q16. Skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current employer?

This question is raised by numerous authors, as shown throughout the literature review on this research. The table below (Table 54) taken from the analysis of NVIVO 11 shows the following:

Table 55: Transferred Skills

	A : cannot be transferred	B : not all can be transferred	C : transfer
1 : Respondent 4	0	0	1
2 : Respondent 3	1	0	0
3 : Respondent 2	0	0	1
4 : Respondent 14	0	0	1
5 : Respondent 10	0	1	0
6 : Respondent 1	0	1	0
7 : Respondent 9	0	0	1
8 : Respondent 8	0	0	2
9 : Respondent 7	0	0	1
10 : Respondent 6	0	0	1
11 : Respondent 5	0	1	0
12 : Respondent 16	0	1	0
13 : Respondent 15	0	0	1
14 : Respondent 13	0	0	1
15 : Respondent 12	0	0	1
16 : Respondent 11	0	0	1

However, this question shall stimulate the interviewee to express his/her opinion about the skills he/she possesses, and understand if the company more about Specific Human Capital skills and the possibility to transfer skills to another company. Answers, in general, were sending us in the direction towards the

idea that only general skills such as communication and managerial skills can be transferred others skills is a challenge

We work in a tough business environment. The general knowledge can be passed on to newcomers, but teaching the strategic thinking is a bit of a challenge.

On the other hand, some entrepreneurs believe that their experience is transferable

I believe that the experience I have gained both in the UK, Albania, and Kosovo gave me a very good insight in the creative industry, and the clients, that would greatly benefit any potential employer of the same industry.

Everything that is connected with my profession can be transferred to another company. I had employees who left that company, after a couple of years, and are using their experience and skills used in my company to use it in their own business.

Q17. What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

This question is also raised by BSCK research. Nevertheless, the author wishes to get fresh insights from interviews. The questions aim to bring the discussion around the external and internal barrier that these firms face, and they might face, so that the researcher may arise possible proposal changes in present governmental policies of Kosove.

According to figures 32 and 33, the biggest issues seen as an obstacle in the future are unfair competition. However, Kosovo laws and regulations, high taxes and Corruption is also seen as a problem in the future. Amongst other issues, Technology change and not proper education is seen a possible external environmental impact within 3-5 years.

Figure 31: Tree map of the external environment issues impacting firm in the future

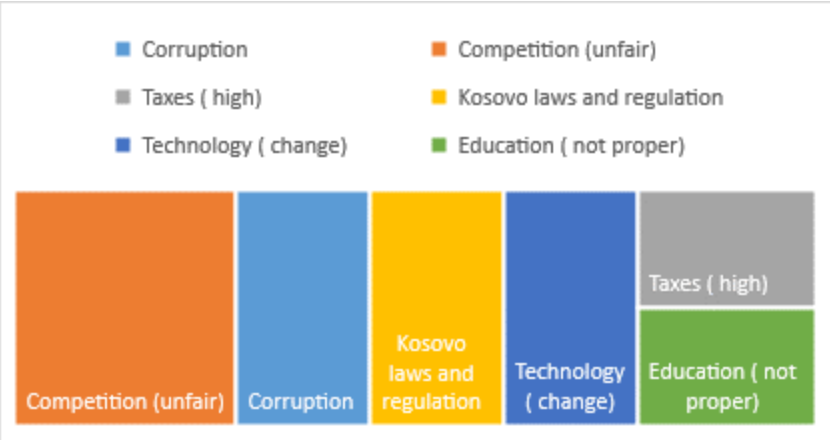
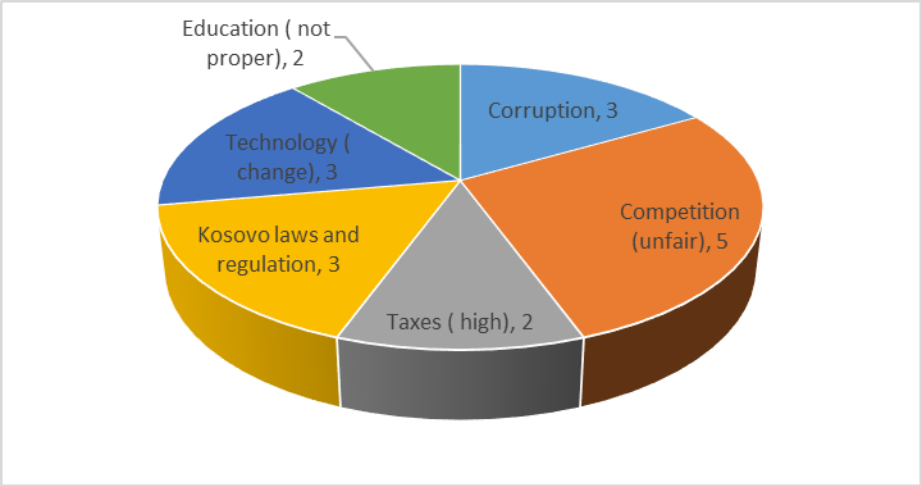


Figure 32: External environment issues impacting firm in the future



5.3 Conclusion

This chapter has reflected the findings of the thesis in the light of the present literature. In interpreting the findings derived from the survey, the researcher believes that human capital is an essential factor in building a high performing business.

This chapter has also contributed to the debate about which types of human capital are most important to business performance. It has been found that entrepreneurs required a higher quantity and quality of general human capital however venture-specific human capital is also essential. More precisely eight out of sixteen participants believe education is in the first place, whereas 4 of them are undecided, and they trust that both have the same value. However, it is important to mention that most of the entrepreneurs believe that international education is much more valuable than the education taken locally, more precisely Kosovo due to an inadequate educational system.

Finally, the research shows that only general skills are transferable and that training is very much seen as a motivation tool, which could have a positive impact on employee self-efficacy and business growth in general.

CONCLUSIONS & POLICY IMPLICATIONS

6. General Summary of the Study

Knowledge and the skill are seen as the critical elements of economic growth. This creative resource, which is personified in people, is habitually referred to as human capital. This terminology reflects that human capital must be developed through the development of formal or informal education. Human capital obtains particular attention as it is particularly vital for economies education strategy

Throughout the world, education-related issues are presently high on policymakers' program. At the same time, academic literature studies the causes of education. However, empirical estimates of human capital's development influence have conveyed diverse outcomes. This absence of consensus amongst economists regarding human capital's empirical outcome on growth seems surprising in the light of human capital's fundamental role in different models of endogenous growth.

6.1 Conclusion on the Research Topic

This empirical study has focused on one of several channels by which human capital is believed to affect growth of the company as well as economic development.

Among economies, in which the development of human capital can contribute to increasing of economic growth are certainly the European countries in transition, since in these countries the downfall of communism enabled migration of human capital and consequently contributed to the introduction of knowledge, but on the other to the outflow of an educated workforce.

It is believed that unemployment and a lack of quality jobs have contributed to poverty and income insecurity. From a more pragmatic, policy-oriented standpoint, the outcomes recommend that, about education policies and development of human capital in general, developed countries might have a higher return regarding growth than underdeveloped countries. This indicates the fact that enhancements in institutional quality can bring a double dividend: they can have additional indirect effects by creating other production elements, such as human capital, more effective within respect to facilitating economic growth.

On the other hand, traditional converge theorists alleged that economic development like communist and capitalist countries, even though have polar opposite views in economic development will develop along the same path. As a result, if more prosperous countries are closer to the balanced growth path, and poorer countries are further away, initially, then the poor should converge towards the level of the productive and possibly overtake them (Timakova. 2011).

Nevertheless, there is an array of these influences about individual characteristics and government policies and institution, that control where the economy is heading in the long run. The convergence force is conditional on all that. Therefore, an emerging country is predicted to grow rapidly only if these other factors are reasonably in good shape. Poor places tend to have a low quality of education, poorly functioning legal system. Therefore, only if developing countries get these education and legal institutions and policies in good shape, they can develop. Skills and innovation are the main drivers of SME growth in today's knowledge-driven economy, therefore building enterprise expertise and innovation policy is their primary focus (OECD.2016). According to the OECD report, most economies provide some dedicated support for training for businesses with growth potential although the type of enterprises benefiting from this support varies widely across the region.

Kosovo governments throughout the years have included education among their priorities. In 2011 according to the action plan of the Economic Vision of Kosovo government aims to strengthen the private sector. However, then there is no planned budget for education and professional development concerning the development of human capital in all sectors. According to Private Sector Development Strategy 2013-201, the Government will engage in the improvement of the strategic framework of the education sector through the drafting of the Kosovo Education Strategic Plan not earlier than 2017-2021.

Also, World Bank report (2015) argues that the education system is poor quality. Irrespective of the information that the quantity of universities in Kosovo is increasing fast it essentials to be implied that not all individual aspirations are to get academic degrees. By differentiating the different levels of education, Kosovo shall not only offer selections to individuals, but it shall ensure that only a certain number of students attend academic programs. A decrease in the number of students shall directly raise the quality of the output. Public universities and some private colleges, unfortunately, possess scarce resources which also include professors and inadequate space for students.

According to the World Bank 2017 report, employment growth is further constrained by an inadequate human capital base. An inadequately educated and low-skilled workforce restricts the growth of

employment. The existing education system has not yet succeeded in providing students with the specific skills compulsory to prosper in the changing labor market. Public spending per person on education is low, and the quality of education remains poor and inequitable.

Therefore, the threats to the economic growth related to human capital are: (1) best, and brightest leave Kosovo altogether; (2) that the skills of previous graduates become obsolete as a result of not being used; (3) education system is not producing graduates with the skills needed by the private sector.

The government has a crucial role in promoting an effective human-resource-development program. Kosovo regulation and policies should advance the supply of information and advice required by smaller firms. Entrepreneurial policies should focus on educating the labor pool and intermediate inputs, such as training policies to encourage employee training by designing an accreditation scheme for skills achieved on-the-job. Training and technical assistance should be provided simultaneously, together with financial incentives to enterprises. Even though the scheme is costly to implement, survival rates for these businesses are very high.

The results of predetermined mixture models with different determinants in this research provide a coherent picture. The first question raised is to answer which of various categories of HRM practices have an impact on business stability and offers a general overview of Human Capital implications towards SME performance. The literature review indicates that modern economy is based on knowledge and education, having in mind the development in communication, biotech and globalization have made the commend knowledge a tremendous asset to any economy. Recent studies indicate that countries that supported this knowledge are seen as successful.

In contrast, the second research question focuses on a specific aspect, namely what is the impact of training within a company.

Human capital is perceived as an element of production, comparable to physical capital. Human capital growth affects the output growth potential, and the size of the existing human capital stock determines the output growth potential. The ongoing research on human capital's empirical growth effects has recently addressed these shortcomings.

Through formal education, persons obtain essential skills to learn about markets and technology and to identify opportunities in the surrounding environment (Shane 2000). Education also allows individuals to develop learning aptitudes and organizational skills to organize better to exploit those opportunities (Grant 1996). Consequently, higher levels of education may give the entrepreneur a higher ability to solve problems and make decisions regarding business development. Better educated entrepreneurs may also have better social networks, as a result of their long stay in the education system, and that may be useful for the development of their businesses (Ucbasaran et al. 2008).

Based on the literature reviews, it is therefore suggested that human capital leads to better company growth. It is remarkably challenging to find the latest studies that explicitly study the growth-profit correlation. A small number of recent studies have addressed the growth-profitability as their core research question. In general, firm growth is commonly associated with success (Baum, Locke & Smith, 2001). Therefore, the purpose of this study is to develop a model to confirm the correlation between human capital and firm growth, using SPSS.

Our hypothesis follows these conclusions:

Results derived from **Demographic** variables fully support hypotheses H1a, *the gender of the entrepreneur(s) positively and significantly predict profit, and H1b, age of entrepreneur positively and significantly predicts profit.*

Results for derived from **Entrepreneurs** Variables on **General Human Capital** back up the approach of Wilkund that education has positive impact in business growth, since hypotheses H3a, *the education of the entrepreneur(s) positively and significantly predicts profit*. However, two other variables H *3b: growth is positively influenced by previous experience Before Strat-up and* H *3c: growth is positively influenced by highly trained entrepreneurs in managerial skills* do not show any positively significant effect.

The researcher to reject all his **Specific Human Capital** hypotheses *H4a: growth is positively influenced by previous experience in business field, H4b: growth is positively influenced by longer years of experience and H4c: growth is positively influenced by business training* and accept the null hypotheses, stating that there is not a positive relationship between growth and specific human capital represented as previous experience in a business field, longer years of experience business filed and business training.

On the other hand, it leads the researcher to reject almost all **Firm Variables** (*H5a: Growth of firm is positively influenced by the fact that the size of the firm is bigger; H5b: Growth of firm is positively influenced by the fact age of the firm is older; H5c: Growth of firm is positively influenced by the sector of firm; and H5d: Growth of firm is positively influenced by the location of firm),* and accept the null hypotheses that there is not a positive relationship between growth and firm variables represented as ***age, sector, headcount, size and the location of the firm***

Prior studies on Kosovo entrepreneurship are concentrated on business establishment, and less attention has been offered to the perception of business opportunities, where the influence of general and specific human capital upon the perception of business opportunities among Kosovo entrepreneurs is not well understood. Therefore, a thorough investigation of the different implications of investments in general and specific human capital is performed, to have an enhanced interpretation on the perception of business opportunities, where the influence of general and specific human capital is incorporated. This chapter brings together the main conclusions regarding these research questions. It shall elaborate in detail the qualitative data analysis commenced for this study. Initially, the process of data collection and questionnaire sample shall be discussed. The use of Nvivo 11 in data analysis shall also be underlined, as well as the design for semi-structured interviews for data collection. An in-depth discussion is also included in this part. Finally, the key conclusions from the data analysis are emphasized at the end of this chapter, where we present some observations on how our findings relate to the core body of knowledge and skills of Human Capital on SME. The response from the participants was collected face-to-face, semi-structured interviews and it was via these interviews that the researcher was capable to "understand [their] experiences and reconstruct events" (Rubin & Rubin, 2005)

The first question is to assess whether entrepreneurs choose to become self-employed for "pull" or "push" drives, with attentiveness on differences between genders. Pull" entrepreneurs are those who are attracted by their new venture idea and start venture activity due to the attractiveness of the business notion and its private allegations. The statistical study of data obtained from a questionnaire reveals that "pull" entrepreneurs were males whereas "pushed" entrepreneurs were females because they needed to support their families. Gender differences were found in the incidence of motivations: women were more influenced by a desire for independence; women considered their families as motivators more so than did men; men were influenced more by job dissatisfaction than were women. The discussion focuses on analyzing the nature of gender differences rather than merely their incidence.

A crucial decision for interview entrepreneurs was whether to launch the new company alone or with a co-founder. The choice about whether to start a business with co-founders or on your own is one of the most significant decisions for an entrepreneur (Shane, 2003), and the author claims that co-founder led businesses may have strong business performance than those with only one founder. Cooper (1994) argues that business partners add to both practical skill and the general managerial experience accessible to the business, and offering one another with psychological support. These benefits they alleged improved business growth. The research shows that 50% started the business on their own.

On the other hand, human capital analysis measure work experience quantitatively in a different of ways (example quantity of jobs, number of years work experience), but less commonly measure the quality of work experience, even though Gimeno et al. (1997) see this variable as a crucial issue. Gimeno (1997) found some jobs did affect the entrepreneur's performance, but Davidsson and Honig (2003) could not find a link between years of work experience and the performance of an entrepreneur's new business.

Analysis of the results suggests that there are also, in fact, some common knowledge and skills which all participants developed before, or in the early stages of, a start-up which proved essential to growing their businesses.

In this research, previous work experience is of specific importance. However, general work experience is seen as transferable knowledge from one job to another, since they are less likely to have highly developed technical knowledge and skills in the sector they wish to establish their business. This supports Rauch and Rijsdijk's (2011) current statement that general human capital is more significant to developing a business than venture-specific human capital. Many participants in this study demonstrated the ability to transfer knowledge from one sector to another as well as managerial skills.

A qualitative study enables the researcher to investigate both the quality and quantity of the young entrepreneurs' work experience. However, we cannot state that there is a more significant impact of work experience of older entrepreneurs in business.

Table 56: Work experience and its impact

Arta	A. I.	C.B	A.K.	S.D	E.B.	F.I.	G.M.	K.G.	L.SH.	M.H.	P.P.	S.G.	V.D.	V.C.	V.E.	K.F.
Years in present position	2	6	5	6	5	12	15	2	2	6	5	11	10	11	10	2
Impact of previous work experience	of course	Everything.	yes and no	yes	yes	absolytely	yes	yes/no	totally	no	maybe	yes, a lot	yes, very much	don't know	yes	no
Age of the entrepreneur	38	45	60	45	50	44	42	38	33	48	41	43	4	32	41	38

Training is costly if it does not serve the tenacity for which it is offered. The training must be able to intensify the skills of the employee and the company in general. Otherwise, the companies shall only face the loss of money and damage the reputation of the company.

The study examined the impact of self-efficacy on employee career commitment. The study identified that self-efficacy and career commitment were positively linked and impacted employee performance. Entrepreneurs believe that training has influenced a significant amount of employee confidence, the complexity of the tasks as well as performance has increased and performed much better by employees. Therefore, companies can improve the performance of the employees according to the following suggestions: Firstly, the employees should be provided with relevant details of the tasks assigned to them. Managers who believe that training cannot assist employees in motivation and self-efficiently they should improve through effective training initiatives and make them efficaciously accomplish the difficult tasks. The managers should also develop the cognitive skills and support them in taking up thought-provoking tasks through training.

Finally, implications for policymakers and young entrepreneurs arising from the study have been outlined. In particular, it has been emphasized that entrepreneurship educators and policymakers should aim to create practical experiences for learning about entrepreneurship since it was early practical entrepreneurial learning (e.g., informal ventures) that was important to the young entrepreneurs' development in this study.

In 2015 Kosovo was ranked as one of the last three countries among the 72 that took The Programme for International Student Assessment, organized by the Organization for Economic Co-operation and

Development (OECD. 2015). Tests include 15-year-old students from partaking countries in reading, math, and sciences. The results, published by OECD disclose that Kosovo scored very low in all the three categories. Moreover, inadequate education at the secondary and tertiary levels, counting vocational training, is leaving students unprepared to encounter the job market's changing demands.

If a government does not provide to its citizens with the fundamental right to have a proper system of education and work to live, then the emigration of people shall increase rapidly.

Prerequisite steps for a better education system in are the implementation of the educational system that compromises three different modes of education: on job-training and applied sciences which shall offer specific skills, and universities which will be responsible for academic training.

6.2 Policy implications

Nowadays researchers believe that education and training of employees promote indirectly economic growth. Workers with higher levels of education boost productivity, both directly and by enabling efficiency-enhancing technological change (Hanushek and Woessmann, 2008). However, to realize the guaranteed employment creation so that the education raised the potential product development infrastructure and related issues and discussion of their implications and possible alternative policies are needed.

Skills and innovation are central drivers of SME growth in today's knowledge-driven economy, therefore building enterprise expertise policy is their primary focus (OECD.2016). According to the OECD report, most economies provide some dedicated support for training for businesses with growth potential although the type of enterprises benefiting from this support varies widely across the region. Most economies lack comprehensive statistics on the statistic for needed skills and training needs are not being checked. The same research and report were produced by OECD in 2016, argues that as the European Union pulls out of a prolonged recession, it is also giving renewed policy attention to training, and creation of a single digital market. Training for start-ups has improved, but economies could do more to combine training and mentoring, and more sustained effort is needed to develop training for growth-oriented businesses. Policymakers will also need to pay more attention to quality assurance in training, particularly in the five EU membership candidates (OECD.2016).

Traditional regional development policies are mainly guided by a model of developed countries, to assist regions from declining industry and promote investments in infrastructure or social assistance. Additional standard regional development policy is to establish themselves in the disadvantaged region by offering subsidies of various kinds, to attract foreign investors. According to OECD (2002) report, several G7 governments have sought to enhance the "quality" of owner/managers of SMEs either by encouraging (subsidizing) training and by providing access to (subsidized) advisory and consultancy services.

Kosovo government has a crucial role in promoting an effective human-resource-development program. However, nowadays it appears that as a government, they are giving little attention to our immensely valuable stock of human capital, while we concentrate attention on current investment. Education programs are the key strategy for raising productivity and speeding social progress. Investments in human resources are not alone satisfactory to assure fast economic growth, let alone an effective democracy or a problem-free society.

Lately, entrepreneurial policies should focus on educating the labor pool and intermediate inputs. For example, training policies have been presented in numerous countries to encourage employee training. Knowing that a considerable amount of training undertaken is informal, the Australian government has pursued to encourage more training by designing an accreditation scheme for skills achieved on-the-job.

Therefore, Kosovo government should have both a highly developed system of advisory services (which include SME & colleges), in educating SME employees and managers. Formal training should be offered, by offering consultancy initiative, were consultants are employed by SMEs in marketing, design, amongst others. The cost can be subsidized at up to 50 percent. A Department of Education and Employment should introduce the Small Firms Training Loans Scheme (SFTL). Under the scheme, authorized banks can provide loans to small businesses seeking to fund training either of workers or managers. A training and technical assistance can be provided simultaneously, together with financial incentives to enterprises. Each young entrepreneur should have a mentor whose role is to develop the young partner's entrepreneurial skills abilities, at the same time assist the enterprise to reach its

objectives. Even though the scheme is costly to implement, the survival rates for these businesses can be very high.

On the other hand, businesses should make human capital development strategy dominant to business policy, consequently the method of individual and organizational learning becomes the primary business activity. Nadler (1991) created the term human resource development in 1970 and offered a model with three components: education, training, and development. Pace (1991) describes human resource development as the individual development and organization development roles to accomplish maximum productivity for organization employees as they work to achieve the goals of the business. To become a prosperous learning organization, businesses need not only to place a greater highlighting on training but also to change human resource management systems to support learning.

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6.3 Limitations of the study and future areas for research

Like any other study, our thesis also suffers from several limitations. First, we used data which are limited to the year 2012. Using data over a more extended period would have led to more accurate results of the study.

On the other hand, while the author found a relationship between the size of the SME sector and economic growth, however, did not find the cause of SMEs growth. The researcher also found no evidence that SMEs alleviate poverty or decrease income inequality.

In contemplation of all aspects discussed throughout the thesis, we hope that this research shall assist both the academic and business community in being aware of the importance and vital role of the human capital in the economic life. We trust that putting such study perceptions into practice could represent a significant contribution that will intensify the weight of the scientific endeavor that we have started in the field of intellectual and human capital research. However, be aware that this research topic is at an initial phase of development, in Kosovo, we are convinced that this field of research will magnify progressively, as the human capital is the foremost originator or maker of added value for an entity. Prosperity and welfare are uncertain of economic growth, while economic development is reliant on the quality of education. The reason why human capital is essential is somewhat explained thoroughly, however how to use the knowledge of human capital in order that the company became competitive in the market and shown higher profit remains only as an alternative question for another research.

7. References

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Annex A – Questionnaire from Business Support Centre

I. THE ENTERPRISE RESPONDENTS PERSONAL DATA

1. Sex (please encompass the right answer): 1. Female

2. Age (write age years): _____

2. Male

3. Professional qualification (please encompass the right answer):

1) Primary school,

2) Secondary School,

3) Higher education

4) Postgraduate Education

4. Occupation: _____;

5. Position in the enterprise:

1. Owner

2. General Director

3. Manager

4. Other (specify) _____.

II. THE ENTERPRISE DATA

1. The main office of your enterprise is (define the municipality where the company is registered): _____.

2. The Enterprise operates in (please encompass the right answer):

1. Urban area 2. Rural area 3. Urban and Rural area

3. Location/ location of the activity (where the enterprise operates, please encompass the right answer):

1. Only in one location in Kosovo

2. Two or more locations in Kosovo

3. Kosovo and abroad

4. Export 100% of production outside Kosovo.

4. The foundation year of company (Please indicate the year when the enterprise has begun to work):_____.

5. Your enterprise is (please encompass the right answer):

1) Individual business

2) Joint ownership-partnership

3) Limited Liability Company

4) Joint Stock Corporation

6. Please specify the proportion of foreign capital in company (from 0% - 100%): _____%

7. The responsibility of your business as a legal entity is:

1. Full Liability Company,

2. Limited Liability Company

8. What percentage of the property possesses the largest owner in this company, if there is more than one owner?

The largest percentage held from the owner %

9. If the number of founders is higher than 1 what is the relationship between them (you can have more than one answer; please encompass the right answer/s):

1. Family ties

2. The professional Links

3. Investment / Joint Financing

4. Other (please indicate)_____

10. Have you been employed before you start up your business?

1. Yes 2. No

11. Did you have any experience in the field where you start up your business?

1. Extended experience

2. Limited experience

3. No experience

12. If Yes, (in the above, 1 & 2) please indicate in numbers how many years of experience

did you had? (Write the correct number) _____.

13. What was the main reason for starting up your business?

1. I always wanted that my dream of having my company to come true
2. Dispute with my previous employer – partner
3. I have been unemployed and had to do something to earn a living
4. I spotted a business opportunity, and I decided to act upon it and establish my company
5. I inherited it from my family
6. Other (specify) _____

16. Please specify qualification and gender structure of founders:

		Age		Qualification				
	Description	M	F					
A	The Founder 1	when Start up	Curently	Ph.D	Mr.	Graduate	High school	Elementary
B	The Founder 2							
C	The Founder 3							
D	The Founder 4							
E	The Founder 5							
F	The Founder 6							

17. The enterprise is led by (please encompass the right answer):

1) The owner / co-owner
2) Director / Manager
3) Both (owner and manager)

18. Does your company has the quality standards or accreditation or is in the

implementation process (e.g. ISO series)?

1. Yes 2. No

19. If yes, what standards and / or accreditations:

_____.

III. BUSINESS ACTIVITIES, ORGANIZATION, SALES AND STRUCTURE OF

ASSETS

1. Which is the main activity of the company (please indicate only one answer):

1.a. Manufacturing (if manufacturing specify the business activity below from 1-10):

Business activity within the industry sector: % of sales by sector

1. Agro-industry

2. Metal processing and electrical equipment

3. Material construction

4. Chemical industry, plastic and of rubber

5. Textile industry, leather and footwear

6. Wood processing

7. Graphic and of paper industry

8. Building Construction (e.g. the production of bricks, etc.)

9. Construction service (e.g. masonry etc.)

10. Agriculture (farmers)

11. (Other, specify)_____

1.b. Trade (if trade specify the business activity below):

1. The retail

2.The wholesale

1.c. Service (if service specify the business activity below from 1-5):

The service activity: % of trading activity

1. Transportation

2. Financial

3. Hotels and Tourism

4. Professional Training and Consultancy

5. Information Technology

6. (Other, specify) _____

2. How do you evaluate your business in 2012?

1. Better than 2011

2. No differences

3. The worse than 2011

3. What is your business expectations in 2013 (please encompass the right answer)?

1. Better than 2012

2. I do not expect differences

3. Worse than in 2012

4.

4.1. Compared with previous 12 month sales is:	4.2. Compared with previous 24 month sales is:	4.3. Compared with previous 136 month sales is:
1. Decreased	1. Decreased	1. Decreased
2. No differences	2. No differences	2. No differences
3. Increased	3. Increased	3. Increased

5. Compare to the first year of operation the firms sales has increased approximately?_____%.

6. What do you think of growth in the sector in that you operate?

a. Increasing b. No differences c. Decreasing

7. What do you think for the profitability of firms, in general, in the industry or sector

in which your company operates?

a. Very high profitability

b. Not very high profitability

c. Not very low profitability

d. Very low profitability

8. What is the value of total assets? (in Euros)

No	Title	2102	2011
A	Working Capital (inished goods, raw maternial, etc)		
B	Building premises		
C	Machinery		
D	Transportation vehicle		
E	Land		
F	Other assests (specify		

EXPORT

9. Are you an exporting enterprise: 1. YES 2. NO

(If NO go to question 20, please circle the right answer)

10. If YES, approximately how much export your firm had in the year (please indicate the amount in €, below)?

Export 2012	Export 2011	Export 2010
_____ Euros	_____ Euros	_____ Euros

11. In which year you have started to export (please indicate the year)? _____.

12. What is the participation of export value in total sales in 2012 (total sales)?_____%

13. Which are the main barriers to export? (Range in priority basis, 1 = is not an obstacle, 2 = Minor obstacle, 3 = obstacle, 4 = High obstacle, 5 = Major obstacle) please write numbers next to the text:

1) Tariff barriers (tariff amount) _____

2) The culture of doing business in the country of destination _____

3) Lack of personal documentations (e.g. Visa) _____

4) Lack of Banks efficiency _____

5) Lack of information on market _____

6) Quality certificate _____

7) Delays in the border _____

8) Cost of transport _____

9) The work of customs agent _____

10) Operation of the Food and Veterinary Agency _____

11) Other (specify) _____

21. Which is the percentage of the total purchasing value of raw materials that your company imports? (Please indicate the amount in Euros)?

1) 2012_____%; and 2) 2011 _____%.

22.

22.1. Compared to with the previous 12 months, your firms profit has:	**22.2. Compared to with the previous 24 months, your firms profit has:**	**22.3. Compared to with the previous 36 months, your firms profit has:**
1. Decreased	1. Decreased	1. Decreased
2. No difference	2. No difference	2. No difference
3. Increased	3. Increased	3. Increased

23. Which are the reasons that your firms profit has increased?

1. Sales Increased 1. YES 0. NO

2. New products 1. YES 0. NO

3. Cost Reductions 1. YES 0. NO

4. We have been more productive 1. YES 0. NO

5. Improvement of the main tools 1. YES 0. NO

6. Improvement of the workers skills 1. YES 0. NO

7. Management Improvement 1. YES 0. NO

8. Other specify?_____

24. Which were the reasons for the decrease of the firms profit?

1. Sales decreased 1. YES 0. NO

2. Cost increased 1. YES 0. NO

3. Customers unpaid debts 1. YES 0. NO

4. Other specify?_____

IV. OBSTACLES / BARRIERS TO BUSINESS

1. Range according to your opinion factors that represent an obstacle for your business:

1 = is not an obstacle, 2 = Minor obstacle, 3 = obstacle, 4 = High obstacle, 5 = Major obstacle), please write numbers next to the text:

Nr	Naming	1	2	3	4	5	9 (NA)
1	Description						
2	Taxes too high						
3	The work of tax administration (bureaucracy)						
4	Inadequate and insufficient laws						
5	Law enforcement						
6	Strong competition						
7	Corruption						
8	Tax evasion						
9	Crime, robbery and anarchy						
10	Informal Economy / black Economy						
11	Access to finance						
12	Insufficient capacity						
13	Political instability						
14	Managerial skills						
15	Business licensing						
16	Employee skills						
17	Transport						
18	Power supply						
19	Supply with material, machines and equipment						
20	Lack of market demand						
21	Delaying payments (collection of debts)						
22	Lack of information concerning business						
23	Other (specify) _____						

V. TRENDS FOR GROWTH AND DEVELOPMENT

1. Have you made investments in 2012 (if no, skip to question 6):

1. YES 2. NO

2. What is the value of the investment you have made in 2012 and 2011 (write amount in €)?

1) 2012 2) 2011

The value of investing (€)

Investments in 2012 you have provided with (write in %):

	Please indicate	
1	With your internal sources	%
2	With loans from local bank,	
3	With loans from foreign banks	
4	Donation from foreign donors (NGO)	
5	Borrowings from family or friends	
6	Informal market capital	
7	Through Foreign Direct Investment	
8	Other (specify) _____	
9	TOTAL	100%

4. Investments in 2012 are made in (please encompass the right answer):

1. Manufacturing activities,

2. Trade activities,

3. Service activities

4. Other (specify) _____.

5. Investments are made in:

No	**Title**	**2012**	**2011**
A	Working capital (finished goods, raw material, etc.)		
B	Building and premises		
C	Machinery and equipment		
D	Transportation vehicle		
E	Land		
F	Other assets		

6. How much is approximately the value of expected investments in

2013?_____euro

7. In the future you intend to develop your economic activity in (please encompass the right

answer):

1. The continuation of the current business

2. Investment in a new field

3. Both

4. Yet not determined

8. If you plan to invest in a new field that will be (write)? _____.

9. Have you received bank loan?

1. YES

2. NO. I haven_t applied?

3. NO. I have applied but my application was rejected?

10. If you have received loan please provide the following information to your last taken loan:

1. What was the total amount of loan? _____ (€)

2. It is confidential

3. When? (Year) _____

4. What was the loan duration? (in months) _____

5. What was the interest rate? (in %) _____

11.If you had more than one loan, please indicate:

a. No. of received loans: _____

b. The year of your first loan ever taken:_____

12. Was it required to pledge collateral for loan?

1. YES 2. NO

13. If YES what is used as collateral? _____

1. Mine or my family_s Real Estate

2. Firms Real Estate

3. Something else _____ (specify what)

14. If YES what is used as collateral? _____

1. Mine or my family_s Real Estate

2. Firms Real Estate

3. Something else _____ (specify what)

15. What was the total value of the collateral? _____ (Euro).

16. If you have circled question 9.2 (No. I haven_t applied for a loan) the reason was:

1. I did not need a loan - company had sufficient capital

2. Application procedures was very complex

3. High interest rates

4. Collateral requirement too high

5. Repayment period was not sufficient

6. I did not know how to apply

7. I was not confident that my loan application would be approved

8. Other_____

17. If you have circled question 9.3 (NO. I have applied but my application was

rejected), the reason was (please encompass all relevant options):

1. The lack of collateral

2. The lack of business plan

3. The absence of documents required by the bank

4. Other (Please specify) _____.

18. If you had bank loan, the lending conditions were (1 = very unfavourable and 5

= favourable): _____.

19. During the year 2012 which were the main sources to finance working capital (stocks, short-term payments)

1.Personal savings _____%

2.Profit Held _____%

3.Borrow from family and friends _____%

4.Loans from Banks _____%

5.Loans from special programs to support SMEs _____%

6.Loans from informal capital market _____%

7.Loans from local suppliers from supplier _____%

8.Loans from external supplier _____%

9.Late payment of taxes and contributions _____%

10. Other (Please specify) _____%

20. To what extent do you believe at your associates?

21. Are relationships of trust with other companies and / or organizations an important factor to compensate certain assets that your company miss?

1) Not important 2) Neutral 3) Very important

22. Social contact with friends, family or business associations is:

1) Not important 2) Neutral 3) Very important

VI. INNOVATIONS

1. During the past three years, have you undertaken any research and development activity to create new or substantial modification of products / services / processes?

1. YES; 2. NO;

2. During the past three years have you created any product / service / process completely new from your firm or any substantial modification of products / services / processes of your firm?

1. YES; 2. NO;

3. If yes, what was the number of new products or services _____ introduced in business?

4. New products introduced in the market during the past three years have been:

a. New products for the market (not existed in Kosovo market previously).

b. New products just for your firm (Imitation of current products on the Kosovo market).

5. Development and design of new innovative products introduced in the market during the past three years are made by:

a. Mainly from your enterprise.

b. Your enterprise in cooperation with other enterprises

c. Your enterprise in collaboration with academic institutions (Institute for Research and Development, University Research Institute, and other similar)

d. Mainly by enterprises and institutions outside your enterprise

6. Please specify the costs that you have made in activities to createing or substantially modification of products / services or new processes, as a percentage of sales of the last period.

(Activities may have been as follows: Research and development of new products or processes within the enterprise or in cooperation with other enterprises, purchase of new machinery or equipment in creating new products or processes, purchasing software or knowledge external as well as training of staff.)

Percentage of total sales that have been invested in innovative activities: _____ %

7. Has your company received any subsidy for the creation or a substantial modification of products / services or new processes

a. European Union funds 1. YES / 2. NO

b. Central Government

c. Local Government

1. YES / 2. NO

1. YES / 2. NO

8. Indicate if your company during the last three years has taken any action to protect intellectual property rights

a) Has applied for patent

b) Has registered a new commercial brand or any new

design

1. YES / 2. NO

1. YES / 2. NO

9. Please rank the following factors of importance about your activities on the creation or substantial modification of products / services or new processes during the last three years.

5 = most important, 4 = very important, 3 = important, 2 = less important, 1 = not important

Please write numbers next to the text:

Nr	Factors	1	2	3	4	5	9 (NA)
1	Information obtained from the market (suppliers, competition, customers)						
2	Information obtained from institutions (Universities and public research institutes)						
3	The importance of your staff experience in creating new products / services or processes:						
4	The ideas generated by your staff in creating products / services or new work processes:						
5	The time dedicated by your staff during working hours as an individual or group effort in generating any new idea or other activities relevant to improving work processes, or the creation of any new product / service:						
6	If you applied any new work process, evaluate the importance of the increased production flexibility and reduce cost of production						

7 Factors that hinder innovation:

Rate of importance factors that have hindered the creation of the innovative activities or substantial modification of products / new processes.

From 1 - major obstacle, to 5 - did not suggest any obstacle.

7a Cost of financing

7b Cost of innovation

7c The lack of staff knowledge

7dThe lack of information on technologies and markets

7e Uncertain demand and market dominated by large Enterprises

7f There is no need for new products because we have produced them previously

7g Lack of demand for new products

10. Please indicate if, during the last three years your firm had activities related to creation of products / services, new processes or their substantial modification, which ended unsuccessful, or are still in progress but unfinished.

1. YES 2. NO

11. During the past three years, has your company made any full or substantial change in organizational management structure?

1. YES; 2. NO;

12. During the past three years have your company introduced a completely new way of marketing your product which has not been present on the market?

1. YES; 2. NO;

13. Range according to the importance to your firm the following Strategic Goals (5-Very Important to the 1-Not important):

1) Product Quality _____

2) The image _____

3) Qualitative Services _____

4) Market share _____

5) Position in the industry _____

6) Penetration into the International markets _____

14. Do you know the size of the market where your firm operates (please encompass the right answer)?

1) Yes, we know

2) No, we do not know

15. How is the intensity of competition in the industry in which your firm operates (please encompass the right answer)?

1) Very high

2) High

3) Average

4) Below the average

5) Low

6) None of the above

16. Do you have any permanent partners from abroad? 1. YES 2. NO

17. If yes, your cooperation is concerned with:

1. Import,

2. Export

3. Joint Investment

4. Technical Assistance

5. Representation

6. Cooperation in the other countries markets

7. Franchising

8. Other (specify) _____.

18. Are you looking for a partner from abroad to realize your business plans?

1. YES 2. NO

VII. TAXES

1. In your opinion, what percentage of the sales of a business similar to yours reports to the tax administration? _____ (Write percentage).

2. How do you consider the tax rates?

a. Too high

b. High

c. Average

d. Low

e. Ref NA (No answer)

3. From 1 to 10, where 1 is unreasonable and 10 fully reasonable, how do you estimate the tax evasion in Kosovo? _____.

4. How many times a month your business has visits from the Tax Administration? _____.

5. Which are the main obstacles to the tax payment (you may encompass more than one answer):

1. High taxes

2. The lack of habit of paying taxes

3. The lack of proper control

4. Because others do not pay (inequality)

5. Other (specify) _____

6. Are you informed for the purpose of use of the collected taxes from tax administration and customs, respectively for Kosovo budget?

1. I am fully informed

2. I am partially informed

3. I am not informed.

VIII. ENTERPRISE INFORMATIZATION

1. Do you have computer? 1. YES 2. NO

2. If yes, how many computers you have? _____.

3. If NO do you plan to buy a computer: 1. YES 2. NO

4. You use Computer for (questions 4-7 are only for those who have computer):

1. Financial Records

2. Planning

3. Processing of text (text processor)

4. Market research

5. Production /operation / management

6. Quality control

7. For anything else, (specify)_____

5.Do you use the internet: 1. YES 2. NO

6.If YES, Internet is used for (please encompass the right answer):

1. Market research

2. Promotion

3. The sale of products

4. Communication by E-mail

5. For other business purposes (specify _____)

7. Do you have web site (your Web Mail)? 1. YES 2. NO

8. Do you perform business transactions via the Internet (sale / purchase) as?

1. Business to business

2. Business to client

9. Have you advertised your firm's goods / services and prices in your Web-page?

1. YES 2. NO

10. Do you order online? 1. YES 2. NO

11. Do you have licensed software? 1. YES 2. NO

12. Which software do you use the most during your business activity? (Please indicate)

_____

IX. PERSONNEL

1. With how many employees did you start your business? _____

2. How many employees your company had at the end of 2010? _____

3. How many employees your company had at the end of 2011? _____

4. How many employees your company actually have at the end of 2012(in numbers)?

5. Employees of your enterprise are:

	Decsription	Number of employees		Total
		1. M	2. F	
1	Full time employees			
2	Permanent part time employees			
3	Seasonal employees – with contract			
4	Seasonal employees without contract			
5	Total			

6. Qualification structure, gender and salaries of employees:

	Qualification	Number of workers with this title	1. M	2. F	Personal income for this category in €
1	Doctor of Science				
2	Masters degree				
3	University degree				
4	High school				
5	Secondary school education				
6	Unqualified				
7	Total				

7. Describe the management structure

	Qualification	1. M	2. F	Age (Indicate years)	Qualification				
					Dr	Mr	The graduate	High School	Elementary sschool
1	General Director								
2	Finance Director								
3	Technical director								
4	Director of Marketing								
5	Director for R & D								
6	Other								
7	Total								

8. Have you employed new workers in 2012? 1. YES 2. NO

9. If yes, what is the structure of the workers qualification you have employed in 2012?

_____

Qualification Number of workers 1.M 2. F Personal income monthly (insert amount in €)

1 Doctor of Science

2 Master_s degree

3 University degree

4 High school

5 Secondary school education

---

10. Evaluate the level of how you feel satisfied with your employees work compared to their qualifications from 1-5 (1 not satisfied at all, 5 - very satisfied).

	Qualification	**Evaluation of workers**
1	Foreign Unversity (abroad)	
2	Foreign Unversity (in Kosovo)	
3	Public Unversity	
4	PrivayeUnversity	
5	Director for R & D	
6	Other	
7	Total	

11. How important to you is your employee certification: (1 - not important at all, 5 very important).

_____

12. Do you intend to recruit new employee during 2013?

1. YES 2. NO

13. If yes, what would be the appropriate level of education? (Please write the right answer)

1) The unqualified _____ specify number

2) Primary school _____ specify number

3) High school _____ specify number

4) Under Graduate _____ specify number

5) Masters _____ specify number

6) Doctorate _____ specify number

14. Have you or any other manager of your company attended any training course forbusiness or management:

1. YES 2. NO

15. Did you or any of your managers had managerial experience before starting to work in this company?

1.YES 2. 2. NO

16. Are you a member of any business association?

1. YES 2. NO

17. Do you have use consultants (consulting for business from any public or private institution)?

1. YES 2. NO

18. If YES, who has been the provider of these services?

_____

19. Have you been satisfied with the (consultancy)?

1. YES 2. NO

20. In which field you have used consultancy?

_____

Annex B – Questionnaire used by the researcher

Thank you very much for your participation

I would like to show gratitude for the time and prompt reply to entire business owner, without them the research could not be accomplished. All participants will receive, on request, a personalized summary of the study 's results. Entire data will be reported anonymously, and we will strictly maintain confidentiality with respect to your company's specific survey data.

Name: A. I.
Position: Co-owner, Manager

Q.1. The push or pull effect towards entrepreneurs

Arta

Were you pushed or pulled to become an entrepreneur, open your own business, and why*?*

A.I.

Actually both applies. My growing ambitions to have the needed space and freedom to create and invent left myself being pulled by the temptation to become free, meaning an entrepreneur. Having worked for well-known international companies made me discover my talent in creating added value for those companies. Yet, being an employee I faced limitations to fully implement my ideas. This pushed me into entrepreneurship before I was ready to opt out of my comfort zone

Q.2. Entrepreneurs characteristics

Arta

Please describe your current role within your organization.

a. How long have you been in your present position?

b. How many other positions have you had outside of this company?

c. What is your educational background

d. How old are you

A.I.

a. I'm at the present position for 2 years' now

b. 5

c. I have MBA

d. I'm 38

Q.3. Firm's characteristics

Arta

What are your firm characteristics?

What is the size?

How many female workers do you have?

What is the industry / sector?

What is the age?

A.I.

18 employees

18 females

Service (Travel and Industry)

Since 2015

Q.4. The effect of previous experience towards quality of firm's performance

Arta

Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.

A.I.

Of course. In the course of my career as employee I gained a deep knowledge of global trends and innovative ideas as well as local market challenges and other characteristics. Successfully linking those ends was a challenge that I successfully mastered for the companies I worked for. The areas of focus were marketing, sales, customer experience, admin, performance management, finance and funding.

Q.5. Education vs Specific Skills decision on making a selection of new staff

Arta

Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.

A.I.

Actually I prefer to recruit someone with specific professional skills due to the nature of the business I'm in, even though I have Master degree in Travel and Tourism

Q.6. Impact of formal vs non-formal training in the company

Arta

Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

A.I.

Entire of my employees are certified with IATA and Amadeus trainings, which are professional trainings in our field. However, also informal trainings are present and ongoing, since I am also certified professional trainer, and I keep updated my employees with up to date news and issues related to our specific field.

Q.7. What are companies training expenditures?

Arta

What is a range of your annual company training expenditures?

50 – 2.000

2.001 – 4.000

4.001 – 6.000

More then 6.000

A.I.

It's something between 2.000 and 4.000 Euros per year

Q.8. Training impact towards employee's motivation and self-efficacy

Arta

Does training have a relationship to employee's motivation and self-efficacy

A.I.

Yes of course. Any impact on an employee's commitment to her career is found to be linked with his ability to connect the motivation to the performance levels and self efficacy

Q.9. Possibility to transfer skills to another company / employee

Arta

How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position

A.I.

We work in a tough business environment. The general knowledge can be passed on to newcomers but

teaching the strategic thinking is a bit of a challenge.

Q.10. Issues in the external environment that shall have the utmost impact in the firm

Arta

What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

A.I.

Political situation

Slow economic growth

Nepotism and corruption

Name: C.B
Position: Owner

Q.1. The push or pull effect towards entrepreneurs

Arta

Were you pushed to become an entrepreneur, or open your business, and why?

C.B.

I can't really define, since I'm working in private business for 28 years now. It was before the war, and I trust there were not a lot of opportunities to find work.

Q.2. Entrepreneurs characteristics

Arta

Please describe your current role within your organization.

a. How long have you been in your present position?

b. How many other positions have you had outside of this company?

c. What is your educational background

d. How old are you

C.B.

6 years

2

University degree

45

Q.3. Firm characteristics

Arta

What are your firm characteristics?

What is the size

How many female workers do you have?

What is the industry / sector?

What is the age
C.B.
I have 3 employees
2 female employees
Service (Real estate)
Since 2011
Q.4. The effect of previous experience towards quality of firms performance
Arta
Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.
C.B.
Everything. I try to use my entire knowledge and former experience. I have opened this business since 2011, and my entire managerial skills, contact, selling skills are being used. It is very hard to work on this environment, surrounded with not dishonest, disloyal people. Yet the experience taught me how to deal and communicate with them.
Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
C.B.
Education is needed. Persons who attend good schools get acquainted with general issues, which for sure can be used in any job. Unfortunately, Kosovo educational system is very poor, yet I trust they still learn things. I'd rather have educated employees, and then I can offer them needed skills while working for my company
Q.6. Impact of formal vs non-formal training in the company
Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?
C.B.
There is no need for external company, my 28 years' experience is transferred to younger employees through internal training

Q.7. What are companies training expenditures?
Arta
What is a range of your annual company training expenditures?
50 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000
C.B.
It's very low or no cost, let's say a maximum of 50 Euros per year
Q.8. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy
C.B.
There has been a great deal of indication that training has importance on employee self-efficacy and

employee performance, together with the capability to adapt to innovative technologies in the place of work such us new software or internet.

Q.9. Possibility to transfer skills to another company / employee

Arta

How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.

C.B.

Proper communication and management

Q.10. Issues in the external environment that shall have the utmost impact in the firm

Arta

What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

C.B.

Not register companies operating in this business

Law for real estate (in other regions this law existents)

There is an increasing number of persons (due to non-existence of law), that do not adhere to contracts or agreements. They either do not respond or ignore the mutual signed agreement

Name: A.K.
Position: Co - owner

Q.1. The push or pull effect towards entrepreneurs

Arta

Were you pushed to become an entrepreneur, or open your business, and why?

A.K.

Of course I was pushed. After I finished my high school I had to work and becoming an entrepreneur I saw it as an opportunity for my income to raise my kids. However, at that time I did not know that I will grow this much. Now I keep opening new firms and growing big each day, and now I can say I'm pulled.

Q.2. Entrepreneurs characteristics

Arta

Please describe your current role within your organization.

a. How long have you been in your present position?

b. How many other positions have you had outside of this company?

c. What is your educational background

d. How old are you

A.K.

5 years

4

High School

60

Q.3. Firm's characteristics

Arta

What are your firm characteristics?

What is the size

How many female workers do you have?

What is the industry / sector?

What is the age
A.K.
Long term employees (40), sessional employees (250)
3
Trade & Construction
21 years

Q.4. The effect of previous experience towards quality of firms performance
Arta
Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where?
A.K.
I had different companies, gained different experience which assisted me at the specific time and specific company. However, I do not think that the previous experience gained has affected the quality of my construction company directly. Indirectly, I may say that networking gained throughout these years is very useful
Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
A.K.
I have only high school, and managed to manage and grow my companies without any problem. Educational background in by business is not seen as very important, I would rather hire employees with specific skills
Q.6. Impact of formal vs non-formal training in the company
Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

A.K.
No I do not offer any training, as I get employees already trained and experienced
Q.7. What are companies training expenditures?
Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000
A.K.
It's 0 as we do not provide external training
Q.8. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy
A.K.
Yes. We increase the self-efficacy of the employees through operational training initiatives to productively execute the difficult tasks.

Q.9. Possibility to transfer skills to another company / employee

Arta

How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position?

A.K

None.

Q.10. Issues in the external environment that shall have the utmost impact in the firm

Arta

What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

A.K.

Kosovo laws and regulation in general are seen as a high burden for us, especially if we look at the municipality level.

Getting permit to build takes a lot of time and effort.

Corruption is present all over the state representatives, in all levels

Name: S.D
Position: Owner

Q.1. The push or pull effect towards entrepreneurs

Arta

Were you pushed to become an entrepreneur, or open your business, and why?

S.D.

I was pushed, as I also work in another company, yet my private company is assisting me to have higher income.

Q.2. Entrepreneurs characteristics

Arta

Please describe your current role within your organization.

a. How long have you been in your present position?

b. How many other positions have you had outside of this company?

c. What is your educational background

d. How old are you

S.D.

Since 2001

3

Master

45

Q.3. Firm's characteristics

Arta

What are your firm characteristics?

What is the size

How many female workers do you have?

What is the industry / sector?

What is the age

S.D
1 employee
1 female
Its service, translation company
Since 2001

Q.4. The effect of previous experience towards quality of firm's performance

Arta

Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.

S.D.

Yes, immediately after the war I started to work as translator and I've noticed that I'm very good at what I was doing. Except the skill of translation, I also managed to get contacts, for which I translated at that time. Now this is working are a snowball system, as old contacts are binging new contacts.

Q.5. Education vs Specific Skills decision on making a selection of new staff

Arta

Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.

S.D.

Education is very much needed. IN my industry, employees without previous education are not needed.

Q.6. Impact of formal vs non-formal training in the company

Arta

Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

S.D

No, I do not need any training since my previous education gained it enough to perform properly. On the other hand, both of us have very long working experience, which is assisting us to work faster pace.

Q.7. What are companies training expenditures?

Arta

What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000

S.D.

It's 0 as we do not provide external training

Q.8. Training impact towards employee's motivation and self-efficacy

Arta

Does training have a relationship to employee's motivation and self-efficacy

S.D.

If you mean like attitude, then yes

Q.9. Possibility to transfer skills to another company / employee

Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.
S.D.
Communication. I trust without communication is the main skill for performance in any company.
Q.10. Issues in the external environment that shall have the utmost impact in the firm
Arta
What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?
S.D.
High taxes

Name: E.B.
Position: Co-owner, Director

Q.1. The push or pull effect towards entrepreneurs
Arta
Were you pushed to become an entrepreneur, or open your business, and why?
E.B.
Never worked for anyone else. I started small, and with time I managed to have couple of companies which include service industry (restaurants, shops), and not construction company.
Q.2. Entrepreneurs characteristics
Arta
Please describe your current role within your organization.
a. How long have you been in your present position?
b. How many other positions have you had outside of this company?
c. What is your educational background
d. How old are you
E.B.
5 years
0
MBA
60
Q.3. Firm's characteristics
Arta
What are your firm characteristics?
What is the size
How many female workers do you have?
What is the industry / sector?
What is the age
E.B.
a. 180 employee
b. 1 female
c. Its construction company.
d. Since 2001

Q.4. The effect of previous experience towards quality of firm's performance

Arta

Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where?

E.B.

I can say that I managed to bring only contacts or network into the new business. And of course, money earned from my previous company. Otherwise, I cannot think of something else

Q.5. Education vs Specific Skills decision on making a selection of new staff

Arta

Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.

E.B

Depends from the position. Both it would be much better, if possible. Yet I trust that in my business skills are very important. I trust that our educational system in Kosove is very poor, and maybe this is the reason why I try to hire employees with specific skills, which they learn or have learned previously through experience. I have employees, which make mistakes 9 times while constructing the building, and only the third time they manage to do it without any errors. I trust that this indicates that employees are learning mostly by experience.

However, on the other hand the proper education prepares managers for their analytical and strategic skills. Education shortens time and efforts for finishing financial and strategic plans easier, therefore I trust that education is very important. Therefore, as a conclusion, I would say that high working experience and education could give the best combination of top potential candidate for my company

Q.6. Impact of formal vs non-formal training in the company

Arta

Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

E.B.

Training are very limited. We offered trainings at the beginning when we started the project. However, now as we are at the end of the project trainings are very limited, as seen not needed at this period. Plus, as stated previously, most of our employees are outsourced

Q.7. What are companies training expenditures?

Arta

What is a range of your annual company training expenditures?

0 – 2.000

2.001 – 4.000

4.001 – 6.000

More then 6.000

E.B.

It's from 2001 to 4000 Euros

Q.7. Training impact towards employee's motivation and self-efficacy

Arta

Does training have a relationship to employee's motivation and self-efficacy

E.B.

Constant training is one of the greatest employee motivators. Investing in employees assists on

employee commitment increase.
Q.8. Possibility to transfer skills to another company / employee
Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.
E.B.
Managerial and communication skills.
Q.9. Issues in the external environment that shall have the utmost impact in the firm
Arta
What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?
E.B.
State in general, I trust that state is creating non-existing problems, instead of assisting us.
Central and Local Government

Name: F.I.
Position: Owner

Q.1. The push or pull effect towards entrepreneurs
Arta
Were you pushed or pulled to become an entrepreneur, open your own business, and why?

F.I
After gaining over 7 years of experience in London, UK, I realised that it would be a great opportunity to bring that knowledge into the Kosovor market, which lacked professional expertise in the advertising field. This was a huge advantage in establishing a solid agency and quickly penetrates the market.

Q.2. Entrepreneurs characteristics
Arta
Please describe your current role within your organization.
a. How long have you been in your present position?
b. How many other positions have you had outside of this company?
c. What is your educational background
d. How old are you
F.I.
12 years
4
MBA
44
Q.3. Firm's characteristics
Arta
What are your firm characteristics?
What is the size

How many female workers do you have?
What is the industry / sector?
What is the age
E.B.
a. 12 employees
b. 8 females
c. We specialize in advertising, web design and development as well as event management
d. Since 2005

Q.4. The effect of previous experience towards quality of firm's performance

Arta
Considering your experience, do you think that previous and present work experience has affected quality of firms performance? If yes where? Ex. Customer relationship, marketing activities ect.

F.I
Absolutely. My previous experience in the UK was continuously passed on to young, creative employees, who then became the leading designers in the country. As a result, a team of highly professional creative contributes to the firm at all times.

Q.5. Education vs Specific Skills decision on making a selection of new staff

Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
F.I
I never hesitate to hire employees with degrees and, preferably, experience obtained in the western countries. They are hard to find and very valuable to the advertising industry. These individuals work best with very young, pre-university talents, who are very eager to work hard, and learn from the experienced employees. So, experienced and educated abroad, as well as non-experienced, very young and wiling, are the two groups of people I look to hire most.

Q.6. Impact of formal vs. non-formal training in the company

Arta
Did you or any of your employees have any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?
F.I
Unfortunately, there are no good training services for design and advertising in Kosovo, while those abroad are usually expensive. Fortunately, the employees with experience abroad often organize training workshops for less experienced employees. In addition, should an affordable training opportunity arise abroad, we never hesitate to use it.

Q.7. What are companies training expenditures?

Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000

More then 6.000
F.I.
It's more than 6.000 Euros
Q.7. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy
F.I.
Employees with specific and narrowed job descriptions can certainly come to feel that they are just a mechanism in the wheel, and their job is not that significant. Training can assist employees comprehend how their job fits into their company's objectives and successes. Consequently, employees are more motivated and enthusiastic about their job as they know that their work matters and has and impact to the success of the company.
Q.8. Possibility to transfer skills to another company / employee
Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.
F.I
I believe that the experience I have gained both in UK, Albania and Kosovo gave me a very good insight in the creative industry, and the clients, that would greatly benefit any potential employer of the same industry.
Q.9. Issues in the external environment that shall have the utmost impact in the firm
Arta
What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?
F.I
The growth of digital technology
Corruption and unfair competition
Investment and economic development

Name: Genc
Position: Owner

Q.1. The push or pull effect towards entrepreneurs

Arta
Were you pushed or pulled to become an entrepreneur, open your own business, and why?

G.M.
Back in 1999 as a young man looking for new opportunities for my carrier I could say that I was pulled to get in to this industry because I love Marketing, I love creating brands and helping them succeed out there in the market battle. I do the work with passion; I have passed this work method to all my colleagues that are why we are the best.
Q.2. Entrepreneurs characteristics
Please describe your current role within your organization.

a. How long have you been in your present position?
b. How many other positions have you had outside of this company?
c. What is your educational background
d. How old are you
G.M.
18 years
2
MBA
42
Q.3. Firm's characteristics
Arta
What are your firm characteristics?
What is the size
How many female workers do you have?
What is the industry / sector?
What is the age
G.M.
42 employees
13 female workers
Marketing
Since 1999

Q.4. The effect of previous experience towards quality of firms performance
Arta
Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.
G.M.
Yes, since Im working in this industry for almost 15 years' now. Except knowledge, now I have created a brand which associated to my name, and most of companies which cooperate with me or request my service is due to the previous experience.

Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
G.M.
Both, yet education is my first choice. We have staff that are educated in the best international and local Universities. They have the chance to show their creativity because of the variety of clients but also to learn a lot from one another, that's why we often organize events for them to socialize and get to know each other better.
Nevertheless, we grow with them together, the industry changes rapidly so we need to change also, we need to adapt the need of the market and this could be done with the best people, the best general knowledge, the best specific or know-how skills. People are our best value.
Q.6. Impact of formal vs non-formal training in the company
Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for

the company, and if yes how?
G.M.
Yes, we have regular trainings for our staff, the latest training was in Istanbul "The Marketing Kingdom" with best speakers and latest topic. We have organized a training with one of the best Social Media Experts so that our staff could get updated on new trends. Gaining knowledge is our driving force. In this regard our staff needs to be updated in all of these trends through trainings, work-shops and seminars.
Q.7. What are companies training expenditures?
Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000
G.M.
It's more than 6.000 Euros
Q.8. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy
G.M.
Empowering somebody to develop and advance and assisting them set and accomplish objectives indeed motivates individuals. Understanding that your boss cares about your professional growth is so imperative. Persons who feel appreciated are far more motivated and consequently more creative than those who don't.
Q.9. Possibility to transfer skills to another company / employee
Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position
G.M.
Everything that is connected with my profession can be transferred to another company. I had employees which left that company, after couple of years, and are using their experience and skilled used in my coapny to use it in their own business.

Q.10. Issues in the external environment that shall have the utmost impact in the firm
Arta
As you look over the next 3-5 years, what are the three major trends or issues in the external environment that will have the greatest impact on your firm?
G.M.
We are connected to the economical development of our country and the companies operating in this market, if these two factors are in a good trend this will helps us grow.
Currently there is a growing trend on Information and Communications Technology (ICT), we are witnessing the expansion of Social Media usage for example today there are 1.86 billion monthly active Facebook users. A significant part these days are the engagement of the Millennia's also.
We need to be always updated with all the new communication tools, and this is very hard to follow. Technology is changing a lot on this industry so we are trying to get the necessary knowledge to be able to serve the market.

Name: Kujtim
Position: Co-owner, CEO

Q.1. The push or pull effect towards entrepreneurs

Arta

Were you pushed to become an entrepreneur, or open your business, and why?

K.G.

I was pulled. It was obstinacy. I thought if other could have done it I could do it as well. I wanted to create something. I had financial means, education and obstinacy. I wanted to create something which will remain even when I'm not present.

Q.2. Entrepreneurs characteristics

Please describe your current role within your organization.

a. How long have you been in your present position?

b. How many other positions have you had outside of this company?

c. What is your educational background

d. How old are you

K.G.

2 years

3

MBA

38

Q.3. Firm's characteristics

Arta

What are your firm characteristics?

What is the size

How many female workers do you have?

What is the industry / sector?

What is the age

K.G

22 employees

19 females

Service sector more precisely retail

37

Q.4. The effect of previous experience towards quality of firms performance

Arta

Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.

K.G.

Yes, even though I do not work at similar system as I did previously. Specific skills are not useful at what I'm doing right now however by having previous managerial experience I can see the big picture

Q.5. Education vs Specific Skills decision on making a selection of new staff

Arta

Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.

K.G.
Depending in the position. For managerial experience I need employed with higher education, since during the education period student get the discipline of work. Education can assist my employee also in other fields such as communications, yet unfortunately our educational system is not proper which is creating us only problems. In addition, employees who possess higher Educational background, such as university degrees, it gives them a feeling of being over qualified at work. This is, I trust hindering them to work properly, as they have this feeling that they are worth more than just being salespersons. For this reason, for lower positions, such as salespersons, I would rather hire employees with specific skills.

Q.6. Impact of formal vs non-formal training in the company

Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

K.G.
We offer only internal trainings. I try to always recruit employees with previous experience in this filed, yet informal trainings are offered to entire employees, whenever they start working for my company.

Q.7. What are companies training expenditures?

Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000

K.G.
It's 0 up to 2.000 max

Q.8. Training impact towards employee's motivation and self-efficacy

Arta
Does training have a relationship to employee's motivation and self-efficacy

K.G.
All too often people link motivation with financial reward. However, for me, training and development plays an significant role. Education and training shouldn't stop when you leave school

Q.9. Possibility to transfer skills to another company / employee

Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.

K.G.
As stated above, only general skills such as managerial once I could transfer

Q.10. Issues in the external environment that shall have the utmost impact in the firm

Arta

What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?
K.G.

ATK, improper law enforcement
High Custom Duties (Taxes)
Lack of employee's internal initiatives, working as robots

Name: Luljeta
Position: Owner

Q.1. The push or pull effect towards entrepreneurs
Arta
Were you pushed to become an entrepreneur, or open your business, and why?
L.SH
I was pushed and pulled at the same time. I always wanted to practice this profession, and while working for my previous employees I noticed that I have skills to have my own business. At the same time, this business is bringing main income in my family.

Q.2. Entrepreneurs characteristics
Please describe your current role within your organization.
a. How long have you been in your present position?
b. How many other positions have you had outside of this company?
c. What is your educational background
d. How old are you
L.SH
2 years
1
High School
33

Q.3. Firm's characteristics
Arta
What are your firm characteristics?
What is the size
How many female workers do you have?
What is the industry / sector?
What is the age

L.SH
2 employees
2 female workers
Hairdresser
Since 2015

Q.4. The effect of previous experience towards quality of firm's performance
Arta
Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.

L.SH.
Totally. My previous experience gave has affected in my firm, since skilled learned during my previous experience as hairdresser has enabled me to continue my work. I learned how to cut, color hair, and everything else that is related to hair styling. We also do offer make for our customer, yet this skill was not learned in my previous job.
I also used my old acquaintances(connections), with my old customer. My entire old customer, who liked my service transferred from my old job to my new business.

Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
L.SH.
I need employees only with specific skills, even though is employees have needed specific skills and do not mind employees with higher educational background. I understand that high education is value. I personally, unfortunately, do not have high educational background except high school, yet I'm trying to raise my value by going to English course and I trust that proper communication is learned in schools and is needed for the company, especially communication in a foreign language as English language, due to the fact that Kosovo has high international community since the war ended.

Q.6. Impact of formal vs non-formal training in the company
Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

L.SH.
I would like to attend external (formal) trainings and also send my employees to these kind of trainings. However, these training have high costs, I cannot afford it. Therefore, I try to offer my knowledge to my employees, it is very helpful and with no cost.

Q.7. What are companies training expenditures?
Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000
L.SH.
0 costs
Q.8. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy

L.SH.
Yes, since they feel more important when they know they know how to perform better and

customers are happy with them

Q.9. Possibility to transfer skills to another company / employee

Arta

How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.

L.SH

Entire skills can be transferred, same as I took my skill from my previous employee. And I trust this this is very dangerous, as my employee can not only take skill but also my present customers to another employer, and this is the reason why I try to keep very low number of employees within the company.

Q.10. Issues in the external environment that shall have the utmost impact in the firm

Arta

What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

L.SH.

Competition is becoming one of the biggest problems. There are 4 business exactly the same as mine, within this block.

Price is also becoming a problem, as we are killing the business by trying to get customers from each other, by lowering prices.

Name: Merita
Position: Owner

Q.1. The push or pull effect towards entrepreneurs

Arta

Were you pushed to become an entrepreneur, or open your business, and why?

M.H.

My family (more precisely mother) in sewing, and I trust that I got talent from my mother. I started as a kid, helping my mother. With time, I've noticed that Im good at this professional and I like it very much, therefore I trust that I was pulled. On the other hand, I've noticed that this profession is booming in our country, therefore I saw as a great opportunity to make money, at the same time

Q.2. Entrepreneurs characteristics

Please describe your current role within your organization.

a. How long have you been in your present position?

b. How many other positions have you had outside of this company?

c. What is your educational background

d. How old are you

M.H.

6 years

0

University degree

48

Q.3. Firm's characteristics
Arta
What are your firm characteristics?
What is the size
How many female workers do you have?
What is the industry / sector?
What is the age

M.H.

Up to 9 employees during high season
8 females
Design factory
2011

Q.4. The effect of previous experience towards quality of firms performance
Arta
Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where?
M.H.
No, I worked completely at a different industry in London and I cannot say that my previous experience affected the quality of my firms performance

Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
M.H.
I need people with very specific skills even though educational background makes employees complete. I trust that employees with educational background have proper culture, better communication and analytical skills, and specific skills (such as design in my case). Therefore, educational background can is in my priority list. Student of design gain specific knowledge though university degree.

Q.6. Impact of formal vs non-formal training in the company
Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

M.H.
A lot, we do internal trainings a lot for my new incomers. Me and my two older employees, train new employees at the beginning of their work, however ongoing non formal training is present all the time form my side for new and old employees
Q.7. What are companies training expenditures?

Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000
M.H.
2.001 – 4.000
Q.8. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy
K.G.
Maybe not in motivation but they show better results at work

Q.9. Possibility to transfer skills to another company / employee
Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.
M.H.
If it's a different industry no, otherwise I expect communication skills

Q.10 Issues in the external environment that shall have the utmost impact in the firm
Arta
What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?
M.H.
Unfair competition.
Persons with no educational or skills are ruing the market by opening similar businesses, selling very bad products and stolen designs, with very low prices.

Name: Pranvera
Position: Co-owner, CEO

Q.1. The push or pull effect towards entrepreneurs
Arta
Were you pushed to become an entrepreneur, or open your business, and why?

P.P
Both. Opening my own business was a good financial opportunity, however on the other hand it was a dream which by husband had for years before we decided to open it. He mostly runs the business, yet I trust that I'm his right hand and that I support him morally and professionally to grow.

Arta
Q.2. Entrepreneurs characteristics
Please describe your current role within your organization.
a. How long have you been in your present position?
b. How many other positions have you had outside of this company?
c. What is your educational background
d. How old are you
P.P.
5 years
3
University degree
41
Q.3. Firm's characteristics
Arta
What are your firm characteristics?
What is the size
How many female workers do you have?
What is the industry / sector?
What is the age
P.P.
130 employees
2 females
Production and Service - we are producing pizzas (for supermarkets) and we sell Pizza for our restaurants
2011
Q.4. The effect of previous experience towards quality of firms performance
Arta
Considering your experience, do you think that previous and present work experience has affected quality of firms performance? If yes where? Ex. Customer relationship, marketing activities ect.
P.P.
Communication maybe, otherwise my previous job was very specific, I used to work as architect.
Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
P.P.
Skilled worker. Yet, it is very hard to find trained workers for our field. There is one vocational school in Peja, yet it's not enough.
Q.6. Impact of formal vs non-formal training in the company
Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for

the company, and if yes how?
P.P.
External trainings can be held only abroad since there are no experts in Kosove, we've send them once couple of our employees (yet it was like 5 years ago). Usually we offer internal training to our employee. It is helpful yet for sure external once would be much better
Unfortunately, there are no good training services for design and advertising in Kosovo, while those abroad are usually expensive. Fortunately, the employees with experience abroad often organize training workshops for less experienced employees. In addition, should an affordable training opportunity arise abroad, we never hesitate to use it.
Q.7. What are companies training expenditures?
Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000
P.P.
More then 6.000
Q.8. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy
P.P.
Money is the main drive for motivation, yet training has a little or short term impact
Q.9. Possibility to transfer skills to another company / employee
Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current employer.
P.P
I only manage; I do not have any specific skills in the field which I'm engaged. Managerial skills, if they can be called specific
Q.10. Issues in the external environment that shall have the utmost impact in the firm
Arta
What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

P.P.
1. Unfair competition, by offering low value yet with very low price
2. I trust people easily, and they are using it most of the times, and do not keep promises and even written agreements

Name: Sedat
Position: Co-owner

Q.1. The push or pull effect towards entrepreneurs

Arta
Were you pushed to become an entrepreneur, or open your business, and why?
S.G.
I was pulled. Before I opened my restaurant which is a joint company with my partner, I had a small bar. I decided to open the restaurant only after my partner approached me with the idea that we could do something bigger together. I saw this idea as a good opportunity to grow and earn more, at the same time.
Q.2. Entrepreneurs characteristics
Arta
Please describe your current role within your organization.
a. How long have you been in your present position?
b. How many other positions have you had outside of this company?
c. What is your educational background
d. How old are you
S.G.
11 years
4
University degree
43
Q.3. Firm's characteristics
Arta
What are your firm characteristics?
What is the size
How many female workers do you have?
What is the industry / sector?
What is the age
S.G.

14 employees
0
Service sector, restaurant
2006
Q.4. The effect of previous experience towards quality of firms performance
Arta
Considering your experience, do you think that previous and present work experience has affected quality of firms performance? If yes where? Ex. Customer relationship, marketing activities ect.
S.G.
Yes, it did a lot, since while I had my bar before having the restaurant I had an opportunity to meet lots of people, or better say customers, where I created contacts. These contacts helped to keep my old clientele and their word of mouth brought me new once. Communications is the second issue.
Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
S.G.
I trust only Specific skills are needed in my case. Because I need people that can work in the kitchen, have skills to prepare specific food (salads, pasta, meat)

Q.6. Impact of formal vs non-formal training in the company

Arta

Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

S.G.

We do have internal and external trainings. Last January we had master chef from Paris, who trained dour employees with specific skills of specific food and taste. Yet, internal training I see it more helpful, since we can have longer trainings, through internal trainings we have the opportunity to experiment with new and old recipes of specific food, and these experiments are bringing new ideas and better flavors.

Q.7. What are companies training expenditures?

Arta

What is a range of your annual company training expenditures?

0 – 2.000

2.001 – 4.000

4.001 – 6.000

More then 6.000

S.G.

More then 4.001 – 6.000

Q.8. Training impact towards employee's motivation and self-efficacy

Arta

Does training have a relationship to employee's motivation and self-efficacy

S.G.

Investing in employees is the best motivation

Q.9. Possibility to transfer skills to another company / employee

Arta

How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.

S.G.

I as manager, maybe cannot transfer skills to other employees, yet there are two employees which left one year ago to Germany, and found new job in the restaurant because their experience gained in our restaurant gave then enough knowledge and skills to work for other companies, even outside Kosove

Q.10. Issues in the external environment that shall have the utmost impact in the firm

Arta

What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

S.G.

Since 2013 we are losing clients enormously because road are rebuild, which have enabling Kosovo inhabitants to go quicker and easier from one town to another. Before 2013, customer were concentrated in Prishtine, now and also in the future, they are spread all over Kosove and the sounding region.

Income is the other issue: Kosovor income is going down, the standard of living is going down, which is impacting ne taste of the customers, or better to say the demand. When we opened the business

most of our customers drank wine and steaks, now we the trend is coming that customers are drinking beer which has much lower cost than wine and Champaign. In addition, hamburgers and fast food is being more and more requested by the customers, whereas we are losing customers since we are high service restaurant and we do not offer fast food.
And the third issue is perception. Our customers value the food more if its ordered outside Kosove then inside. I've noticed that the same stake is more valued, and bought in Skopje and Tirana, then in Prishtine.

Name: Visar
Position: Co-owner

Q.1. The push or pull effect towards entrepreneurs

Arta

Were you pushed to become an entrepreneur, or open your business, and why?

V.D.

I like change. I am a person that generates change. In addition, I like challenge and I saw my present business and new challenge and professional development.

Q.2. Entrepreneurs characteristics

Please describe your current role within your organization.

a. How long have you been in your present position?

b. How many other positions have you had outside of this company?

c. What is your educational background

d. How old are you

V.D.

10 years

10 years

University degree

4

Q.3. Firm's characteristics

Arta

What are your firm characteristics?

What is the size

How many female workers do you have?

What is the industry / sector?

What is the age

V.D.

52 employees

15 employees

We are Business, Financial and Management Consulting company

7 years

Q.4. The effect of previous experience towards quality of firms performance

Arta

Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.

V.D.

Yes, very much. My previous experience gave me the confidence that the partnership is the best system in establishing a sustainable business. In addition, my experience taught me that Ethical behavior can bring significant benefits to a business. A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behavior, and less likely to find themselves in breach of one of a large number of laws concerning required behavior.

Q.5. Education vs Specific Skills decision on making a selection of new staff

Arta

Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.

V.D.

Proper people are found only if they have proper Education. Our approach is that we hire employee with General skills and learn them specific skills. The company promotes a strategy, by headhunting talents. We hire top students, who recently finished their University or MBA degree (mostly abroad), and we make them into specialists. Our employees grow in the company.

Q.6. Impact of formal vs non-formal training in the company

Arta

Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

V.D.

As mentioned above, we do offer mostly internal (non-formal) training which are seen very helpful for the company. We, the managers of this company, are highly educated, trained and skilled and I trust that this knowledge is being transferred appropriately throughout our employees. However, if we find high specialist in specific field we do not hesitate to hire.

Q.7. What are companies training expenditures?

Arta

What is a range of your annual company training expenditures?

0 – 2.000

2.001 – 4.000

4.001 – 6.000

More then 6.000

V.D.

Range could be approximately up to 4.001 – 6.000

Q.7. Training impact towards employee's motivation and self-efficacy

Arta

Does training have a relationship to employee's motivation and self-efficacy

V.D.

Yes, definitely

Q.8. Possibility to transfer skills to another company / employee

Arta

How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current employer.

V.D.

I am an engineer, yet in my present business I work as a manager, therefore I trust that managerial skill should and can be transferred to another company. My employees skills, learned in my company, are not easy to be transferred either.

Q.9. Issues in the external environment that shall have the utmost impact in the firm

Arta
What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

V.D.
Not proper Education or Schooling. Kosovo colleges and universities have no qualitative components. Mostly students which come from abroad schools have proper knowledge.

Name: Vjosa 1
Position: Owner

Q.1. The push or pull effect towards entrepreneurs

Arta
Were you pushed to become an entrepreneur, or open your business, and why?
V.C.
I was pulled at that time, as it was my dream to work as makeup artist. I loved and still love this profession, even though at that time I did not know that this profession needs high discipline and it is very demanding, challenging and difficult to run.

Q.2. Entrepreneurs characteristics

Please describe your current role within your organization.
a. How long have you been in your present position?
b. How many other positions have you had outside of this company?
c. What is your educational background
d. How old are you
V.C.
11 years
11 years
High school
32

Q.3. Firm's characteristics

Arta
What are your firm characteristics?
What is the size
How many female workers do you have?
What is the industry / sector?
What is the age
V.C
a. 9 employees
b. 6 employees
c. Service, makeup artist
d. 2006

Q.4. The effect of previous experience towards quality of firms performance

Arta

Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.

V.C.

I haven't work previously therefore I cannot answer this question.

Q.5. Education vs Specific Skills decision on making a selection of new staff

Arta

Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.

V.C.

My team is very diverse. I have employees with University degree and I employees who just finished their high school. Yet I do not see any difference between them, except maybe communication skills. I personally, have graduated in London in one of the top make and beauty academies, which I trust was the key for opening my business. Skills that I've learned there helped me to become who I am, and these skills are transferable to my employees as well.

Q.6. Impact of formal vs non-formal training in the company

Arta

Did you or any of your employees have any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?

V.C.

I attend external trainings, all the time. I bring new ideas, service and offers in Kosovor market all the time. Due to external trainings I see my company as a leader in this sector, and I trust that external trainings bring great benefits to the company. However, due to very high costs, I transfer my knowledge to my employees through non formal trainings.

Q.7. What are companies training expenditures?

Arta

What is a range of your annual company training expenditures?

0 – 2.000

2.001 – 4.000

4.001 – 6.000

More then 6.000

V.C.

Range could be approximately up to 6.000

Q.7. Training impact towards employee's motivation and self-efficacy

Arta

Does training have a relationship to employee's motivation and self-efficacy

V.C.

Yes, yet monetary benefits give more motivation

Q.8. Possibility to transfer skills to another company / employee

Arta

How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.

V.C.

Entire skills which are related to make up, and also managerial and communication skills.

Q.9 Issues in the external environment that shall have the utmost impact in the firm

Arta

What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

V.C.

There are a lot of issues which I see on daily bases, yet they are manageable. However, one of the problems which I see it as very crucial to mention is pricing. Value-based strategy which sets prices primarily, but not exclusively, according to the perceived or estimated value of a product or service to the customer rather than according to the cost of the product or historical prices. By lowering prices below the average is making us problems.

Name: Vjosa 2
Position: Owner

Q.1. The push or pull effect towards entrepreneurs

Arta

Were you pushed to become an entrepreneur, or open your business, and why?

V.E.

I was pushed, as after the war I was the only person working in my family. Now my husband has a full time job, yet I have higher income then he does. On the other hand, I like this profession and I do it with pleasure.

Q.2. Entrepreneurs characteristics

Please describe your current role within your organization.

a. How long have you been in your present position?

b. How many other positions have you had outside of this company?

c. What is your educational background

d. How old are you

V.E.

10 years

10 years

High school

41

Q.3. Firm's characteristics

Arta

What are your firm characteristics?

What is the size

How many female workers do you have?

What is the industry / sector?

What is the age

V.E.

a. 4 employees

b. 4 employees

c. Service and Production, cake production and sale

d. 10 years

Q.4. The affect of previous experience towards quality of firms performance

Arta

Considering your experience, do you think that previous and present work experience has affected

quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.
V.E
I think it does

Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
V.E.
For service part I would hire employees with higher education as I trust that they will least proper communication system, whereas in production process and need only people with skills and will to the job.

Q.6. Impact of formal vs non-formal training in the company
Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?
V.E.
I attend external trainings, and try to transfer the knowledge to my employees. I always hire employees which have will to work, and a sense of this industry, and through internal (non-formal) training I teach them how to work

Q.7. What are companies training expenditures?
Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000
V.E.
Range maximum 2000
Q.8. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy
V.E.
External training offer skills and gives you refreshment and self-efficacy … you get away from daily routine

Q.9. Possibility to transfer skills to another company / employee
Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.
V.E.
None

Q.10. Issues in the external environment that shall have the utmost impact in the firm

Arta
What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?

V.E.
I was one of the first entrepreneurs who came with the idea to prepare cake's and sell them. However, unfortunately, here in Kosove there is a trend that if one person has success additional ten persons decide to open same business within very short distance from each other. This is creating a problem, as too many businesses with very small diameter make enormous competition. Prishtina has no metropolitan area, such as Vienna or New York, we have limited customers and those customers are scattered throughout businesses, which results with very low profit for all of us.

Name: Kastriot
Position:CEO

Q.1. The push or pull effect towards entrepreneurs
Arta
Were you pushed to become an entrepreneur, or open your business, and why?
K.F
I was pulled in this workplace. Maybe because it was a new industry and I wanted to challenged myself, since I worked for a telecommunications company for 8 years and I needed a change
Q.2. Entrepreneurs characteristics
Arta
Please describe your current role within your organization.
How long have you been in your present position?
How many other positions have you had outside of this company?
What is your educational background
How old are you
K.F.
a. Since 2015
b. 2
c. Bachelor
d. 38
Q.3. Firm's characteristics
Arta
What are your firm characteristics?
What is the size
How many female workers do you have?
What is the industry / sector?
What is the age
K.F.
a.19 employee
b. 5 female
c. Educational services – Private Educational Institution
d. Since 2015
Q.4. The effect of previous experience towards quality of firms performance
Arta

Considering your experience, do you think that previous and present work experience has affected quality of firm's performance? If yes where? Ex. Customer relationship, marketing activities ect.
K.F.
In my previous work I had completely different position and worked for a different industry. It is hard to say that how my previous experience could affect my present work. No I don't think so.
Q.5. Education vs Specific Skills decision on making a selection of new staff
Arta
Would you recruit a person with high Educational level or you would prefer more a person which has Experience and Training in specific skills, and why? The interviewees were asked again the reason why they were perceiving the situation to be the way they were expressing it.
K.F.
Education for sure comes in the first place. Of course specific skills are preferable yet I trust that uneducated employees would not fit in our team
Q.6. Impact of formal vs non-formal training in the company
Arta
Did you or any of your employees had any training practices? Such as whether the firm provides any (Formal or structured training or Informal training to its employees, or both). Do you see it helpful for the company, and if yes how?
K.F.
One of the areas of our services is trainings. These are offered for staff at no charge. From the mandatory trainings, we also offer directly related to his / her work
Q.7. What are companies training expenditures?
Arta
What is a range of your annual company training expenditures?
0 – 2.000
2.001 – 4.000
4.001 – 6.000
More then 6.000
V.E.
0 expenditures
Q.8. Training impact towards employee's motivation and self-efficacy
Arta
Does training have a relationship to employee's motivation and self-efficacy
K.F.
It depends a lot on the person. In most cases, if the request for training comes from the staff, then it is motivating for them, while in other cases it is not distinguished as a big motivators. However it shows results in self efficacy
.Q.9. Possibility to transfer skills to another company / employee
Arta
How many of the skills that you learned doing any of these activities do you think would be useful in doing the SAME kind of work you are now doing for an employer other than your current position.
K.F.
Only if it's in education industry, otherwise no as we have very specific work.
Q.10. Issues in the external environment that shall have the utmost impact in the firm
Arta
What are the three main issues in the external environment that shall have the utmost impact on your firm, next 3-5 years?
K.F. 1. Law is going through changes a lot and I heard that it is being amended again

Annex C - Letter of Permission to use survey data from BSCK

Letter of Permission

Subject: Permission to use SMEs database on Entrepreneurship and Small Business Development in Kosovo in 2012 for Arta Koka Grubi.

BSC Kosovo grants the permission to Arta Koka Grubi, to use the survey data of SMEs conducted in 2012 by BSC Kosovo for her Phd thesis on the '***THE IMPACT OF HUMAN CAPITAL ON SME GROWTH: International experience and evidence for Kosovo***", under the following conditions:

- Arta Koka Grubi will use this survey data only for her PhD Thesis and will not sell or use it with any compensated or curriculum development activities.
- Arta Koka Grubi will include the copyright statement on all copies of the instrument.
- Upon our request, Arta Koka Grubi will send a copy of her dissertation before publication.

Regards,

Prof. Dr. Besnik Krasniqi, Founder & Director

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