

Threads and Necessary Actions for Bosnian Small and Medium Enterprises

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Abstract—The importance of Small and Medium Enterprises for the national economy is clear in that they contribute gross domestic product by reducing the poverty and unemployment rate. On the other hand, the identification of their specific threads worldwide and in its marketplace is important. This study aims to identify the agreement levels of the employees working in Bosnian SMEs about their external threads (global barriers and market related factors) and therefore the necessary actions to be taken by the government and themselves. The results suggested high level of agreement in general with the proposed items. The findings of the study are helpful for the SMEs and government in order to enhance their operations and therefore the overall welfare of Bosnian.

Index Terms— SMEs; Global Barriers; Market related factors; Internal Actions; Government steps; Bosnia and Herzegovina

1 INTRODUCTION

SMALL and medium enterprises (SMEs) are important in that they are used as a solution for some problems of the modern business environment such as reduction of poverty and unemployment and increasing gross domestic product (GDP). They are also crucial for building competitiveness. SMEs are important especially for transitional economies like Bosnia and Herzegovina. They are unique in that they can quickly adapt to the fast evolving market conditions. However, like every organizations they need support of the government to overcome the barriers. Therefore, this study has become important that it aims to identify the agreement levels of the employees of Bosnian SMEs for the external threads (global barriers and market related factors) and therefore the actions which are necessary to be taken by the government and the SMEs. The threads and the actions are derived by reviewing the relevant literature. Constructed survey is conducted through the employees of SMEs in BiH. The derived data is analyzed descriptively. The results are presented and the paper is concluded.

2 LITERATURE REVIEW

In this section, the relevant literature about SMEs is provided. Jones [9] aims to identify the life cycles of SME's and the conditions for preparing and managing each cycle in order to achieve maximum success. He also discusses all the growth phases and reports that small and medium enterprises have similar problems.

Edmiston [5] realizes how small companies can change the economic situation of a country and suggests that the government should help the medium companies with lower taxes and better policy regulations at the beginning. He reports that

the small businesses can easily adapt to the changes faster than the big companies, can quickly develop and so create working place and so reduce the unemployment rate of the country.

Hasić [7] identifies the problems of the small and medium companies in Bosnia and Herzegovina and describes the difficulty to establish and operate SMEs because of fast changing economical position of the company and the country. He reports that the government invests a lot on SMEs however; globalization prevents their competitiveness with the other countries around Bosnia.

Lahiri [10] suggests SMEs recognize some chances and invest money on the right places. He also suggests government support in order to overcome the influences of globalization.

Budriene and Zalickaite [2] suggest fast adaptation to constantly changing economical environment, searching new opportunities and employing cloud computing in order to enhance the adaptation to certain situations and the connection of different internal and external units.

Džafić, Rovčanin and Klopić [3] provide some examples from Slovenia, Czechs Republic, Hungary and Poland about the influences of developing SMEs on the development of a country. They suggest initiating strong economic development strategies for SMEs for positive benefits of the government by enhancing the economic growth rate. They report that the SMEs represent 60% of the whole GDP in these countries. For this part of Europe, they furthermore suggest that the SMEs should develop fast and accurate because of changing environment and laws and developed SMEs bring a lot of contributions such as lower unemployment rate, higher GDP level, developed industrial policies and better and faster regulations inside the country.

Bowen, Morara and Mureithi [1] stress on the importance of SMEs undeveloped countries because of their contribution to the GDP and reducing unemployment rate. They report that 60% of the SMEs don't survive at the end of first five months. They also report the competition between SMEs and big companies. They suggest developing some strategies in order to overcome their problems such as special offer, discounts, low prices and offering a big variety of services and products to satisfy the local customers.

In their report about Bosnia and Herzegovina, Organization for economic

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co-operation and development and European bank for reconstruction and development suggest the importance of pacts for every successful company, because of necessity of acting according to guidelines [13].

Humphrey and Schmitz [5] search about the modern world SMEs that have changed the industrial environment where the whole industry both depends on big and many small companies. They suggest the importance of SMEs, since they can change and adapt to new challenges in the market better than the bigger ones and force competitiveness and therefore the price reduction so that the end user pay less.

Lesáková [11] suggests innovations as the driving force of changing market conditions and the reason of their easy growth and success. According to her, the stable pressure on SMEs markets leads to many innovations, since competitiveness is the highest motivator for new innovations. She aims to identify the problems during the innovation process, how the enterprises overcome these problems and the necessary steps to be implemented. She concludes that innovative firms need new technologies and new products for their survival in the market.

Green, Kirkpartick and Murinde [6] suggest that the government can change everything and choose whether a market will survive or not. They suggest implementing supporting policies for the SMEs to enhance their operations and so stable growing market environment. They provide examples about that financial help from the government can change everything and increase employment rates market positions, profit from taxes and lower credit rates.

Džafić [4] discusses the ways of helping SMEs therefore the economy. He suggests the special importance of the SMEs in Bosnia and Herzegovina in the transitional period after the war.

Perić [14] reports that Bosnia and Herzegovina aims to be a part of the European Union and so get necessary EU fund to invest on SMEs that have an important role in the development and reconstruction of the economy after the war. By considering the data between 2009 and 2011, he reports that the SMEs grow constantly and have now a very important role in the modern economy. He also provides information about the macroeconomic situation, economic positions of SMEs, laws and regulations about SMEs, tax related issues and financial instruments in the regulations of SMEs.

Rawal [15] reports that financial problems are mainly the reason of SMEs' failure in India. He suggests some steps to be employed to rescue them in case of failure. He furthermore reports that the government of India indicates new guidelines for micro and small enterprises to provide the necessary help.

McIntyre [12] searches the role of SMEs in the enterprise sector, the aspect of market access and divers' property forms in transitional countries. He reports that transitional economies invest much on SMEs since SMEs can be rented and good for them by bringing profit and minimizing the risk. The author suggests that the social stability is crucial for such environments and SMEs.

3 Research Methodology

3.1 Scale Development

In table 1, the used literature in developing the survey items is provided.

3.2 Variables and Measuring Items

In order to get closer insight into the aspects of Small and Medium Enterprises and challenges, opportunities and barriers of them in BiH, four variables are identified as a result of the literature review. In addition, for each variable, a few measuring items are identified and based on those measuring items twenty-seven questions are prepared. The variables and brief explanation of them are given next.

Table 1. List of variables and sub-items

Variable Name	Sub-items	References
Government steps	Government investments, Government regulations, Government revision, Political surplus, Accounting system	[5]; [7]; [10]
Market related actions	Growth of employment, Reduction of poverty, Challenges in markets, Financial segments, Social development	[7]; [10]; [5]
Global barriers	Globalization, Foreign investment, European union, European funds, Undeveloped countries	[10]; [3]
Internal barriers	Information systems, Risk management, Financial systems, Innovations, Investment strategies	[2]; [1]; [5]; [11]

Government steps represent the forces which evaluates the successfulness of SMEs in term of regulations and laws. The government reduces the taxes and regulates laws so that SMEs can easily enter the market and expand there.

Market related actions are determined to describe the economical status of the country in which the SMEs are operating. The factors considered in market related actions include Growth of employments (the rising employment level influences opening new firms and therefore creating working places); Reduction of poverty (unemployment reduces, transactions increase and taxes are paid); Challenges in market (the growth of competition, new inventions and lower prices of products/services); Social development (work power, new SMEs).

Global barriers represent the barriers because of Globalization where everyone gets connected, markets become open for everyone and the competition becomes higher and stronger. Foreign investments become valuable but the main problem is finding investors for SMEs. The European Union is also a global barrier because of their restrictive regulations for some SMEs on their territory.

Internal barriers represent the barriers inside the SMEs like the bad management, or poor information systems which cannot provide fast information flow. The financial systems and regulations inside the firm may not be developed. Innovative ideas can bring success or failure to SMEs because if they don't have enough innovations they can't compete with other firms and lose their position in the market. Investment strategies are necessary for the companies in order to gain maximum profit in their future actions.

3.3 Data

As demonstrated in this document, the numbering for sections upper case Arabic numerals, then upper case Arabic numerals, separated by periods. Initial paragraphs after the section title are not indented. Only the initial, introductory paragraph has

a drop cap.

5 RESULTS

5.1 Demographics

Demographics information include respondents department, position within the department, experience in given position and their education levels, gender and age. The survey is responded by 120 males and 47 females. Education levels of respondents vary (doctoral degree 10, master degree 28, undergraduate 74 and other 57).

The positions of the respondents are reported under general group names. Most of the respondents have clerical positions (110) and there are 13 CEOs and 41 managers from the companies (Table 2).

Table 2. Positions of the Respondents

CEO	13
Manager	41
Clerical Positions	110
Engineer	3
Total	167

5.2 Questionnaire Results

The respondents are observed to have high expectations from the government in order to take necessary steps by making investments, regulations, revising the tax policy, reducing the negative effects of Political surplus and legislating the accounting systems of SMEs (Table 3).

Table 3. Government Steps

Government steps (5.43)	Mean	Std. Deviation
Government investment is necessary for development of SMEs	5.42	1.234
Government regulations are necessary for better development of SMEs	5.46	1.134
Government revision on its tax policy is necessary for SMEs	5.39	1.178
Government should take necessary steps in order to reduce the negative influences of Political surplus	5.4	1.024

Government should legislate the accounting system in SMEs	5.5	1.091
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As a result of analyses, it is identified that respondents are very agreed with the asked factors as the market related factors to be considered. They rated changing economical situations, employment growth, poverty reduction, market challenges, financial segments, social development and introduction of new guidelines (Table 4).

Table 4. Market related factors

Market related factors (5.71)	Mean	Std. Deviation
Changing economical situations	5.71	1.037
Growth of employment	5.69	1.138
Reduction of poverty	5.75	1.059
Challenges in market	5.73	1.195
Financial Segments	5.65	1.129
Social development	5.72	1.136
New guidelines	5.73	1.209

According to the responses about global barriers, it is observed that the respondents have highly accept that globalization, foreign investments, European union and European funds are among the important external barriers for them (Table 5).

Table 5. Global Barriers

Global Barriers (5.37)	Mean	Std. Deviation
Globalization	5.32	1.153
Foreign investments	5.33	1.082
European union	5.4	1.2
European funds	5.37	1.193
Undeveloped countries	5.42	1.164

Respondents are observed to be very much agreed that some actions related to their internal mechanism should be taken such as enhancing company information systems, risk management, security, re-structuring the management, regularization of company financial systems and reporting systems, adopting innovations, organizational motivation, work power motivation, investment strategies and developing survival techniques (Table 6).

Table 6. Internal Actions

Internal Actions (5.51)	Mean	Std. Deviation
SMEs should enhance their information systems	5.55	1.171
SMEs should take necessary steps in order to manage risks	5.47	1.281
SMEs should invest on the security of their operations and activities	5.51	1.278
SMEs should re-structure their management for current needs	5.59	1.448
SMEs should regularize their financial systems and reporting mechanisms	5.45	1.165
SMEs should take necessary actions to adopt innovations	5.5	1.08
SMEs should gain organizational motivation to enhance their operations and activities	5.58	1.234
SMEs should gain the motivation of their work power to enhance their operations and activities	5.48	1.078
SMEs should seek to employ best investment strategies	5.42	1.131
SMEs should develop survival techniques in case of negative impacts on their various units	5.54	1.197

6. Conclusion

This study aims to identify the agreement levels of the employees working in Bosnian SMEs about their external threads (global barriers and market related factors) and therefore the necessary actions to be taken by the government and themselves. The results suggested high level of agreement in general with the proposed items (Table 7). The survey items are derived directly from the reviewed literature. Therefore, the results of this research are found to be supportive for the general understanding of global SMEs.

Table 7. Overall Variables

Measurement Items	Mean
Government steps	5.43
Market related factors	5.71
Global Barriers	5.37
Internal Actions	5.51
Total	5.5

The study has implications to the government by identifying the needs and expectations of SMEs. It is understood from the literature that SMEs are very important for the improvement of national economy; the government should take the necessary actions to increase their operations and numbers. Therefore, SMEs can decrease the employment rate and the ratio of poverty and increase GDP and overall welfare of the country.

Since the results of this study are observed to be parallel with the assumptions of literature review, Bosnian SMEs as well as global SMEs can consider them and accordingly develop their strategies. Since the external threads (global and market related) and the necessary actions to be taken for them by the government and the company are somehow definite, they can directly consider those while setting up their strategies.

This study seems to be limited with Bosnian market place. However, as stated before, the results are found to be in line with the assumptions of the literature. Therefore, the results of the study may be applicable to different markets. This study has general findings and implications, but further research may run in-depth analyses through the market.

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