

**DO EDUCATION AND OTHER RELATED DETERMINANTS
MATTER TO BUSINESS PERFORMANCE?
EVALUATION OF KOSOVO THROUGH A MULTINOMINAL
REGRESSION APPROACH**

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Abstract: The overall aim of this paper is to empirically evaluate the perception of SME managers or owners on business performance (BP) during the year 2023, compared to 2022. The research has determined the dependent variable – the evaluation of BP – while education (EDU), drafted business plan (DBP), experience in the field in which the business operates (EXP), managerial ability (YMS), new product development (NPD), and inadequate skill level of employment skills (ILES) are defined as independent variables. The sample during the realization of this research consists of 336 questionnaires. The data for the inquiry were collected between March and April 2023. Multinomial regression was applied as the econometric approach, and it was also used in some of the important tests for the model's determination. The discoveries of this study reveal that education, experience in the field in which the business operates, and managerial skills have a statistically significant influence while other variables exhibit an insignificant influence on BP. With a view towards contribution and originality, our research differs essentially from earlier studies, both in the selection of variables and in the applied approach. Therefore, productive discussions will result between scholars, academics, and policy-making bodies.

Keywords: SMEs; education; experience; managerial skills; business plan; multinomial regression

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Introduction

The contemporary phenomenon of entrepreneurship has been growing exponentially, with many young people preferring to start their own businesses as a solution to the problem of employment and as a means to increase general well-being. The most challenging issue facing businesses today is the ability to manage the constant changes occurring in technology and industry, innovation and creativity, while at the same time promoting awareness through educating managers to plan and lead effectively. However, it is an undeniable fact that many businesses fail to survive for the sole reason that in their beginnings they do not understand the importance of educating managers to adopt strategies and develop their business.

Over time, the concept of managers' education and experience in doing business has been supported by many authors, due to the impact on the performance of the organization or business. Organizations in the private as well as public sectors must seriously consider the practice of business planning, especially strategic planning, as a tool that can be used to monitor their performance (Arasa & K'Obonyo, 2012). In the Kosovar market, the entry of new businesses has become a frequent and even quite everyday phenomenon: according to the Business Registration Agency in Kosovo (ARBK), there were 10,649 new businesses in 2021. Although the majority of businesses in the Kosovar economy comprise small and some medium-sized businesses, they are becoming the focus of new jobs and the country's economy. The extinction of new businesses is quite widespread. Based on ARBK statistics, about 1,608 businesses were extinguished in 2021, representing 15.1% of registered businesses that year (ASK, 2023). Undoubtedly, the reasons behind businesses failing are numerous, but the analysis of this research narrows in on the impact of managers' education and experience in doing business, lack of managerial skills, and inadequate levels of employment skills.

Previous research has assumed that many new businesses fail to survive due to the lack of awareness regarding the importance of education and skills among both management and employees. Furthermore, many such entrepreneurs start their enterprises without any specific plan, and this can lead to wasted time and high overheads. Without a business plan, owners have a hard time keeping their businesses focused and may not know if they are going in the wrong direction. Strategic planning is a crucial management tool for firms and NGOs in competitive and turbulent environments (Liu, Siguaw & Enz, 2008). With the continuing changes in the business climate as we know it, there is a troubling discrepancy between the popularity of strategic planning in theory and its actual practice. The acceptability of this inconsistency is also seen in our research, which in the future should be an incentive to raise awareness about the importance of planning in business as a means of increasing performance (Khan & Khaliq, 2014).

Although a variety of research has been conducted to identify the main factors that influence the success of new enterprises, efforts to define whether the existence and quality of a business plan affect the survival of a firm remain limited. It has been assumed that businesses starting out in the Kosovar market attach no importance to the development of a genuine and effective business plan for planning and managing business activities. Therefore, based on the issues emphasized above, we have targeted some assumptions in the form of research questions which also make up the essence of the present study:

RQ1: What influence will the level of education have on BP?

RQ2: What influence will the drafting of a business plan have on BP?

RQ3: What influence will managerial skills and experience have on BP?

RQ4: Does an inadequate level of employees' skills negatively affect BP?

This paper's main aim is to provide a general overview of companies' long-term success as influenced by these factors: managers' education, managerial experience and skills, business planning, and inadequate skill levels among employees. Once again, we must emphasize that our study is important for the SME sector because it highlights the impact of factors that can influence strategic planning and further the progress of businesses in Kosovo as a developing country. Finally, the research aims to contribute in several ways, first by bringing new findings that can be used to expand the literature, then by offering an innovation through the combination of its variables and applied approach.

Literature Review

1. Characteristics determining the success of SMEs

The enterprise is considered a contemporary instrument for economic development and adaptation to changes in the market (Audretsch & Thurik, 2004). Entrepreneurship does not only entail the means of starting a new business; it simultaneously includes spreading strategies to existing businesses. It consists of opening new markets as well as the creation of new products and services, or both, together. The enterprise itself has also integrated innovation as a tool for finding new opportunities in the marketplace. Entrepreneurship is the process of converting ideas into commercial opportunities and producing new values. It is the process of making something that does not yet exist and adding value through the dedication of time and effort, including financial, physical, and social risk, to achieve a material reward or personal satisfaction (Šebestová, 2014).

Usually, enterprises use quantitative and qualitative criteria for measuring the quantity and quality of performance in the organization. Quantitative criteria include return on assets, profitability, increased sales, productivity growth, cost reduction,

increased customer numbers, and the growth trend of products launched; examples of qualitative criteria are customer satisfaction, employee morale, customer loyalty, staff loyalty, the ability to adapt to environmental change, product quality, and reputation (Awwad & Akroush, 2016). Measuring a firm's performance is an important issue in strategic business management; in most cases, it is used as a dependent variable. Despite this, it is difficult to find consensus about its definition, dimensionality, or measurement (Santos & Brito, 2012). In light of the features emphasized above, numerous prominent scholars and scientists have employed varied econometric approaches. The approach used in this study was borrowed from Krasniqi and Durguti (2023), who investigated the barriers that affect the success of SMEs from the perspective of access to finance. Additionally, to decide on specific essential parameters, we have adopted the approach by Spahiu and Durguti (2023), who additionally explored the importance of business plans, education, and a few additional unique parameters in the success of SMEs. Therefore, our econometric approach deals with the measurement of perception from a qualitative perspective.

2. The characteristics that affect the success of SMEs

According to the authors Costa Melo et al. (2023), numerous issues can influence the performance of a given SME, such as the industry in which it operates, management, know-how, technical competence in marketing and innovation, and the level of internationalization as well as ownership. This section will provide a brief academic outline of the various issues that can affect SMEs' performance, particularly in the context of emerging economies, starting with managerial education, experience, and skills, business plan drafting, new product creation, and the level of employees' skills.

Managers' education is one of the critical factors that help create an entrepreneurial mindset, as this helps form attitudes and approaches or the way they perceive business, which then increases their skills towards success in the SME subsector. According to the authors Yan et al. (2022), there are three types of entrepreneurs: those with a specific goal mindset, those who have a clear vision of how they want things to go, and those who have an open mind about how they want things to go and how they want to take future action. Entrepreneurship education focuses on developing the fundamental skills and information to instil the ability to think creatively and innovatively. In addition to education, the current literature also emphasizes managerial experience and entrepreneurial skills as factors influencing business performance (Albalushi & Naqshbandi, 2022). Recent studies (Somwethee et al., 2023) also provide evidence that entrepreneurial skills have a positive and significant influence on both novelty skills and sustainable business performance. These findings support the positive impact of managerial skills on SME performance.

Furthermore, our study highlights the mediating role of integrating knowledge and

sustainable innovation capacities into enterprises. Innovation capability also has a positive and significant impact on the organization's sustainable performance, and innovation capability mediates the relationship between entrepreneurial ability and sustainable organization performance (Somwethee et al., 2023). On the other hand, within the context of SMEs in European countries, Cicea, Popa, Marinescu, and Stefan (2019) have adopted a quantitative approach to examine an extensive range of attributes and analyse their short and long-term effects. The results of their study show that the education and proficiency among senior management result in a significant effect on the success of SMEs. The creativity and quality of the invention process exert a positive impact on new product advances as well as business performance. Awwad and Akroush (2016) have supported previous studies on product creation and performance, especially in emerging economies. According to the findings of these authors, managers can understand the success and failure of product development to help plan their strategy and activities in a variety of diverse situations. The main input of this study is to improve the ability of managers to focus on the dimensions of success in developing new products in the best way that enables the enterprise to perform better.

A broader examination of the literature shows that studies on the impact of planning when it comes to SME performance have not been conclusive; usually, the research of clusters of businesses differ in whether or not they show a positive impact of strategic planning on the success of SMEs (Veskaisri et al., 2007). A business plan is imperative and necessary for an organization's establishment, management, expansion, and further growth. Among other things, it also serves as a means for the investor or external experts to ask questions. What is offered in a business plan serves as an overview of a new business, thereby opening the way for potential investors to learn about the details that interest them about the business before they invest in it (Skaja & Holcomb, 2023). Consequently, the business plan contains not only the elaboration of a business idea for its initiation but strategic planning in all areas that contribute to the success of a new business (Haag, 2013). Many authors point out that employee skill levels related to creativity, technology, and management have demonstratively positive correlations with business performance. Despite the relative lack of evidence on the impact of firm investment regarding specific workforce skills, there is growing interest in understanding the impact of combinations of these skills on company success (Siepel, Camerani & Masucci, 2019).

Data and Methodology

1. The sample

Within the current research, we surveyed small and medium-sized enterprise (SME) owners and managers in Kosovo through a classic cross-sectional polling strategy. Requirements for data processing and our analysis approach, alongside other

selection considerations, guided us towards the broad criteria that determined the study's sample size. In light of this outlook, the following steps were taken: first, the list of registered businesses was filtered to remove inactive ones; second, the seven regions of Kosovo were categorized; third, the SMEs were classified according to their size; and lastly, the SMEs were ranked based on the activities they perform (production, trade, and services). The data was collected during March and April, 2023. As stated by Hair Jr., Black Babin, and Anderson (2010), factor loadings of ± 0.5 or higher are accepted as sufficient with a sample size of 120 respondents. Our research sample, encompassing 336 SME respondents, is three times higher than that number; therefore, our sample is sufficient and provides an adequate basis for reliable findings.

The questionnaire was designed in 3 separate sections: starting with general information and education; followed by a section about the business plan prepared, business experience, managerial skills, and other related issues; the last section concerns the form of financing and the difficulties facing SMEs. The respondents were offered an exhaustive list of topics of interest and instructed to score them on a 1–5 Likert scale. The KMO and Bartlett's tests were employed econometrically to identify population adequacy; subsequently, it was proven that the sample sizes as well as information are sufficient due to the outcomes of this examination, which has a coefficient of 0.461. The second point which complements this point of reasoning is that Bartlett's test revealed a significance threshold of $\rho = 0.000$.

2. Variables

To analyse the impressions of managers or owners of SMEs, the *dependent variable* within the current research was defined as: "How would you evaluate and predict the company's performance in 2023, compared to 2022?".

Table 1. Description of variables and acronyms

	Variables	Acronyms
Independent variable	<i>Performance expected in 2023 compared to 2022</i>	BP
Independent variables	<i>Education</i>	EDU
	<i>Drafted business plan</i>	DBP
	<i>Experience in the field of business</i>	EXP
	<i>Your managerial skills</i>	YMS
	<i>New product development in the last 3 years</i>	NPD
	<i>Inadequate level of employees' skills</i>	ILES

Source: Authors' calculations.

The variable was determined after an extensive examination of empirical studies performed by prominent writers such as Ferrando and Mulier (2013), Williams and

Krasniqi (2018), and Kunoviku-Demiri et al. (2021), who have evaluated a particular set of parameters as well as in what manner they interrelate with the success of SMEs. Furthermore, Expósito and Sanchis-Llopis (2019) have employed an identical approach as well as some of the parameters utilized throughout the examination. The impression of an evaluation and validation of expectations for improvement in the year 2023 were coded with 1, the same expectations as the previous year were coded with 2, and lower expectations than the previous year were coded with 3.

Although the *independent variables* are stated in Table 1, due to the comprehensive review of the academic and systematic research, the majority are expected to have beneficial consequences, except the ILES variable. Regarding this, our expectation relies on the responses of not only SME managers but also numerous reports released by different institutes concerning the inadequate level of education or competence among employees.

3. Model specification

This section will explain the reason we considered employing this empirical approach. With the multinomial regression approach, we explored the consequences of the variables explained in subsection 3.2 on managers' and owners' predictions for performance in 2023 as compared to 2022 in the Kosovo instance. Within this study, multinomial regression was employed due to the categorical nature of the dependent variable, which consists of three ranked categories as answer options. This strategy yields the most suitable outcomes compared to other logistic approaches with that consideration in mind. The predicted variable in our investigation was the perception of managers/owners about the BP of SMEs: more specifically, it was assigned a value of 1 if they said they would have better BP in 2023 compared to 2022 and was assigned a value of 0 if they had the opposite view. We have evaluated the likelihood of these perceptions among SME managers/owners by performing logistic regression under this premise and including the specifics of the predicted variable (ranked 1, 2, or 3). Within the setting of binary model assortment, we wanted to clarify the probability (P_i) of the occurrence of an event ($Y_i = 1$) - the estimate of the highest BP during the year 2023), as a function of a vector of covariates (X_i). Moreover, we have endorsed an integrated model that is characterized by the latent factor (Y_1^*). Finally, and certainly not least, we obtained the linear vector function.

$$Y_1^* = \beta_0 + \beta_1 X_i \quad (1)$$

Our hypothesized statistical approach yields a binary result of either 0 or 1:

$$\ln\left(\frac{P}{1-P}\right) = \beta_0 + \sum_{i=1}^{k-1} \beta_i X_i \quad (2)$$

The present situation could alternatively be stated as a function of (P_i):

$$P = \frac{\exp(\beta_0 + \sum \beta_i X_i)}{1 + \exp(\beta_0 + \sum \beta_i X_i)} \quad (3)$$

Considering our instance, the calculation is as follows:

$$\begin{aligned} Y_i &= 1 \quad \text{if } \beta_i X_i + \varepsilon_i \geq 0 \text{ (better BP than 2022)} \\ Y_i &= 1 \quad \text{if } \beta_i X_i + \varepsilon_i \leq 0 \text{ (worse BP than 2022)} \end{aligned} \quad (4)$$

The statistical analysis concept employed in this investigation results from the mathematical framework created by Durguti and Arifi (2021) as well as Krasniqi et al. (2022). Therefore, relying on the mathematical equations stated earlier and the methodology adopted by other scholars, especially as underlined in the preceding section, the very last equation previously expressing the study's hypotheses is:

$$BP_i(BP_i = 1|X_i) = \alpha + \beta_1 EDU_i + \beta_2 DBP_i + \beta_3 EXP_i + \beta_4 YMS_i + \beta_5 DP_i + \beta_6 ILES_i + \mu_i + \varepsilon_i \quad (5)$$

4. Research hypotheses

Considering the discussed research inquiries as well as the observed methodological framework, we will proceed to set forward the hypotheses under consideration to validate our expected findings:

H₁: *Having a high level of education significantly enhances BP,*

H₂: *Drafting a business plan has a significant positive influence on BP,*

H₃: *Experience in the field where the business operates has a significant positive influence on BP,*

H₄: *Your managerial skills have a significant positive influence on BP,*

H₅: *The development of new products/services has a significant positive influence on BP, and*

H₆: *Inadequate skill levels among employees harms BP.*

Empirical Findings

Overall characteristics of the research respondents

The following section will explain the initial findings from our mathematical-statistical analysis. The summary in Table 2 regarding the variable of expected performance in 2023 indicates that 88.1% of the respondents predicted better performance than in 2022. While 8.6% had different predictions, 29 out of 336 respondents stated that they expected no change from the previous period. Finally, only 3.3% of respondents stated that they expected a decline in performance compared to 2022.

Table 2. Case processing summary

Description		N	Marginal Percentage
What performance do you expect in 2023 compared to 2022?	1	296	88.1%
	2	29	8.6%
	3	11	3.3%
Valid		336	100.0%
Missing		0	
Total		336	
Subpopulation		164 ^a	

Source: Authors' calculations.

Additionally, it seems obvious from the information provided that small and medium-sized enterprise (SME) owners and managers expected a significant improvement in performance in 2023 as compared to 2022. Supplementing this, we additionally performed statistical analyses, the results of which are available in Table 3.

Table 3. Descriptive statistics

	N	Min	Max	Mean	SD	Skewness	Kurtosis
BP	336	1	3	1.15	0.441	3.007	8.467
EDU	336	1	3	2.10	0.536	0.084	0.348
DBP	336	1	2	1.34	0.473	0.696	-1.525
EXP	336	1	3	1.72	0.749	0.515	-1.059
YMS	336	1	5	1.96	1.2073	1.048	0.052
NPD	336	1	2	1.52	0.500	-0.096	-2.003
ILES	336	1	5	2.96	1.180	0.031	-0.718

Source: Authors' calculations.

Thus, as was underlined earlier, in the responses of 336 respondents (observations) regarding the dependent variable Business Performance (BP), our findings reveal that their mean value is 1.15, with a standard deviation (SD) of 4.41%. The level of education (EDU) was observed to have a mean value of 2.10, with an SD of 5.36%; the maximum value is 3, while the minimum is 1. The variable having the highest mean value was ILES, with a 2.96 mean value and SD of 0.03%. Other descriptive statistics are presented in detail in Table 3. To evaluate the level of interaction or mutuality among BP and other variables included in the research, we performed a correlation analysis. The outcomes of this examination are presented in Table 4 and reveal that BP has a slight positive association with EDU, EXP, YMS, and ILES, while a slight negative association exists with DBP and NPD.

Table 4. Correlation analysis

	BP	EDU	DBP	EXP	YMS	NDP	ILES
BP	1.000						
EDU	0.098	1.000					
DBP	-0.016	-0.264	1.000				
EXP	0.039	-0.069	-0.026	1.000			
YMS	0.198	0.131	-0.157	-0.037	1.000		
NPD	-0.023	-0.087	0.363	-0.058	-0.169	1.000	
ILES	0.068	0.001	0.023	-0.046	0.430	0.940	1.000

Source: Authors' calculations.

This analysis, after identifying the level of correlation, was used to assess whether the data generated by the respondents and thus applied have any multicollinearity. Based on the results of this analysis, we observed that no coefficient ($\beta \geq 0.5$) has a value greater than 0.5, providing sufficient evidence that we do not have problems with multicollinearity. Gujarati (2004) has argued that if any analysis coefficient value exceeds 0.75 ($\beta \geq 0.75$), then the data used do feature multicollinearity.

In evaluating predictions among managers or owners of SMEs for 2023 compared to the performance in 2022, we have applied the econometric approach of the logistic type: Multinomial Regression. This approach captured the level of influence of the defined variables (EDU, DBP, EXP, YMS, NDP, and ILES) on BP. It is crucial to elaborate on the adequacy of the model as well as whether these variables were adjusted properly. The findings reflected in Table 5 resulted in a chi-square of 27.791, with $p = 0.006$, providing solid evidence that the definition of the model is adequate.

Table 5. Model fitting information

	Model Fitting Criteria				Pseudo R-Square	
	Intercept Only	238.807				Cox and Snell
Final	211.015	27.791	12	0.006	Nagelkerke	0.137
					McFadden	0.095

Source: Authors' calculations.

More specifically, a pseudo R-square was performed with $\beta=0.079$, respectively $\beta=0.095$, which, based on McFadden's findings, is an estimator that observes the variance between the parameters included in the analysis. Regarding the argument about pseudo-R-square results, it clarifies the disparity between the dependent variable and the explanatory determinants. However, no specific evidence suggests that this indicator is equivalent to R-square in the context of the OLS technique.

Therefore, based on this argument, the authors Pituch and Stevens (2015) have statistically analysed that the higher this constant is, the better it fits the model. Accordingly, we will turn to the results of the -2 log reduced likelihood model (see Table 6), which offers evidence that EDU, DBP, EXP, and YMS are significant variables.

Table 6. Likelihood Ratio Tests

	Model Fitting Criteria			
Intercept	229.641	18.626	2	0.000
EDU	214.456	3.440	2	0.079
DBP	216.618	5.603	2	0.061
EXP	214.019	3.004	2	0.023
YMS	220.413	9.398	2	0.009
DP	211.611	0.596	2	0.742
ILES	211.728	0.713	2	0.700

Source: Authors' calculations.

Meanwhile, NPD and ILES highlighted insignificant outcomes. In light of such evaluations, the null hypothesis is rejected because we have two constraints with effects that are not equal to zero; consequently, an alternate hypothesis was adopted.

Table 7. Estimation results

Variable	Multinomial regression		
	β	Exp(β)	Sig.
Intercept	-3.406		0.024
EDU	0.626	1.871	0.099
DBP	-0.790	0.454	0.179
EXP	0.454	1.574	0.084
YMS	0.327	1.386	0.085
NDP	-0.224	0.800	0.601
ILES	-0.175	0.840	0.408

Source: Authors' calculations.

The results revealed in Table 7 show that EDU, EXP, and YMS have a significant statistical impact on the evaluation of BP, while the rest of the variables turned out to have an insignificant impact. More specifically, EDU has a significant positive impact at the reliability level of 99%: the finding of this discovery is based on the coefficient (β) or odd ratio and the probability value $\rho = 0.099$. This means that for every one-unit increase in education, it directly reflects a growth of 1.87 units in the evaluation of BP, provided that all other constants remain unchanged. It is worth underlining that this

discovery in line with the expected results, which simultaneously verifies hypothesis 1. Therefore, the outcomes of our study are in line with the findings of Spahiu and Durguti (2023), who have argued that EDU positively influences BP by applying the logit regression approach. Furthermore, earlier studies (e.g., Eugene, 2014) have strongly advocated that EDU is a critical issue that provides business owners and managers with an advantage over critical thinking and thus makes them more competitive.

The two variables related to the expertise of owners or managers – respectively, work experience in the sector in which they operate (EXP) and the managerial ability of SME owners or managers (YMS) – have been found to have a significant statistical impact on BP. Our results reveal that EXP had an odd ratio of $\beta=1.574$ ($\rho = 0.084$) and YMS had an odd ratio of $\beta=1.574$ ($\rho = 0.088$). In our case, this means that each increase by one unit of EXP will influence a 1.57 unit increase in BP, and likewise each increase by one unit of YMS will influence a 1.39 unit increase in BP, always respecting the *ceteris paribus* principle. These results verify the hypotheses H₃ and H₄. Our findings are consistent with those of the authors Spahiu and Durguti (2023) as well as Krasniqi, Jashari-Goga, and Mehmeti (2022), who have provided evidence that managers with work experience in the sector where they operate have the predisposition to be more successful and competitive compared to those who do not have experience in the sector where they operate.

Similarly, Krasniqi, Durguti, and Krasniqi (2020), applying the quantitative approach and PCA analysis, have argued that the experience of managers substantially positively affects BP. Finally, the personal experience of managers is an essential characteristic that beneficially results from the development of SMEs, either directly or indirectly. As a consequence of this, Frese and Gielnik (2014) have used a questionnaire with a psychological view of the enterprise through a meta-analytical approach to explore the aspects of personality, self-efficacy, and transmission of critical thinking skills – all reflected with strong ties to BP. Therefore, these discoveries by the above-mentioned authors are in the spirit of our findings. As presented in Table 7, while some surprising discoveries have come about, starting with DBP, NPD, and ILES negatively affecting BP, their results are insignificant.

Conclusion

Based on the methodology and research topics expressed in the previous subsections, some interesting discoveries have been made. The number of samples used in this investigation has been matched to the random technique, giving equal opportunity to all SMEs in the selection for the study. It included a total of 336 SMEs within observation, which were selected due to certain criteria (region, activity, and size of the business). Therefore, in light of the conclusions of this inquiry, the authors of the article can

respond to the research questions in line with the following chronology: Due to the findings of our research, the level of education (EDU) among both staff and management in the case of Kosovo significantly influence performance improvements, respectively BP, of SMEs. This is predicated on a probability value ($\rho = 0.099$) indicating that each increase in the degree of education reflects in an increase in the BP of SMEs.

In addition, the importance of drafting a business plan for SMEs has been highlighted in this article, albeit resulting in a negligible impact ($\rho = 0.179$). This discovery tells us that entrepreneurs in the context of Kosovo during the observed period were not focused on their business plan, which is considered as a map towards the achievement of defined objectives. Specifically, both their experience in the industry where they operate (EXP) and managerial experience (YMS) – as defined by the results and conclusion of the research – have a substantially beneficial influence on the perception of managers or owners of SMEs regarding BP. Within both the aforementioned parameters, the ρ -value turns out to be significant: $\rho = 0.084$ for EXP and, correspondingly, $\rho = 0.085$ for YMS. Concerning the information provided, the authors have provided sufficient proof that these two parameters have a considerable influence on the productivity of SMEs. It was additionally discovered that the management structures or owners of SMEs throughout the previous three years failed to take necessary steps in the development of new products. This conclusion was drawn on the findings where $\rho = 0.601$, with negative consequences. Consequently, analyzing this discovery is an important sign for SMEs that dedication and exertion are needed in this aspect, since it is considered one of the fundamental accelerators for profit growth.

Likewise, according to the information provided, the inadequate level of employees' skills (ILES) was shown to have an insignificant impact ($\rho = 0.700$) on BP. This discovery helps reassess the baseless complaints of SME managers or owners that employees with inadequate knowledge have become a restricting factor in the success of SMEs. The outcomes of the research can improve awareness and comprehension of EDU, EXP, and YMS, which have been shown to directly influence performance improvement for SMEs in Kosovo. These results increase understanding, additionally offer new evidence for SME management structures, and demonstrate how each of these variables can be leveraged to enhance BP. Additionally, the empirical outcomes presented in this study could be valuable for top executives of SMEs to make strong decisions and offer products and services with improved customer satisfaction. In conclusion, the insights of this study are potentially valuable for policymakers, government regulators, and other stakeholders in establishing and implementing more effective policies and regulations. Starting from an academic perspective, the study has limitations due to the small sample size of only 336 questionnaires, which might be classified as relatively limited. From an econometric perspective, another limitation

could be defined as the absence of different techniques like a logistic function for evaluating the disparities between the two approaches. However, these constraints cannot impede the delivery of outcomes or their sustainability.

Conflicts of interest

The authors have no conflicts of interest to declare.

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