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SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS
**THE IMPACT OF THE FINANCIAL AND NON-FINANCIAL
SUPPORT IN THE DEVELOPMENT OF NEW PRODUCTS AND
SERVICES ON THE PERFORMANCES OF SMALL AND MEDIUM-
SIZED ENTERPRISES IN THE REPUBLIC OF NORTH
MACEDONIA**

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LIST OF ABBREVIATIONS

sl. – Slovene

EU – (sl. Evropska unija); European Union

EIB – (sl. Evropska investicijska banka); European Investment Bank

1 INTRODUCTION

The current conditions in which economic agents operate are characterized by profound structural changes, dynamic and continuous technological development, global competition, and constant uncertainty. Consequently, there is a need to foster the growth of dynamic sectors such as small and medium-sized enterprises (SMEs). The various crises in the past which the modern world has experienced in the past, emphasized the importance of SMEs not only for national economies but also for the global economy. They are recognized as an efficient solution in combating economic problems (Lim, et al 2020).

The growth of small and medium-sized enterprises (SMEs) has largely been driven by greater liberalization, institutional reforms, legislative changes, and freer movement of capital. These shifts have led in a new era—one defined by entrepreneurial activity. As a result, more and more economic experts are highlighting the vital role of SMEs as key players in restructuring and driving economic development. This statement finds support in compelling numbers and statistics illustrating the growth of SMEs, their financial power, as well as their impact on crucial economic variables. These variables include employment, economic growth, international trade, export, innovation, technology development and others (Shuklev, 2016).

For decades, it was assumed that large enterprises due to their emphasis on using advance technologies, their automation, and productivity are the principal contributors to economic development. Nevertheless, during the 1980s, that perception began to weaken when many of the large enterprises were unable to cope with deepening economic and financial crises. At the same time, the strengths of small firms started coming to the fore. They tend to be more flexible and responsive. Small businesses can gather feedback from their clients in no time. Since the small firm has direct contact with the customer, they can collect information, which helps them expedite developments to improve customer's innovations. As a result, they do not have to make huge investments. Therefore, it was evident that the economic policies of every national economy needed to seriously address the promotion of the growth of small economic organizations, privatization and competition. These were recognized as vital forces for creating new job opportunities and mobilizing all factors of production individually (Blank, & Dorf, 2012).

SMEs embody the vision, energy, motivation and willingness to fight in favor of the new economic order (Mazzarol et al., 2001). They actively engage in economic activities and strive for survival in the global market (Headd & Kirchhoff, 2009). SMEs possess the necessary adaptability to new conditions and a flexibility that large enterprises often lack (Hatten, 2012).

In today's interconnected global economy, staying competitive necessitates new approaches to work, fresh knowledge, and the development of innovative technologies. To

meet these demands and succeed in the global market, small and medium-sized enterprises (SMEs) need to represent particular key qualities, such as independence, the ability to generate new jobs, flexibility, straightforward business relationships, creativity, and adaptability. SMEs, with their characteristics, such as: centralization of decision-making, organizational structure simplicity, greater flexibility, focus on short-term goals, better coordination in operations etc, can adapt much faster to the demands of modern entrepreneurship compared to large enterprises (Breen, & Bergin-Seers, 2002). For those reasons, the professional literature today emphasizes the significance and contribution of small economic organizations to national economies (Isenberg, 2010). Their impact extends to economic development and raising the standard of living, as well as on the overall well-being of the population, by encouraging employment, increasing competition, supporting innovation, and boosting overall production (Mazzarol & Reboud, 2020).

Modern theory and practice shows that the success and growth of small and medium-sized enterprises (SMEs) largely depend on the support they receive from institutions, both financial and non-financial. This kind of support plays an important role in helping SMEs thrive, whether in developing or developed countries.

In contrast to large enterprises, SMEs often struggle to provide the production and development capacities needed for independent and successful operation and expansion. The establishment of these capacities, essential for sustained success and growth, requires substantial institutional support (World Bank Group, 2016). Such support entails a structured and coordinated framework of activities and measures initiated by various institutions at different decision-making levels. For those reasons, effective management of financial and non-financial assets available to SMEs is crucial in the process of ensuring efficiency and profitability in the operation of these business entities (Coetzer et al., 2011).

The subject researched in this paper is contemporary, with theoretically foundations supported and applied in the modern business environment. The challenge of managing financial and non-financial assets and its correlation with the efficiency of SMEs is a topic of global discussion and it is asserting itself as a reality in the Republic of North Macedonia.

The paper is organized into distinct parts, which are seamlessly integrated to form a coherent whole that aims to explain the financial and non-financial support in fostering the development of new products and services within small and medium-sized enterprises in our country.

2 THEORETICAL FRAMEWORK FOR ANALYZING THE WORK AND DEVELOPMENT OF SMALL BUSINESSES

2.1 Defining SMEs and their role

SMEs are the primary driving force behind economic development. They not only create opportunities that enhance employment but also contribute to the growth of the national economy and competitiveness of each country (Mazzarol & Rebound, 2020). Consequently, SMEs are subject to continuous research. The growing interest in SMEs is attributed to their increasing numbers, despite the risk of mortality within the first year of operation, or the initial five years of establishment (Davidsson et al., 2009). The appeal of SMEs lies in the opportunities they provide for new employment, positive climate created by the already existing successful small enterprises, state support for establishing small businesses, and the distinct operational approaches compared to larger enterprises (Shuklev, 2016).

The European Commission defines micro, small and medium-sized enterprises (SMEs) in the EU Recommendation 2003/361. (European Commission, 2003) According to this, SMEs have up to 249 employees and an annual turnover not exceeding € 50 million or a balance sheet total not exceeding € 43 million.¹

Figure 1: Small and Medium sized enterprises (SMEs) in the

Turnover size classes	Employee size classes (Number of employees)			
	0 - 9	10 - 49	50 - 249	250 and more
Up to € 2 million (m)				
More than € 2 m - € 10 m				
More than € 10 m - € 50 m				
More than € 50 m				

	Micro enterprises
	Small enterprises (excluding micro enterprises)
	Medium-sized enterprises (excluding micro and small enterprises)
	No SMEs

EU

Source: IFM Bonn (n.d.).

According to the Law on Trade companies in Republic of North Macedonia (Official Gazette of Republic of Macedonia number 28/ 2002, Article 470), the classification of businesses into large, medium, small and micro enterprises is determined by factors such

as the number of employees, annual income, and the average value of the total assets over the last two accounting years.

A small-sized business is characterized by meeting the following criteria in each of the last two accounting years, or in the first year of its operations (IFM Bonn, n.d.):

- The average number of employees, based on number of their full-time working hours, is up to 50 employees;
- The yearly revenue is below EUR 2,000,000 in MKD counter-value;
- The overall turnover is under EUR 2,000,000 in MKD counter-value;
- The mean value of total assets (at the start and conclusion of the financial year) is less than EUR 2,000,000 in MKD counter-value; (Fotov, 2006).

SMEs play a vital role in every economy, they drive business activity, boost competitiveness, initiate innovation, and create a large share of new jobs. The creation and development of SMEs is vital, as they are the primary source of job creation in the economy, mobilizing all available resources and the capital of the citizens (Hattern, 2012). SMEs exhibit flexibility in adapting to dynamic market changes and are crucial for innovation, creation of welfare and tax revenue by reducing the informal or “grey” economy commonly known as the shadow economy (Dimitrovski & Kozuharov, 2008).

By operating at the local level, these businesses are able to respond effectively to the specific needs and preferences of their customers through the products and services they offer. The importance of SMEs extends to the local community, particularly in offering employment opportunities to low-skilled labor, women and youth, who are predominantly represented among the total unemployed (Dimitrovski, 2007). These enterprises contribute to economic development and poverty reduction in national economies. SMEs are also important from the perspective of local financial institutions, especially in transitional economies and developing countries, as they represent a promising and profitable market (Mazzarol & Clark, 2016).

The roles of the small-sized enterprises in an economy, are the following (CFI, 2020):

- Providing employment opportunities for people;
- Serving as the next generation of large-sized enterprises;
- Ensure healthy competition;

- Serving as center for innovation;
- Outlet for entrepreneurial activities;
- Facilitating export;
- Offering specialized products and services;
- Providing support for large-sized enterprises;
- Enabling decentralization;
- Distributing economic resources, wealth and opportunities;
- Offering flexibility for the entire economy.

The existence of small-sized enterprises not only acts as a catalyst for competition, but also as a hub for innovation (OECD, 2010). Competition encourages businesses to continually seek new ways to supply improved products and services, adopt more efficient and effective management practices and to adopt new methods and production processes (Joshua, et al., 2002). Also, small-sized enterprises can introduce new concepts to the market, when large-sized enterprises or the government are not willing to take such risks (OECD, 2010).

In nearly all countries, statistics show that SMEs dominate the economy, representing over 99% of all companies that are significantly impacting GDP and the new job creation (EU, 2020).

Empirical studies indicate that in high-income countries, small-sized enterprises contribute over 55% of GDP and over 65% of total employment (OECD, 2015). SMEs and informal enterprises contribute to over 60% of GDP and over 70% of total employment in low-income countries, while they contribute more than 95% of total employment and about 70% of gross domestic product in middle-income countries (Todorov, 2007).

The participation of small and medium-sized enterprises in GDP is significantly higher in developed countries and it is the backbone of their economies (OECD, 2004).

SMEs represent 99% of the total number of registered enterprises and employ 75% of the total workforce in the Republic of North Macedonia. Organisation for Economic Co-operation and Development, 2022). In 2019, the total number of active business entities in the Republic of North Macedonia was 75.914, an increase of 4.7% compared to 2018, when their number was 72.315. In 2020 the number of active business entities in the Republic of North Macedonia was 73.061 and compared to 2019 it decreased by 3.8%

(Makstat, 2021). According to the State Statistical Office (2024), the structure of active business entities according to the number of employees shows that the largest share in the Macedonian economy, with 82.1%, is held by business entities with 1 to 9 employees, followed by business entities with no persons employed or entities with undetermined number of employees (no data on persons employed) with 8.3%, then entities with 10-19 employees with 4.4%, then entities with 20-49 employees with 3.0%, entities with 50-249 employees with 1.9% and only 0.3% of active business entities have over 250 employees. In 2020, micro, small and medium-sized enterprises (MSMEs) continued to dominate in the Republic of North Macedonia making up 99.68% of all active enterprises (Makstat, 2021).

2.2 Specific features of SMEs

When considering the start of a small-sized business or aiming to get a better understanding of SMEs, it is crucial to consider the following features (Chang, 2019):

- **Immediacy in business and employee relations:** Owners of SMEs usually establish immediate, direct and also close relations with employees, consumers, suppliers and banks.
- **Flexibility:** One of the key characteristics of small businesses is their flexibility. This means they can quickly adjust their operations and respond to changes in the local market. It also allows them to reconsider and correct decisions when needed. Flexibility can show up in different ways, such as changing their product range, pricing, or the amount they produce.
- **Leadership:** In their early stages of development, small-sized businesses are managed by one person, the owner, the founder of the small-sized business who usually possesses general knowledge, unrestricted authority and overall responsibility for management (Drakulevski, 1999). Also, the owners-managers of small-sized enterprises make all strategic and tactical decisions related to development and operation.
- **Entrepreneurial spirit:** In order to navigate the challenges of one-person management, small business owners must be highly motivated, optimistic, full of energy and desire to succeed. They are not afraid and see things differently. Successful small-sized businesses are founded by successful and persistent people, they represent entrepreneurs. Entrepreneurs are people with a combination of unique traits and skills such as goal oriented, dedication, creativity, good communication skills, risk-taking, and constant search for improvement opportunities (Drucker, 1985).
- **Limited management skills:** Management involves planning, leading, organizing and controlling all activities of the business. Small-sized business owners usually excel in

one (or several) specific skills that get their business off the ground, but broader management skills, encompassing finance, sales and marketing, technical skills, production, human relations, etc. may be generally lacking (Mayson & Barrett, 2006).

- Limited Funding: Obtaining funding poses a significant challenge for most small businesses. They often lack sufficient cash reserves to expand the business, i.e. they don't have enough funds to finance growth and expand opportunities. (Harrison et al. 2022). The main reason for this is that collateral absence makes securing "unsecured" financing nearly impossible (Popovski, 2018).
- Independence: Small businesses are known for their autonomy, giving owners the freedom to act on their own ideas, show creativity, and pursue their personal goals and ambitions.
- Operating within competitive markets: Competitive markets are typically those that have a large number of buyers and sellers, prices are under pressure, margins are low, barriers to entry are low, and failure is high (Fiti, 2016). Most small- sized businesses do not have a unique quality or characteristic that differentiates them significantly from the competition.
- High failure rate: Due to weaknesses and problems, most small-sized businesses fail and even those that do survive may not always reach their full potential. The reasons for failure are usually related to poor management and/or lack of funds (Watson et al, 1998).
- Low tax contribution. Because of their lower profit margins, small businesses typically don't make a major contribution to income tax revenues. Their economic impact primarily lies in employment and through consumption taxes on goods and services that are being bought and sold (Petreski, 2002).
- Low cost of job creation: Small-sized businesses, in comparison to large-sized ones, require significantly lower investments in terms of labor costs, operating with people rather than complex "systems" (Fiti & Hadzivasileva- Markovska, 1999).
- Personal rewards: Owning and managing a small-sized business is very rewarding. As owners they are responsible for their own success and have the autonomy to make decisions and implement them. From a financial point of view, their work is also a personal financial reward. (Hunter et al., 2024).

2.3 Characteristics of SMEs at stage of development

Determining the development stages of SMEs lacks a universal approach in professional

and scientific literature (Peitch, n.d.). The fact that every business entity, like any living organism, has its own life cycle can be taken as a starting point for considering this matter (OECD, 2004).

Approaches dominant in the USA and Europe distinguish the following stages of development of business entities (Turner, 2004):

- Seed/start-up phase of creation. This stage is high-risk, i.e. innovation phase when the organization is founded typically requiring significant investments in time, efforts and money are needed (Davila, et al., 2015). During this phase, business entities usually do not achieve profitability;

Table 1: SMEs characteristics at each stage of development

Characteristics	<i>Introduction</i>	<i>Growth</i>	<i>Maturity</i>	<i>Decline</i>
Sales	Weak sales	Rapid sales growth	Sales Peak	Declining sales
Costs	High consumer costs	Average consumer costs	Low consumer costs	Low consumer costs
Profit	Negative	Growing profit	High profit	Declining profit
Consumers	Innovators	Early adopters	Early majority	Laggards
Competitors	Few	Growing number	Stable number starting to decline	Declining number
Marketing objectives	Creating product recognition	Maximizing market share	Maximizing profit while defending market share	Cost reduction
Product	Basic product offering	Offering product, service, warranty extension	Brand and product diversification	Closed phase due to weak product-market fit
Price	Use of costs	Market penetration pricing	Price to match or beat competitors	Below- cost pricing (predatory pricing)
Distribution	Building selective distribution	Building intensive distribution	Building exclusive distribution	Selection: Eliminating unprofitable final products

table continues

Table 1: SMEs characteristics at each stage of development (continued)

Characteristics	<i>Introduction</i>	<i>Growth</i>	<i>Maturity</i>	<i>Decline</i>
Marketing	Building product awareness among early adopters	Creating awareness and interest in the market	Emphasizing differences in product brands and their benefits	Reducing to the level necessary to maintain strict loyalty
Trade promotion	Utilizing significant sales promotions in an attempt to enter the market	Reducing to leverage the advantage of strong consumer demand	Increasing to encourage brand/product switching	Reducing to a minimum level

Source: Kotler & Armstrong (2010).

- Early phase/growth. In this phase, business development occurs and is characterized by sales growth, so we can already talk about brand building, but external support is necessary for further growth of the business entity (D'angelo & Presutti, 2018). One of the main characteristics of this stage is that businesses typically start earning their first modest profits;
- Maturity. Here, the business entities become a recognizable name in the business, which leads to their expansion that is usually based on diversification or finding new sources of income. SMEs in this phase achieve a stable profit (Katz & Green, 2011);
- Late stage of development/ Decline. At this stage, innovation slows down, sales drop noticeably, and the market becomes more limited. As a result, businesses often cut costs in an effort to uphold declining profits. As analyzed by F. Kotler, essential characteristics of SMEs emerge at each stage, systematized in table no. 1 (Kotler, 2010);

As shown in table number 1, business entities, which include SMEs, have certain specific characteristics at each stage of their development. Precisely because of such characteristics they can face the competition, survive in increasingly pronounced globalization processes and become a significant segment in the development of every national economy (Davidsson et al., 2002).

2.4 SMEs performance

Efficiency and effectiveness are indicators of success in every enterprise and it is essential to determine them in order to gain insight into the current situation in the enterprise and simultaneously define the direction of development in the future (Zarezankova-Potevska & Solimosi, 2013).

Efficiency is a word of Latin origin that means successful. Efficiency is expressed as a relationship between the product and the resources, i.e. between the input and the output (Ashtalkoska & Popovski, 2015). It can also be defined as doing the right way (Reboud, et al., 2014). On the other hand, effectiveness is about doing the right things. It involves managers setting the right goals and finding the best ways to achieve them. In this sense, effectiveness is the foundation of success. The business success of an SME is crucially conditioned by the knowledge, abilities and other personal traits of the leaders in the enterprise (Ashtalkoska, 2023). In addition, the small enterprise is also distinguished by the influence of the personal goals and motives of the entrepreneur and/or the owner. In order for a small and medium-sized business to succeed, the owner should possess certain qualities, such as (Shuklev, 2016):

- Motive - which is manifested through possessing initiative, persistence and endurance;

- Intelligence - it consists in the fact that the owner should not be a genius, but possess the ability to analyze problems, to evaluate the available options and to choose an applicable action, as well as the ability to think (Ashtalkoska, 2023);
- Personality - since a newly established small business operates in an environment with various people, the owner needs to have strong management skills. This means the owner must possess certain qualities, such as being friendly, sociable, cooperative, tactful, and easy to communicate with;
- Communication skills - employees need to recognize and understand what is being asked of them. It implies that the verbal or written communication should be clear, concise and understandable (Bracha et al., 2015);
- Technical experience - the owner is essential to have deep knowledge and understanding of the business he started;
- Business knowledge - this trait implies that the business owner should have knowledge regarding the nature of the business being conducted, such as knowledge in the field of accounting, finance, marketing, etc (Ashtalkoska & Popovski, 2015).
- Experience - when it comes to experience, the beginner of a new small or medium-sized business should have some previous experience, as a prerequisite for the success of the newly started business (Shuklev, 2016).

However, in addition to the traits mentioned above, the success of an SME also relies on implementing a plan to develop an innovative product. Of course, to sell a product or service, businesses need to know and recognize consumer behavior (Dimitrovski, 2005). A small and medium-sized business owner needs to understand the customers who would buy their products and services, as this would help in the growth of the business and timely response to their needs (Bhide, 2000). Therefore, the following activities would be essential:

1. Marketing - with its help, the study of consumer behavior is carried out to determine when, how and where to promote the products and services that the small and medium-sized business delivers to the market (Milosavlevic, 2006).
1. Product development - Understanding consumer behavior is crucial for businesses, including small and medium-sized enterprises, as it guides them in deciding which products or services to produce and offer. Once they know what customers buy and how they behave when buying those products, enterprises can more easily discover the needs that are not being met (Risteska-Jovanovska & Jakoski, 2003).

2. Consumer services - Good service has the power of gaining and maintaining consumer's trust, thus increasing the likelihood that loyal customers will be acquired (Olson, 2009).

3 NEW PRODUCT AND SERVICE DEVELOPMENT IN SMES

The primary objective of an entrepreneur is to create value for customers through creativity and innovation (Tang & Werner, 2017). Peter Drucker defines innovation as a tool entrepreneurs use to exploit change and create different business opportunities, transforming or redefining values (Drucker, 1986). Innovation creates value by transforming or reimagining the usefulness of existing resources, like converting oil, natural gas, and minerals into valuable products through technological progress. In today's economy, time and information are the most valuable resources, stimulating a wide range of innovations centered around them. Innovation is not just about creating technical or physical products, it can also transform organizational structures, such as project management.

Innovation is essential for the survival, growth, and competitive positioning of enterprises (Birkinshaw et al., 2008). It establishes a temporary monopoly, allowing companies to generate additional profit. Entrepreneurial innovation is defined as any market-first activity that creates profit opportunities. Modern economies rely on innovation activities, particularly from small and medium-sized enterprises (SMEs), which are significant drivers of employment and economic growth (Trott, 2005). Successful SMEs, like Starbucks, Apple, and Dell, began with innovative approaches (Navarro et al., 2012). SMEs benefit from close relationships between owners and consumers, enabling them to identify unmet needs more effectively (Prester, 2010). Their often clan-like, hierarchical structures with minimal bureaucracy promote trust, communication, and collaboration, all of which boost innovation. The owner's knowledge of operations and understanding of their customers should lead to innovative solutions.

Innovative SMEs are more likely to export products and services, leading to significant increases in turnover and profits (Chen et al., 2019). While connections with universities or research institutions are uncommon, those that establish such relationships tend to be more innovative. High innovation costs and limited access to financing, such as bank loans, are significant obstacles for SMEs (Trott, 2005).

They can foster innovation through independent research and development or by implementing innovation management practices like Human Potential management, teamwork, and external cooperation (Rammer et al., 2009). SMEs often struggle to finance R&D due to a lack of a proven track record of successful projects to assure creditors. Accessing external knowledge from universities and larger enterprises is crucial for SME

innovation (Terziovski, 2010). Consequently, SMEs are particularly susceptible to the "geographic spillover effect," where innovation benefits spill over from concentrated regions of knowledge creation.

3.1 The role and the importance of innovation

It is challenging to define the term innovation precisely or what it represents within the framework of an organization. Before introducing the definition of innovation, it is important to distinguish between innovation and invention (discovery). It is crucial to be clear that innovation is not invention; rather, it is a continuation of invention. If an innovator makes a new discovery but cannot find someone to produce it, that discovery remains unknown (Schilling, 2019). While discoveries can be found anywhere, for example, in universities and research institutes, innovations most commonly occur within companies. To transform a discovery into innovation, a company typically needs to combine several different types of knowledge, capabilities, skills, and resources. For instance, knowledge of the production process, market understanding, financial resources, etc., may be required (Afuah, 2003). In one of his works, Drucker (2007) extensively discusses this issue, and here we will convey his views and reflections on the essence of innovation. He writes that planned innovation results from analyses, systematic reviews, and diligent work. First, systemic innovation begins with observing and analyzing opportunities. Drucker (2014) identifies seven sources of opportunities for innovation:

1. Unexpected success and failures of the organization and its competitors;
2. Inappropriate processes in production, distribution, or consumer behavior;
3. Needs for changes in processes;
4. Changes in industry and market structures;
5. Demographic changes;
6. Changes in meaning and perception;
7. New knowledge.

Innovation is equally conceptual and perceptual. The imperative for innovation is going outside and carefully observing needs, listening to market demands, asking questions (Drucker, 2014). Successful innovators equally utilize both the cognitive and artistic halves of the brain and view people not only as economic figures but also as socio-economic entities. According to Drucker, for an innovation to be successful, it needs to be simple and focused on one thing. An innovation that focuses on multiple things is confusing for people and will not succeed. All effective innovations are wonderfully simple, focusing on one

need they aim to satisfy and one specific effect they achieve in the end result. Successful innovations start small and do not attempt to be multidimensional (Garzik, 2022). They begin by focusing on a single product or service, which can later be improved or modified. This approach makes it easier to introduce innovation while using limited resources, both in terms of staff and finances more efficiently. Another key aspect of introducing innovation is to focus on the present, not the distant future. Its impact might be long-term, but if it doesn't align with the present, it means it won't have a future at all. For innovation to be successful, Drucker (2014) lists three conditions it must meet. Innovation, first and foremost, requires commitment and hard work. It also calls for both knowledge and creativity. Most innovators focus on a specific area of expertise rather than trying to master multiple fields. For example, someone working on financial innovations typically won't be involved in medical innovation. They stay within their field of operation and work there devotedly, diligently, and carefully (Prasanna & Vinodh, 2013). To be successful, innovators lean on their own strengths. The ability to examine market opportunities from a broader perspective and find the right place for their own innovation is a characteristic of every successful innovator (Schilling, 2019). Innovation is a force that influences all aspects of society and the economy, it shapes the behavior of consumers, educators, farmers, doctors, and others in the community. When innovation is process-oriented, it changes how things are made or delivered. To be effective, innovation should stay close to the market—it needs to be market-driven and responsive to real-world demands.

As a business process, innovation, by its nature, is a risky, entirely economic activity (Fisteus & Kloos, 2006). Innovators recognize, define, and work to minimize risk. They are successful only to the extent that they analyze the source of opportunity, locate it, and exploit it, regardless of whether it has a low (but defined) risk or a high (but clearly defined) risk (Verloop, 2013). Successful innovators are conservative by nature and do not focus on risk but rather on the opportunities that innovation offers (Tidd, 2001). Successful innovations occur when the find, which pertains to a product, service, or process in some part of the organization's value chain, is linked to business design that is implemented with discipline and skill through innovation management (Cooper, 2017).

The ultimate goal of innovation is sustainable competitive advantage (Porter, 2008). Sustainable competitive advantage necessarily requires sustainable innovation (Porter, 2019). To introduce innovation to the market, companies conceptualize finds and create a value chain around them. Some key links in the typically direct or operational value chain that provide quality products and services to consumers are: production, supply chain management, quality assurance, customer services, etc (Srimannarayana, 2006). However, in the indirect or supporting value chain, there are: human resources management, finance, marketing, sales, strategy, etc (Hamlin, 2007). Finds become innovations when refined in a way that makes them successful in the market. Innovations create sustainable competitive advantage when they are implemented in a way that creates and maintains significant added value for buyers beyond what competitors produce (Keith & Goffin, 2016).

To sum up, innovation goes beyond simple invention—it's about turning original ideas into practical, improved solutions. It involves a structured process of identifying opportunities, using creativity, and combining different forms of knowledge and resources to bring those ideas to life. Drucker's insights emphasize the importance of simplicity, focus, and market alignment in successful innovation. As we proceed in this thesis, we will use the following definitions:

Find: Creating new services, products, and production techniques Drucker (2014).

Innovation: Practical refinement and development of the original find; a process where creativity is applied to every aspect of the organization's value chain, from start to finish, to develop new and improved ways of creating value for customers (Hansen & Birkinshaw, 2007).

Innovation Management: The process of creating and implementing a business design that surrounds a creative idea, aiming to transform the find into innovation and ultimately achieve sustainable competitive advantage, leading to market growth and profits (Maital, 2007).

Value Chain: A series of connected activities, processes, and steps that bring the finished product to end consumers (e.g., for the computer industry: product design, component acquisition, assembly, testing, delivery, customer service, and maintenance) (Walters & Lancaster, 2000).

Business Design: An integrated system that outlines how a company creates internal value, covering everything from financing, production, and sales to delivery, marketing, and customer service, and how that system is then implemented and managed.

These definitions, derived from our literature review, will guide our exploration of innovation within organizations throughout the thesis.

3.2 Types of innovations

From the perspective of an enterprise, product innovation is a new or improved product that can be sold on the market, while process innovation involves changes in their production techniques. However, from a macro perspective, things change, whereby the innovation that is a product in one enterprise can be a process innovation in another enterprise. For example, a robot is a product innovation in the machinery industry, but when used in the automotive industry, it becomes a process innovation (Swann, Prevezer, & Stout, 1998). Process innovation involves changes in working methods that lead to product innovation, which in turn sets the stage for further process innovations. Innovations drive competition by enhancing product quality and functionality. Once introduced, innovations undergo practical application and become accessible to community

members through a process known as the diffusion of innovation (Rogers, 2003).

The diffusion of innovations refers to the use of innovations by other market participants, practically ending the monopoly of exploitation by its initial innovator. For example, due to the need for astronauts to write in space, the marker pen was invented by NASA (The National Aeronautics and Space Administration). Over time, the product became widely used in people's daily lives. Diffusion refers to the broad adoption of innovations, but it also leaves room for ongoing improvements and further advancements—essentially raising the level of innovation. During this process, it is crucial to quickly recover the invested funds. Often, in the diffusion process, there is a experience of imitating products, an increase in the number of competitors, an increase in supply, and a decrease in revenues and profits (Rogers, 2003). Diffusion is based on the spread of new technologies and knowledge.

3.2.1 Innovation in product, service, and process

Product innovation is the most popular form, as it is the most obvious, easily visible, and understandable to the consumer. When Dyson (1997) introduced the bagless vacuum cleaner to the market, the revolution in home cleaning became evident to every American upon the product's appearance. James Dyson developed the technology he himself called "dual cyclone technology" in 1997 and applied it to enhance the efficiency of his product – the vacuum cleaner. The fact that his product operates drastically differently from existing similar products on the market gives it the title - innovative. The product, as a means to satisfy a specific need, remains the same, still performing its traditional function of cleaning (Dyson, 1997). However, the innovation lies in the way the product now functions. From a commercial standpoint, developing new products is one of the four key business strategies for achieving long-term success. Product innovation isn't limited to consumer goods, it also plays a major role in industrial sectors. In fact, some of the most impactful innovations have occurred in areas like machinery and equipment.

Immediately following product innovations, ranked by their popularity in the eyes of consumers, are service innovations (Trimi & Berbegal-Mirabent, 2012). Service innovations most often take the form of a new way of delivering the service, usually through a completely new business model (Osterwalder & Pigneur, 2010). Sometimes a complete transformation occurs, and the innovation is so radical that the service takes on a new form and essentially becomes a brand new service (Oke, 2007). Process innovations are ranked third according to the criteria of "glory" that we set as a starting point for ranking the three forms of innovation. Process innovations are the driving force behind daily societal progress and have been instrumental in bringing humanity to its current level of development. These innovations played a key role in the early 19th century, when manufacturing workers in England, who previously earned a living weaving machines in their homes, revolted. As machines were introduced into factories, their speed and

efficiency posed a threat to the jobs of these workers. Frightened for their financial survival, the workers organized a revolt with the intention of smashing all factory machines and protecting themselves from machines taking their jobs, income, and livelihood (Hobsbawm, 1968). In this case, process innovation so greatly stirred society that people were literally afraid for their future (Schallmo et al, 2018). Such drastic innovations abound today and are the subject of much discussion regarding their long-term effectiveness and repercussions on life as we know it.

Another example of process innovation that is more recent and familiar to us is the introduction of the photocopier. Although it may not sound like a spectacular innovation from today's perspective, the photocopier has had a huge impact on how offices are administratively managed and organized (Oke, 2007). Consider what happens when the photocopier in the workplace breaks down, you quickly realize how much you depend on it for daily tasks. Similarly, process innovation can lead to significant changes, not only in local infrastructure but also in national economies, global productivity, and the way labor is distributed across industries. The innovation in the processes of automobile production by Henry Ford in 1913 changed the way people travel by car on a global level (BI, 2021). Initially, mobile internal combustion engines were exclusive to the wealthiest members of society and were used for luxury goods. Over time, however, cars evolved into a product accessible to people worldwide. This transformation was driven by process innovations that reduced both production time and costs. As a result, the cost of manufacturing cars decreased, which led to a continuous decline in their selling prices from the early 20th century. This trend persists today, fueled by ongoing innovations within the automotive industry (Hounshell, 1984).

3.2.2 Classification of innovations based on the degree of novelty

The classification of innovations according to their level of novelty has been recognized and utilized for an extended period of time. Some innovations involve a high degree of novelty, while others involve a lower degree of novelty and undergo "cosmetic" changes to existing designs (Shestakov & Poliarush, 2019). The distinction between these two broad and different groups of innovations has led to the overall classification based on the degree of novelty into radical innovations and incremental (partial) innovations (Shestakov, 2022). This division is too general to provide an accurate picture when it comes to a detailed exploration of this issue. It does not include softer degrees of innovation and nuances between them (Shestakov & Poliarush, 2019). Instead, it sharply draws a line between two main types, often oversimplifying the determination of where exactly innovation lies. To overcome this limitation, in 1990 Henderson and Clark introduced a sophisticated analysis of innovations (Afuah, 2003). Their analytical framework includes a typology based on the impact of innovations in relation to competition and market positioning. This classification was mainly developed for product innovations, but it can also be applied to service and process innovations. At the center of the analytical framework proposed by Henderson and

Clark is the view of products as systems. These products are developed of components arranged in a way that allows them to work together interdependently. They emphasize that creating a product typically requires two types of knowledge, knowledge of the components and systemic knowledge. Component knowledge indicates to the understanding of each part and its capabilities, which is part of the essential design concepts. Systemic knowledge, also known as architectural knowledge, refers to the understanding of how the components function together as a whole.

Incremental (partial) innovation occurs when improving an existing design through enhancing its components. The improvements that occur are not radical changes, and Christensen (1999) defines incremental innovation as a change based on expertise in the technology of components within the framework of a previously established architecture. In the example of the vacuum cleaner, incremental innovation would be a stronger motor that provides more rotations per minute. Incremental innovations are the most common type of innovations. Gradual improvements in knowledge and materials lead to improvements in products and services over time (Christensen, 1999). However, these changes in components do not alter the system and its way of functioning. Thus, the system and its architectural structure remain unchanged.

Unlike incremental innovations where changes are in the design of components, radical innovations demand entirely new designs and completely new components (or existing components organized in an entirely new way). According to Hendrick and Clark (1990), radical innovations involve establishing a new dominant design and new design concepts incorporated into components that, once connected, form the new architecture. Compared to incremental innovations, radical innovations are rare. Rotwell and Gardner (1989) estimate that around 10% of all innovations are radical. Radical innovations are often associated with the introduction of new technologies. In some cases, they transform technology and make significant societal changes (Martini, 1994). A groundbreaking innovation in telecommunications was the telephone, which revolutionized remote communication. Similarly, television was another radical innovation that transformed how we spend our free time and access information about current events. The emergence of the computer, driven by advancements in microprocessor technology, introduced new administrative systems in offices, enabled internet connectivity, and gave rise to services like online banking, among others.

Modular innovation involves architecture and configuration related to an existing system or established market product, but it includes new components with different design concepts (Alegre et al., 2011). Similar to incremental innovation, modular innovation does not require a complete redesign. However, it does involve adding new or significantly altered components. The key characteristic of modular innovation is the incorporation of these new components, particularly when they involve the use of new technology. The new technology can transform the ways in which one or more components function within the

system, but the system and its configuration/architecture remain unchanged (Tushman & Anderson, 2004). Hence, it becomes clear that modular innovation is not nearly as spectacular as radical innovation.

Regarding the architecture of innovation, components and designs related to them remain unchanged, but the system's configuration changes through the introduction of new connections. Henderson & Clark, (1990) indicate that the essence of architectural innovation lies in reconfiguring an already established system to connect existing components in a new way. This does not mean that the components themselves will not go through particular changes. Manufacturers might take the opportunity to upgrade current components, but these changes are usually small, and the components still work within the same redesigned system setup.

3.3 Bringing product and service innovations to market

When developing a new product, it is crucial to analyze whether there is a market demand for the potential product and if a genuine need for it exists. Mostly, the desires and needs of customers, which differ from one individual to another, must be examined. Fundamental physical needs for survival, such as the need for food, drink, sleep, etc are universal as are the social and security needs, such as the need for belonging, love, security (Maslow, 2000). These needs significantly influence people's purchasing behavior. Managers are required to attentively align their product development with the desires of the potential market (Mullins, 2008). The development of a new product or service is a process through which a company launches a new product or service on the market. The process of developing new products or services is an innovative activity and is one of the most significant challenges for organizations. In the development of new products or services, it is necessary to systematically approach the development process, encompassing analysis of all potential risks, thoroughly exploring the possibilities and resources available to the organization, assessment of market conditions, and leveraging market opportunities (Barclay, Dann, & Holroyd, 2000). Marketing experts and employees involved in all phases of product development play a central role in the development of a new product. New products shift our view of the world, encouraging people to rethink not just the products themselves, but also their perceptions of themselves, others, and the market in general.

The term "product" encompasses everything offered in the market to satisfy the needs or desires of consumers in the exchange process. Products have a material nature, distinguishing them from services (Kotler, 2006). Products can be defined as a set of material or non-material attributes offered on the market to fulfill the desires or needs of buyers (Stanton, 2005). The term "new product" refers to any product launched on the market that distinguishes itself from other products due to its characteristics, perceived as new by consumers (Stanton, 2005). The new product can be an invention or an innovation (Loutfy & Belkhir, 2001). The perception of the term "new products" varies from person to

person. There are several types of new products described below (Crawford, 2011):

- New products for the world – these products refer to discoveries, i.e., new products that create a new market.
- New products for the company or a new product line – these include products known to the "world" but are new to the company's assortment.
- Additions to the existing product line – these are products that the company offers alongside its regular offerings to complete its market range.
- Improvements and changes to existing products – these include products that the company already has but are modernized or made into a better version.
- Repositioning – this strategy involves products redirected for alternative use or application.
- Cost reduction – new products that replace the existing product line, providing users with similar performances but at a lower cost.

All of these categories fall under the umbrella of new products, but it's clear that each comes with its own level of risk and uncertainty, requiring different management approaches. Typically, products that are entirely new to the world involve higher risks for the companies developing them, along with significant costs tied to bringing them to market. Every category carries its own share of potential challenges, and companies must be ready to take on those risks accordingly. The continuous adjustment of products, i.e., their modification in terms of characteristics and usage goals, or the introduction of entirely new products, represents the most effective strategy for companies in the market economy (Karagozoglu & Lindell, 2004). It can be said that only a small portion of companies launch innovative or entirely new products due to the considerable risk coupled with the high production costs (Baptisa, 1998). Therefore, most companies focus on the enhancement of already existing products (Slevin & Covin, 1997).

3.3.1 The process of new product development

Generating a new idea essentially represents one of the most challenging and complex tasks for companies. The starting point in the quest for new ideas involves analyzing the needs and desires of buyers. Companies most commonly identify these desires and needs through surveys, focus group discussions, customer suggestions, and the like. The process of developing and introducing a new product undergoes several phases (Annacshino, 2003):

Generating new product ideas – The development process commences with a new idea, which can originate from various internal or external sources. Internal sources include engineers, marketing experts, researchers, employees, etc. External sources encompass consumers, business incubators, competitors, development agencies, participants in the distribution channel, entrepreneurial centers, and other individuals with innovative capabilities. Contemporary companies focus on encouraging their employees in the new idea generation process. When selecting ideas, the crucial step is to make a careful selection, opting for ideas that could contribute to the company's success (Rainey, 2009).

Product selection – In this phase, an analysis of ideas for new products is conducted. Not all ideas materialize into new products, as, for an idea to evolve into a new product, it must meet specific criteria such as market potential, financial feasibility, production compatibility, etc (Rainey, 2009). Various methods are employed in the analysis of ideas to facilitate the selection process.

Preliminary product design – In this stage, a product design is created with a focus on competitiveness and market demands, building upon the original concept for the new product. Costs required for product development, quality, and performance are analyzed. If the preliminary design is approved, the process moves on to the next phase, which involves creating prototypes or models used for further testing and analysis (Hallgrimsson, 2012).

Development of prototypes and their testing – This phase is dedicated to the development of prototypes, transforming the idea into a physically shaped product (McElroy, 2016). Prototypes, which can be drafts, models, clay models, etc., are created and subjected to testing. Realistic testing of prototypes is crucial. Research is conducted in the market to obtain data on how customers perceive the product. After successful prototype testing, the next phase involves the final design of the product.

Design of the final product – The final phase in the new product development process involves the ultimate design of the product. Certain changes may be made to the design based on prototype testing. If there are additional modifications, retesting is necessary to ensure the final performance of the product (Kroon et al., 2013).

A new product that, based on its production, technological, and economic attributes, is expected to outperform existing market alternatives in terms of functionality, design, or aesthetics, is likely to attract the attention of potential users. The product's features are crucial in shaping consumer's preferences over time, ensuring a lasting impact rather than leaving a short-lived impression. In addition to design, composition, quality, performance, functionality, and equipment, the sales price assumes a critical role (MacDonald, 2009).

3.3.2 Commercialization of a new product

The launch of a new product is a crucial stage in its life cycle, as a successful market introduction lays a strong foundation for long-term success. When a company decides to embark on the development of a new product, it is crucial to be distinct, better, faster, more innovative, and, above all, to offer an appropriate balance of quality and price (Annacchinno, 2003). Large and successful companies consistently invest in the development of new products to maintain their market positions.

There are four fundamental decisions for product introduction (Annacchinno, 2003):

- When: Determining the timing of the new product's launch – the true "timing" linked to the practicality of the moment.
- Where: Deciding on the place or places for launching the new product (all markets at once or gradually).
- With Whom: Directing distribution and promotional activities toward the most prospective segment of the target market (establishing through trial marketing); the so-called "Thought Leaders" - a significant customer segment for product acceptance in the market.
- How: Creating an action plan for introducing the product to the market.

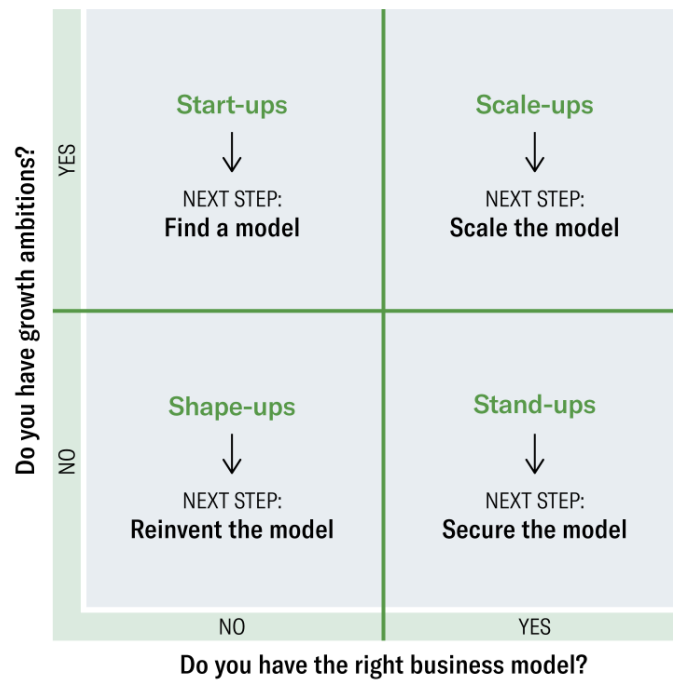
When launching a product, a company can choose to enter the market early, at the same time as competitors, or later. Entering early allows the company to attract key customers and distributors first. Alternatively, the company can launch at the same time as competitors or wait to see how the market reacts before launching. When deciding on the geographical strategy, i.e., where to launch the new product, the company decides whether the launch will be in one or more locations, in which regions, whether it will be on a national or international market. Most often, companies opt for gradual market expansion; only a few companies have the confidence, capital, and capacity to launch a product for complete national or global distribution (MacDonald, 2009). Larger companies usually decide to introduce the product in a larger region with gradual expansion into other regions, while smaller companies introduce their product in a specific city and lead a campaign to accelerate commercialization (Annacchinno, 2003). Most companies initially launch their new products in the domestic market, and if the product is successfully embraced, they may decide to introduce it to the international market. Companies make decisions about the optimal market or markets for the product and the strategy for entering the market, i.e., a presentation of activities that must be done to launch the product (Mazzarol, 2015). Commercialization, besides being one of the most critical phases in the product life cycle, is also a phase that demands considerable effort and resources, meaning it incurs the highest costs.

3.3.3 The “Valley of Death” theory

Starting a small business is a common endeavor, but unfortunately, many of these ventures fail within the first few years. In the case of USA, As of 2021, statistics indicated a high failure rate, with around 20% failing within the initial year, 50% within five years, and a staggering 65% within a decade (U.S. Bureau of Labor Statistics, n.d.). Mourdoukoutas (2015) explains that there are several contributing factors to these failures:

1. **Financial Challenges:** One of the primary reasons for business failure is financial instability. This may occur due to ineffective cash flow management, where costs surpass income. Additionally, difficulties in obtaining financing, especially in the early stages, can contribute to the downfall of a business.
2. **Target Market Issues:** Many entrepreneurs often make the mistake of attempting to cater to everyone, which results in ineffective marketing strategies. It is essential for businesses to identify a specific target market and customize their products or services to address the unique needs of that audience.
3. **Lack of Market Research:** Failing to understand the needs and preferences of potential customers can lead to offering products or services that have little to no demand. Thorough market research is essential to identify and address customer needs effectively (Jacka & Keller, 2009).
4. **Poor Partnerships:** Business partnerships can face challenges when roles and responsibilities are unclear. Disagreements, particularly around decision-making and how work is divided, can result in conflicts that may ultimately cause the business to dissolve.
5. **Inadequate Marketing Strategies:** Failing to invest in marketing can significantly hinder a business's ability to attract customers and drive sales. Many entrepreneurs concentrate only on their main skills, neglecting the crucial task of effectively promoting their products or services.
6. **Lack of Entrepreneurial Expertise:** Simply being skilled in a particular area is not sufficient to ensure the success of a business. Entrepreneurial ventures require a range of skills, including business management, marketing, finance, and strategic planning.

Figure 2: The four phases of new enterprises



Source: Marcakm, K.S. et al (2010).

The Valley of Death is used as a metaphor to describe the relative lack of resources and expertise in this area of development (Markham et al., 2010). The metaphor suggests that there are relative more resources on one side of the valley in the form of research expertise and on the other side by commercialization expertise and resources.

The "death valley curve" illustrates the difficult initial phase that new businesses face, where they've invested a lot but haven't yet started earning enough revenue (Spinelli & Adams, 2012). During this time, businesses go through four key stages, each with its own set of challenges (Pedersen & Ritter, 2022). These stages include:

- **Shape-ups:** These companies have experienced growth but are now encountering shrinking markets or obsolete business models. They need to revamp their strategies to stay competitive and maintain relevance.
- **Stand-ups:** Businesses in this stage have solidified their business models and are focused on generating returns on their investments. However, they must stay alert and avoid becoming complacent to continue staying relevant in the market.
- **Start-ups:** These businesses are in the early stages of discovering a viable business model. Ongoing experimentation and flexibility are crucial as they work to find the formula for success.

- Scale-ups: Businesses in this phase have found a viable business model and are focused on expanding their operations. They must balance rapid growth with resource allocation to ensure sustainable development (Markham et al., 2010).

Entrepreneurs need to carefully assess the stage their business is in, tackle the specific challenges of that phase, and ensure all stakeholders are on the same page. Open communication and a clear understanding of the business's current position are key to successfully navigating the difficulties of the "death valley curve."

4 SUPPORT IN THE NEW PRODUCT AND SERVICE DEVELOPMENT IN SMES IN REPUBLIC OF NORTH MACEDONIA

4.1 Financial support for the development of SMEs

4.1.1 Market sources of financing

Identifying the capital requirements and suitable financing options for small and medium-sized enterprises (SMEs) involves making strategic decisions. These include evaluating whether to rely on internal financing (such as retained earnings) or seek external funds, determining the proportion of capital to be externally sourced, and selecting among various funding avenues, such as commercial banks, investment funds, capital markets, or informal investors (Brealey, Myers, & Allen, 2019).

The decision to obtain necessary capital from market sources necessitates a comprehensive analysis. This analysis involves an examination of the current capital structure of the enterprise, assessing the availability and costs associated with various financing sources, evaluating financial and business risks, understanding the nature of business investments, and the overall business activities of the enterprise (Pilbeam, 2010).

When selecting a suitable source or a combination of different financing sources, an enterprise should aim to build an optimal capital structure (Pilbeam, 2010). This refers to the right balance between equity and borrowed funds, where the goal is to increase the company's market value while keeping the cost of capital as low as possible. The suitability of each financing option depends on several factors, including current market conditions, the stage of the enterprise within its life cycle, the nature of its investments, its overall financial health, business objectives, the management team's risk appetite, the need for flexibility in decision-making, the availability of alternative funding sources, as well as the type and scope of the enterprise's operations and associated risks.

In the Republic of North Macedonia, small and medium-sized enterprises have access to a

variety of financial resources offered through market-based channels:

1. Loans from commercial banks;
2. Leasing companies;
3. Factoring;
4. Business angels;
5. Microcredit organizations;
6. The capital market.

The following section briefly outlines the main market-based financing options available to small and medium-sized enterprises (SMEs) in North Macedonia.

4.1.1.1 Credits from commercial banks

One of the most frequently utilized external sources of financing for small and medium enterprises in North Macedonia is credit. Banks, depending on the currency of the credits, can approve:

1. Denar credit.
2. Foreign currency indexed credit in Denars.
3. Foreign currency credit.

Denar credit is approved only in denars and is repaid in denars on the day of maturity. A denar credit indexed to a foreign currency can be approved by the bank in accordance with the provisions of the Foreign Exchange Law, allowing negotiations in foreign currencies (i.e., a currency clause), but payments under these agreements are made again in denars. This means that denar credits indexed in a foreign currency are converted into denar equivalents, according to the exchange rate agreed upon between the bank and the client. In these cases, the amount due is converted to its denar equivalent on the repayment date, using the specific exchange rate defined in the agreement. Banks may choose to apply either the official exchange rate of the National Bank of the Republic of North Macedonia or their own rate, depending on regulations concerning foreign exchange operations.

Such loan arrangements help banks manage exchange rate risks while providing SMEs with flexible financing options tailored to their business needs and market conditions (OECD, 2019).

In accordance with the maturity period, credits can be:

- Short-term credits.
- Long-term credits (Brealey, R. A., Myers, S. C., & Allen, F., 2017)

Short-term credits have a repayment period of up to 12 months, while the repayment period for long-term credits exceeds one year.

Loans can also be classified according to their intended use, including:

- Working capital financing
- Export financing
- Liquidity support
- Refinancing of existing debts or loans from other banks
- For permitted overdraft on a current account
- Investment loans (used for purchasing equipment, machinery, vehicles, or acquiring and constructing business premises, etc.) (Gregurek et al., 2015)

While credit remains a primary financing mechanism for business entities, it is also considered among the more costly sources of funding. Moreover, banks are often hesitant to provide loans to micro and small enterprises, particularly newly established ones, due to insufficient collateral, weak capital bases, and a history of limited credit repayment performance. Other contributing factors include high operational costs, underdeveloped business plans, exposure to market volatility, and limited technical, managerial, or marketing capabilities among small business owners. Financial reporting standards among SMEs also tend to be poor, often lacking the transparency and detail required for thorough financial risk assessments (OECD, 2019; Beck & Demircuc-Kunt, 2006). Another persistent issue in SME financing in North Macedonia is the high collateral demand, compounded by inefficiencies in the secured transactions framework. According to local regulations, only banks licensed by the National Bank of the Republic of North Macedonia are authorized to provide credit services to both legal and natural persons. As of 2023, the following banks are licensed to operate and issue loans to SMEs in the country:

- Capital Bank AD Skopje.
- Commercial Bank AD Skopje.

- NLB Bank AD Skopje.
- ProCredit Bank AD Skopje
- Development Bank of Republic of North Macedonia AD Skopje.
- Silk Road Bank AD Skopje.
- Stopanska Banka AD Bitola.
- Stopanska Banka AD Skopje.
- TTK AD Skopje.
- Universal Investment Bank AD Skopje.
- Halk Bank AD Skopje.
- Central Cooperative Bank AD Skopje.
- Sparkasse Bank AD Skopje.

All these banks approve credits to small and medium enterprises under conditions established according to their own business policies.

4.1.1.2 Leasing

In the contemporary conditions of business management, challenges surrounding the provision of adequate funding sources for the operations of business entities become increasingly pronounced (Snaith, 1997). Access to funding sources stands as a limiting factor for the development of business entities. If a business entity is capable of satisfying its financing needs from its own sources, it gains a significant competitive advantage and potential for growth by reducing financing costs and minimizing risk.

Leasing represents a specific form of financing for the business activities of entities (Ross, et al, 2013). In addition to providing equipment under lease, leasing encompasses training for personnel using the equipment, as well as maintenance and servicing of the leased equipment, and the transfer of modern technology to the leasing customer. Leasing, as a form of financing, is offered not only by specialized companies but also by manufacturers themselves. Recently, banks are increasingly offering such services to their clients.

Globally developed companies utilize leasing arrangements, particularly in the field of transportation, especially in aviation, and for the acquisition of modern technology, hardware and software, construction machinery, and similar assets. International leasing arrangements are of great importance for the economic development of less developed countries, as they enable production growth, increased competitiveness, unemployment reduction, and keeping pace with technological progress. Leasing is a catalyst for the development of small businesses, which in turn, drive economic development in transition countries. Key factors influencing owners of small and medium-sized enterprises when deciding to acquire certain assets through leasing include: avoiding significant capital outflows, supporting cash flow, easy accessibility, representing a highly flexible financing method, and easily adapting to the needs of the lessee. In addition to bank loans, leasing represents the second most significant source of financing for small enterprises.

Leasing stimulates the development of small enterprises, especially in developing economies, where they serve as engines for societal economic well-being. Today, in almost all countries, regardless of their level of development, leasing is emphasized as an alternative source of financing because it eliminates problems associated with borrowing funds and mitigates the risk associated with repayment. It often happens that an enterprise has its own sources of funds but still decides to finance through leasing.

Leasing affects the future financing of an enterprise, primarily depending on its stage of development. Thus, large, mature and profitable enterprises can use leasing to create opportunities for utilizing credit lines intended for meeting other needs (Kovačević & Vunjak, 2009). Conversely, young and small enterprises can preserve cash and access financing more easily through leasing. Additionally, businesses of various sizes lease equipment to avoid technological obsolescence and maintain the ability to upgrade.

Leasing can take the following basic forms:

1. Operating leasing.
2. Financial leasing.
1. Sale and leaseback. (Brealey, R. A., Myers, S. C., & Allen, F. (2017))

Operating leasing, sometimes referred to as service leasing, includes both financing and maintenance of the leased asset. With this type of lease, the user resolves financing and maintenance issues for a specified period. Typically, the lessee requires the lessor to perform maintenance and servicing, with these costs incorporated into the lease fee. A notable feature of operating leases is that the asset is not fully depreciated during the lease term. Payments under the operating lease agreement do not cover the total cost of the equipment. The lease period is usually shorter than the economic life of the asset, so the

owner aims to recover the asset's value through additional leasing or its sale (Rovčanin, 2003). A key characteristic of operating lease arrangements is the existence of a termination clause, which allows the lessee to terminate the lease agreement before the end of the agreed period. This provision enables the lessee to return the equipment if it becomes technologically obsolete before the contract period ends.

Financial leasing serves individuals and businesses and is often utilized to fund the development of properties such as commercial buildings, storage facilities, manufacturing sites, and similar infrastructure. This type of leasing typically requires the asset to be insured for the entire contract duration, ensuring protection in case of damage and guaranteeing the asset's value recovery (Urukalović, 2003). The initial payment amount varies, depending on the specifics of the investment. Financial leasing offers particular advantages for newly founded SMEs, self-employed individuals, and clients with limited credit standing or insufficient collateral to qualify for bank loans (Mikalusić, 1998). In contrast to traditional lenders, leasing companies base their decisions on the lessee's credit profile and how easily the leased item can be resold on the market at a fair value, making the asset's liquidity a crucial factor in the approval process.

There are several important characteristics of financial leasing that distinguish it from other forms of financing:

- Financing is always approved for a precisely defined asset.
- The lessee determines the leased asset, while the lessor acquires the asset.
- The lessor owns the leased asset for the entire duration of the leasing agreement.
- Ownership rights over the leased asset are transferred from the lessor to the lessee after the expiration of the agreed-upon period and upon the completion of the total agreed-upon leasing fee.
- The lessee can negotiate an option to purchase the leased asset after the full payment of the agreed-upon leasing fee.
- The leasing agreement period corresponds to the period of asset amortization.
- The leased asset serves as security for payment, and therefore, the lessor usually does not require additional collateral.
- The lessor has comprehensive protection in case of asset damage (through asset insurance), non-payment of the leasing fee (by reclaiming the leased asset through a

special procedure), bankruptcy, or liquidation of the lessee (with the right to special payment) (Mikalušić, 1998).

In the case of sale and leaseback, the owner of the asset from the leasing agreement sells the asset to the lessor at an agreed-upon price, and the same lessor then leases it back to the client through financial or operational leasing. This allows business entities to acquire additional financial resources designated for increasing capital with the aim of expanding business operations, making new investments, fostering production growth, refinancing, and similar purposes. Through this arrangement, various aspects are defined, including the duration of the arrangement and the obligation for maintaining the asset.

The positive effects of leasing arrangements contribute to their gradual affirmation in the Republic of North Macedonia. (OECD Report, 2023) The significance of leasing becomes even greater considering that the accumulation achieved by business entities is insufficient to meet the increased needs for the renewal and reconstruction of existing equipment (Urukalic, 2003). Leasing enables them to access modern and sophisticated technology without tying up ready cash. Its role in the Macedonian economy expanded with the establishment of the market economy, affirming leasing not only as a financing form but also as a method for equipment and technology acquisition in international trade practices.

Leasing in North Macedonia traces its origins back to the year 2000 with the founding of the first leasing company, NLB Leasing, licensed by the Ministry of Finance. Since then, this industry has dynamically developed, showing a tendency for growth at even higher rates.

The Leasing Law enacted in 2002 (Ministry of Finance, 2016) laid down the institutional prerequisites for advancing this activity. Leasing is most prevalent in tourist and service companies, especially rent-a-car, and when mentioned in our country, it predominantly refers to automobile leasing (primarily used by individuals). The areas of application for leasing as a financing form are limited and mainly associated with passenger vehicles, less so with vehicles, and even less with equipment and machinery.

In North Macedonia, most leasing companies were established by banks after the introduction of the banking law, which regulates the operation of financial leasing. Financial leasing represents financing investments in fixed assets, movable assets (equipment, vehicles), and real estate per the provisions of the Financial Leasing Law. This type of leasing is often compared to bank loans due to several similar characteristics (installment payments, interest, accounting methods, etc.).

4.1.1.3 Factoring

In developed market economies, businesses have the option to sell their receivables at a discount to specialized institutions known as factors. While this is the primary role of

factoring companies, some commercial banks also engage in similar operations, provided they manage them through a legally separate entity. Factoring providers are typically organized financial entities with specialized teams that regularly assess buyer reliability, including their payment habits, financial condition, and overall credit standing.

Fundamentally, factoring is the process of handing over a company's outstanding invoices to a third party, known as a factor, that takes responsibility for managing the collection of those payments. The company transferring the receivables receives an amount reduced by a fee, which serves as compensation for the service provided (Spasov & Arsov, 2004). In its basic form, factoring does not always include a financing component; sometimes, the factor simply acts as an intermediary for collecting payments without assuming the credit risk. However, in the more widespread arrangement, the factor takes on the risk of non-payment, while the company pays a fee for the dual benefit of collection support and improved cash flow.

Factoring is a financial transaction where a company sells its short-term outstanding receivables to a third party called a factor, at a certain discount. Meanwhile, the cash received in return is used to finance the business entity. Unlike a bank loan, factoring involves the sale of receivables and their conversion into cash, meaning improved liquidity without the occurrence of increased debt. For each unpaid invoice, typically between 80-95% of its amount is paid, reduced by a certain commission. The money is directly deposited into the seller's account. Factoring is a flexible financial product, attractive to companies operating in manufacturing, service sectors, wholesale trade, and other industries. Factoring is particularly crucial for manufacturing companies, especially those focused on exports, offering their products on deferred payment, simultaneously being forced to make advance payments to their suppliers and facing liquidity problems.

Factoring plays a significant role in small and medium-sized enterprises (SMEs), which traditionally face challenges in accessing bank loans due to their low creditworthiness or inadequate collateral for the loan. It represents one of the best ways to ensure prompt and secure payment of receivables arising from sales contracts for goods or services.

In North Macedonia, one of the indicators that speaks to the necessity of incorporating factoring as an alternative source of financing, especially for small and medium-sized companies, is the possibility for banks to provide financial resources to the real sector of the economy through short-term loans. Central and mid-sized banks, including the Development Bank of North Macedonia (DBNM), are involved in executing factoring transactions in North Macedonia. Factoring provides banks with excellent administrative control and management of receivables from buyers, thanks to the procedures and approach to diligently monitoring loan security.

Factoring enables more precise cash inflow planning, contributing to production growth

and supporting the development of the enterprise (Wiklund et al., 2003). In many cases, factoring serves as a substitute for loans, as with such arrangements, economic entities can access new funds without additional indebtedness. The creditworthiness in a factoring arrangement is tied to the quality and size of the underlying receivables rather than the creditworthiness of the business entity, making factoring arrangements more efficient.

4.1.1.4 Business angels

Venture capital represents a formal or informal form of financing for small, fast-growing, yet risky business entities expected to increase the value of invested capital in the future significantly (Gompers & Lerner, 2001). The family of venture capital consists of business angels, which are informal risk capital, and official venture funds, which are formal risk capital.

The success of any business entity is directly linked to the availability of finances (Kim & Mauborgne, 2000). Each business project requires some funds to operate and secure financing for initial and ongoing business operations. Suppose these finances are easily accessible, and the entrepreneur has a solid business plan based on a unique business idea. In that case, success is guaranteed, not only for the entrepreneur but for the entire society. Strengthening the networks of business angels can be one way to increase the availability of financial capital. Business angels represent an interesting terminological expression given to obtain an impressive name, which is easier to remember and a synonym for financiers (Schulz & Schmücker, 2017).

Business angels can provide funds in the form of:

- Grants.
- Interest-free loans.
- Loans with minimal interest.
- Loans with normal interest.

This way, providing guarantees becomes significantly easier, and financial resources are more readily available. They often invest due to the desire to maintain the value of their capital or out of love for a specific place or person. Their primary motives are not primarily connected to profit, but owners of this capital do not object to gaining a profit, so they provide financial resources on more favorable terms. Business angels are not naive individuals who will invest their financial resources without checking and protecting themselves from possible misuse and irrational spending of their money. Therefore, presenting the complete business plan for the projects planned for implementation is advantageous. Business angels will only invest in the enterprise if they believe it will

succeed and generate a profit.

The informal risk capital market is less understood. It consists of an invisible group of wealthy investors, often called business angels, seeking investment opportunities in the form of shares in various entrepreneurial ventures.

Namely, some researchers calculated that business angels provide thirty to forty times more financial resources for entrepreneurial firms each year than venture capital investors. Business angels are individuals with high net worth, prosperous business people, or professionals who provide capital in the early stages of newly established enterprises in debt, equity capital, or both (Robinson & Osnabrugge, 2000). They provide financial resources for newly established businesses in their early development stages that are:

- Too small to attract the attention of venture capital firms.
- Too limited in terms of their revenue potential to interest venture capital firms.
- Too risky for bank loans and most venture capital investors.

This method of financing in North Macedonia has not yet found its rightful place because there is no established network of business angels to facilitate access to financial resources, and finding business angels is not an easy task.

In developed countries, especially in the United States, business angels are very popular and easily accessible. Measures that could be taken to intensify and encourage business angels in the Republic of North Macedonia include the following:

- National and local authorities should encourage and establish a network of business angels who are prepared to invest in new business ventures (Stevenson et al., 2000). Without the support of national and local authorities, such networks cannot thrive.
- Universities, where entrepreneurial spirit is most encouraged and where many entrepreneurs can emerge, should establish and maintain contacts with potential business angels and serve as a link between future entrepreneurs and business angels as investors.
- Business incubators are places where new businesses are born and incubated, so they should establish and maintain contacts with business angels and, at the same time, serve as a link between entrepreneurs and business angels. On the other hand, a close relationship is needed between business incubators, business angels, and universities, where innovative and high-quality high-tech ideas can emerge.
- Chambers of commerce should establish and maintain contacts with business angels and

serve as intermediaries between entrepreneurs and business angels. They should intensify collaboration with business incubators and universities and elevate it to a much higher level. Additionally, joint contact centers and offices could be formed where potential investors can obtain information about each region, idea, project, etc.

- Business angels should build their networks, which should be accessible for contacts from future entrepreneurs and anyone in need of financing for a business (Schulz & Schmücker, 2017).

The first official Association of Business Angels in North Macedonia was formed in March 2011 as an initiative by the Center for Innovations - Macedonia, supported by the USAID Macedonia - Competitiveness Project. The primary goals of this official Business Angels Network in North Macedonia are:

- Bringing together the most reputable business individuals in Macedonia and connecting them with the best investment opportunities in young companies.
- Cultivating a culture of investing in businesses by creating multiple sources of financing for young companies (Taneva-Veshovska & Drakulevski, 2011).

Its clear vision is to become a leading network of business angels, an investors' club, and a platform for investing in early-stage, innovative start-up companies.

One of the main advantages of business angels as a form of financing for businesses is that very often potential investors want to preserve their privacy and keep information about the extent of their capital confidential. They are not willing to spend much time searching for a suitable project to invest in. The network of business angels provides them with both confidentiality and a wide selection of potential projects.

4.1.1.5 Microcrediting

Until recently, the demand for small loans and credits was met through informal financial arrangements, defined as small, unsecured, short-term loans limited to rural areas, agricultural agreements, households, individuals, or small entrepreneurial enterprises. Examples of such financial arrangements include loan sharks, moneylenders, loans from family and friends, and ROSCA (Zambrano et al., 2023). Microfinancing emerged recently as a means of providing small financial resources to enterprises and avoiding the challenges they face in securing financial capital from formal sources of financing. In developing countries, the microfinancing model has been successful, while in the United States, issues regarding the sustainability and effectiveness of this model have arisen.

"Microcrediting" is often narrowly used and refers to microcredit intended for small, informal entrepreneurs. Microcrediting primarily involves providing financial services to

lower-income populations, particularly impoverished populations, aiming to empower them to start their businesses and achieve economic independence and empowerment. One of the key obstacles to the intensive use of microfinancing is the insufficient awareness of small and medium enterprises and entrepreneurs in underdeveloped and developing countries. It should be emphasized that it is fundamentally incorrect to equate microcredit with microfinancing. Microcredits are just a part of microfinancing. In addition to the microcrediting service, microfinancing encompasses other services such as micro-savings, micro-insurance, money transfers, etc.

The process of applying for and approving a microcredit consists of several steps:

- Contacting a microcredit organization and obtaining information about the conditions for obtaining credit.
- Developing a business plan and completing a client questionnaire, with expert assistance from the microcredit organization - preliminary assessment of the client's profitability and creditworthiness.
- Submitting a credit application.
- Making a decision to approve the credit and disbursing the credit through an intermediary bank.
- Monitoring and consulting by the microcredit organization.

Potential users of microcredit usually contact multiple organizations that approve such types of credit before applying for credit to compare the conditions for approval and use of the credit. Microcredit organizations have consultants who assist clients in understanding the credit terms, completing the appropriate questionnaire, preparing a business plan, and compiling the necessary documentation.

For small business entities, using financial resources through borrowing is very risky, as most small businesses often anticipate low cash flows (Herndon, 2017). For these business entities, it may be more favorable to use capital financing, as opposed to debt financing. Capital investments ensure solvency because the investor does not receive a return on funds in case the enterprise struggles to survive, in contrast to credit financing, where, regardless of everything, the loans must be repaid. Also, capital investors such as investors and business angels often add value to the business entity in which they invest and frequently help the business succeed.

Microcredits play a significant role in the growth and development of small business entities, especially when they face difficulties in securing the necessary financial capital to realize their entrepreneurial ideas.

4.1.1.6 Financing through the financial market

The financial market serves as a means of financing investments directly, indirectly, and internally (Stoiljkovic & Maric, 2021). It is a specific market where specific goods such as money, capital, short-term and long-term securities, currencies, and foreign currencies are traded in a specific manner and under specific conditions (Mishkin & Eakins, 2012).

Small and medium-sized enterprises (SMEs) often pursue funding through capital markets, using instruments such as commercial papers, corporate bonds, and stocks. Commercial papers, in particular, are short-term financial instruments that businesses issue to meet immediate funding needs. These securities are sold at a discount, meaning they are priced below their nominal value, and generally have maturities ranging from two days to one year (Baklanova et al., 2020).

They are issued to overcome liquidity issues or for short-term financing. By nature, they fall into the category of discount instruments, i.e., instruments issued at a price lower than the nominal value, where the nominal value is paid on the maturity date. Commercial papers are essentially unsecured; there is no collateral in the form of a mortgage or security, even though a bank may guarantee them.

Bonds represent long-term loan instruments used by both the government and the economy to mobilize financial resources (Mishkin & Eakins 2012). They are the most significant form of long-term debt for entities in developed market economies. A bond is a certificate (usually transferable) indicating that the entity borrowed a certain sum of money and promises to repay it on a specified future date. One of the essential features of this financing method is that if the entity fails to meet its obligations regarding interest and principal repayment to bondholders, they have the right to take various measures, from prohibiting the payment of funds to shareholders, seizing assets, to liquidation and initiating bankruptcy proceedings. In the most radical measure, the liquidation of the entity, bondholders have the right to partially collect their claims by selling the remaining assets of the entity.

Long-term bonds are interest-bearing securities. They include discount bonds or zero-coupon bonds, where interest is realized by purchasing bonds at a price below the nominal, and the investor receives the nominal value on the maturity date. In addition to fixed-rate bonds, there are variable-rate bonds. In these bonds, the nominal interest rate changes periodically depending on a defined financial index, such as the inflation rate or another index, for example, the price of a specific commodity or a coefficient for the entity's performance. The interest rate conditions fluctuations in bond prices proportionally, unlike the maturity period, where the higher the interest rate, the lower the bond prices, which are conditioned by changes in market interest rates. Bonds serve as an efficient method for

organizations to fulfill their long-term financial requirements incrementally, enabling them to generate significantly greater financial resources through sales compared to what they might secure from a single loan source. One key feature of loan capital, which is the capital obtained via the issuance of bonds, is that it creates a debtor-creditor relationship; the organization utilizing the capital takes on the role of the debtor, while those who purchase the bonds assume the role of creditors.

A share is a long-term security without a maturity date, expressing an ownership relationship (Baklanova et al, 2020). It represents a financial instrument through which capital is raised for operations. By issuing shares, as an alternative to financing, the entity can raise a significantly larger amount of financial resources without the risk of increasing the level of indebtedness.

Table 2: Overview of financial support instruments available for Small and Medium Enterprises in the Republic of North Macedonia

Market sources of financing	Commercial Banks Loans
	Leasing
	Factoring
	Business angels
	Microcrediting
	Capital Market Financing
Non-financial support for the development of SMEs	Legal and administrative conditions for development of SMEs
	Institutional support
	Business incubators
	Franchising
Budget support for development of SMEs	Subsidies for micro, small and medium sized enterprises for machinery procurement
	Subsidies for craftsman for machinery and tool procurement
	Subsidies for Women Entrepreneurship for Business Process Digitalization
	Support and development of the internationalization of SMEs
	Co-financing of projects for the development and promotion of entrepreneurship and craftsmanship, as well as program activities of business angel networks

Source: Zarezankova-Potevska & Solimosi (2013).

Shares are securities that maintain the ownership position in companies called joint-stock companies (Krasulja & Ivanišević, 2005). An important characteristic of joint-stock companies is that they represent a special legal form of a company, a voluntary association

of individuals with an unlimited lifespan of the company and limited liability of the owner. In essence, ownership is divided into parts represented by shares, and owners cannot lose more than they invested through purchasing. To allow small and medium enterprises to issue shares, a prerequisite is to change the legal form into a joint-stock company and register with the relevant authority.

4.2 Non-financial support for the development of SMEs

Non-financial support for the development of small and medium enterprises (SMEs) encompasses a wide range of services: providing legal advice; networking entrepreneurs across the country through the internet; facilitating access to databases in the field of entrepreneurship locally and internationally; fulfilling an educational function; disseminating information through publications in the entrepreneurship field; organizing promotional activities to encourage entrepreneurship; conducting training sessions and workshops for sharing experiences, and more (Blackburn & Schaper, 2012). The implementation of non-financial support for SMEs requires a developed institutional infrastructure (Mason & Brown, 2014).

Support for SMEs in any country typically involves:

- Formulating policies designed to support SMEs.
- Developing strategies and programs aimed at fostering SMEs growth.
- Setting up institutions that provide support for SMEs (OECD, 2017)

The primary role of institutional support is to provide consulting, education, and information for the smooth functioning and growth of small and medium enterprises (OECD, 2016). It is undeniable that the institutional framework alone is insufficient for the development of SMEs, but complemented with economic policies, legal and sub-legal acts, national strategies, and a suitable environment, it represents a crucial condition for their operation.

The most significant institutions supporting SMEs commonly found in developed countries include:

- National agencies for the development of SMEs and entrepreneurship.
- Regional agencies for the development of SMEs and entrepreneurship.
- Business incubators.

- Euro Info Centres (EICs).
- Research and development institutions.
- Chambers of commerce.
- Educational institutions.
- Entrepreneurial associations.
- Other institutions supporting SMEs (non-governmental organizations, consultants, networks, free zones, etc.) (OECD, 2009).

National agencies for the development of SMEs and entrepreneurship are established as state institutions to implement specific government policies in the SME sector. These agencies often initiate the need to form other institutions for non-financial and financial support for SMEs. (OECD, 2019)

The role of national agencies for SME development includes:

- Implementing government policies in the SME sector.
- Providing specific proposals to the government related to SME sector development.
- Analyzing the situation in the SME sector and the relevant environment.
- Coordinating national partners and programs supporting small businesses and programs funded by donors.
- Developing an annual overview of the SME sector's status.
- Providing local services for business consulting to SMEs.
- Enhancing the competitiveness of the SME sector, and more.

Regional agencies for developing SMEs and entrepreneurship are formed to implement government programs in specific regions. These agencies have a regional character and offer various non-financial services such as education, consulting, information, and promotion. In EU candidate countries, through their institutions, the EU insists on regional partnerships between the three sectors (governmental, non-governmental, and commercial) through developing these regional centers, providing new impetus to SMEs.

Euro Info Centres, as the name suggests, primarily act as mediators between the EU and entities in a particular region. They often provide information, advice, and practical support to small and medium enterprises to connect with the EU and other markets, enabling them to identify and overcome challenges and operate in European countries (Moore et al., 2007). The EU initiates the need to develop networks of Euro Info Centres to stimulate the economic development and market competitiveness of SMEs. While these centers are dominant in EU member states, the European Union imposes the need to form lower-ranking institutions in other countries, which would perform a similar function to EU Info Centers, namely establishing Euro Info Correspondent Centers and Euro Info Regional Centers, as in candidate countries and in those countries that have not yet acquired this status.

Research and development institutions encompass a wide range of entities (science parks, innovation centers, technology centers, research and development centers, etc.) that conduct research and development activities aimed at the development of small and medium enterprises. These institutions also engage in technology development and transfer, promoting innovative activities aimed at increasing the competitiveness of business entities.

Educational institutions play a significant role in the development of small and medium enterprises. The primary functions performed by these institutions include (Hooda, V., & Kumari, B. 2023):

- Promoting entrepreneurship.
- Supporting and fostering an entrepreneurial culture.
- Developing new technologies.
- Serving as a resource center for the SME sector, in terms of generating new ideas and knowledge.
- Providing expertise from various fields.

Chambers of Commerce are formed to represent the interests of commerce and are characteristic of all socio-economic and political systems. Like many other institutions and associations, the differences and nuances of chamber organization result from the productive relations of a particular social order (Kerr & Ulrich, 1995). However, they have always been a significant economic factor, so according to many analysts and in terms of value sequence, they are ranked immediately behind the most representative political institutions, parliament, and the government. Entrepreneurial associations have existed for

a long time, since the medieval period. Individual craftsmen have recognized the need for mutual association to pursue their interests. In fact, the primary functions of entrepreneurial associations are:

- Protection of specific rights within the scope of their activities.
- Joint advocacy for a free market and competition.
- Economical and qualitative procurement.
- Advancement of the social status of members and more.

The reasons for association have changed over time, so modern associations usually function as non-partisan institutions with tasks such as: creating an appropriate legal framework for SME operation; providing favorable consulting services; organizing training and other educational programs across various activities; exchanging favorable information locally and internationally; providing administrative and accounting services to members and more. The development of consulting networks implies active participation by existing and new national consultants in programs to improve their skills, enhance the quality and capacity of local consultants, increase trust, and demand for the use of their services by the SME sector, and more.

4.2.1 Legal and administrative conditions for SMEs development

The legal and administrative conditions for the development of small and medium enterprises stem from the political and legal system, which serves several key functions in society: influencing the behavior of society members, resolving disputes, maintaining essential societal values, and providing a method for facilitating social change (Meiners, 2012). When discussing the legal and administrative conditions for the development of small and medium enterprises, it always involves establishing procedures, the required time, and costs associated with founding a business. According to regulations in our country, the Central Registry of the Republic of North Macedonia is obliged to make a registration decision within 5 days from the submission of the application for business registration. It should be emphasized that numerous legal and sublegal acts (Law on trade companies, Single counter system law, Law on contractual pledge, Bankruptcy law, Law on crafts and related activities, Hospitality law, Law on payment operations, Law on industrial property, Law on chambers of commerce, Leasing Law, Profit tax law etc.) are regulations promoting a favorable environment for initiating and developing entrepreneurial ideas. Nevertheless, the fundamental legal regulation in the country governing the establishment and functioning of trading companies is the Company Law. This law establishes general provisions for trading companies, their basic features and forms, the procedure for their registration, maintenance of trade books, preparation and

submission of annual financial statements, profit distribution, and more.

With the Company Law and simultaneous implementation of the single counter system, a contribution was made to facilitate the establishment of trading companies, primarily in terms of saving time, costs, and procedures during registration and determination of the required founding contribution for registration. Analyses and experiences show that small and medium enterprises in the Republic of North Macedonia face constraints, primarily of an administrative-legal nature. Consequently, a series of measures and strategies have been established to overcome these limitations. This was notably achieved with the adoption of the Company Law in 2004 (ZTD, 2004), creating a solid foundation for the development and implementation of an efficient and streamlined integrated system for registering small and medium enterprises. Significant progress in overcoming persistent administrative barriers was particularly achieved with the introduction of the single counter system in 2008, transitioning the registration of business entities to the Central Registry, where a decision for registration, tax and identification number, as well as a transaction account, is obtained in one place in business banks.

4.2.2 Business incubators

Business incubators were first established in the United States, adopting the Japanese enterprise organization model to encourage the development of small family businesses formed locally (Charles, 2009). At the end of the 1960s, the closure and transformation of steel and heavy metallurgy industries in Pittsburgh began, leading to significant investment costs in buildings, machinery, equipment, installations, and unemployment (Zehner et al., 2014). Within the program addressing the large number of laid-off workers, the idea emerged that existing space, tools, machinery, equipment, and installations could be utilized to start new ventures based on entrepreneurial ideas from the laid-off workers.

An incubator represents a support system for small and medium enterprises, particularly for young entrepreneurs initiating their businesses lacking sufficient information, funds, and a developed business idea. For this purpose, the incubator provides all the necessary logistics: it owns space, offers legal, technical, and accounting services, and comprehensive technical assistance to help beginners develop their concepts from idea to business.

The incubator is not just an organizational unit to provide affordable space for a period of 3-5 years but also offers all essential services, such as promotion and opportunities for product and service placement. Incubation typically lasts for 3-5 years, as it is considered that if a business does not stand on its own within this timeframe, it either failed or stabilized and can exit the incubator.

Undoubtedly, business incubators serve as instruments for local economic development,

supporting newly established small enterprises in their initial vulnerable years of growth and development. Globally, there are approximately 4,000 business incubators, with over 900 in Europe and 256 in transitional countries. Business incubators, particularly those supporting small enterprises based on the transfer of knowledge and technology from the research sector, are considered highly successful globally. Given that incubators are instruments for long-term regional economic development, it is crucial for their establishment to develop a form of partnership between the broader community and the private sector (public-private partnership).

The role and objectives of business incubators are to contribute to the competitiveness of the local economy and create new job opportunities, which are the primary goals of their establishment. Although the business incubator is founded as an independent unit with its own business goals, certain initiators may often have long-term goals that extend far beyond the initially established conditions and plans for entrepreneurial development. These goals may include:

- Utilizing the first business incubator as a model for creating additional incubators in selected areas.
- Adapting the incubator not only to serve start-up enterprises but also to accommodate businesses with export potential or those replacing imports.
- Regions can use incubators to attract further investments.
- Business incubators can serve as instruments for providing additional market information, such as business information centers, advisory services for market and technology selection, and other professional consulting services.

As a particularly positive example of return on investment for the state, the business incubator within the Otaniemi science park in Finland (CORDIS, 2002) stands out. A study conducted by individuals from this park showed that over a period of 10 years, 450 new enterprises started in the incubator, contributing to the creation of 5,000 new jobs. During that period, these enterprises paid 50 million euros to the State in payroll taxes, representing 7-10 times more than the state subsidies, which amounted to 0.5 to 0.7 million euros annually.

The successful performance of a business incubator primarily depends on the number of clients (users) it attracts and the performance of these firms. A typical incubator accommodates around 18 "residents" at any given time. However, most incubators also provide services to dozens of other firms in the region, which are not physically located within the incubator. Business incubators usually focus on creating a combination of start-up companies and firms in the early stages of development. In this phase, a significant

portion of activities is related to ICT-related activities.

The nature and level of services provided by business incubators vary depending on the model and the goals of the investors funding the incubator. Business incubators typically strive to provide their clients with a so-called "full-service," thereby offering a combination of incubator space, business services, and other assistance. Analyses show that the "essential" services provided by incubators are mainly related to financial assistance and networking (Rovcanin, 2003). Additionally, many incubators offer training, accounting, and assistance in marketing, besides specialized services that are more focused on utilizing services from external collaborators.

The primary benefit for the community from business incubators is the development of healthy enterprises. Enterprises that grow from business incubators are often at the forefront of developing new, innovative technologies that progressively impact the environment, particularly the quality of products and services (Macpherson, 2005). Practice shows that for the successful development of a business incubator, it is essential to establish regional agencies and business support centers. So far, this model has achieved the most success by creating centers to connect research and development processes with small and medium enterprises, as well as combining the private and public sectors. This approach could also be productively used for utilizing surplus business space and equipment that emerge during the restructuring process of particular industries.

In this context, during the period 2012-2014 in Macedonia, concerning the co-financing of newly founded businesses led by individuals under 30 years old and citizens of the Republic of Macedonia, proven costs were subsidized by 60%, but not exceeding 120,000 Macedonian denars (OG, 2014). This financial allocation encompasses, among other things, expenses related to co-financing the rent of the incubator for a duration of one year, particularly applicable if the entrepreneur lacks their own business space.

4.2.3 Franchising

Franchise means privilege, right, or license. The term originates from the French language and signifies liberation from a burden (obligation, tax). The seller of the franchise is called the franchisor, and the buyer of the franchise is referred to as the franchisee. When discussing the franchising system, it involves the use of a specific brand of goods by a small business under certain conditions. In this arrangement, a large production or trading enterprise with a well-known and registered brand of goods, along with manufacturing and registered trademarks, transfers the right to use to the small business through a franchising agreement (FTC, 2023).

The primary and most common conditions for obtaining the right to use a brand of goods are:

- Proof that, with the help of the franchisor, the recipient has created the production and sales conditions required by the franchisor.
- Payment of a fee for using the franchise by the recipient for an agreed-upon period (3 to 5 years).
- Allowing the franchisor to control the quality of the service provided in the facility for which the franchise is granted, as well as inspecting the accounting to determine the turnover of the franchisee's customers.
- Products from competing enterprises should not appear in the franchisee's sales space.

Franchising involves practicing and using another business's processes. The franchisor grants the buyer of the franchise the rights to distribute the franchisor's products, use sales techniques, and the trademark for a certain percentage of the product or service sales for which the franchise is issued or for a fixed annual fee. This way, the entrepreneur, the franchise buyer, receives ready-made products or services, developed sales techniques, advertising, and a trademark already known in the market. Franchising is the sale of know-how, which is conveyed through a manual and is a trade secret (IFA, 2021). Knowledge can be transferred verbally through training and consultations. Franchising involves the transfer of operational technology.

For a franchise to succeed, a continuous relationship between the seller and the buyer of the franchise is crucial. The relationship between the franchisor and franchisee is symbiotic. Each provides the other with something they wouldn't have when working alone. Both parties benefit from this relationship, making them mutually interdependent. The franchisor typically offers other types of services at the beginning of the operation. Franchising is a popular way to start a business because it offers greater security in operations. When purchasing a franchise, one becomes part of a large organization with all the associated benefits (Vatunin, 2012). Advertising products or services across a broader region with advertisements prepared by the headquarters is just one of the advantages. The franchisee agrees to maintain certain operation standards specified by the franchisor. They pay a certain amount and, in return, gain the right to sell a certain product or service, use a protected name, trademarks, sales techniques, or technological processes.

The advantages gained through the franchising operating method include:

- Using the franchising system reduces the risk of potential failure for new enterprises since already developed and stable enterprises sell franchises to other newly opened enterprises.
- All key operations in the production and sales process (design and standardization of products and their quality, trademark, advertising, etc.) represent a developed working system.

- Entrepreneurs have access to all techniques, eliminating the need for extensive experience, and they can start working immediately.
- The advantage of the franchising system lies in its ability to attract a larger number of consumers from the franchisee and more easily compete with other large enterprises.
- Franchise sellers provide various consulting services, advertising, manager training, marketing, etc., which is very useful for independent entrepreneurs, especially at the beginning of their work.
- A significant advantage for the franchisee is the possibility of obtaining financial assistance through financing initial activities in operations, purchasing equipment, etc.
- Franchise sellers usually assist in selecting suitable locations, increasing the chance of greater success, which individual entrepreneurs often cannot secure.

In our context, this business initiation method is not yet widely used by entrepreneurs. This is mainly because franchising as a business practice is not yet well-established, and due to the higher initial cost of starting. However, it would be desirable to consider it as an option for both starting a business and for the development and growth of an existing business.

4.3 Basic structure of institutional support for SMEs

The candidate status of the Republic of North Macedonia for EU accession influenced the creation of the Strategy and Programs for the development of SMEs and the harmonization of national legislation with EU legislation, including the implementation of the European Charter for Small Enterprises (Ministry of Economy, 2018).

Considering that SMEs are a crucial source of new job opportunities, it is essential to work on improving the following aspects: easing access to finance, stimulating innovation and technology transfer, creating new jobs, increasing high-value-added exports, and enhancing support for starting businesses, among others.

When discussing the basic structure of institutional support for small and medium enterprises, it is noteworthy that the following strategic documents have been adopted at the national level to support SME development (Susai, M., Nakov, L., Okada, H., Janeska-Iliev, A., Takai, K., & Brzovska, E. 2023):

1. Industrial Policy of the Republic of North Macedonia 2009-2020.
2. National Strategy for the Development of Small and Medium Enterprises 2002-2013.

3. Export Promotion Strategy 2011-2014.
4. Regional Strategy for development 2009-2019.
5. Strategy for Intellectual Property 2009-2012.
6. Sustainable Tourism Development Strategy 2009-2013.
7. National Strategy for Rural Tourism 2012-2017.
8. Strategy of Crafts Chamber 2012-2020.
9. Innovation Strategy 2012-2020.

It is crucial to emphasize that the two main institutions supporting SMEs in the Republic of North Macedonia are the Entrepreneurship and Competitiveness Sector at the Ministry of Economy and the Agency for Entrepreneurship Support (APPRM).

5 RESEARCH ON THE IMPACT OF THE FINANCIAL AND NON-FINANCIAL SUPPORT ON THE DEVELOPMENT OF NEW PRODUCTS AND SERVICES ON THE PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE REPUBLIC OF NORTH MACEDONIA

5.1 Research questions and hypothetical framework

Access to financial resources for small and medium enterprises is a continuous challenge. Providing adequate support in this area is crucial for their ongoing operations and, even more so, for the realization of their development plans and the improvement of organizational performance. Understanding the different types of financing available in the country and analyzing global experiences in this regard is crucial. This support will enhance the quality of existing products and facilitate the development of new ones that better meet customer demands.

Research question 1: Is there a connection between financial support in the development of new products and services by small and medium enterprises in North Macedonia and their organizational performance?

Securing adequate sources of funding contributes to increasing market participation for small and medium enterprises. Through support in this area, they establish themselves as

serious contenders in the market, ultimately enhancing their profitability—the primary goal of their existence.

Research Question 2: Is there a connection between financial support in the development of new products and services by small and medium enterprises in North Macedonia and their market performance?

Companies in this group face resource shortages and access difficulties due to their size. Any assistance in reducing their operational costs directly influences organizational performance. Although of a non-financial nature, this type of support increases organizational success.

Research Question 3: Is there a connection between non-financial support in the development of new products and services by small and medium enterprises in North Macedonia and their organizational performance?

Providing various types of non-financial support in a country helps small and medium enterprises penetrate markets for their products. This includes introducing products to markets, promoting offerings, and more. Despite being non-financial, such support, impacts the profitability of these market participants.

Research Question 4: Is there a connection between non-financial support in the development of new products and services by small and medium enterprises in North Macedonia and their market performance?

5.2 Hypothetical Framework

Commencing with the research problem and subject, as well as the goals and objectives set for this study conducted for the needs of the master's thesis, a well-constructed hypothetical framework has been established. In this framework, in addition to the general hypothesis, four specific hypotheses are formulated.

General Hypothesis: Financial and non-financial support in the development of new products and services for small and medium enterprises in North Macedonia positively influences their performance.

Specific Hypothesis 1 (SH1): There is a positive correlation between financial support in the development of new products and services for small and medium enterprises in North Macedonia and their organizational performance.

Specific Hypothesis 2 (SH2): There is a positive correlation between financial support in the development of new products and services for small and medium enterprises in North Macedonia and their market performance.

Specific Hypothesis 3 (SH3): There is a positive correlation between non-financial support in the development of new products and services for small and medium enterprises in North Macedonia and their organizational performance.

Specific Hypothesis 4 (SH4): There is a positive correlation between non-financial support in the development of new products and services for small and medium enterprises in North Macedonia and their market performance.

5.3 Methodology

In this master's thesis, empirical research holds a pivotal role, focusing on investigations aimed at understanding the impact of financial and non-financial support on the development of new products and services in small and medium enterprises and their subsequent performances in North Macedonia. Simultaneously clarifying and analyzing theoretical insights regarding the role and significance of financial and non-financial support in the development of new products in small and medium enterprises necessitates supplementation with practical perspectives from business entities. This integration aims to highlight the need for changes in enterprises' approaches to effectively utilize these factors in the competitive market landscape.

Given the complexity of the researched issues, the application of scientific methods leading to the achievement of predefined objectives is crucial. Therefore, the approach will be analytical, involving multiple scientific methods, including induction and deduction, analysis and synthesis, comparison, abstraction, and specification, alongside a testing method (utilizing a structured questionnaire).

The theoretical development and analysis presented in this thesis will be supported by the latest insights from contemporary domestic and foreign literature in the field of small business management, especially concerning the financial and non-financial resources available to small and medium enterprises. Additionally, statistical data published in separate statistical publications nationally and internationally will complement the theoretical framework.

The use of inductive and deductive methods will give insights into the states, relationships, and dynamics of the changes determining the researched problem. The unavoidable application of the deductive method will reveal the composite components of the phenomenon and objects, establishing quantitative relationships and observing their impact on the entirety. Simultaneously, the inductive method contributes to decision-making for the entirety by considering its individual components.

The comparative method finds its greatest application in examining financial and non-financial support and the performances of small and medium enterprises in different

countries. Furthermore, the research will incorporate the method of abstraction, facilitating the extraction of distinct components from internal and external environments to obtain relevant synthetic results.

Within the structure of empirical research, the hypothetical framework will be established, research variables will be defined, a sample analysis will be conducted, statistical analysis and data presentation will follow, hypotheses will be tested and analyzed, and finally, conclusions and recommendations will be drawn from the realized research.

Data analysis and hypothesis testing in empirical research will be conducted using the statistical program SPSS (Statistical Program for Social Sciences). Additionally, graphical methods, schemes, diagrams, tables, and data calculations will be employed, emphasizing clarity in the result presentation. Extensive reference literature from both domestic and international sources will support the relevance of the approach in research and analysis, concluding insights, and recommendations.

The structured questionnaire, designed to capture both qualitative and quantitative data, was distributed electronically. To ensure a representative sample of SMEs in the Republic of North Macedonia, we contacted 500 SMEs across various industries and regions. The selection criteria were based on the official SME registry provided by the Macedonian Statistical Office, ensuring a diverse representation of sectors such as manufacturing, services, trade, and technology. Out of the 500 contacted companies, 200 responded to the survey, which is a response rate of 40%. The sample included a balanced mix of micro, small, and medium-sized enterprises to reflect the overall SME landscape in North Macedonia.

The questionnaire, included as an attachment to this thesis, was designed based on theoretical foundations derived from contemporary literature on SME management and support mechanisms. Key references included works by Drucker (2007), which emphasize the role of systematic innovation and support, and studies by Afuah (2003) on the integration of financial and non-financial resources in SME growth. These sources, among others, informed the development of questions aimed at capturing both qualitative and quantitative data related to the types of support received, their impact on product and service development, and overall business performance metrics (Havnes & Senneseth, 2001).

5.4 Research analysis

The sample in this research comprises successful small and medium enterprises from the private sector, oriented towards introducing new products and services through financial and non-financial support. The research was conducted from April 2023 to June 2023 on 53 SME's. The questionnaires were voluntarily completed by employees in enterprises in

the Republic of North Macedonia, and the questionnaire you can find in the attachment of the thesis. Questions in the questionnaire were prepared according to Likert scale. Likert scale questions enable customers to indicate the extent to which they agree or disagree with a given statement, or express a neutral response. Respondents are not forced to make a binary choice between 'agree' and 'disagree'. These are used in Likert scale surveys to produce quantitative data for analysis. Respondents were requested to answer questions freely, ensuring anonymity. To clearly define the characteristics of the enterprises in this study, a graphical representation of the sample is presented across several categories:

- Personal-related questions: Includes questions related to gender, age, education, and work experience in the enterprise.
- Enterprise-related questions: Encompasses years of establishment, operational sector, capital ownership, and the number of competing enterprises.

A graphical representation of responses related to financial and non-financial support for the development of new products and services is provided, along with graphical indicators of the organizational and market performances of the enterprises. The analyzed organizations span across various sectors: construction, telecommunications, pharmaceuticals, tourism and hospitality, banking, insurance, education, food, IT, and consulting.

Based on the provided data, here's an analysis of the survey respondents' characteristics and their perceptions of various factors influencing their enterprises' development and performance:

Personal-related questions:

Table 3: Gender ratio of survey respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	53	45.7	45.7	45.7
Female	63	54.3	54.3	100.0
Total	116	100.0	100.0	

Of the total surveyed, 54.3% are female, while 45.7% are male.

Source: Own work.

Table 4: Age of survey respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	14	12.1	12.1	12.1
26-35	78	67.2	67.2	79.3

36-45	13	11.2	11.2	90.5
46-55	6	5.2	5.2	95.7
56-65	5	4.3	4.3	100.0
Total	116	100.0	100.0	

The majority of respondents, 67.2%, fall within the age range of 26-35, followed by 11.2% aged 36-45, 12.1% aged 18-25, 5.2% aged 46-55, and 4.3% aged 56-65.

Source: Own work.

Table 5: Education level of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary	2	1.7	1.7	1.7
Bachelor	64	55.2	55.2	56.9
Master	37	31.9	31.9	88.8
Phd	13	11.2	11.2	100.0
Total	116	100.0	100.0	

The majority have a bachelor's degree (55.2%), followed by master's degree holders (31.9%), those with secondary education (1.7%), and 11.2% with a Ph.D.

Source: Own work.

Table 6: Work experience in the enterprise

	Frequency	Percent	Valid Percent	Cumulative Percent
<5	44	37.9	37.9	37.9
5-10	60	51.7	51.7	89.7
10-15	9	7.8	7.8	97.4
>15	3	2.6	2.6	100.0
Total	116	100.0	100.0	

The majority of respondents (51.7%) have work experience in the enterprise for 5-10 years, followed by 37.9% with less than 5 years, 7.8% with 10-15 years, and 2.6% with more than 15 years.

Source: Own work.

Table 7: Years of existence of the enterprise

	Frequency	Percent	Valid Percent	Cumulative Percent
1-5	10	8.6	8.6	8.6

5-15	68	58.6	58.6	67.2
15-25	15	12.9	12.9	80.2
> 25	23	19.8	19.8	100.0
Total	116	100.0	100.0	

The majority (58.6%) of surveyed enterprises have been in existence for 5-15 years, followed by 19.8% with more than 25 years, 12.9% with 15-25 years, and 8.6% up to 5 years.

Source: Own work.

Table 8: Affiliation to another organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	33	28.4	28.4	28.4
No	83	71.6	71.6	100.0
Total	116	100.0	100.0	

71.6% of surveyed enterprises are not subsidiaries of other organizations, while 28.4% are affiliated with other organizations.

Source: Own work.

Table 9: Ownership structure of the enterprise

	Frequency	Percent	Valid Percent	Cumulative Percent
Domestic	74	63.8	63.8	63.8
Foreign	13	11.2	11.2	75.0
Mixed	29	25.0	25.0	100.0
Total	116	100.0	100.0	

The majority (63.8%) of surveyed enterprises have domestic capital, 25% have mixed capital, and 11.2% have foreign capital.

Source: Own work.

Table 10: Competition the enterprise face on the market regarding products or services

	Frequency	Percent	Valid Percent	Cumulative Percent
Weak	9	7.8	7.8	7.8
Moderate	36	31.0	31.0	38.8
Strong	71	61.2	61.2	100.0

Total	116	100.0	100.0
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*61.2% of surveyed enterprises face strong market competition in relation to core products and services. Additionally, 31% of the employees work in companies experiencing moderate competition, while 7.8% of respondents are affiliated with businesses encountering weak competition in the market regarding their core products and services.

Source: Own work.

Responses to questions regarding financial and non-financial support for the development of new products and services in small and medium enterprises:

Table 11: Credits from commercial banks are significant for the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	11	9.5	9.5	9.5
Disagree	15	12.9	12.9	22.4
Somewhat Disagree	15	12.9	12.9	35.3
Neutral	16	13.8	13.8	49.1
Somewhat Agree	20	17.2	17.2	66.4
Agree	23	19.8	19.8	86.2

table continues

Table 11: Credits from commercial banks are significant for the development of new products and services (continued)

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	16	13.8	13.8	100.0
Total	116	100.0	100.0	

13.8% of the respondents stated that they completely agree, giving a score of 7. Additionally, 19.8% gave a score of 6, 17.2% gave a score of 5, 13.8% gave a score of 4, 12.9% gave a score of 3, 12.9% gave a score of 2, and 9.5% completely disagree that credits from commercial banks are significant for the development of new products and services.

Source: Own work.

Table 12: Leasing arrangements are significant for the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	11	9.5	9.5	9.5
Disagree	12	10.3	10.3	19.8

Somewhat Disagree	20	17.2	17.2	37.1
Neutral	15	12.9	12.9	50.0
Somewhat Agree	23	19.8	19.8	69.8
Agree	14	12.1	12.1	81.9
Strongly Agree	21	18.1	18.1	100.0
Total	116	100.0	100.0	

18.1% of the respondents stated that they completely agree, giving a score of 7. Additionally, 12.1% gave a score of 6, 19.8% gave a score of 5, 12.9% gave a score of 4, 17.2% gave a score of 3, 10.3% gave a score of 2, and 9.5% completely disagree that leasing arrangements are significant for the development of new products and services.

Source: Own work.

Table 13: Business angels are significant in the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	9	7.8	7.8	7.8
Disagree	12	10.3	10.3	18.1
Somewhat Disagree	15	12.9	12.9	31.0
Neutral	22	19.0	19.0	50.0
Somewhat Agree	14	12.1	12.1	62.1

table continues

Table 13: Business angels are significant in the development of new products and services (continued)

	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	21	18.1	18.1	80.2
Strongly Agree	23	19.8	19.8	100.0
Total	116	100.0	100.0	

19.8% of the respondents stated that they completely agree, giving a score of 7. Additionally, 18.1% gave a score of 6, 12.1% gave a score of 5, 19% gave a score of 4, 12.9% gave a score of 3, 10.3% gave a score of 2, and 7.8% completely disagree that business angels are significant in the development of new products and services.

Source: Own work.

Table 14: Microcrediting is significant in the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	10	8.6	8.6	8.6
Disagree	8	6.9	6.9	15.5

Somewhat Disagree	12	10.3	10.3	25.9
Neutral	11	9.5	9.5	35.3
Somewhat Agree	15	12.9	12.9	48.3
Agree	38	32.8	32.8	81.0
Strongly Agree	22	19.0	19.0	100.0
Total	116	100.0	100.0	

19% of the respondents stated that they completely agree, giving a score of 7. Additionally, 32.8% gave a score of 6, 12.9% gave a score of 5, 9.5% gave a score of 4, 10.3% gave a score of 3, 6.9% gave a score of 2, and 8.6% completely disagree that microcrediting is significant in the development of new products and services.

Source: Own work.

Table 15: Development of national programs for supporting financing in small and medium enterprises is significant for the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	7	6.0	6.0	6.0
Disagree	10	8.6	8.6	14.7
Somewhat Disagree	12	10.3	10.3	25.0
Neutral	14	12.1	12.1	37.1
Somewhat Agree	20	17.2	17.2	54.3

table continues

Table 15: Development of national programs for supporting financing in small and medium enterprises is significant for the development of new products and services (continued)

	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	24	20.7	20.7	75.0
Strongly Agree	29	25.0	25.0	100.0
Total	116	100.0	100.0	

25% of the respondents stated that they completely agree, giving a score of 7. Additionally, 20.7% gave a score of 6, 17.2% gave a score of 5, 12.1% gave a score of 4, 10.3% gave a score of 3, 8.6% gave a score of 2, and 6% completely disagree that the development of national programs for supporting financing in small and medium enterprises is significant for the development of new products and services.

Source: Own work.

Table 16: Legal and administrative conditions for the development of small and medium enterprises are significant for the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	3.4	3.4	3.4
Disagree	2	1.7	1.7	5.2
Somewhat Disagree	11	9.5	9.5	14.7
Neutral	19	16.4	16.4	31.0
Somewhat Agree	21	18.1	18.1	49.1
Agree	24	20.7	20.7	69.8
Strongly Agree	35	30.2	30.2	100.0
Total	116	100.0	100.0	

31.2% of the respondents stated that they completely agree, giving a score of 7. Additionally, 20.7% gave a score of 6, 18.1% gave a score of 5, 16.4% gave a score of 4, 9.5% gave a score of 3, 1.7% gave a score of 2, and 3.4% completely disagree that legal and administrative conditions for the development of small and medium enterprises are significant for the development of new products and services.

Source: Own work.

Table 17: A national strategy for the development of small and medium enterprises is significant for the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	1.7	1.7	1.7
Disagree	4	3.4	3.4	5.2

table continues

Table 17: A national strategy for the development of small and medium enterprises is significant for the development of new products and services (continued)

	Frequency	Percent	Valid Percent	Cumulative Percent
Somewhat Disagree	12	10.3	10.3	15.5
Neutral	18	15.5	15.5	31.0
Somewhat Agree	24	20.7	20.7	51.7
Agree	26	22.4	22.4	74.1
Strongly Agree	30	25.9	25.9	100.0
Total	116	100.0	100.0	

25.9% of the respondents stated that they completely agree, giving a score of 7. Additionally, 22.4% gave a score of 6, 20.7% gave a score of 5, 15.5% gave a score of 4, 10.3% gave a score of 3, 3.4% gave a score of 2, and 1.7% completely disagree that a national strategy for the development of small and medium enterprises is significant for the development of new products and services.

Source: Own work.

Table 18: An innovation strategy is significant for the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	8	6.9	6.9	6.9
Disagree	8	6.9	6.9	13.8
Somewhat Disagree	7	6.0	6.0	19.8
Neutral	12	10.3	10.3	30.2
Somewhat Agree	21	18.1	18.1	48.3
Agree	31	26.7	26.7	75.0
Strongly Agree	29	25.0	25.0	100.0
Total	116	100.0	100.0	

25% of the respondents stated that they completely agree, giving a score of 7. Additionally, 26.7% gave a score of 6, 18.1% gave a score of 5, 10.3% gave a score of 4, 6% gave a score of 3, 6.9% gave a score of 2, and 6.9% completely disagree that an innovation strategy is significant for the development of new products and services.

Source: Own work.

Table 19: Business incubators are significant for the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	8	6.9	6.9	6.9
Disagree	12	10.3	10.3	17.2
Somewhat Disagree	15	12.9	12.9	30.2
Neutral	21	18.1	18.1	48.3
Somewhat Agree	13	11.2	11.2	59.5
Agree	21	18.1	18.1	77.6
Strongly Agree	26	22.4	22.4	100.0
Total	116	100.0	100.0	

22.4% of the respondents stated that they completely agree, giving a score of 7. Additionally, 18.1% gave a score of 6, 11.2% gave a score of 5, 18.1% gave a score of 4, 12.9% gave a score of

3, 10.3% gave a score of 2, and 6.9% completely disagree that business incubators are significant for the development of new products and services.

Source: Own work.

Table 20: Scientific research institutions are significant for the development of new products and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	7	6.0	6.0	6.0
Disagree	9	7.8	7.8	13.8
Somewhat Disagree	10	8.6	8.6	22.4
Neutral	15	12.9	12.9	35.3
Somewhat Agree	17	14.7	14.7	50.0
Agree	28	24.1	24.1	74.1
Strongly Agree	30	25.9	25.9	100.0
Total	116	100.0	100.0	

25.9% of the respondents stated that they completely agree, giving a score of 7. Additionally, 24.1% gave a score of 6, 14.7% gave a score of 5, 12.9% gave a score of 4, 8.6% gave a score of 3, 7.8% gave a score of 2, and 6% completely disagree that scientific research institutions are significant for the development of new products and services.

Source: Own work.

Responses to questions regarding the organizational and market performances of enterprises:

Table 21: How would you compare the performance of your enterprise over the last 3 years with other enterprises in the same business, in terms of quality of products, services and programs?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	4	3.4	3.4	3.4
Worse	2	1.7	1.7	5.2
Somewhat Worse	11	9.5	9.5	14.7
Stayed the same	19	16.4	16.4	31.0
Somewhat Better	21	18.1	18.1	49.1
Better	24	20.7	20.7	69.8
Much Better	35	30.2	30.2	100.0
Total	116	100.0	100.0	

30.2% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same industry, is significantly better in terms of the quality of

products, services, or programs. They gave a rating of 7. Additionally, 20.7% gave a rating of 6, 18.1% rated 5, 16.4% rated 4, 9.5% rated 3, 1.7% rated 2, and 3.4% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 22: How would you compare your enterprise's performance over the last 3 years to other enterprises in the same industry in terms of developing new products, services or programs?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	2	1.7	1.7	1.7
Worse	4	3.4	3.4	5.2
Somewhat Worse	12	10.3	10.3	15.5
Stayed the same	18	15.5	15.5	31.0
Somewhat better	24	20.7	20.7	51.7
Better	26	22.4	22.4	74.1
Much Better	30	25.9	25.9	100.0
Total	116	100.0	100.0	

25.9% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same industry, is significantly better in terms of developing new products, services, or programs. They gave a rating of 7. Additionally, 22.4% gave a rating of 6, 20.7% rated 5, 15.5% rated 4, 10.3% rated 3, 3.4% rated 2, and 1.7% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 23: How would you compare your enterprise's performance over the last 3 years to other enterprises in the same industry in terms of the ability to attract employees?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	8	6.9	6.9	6.9
Worse	12	10.3	10.3	17.2
Somewhat Worse	15	12.9	12.9	30.2
Stayed the same	21	18.1	18.1	48.3
Somewhat Better	13	11.2	11.2	59.5
Better	21	18.1	18.1	77.6
Much Better	26	22.4	22.4	100.0
Total	116	100.0	100.0	

22.4% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same industry, is significantly better in terms of the ability to attract significant employees. They gave a rating of 7. Additionally, 18.1% gave a rating of 6,

11.2% rated 5, 18.1% rated 4, 12.9% rated 3, 10.3% rated 2, and 6.9% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 24: How would you compare your enterprise's performance over the last 3 years to other enterprises in the same business in terms of the ability to retain employees who are important to the company?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	4	3.4	3.4	3.4
Worse	2	1.7	1.7	5.2
Somewhat Worse	11	9.5	9.5	14.7
Stayed the same	19	16.4	16.4	31.0
Somewhat Better	21	18.1	18.1	49.1
Better	24	20.7	20.7	69.8
Much Better	35	30.2	30.2	100.0
Total	116	100.0	100.0	

30.2% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same industry, is significantly better in terms of the ability to retain significant employees. They gave a rating of 7. Additionally, 20.7% gave a rating of 6, 18.1% rated 5, 16.4% rated 4, 9.5% rated 3, 1.7% rated 2, and 3.4% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 25: How would you compare your enterprise's performance over the last 3 years to other enterprises in the same business in terms of customer satisfaction?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	2	1.7	1.7	1.7
Worse	4	3.4	3.4	5.2
Somewhat Worse	12	10.3	10.3	15.5
Stayed the same	18	15.5	15.5	31.0
Somewhat Better	24	20.7	20.7	51.7
Better	26	22.4	22.4	74.1
Much Better	30	25.9	25.9	100.0
Total	116	100.0	100.0	

25.9% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same industry, is significantly better in terms of customer or client satisfaction. They gave a rating of 7. Additionally, 22.4% gave a rating of 6, 20.7% rated 5, 15.5%

rated 4, 10.3% rated 3, 3.4% rated 2, and 1.7% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 26: How would you compare the performance of your enterprise over the last 3 years in relation to other enterprises engaged in the same business in terms of relations between management and employees?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	8	6.9	6.9	6.9
Worse	12	10.3	10.3	17.2
Somewhat Worse	15	12.9	12.9	30.2
Stayed the same	21	18.1	18.1	48.3
Somewhat Better	13	11.2	11.2	59.5
Better	21	18.1	18.1	77.6
Much Better	26	22.4	22.4	100.0
Total	116	100.0	100.0	

22.4% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same industry, is significantly better in terms of relations between management and employees. They gave a rating of 7. Additionally, 18.1% gave a rating of 6, 11.2% rated 5, 18.1% rated 4, 12.9% rated 3, 10.3% rated 2, and 6.9% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 27: How would you compare the performance of your enterprise over the last 3 years in relation to other enterprises engaged in the same activity in terms of employee relations in general?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	4	3.4	3.4	3.4
Worse	9	7.8	7.8	11.2
Somewhat Worse	11	9.5	9.5	20.7
Stayed the same	22	19.0	19.0	39.7
Somewhat Better	12	10.3	10.3	50.0
Better	29	25.0	25.0	75.0
Much Better	29	25.0	25.0	100.0
Total	116	100.0	100.0	

25% of respondents believe that the competitive advantage of their enterprise in the past three

years, compared to others in the same industry, is significantly better in terms of employee relations in general. They gave a rating of 7. Additionally, 25% gave a rating of 6, 10.3% rated 5, 19% rated 4, 9.5% rated 3, 7.8% rated 2, and 3.4% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 28: In comparison to similar enterprises how would you compare the market performance of your enterprise in the last 3 years in terms of marketing?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	11	9.5	9.5	9.5
Worse	11	9.5	9.5	19.0
Somewhat Worse	11	9.5	9.5	28.4
Stayed the same	25	21.6	21.6	50.0
Somewhat Better	18	15.5	15.5	65.5
Better	19	16.4	16.4	81.9
Much Better	21	18.1	18.1	100.0
Total	116	100.0	100.0	

8.1% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same type of work, is significantly better in terms of marketing. They gave a rating of 7. Additionally, 16.4% gave a rating of 6, 15.5% rated 5, 21.6% rated 4, 9.5% rated 3, 9.5% rated 2, and 9.5% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 29: Compared to similar enterprises, how would you compare the market performance of your enterprise in the last 3 years in terms of sales growth?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	7	6.0	6.0	6.0
Worse	5	4.3	4.3	10.3
Somewhat Worse	16	13.8	13.8	24.1
Stayed the same	29	25.0	25.0	49.1
Somewhat Better	16	13.8	13.8	62.9
Better	17	14.7	14.7	77.6
Much Better	26	22.4	22.4	100.0
Total	116	100.0	100.0	

22.4% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same type of work, is significantly better in terms of sales growth. They gave a rating of 7. Additionally, 14.7% gave a rating of 6, 13.8% rated 5, 25% rated 4, 13.8% rated 3, 4.3% rated 2, and 6% believe that the competitive advantage of their enterprise in the past

three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 30: Compared to similar enterprises, how would you compare the market performance of your enterprise in the last 3 years in terms of profitability growth?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	2	1.7	1.7	1.7
Worse	9	7.8	7.8	9.5
Somewhat Worse	7	6.0	6.0	15.5
Stayed the same	16	13.8	13.8	29.3
Somewhat Better	19	16.4	16.4	45.7
Better	41	35.3	35.3	81.0
Much Better	22	19.0	19.0	100.0
Total	116	100.0	100.0	

19% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same type of work, is significantly better in terms of profitability growth. They gave a rating of 7. Additionally, 35.3% gave a rating of 6, 16.4% rated 5, 13.8% rated 4, 6% rated 3, 7.8% rated 2, and 1.7% believe that the competitive advantage of their enterprise in the past three years is significantly worse, giving a rating of 1.

Source: Own work.

Table 31: Compared to similar enterprises, how would you compare the market performance of your enterprise in the last 3 years in terms of market share?

	Frequency	Percent	Valid Percent	Cumulative Percent
Much Worse	6	5.2	5.2	5.2
Worse	9	7.8	7.8	12.9
Somewhat Worse	10	8.6	8.6	21.6
Stayed the same	18	15.5	15.5	37.1
Somewhat better	21	18.1	18.1	55.2
Better	22	19.0	19.0	74.1
Much Better	30	25.9	25.9	100.0
Total	116	100.0	100.0	

25.9% of respondents believe that the competitive advantage of their enterprise in the past three years, compared to others in the same type of work, is significantly better in terms of market share. They gave a rating of 7. Additionally, 19% gave a rating of 6, 18.1% rated 5, 15.5% rated 4, 8.6% rated 3, 7.8% rated 2, and 5.2% believe that the competitive advantage of their enterprise in the

past three years is significantly worse, giving a rating of 1.

Source: Own work.

In summary, the survey indicates that the majority of respondents are highly educated, primarily female, and fall within the 26-35 age range. They typically work in enterprises with domestic capital and a significant presence in the market for 5-15 years. The enterprises face strong market competition, and respondents generally view various financial and non-financial supports, along with innovation and strategic planning, as vital for the development of new products and services. The overall sentiment towards organizational and market performance over the past three years is positive, particularly in terms of quality, innovation, and customer satisfaction.

5.5 Statistical analysis and data presentation

Dependent and Independent variables are included and defined in the Table below:

Table 32: Dependent variables in statistical procedures

POP	Organizational performance
PMP	Market performance

Source: Own work.

Table 33: Independent variables in statistical procedure

1	Significance of commercial banks credits for development of new products and services
LARR	Significance of leasing arrangements for development of new products and services
BIAN	Significance of business angels for development of new products and services
MIKRO	Significance of microcrediting for development of new products and services
NADP	Significance of national development programs for financing support
LEADCO	Legal and administrative conditions for SME development
NASTR	National strategy for SME development
INNSTR	Innovation strategy for development of new products and services
BUSIN	Significance of business incubators for development of new products and services
SREIN	Significance of scientific research institutions for development of new products and services

Source: Own work.

The above variables have been computed with respective statistical indicators from the descriptive statistics procedure and are presented in the following table:

Table 344: Indicators from descriptive statistics of the variables included in the model

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
POP	116	4.97	.164	1.762
PMP	116	4.76	.164	1.767
CBL	116	4.31	.177	1.908
LARR	116	4.32	.178	1.918
BIAN	116	4.51	.177	1.909
MIKRO	116	4.85	.176	1.899
NADP	116	4.88	.174	1.870
LEADCO	116	5.27	.150	1.617
NASTR	116	5.21	.144	1.546
INNSTR	116	5.06	.170	1.833
BUSIN	116	4.60	.178	1.920
SREIN	116	4.98	.172	1.856
Valid N (listwise)	116			

Source: Own work.

From Table No. 34, it can be observed that the variables with the highest standard deviation or the highest average variability in respondents' answers are: business incubators are significant for the development of new products and services; leasing arrangements are significant for the development of new products and services, and business angels are significant for the development of new products and services. On the other hand, the variables with the lowest average variability can be found in: the national strategy for the development of small and medium-sized enterprises is significant for the development of new products and services, and legal and administrative conditions for the development of small and medium-sized enterprises are significant for the development of new products and services. The highest standard error can be noticed in: leasing arrangements are significant for the development of new products and services, and business incubators are significant for the development of new products and services. The lowest standard error observed in the national strategy for the development of small and medium-sized enterprises is significant for the development of new products and services, and legal and administrative conditions for the development of small and medium-sized enterprises are significant for the development of new products and services.

Table 35: Descriptive statistics indicators for the variable POP and all independent variables included in the regression model

	N	Mean	Std. Deviation
POP	116	4.97	1.762
CBL	116	4.31	1.908
LARR	116	4.32	1.918

BIAN	116	4.51	1.909
MIKRO	116	4.85	1.899
NADP	116	4.88	1.870
LEADCO	116	5.27	1.617
NASTR	116	5.21	1.546
INNSTR	116	5.06	1.833
BUSIN	116	4.60	1.920
SREIN	116	4.98	1.856
Valid N (listwise)	116		

Source: Own work.

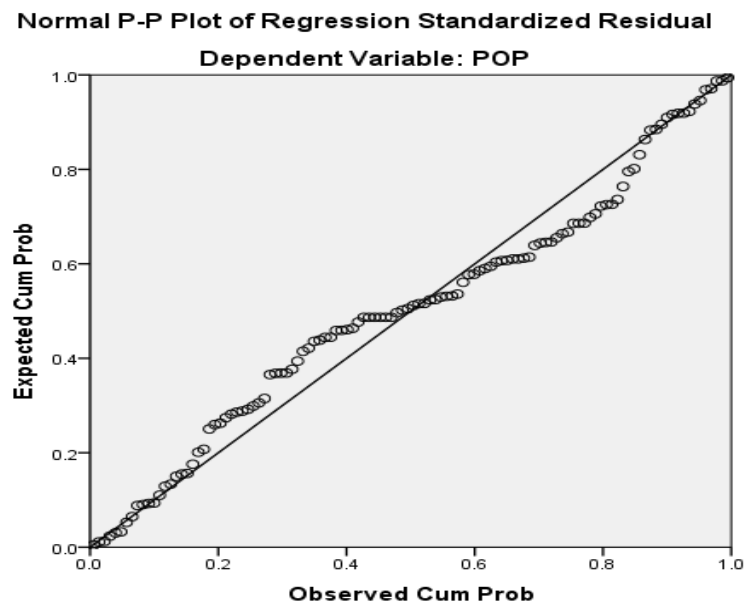
From the correlation matrix, the intensity of relations can be observed, identifying statistically significant dependencies between the organizational performance variable and the variables: credits from commercial banks are significant for the development of new products and services; leasing arrangements are significant for the development of new products and services; business angels are significant for the development of new products and services; microfinancing is significant for the development of new products and services. The risk of error is set at 0.01. Additionally, statistically significant interactions are observed between independent variables: the national strategy for the development of small and medium-sized enterprises is significant for the development of new products and services; the innovation strategy is significant for the development of new products and services; business incubators are significant for the development of new products and services, and scientific research institutions are significant for the development of new products and services.

Table 36: Correlation Matrix of the Dependent Variable POP and all Independent Variables

Correlations												
		POP	CBL	LARR	BIAN	MIKRO	NADP	LEADCO	NASTR	INNSTR	BUSIN	SREIN
Pearson Correlation	POP	1.000	.499	.638	.490	.311	.398	.793	.739	.614	.763	.511
	CBL	.499	1.000	.607	.541	.425	.330	.398	.494	.412	.518	.294
	LARR	.638	.607	1.000	.687	.397	.520	.539	.505	.501	.642	.507
	BIAN	.490	.541	.687	1.000	.402	.483	.437	.509	.401	.471	.420
	MIKRO	.311	.425	.397	.402	1.000	.443	.327	.307	.262	.392	.266
	NADP	.398	.330	.520	.483	.443	1.000	.413	.442	.466	.447	.533
	LEADCO	.793	.398	.539	.437	.327	.413	1.000	.819	.520	.696	.491
	NASTR	.739	.494	.505	.509	.307	.442	.819	1.000	.615	.743	.559
	INNSTR	.614	.412	.501	.401	.262	.466	.520	.615	1.000	.812	.511
	BUSIN	.763	.518	.642	.471	.392	.447	.696	.743	.812	1.000	.542
	SREIN	.511	.294	.507	.420	.266	.533	.491	.559	.511	.542	1.000
Sig. (1-tailed)	POP	.	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	CBL	.000	.	.000	.000	.000	.000	.000	.000	.000	.000	.001
	LARR	.000	.000	.	.000	.000	.000	.000	.000	.000	.000	.000
	BIAN	.000	.000	.000	.	.000	.000	.000	.000	.000	.000	.000
	MIKRO	.000	.000	.000	.000	.	.000	.000	.000	.002	.000	.002
	NADP	.000	.000	.000	.000	.000	.	.000	.000	.000	.000	.000
	LEADCO	.000	.000	.000	.000	.000	.000	.	.000	.000	.000	.000
	NASTR	.000	.000	.000	.000	.000	.000	.000	.	.000	.000	.000
	INNSTR	.000	.000	.000	.000	.002	.000	.000	.000	.	.000	.000
	BUSIN	.000	.000	.000	.000	.000	.000	.000	.000	.000	.	.000
	SREIN	.000	.001	.000	.000	.002	.000	.000	.000	.000	.000	.
N	POP	116	116	116	116	116	116	116	116	116	116	116
	CBL	116	116	116	116	116	116	116	116	116	116	116
	LARR	116	116	116	116	116	116	116	116	116	116	116
	BIAN	116	116	116	116	116	116	116	116	116	116	116
	MIKRO	116	116	116	116	116	116	116	116	116	116	116
	NADP	116	116	116	116	116	116	116	116	116	116	116
	LEADCO	116	116	116	116	116	116	116	116	116	116	116
	NASTR	116	116	116	116	116	116	116	116	116	116	116
	INNSTR	116	116	116	116	116	116	116	116	116	116	116
	BUSIN	116	116	116	116	116	116	116	116	116	116	116
	SREIN	116	116	116	116	116	116	116	116	116	116	116

Source: Own work.

Figure 3: Trend line of the dependent variable POP based on responses, i.e., values of independent variables.



Source: Own work.

With the help of this picture, we can conclude that it is a linear regression, i.e., the values of the dependent variable are linear in relation to the independent variables. Regression

analysis reveals and examines the functional form that best describes the quantitative agreement of the observed parameters, i.e., empirical data. In this process, stochastic dependence is replaced by an approximate functional dependence, hence this deviation (regression) between these dependencies.

Table 37: Descriptive Statistics Indicators for the Variable PMP and all Independent Variables Included in the Regression Model

	N	Mean	Std. Deviation
PMP	116	4.76	1.767
CBL	116	4.31	1.908
LARR	116	4.32	1.918
BIAN	116	4.51	1.909
MIKRO	116	4.85	1.899
NADP	116	4.88	1.870
LEADCO	116	5.27	1.617
NASTR	116	5.21	1.546
INNSTR	116	5.06	1.833
BUSIN	116	4.60	1.920
SREIN	116	4.98	1.856
Valid N (listwise)	116		

Source: Own work.

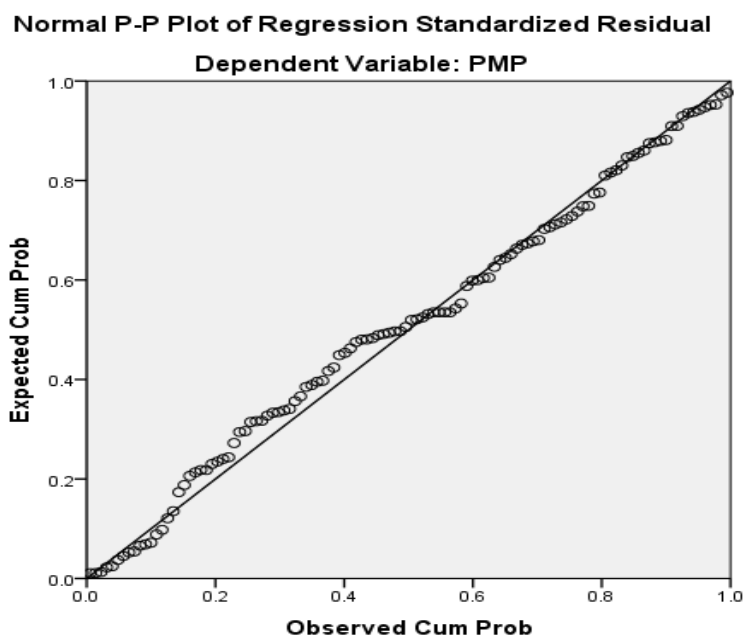
From the correlation matrix, the intensity of relations can be observed, identifying statistically significant dependencies between the variable of market performance and the variables: credits from commercial banks are significant for the development of new products and services; leasing arrangements are significant for the development of new products and services; business angels are significant for the development of new products and services; microfinancing is significant for the development of new products and services. The risk of error is set at 0.01. Additionally, statistically significant interactions are observed between independent variables: the national strategy for the development of small and medium-sized enterprises is significant for the development of new products and services; the innovation strategy is significant for the development of new products and services; business incubators are significant for the development of new products and services, and scientific research institutions are significant for the development of new products and services.

Table 38: Descriptive Statistics Indicators for the Variable PMP and all Independent Variables Included in the Regression Model

Correlations												
		PMP	CBL	LARR	BIAN	MIKRO	NADP	LEADCO	NASTR	INNSTR	BUSIN	SREIN
Pearson Correlation	PMP	1.000	.605	.549	.470	.404	.478	.573	.683	.549	.671	.444
	CBL	.605	1.000	.607	.541	.425	.330	.398	.494	.412	.518	.294
	LARR	.549	.607	1.000	.687	.397	.520	.539	.505	.501	.642	.507
	BIAN	.470	.541	.687	1.000	.402	.483	.437	.509	.401	.471	.420
	MIKRO	.404	.425	.397	.402	1.000	.443	.327	.307	.262	.392	.266
	NADP	.478	.330	.520	.483	.443	1.000	.413	.442	.466	.447	.533
	LEADCO	.573	.398	.539	.437	.327	.413	1.000	.819	.520	.696	.491
	NASTR	.683	.494	.505	.509	.307	.442	.819	1.000	.615	.743	.559
	INNSTR	.549	.412	.501	.401	.262	.466	.520	.615	1.000	.812	.511
	BUSIN	.671	.518	.642	.471	.392	.447	.696	.743	.812	1.000	.542
	SREIN	.444	.294	.507	.420	.266	.533	.491	.559	.511	.542	1.000
Sig. (1-tailed)	PMP	.	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	CBL	.000	.	.000	.000	.000	.000	.000	.000	.000	.000	.001
	LARR	.000	.000	.	.000	.000	.000	.000	.000	.000	.000	.000
	BIAN	.000	.000	.000	.	.000	.000	.000	.000	.000	.000	.000
	MIKRO	.000	.000	.000	.000	.	.000	.000	.000	.002	.000	.002
	NADP	.000	.000	.000	.000	.000	.	.000	.000	.000	.000	.000
	LEADCO	.000	.000	.000	.000	.000	.000	.	.000	.000	.000	.000
	NASTR	.000	.000	.000	.000	.000	.000	.000	.	.000	.000	.000
	INNSTR	.000	.000	.000	.000	.002	.000	.000	.000	.	.000	.000
N	PMP	116	116	116	116	116	116	116	116	116	116	116
	CBL	116	116	116	116	116	116	116	116	116	116	116
	LARR	116	116	116	116	116	116	116	116	116	116	116
	BIAN	116	116	116	116	116	116	116	116	116	116	116
	MIKRO	116	116	116	116	116	116	116	116	116	116	116
	NADP	116	116	116	116	116	116	116	116	116	116	116
	LEADCO	116	116	116	116	116	116	116	116	116	116	116
	NASTR	116	116	116	116	116	116	116	116	116	116	116
	INNSTR	116	116	116	116	116	116	116	116	116	116	116
	BUSIN	116	116	116	116	116	116	116	116	116	116	116
	SREIN	116	116	116	116	116	116	116	116	116	116	116

Source: Own work.

Figure 4: Trend line of the dependent variable PMP based on responses, i.e., values of independent variables



Source: Own work.

With the help of this picture, we can conclude that it is a linear regression, i.e., the values of the dependent variable are linear in relation to the independent variables. Regression

analysis reveals and examines the functional form that best describes the quantitative agreement of the observed parameters, i.e., empirical data. In this process, stochastic dependence is replaced by an approximate functional dependence, hence this deviation (regression) between these dependencies.

By applying a regression analysis (multiple linear regression model) to statistical data, the following tabular and graphical reports are obtained.

In the case where the dependent variable is the organizational performance, and all other variables are included in the model, the following reports are obtained:

Table 39: Regression model indicators

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df 1	df2	Sig. F Change	
1	.862 _a	.743	.718	.935	.743	30.300	10	105	.000	2.271

Source: Own work.

- a. Predictors: (Constant), SREIN, MIKRO, CBL, LEADCO, INNSTR, BIAN, NADP, LARR, NASTR, BUSIN
- b. Dependent Variable: POP

The multiple correlation coefficient has a value of 0.862, meaning there is a strong correlation between the observed independent phenomena and the organizational performance. The coefficient of determination indicates that 74.3% of changes in the organizational performance result from changes in the defined independent variables included in the regression model. This interaction is statistically significant, as observed in the value of the significant F, as realized at the level of a 0.01 risk.

Table 40: ANOVA Table for the Defined Regression Model

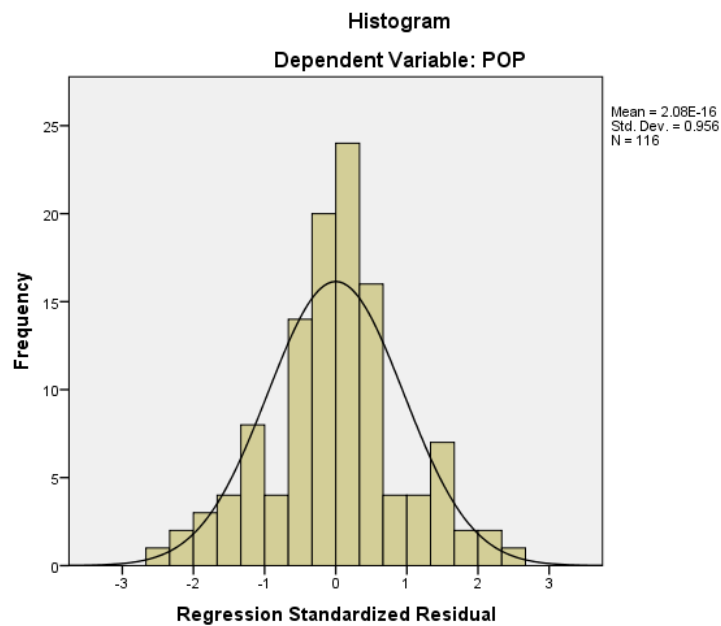
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	265.067	10	26.507	30.300	.000 ^b
Residual	91.856	105	.875		
Total	356.922	115			

Source: Own work.

- a. Dependent Variable: POP
- b. Predictors: (Constant), SREIN, MIKRO, CBL, LEADCO, INNSTR, BIAN, NADP, LARR, NASTR, BUSIN

From the ANOVA table, it can be statistically concluded that the partial regression coefficients (related to all independent variables) are not equal. This means that independent variables have different influences on the organizational performance. The residual deviation is 26.507 or 30.3%. This means that according to the regression line POP is "underestimated" by 30.3% in relation to the independent variables.

Figure 5: Histogram of the organizational performance (in standardized form of its residuals)



Source: Own work.

Table 41: Regression coefficients and their estimates

Coefficients ^a									
Model	Unstandardized Coefficients			t	Sig.	Correlations			
	B	Std. Error	Beta			Zero-order	Partial	Part	
1	(Constant)	.110	.382	.288	.774				
	CBL	.059	.064	.064	.929	.499	.090	.046	
	LARR	.156	.081	.169	1.914	.058	.638	.184	.095
	BIAN	.009	.069	.010	.137	.892	.490	.013	.007
	MIKRO	-.041	.056	-.045	-.734	.465	.311	-.071	-.036
	NADP	-.056	.064	-.060	-.878	.382	.398	-.085	-.043
	LEADCO	.496	.102	.456	4.890	.000	.793	.431	.242
	NASTR	.057	.121	.050	.475	.636	.739	.046	.024
	INNSTR	.055	.087	.057	.638	.525	.614	.062	.032
	BUSIN	.222	.106	.242	2.097	.038	.763	.200	.104
	SREIN	.031	.064	.033	.483	.630	.511	.047	.024

a. Dependent Variable: POP

Source: Own work.

With these estimates of realized evaluations of regression coefficients, their significance for the overall statistical mass is generalized.

In the case where the dependent variable is the market performance, and all other variables are included in the model, the following reports are obtained:

Table 42: Regression model indicators

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.782 ^a	.611	.574	1.154	.611	16.481	10	105	.000	1.931

a. Predictors: (Constant), SREIN, MIKRO, CBL, LEADCO, INNSTR, BIAN, NADP, LARR, NASTR, BUSIN

b. Dependent Variable: PMP

Source: Own work.

The multiple correlation coefficient has a value of 0.782, meaning there is a strong correlation between the observed independent phenomena and the market performance. The coefficient of determination indicates that 57.4% of changes in the market performance result from changes in the defined independent variables included in the regression model. This interaction is statistically significant, as observed in the value of the significant F, as realized at the level of a 0.01 risk.

Table 43: ANOVA table for the defined regression model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	219.438	10	21.944	16.481	.000 ^b
	Residual	139.803	105	1.331		
	Total	359.241	115			

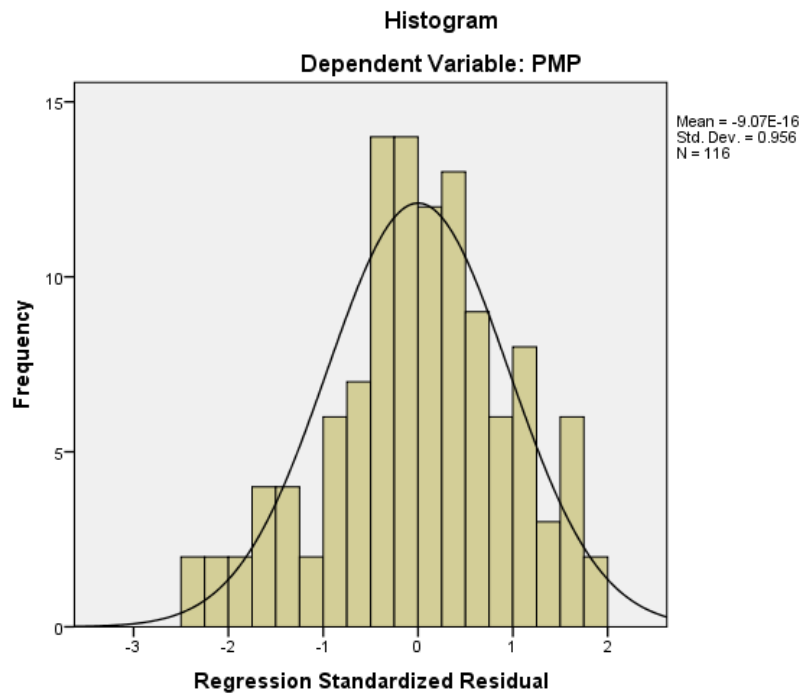
Source: Own work.

a. Dependent Variable: PMP

b. Predictors: (Constant), SREIN, MIKRO, CBL, LEADCO, INNSTR, BIAN, NADP, LARR, NASTR, BUSIN

From the ANOVA table, it can be statistically concluded that the partial regression coefficients (related to all independent variables) are not equal. This means that independent variables have different influences on the market performance. The residual deviation is 21.944 or 16.48%. This means that according to the regression line PMP is "underestimated" by 16.48% in relation to the independent variables.

Figure 6: Histogram of market performance (in standardized form of its residuals)



Source: Own work.

Table 44: Regression Coefficients and Their Estimates

Coefficients ^a									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			
	B	Std. Error	Beta			Zero-order	Partial	Part	
1 (Constant)	.162	.472		.344	.732				
CBL	.252	.079	.273	3.197	.002	.605	.298	.195	
LARR	.029	.100	.031	.287	.775	.549	.028	.017	
BIAN	-.047	.085	-.051	-.558	.578	.470	-.054	-.034	
MIKRO	.049	.070	.052	.700	.486	.404	.068	.043	
NADP	.139	.079	.147	1.768	.080	.478	.170	.108	
LEADCO	-.065	.125	-.059	-.518	.605	.573	-.051	-.032	
NASTR	.426	.149	.372	2.854	.005	.683	.268	.174	
INNSTR	-.028	.107	-.029	-.264	.792	.549	-.026	-.016	
BUSIN	.228	.131	.248	1.746	.084	.671	.168	.106	
SREIN	-.020	.079	-.021	-.255	.800	.444	-.025	-.016	

a. Dependent Variable: PMP

Source: Own work.

With these estimates of realized evaluations of the regression coefficients, their significance for the entire statistical mass is generalized.

This enables the visual tracking of the interaction of observed phenomena included in the regression model.

5.6 Analysis and hypothesis testing

First Specific Hypothesis (SH1).

Table 45: Empirical and Theoretical Frequencies of Variables: Financial support in the development of new products and services for small and medium enterprises (by rows) and organizational performance (by columns)

		Organizational performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Financial support	Strongly Disagree	0	2	4	1	0	0	0	7
	Disagree	2	4	4	6	1	3	0	20
	Somewhat Disagree	1	2	3	7	4	2	2	21
	Neutral	1	0	1	4	4	3	4	17
	Somewhat Agree	0	0	2	1	4	8	5	20
	Agree	0	0	0	0	2	5	7	14
	Strongly agree	0	0	0	1	0	4	12	17
	Total	4	8	14	20	15	25	30	116

Source: Own work.

There is a positive relationship between financial support in the development of new products and services for small and medium enterprises in North Macedonia and their organizational performance.

*Table 46: Financial support * Organizational performance Crosstabulation*

		Organizational performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Financial support	Strongly Disagree	.2	.5	.8	1.2	.9	1.5	1.8	7.0
	Disagree	.7	1.4	2.4	3.4	2.6	4.3	5.2	20.0
	Somewhat Disagree	.7	1.4	2.5	3.6	2.7	4.5	5.4	21.0
	Neutral	.6	1.2	2.1	2.9	2.2	3.7	4.4	17.0
	Somewhat Agree	.7	1.4	2.4	3.4	2.6	4.3	5.2	20.0
	Agree								

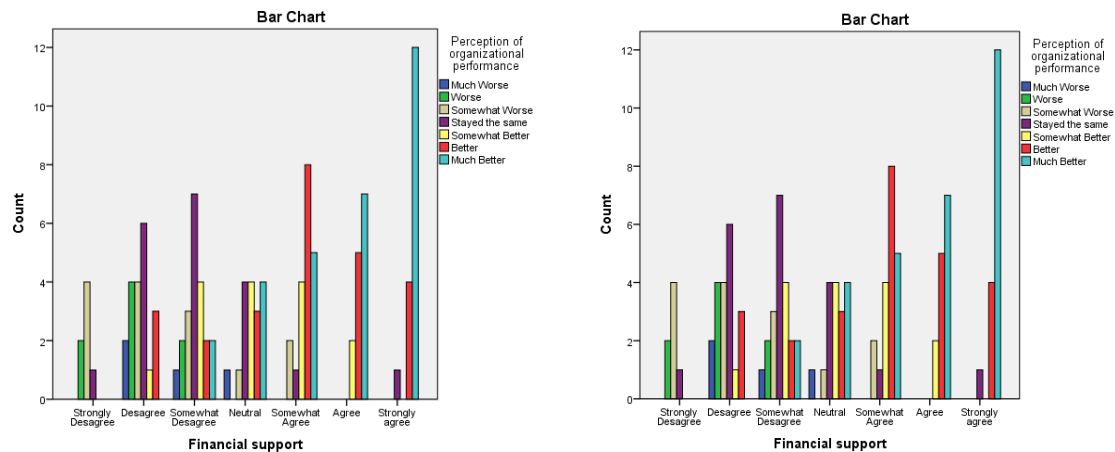
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Table 46: Financial support * Organizational performance Crosstabulation (continued)

		Organizational performance						Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	
Total	Agree	.5	1.0	1.7	2.4	1.8	3.0	14.0
	Strongly agree	.6	1.2	2.1	2.9	2.2	3.7	17.0
		4.0	8.0	14.0	20.0	15.0	25.0	116.0

Source: Own work.

Figure 7: Empirical and Theoretical Frequencies of Variables: Financial support in the development of new products and services for small and medium enterprises (by rows) and organizational performance (by columns)



Source: Own work.

Table 47: Grouped data for the given variables

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Financial support * Organizational performance	116	100.0%	0	0.0%	116	100.0%

Source: Own work.

Table 48: Results of the χ^2 test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	88.067 ^a	36	.000
Likelihood Ratio	97.249	36	.000
Linear-by-Linear Association	54.258	1	.000
N of Valid Cases	116		

Source: Own work.

a. 46 cells (93.9%) have expected count less than 5. The minimum expected count is .24.

The calculated value of χ^2 is 88.067. For a 0.05% risk and degrees of freedom $df = 36$, the theoretical (critical) value of the χ^2 test is $(0.05; 36) = 43.77$.

Since $(\chi^2 = 88.067) > (\chi^2 = 43.77)$, the hypothesis is accepted, and it can be concluded that there is a positive relationship between financial support in the development of new products and services for small and medium enterprises in North Macedonia and their organizational performance. This is confirmed by the fact that the defined risk of error is $1 - \alpha$, i.e., 0.05 is greater than the value of the realized level of risk, which is $p = 0.000$.

Table 49: Correlation Analysis between Financial Support in the Development of New Products and Services for Small and Medium Enterprises and Organizational Performance

		Financial support	Organization al performance
Financial support	Pearson Correlation	1	.687**
	Sig. (2-tailed)		.000
	N	116	116
Organizational performance	Pearson Correlation	.687**	1
	Sig. (2-tailed)	.000	
	N	116	116

Source: Own work.

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis expressed through the Pearson coefficient, which is 0.687, shows that there is a strong relationship between financial support in the development of new products and services for small and medium enterprises and their organizational performance.

Second Specific Hypothesis (SH2)

There is a positive relationship between financial support in the development of new products and services for small and medium enterprises in North Macedonia and their market performance.

Table 50: Empirical and Theoretical Frequencies of Variables: Financial support in the development of new products and services for small and medium enterprises (by rows) and market performance (by columns)

		Market performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Financial support	Strongly Disagree	1	1	2	1	0	1	1	7
	Disagree	2	4	5	5	4	0	0	20
	Somewhat Disagree	2	2	3	7	3	3	1	21
	Neutral	0	2	1	6	6	1	1	17
	Somewhat Agree	0	1	2	2	3	5	7	20
	Agree	0	0	0	2	1	5	6	14
	Strongly agree	0	0	0	0	2	6	9	17
	Total	5	10	13	23	19	21	25	116

Source: Own work.

*Table 51: Financial support * Market performance Crosstabulation*

Expected Count

		Market performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Financial support	Strongly Disagree	.3	.6	.8	1.4	1.1	1.3	1.5	7.0

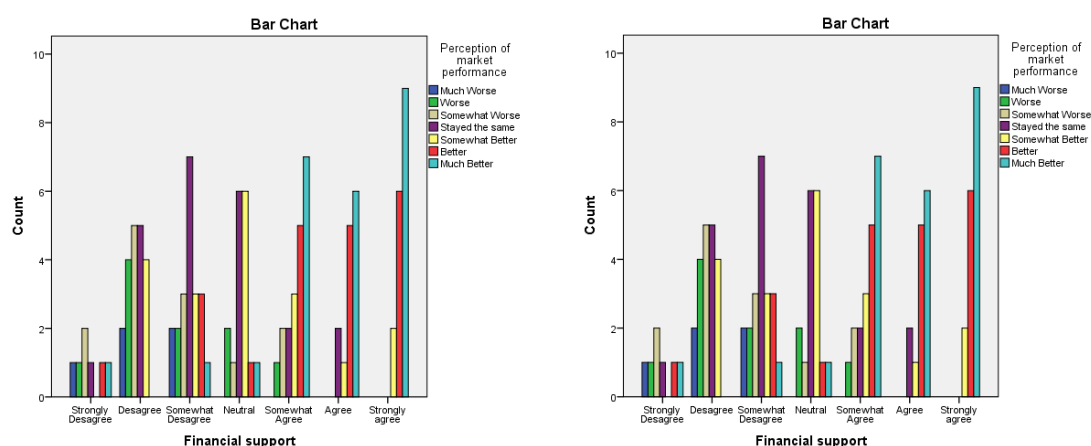
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Table 51: Financial support * Market performance Crosstabulation (continued)

		Market performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
	Disagree	.9	1.7	2.2	4.0	3.3	3.6	4.3	20.0
	Somewhat Disagree	.9	1.8	2.4	4.2	3.4	3.8	4.5	21.0
	Neutral	.7	1.5	1.9	3.4	2.8	3.1	3.7	17.0
	Somewhat Agree	.9	1.7	2.2	4.0	3.3	3.6	4.3	20.0
	Agree	.6	1.2	1.6	2.8	2.3	2.5	3.0	14.0
	Strongly agree	.7	1.5	1.9	3.4	2.8	3.1	3.7	17.0
	Total	5.0	10.0	13.0	23.0	19.0	21.0	25.0	116.0

Source: Own work.

Figure 8: Empirical and Theoretical Frequencies of Variables: Financial support in the development of new products and services for small and medium enterprises (by rows) and market performance (by columns)



Source: Own work.

Table 52: Grouped Data for Given Variables

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Financial support * Market performance	116	100.0%	0	0.0%	116	100.0%

Source: Own work.

Table 53: Results of the χ^2 test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	70.700 ^a	36	.000
Likelihood Ratio	85.658	36	.000
Linear-by-Linear Association	45.311	1	.000
N of Valid Cases	116		

Source: Own work.

a. 49 cells (100.0%) have expected count less than 5. The minimum expected count is .30.

The calculated value of χ^2 is 70.700. For a 0.05% risk and degrees of freedom $df = 36$, the theoretical (critical) value of the χ^2 test is $(0.05; 36) = 43.77$. Since $(\chi^2 = 70.700) > (\chi^2 = 43.77)$, the hypothesis is accepted, and it can be concluded that there is a positive relationship between financial support in the development of new products and services for small and medium enterprises in North Macedonia and their market performance. This is confirmed by the fact that the defined risk of error is $1-\alpha$, i.e., 0.05 is greater than the value of the realized level of risk, which is $p=0.000$.

Table 54: Correlation Analysis between Financial Support in the Development of New

		Financial support	Market performance
Financial support	Pearson Correlation	1	.628**
	Sig. (2-tailed)		.000
	N	116	116
Market performance	Pearson Correlation	.628**	1
	Sig. (2-tailed)	.000	
	N	116	116

Source: Own work.

**. Correlation is significant at the 0.01 level (2-tailed).

Table 55: *Empirical and Theoretical Frequencies of Variables: Non-financial support in the development of new products and services for small and medium enterprises (by rows) and organizational performance (by columns)*

Count

		Organizational performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Non-financial support	Strongly Disagree	1	1	0	0	0	0	0	2
	Disagree	1	7	3	1	0	0	0	12
	Somewhat Disagree	2	0	6	4	2	0	1	15
	Neutral	0	0	3	12	3	2	1	21
	Somewhat Agree	0	0	2	3	5	6	3	19
	Agree	0	0	0	0	4	12	6	22
	Strongly Agree	0	0	0	0	1	5	19	25
Total		4	8	14	20	15	25	30	116

Source: Own work.

The correlation analysis expressed through the Pearson coefficient, which is 0.628, shows that there is a strong relationship between financial support in the development of new products and services for small and medium enterprises and their market performance.

Third Specific Hypothesis (SH3) There is a positive relationship between non-financial support in the development of new products and services for small and medium enterprises in North Macedonia and their organizational performance.

Table 56: *Non-financial support * Organizational performance Crosstabulation*

Expected Count

		Organizational performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Non-financial support	Strongly Disagree	.1	.1	.2	.3	.3	.4	.5	2.0
	Disagree	.4	.8	1.4	2.1	1.6	2.6	3.1	12.0

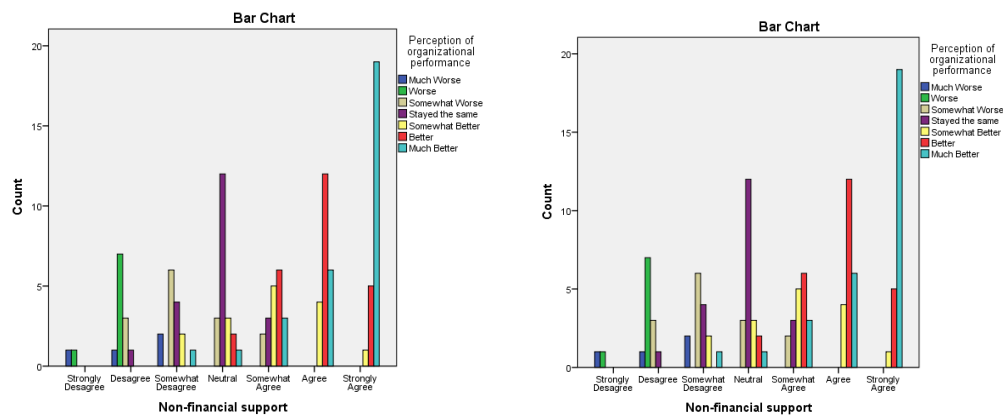
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Table 56: Non-financial support * Organizational performance Crosstabulation
(continued)

		Organizational performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Total	Somewhat Disagree	.5	1.0	1.8	2.6	1.9	3.2	3.9	15.0
	Neutral	.7	1.4	2.5	3.6	2.7	4.5	5.4	21.0
	Somewhat Agree	.7	1.3	2.3	3.3	2.5	4.1	4.9	19.0
	Agree	.8	1.5	2.7	3.8	2.8	4.7	5.7	22.0
	Strongly Agree	.9	1.7	3.0	4.3	3.2	5.4	6.5	25.0
	Total	4.0	8.0	14.0	20.0	15.0	25.0	30.0	116.0

Source: Own work.

Figure 9: Empirical and Theoretical Frequencies of Variables: Non-financial support in the development of new products and services for small and medium enterprises (by rows) and organizational performance (by columns)



Source: Own work.

Table 57: *Grouped Data for Given Variables*

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Non-financial support * Organizational performance	116	100.0%	0	0.0%	116	100.0%

Source: Own work.

Table 58: Results of the χ^2 test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	186.300 ^a	36	.000
Likelihood Ratio	159.460	36	.000
Linear-by-Linear Association	80.842	1	.000
N of Valid Cases	116		

Source: Own work.

- a. 45 cells (91.8%) have expected count less than 5. The minimum expected count is .07.

Table 59: *Correlation Analysis between Non-financial Support in the Development of New Products and Services for Small and Medium Enterprises and Organizational Performance*

		Non-financial support	Organizational performance
Non-financial support	Pearson Correlation	1	.838**
	Sig. (2-tailed)		.000
	N	116	116
Organizational performance	Pearson Correlation	.838**	1
	Sig. (2-tailed)	.000	
	N	116	116

Source: Own work.

** . Correlation is significant at the 0.01 level (2-tailed).

The calculated value of χ^2 is 186.300.

For a 0.05% risk and degrees of freedom $df = 36$, the theoretical (critical) value of the χ^2 -test is $(0.05; 36) = 43.77$. Since $(\chi^2 = 186.300) > (\chi^2 = 43.77)$, the hypothesis is accepted, and it can be concluded that there is a positive relationship between non-financial support in the development of new products and services for small and medium enterprises in North Macedonia and their organizational performance. This is confirmed by the fact that the defined risk of error is $1-\alpha$, i.e., 0.05 is greater than the value of the realized level of risk, which is $p=0.000$.

The correlation analysis expressed through the Pearson coefficient, which is 0.838, shows that there is a very strong relationship between non-financial support in the development of new products and services for small and medium enterprises and their organizational performance.

Fourth Specific Hypothesis (SH4)

There is a positive relationship between non-financial support in the development of new products and services for small and medium enterprises in North Macedonia and their market performance.

Table 60: *Empirical and Theoretical Frequencies of Variables: Non-financial support in the development of new products and services for small and medium enterprises (by rows) and market performance (by columns)*

Count

		Market performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Non-financial support	Strongly Disagree	1	1	0	0	0	0	0	2
	Disagree	2	5	3	1	1	0	0	12
	Somewhat Disagree	1	2	6	3	2	0	1	15
	Neutral	1	1	1	10	5	2	1	21
	Somewhat Agree	0	0	2	6	4	5	2	19
	Agree	0	1	1	2	4	7	7	22
	Strongly Agree	0	0	0	1	3	7	14	25
	Total	5	10	13	23	19	21	25	116

Source: Own work.

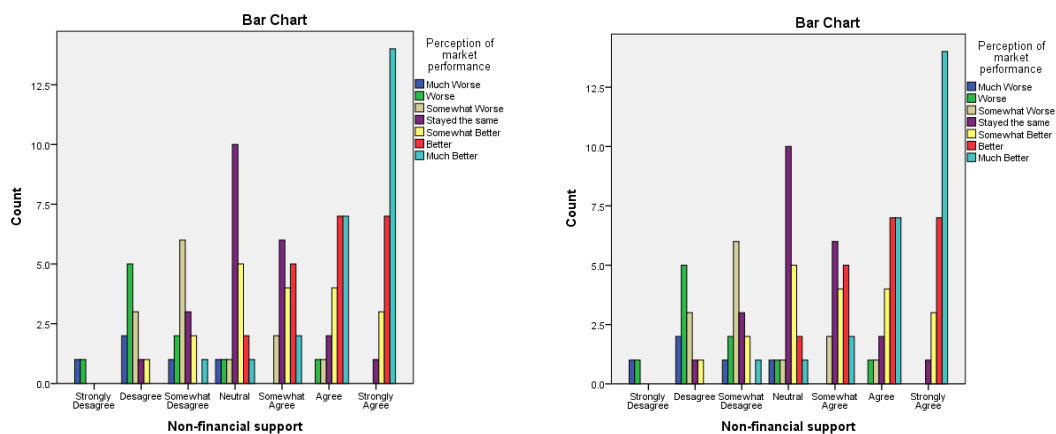
Table 61: Non-financial support * Market performance Crosstabulation

Expected Count

		Market performance							Total
		Much Worse	Worse	Somewhat Worse	Stayed the same	Somewhat Better	Better	Much Better	
Non-financial support	Strongly Disagree	.1	.2	.2	.4	.3	.4	.4	2.0
	Disagree	.5	1.0	1.3	2.4	2.0	2.2	2.6	12.0
	Somewhat Disagree	.6	1.3	1.7	3.0	2.5	2.7	3.2	15.0
	Neutral	.9	1.8	2.4	4.2	3.4	3.8	4.5	21.0
	Somewhat Agree	.8	1.6	2.1	3.8	3.1	3.4	4.1	19.0
	Agree	.9	1.9	2.5	4.4	3.6	4.0	4.7	22.0
	Strongly Agree	1.1	2.2	2.8	5.0	4.1	4.5	5.4	25.0
	Total	5.0	10.0	13.0	23.0	19.0	21.0	25.0	116.0

Source: Own work.

Figure 10: Empirical and Theoretical Frequencies of Variables: Non-financial support in the development of new products and services for small and medium enterprises (by rows) and market performance (by columns)



Source: Own work.

Table 62: Grouped Data for the given Variables

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Non-financial support * Market performance	116	100.0%	0	0.0%	116	100.0%

Source: Own work.

Table 63: Results of the χ^2 test

	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	109.933 ^a	36	.000
Likelihood Ratio	103.026	36	.000
Linear-by-Linear Association	61.721	1	.000
N of Valid Cases	116		

Source: Own work.

a. 48 cells (98.0%) have expected count less than 5. The minimum expected count is .09.

Table 64: Correlation Analysis between Non-financial Support in the Development of New Products and Services for Small and Medium Enterprises and Market Performance

		Non- financial support	Market performance
Non-financial support	Pearson Correlation	1	.733**
	Sig. (2-tailed)		.000
	N	116	116
Market performance	Pearson Correlation	.733**	1
	Sig. (2-tailed)	.000	
	N	116	116

Source: Own work.

** . Correlation is significant at the 0.01 level (2-tailed).

The calculated value of χ^2 is 109.933.

For a 0.05% risk and degrees of freedom $df = 36$, the theoretical (critical) value of the χ^2 test is $(0.05; 36) = 43.77$. Since $(\chi^2 = 109.933) > (\chi^2 = 43.77)$, the hypothesis is accepted, and it can be concluded that there is a positive relationship between non-financial support in the development of new products and services for small and medium enterprises in North Macedonia and their market performance. This is confirmed by the fact that the defined risk of error is $1-\alpha$, i.e., 0.05 is greater than the value of the realized level of risk, which is $p=0.000$.

The correlation analysis expressed through the Pearson coefficient, which is 0.733, shows that there is a strong relationship between non-financial support in the development of new products and services for small and medium enterprises and their market performance.

Based on the obtained statistical data and conclusions for specific hypotheses, we can confirm the general hypothesis, i.e., conclude that financial and non-financial support in the development of new products and services for small and medium enterprises in North Macedonia positively influences their perception of performance.

6 DISCUSSION

6.1 Key findings and contributions

Small and medium enterprises represent a significant and vital part of the Macedonian economy. If they want to remain competitive and play a significant role both in the domestic and international markets, they must constantly upgrade, grow, increase the number of employees, expand their range of products and services, and markets, thereby achieving greater profit.

Based on the results of the conducted research obtained through hypothesis testing, it is shown that financial and non-financial support for the development of new products and services in small and medium enterprises in the Republic of North Macedonia is positively correlated with their organizational and market performance.

Drawing conclusions based on hypothesis testing, we can derive the following:

First Specific Hypothesis (SH1): There is a positive relationship between financial support for the development of new products and services in small and medium enterprises in the Republic of North Macedonia and their organizational performance. The results of the statistical analysis indicate that there is a positive correlation between financial support for the development of new products and services in small and medium enterprises in the Republic of North Macedonia and their organizational performance. In our country, small and medium enterprises face numerous challenges in terms of financial support, and their ability to access this support can directly influence their organizational performance.

Support for small businesses in the form of loans from commercial banks, leasing arrangements, business angels, and national development programs positively affects their organizational performance. Research shows that small businesses with better financial support usually have a greater capacity to invest in research and development, innovation, and marketing, making them competitive in the market.

Second Specific Hypothesis (SH2): There is a positive relationship between financial support for the development of new products and services in small and medium enterprises in the Republic of North Macedonia and their market performance. The analysis of the results indicates that financial support for the development of new products and services in small and medium enterprises in the Republic of North Macedonia positively influences their market performance. Financial support enables these enterprises to develop and improve their products and services, which can make them more attractive in the market. Additionally, with the help of financial support, these enterprises can invest in marketing and advertising, which can make them more visible to customers, thereby increasing their market presence and contributing to increased sales profits.

Third Specific Hypothesis (SH3): There is a positive relationship between non-financial support for the development of new products and services in small and medium enterprises in the Republic of North Macedonia and their organizational performance. The results of the statistical analysis show that non-financial support for the development of new products and services in small and medium enterprises in the Republic of North Macedonia positively influences their organizational performance. Small and medium enterprises in the Republic of North Macedonia often face a lack of financial support due to their size and limited access to bank loans or investments. Therefore, the assistance they receive in the form of non-financial support is of crucial importance. Consultations from experts, technical assistance, access to training and education, etc., impact their organizational performance as it helps increase the efficiency of their operations and their ability to adapt to changes in the environment.

Fourth Specific Hypothesis (SH4): There is a positive relationship between non-financial support in the development of new products and services in small and medium enterprises in the Republic of North Macedonia and their market performance. The analysis of the results indicates that non-financial support in the development of new products and services in small and medium enterprises in the Republic of North Macedonia is positively correlated with their market performance. Creating favorable legal and administrative conditions, developing an appropriate national strategy for the development of small and medium enterprises, support from business incubators, and various scientific-research institutions improve the skills and capabilities of small and medium enterprises to successfully compete in the market.

Based on the summarized results obtained from specific hypotheses, the general hypothesis that financial and non-financial support for the development of new products and services

in small and medium enterprises in the Republic of North Macedonia positively influences their organizational and market performance can be confirmed.

6.2 Limitations in the research

Considering that social sciences do not have the opportunity to conduct their research and analyses in differentiated laboratory conditions but in reality, this empirical research has its limitations arising from the specific historical moment in which it was conducted. In this regard, the first limitation of this research stems from the macroeconomic environment in which small and medium enterprises in the Republic of North Macedonia operate, which is associated with a high level of unemployment. In such a situation, there is a risk that respondents, when filling out the questionnaires, may be more focused on preserving their jobs rather than on organizational issues and possible ways to solve them. Certainly, the fear of losing a job in conditions of high unemployment is a risk factor in providing real and critically directed responses from respondents. The second limitation is related to the possible insufficient level of knowledge of the surveyed issues by the respondents. Namely, the issue itself is not sufficiently processed and clear to a larger part of the employees, meaning they do not possess comprehensive knowledge regarding the financial and non-financial support for the development of new products and services that enterprises they work for can obtain. This is the reason some respondents may not fully answer the delivered questionnaires, necessitating the rejection of 96 questionnaires out of the delivered 212 questionnaires from the research as incomplete, thus reducing the research sample. The third limitation is related to the still undifferentiated division of ownership from capital management in small and medium enterprises in the Republic of North Macedonia. This situation leads a significant portion of business entities to be managed by their owners. Moreover, aware of this situation, respondents may have limited beliefs that the real answers to the questionnaires can contribute to improvement by reflecting their experiences and creating new models in the future. Conversely, there is a risk that respondents may conceal weaknesses in managing small and medium enterprises. To address this risk, the research design included several robustness checks, such as ensuring anonymity of responses, cross-validating responses with secondary data where available, and employing follow-up interviews to verify initial findings. Additionally, it is important to note that the findings reflect the respondents' perceptions of the success and non-success of these support measures, which may differ from objective measures of performance.

Despite the above mentioned problems we faced and were aware of, it can still be concluded that this research, which is the first of its kind regarding financial and non-financial support for the development of new products and services in small and medium enterprises in the Republic of North Macedonia, makes a significant contribution to increasing their developmental potentials and their success in the market.

6.3 Recommendations

In order to enable the effectiveness of small and medium-sized enterprises (SMEs) in the Republic of North Macedonia through successful management of financial and non-financial support in the development of new products and services, the following measures should be taken:

1. Ensuring macroeconomic stability: The role of monetary policy, as one of the key components of economic policies for the development of SMEs, lies in the area of financing small and medium enterprises. In this context, it is important to lower interest rates, make the process of obtaining bank loans easier, and raise awareness among SMEs about how to access available credit lines. On the fiscal side, measures such as introducing tax incentives, offering education on tax regulations for newly founded businesses, and improving the efficiency of tax administration should be considered.
2. Improved financial support for SMEs: Small and medium enterprises are typically financed from their own sources, which are often insufficient, and on the other hand, banking products are still expensive (Zarezankova-Potevska, & Solimosi, 2013). Because of this, it's important to establish various financial instruments such as investment funds, credit and equity funds, private credit bureaus, and credit guarantee schemes. Offering loans under more favorable conditions, lowering interest rates, and simplifying financial procedures are all key steps. To make financing more accessible and supportive for small and medium-sized businesses, these measures are essential:
 - Enhancing collaboration with banks, public financial institutions, and SMEs, i.e., creating special instruments for financing in accordance with the needs and capacities of SMEs.
 - Developing instruments exclusively for financing SMEs, especially through issuing guarantees, credit guarantee schemes, etc.
 - Eliminating non-financial barriers to SME financing by banks, simplifying and reducing approval procedures for loans, eliminating invisible costs for credit arrangements.
 - Developing micro-funds to improve local access to finances for SMEs. Intensifying credit lines for start-up businesses, i.e., loans with low interest rates and longer grace periods. It is not only necessary to have credit lines, but their greater publicity is also required.

- Education and training for entrepreneurs and employees on using different types of financial support are significant tools to ensure positive effects of financial support. Many SMEs that use credits often lack knowledge not only about available credit support but also in areas such as management, business planning, marketing, business communication, etc (Zarezankova-Potevska, & Solimosi, 2013). All of this leads to poor business results and problems in repaying credit funds, or their replacement with new users. In this context, it is essential to note that SMEs need more than support; they need the development of business plans and investment programs, which are the basis for obtaining subsidies or other forms of financial support.
 - Additionally, activities are needed to educate representatives of SMEs and the public sector to improve access to grants and increase utilization in strengthening existing and developing new instruments to support SMEs.
 - Introducing various non-banking financial institutions and practices. The following specific business practices and financial approaches to diversify the range of financial products available to small and medium enterprises are some of the best and most commonly used in developed countries: creating venture capital funds, promoting financing with business angels, encouraging leasing and factoring programs, credit unions, credit guarantees for fixed assets and working capital financing.
3. Strengthening Institutional Support for SMEs: The progress and success of small and medium-sized enterprises (SMEs) heavily depend on having strong institutional infrastructure and access to reliable business advisory services. These elements help reduce entrepreneurial risk and improve market opportunities. When institutional support is weak, SMEs often lack essential knowledge and skills, struggle to meet standards required for entering international markets, and fail to fully utilize modern technologies and innovations. As a result, their competitiveness remains low, export potential is limited, and regional development disparities persist. To strengthen institutional support, several key actions should be prioritized:
- Improving awareness of the conditions for starting a business and the incentives provided by the state.
 - Utilizing practices from many countries to establish local-level centers (regional offices) that typically have informational and advisory roles for potential entrepreneurs, encouraging the development and realization of new ideas.

Establishing development agencies, centers, non-governmental organizations, and foundations throughout the country for the promotion, coordination, and harmonized economic development in the working areas; promotion of SMEs; export promotion for small and medium enterprises; support for entrepreneurs and support for

technological development in the agency's field of operation; environmental protection, etc.

4. **More Efficient Human Resources Management:** The implementation of the concept of human resource management becomes increasingly important for achieving the goals of small and medium-sized enterprises (SMEs) (Heneman, R., Tansky, J., & Camp, S. M. 2000). Unfortunately, the current practices and data related to how people are managed in many businesses don't reflect modern views on the relationship between a company and its employees. Because of this, it's important to take steps to strengthen human resource management in small and medium-sized enterprises. Managers need to recognize that managing people is a key part of their job, not something they can ignore or pass off. They should understand what HR tasks involve and how to carry them out professionally. Every business should have some form of HR function, suited to its size, that takes care of things like finding and hiring employees, creating job descriptions, planning training, evaluating performance, handling employee exits, and offering fair pay based on results. There should also be systems in place to help new employees adjust, support employees during stressful times, and find ways to reward good work and boost productivity.

7 CONCLUSION

Small and medium-sized enterprises (SMEs) represent a significant and vital part of the economy in any country. To remain competitive and play a vital role in both the domestic and international markets, these enterprises must constantly upgrade, grow, increase their workforce, expand their range of products and services, and enter new markets to achieve higher profits. Statistical research indicates that small and medium-sized enterprises (SMEs) account for approximately 98% of all businesses in Europe and provide jobs for over 90 million people. Given today's rapidly changing work environment—marked by constant structural shifts, technological advancement, globalization, growing international competition, fragmented markets, and rising uncertainty—there is a clear need for a dynamic and adaptable business sector. SMEs are well-suited to meet these challenges due to their flexibility and ability to respond quickly to change.

Owners of small and medium-sized enterprises have various sources of financing available today, but the most challenging decision for them is to choose the right source and financing method that best suits their business. Factors influencing business decisions when choosing financing sources include:

- current market conditions.
- the risk level of investing in specific projects.

- the degree of business indebtedness.
- the level of development and prospects for sustainable business development.
- interest rates in the national economy.
- the expectations of business people.

The support provided to small enterprises in the form of financial credits from banks plays a crucial role in maintaining their financial stability. Essentially, banks represent the largest source of additional financial capital needed by companies. Within their credit lines, banks create appropriate conditions for financing small businesses on several levels, offering various dedicated or non-dedicated credits to finance small businesses.

Access to financial resources from commercial banks, especially for new enterprises, is not straightforward. Greater involvement of institutions providing micro-financing, especially for beginner businesses, is necessary. In this regard, reforms and liberalization of the banking sector and financial intermediation are needed, aligning with EU directives to improve access to finance. In North Macedonia, there has been a recent trend of establishing new enterprises in the sector of small and medium-sized businesses, driven by various government programs to reduce unemployment. To ensure the successful functioning of newly established enterprises, it is imperative for relevant institutions to provide various types of advisory services and training to potential entrepreneurs, offering essential knowledge for initiating and managing businesses. Additionally, the development of a specialized program for advisory services for start-up enterprises in their initial years of operation would be beneficial, aiming to increase their survival rate.

An essential segment for supporting business startups is the development of incubator centers, also known as business incubators (Greenbank, P. 2000). Incubators typically function to promote regional or local economic development and create new job opportunities. In North Macedonia, it can be said that business incubators are a relatively new and underdeveloped phenomenon, indicating that the needs for establishing such entities have not been fully addressed through thorough analyses and assessments.

Over the past years, some business incubators were formed and financially supported by certain donors. However, once the financial support from donors concluded, the majority of these business incubators ceased to operate. The current support system needs to be further developed and improved, particularly by upgrading policies that assist start-up businesses. This can be achieved by introducing new types of non-financial support alongside financial tools. The goal is to help more newly launched SMEs make it through their early stages and build a solid foundation for long-term stability and growth.

Analyzing the results of empirical research and recognizing the need for effective utilization and contribution to labor in improving conditions in this domain in the real sector of small and medium-sized enterprises, we are inevitably faced with the challenge of concluding that both financial and non-financial support in the development of new products and services positively influences their organizational and market performances.

The contribution of labor will be more significant if it is adequately utilized and implemented to address some of the challenges faced by small and medium-sized enterprises in the process of enhancing market competitiveness. The focus should be on providing targeted and efficient support to startups, facilitating their access to resources, and fostering an environment conducive to innovation and growth. Additionally, continuous monitoring and evaluation of support programs are crucial to ensuring their effectiveness and relevance to the evolving needs of SMEs. Through a comprehensive and integrated approach, combining financial aid, non-financial support, and ongoing evaluation, we can nurture a robust ecosystem that empowers startups and contributes to the overall economic development of the country.

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APPENDICES

Appendix 1: Summary in Slovene

Mala in srednje velika podjetja (MSP) predstavljajo temelj gospodarskega razvoja, saj prispevajo k ustvarjanju delovnih mest, spodbujajo inovacije in povečujejo konkurenčnost. Vendar pa se MSP pogosto soočajo z omejenim dostopom do virov, kar zavira njihov razvoj. Namen magistrskega dela je raziskati, kako finančna in nefinančna podpora vplivata na razvoj novih izdelkov in storitev ter posledično na organizacijsko in tržno uspešnost MSP v Republiki Severni Makedoniji.

Raziskava temelji na kombinaciji teoretičnega pregleda literature in empirične analize. Uporabljene so bile različne znanstvene metode vključno s primerjalno analizo in statističnim testiranjem hipotez. Empirični del raziskave je bil izveden s pomočjo strukturiranega vprašalnika, ki je bil razposlan 500 podjetjem, od katerih je 116 izpolnjenih vprašalnikov tvorilo končni vzorec.

Podatki so bili zbrani med aprilom in junijem 2023. Vzorec je vključeval MSP iz različnih sektorjev (gradbeništvo, IT, turizem, farmacija, izobraževanje itd.). Vprašalnik je zajemal demografske podatke, oceno pomena različnih oblik finančne in nefinančne podpore ter samooceno organizacijske in tržne uspešnosti podjetij v zadnjih treh letih. Podatki so bili analizirani s pomočjo programa SPSS.

Rezultati raziskave potrjujejo pozitivno povezanost med finančno in nefinančno podporo ter uspešnostjo MSP:

- Vse štiri testirane hipoteze so bile statistično značilno potrjene ($p < 0.01$), kar pomeni, da obstaja močna korelacija med državno podporo in uspešnostjo MSP.
- Finančna podpora (npr. bančna posojila, leasing, mikro-financiranje, poslovni angeli) pomembno vpliva na organizacijsko in tržno uspešnost MSP.
- Nefinančna podpora (npr. pravni okvir, nacionalne strategije, inovacijska politika, podjetniški inkubatorji, raziskovalne institucije) ima še močnejši vpliv na uspešnost podjetij.
- Najvišje povprečne ocene so bile dodeljene pomembnosti nacionalnih strategij in pravnih pogojev, medtem ko so največja odstopanja v odgovorih zaznana pri oceni pomena podjetniških inkubatorjev in leasing financiranja.

Finančna in nefinančna podpora igrata ključno vlogo pri razvoju novih izdelkov in storitev v MSP ter pomembno prispevata k njihovi konkurenčnosti in dolgoročni uspešnosti. Raziskava ponuja konkretna priporočila za oblikovalce politik in podporne institucije za izboljšanje dostopnosti in učinkovitosti podpornih mehanizmov za MSP v Severni Makedoniji.

Appendix 2: Survey Questionnaire

This survey questionnaire is exclusively intended for scientific research purposes. The names of organizations, as well as the names of individuals completing this survey, will remain anonymous and will not be mentioned during the analysis of the results. Please circle or fill in the response that you consider most appropriate for your organization.

SET OF QUESTIONS RELATED TO THE INDIVIDUAL RESPONDING TO THE QUESTIONNAIRE:

- Gender:** 1. Male 2. Female
- Age:** 1. 18-25 2. 26-35
3. 36-45 4. 46-55 5. 56-65
- Education:** 1. Secondary 2. Bachelor's degree
3. Master's 4. PHd

Work experience in the organization:

1. Less than 5 years 2. 5-10 years
3. 10-15 years 4. More than 15 years

SET OF QUESTIONS RELATED TO YOUR ORGANIZATION: YEARS OF EXISTENCE, ACTIVITY, NUMBER OF EMPLOYEES, ETC.

Years of existence of the organization:

1. 1-5 years 2. 5-15 years 3. 15-25 years 4. More than 25 years

Is your organization a subsidiary of another organization?

1. Yes 2. No

Your organization possesses:

1. Domestic capital 2. Foreign capital 3. Mixed capital

What level of competition does your organization face in the market for its core products and services:

1. Weak competition 2. Moderate competition 3. Strong competition

SET OF QUESTIONS RELATED TO FINANCIAL AND NON-FINANCIAL SUPPORT IN THE DEVELOPMENT OF NEW PRODUCTS AND SERVICES FOR SMALL AND MEDIUM ENTERPRISES IN NORTH MACEDONIA:

Using the scale from 1 "Strongly Disagree" to 7 "Strongly Agree," please circle the number that indicates the extent to which you agree or disagree with the following statements.

1. For the development of new products and services, commercial bank loans are significant.
1 2 3 4 5 6 7
2. Leasing arrangements are significant for the development of new products and services.
1 2 3 4 5 6 7
3. Business angels are significant in the development of new products and services.
1 2 3 4 5 6 7
4. Microcrediting is meaningful for the development of new products and services.
1 2 3 4 5 6 7
5. National development programs supporting financing for small and medium enterprises are significant for the development of new products and services.
1 2 3 4 5 6 7
6. Legal and administrative conditions for the development of small and medium enterprises are meaningful for the development of new products and services.
1 2 3 4 5 6 7
7. The national strategy for the development of small and medium enterprises is meaningful for the development of new products and services.
1 2 3 4 5 6 7
8. Innovation strategy is meaningful for the development of new products and services.
1 2 3 4 5 6 7
9. Business incubators are significant for the development of new products and services.
1 2 3 4 5 6 7
10. Research institutions have significance in the development of new products and services.
1 2 3 4 5 6 7

SET OF QUESTIONS RELATED TO ORGANIZATIONAL PERFORMANCE:

Using the scale from 1 "Much Worse" to 7 "Much Better," please circle the number that indicates the extent to which you agree or disagree with the following statements.

In comparison to other organizations in the same field over the past 3 years, how would you rate your organization's performance regarding:

- | | |
|---|---------------|
| 1. Quality of products, services, or programs? | 1 2 3 4 5 6 7 |
| 2. Development of new products, services, or programs? | 1 2 3 4 5 6 7 |
| 3. Ability to attract employees significant for the organization? | 1 2 3 4 5 6 7 |
| 4. Ability to retain employees significant for the organization? | 1 2 3 4 5 6 7 |
| 5. Customer or client satisfaction? | 1 2 3 4 5 6 7 |
| 6. Relations between management and employees? | 1 2 3 4 5 6 7 |
| 7. Relations among employees in general? | 1 2 3 4 5 6 7 |

SET OF QUESTIONS RELATED TO MARKET PERFORMANCE:

Using the scale from 1 "Much Worse" to 7 "Much Better," please circle the number that indicates the extent to which you agree or disagree with the following statements.

In comparison to other organizations in the same field over the past 3 years, how would you rate your organization's market performance regarding:

- | | |
|-------------------|---------------|
| 1. Marketing? | 1 2 3 4 5 6 7 |
| 2. Sales growth? | 1 2 3 4 5 6 7 |
| 3. Profitability? | 1 2 3 4 5 6 7 |
| 4. Market share? | 1 2 3 4 5 6 7 |