

# Organizational Learning in Support of Family Business Growth in North Macedonia

Ljupcho EFREMOV<sup>a,1</sup>

<sup>a</sup>*Liberal Arts Department, American University of the Middle East, Kuwait*

ORCID ID: Ljupcho Efremov <https://orcid.org/0000-0002-2660-4422>

**Abstract.** The main objective of this study is to examine the relationship between organizational learning and growth of small and medium enterprises (SMEs) in the Republic of North Macedonia. SMEs frequently exhibit accelerated growth trajectories relative to their larger counterparts, a phenomenon ascribed to diverse facets of organizational learning. Given the pivotal role of SMEs in overall economic activity and expansion, this paper scrutinizes the specific aspects of organizational learning influencing the growth of SMEs. Consequently, a quantitative research approach was employed, utilizing structured interviews conducted with 45 Managing Directors of SMEs operating within the Republic of North Macedonia. The findings of the research contribute to the existing literature with the new findings related to the relationship between growth of family business and learning. It was found that there is a positive association between growth and implementation of incentives for staff thus acknowledging their contributions to the organizational learning processes. On the other hand, a negative relationship was identified between the absence of open communication channels and growth. The implications of these findings are important for general managers of SMEs as they endeavor to foster growth through strategic learning initiatives. The specific recommendations are about training related to the development of existing skills or training in new ideas that could potentially bring innovation to the company. The findings emphasize the importance of fostering a learning culture within companies, highlighting the need to create an environment where continuous learning is encouraged and valued across all organizational levels.

**Keywords.** Growth; Organizational learning; Small Business, North Macedonia

## 1. Introduction

Organizational learning is very important for growth among enterprises. Investing in learning builds human capital, which is the foundation of a country's long-term growth. Especially this is a case for a small country like North Macedonia which has well-educated population. North Macedonia is situated in the heart of southeastern Europe and as such surrounded by developing economies and countries in European Union. Although in the past most of the companies were oriented toward trading with some of the neighbors, the situation has changed nowadays. Apart from that, North Macedonia is

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<sup>1</sup> Corresponding Author: Ljupcho Efremov, Liberal Arts Department, American University of the Middle East, Kuwait [Ljupcho.efremov@aum.edu.kw](mailto:Ljupcho.efremov@aum.edu.kw)

predominantly consisted of small companies which are essential for the economy. This kind of business environment fosters learning, which is essential for achieving growth and success. Through knowledge transfer within such an environment, both individuals and organizations will acquire the necessary skills and knowledge to navigate changes. By leveraging insights from neighboring countries, small and medium-sized enterprises (SMEs) in North Macedonia can readily adapt to shifting circumstances and capitalize on opportunities for expansion. The abovementioned conditions build on the fact that the key to growth among SMEs is that they are more agile and flexible than larger companies. By fostering a culture of learning, small business will have a direct impact on the overall growth in the country. This leads to a conclusion that learning and growth are vital for the prosperity of both SMEs and the country and contribute to building a resilient economy. Therefore, this paper aims to investigate the relationship between learning and growth among SMEs.

If specific definition [1] is taken into account, then organizational learning is defined as the development or acquisition of new knowledge or skills in response to internal or external stimuli that leads to a permanent change in collective behavior and that improves organizational efficiency and/or effectiveness. The abovementioned definition is useful for the objectives of this research as it demonstrates the impact that organizational learning has on behavior that leads to increased performance and growth. The most frequently used source of learning in SMEs is experiential learning [2]. Experiential learning is a learning that fosters the acquisition of knowledge through tangible activities or practices, which are then translated into abstract understanding via reflection, analytical thinking, conceptualization, summarization, and application to real-world scenarios [3]. Additional sources of learning include overcoming challenges or hindrances [4] and personal and industry networks [5].

In recent decades, there has been a notable increase in the amount of literature exploring organizational learning [6]. As part of the concept the author expands the work and writes about organizational memory, organizational forgetting, and knowledge transfer.

## **2. Organizational learning and SME Growth**

Operating a small business involves a continuous learning process. In this section key concepts and frameworks concerning organizational learning are examined. The ability to learn of a company is essential due to the rapid technological change and therefore companies need continuous human development [3]. The abovementioned premise highlights the significance for researchers to strive towards deepening their understanding of learning mechanisms within small enterprises and their consequential effects on the long-term growth or performance of such businesses.

In one study [1] authors found a positive relationship between organizational learning and performance of SME in a study conducted among manufacturing enterprises located in the UK. The research on decision making [7] and learning shows that managers use intuition as first steps and analysis in later phases for testing their hunches. Other authors [8] report about previous studies that show positive empirical relationship between organizational learning and organizational performance. A group of authors [9] found similar results in their survey with 320 SME owners in Bangladesh. According to other study [8] transformational leadership had a direct impact on the climate and behavior of knowledge sharing, interpersonal trust, and organizational learning within

an organization. Additionally, transformational leadership indirectly influenced organizational learning through its effects on knowledge sharing climate and behavior, as well as interpersonal trust. Furthermore, a conducive climate for knowledge sharing directly influenced interpersonal trust and the behavior of sharing knowledge, consequently indirectly affecting organizational learning through these channels. Moreover, interpersonal trust directly influenced the behavior of sharing knowledge, thereby indirectly impacting organizational learning. Finally, the act of sharing knowledge positively contributed to organizational learning.

Apart from these aspects, enterprise growth can be related to the legal form of the business, i.e. whether the business is a family owned-and-managed business or sole founder owned-and managed-businesses. Other authors [10], which conducted systematic review mention various insights regarding performance measurement in family business research. The increasing number of studies over the years reflects the growing significance of the field of family business. Moreover, the evaluation of journal rankings suggests that family business studies are frequently published in esteemed academic journals. Additionally, the journals encompass a broad array of business academic disciplines. It appears that research themes in family business studies have maintained a degree of consistency over time. However, based on their frequency, topics such as succession, social entrepreneurship and socioemotional wealth, and family dynamics seem to warrant further exploration in relation to family firm performance. However, in another study [11] authors claim that companies owned by families have problems when they need to develop competitive advantage. This stresses growth of SMEs even more due to the fact noted by one author [12] who argues that people tend to spend most of their time at work. In this case it is even more important because it is about their own family businesses which provide existence for many families. Authors [13] explored the correlation between seven independent variables (ownership structure, enterprise size, age, strategy of new product introduction, intensity of competition, educational background, and prior sector experience of owner/managers) and the growth rate of sales as the dependent variable. This research was conducted in Vietnam. The findings indicated that SMEs involved in introducing new products experience a higher growth rate compared to those that do not.

Two authors [14] conducted a study amongst family business proprietors in the tourism and hospitality sector within two resort locales (one situated in Canada and the other in Denmark), the objective is to pinpoint entrepreneurs driven by growth and profit aspirations. Their findings have confirmed the initial hypotheses about that lifestyle and autonomy objectives are prevalent within the industry among the owners. The owners gravitate towards types of businesses and there is a distinct contrast between profit and growth-oriented entrepreneurs concerning their goals and outlooks. Additionally, there was a difference in preferences for specific business models. A group of authors [15] tested a model and found that innovativeness, proactiveness, and risk-taking ability of SMEs are related to learning orientation and business strategy of SMEs. The case of Ireland [16] shows that family-owned businesses of varying sizes (micro and SMEs) show characteristics of being learning organizations, but don't have all the characteristics. The aim of this paper was to explore how family-owned small businesses in Ireland can become learning organizations. The study explored answers of 121 respondents through a self-administered questionnaire. The recommendation from this study is to implement strategic reviews, develop the internal systems, and fostering cultural shifts within small and medium-sized family enterprises in Ireland. The conclusion of the paper which provides the Irish perspective is that these SMEs they could become fully-fledged

learning organizations. Having in mind all of the abovementioned results, it is very important to highlight that learning holds particular significance for small and medium enterprises, given their exposure to an uncertain, unpredictable, and complex environment over which they often have limited control. Therefore, the aim of this study is to test which aspects of organizational learning are related to SME growth.

3. Methodology

Primary research of this thesis consists of field research using the structured interview as a data collection technique. Interviews using standardized questionnaires were conducted within 45 companies. The method of interview was chosen to ensure higher response as well as to gather necessary in-depth information. For this study a questionnaire consisting of three parts was created. The questionnaire is structured in 3 sections: data about enterprises, profit, and organizational learning. Analysis of growth was made through data available from the question on profit from two sequential years. The difference between profits should be positive in order to use growth as key criteria. Variable aspects of learning were obtained via the questions for learning in the section learning of the questionnaire. Pearson correlation was calculated to determine which aspects of learning are related to growth. The sample consisted of 45 Managing Directors of Small and Medium Enterprises (SMEs). The selection of Managing Directors for interviews was deliberate, as they hold decision-making authority within their respective enterprises and possess a comprehensive understanding of the organizational context. Inclusion criteria for small enterprises in the sample encompassed the following:

- Family-owned enterprises demonstrate growth during the specified years.
- Employee count not exceeding 250, serving as the primary criterion to classify enterprises as Small and Medium
- A minimum operational history of at least 2 years (growth calculation purpose).

Nevertheless, after an enterprise fulfilled these criteria, a convenient sampling technique was employed, facilitating structured interviews with accessible managers.

4. Results

The next part presents the results obtained in the study. The table below shows the correlation between organizational learning and growth.

**Table 1.** Correlation between aspects of learning and growth

Employees are incentivized for their role in the organization's learning process, including positive feedback, study leave, and recognition programs.	Correlation	<b>0.590</b>
	Sig. (2-tailed)	0.00**
	N	45
All staff interacting externally are required to collect and disseminate pertinent information within the organization.	Correlation	<b>-0.353</b>
	Sig. (2-tailed)	0.017*

	N	45
	Correlation	<b>-0.243</b>
Information circulates openly throughout the organization, traversing teams, sections, and divisions seamlessly.	Sig. (2-tailed)	0.00**
	N	45
	Correlation	-0.060
The responsibility for learning from experience is shared among all individuals within the organization, rather than being delegated solely to specialized units or senior managers.	Sig. (2-tailed)	0.696
	N	45
	Correlation	0.294
The strategic development process is intentionally structured as a learning endeavor, integrating feedback loops to facilitate ongoing enhancement based on accumulated experience.	Sig. (2-tailed)	0.050
	N	45
	Correlation	0.045
All written reports and important documents are cross-referenced and readily available to all employees.	Sig. (2-tailed)	0.770
	N	45
	Correlation	0.122
Regular analysis of monitoring and evaluation reports as well as mission reports is conducted to extract insights gained from past experiences and determine applicable lessons for future endeavors.	Sig. (2-tailed)	0.423

The table shows that there is a statistically significant correlation between growth and two characteristics. Negative correlation with the aspects of learning that are defined as: “All staff interacting externally are required to collect and disseminate pertinent information within the organization” and “Information circulates openly throughout the organization, traversing teams, sections, and divisions seamlessly”. The negative correlation means that higher growth is associated with (expectations of) not sharing information and lowering free flow of information in the organization. The results indicate that employees collect external data, but there is no free circulation of information without managers’ approval. This relates to the decision styles of managers who control the information and are responsible for the outcome in the business.

Apart from that, there is a positive correlation between growth and “Employees are incentivized for their role in the organization's learning process, including positive feedback, study leave, and recognition programs”. The results indicate that growth is higher when the reward for contribution through learning is higher. The results show that employees receive additional incentives when they provide positive feedback about what functions well. The knowledge transfer process and creating a learning organization are crucial to growth due to accumulation of knowledge, development of skills and generating new ideas and innovations. By sharing the best practices and creating a learning culture, employees work more efficiently and achieve growth as a result. These findings are in line with some of the previous results. In a similar context [17] a group of authors found that longevity of SME was related to knowledge transfer from the founder to the successor. According to another author [18], fostering a learning orientation is a vital asset that top managers can leverage to attain organizational growth. Also, other studies [8] report about a positive empirical relationship between organizational learning and organizational performance. In line with these results is one study mentioned previously [9], which reports that learning capability has substantial influence on SME performance in Bangladesh.

## 5. Conclusions

The results show that there is a negative correlation between growth and expectations for sharing relevant information from staff that communicates with people outside the enterprise. On the other hand, the other results show that there is a negative correlation between growth and free flow of information throughout the organization. The findings suggest that in small enterprises there is no open communication and that this is a good strategy for growth. The explanation is related to the decision styles of the general managers. Another possible reason is that not sharing certain relevant information with others puts managers in a good position to delegate tasks that drives growth to subordinates (without possibility for lower employees to ask unnecessary questions). The results are contrary to expectations that open communication leads to learning and thus to growth. However, this instance may serve as a specific example showcasing the complexity and context-dependent nature of growth in SMEs. In line with the abovementioned findings is a study [19] which shows that in small companies what matters more for growth is information sharing between the owner/manager and external experts, rather than between the manager and the employees. As the firm grows the latter gains importance. There is a positive correlation between growth and “incentives that employees get for their role in the organization's learning process, including positive feedback, study leave, and recognition programs”. The conclusion is that learning is essential for making profit.

The results provide valuable insights for SMEs in North Macedonia. Regarding learning, managers should encourage employees to have organizational learning and should reward employees for the learning (creation of learning organization). For example, all employees should give ideas for development and plan their own development plan (creation of development plans) and work on realization on such plans. Despite the limited sample size, it is important to acknowledge that a larger sample size contributes to a reduced sampling error. Hence, it is recommended for future studies to consider conducting research with a more extensive sample. Another limitation lies in usage of convenience sample, and the findings are consequently applicable to the specific sample of interest. In forthcoming research on the same or related topics, alternative research methods such as case studies or a combination of methods could be explored. This study aims to shed light on aspects of organizational learning that can provide growth for SME and are useful for general managers or owners of SME. Managers can send employees for training related to the development of existing skills (sales, negotiations, process improvement or other skills) or training in new ideas that could potentially bring innovation to the company. Managers are key decision makers when it comes to planning annual budgets for learning and cultivating a learning culture. Therefore, companies should prioritize creating an environment where continuous learning is encouraged and valued at all levels (training programs, knowledge-sharing practices, rewarding employees). Accenting continuous learning can lead to improved performance at both individual and organizational levels. The last but not least is that learning contributes to informed decision-making processes thus making employees equipped with knowledge to evaluate options, anticipate consequences, and make strategic choices that drive company growth.

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