

## ENTREPRENEURSHIP AND STRATEGIC MANAGEMENT IN EMERGING ECONOMIES: KOSOVO'S PERSPECTIVE

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*ABSTRACT: The intention of this study is to observe the importance of Entrepreneurship and Strategic activities in the SME sector in Kosovo. The study refers to the long-term research experience of the author in Entrepreneurship and Small Business Development especially, in designing Strategic Activities in SME Development.*

*The subject is developed based on a broad literature and practices in the SME development sector, and the great importance of Strategic activities in the direction of firm's growth. During the preparation of this study, a range of methods were used to research and study the SME development in the era of globalization.*

*Using a sample of BSCK research from 2010 and 2011, the conclusion of this study indicates that the majority of CEOs agreed that various of the actions undertaken by enterprises in an effort to realize prosperity occur within six domains: innovations, networks, SME internationalization, organizational learning, top management team, and growth orientation.*

*These conclusions suggest that successful Entrepreneurship and SME Strategic Development is conditioned by factors such as: SME leadership, Local and Central Institutions, conditions of financial sector, structure of the SME sector, the business environment, and approaches to regional markets.*

*Key words: Entrepreneurship, Strategic activities, Innovation, Networking, Internalization, Organizational learning, Top management teams, Growth and firm's wealth.*

*JEL Codes: L260, O120*

### Introduction

Entrepreneurship and strategic management are related to the behaviour and performance of companies. Strategic management seeks to create and exploit competitive advantages for companies within a particular environmental situation. Entrepreneurship promotes the search for competitive advantages by bringing products, processes and innovations to market. Entrepreneurial and strategic activities seek new markets or strategic competitive position for firms in order to create profits.

This study explores the meaning and methods that can help CEOs to achieve development and growth for their companies in the period of globalization. Based on similarities between entrepreneurship and strategic management (Ireland, Hitt, Camp and Sexton, 2001) recommended six areas that are essential to firms' efforts for profit making. The analysis shows that most of the actions undertaken by the organizations aimed at increasing business, which usually occurs as a result of the development of proposed fields. These areas were proposed by Hitt and Ireland (2001) and include:

1. Innovation
2. Networking

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3. Internationalization
4. Organizational learning
5. Top management teams and governance
6. Growth orientation

Among the various theories in this field, there is "an agreement" under which entrepreneurship means a dependent social process through which individuals and teams create prosperity by bringing jointly exclusive packages of funds to utilize market opportunities. This meaning suggests that, if a company gains right to use a range of funds and knows how to control them innovatively, it gives the company two main entrepreneurial functions:

1. Strategic management, which is defined as a specific situation or development that includes commitments, decisions, and activities obligatory for a company to generate prosperity, and;

2. Learning how to expand, cultivate, and develop competitive advantages when using the strategic management development. Effective strategic management processes maintain the new behaviours to discover and follow competitive opportunities that were not identified or used in previous period.

Both strategic management and entrepreneurship are related to decisions prepared by managers who have duty for the business as a whole. While strategic management is related to factors that affect the company's results (e.g., strategy, situation and funds sustainable competitive advantages), entrepreneurship (taking into consideration autonomous companies and business entrepreneurship) is apprehensive with the processes that guide to venture creation. Moreover, we can say that entrepreneurship is focused on growth and innovation, and strategic management focuses on competitive advantages. However, in this case the most convincing result of the integration of entrepreneurship and strategic management is the creation of firm's wealth. For this reason, entrepreneurial and strategic activities are at the nucleus of prosperity conception for companies or enterprises. Entrepreneurial activities are an essential behaviour of companies by which they progress into new markets, gain new customers and mix existing resources in new ways (Smith and Gregorio, 2000). In this context, entrepreneurship is associated mainly with the identification of market opportunities and the creation of a set of resources in the course of which these opportunities can be exploited.

Entrepreneurship has two components of behaviour and attitudes. Lyon and Lumpkin (2000) predicted that in the early 21st century, many companies in almost all kinds of industries will think about entrepreneurial activities as crucial if they are positioned in order to continue to exist in a world increasingly determined by accelerating change.

On the other hand, the strategic activities are engaged to choose and put into practice the company's strategies. Moreover, in worldwide competitive companies, many strategic activities are tailored to achieve and exploit market opportunities with entrepreneurial activities. Strategic activities present the context in which innovations are developed and commercialized (Hoskisson and Ireland, 2001). This shows that successful integration among entrepreneurial and strategic activities will develop the company's capability to grow and generate prosperity. Creating prosperity is associated with the development and creation of sustainable revenue. The capability to create growing, sustainable profits streams determines whether or not companies can create prosperity (Rutledge, 1993).

Colvin (2000) asserts that all types of companies can exercise entrepreneurship. More mature and established firms (such as GE), or companies founded more recently (such as Dell and Cisco Systems), as well as start-up ventures can apply entrepreneurial activities to generate prosperity.

Finally, organizations will be faced with new problems such as critical challenges to alteration, the essential need for strategic flexibility, and possible inconvenience in the functioning of the suggested integration development. The study also examines the participating CEOs'

perceptions of the standing order of possible challenges, as well as specific strategies to effectively address these prospective challenges.

**Research purposes**

The intention of this study was to analyze the profiles of SMEs in Kosovo. Through this study research, were analysed some aspects of the SME management and their interconnection with the legal environment. This research is planned to assist the SME managers in all aspects of business performance as well as central and local level decision-makers in the draft of regulations, and SME policies. The study is based on statistical analysis of data composed from a sample conducted by the Business Support Centre Kosovo - BSCK in 2011. Interviews were conducted with CEO’s and key individuals from companies, mainly owners/ managers or financial managers.

The respondents were asked to give quantitative and qualitative answers regarding to their objectives for development, data on company results, perceptions about the business situation and information about entrepreneurship and strategic management actions. The sample was selected at random from the business register of KBRA - Kosovo Business Registration Agency. Procedures for the selection of sample size and the companies that will be interviewed are made with Excel and TopCaats (sample stratification). After some phases of testing the sample size of selected companies, it was decided to organize the division of the sample according to size of the company and the sector in which the company operates (See table 1)

Table no.1

**Share of enterprises in the population and the sample by size and sector**

Sector Size	Micro	Small	Medium	Total	% Share of sect. in population	% Share of sector in the sample
Manufacturing	95.2	2.4	2.4	100.0	10.1	23
Services	97.0	1.7	1.3	100.0	40.0	35
Trade	98.7	0.8	0.6	100.0	50.0	42
% share of company size in the population	97.7	1.3	1.0	100.0	100.0	100
% share of company size in the sample	70	25	5	100	-	-

Note: total number of enterprises is 100,000; Source: BSCK Study Research 2011

**1. Innovation**

An innovation is a set of factors that important for the development and performance of the company: the sum of discoveries and inventions, and their commercialization. Innovation results from the firm’s efficient progress and utilize of latest technologies or information about market opportunities (Afuah, 1998). Innovations are new stuff applied in the business of producing, distributing and consuming products or services.

The primary source of inventions is Research and Development (R&D) in a firm. R&D has been more pronounced in many large corporations; many small enterprises are more focused on research than on growth. Thus, really new or essential innovations may arrive more frequently from smaller, entrepreneurial ventures than from large firms (Sharma & Chrisman, 1999). While the level to which innovations will be successful is not easy to forecast, companies are progressively more recognizing the value of innovation as a key driver of development and prosperity creation (Hargadon & Sutton, 2000). In successful companies, innovation does not subsist for its own sake; it is used as a crucial element of strategy and becomes an implanted capacity (Hitt et al., 2001).

Table no. 2

**The new products introduced in market over the past three years**

<b>New products</b>	<b>% 2010</b>	<b>% 2011</b>
New products for the market in Kosovo	36.3	38.8
New products only for your company	63.7	56.7
Both	.	4.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

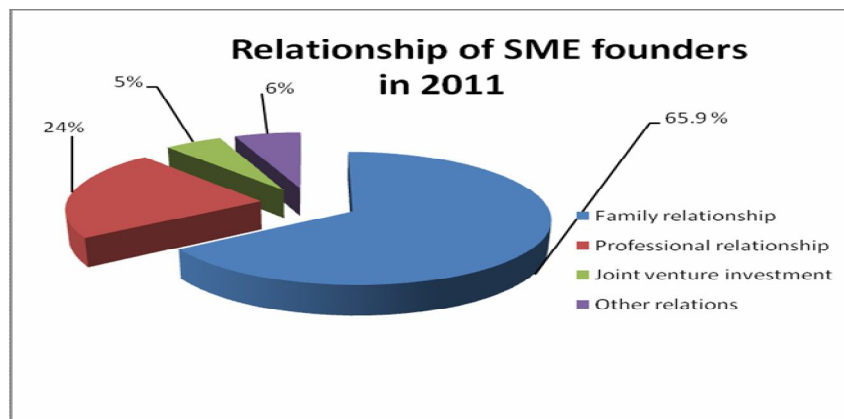
Source: BSCK SME Survey 2010 and 2011.

The marks of the study show that the degree of innovation in the majority of the SMEs in Kosovo occurs within the framework of "Improvement of existing products". In addition to the tiny number of innovation actions conducted by SMEs, the quality of innovation is not suitable. Among the companies that performed innovation in 2011, only 38.8% stated that they are new to the market in Kosovo (up from 36.3% in 2010), and the remaining 56.7% (63.7% in 2010) were innovative for the companies concerned (See table 2)

**2. Networking**

Networking has to do with the social capital and is one of the main factors that influence development of SMEs and competition, encouraging individuals and organizations to stand together to overcome difficulties. Networking is a model of interaction between persons and groups (Rangan, 2000), that takes forms as well as strategic alliances, shared ventures, licensing agreements, subcontracting, joint R&D endeavours, and mutual promotion actions. An organizational network is an intentional accord between two or more companies that includes sustainable exchange, sharing or jointly developing technologies and new products. The resources, technology and other particular assets of a company are examples of what partners can engage in a network. More and more, these networks are extending crosswise country borders (Gulati, 1998; 1999). Networking is the act of building a resource network and reinforcement the ties within the framework itself (Friga, O'Neil, & Bateman, 2000). Thus, networks are results of designed entrepreneurial or strategic activities and they do not progress on their own. Advantages contain fast penetration into markets, financial risk sharing, improved production effectiveness, enhancements of innovation potential and entrée to competitively helpful knowledge. In short, networks let firms to gain knowledge for new skills and increase access to the resources they need, but do not possess. Most entrepreneurial actions, particularly at the start-up phase, rely on effectual networks for continued existence (Ireland, Hitt, Camp, & Sexton, 2001).

The SMEs ownership structure in Kosovo is greatly influenced by family relations since most of businesses are established by a single owner (82.27%) and about 70% of these businesses are managed by the owners. Most of these enterprises are individual businesses and micro-enterprises. Regarding relations of employees within the company, most of them replied that they had family relations (65.9 %), the professional relationship (22.5 %) and only 5.4 % had a joint venture investment (See Fig. 1). This is a likely source of weak institutional environments.



**Figure no.1. – SME founders relationship**

Source: BSCK SME Survey 2011.

The BSCK study shows that entrepreneurs rate highly the need to develop their business networks. In 2011, more than 82.2 % of entrepreneurs think that contact with friends, family and business associations are very significant for the development of their companies (See table 3).

Table no. 3

**Importance of contacts with family, friends and business associations**

Importance	% (2010)	% (2011)
1 (not important)	1.6	2.3
2	1	3.4
3 (neutral)	6.4	5.3
4	9.4	6.8
5 (very important)	81.5	82.2
Total	100	100

Source: BSCK SME Survey 2010 and 2011.

In addition, the BSCK study research included questions about trust in business and its importance to businesses. On a scale from 1 to 5, the entrepreneurs were asked to title the rank of confidence in their associates. The result shows that in the 2011 survey, 51.3 % of the respondents stated that they have the highest confidence in their partners. (In 2010, the figure was 50.2 %).

Table no. 4

**Level of trust in business partners**

Level of trust in partners	% share (2010)	% share (2011)
1 (does not trust all)	6.6	9.5
2	4.8	4.3
3 (neutral trust)	17	13.3
4	21.3	21.6
5 (maximum trust)	50.2	51.3
Total	100	100

Source: BSCK SME Survey 2010 and 2011.

Referring to other studies in transitional economies, it can be explained that due to the weak institutional environment in Kosovo, businesses rely on partners/associates in an effort to mitigate the negative impact of weak institutions.

### **3. Internationalization of SME-s**

Internationalization is a tool that expands the scope and potential of the firm; it affects the number of entrepreneurial and strategic operations used throughout the company. Due to the speedy development of worldwide markets, managers at all levels should be enthusiastically implicated in internationalization (Hagen, A. 2005 et al.). Companies can use a range of forms of involvement to internationalize their operations in efforts to generate prosperity (e.g., exports, licensing, acquisitions, strategic alliances, and foreign direct investment). Forms of involvement are appropriate and depend on the size of the company and their entrepreneurial actions (Zacharakis, 2000). One technique for companies to generate prosperity can be international diversification. Organizational learning and improvements of inventive skills, new skills improvements resulting from such diversification will contribute to higher revenue. Nevertheless, international diversification can be counterproductive if the firm lacks the infrastructure and entrepreneurial and strategic capabilities required to handle with the complexities of operating in diverse markets (Hitt, Hoskisson, & Kim, 1997). In order to succeed in the worldwide economy, companies must develop a "global mindset." As Pucik (1992) stated, "Unlike firms with an ethnocentric mindset, a firm with global mindset accept diversity and heterogeneity as a source of opportunity."

Data on the trade balance provided by the Central Bank of Kosovo (Source: Central Bank of Kosovo – Annual Report) explain that Kosovo continues to have a negative balance. Imports to Kosovo in 2011, according to the CBK were in the amount of €2,479.3 million, while exports were €312.5 million. The percentage of coverage of imports by exports was only 12.6%.

According to this survey, the number of exporting companies in Kosovo remains the same as in 2010. The exporting companies are only 5.17 percent. The key identified export barriers in 2010 and 2011 in SMEs sector in Kosovo are: Delays in border, Inadequate legislation, Poor Infrastructure, Political Risk, Personal documentation (ex. Visa), Implementation of contracts, Lack of information on market, Quality Certificate and Certificate of origin, and Banks efficiency. On the other side, the import barriers that businesses in Kosovo face in blended years of 2010/2011 are: Customs, Inadequate legislation, Transportation and Customs procedures.

### **4. Organizational learning**

Organizational learning is the improvement of innovative knowledge that has the potential to influence performance within the organization and helps firms to create and increase their wealth. Organizational learning is realized through the rapid transfer of knowledge. This is done through access to information, distribution and mutual interpretation (DeLong & Fahey, 2000). Rapid transfer of knowledge is vital especially in international markets (Hitt et al., 2001), and a prerequisite for innovation and the creation of new enterprises (Hitt et al., 2001). Researchers in the field of entrepreneurship and strategic management have concluded that organizational learning is related to the company's capability to update and continuously develop its competitive advantage. Developing new understanding from organizational learning reduces the possibility that a firm's competencies will grow out of date. As an alternative, the competencies on which the advantages are based remain active, and they alter in harmony with environmental contingencies (Teece, Pisano, 1997). The level to which a firm is dedicated to knowledge is a strategic preference, since knowledge is a ability, and requires skills and processes that must be activated for knowledge to be developed and shared.

In a considerable number of studies on entrepreneurship, the subject was the motives or incentives for established businesses. In 2011, BSCK developed a database to reflect the motives of the business establishment. According to this survey, in 2010, a good part of the respondents (29.9%) indicated that they had discovered a business opportunity and so started their own businesses. While in 2011 this motivation was reduced to 12.5 percent. In 2011, the biggest number of entrepreneurs (42.9%) claimed they started their business to be independent. In 2010, this percentage was quite low or 12.3% (See table 5).

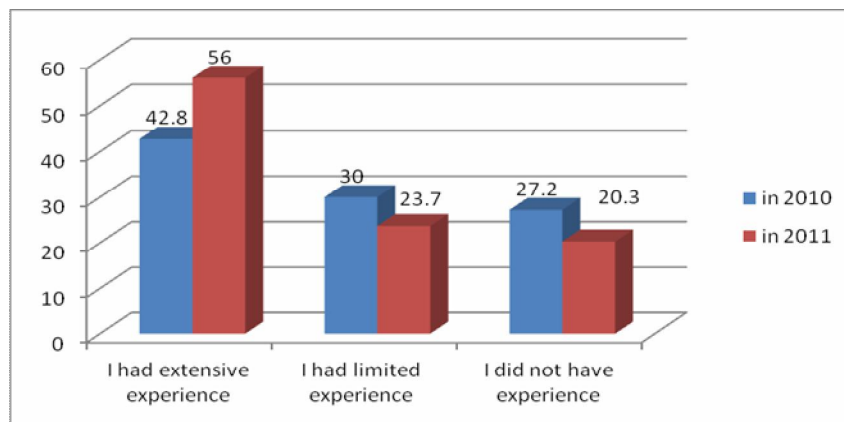
Table no. 5

**Reasons for starting up business**

<b>Start – up motivations</b>	<b>% (2010)</b>	<b>% (2011)</b>
I marked a business chance and I decided to act upon it and set up my own company	29.9	12.5
I have been unemployed and had to do something to earn a living	26.6	11.5
I always wanted my vision of having my own company to come true	20.7	8.9
To work independent from my chief	12.3	42.9
Disagreement with my earlier employer - partner	1.4	1.1
I inherited from my family	7.6	10.0
Other	1.6	0.4

Source: BSCK SME Survey 2010 and 2011.

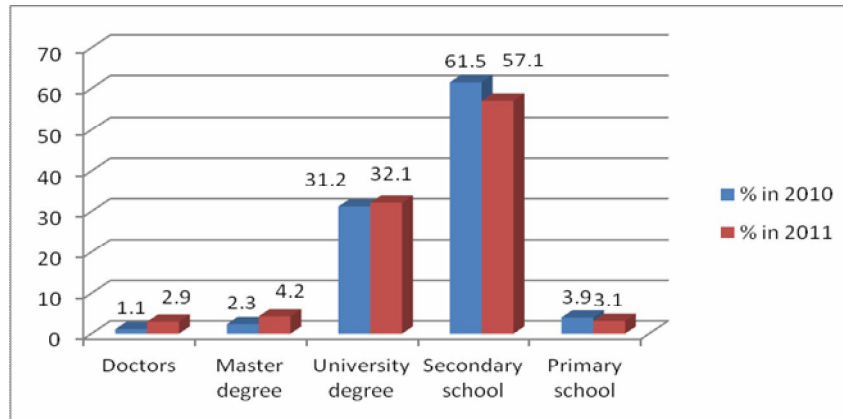
Entrepreneurship literature has proven that owner’s business experience plays a very important role in decision-making for business start-ups. The result from the BSCK research reflects the importance of previous experience in starting the business, which compared with a year ago, marks a significant increase or 13.2% (See Fig. 2).



**Figure no. 2. - Experience of SME owners in business prior to start-up in %**

Source: BSCK SME Survey 2010 and 2011.

The BSCK survey contained questions about the managerial structure and their educational level. The survey findings presented demonstrate that 47.3 % (34.7% in 2010) of SME managers (general managers, finance, operations, marketing, R&D) possess a university-level education. Comparing altered managerial positions and their educational rank, numerous differences are observable. As the majority of owners of small businesses are typically general managers, they fill a most important share of managerial positions with individuals who have a university-level degree, compared to 2010. In other areas of management exercise, where convinced types of specialized management responsibilities are necessary to be performed (such as operations, finance and marketing) that typically go outside owners’ managerial capabilities, more individuals with university - level of education are found (See fig. 3).



**Figure no. 3. - Ownership structure by educational level**

Source: BSCK SME Survey 2010 and 2011.

Going back to the previous part in the report in which we discussed ownership, this result once more reconfirms the traditional approach in delegating of responsibilities and suggests unwillingness between SME owners to split ownership and management, which is expected to enhance the managerial capabilities of firms and hence support SME expansion. As in previous surveys, the 2011 study regarding the gender of the founder of SMEs shows that women are under-represented compared to men (5.9% of SMEs have been created by women). This indicates that there is a need to reinforce the responsibility of women in the private sector, in particular a need to support women in business. Some positive trends of women in business are observed in the last three years but still unsatisfactory.

### **5. Top management teams and governance - SME management**

Top management teams have final responsibility for the choice of firm strategies and their successful implementation, to ensure growth and competitive advantage. A Top management is responsible for the study of environmental opportunities and threats, and the use of the firm's internal powers. Strategy selection and efficient implementation is important in both cases to entrepreneurial activities as well as large corporations (Boeker, 1997). Additionally, senior managers are key players in the process of networking, to sustain entrepreneurial and strategic activities (West & Meyer, 1998).

Governance is apprehensive with shaping and ensuring that the firm's path has a high opportunity of fulfilling the prospect of stakeholders. In market-based economies, shareholder pleasure is a key apprehension of government decisions. Essentially, government decisions verify the relations between all stakeholders on the performance of the firm and its decisive success in conditions of growth or wealth generation. Different views between stakeholders about favored outcomes (dividends) must be addressed (Ireland, Hitt, Camp, & Sexton, 2001). The board of directors is also a considerable source of governance decisions. For example, Beekun, Stedham, and Young (1998) initiate that the board's decisions influence the firm's performance in conditions of wealth generation. For example, the actions of Daimler Chrysler's board had a negative effect on the firm's ability to create wealth. As a result approximately 60 percent of the value of the corporate shares was lost between January 1999 and the end of 2000 (Tierney & Green, 2000).



Table no. 6

**Education of SME Management by level**

<i>Managerial position</i>	<i>Educational level 2010</i>			<i>Educational level 2011</i>		
	<i>University</i>	<i>Secondary school</i>	<i>Primary School</i>	<i>University</i>	<i>Secondary school</i>	<i>Primary School</i>
General manager	34.7	64.2	1.1	37.12	54.85	2.68
Financial manager	64.9	33.8	1.3	82.98	12.77	0
Operations-Technical Manager	81.6	18.4	0	73.08	19.23	0
Marketing manager	92.3	7.7	0	70.59	23.53	0
R&D manager	-	-	-	87.50	12.50	0
Total	34.7	64.2	1.1	47.36	45.34	2.02

Source: BSCK SME Survey 2010 and 2011.

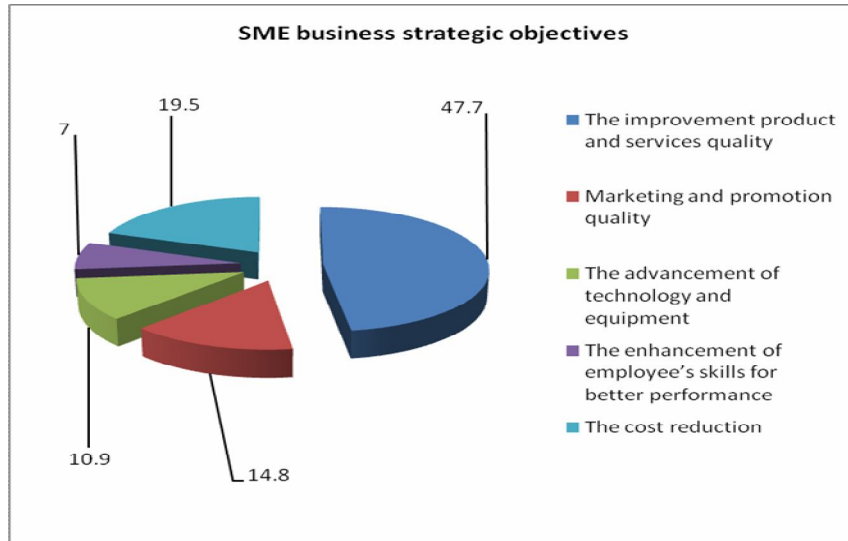
The literature on entrepreneurship and business in general emphasizes the meaning of social capital in entrepreneurial success. The BSCK questionnaire contained questions about the management structure and their level of education. The statement noted that the majority of general managers or owners of SMEs have only completed a high school education (54.85%), marking a significant decrease over one year earlier (64.2%, 2010). With regard to other management positions in the company, the situation is much better; most of them are university educated, a positive trend given the fact that more owners or managers of SMEs see as very important the role of human capital in the direction of their companies (R&D, finance, marketing, operating technician, etc.). This report also confirms the conservative approach to delegating tasks and owners' reluctance to break away from the management of SMEs. This is a sharp problem, due to the fact that their managerial skills to respond to fast market changes are not at the right level (See above Table 6).

**6. SMEs growth in view of business strategy**

The focus of SMEs on strategy provides a sustainable competitive advantage for success. The goal of the strategy and strategic leadership is to guide and move the organization/company in the way that it will be developed towards its long-term goal. There are a number of ways in which companies can achieve growth. For example, mergers and acquisitions can generate rapid growth in large companies. Such strategic options are frequently used by competitive firms in the worldwide economy. Successful mergers and acquisitions can help firms generate additional wealth (Hitt et al., 2001). Growth is also a main goal for entrepreneurial activities. In this context, wealth generation is an result of entrepreneurial growth-oriented activities. Innovativeness, risk taking, and proactive behaviors often constitute the basis of entrepreneurship (Morris, 1998). Extremely ambitious entrepreneurs are the ones who lead high-growth ventures, demonstrate intensity, and have effective and powerful vision of the wealth they can create (Gundry & Wewelsch, 1997). By efficiently integrating entrepreneurial and strategic activities, these high growth ventures exploit unique patterns of altered strategies to generate wealth (Ireland & Hitt, 1999).

The BSCK study research shows that the most important strategy for businesses in Kosovo is improving the quality of products and services. The survey data show that 47.7 percent of companies consider that improvement of the quality of goods and services is their main strategy, 19.5 percent put the emphasis on cost reduction, 14.8 percent on marketing and promotional activities, 10.9 percent on advanced technology and equipment, and 7.0 percent on increasing the ability of workers to perform better. Increasing the ability of employees to perform better does not seem to be an important priority strategy for enterprises interviewed, which reconfirms low SME

investment in training and staff performance compared with other categories discussed earlier (See below Fig. 4).



**Figure no. 4. - SME business strategy**  
Source: BSCK SME Survey 2011.

In terms of strategic planning for the future and investment, BSCK research found that SMEs are not inventive in finding new markets and business opportunities. Slightly, most are planning to continue working in the same areas as their existing business. In regards to the ways that SMEs formulate strategy, the survey results show that SMEs are operating in a very difficult financial environment that has a direct impact on the development of strategic objectives. 54.5% of SMEs develop rational strategies with goals and objectives to suit the environment, 13.7% work with fixed targets and 12.3% with spontaneous objectives. It is very important to note that 15.5% of SMEs do not have goals; these are most exposed to environmental threats (See Table 7).

Table no.7

**The ways of designing of SME business strategy**

How is designed your business strategy?	% (2011)
1. The rational goal and objectives (environmental adopted)	54.57
2. The Spontaneously goal and objectives	12.33
3. Fixed objectives	13.70
4. None of the above mentioned	15.53
1,2	2.74
1,3	0.68
2,2	0.23

Source: BSCK SME Survey 2011.

The research shows that 80% of SMEs are planning finance objectives over a one-year period, about 14% over a period of 1-3 years, about 4% over a period of 3-5 years, and more than 1% over a period of 5 -10 years (See Table 8).

Table no.8

**The period of financial objectives in SME business strategy**

<b>The period of financial objectives</b>	<b>% (2011)</b>
One year period	80.00
1-3 period	14.38
3-5 period	3.60
5-10 period	1.8
Other	0.22

Source: BSCK SME Survey 2011.

From these results we can conclude that only 5.4% of the enterprises develop strategic financial objectives for a period of more than 5 years.

**Conclusions and recommendations**

SME sector in Kosovo face various managerial issues which, if they are ignored, will negatively have an effect on their effectiveness. Small businesses are more exposed to the threat compared to large businesses, due to their incapability to expand, insufficient capital to compete with the decline or loss of market revenues, and higher operational costs per unit of revenue. But they can profit from the advantages of being small businesses, as they are more flexible and they easily regulate to the quality of changes. For this reason, they have more need of managerial guidance.

The study offered in this manuscript leads to the following conclusions and recommendations:

1. Lack of emphasis on motivation and delegation of authority to the businesses shows that entrepreneurs or owners of firms are not yet convinced of the crucial role of managers in their business's success.

2. The autocratic style prevalent in Kosovo businesses does not allow employee participation in decision-making processes, and this negatively affects their motivation.

3. The business manager's objectives tend to be stable over time. They constantly put emphasis on cost reduction, profit growth, market share growth and financial independence.

4. SME owners/managers suppose financial consolidation as the most imperative difficulty in the process of reorganization their businesses. Analysing the last two-year period shows that the number of companies that have a clear idea for the future, a better defined strategy and clear responsibilities for staff is greater than ever; this is a product of the enhance in competition.

5. SMEs in Kosovo have problems for financial support due to the low stage of credit in the economy.

6. It is imperative to stress the information that, compared to earlier years, the consciousness of companies for collaboration with university institutions is increasing,

7. The study indicates that most businesses reflect that networking connections with business associations and partners, family and friends are very imperative for the improvement of their businesses. This is a positive development, followed by the fact that we have an increased mutual trust between partners.

8. An another pathway to growth for SMEs measured by businesses is worldwide diversification, which in this case can be infertile if Kosovo companies have lack of the required infrastructure and strategic vision to effectively handle the difficulty of worldwide markets.

9. In conditions of organizational learning in the SMEs of Kosovo, companies attempt to be dedicated, but it is not as much as necessary to be adapted with the fast changes of the environment.

10. Business strategy has an important impact on the growth of SMEs in Kosovo, and according to the survey the most imperative strategy for businesses in Kosovo is improving the quality of products and services and cost reduction. The increase of employee skills for better

performance does not seem to be an important strategy priority for enterprises interviewed, which reconfirms the low SME investment in training and staff performance compared with other categories discussed earlier. The research also shows that, in most cases, SMEs are developing their business strategy in line with rational goals and objectives suited to the environment.

The importance of this study research depends on the consistency and sincerity of the responses of SME managers. There are also a numeral of other factors that influence the performance of a company, which are not incorporated in this study research, that involve vigilance in interpreting the results. Nevertheless, we suppose that the results from this research over again demonstrate that strategic development is serving small firms to, be efficient in combating the competition and to discover more successful ways to grow.

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