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## MANAGEMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN KOSOVO

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### Abstract

The objective of strategic development for small and medium enterprises (SMEs) is to enhance their capabilities in order to promote local economic growth and enhance the overall economic prospects and living standards of the population. The implementation of strategic planning is crucial for fostering the competitive edge of businesses. Compact. This entails a collaborative effort between the SME sector, official institutions, and partners from the corporate and non-governmental sectors to enhance economic growth and employment opportunities. The study will be carried out utilizing a sample of individuals who have completed their Bachelor of Science in Computer Knowledge (BSCK) degree at an early stage. The findings of this study, conducted between 2010 and 2012, indicate that most managers of small and medium enterprises (SMEs) concur that the firm's pursuit of wealth is primarily carried out through activities that intersect the realms of entrepreneurship and strategic management. These activities encompass innovation, networking, internationalization, organizational learning, top management teams, and governance, as well as growth orientation. Considering the changes in the economic and political system in the era after the conflict in Kosovo, this paper will impact decision-makers in the design of policies that will improve the business environment and conduct business in Kosovo.

**Keywords:** Structure, non-volatile memory, inflation, trade balance, unemployment, labor market, monetary-credit policy, etc.

### 1. Introduction

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This study aims to examine the significance of enterprises and strategic management activities in the small and medium enterprises (SMEs) sector in Kosovo. This study focuses on the examination of entrepreneurship in the small and medium enterprise sector and the development of small businesses, particularly in the planning of strategic activities within this sector. The theme was formulated by drawing upon the wide literature and experiences of the development sector for small and medium enterprises. It highlights the significant role of strategic actions in fostering economic growth and enhancing the wealth of firms. Various research methodologies were employed in the compilation of this study to investigate the growth and advancement of small and medium enterprises, particularly in the context of globalization. The study aims to enhance the competitiveness of small and medium enterprises (SMEs) in Kosovo, with the goal of promoting sustainable economic growth in both the SME sector and the overall economy of the country. The model would encompass the functionalities of SME internationalization, human resource management, SME innovation strategies, information technology, business environment, and social capital development. The results of this study indicate that the success of a business and the effective management of small and medium enterprises (SMEs) are influenced by various factors. These include the leadership within SMEs, the leadership at both the central and local government levels, the availability of resources in the financial sector, the structure of the SME sector, the overall business environment, and the strategies employed for regional and international markets. The study focuses on investigating small and medium enterprises (SMEs) since 2010. It examines the data that highlights the factors that contribute to the growth of SMEs and their strategic leadership in joint enterprises.

## **2. Review of Literature**

Vogel's business defines entrepreneurship as the act of creating and managing a venture, taking on financial risks in order to achieve innovation, growth, and profitability. The concept of small enterprises lacks a universally accepted definition. Several quantitative and qualitative determinations have been carried out. The study of enterprises as a distinct field emerged in the early 1920s of the 20th century. The term entrepreneur is thought to have its origins in the French language, where it is used to define an individual who takes on the task of introducing new ideas and providing the necessary financial resources to turn these ideas into profitable products or services. According to Schumpeter (1924), an entrepreneur is an individual who possesses the ability to convert novel concepts or advancements into inventive solutions for the development of fresh items, the vitality of industries, and long-term economic expansion. The ongoing discourse on the precise delineation of entrepreneurship remains

pertinent. Economist Joseph Schumpeter (1883–1951) emphasized the role of entrepreneurship in driving innovation and facilitating positive advancements and transformations. Schumpeter saw the entrepreneur as a potent force that combines creativity and destruction. The entrepreneur facilitates the obsolescence of old sectors by creating innovative combinations that align with emerging trends. Economist Peter Drucker (1909–2005) expanded upon this concept. The entrepreneur is defined as an individual who actively seeks potential alterations, assumes accountability for the modifications they implement, and explores these changes as opportunities. Contemporary economists widely concur that entrepreneurship plays a pivotal role in fostering economic growth and creating employment prospects across all civilizations. Small, thriving businesses are the primary drivers of employment generation, income expansion, and the alleviation of poverty in developing nations. Government assistance for entrepreneurship, encompassing both educational and business aspects, is a crucial method for fostering economic growth. In 2003, the OECD (Organization for Economic Co-operation and Development) released a set of recommendations emphasizing the importance of policies that promote entrepreneurship for job creation and economic growth. It stressed the need for government officials to offer incentives that motivate entrepreneurs to undertake the risk of establishing new enterprises. Additionally, the enforcement of property laws should support and foster a competitive market system. In the 20th century, economists made attempts to describe and comprehend entrepreneurship as a market process that influences market dynamics by initiating shifts in values, plans, and expectations. In his study, Stuart (2005) considers the ideas of economists like Knight, Hayek, Schumpeter, Von Mises, Kirzner, Schackle, and Lachmann in relation to the concept of entrepreneurship. Each of these sources has highlighted various facets of entrepreneurship, enhancing our comprehension of its nature and the entrepreneurial roles within two distinct markets: the market for goods and services and the capital market for financial resources and tangible assets. Additionally, each of them has underscored the psychological aspect of the entrepreneurial mindset when it comes to perceiving risk. Stuart's research traced the evolution of the idea of entrepreneurship across different economists up until the early 21st century, providing insights into its present position. According to him, the entrepreneur does not assume the risk but rather selects the course of action in the capital market based on the expectations of other market participants, as these expectations ultimately determine pricing. Expectations dictate the allocation of capital in the market. The entrepreneur's coordination function enhances the situation for all market participants. The author (Stuart 2005, page 23) provides a concise description of the entrepreneur. The term "unobserved" refers to actions that an actor intends to carry out but may only occur under different circumstances. It involves selecting the most valuable alternatives and deciding on the means to achieve the desired goal of the chosen alternative in the future, based on a range of imagined future conditions. According to Shane (2003) and other academics, an

entrepreneur is characterized by their willingness to take chances and show initiative in their profession. Additional primary attributes of the entrepreneur that are linked to risk include:

- uncertainty over the more advantageous choice to pursue in business,
- genuine ambiguity that is challenging to quantify or forecast,
- actions exhibited by other individuals,
- the location and characteristics of the activity, including the organizational culture, etc.

The reason why various authors are interested in explaining why individuals select entrepreneurship as a career choice is because people have demonstrated a diverse range of motivations for becoming entrepreneurs. For instance, frequently departing from work and a lack of dedication serve as motivators to embark on a company venture. Frequently, individuals experience frustration with their present occupation and perceive no promising career opportunities in the foreseeable future. Occasionally, individuals become aware that their employment is in jeopardy as a result of subpar performance. A large number of people detest the idea of working for someone else and want to change the situation as it is. Some individuals choose to become entrepreneurs due to their dissatisfaction with bureaucracy or the interference of politics in advancing their profession or business. Many individuals are fatigued by the numerous endeavors to advertise a product or service or the unscrupulous methods employed in conducting business.

### **3. Methodology**

The process of identifying issues and generating suggestions for the selection of policy challenges in small and medium enterprises (SMEs) and local economic development (LED) will be conducted at both the regional and national levels. The development issues of the small and medium enterprises sector will be evaluated using a comparative and evaluative approach, including both their temporal and spatial aspects. The utilization of scientific and expert analysis is imperative when examining the aspects that influence the formation and growth of small and medium enterprises, as well as their financial prosperity.

The research was conducted by distributing questionnaires to firms in Kosovo throughout the years 2011 and 2012. The adopted research methodology is integration of qualitative and quantitative approaches. The utilization of qualitative and quantitative data methodologies offers not only the ability to verify ideas but also to explore more extensively

any concerns produced by the research inquiries. The SPSS was utilized to apply statistical econometric approaches for analyzing firm activities and strategic management, specifically focusing on the analysis of components using econometric techniques. The interrelationships among key variables in various economic sectors were elucidated through the utilization of tables and graphs, primarily by leveraging the findings of the input-output analysis.

The development issues of the small and medium enterprises sector were evaluated using a comparative and evaluative approach, including both temporal and spatial factors. The utilization of scientific and professional analysis is essential when examining the aspects that influence the establishment and growth of small and medium enterprises (SMEs) and their financial prosperity. The study utilized the ANOVA Test to conduct hypothesis testing on discrete data. This test is used to determine if two categorical variables are independent of each other. Additionally, the analysis will include correlation analysis to examine the relationship between variables as well as regression analysis to assess the relationship between dependent and independent variables. The database consisted of the ARBK business register located near MTI, along with the sample collected in 2011 (consisting of 500 SMEs) and the sample collected in 2012 (consisting of 506 Kosovo SMEs), using the Excel computer application.

#### **4. Findings**

Over the past decade in Kosovo, significant progress has been made in the establishment and growth of private, small, and medium-sized firms, resulting in valuable evidence. Despite facing unfavorable conditions, including discriminatory policies imposed by the Serbian government, many enterprises in Kosovo were able to thrive. The most significant outcome is the strengthening of private initiative and entrepreneurship in the region.

A decade of disregard and insufficient allocation of resources to Kosovo's economy, coupled with the exclusion of Albanians from employment opportunities, has resulted in a significant portion of the population falling into poverty. Small and medium-sized firms have demonstrated their efficiency not only in conventional industries such as services, trade, tourism, and hospitality but also in advanced technology sectors.

- The defining attributes of small and medium enterprises are as follows:
- They exhibit greater resilience to market shocks and recessions.
- Generate immediate job impacts,

- Mobilize local resources and capital,
- They can be classified in several ways.
- They possess a strong inclination for transitioning between projects.
- Managerial visions can be readily transformed into tangible outcomes.

Similar to Kosovo, several nations in the region encounter the difficulties of securing funding for small and medium-sized firms (SMEs), particularly in gaining substantial financial support from outside sources.

According to the table provided, the private economy, specifically small and medium-sized enterprises (SMEs), accounted for 65% of the gross domestic product (GDP) in Kosovo in 2000. Additionally, SMEs are estimated to have contributed to approximately 31% of employment.

In the United States of America, the employee involvement rate in small and medium-sized enterprises (SMEs) exceeds 54%, although in Western European countries, the proportion of employees in SMEs reaches as high as 65%.

In Great Britain, small and medium firms account for approximately 52% of the whole workforce, while in Italy this figure stands at 73%, in Germany at 38%, and in Croatia at 30%.

The number of private firms in Kosovo increased from 5,610 in 1991 to 16,371 in 1994. Nevertheless, the growth of medium- and small-sized private firms did not exhibit the same pattern. The most significant expansion of these businesses occurred from 1990 to 1993. Furthermore, there was a substantial surge in the number of self-employed individuals, in addition to the growth seen in private businesses.

In 2002, there were a total of 54,412 registered firms in Kosovo, out of which 31,220 were classified as small and medium enterprises. Approximately 60% of these firms are currently operational.

In 1995, the private economy accounted for 55% of Kosovo's GDP, while in 2000, small and medium-sized enterprises (SMEs) were estimated to contribute roughly 31% to employment.

In Croatia, small and medium-sized enterprises (SMEs) have accounted for approximately 30% of the total workforce in the economy in recent years.

Poland has achieved significant progress, with a total of 2,546,405 registered small and medium-sized enterprises (SMEs), of which 65%, or 1,508,187, are currently operational.

In 1996, Bulgaria had a total of 315,441 private firms. Out of them, 307,708 had less than 10 employees, 6,784 had between 10 and 50 workers, 1,425 had between 50 and 500 workers, and 54 had more than 500 workers.

In 1999, the contribution of small and medium enterprises (SMEs) to the gross domestic product (GDP) in Romania amounted to 61.5%.

In 1998, the number of individuals engaged in small and medium-sized private firms in Kosovo exceeded 120,000.

In 1998, there were 14,008 small and medium-sized enterprises (SMEs) registered in Montenegro, with 38% of them actively operating. SMEs accounted for approximately 33.47% of the country's GDP.

## **5. Conclusions and Recommendations**

Based on our study, we have determined that in order for managers to generate wealth for their organizations, they must successfully combine entrepreneurial and strategic actions. Nevertheless, the integration process encompasses a range of unresolved matters and a multitude of challenges. Companies encounter the difficulties of adapting to change, maintaining strategic adaptability, and addressing concerns associated with the execution of plans.

The study offers generic ideas that can assist organizations in minimizing the chances of failure during the integration process. Moreover, implementing the recommended strategies for handling future changes might assist firms in navigating the transition process with greater efficiency. The user's text is empty. Ultimately, the methodologies proposed in this research can assist businesses in preserving their strategic adaptability over an extended period of time.

In summary, this paper has presented the following:

- To enhance economic ties with neighboring nations, with the aim of facilitating the entry of domestic products into regional and European Union markets.
- The implementation of steps to facilitate foreign investors, such as streamlining administrative licensing procedures for overseas corporations that demonstrate interest in investing in our nation.
- The government can implement various stimulus measures to boost exports, including streamlining bureaucratic procedures, lowering customs fees, conducting informative campaigns for businesses about regional and international markets, signing agreements with neighboring countries and the EU to facilitate the free movement of goods, enhancing road and railway infrastructure, and providing incentives to improve the quality of local products.

Based on the analyses conducted in this study, the proposed actions for supporting SMEs in the growth of entrepreneurial and strategic management activities are as follows:

1. The objective is to promote the inclusion of as many small and medium enterprises (SMEs) as possible into the official sector. The implementation of regulatory protocols for businesses will incentivize a larger proportion of small and medium-sized enterprises (SMEs) to participate in the official economy. This measure aims to enhance the accessibility of credit and financing options for small and medium-sized enterprises (SMEs), as well as facilitate the resolution of commercial issues. Simultaneously, it is intended to foster the overall growth of the market economy and the establishment of long-lasting employment possibilities. within the small and medium-sized enterprise sector.
2. Business dissolution refers to the process of easing the closure of firms or the alteration of registration forms based on changes in ownership. Taking measures in this area is crucial to ensuring that honest entrepreneurs can establish new enterprises notwithstanding previous failures or changes in the ownership structure to more sophisticated corporate forms. Entrepreneurial growth and expansion.
3. The group aims to enhance the involvement of women in the establishment and growth of sustainable businesses through its campaign.



4. It is widely acknowledged that companies should offer training and education to empower their employees, enabling them to actively participate in organizational change.
5. The purpose of this is to foster the cultivation of crucial, adaptable skills, enabling firms to effectively address unforeseen changes or challenges. Moreover, companies are unable to promptly adapt to future alterations unless they possess competent personnel.
6. The establishment of the business vision and mission by the senior management team includes the formulation of short-term and long-term strategic objectives, alternatives, and adaptable methods to address environmental changes.

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