

DEVELOPING SUSTAINABLE BUSINESS STRATEGIES FOR SMEs: CHALLENGES AND OPPORTUNITIES FOR SMEs IN DEVELOPING COUNTRIES - CASE STUDY OF SMES IN KOSOVO

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Abstract

This study tries to identify the challenges and opportunities of SMEs in developing countries in applying a sustainable business strategy as well as the barriers to doing business, through the example of SMEs in the Republic of Kosovo. In order to identify the opportunities and barriers in doing business in SMEs, research was conducted with 249 small and medium-sized enterprises. Out of the 250 surveyed enterprises, only one did not respond. The research additionally seeks to identify the challenges of developing adequate strategies for SMEs in developing countries, given the growing impact of large enterprises and corporations on the effects of the market economy. The research results were obtained in the period of September - December 2016. The research data show that the majority of registered enterprises are micro-businesses; the most preferred sector is trade; the most failed type of enterprise is individual business; the cost of the product represents the biggest obstacle in implementing the desired strategy; Kosovo's enterprises partially use Ansoff's recommendations for product development strategies, while most use market development strategies; the main bargains in doing business have been identified. These data and analysis will be useful for businesses, business owners, academics, students and policy makers.

Keywords: Business strategy; SMEs; Business Barriers, Developing Countries, Kosovo

INTRODUCTION

The world economy is changing. This is a fact. New technology and new communication opportunities have reduced the physical boundaries and have made consumers more knowledgeable and demanding. To overcome these challenges, companies (in particular SMEs) have been striving to develop new strategies to respond to new demands and working conditions in their market environments. Additionally, they are facing various challenges that can only be overcome by developing appropriate business strategies. Many factors seem to be important. As noted in this study, the most common strategies that companies apply in their path for development and growth are based on market segmentation and their market-oriented determination, which are seen as the most effective approach to reach consumers with a certain product and to develop a sustainable company strategy. In addition, there are differences between standardized implementation strategies of companies and those that are more focused on localized advertising strategies.

The development of the modern economy and the rapid technological development have made it possible for the market system to express its true value in today's business world. Diversity of products in the market, the development of low-priced policies with the aim of dominating the market and the frequent diversification of goods have pushed enterprises of all sizes (especially small and medium-sized enterprises) into a critical situation in relation to their business policies. That has been going on in both directions: current market orientation and goals to target new markets in the future.

In a free market economy and with the effects of globalization, the development and implementation of appropriate operational strategies and in particular marketing strategies is the only way to develop sustainable, long-lasting and lucrative business. Therefore, in these circumstances, for SMEs, the implementation of each of the known strategies so far has become an impediment in achieving business success, especially for this category of companies operating in developing countries. Perhaps it is the time to develop a new concept of sustainable strategies for SMEs (especially those in developing countries), strategies that go beyond what has been so far developed in theoretical and scientific aspects and implemented in practice.

The private sector in the Republic of Kosovo consists mainly of small and medium enterprises. They generate the largest number of new jobs and represent the pillar of the local economy. In most transition countries, small and medium-sized enterprises have carried the greatest burden of transformation towards a free market economy. SMEs have not only created new jobs, but have also absorbed the workforce that has remained unemployed during the transformation of public/state property into the private one.

Being important for the overall economic and social development, SMEs have been the subject of study by many scientists and researchers as well as state and non-state institutions. Fortunately, in Kosovo, SME research is dating back to 1999. The research is mainly based on the identification of factors affecting SME business, development trends, various institutional and non-institutional barriers, as well as other important issues for SMEs.

This research on the development of sustainable SME strategies in developing countries, taking the SMEs in the Republic of Kosovo as a case study, is intended to answer these questions:

RQ1. What is the role and importance of SMEs in economic development and in reducing unemployment in Kosovo?

RQ2. What is the type and structure of SMEs in Kosovo that can apply successful business strategies?

RQ3. What are the main business barriers for SMEs in Kosovo?

RQ4. Which business strategies or strategic alternatives apply to the success of Kosovo's SMEs?

RQ5. What are the difficulties of manufacturing enterprises in Kosovo in implementing their business strategies?

CHALLENGES AND OPPORTUNITIES FOR DEVELOPING SUSTAINABLE STRATEGIES FOR SMES (APPROACHES OF DIFFERENT AUTHORS)

Small and Medium Enterprises (SMEs) represent a great potential for economic development, and are considered the most contributing and important sector in developing countries around the world. For this reason, SMEs are seen as the main factor responsible for the overall development of these countries not only by the private sector, but also by the policymakers, such as the government and other relevant institutions (Schlogl, 2004). This importance can be highlighted through their innovations, creation of new jobs, participation in GDP, independence in action, initiation and stimulation of competition, participation of small businesses in the overall number of businesses, etc. (Ramadani & Hisrich, 2015). SMEs are important in the economies of all nations - they account for about 90 to 95 percent of all enterprises around the world and account for more than 70 percent of all products and services. SMEs are also seen as a key factor in employment and account for around 60% of private sector employment worldwide (Ayyagari, Demirgüç-Kunt & Maksimovic, 2011). In addition to playing an important role in the development of the country's economies, SMEs also play a crucial role in regional development (Smith, 1998; Bartlett, Bateman & Vehovec, 2002; Pike, Pose & Rodriguez, 2006; Potter, 2010).

In developing strategic business alternatives, enterprises identify different strategies as an opportunity to implement a sustainable and profitable future strategy for the company. The enterprise considers several alternatives and chooses the most appropriate option or identifies several options for developing their own strategies, despite the fact that alternatives may not be fully in line with previous or initial strategic planning. Despite the possibilities for discrepancy between alternatives and initial and revision planning, the new strategy should be good and within the firm's financial, technological and financial capacities. For this reason, before developing strategies, enterprises should take into account internal and external factors that affect or may affect the strategy's implementation period. It is well known that the dynamic changes in the business environment, the global economy and the free market conditions often threaten the survival of organizations that did not give proper consideration to external factors when planning the strategy.

There are many different alternatives that can be considered by the organization when it plans future development paths. There are plenty of tools available to apply treatment strategies in general. Various studies offer different models that allow so-called "Business Portfolio Analysis", which are applicable today to large enterprises, but also to small and medium enterprises (Hedley, 1977). All of these options come from two main pillars: a) the strategy of being cost leader, and b) the product differentiation strategy. Both of these strategies have the same purpose, namely the organizational growth of the company, and they are known as growth-oriented strategies. Regardless of the chosen strategy, the organization must first take into account its position within the business environment in which they are or are planning to be active. This involves much more than a simple analysis, such as product positioning or marketing concepts.

Business success or performance can be conceived in different ways, in most cases it is assessed through financial performance, but in small and medium business other indicators are used to assess success and/or performance, such as survival, increased sales and/or profits, market share, customer satisfaction, and employee satisfaction.

There are different theories that try to describe what really drives SMEs to reach the competitive edge in the market. Among them is the "Capital Theory" proposed by Bourdieu (2001). He identifies two dimensions within the field of business organization theory: the field of organization and the global domain. The field of organization analyzes the members involved in it and consists of different types of capital: social, symbolic, cultural, commercial, technological and financial capital. The global field is comprised of external factors that can be imposed on the company. Social capital is defined as "a set of resources that are linked to the existence of a more or less institutionalized relationship of inter-relationship relations."(Bourdieu,1980: 2).

Symbolic capital identifies the organization as a company that has gained prestige, recognition and consumer confidence by offering products and services that associate a "brand" and have a moral authority for society, with a confidence and pride based on employees belonging to the company (Contreras, Molina & López, 2011). Cultural capital is defined by Contreras, Lopez & Molina (2001) as a group of skills owned by the people involved in organizations (owners, managers and workers), including their level of education, sector experience, technical capabilities, and skills to resolve certain tasks. Therefore, the importance of intellectual capital lies in the accumulation of knowledge, skills, abilities and experience that are effectively applied in decision-making. Similarly, Bourdieu (2001: 222) defines the commercial capital, "as a trading capital in relation to the sales force, which depends on distribution networks (transport and storage), marketing and post-sales services." Also, production capacities and strength (such as: "portfolio of scientific resources (potential research) or technical (methods, skills, routines and competencies) that can be used in design and production of the product ... "The last type of capital we are considering here is financial capital. Financial capital has gained great importance due to its profit orientation, which requires a proper management and strategy of the company's resources.

Different business environments have different conditions and circumstances of doing business. For this reason, business environment analysis depends on the sector in which the company operates and its ability to adapt to market changes. At this stage of the analysis there are two main problems. The first problem is the identification of key variables for each factor and the second concerns the prediction of changes in the environment.

The importance of the business activity of SMEs has made strategic management researchers recently to give more attention to the activity of these companies rather than to large companies or corporations. This has been so due to the SMEs' contribution assessment in a country's economic development and their contribution to declining unemployment (Schlogl, 2004). It is a phenomenon that is visible especially in the post-1990 period. The main description is made in the way of designing, analyzing and implementing the strategies of this category of enterprises and the challenges for their success in a modern business environment, which in today's free market and globalization is characterized by very high dynamics of development and change.

"You produce what the consumer really needs and sell solutions to problems that offer customers not only goods, but also services, benefits and quality" (Günter, 2010).

This progress in the development of theoretical and practical concepts of process of developing functional strategies in general for SMEs has been achieved due to the importance of this sector to the well-being and the economy of most developed and developing countries.

Business strategies that support small and medium-sized enterprises need to focus on factors that affect or hinder development. Entrepreneurs of these businesses should pay attention to the draft strategy for their business, because their success or failure depends directly on their business owner as a drafter and direct implementer of the strategy. (Zimmer & Scarborough, 2002). In general, it can be concluded that small and medium-sized enterprises have played a great role in the economy, noting that more than half of the total number of employees and over 80% of the developments in recent years have been mainly made by small and medium sized enterprises (Wheelen & Uria, 1998).

Even the marketing concepts and its strategies have seen a dynamic change and incredibly high advancement. Enterprises constantly face specific situations at crucial moments of defining the appropriate strategy to achieve a marketing strategy that implies a long-term marketing concept that is oriented towards customer satisfaction, but at the same time realizing the interests of the society (realization of profit and market position)."(Raimi, 2010).

Various researches and scientific literature in the field of strategic management of small and medium enterprises strongly recommend the market development strategy and product development strategy for such enterprises. Most of the recommendations come from the Product Analysis / Market Matrix or so called the Ansoff Matrix. An analysis of the results of such studies, Watts, G. Lope & Hulme provides a more detailed overview and justification for implementing these strategies for small and medium enterprises based on this matrix (Watts, G.Lope, J. & Hulme, 1998).

Strategy of focusing is a very specific strategy and mostly is a characteristic of small and medium enterprises. The idea of implementing this strategy lies in the orientation of the enterprise to only one market segment, i.e. a limited group of customers where the company believes that they can produce the product or service that is in line with their needs and requirements. Lack of financial, human and technological capabilities has forced companies to apply focusing strategies and focus on a narrow competition field or a "market stall" for which only a combination of marketing mix instruments will be applied. The range of products to small businesses is limited. Small businesses are characterized by undiversified production programs, respectively with close product assortments. In most cases it relies only on a product or a production line (Ramadani & Hisrich, 2015). However, this strategy will be successful when companies are able and have the power to provide real value to this market segment.

Clearly, in today's increasingly free world trade economy, multinational corporations can be found almost everywhere. However, despite their commitment to providing sufficient supply to the demands, needs and preferences of consumers, they sometimes fail to achieve such a goal. This is exactly what is expected and required to be covered by companies using focused

strategies, operating in certain markets, where competitors (usually large companies) do not provide the right services. For small and medium businesses, especially those specializing in specific areas of operation, this strategy turns out to be more successful and less prone to failure. The challenge of developing a proper marketing plan for this purpose is essential to the success of this strategy and a long-term plan may bring superiority against competitive brands. The main focus of the plan should be the productive combination of four marketing mix elements (product, price, place and promotion) in the attack areas, where competition is very hard thus using their weaknesses (Reshiti, 1997). Clearly, this is an appropriate strategy for small and medium-sized enterprises that do not have sufficient resources for mass production, cheaper distribution and advertising; therefore, the objective should not be maximizing sales, but rather attracting customers to a specific segment. Most of the marketing studies conclude that marketing strategies are the most important factors for the success of the enterprise (Carson & Gilmore, 2000). The focusing strategy is of no value if it can be imitated easily by competitors, big or small. Likewise, it will fail if the structural interest is lost in the selected segment, i.e. if the structure will degrade and the demand will disappear. Dangerous uses of this strategy are:

- Imitation from competitors, even serving in a small segment.
- Reducing the difference of needs of customers in a segment, with those in the industry as a whole
- The company has focused its sales on only one segment, so if the demand is reduced, then this in turn reduces the company's financial strength and its sales volume. (Kume, 2007).

Defining the strategy and its development seems to be even more complicated and challenging for small and medium enterprises in developing countries. Complexity is noted precisely in the impact of internal factors and external factors, the effect of which is most visible to businesses of this magnitude. The lack of production capacities, limited financial resources for research and development and the lack of expertise in the development of new products often limit the ability of SMEs to select and benefit from them. Cost leader strategy for small and medium enterprises is almost impossible to implement. Successful implementation of this strategy requires a large volume of sales, which is achieved by manufacturing activity that will bring low cost per unit of production, enabling it to sell the product with the low price. This is something that SMEs can not realize!

They should focus only on one or a limited number of market segments. There are very few opportunities for these business categories in one segment to be a leader of fixed costs. Only in a market segment with a large volume of sales and the production of non-high quality

products / services can small and medium enterprises consider the possibility of cost-leader strategy. By choosing the target market to develop the market penetration strategy, the enterprise can decide on a targeted market that enables a more stable position in the operating environment. The factors to be considered for choosing the target market for business are: *enterprise means, homogeneity of the product; stages of the product life cycle; market homogeneity; competitors' marketing strategies.* (Kotler, 2003).

RESEARCH METHODOLOGY

This research study on the development of successful SME strategies in developing countries, with the case study of Kosovo's SMEs, will be answering the following questions: What is the role and importance of SMEs in economic development and in the reduction of unemployment in Kosovo? What is the type and structure of SMEs in Kosovo that can apply successful business strategies? What are the main business barriers for SMEs in Kosovo? Which business strategies or strategic alternatives apply to Kosovo's successful SMEs? What are the difficulties of manufacturing enterprises in Kosovo in implementing their business strategies?

The study tends to give a better picture of the situation and the circumstances in which SMEs in Kosovo apply or can apply successful business strategies. 249 enterprises were surveyed through online questionnaires. Nonprobability sampling has been used and the variables used are geographical ones (7 regions of Kosovo), by sector (trade, manufacturing and service) and by size of enterprises (excluding large enterprises). Quota sampling is used. The survey lasted from September to December 2016 with companies from all over Kosovo.

ANALYSIS AND FINDINGS

The main features used in this research which will allow us to have a better insight into the choice and implementation of a more appropriate SMEs strategy are: business strategies, types of SMEs, business barriers, influencing factors in the application of business strategies.

Challenges and opportunities for developing sustainable strategies for SMEs in Kosovo

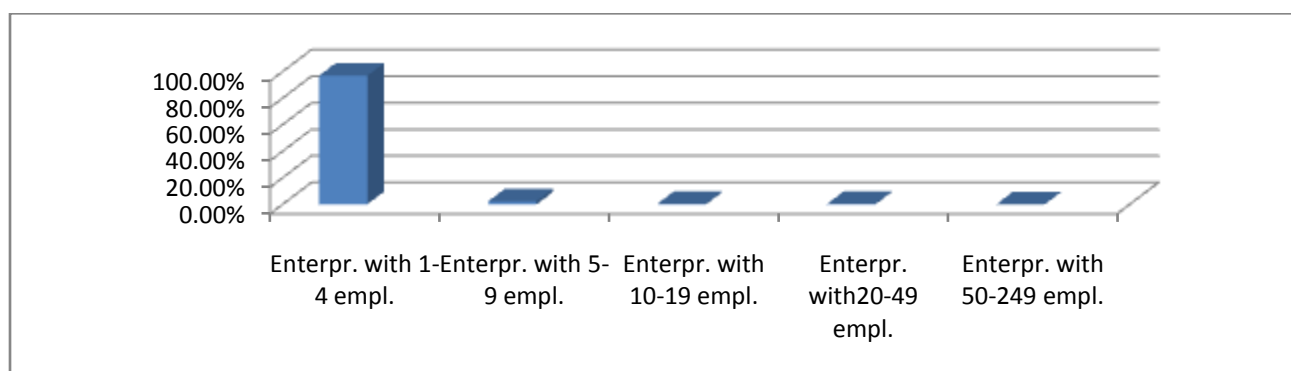
The private sector in the Republic of Kosovo consists mainly of small and medium enterprises. They generate the largest number of new jobs and represent the pillar of the local economy. In most transition countries, small and medium-sized enterprises have carried the greatest burden of transformation towards a free market economy. SMEs have not only created new jobs, but have also absorbed the workforce that has remained unemployed during the transformation of public-private property into the private one.

Having an importance on the overall economic and social development, SMEs have been the subject of study by many scientists and researchers, as well as state and non-state institutions. Fortunately, in Kosovo, SMEs research is dating back to 1999. This research is mainly based on the identification of factors affecting SME business, development trends, various institutional and non-institutional barriers, as well as various issues of importance for SMEs.

Overview of SMEs in Kosovo

The central institution that manages the registration of new enterprises in Kosovo is the Kosovo Business Registration Agency (KBRA), which operates within the Ministry of Trade and Industry (MTI). According to this institution, by the end of 2014, 128341 enterprises were registered in Kosovo. During the first quarter of 2015, 2912 enterprises were registered, while 1805 new businesses were registered in the previous quarter. This shows an increase between the quarters of the same year for 1107 enterprises, or 61.3% more registered enterprises. An analysis of enterprises by number of employees proves that about 2817 enterprises or 96.8% of new enterprises fall in the category of number of employees from 1-4 (employed), 67 (2.3%) in the category 5-9, 16 (0.5%) with 10- 19 employees, 10 enterprises (0.3%) with 20-49 and 2 enterprises (0.1%) in the category with 50-249 employees.

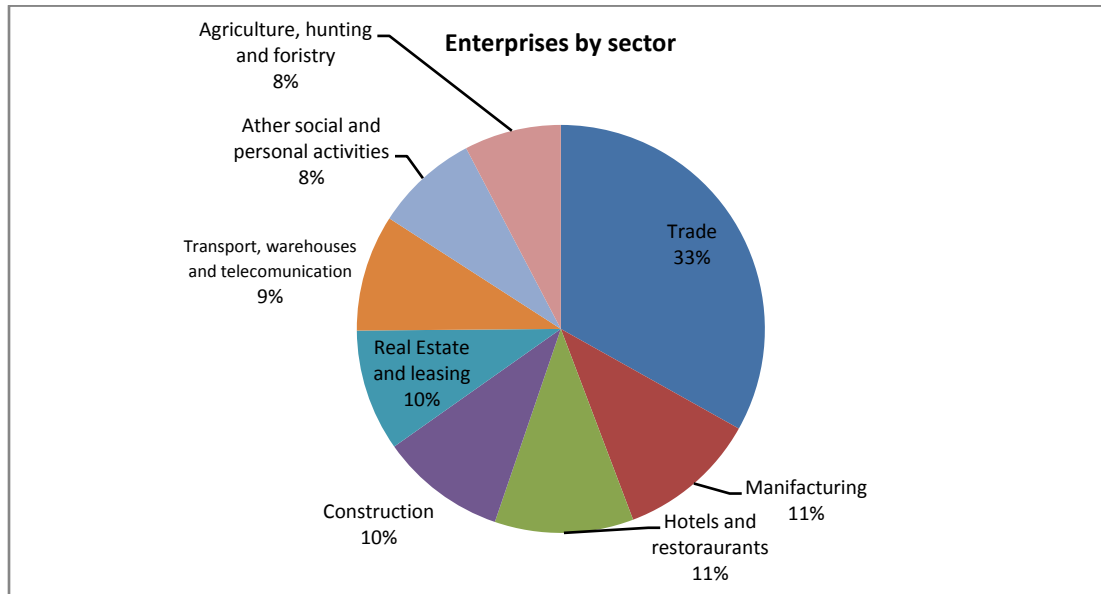
Figure 1. Types of enterprises registered in Kosovo by number of employees



Source: Agency for Business Registration in Kosovo (ABRK)

Regarding the most favored sectors, the dominance of the trade sector continues mainly as a result of the need for small initial investments: trade with 928 enterprises (31.9%), manufacturing 311 (10.7%), hotels and restaurants with 293 (10.6%), construction with 279 (9.6%), real estate and leasing with 271 (9.3%), transport, warehouses and telecommunications with 260 enterprises (8.9%), other social and personal activities 230 (7.9%), agriculture, hunting and forestry 215 (7.4%), while other activities participate in very small scale.

Figure 2. Division of Enterprises by Sector



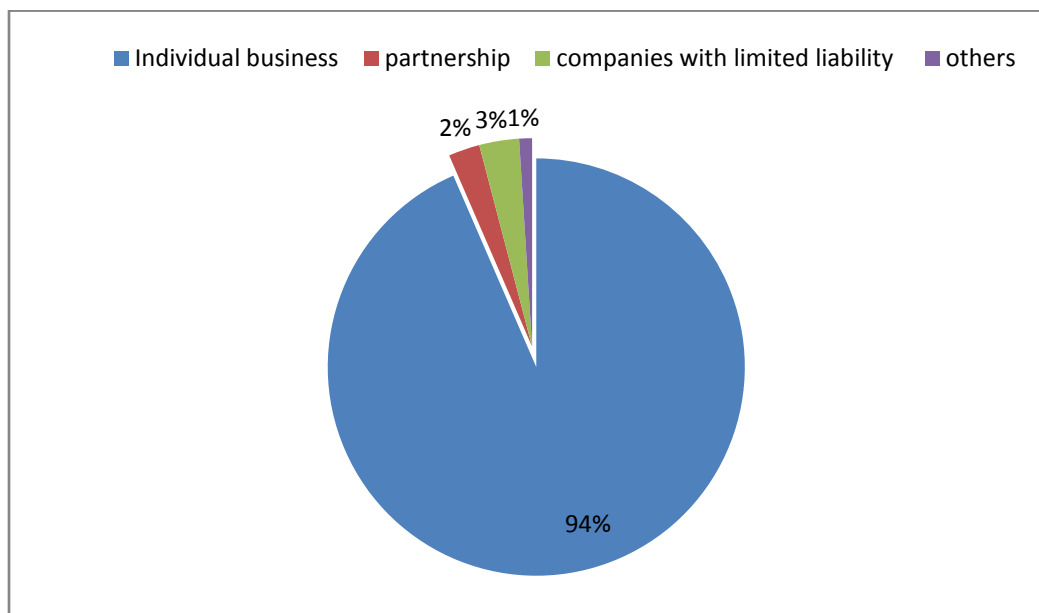
Source: Research Results

Theoretically, but also based on many empirical studies, it has been shown that small and medium-sized enterprises have a high degree of failure / closure. In many literatures in this context, it is said that over 50% of the businesses are closed in the first two years of operation. Although no survey was conducted in Kosovo that investigates the rate of SME closure in Kosovo, it is not surprising if the business closure rate in the first two years is more than 50%. This is mainly related to the difficult conditions to do business in Kosovo, the extreme environment for business development and enterprise growth, and the lack of proper entrepreneurship preparation before entering the market.

However, the number of enterprises registered during 2015 is 9203, which is the same number compared to 2011-2015, whereas, the number of extinct enterprises is 1516. In extinct enterprises in Kosovo by type of ownership, individual businesses dominate significantly with a total of 1424 of business, expressed in percentage 93.93%, while the failed enterprises that have been a partnership are 37 expressed in percentage 2.44%, companies with limited liability 47, expressed in percentage 3.10% and others under 1%.

249 small and medium-sized enterprises were involved in the research, 113 of them respectively 45.4% belong to trade, 44 enterprises respectively 17.7% belong to production, while 92 enterprises or expressed in percentage 36.9% are in the service sector. Over 90% of the leaders of these enterprises are male. Regarding the level of qualifications, 51.4% are with undergraduate degree and 46.2% with high school, while only 2% of them are with elementary school.

Figure 3. Types of extinct enterprises by ownership



Source: Research Results

Defining the strategy and its development seems to be even more complicated and challenging for small and medium enterprises in Kosovo. This study aims to contribute to the challenges of applying sustainable strategies for SMEs in Kosovo, due to the fact that over 90% of SMEs in the country belong to micro businesses and small and medium business categories. These companies are the largest contributors to Gross Domestic Product (GDP) and employment in the country. The size of companies in Kosovo is determined by law (Law No. 2005/02-L5 and Law No. 03 / L-031). It is worrying that the number of employees is the only criterion used in the classification of companies in Kosovo in terms of size. This is different from EU countries, where, in addition to the number of employees, the company's annual turnover is also considered.

The following data gives an overview of companies in Kosovo, divided by the number of employees that determines the size of companies.

Table 1. Size of enterprises according to law in Kosovo

Classification based on size	Number of employees	Number of companies	Total percentage
Micro	1-9	102.070	98.37
Small	10-49	1.406	1.35
Medium	50 – 249	221	0.22
Large	250 plus	58	0.06
Total		103.755	100.00

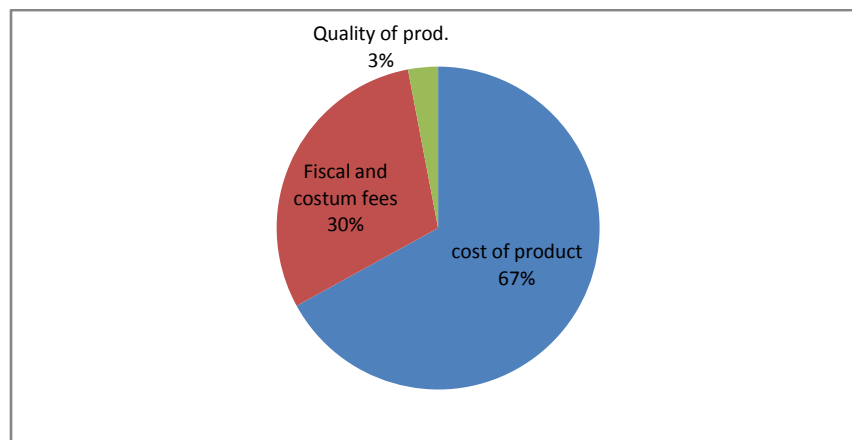
Source: Agency for Business Registration in Kosovo (ABRK)

Opportunities for SMEs in Kosovo to develop a product development strategy

A sound analysis of the activity of companies (SMEs) in Kosovo shows that the type of marketing strategy that can or cannot be used depends on the type of activity. The main reasons lie in external factors. Kosovo operates in a market economy, and in these circumstances, the influence of large companies from developed countries, importers of products in Kosovo or from Foreign Direct Investment (FDI), makes it very difficult for small and medium-sized businesses, local and international, to apply their strategies successfully. This is especially the case with manufacturing companies operating in a small market such as Kosovo, which find it very difficult to achieve the product's economy, i.e. to create a low-cost product with competitive prices in market. Given the lack of financial capacity, they also find it difficult to apply a value chain, which will also enable low-cost production. In other activities involving SMEs in Kosovo, such as trade and services, it is perhaps easier to apply successful strategies. The reason for this is that, in the Kosovo market, importing of products is made by local companies, mainly small and medium-sized businesses, while in the service sector it seems a little bit easier. In this sector, activities are entirely in the hands of SMEs and competition here seems right, while success depends entirely on the company itself.

This is probably the reason why most businesses in Kosovo are oriented toward the trade and services sector, and they are the most successful businesses. Statistics confirm such an approach. Only 32.2% of companies operate in the manufacturing sector, while the rest operate in the trade and service sector.

Figure 4. Difficulties of manufacturing enterprises in Kosovo in implementing their strategies



Source: Research Results

Product development strategy for small and medium enterprises in Kosovo is mainly based on the modification of existing products and less on the creation of new products. Modified

products are mainly tied to existing products that can be traded to customers via existing channels.

The idea is that by implementing this strategy through product development to achieve penetration into existing markets, either by modifying existing products or by producing new products that are related to existing ones. This is attempted to be achieved through:

1. Developing new characteristics of the product:
 - Adapting products to market needs
 - Modification
 - Change the product size
 - Replacement of some product ingredients with other ingredients
2. Developing products with several types of qualities
3. Developing products with new dimensions and patterns.

Small and medium-sized enterprises (that have high growth) have many products that managers in a way consider to be new, compared to other company products. In fact, this does not mean that they are newer than those of high-growth companies. For high-growth enterprises, competitive strategies are common based on a combination of product differentiation and market focus, which keep the spending control but do not meet all the conditions. The rapid growth of small and medium-sized enterprises in Kosovo should derive from competition, innovation and quality factors, while small and medium-sized enterprises that are stable and with slower growth should compete on a price-based basis.

Based on Ansoff's recommendations on the product development strategy and the characteristics that companies have to follow in order to have a successful strategy, we have analyzed the possibilities of implementing this strategy by SMEs in Kosovo. There are five main points of the product development strategy, and only a few SMEs can apply them in reality:

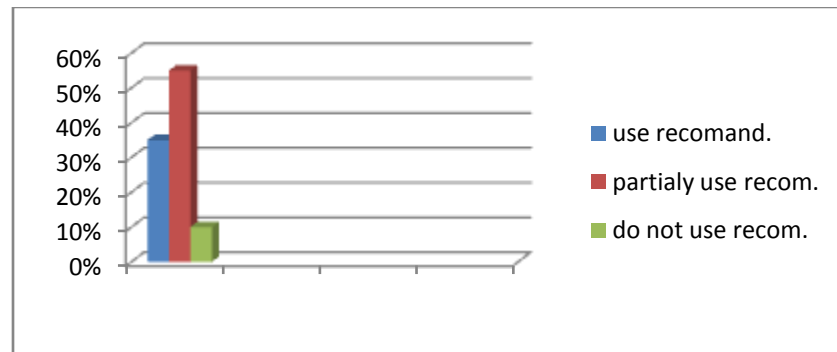
1. Creating new products for existing customers
2. High innovation in production
3. Innovative production
4. Cooperation
5. High research and development budgets are almost inaccessible to small and medium enterprises in Kosovo.

In their statements, representatives of SMEs in Kosovo said that innovations in the production and the creation of new products are the weakest points in companies in Kosovo. As far as cooperation is concerned, they claim to be increasingly more applicable in Kosovo. New products are also very challenging for Kosovar businesses. 90% of surveyed businesses have stated that it is impossible for them to create a new product for existing customers. There are

various reasons, but they mainly mention the lack of new skills, limited financial, technological and human capacity to create a new product. Also, the lack of sufficient market research related to the identification of new product needs and new requirements that existing customers may have and the emerging difficulties of a new product at the stage of its entry into the market when the new product is not profitable are the main difficulties of these enterprises for a sustainable development.

Similar situation occurs during research and development as well. Only 35% of enterprises have said that they have a particular research and development sector. 55% stated that they are aware of the importance of R & D, but the lack of budget for this activity does not allow them to have a research and development sector. As a research-related development activity, market research has been mentioned, namely 85% of the companies surveyed have stated that they conduct such research with their particular sector or through professional agencies.

Figure 5. Using Ansoff's recommendations for product development strategies



Source: Research Results

SMEs Market Development Strategy in Kosovo

Market development means the marketing of existing products (often only minor external modifications) through distribution channels, and the changing of the content of promotional activity. Given that in the Kosovo markets about 90% of the products are imported, which means that most of the enterprises in Kosovo are distributors, market development through distribution channels is more appropriate and perhaps the only way for such enterprises.

Market development allows companies to exert a focused growth by identifying new consumers for existing products and new markets with different demographic, geographical or psychographic variables. Growth-oriented small and medium-sized enterprises usually need to respond to market opportunities. These include new products or services provided to existing

customers, the acquisition of new customers for existing products or perhaps diversification into other activities.

The ability to respond to new market opportunities is a strategic element in the success of business growth over a long period of time. However, the development of new markets undoubtedly involves the geographic expansion of the market, where this type of expansion is largely confined within the territory of Kosovo, where Kosovo's enterprises mainly operate. The reasons for these constraints are political, in addition to the lack of financial and logistical capacities for a wider geographic market and fear of facing stronger and more aggressive competition in the European market.

Also, to a certain extent, expansion varies between countries and between industrial sectors and the differences in areas where the focus of the companies allows for the possibility of expansion in the domestic market. The major geographic expansion of the market is at an early stage of business development that can generate other enterprise-based resource requirements, an issue that needs to be addressed in small and medium-sized enterprises for the sake of their functionality. In more favorable conditions for Kosovo's enterprises, where the above factors will not exist, the growth of the market in a geographic variable means a good opportunity for the growth of the enterprise.

Growth-oriented enterprises show a tendency to be market oriented in export. These companies admit that rapid growth may increase the level of customer base, which strives to have the lowest level of dependence on larger customers than on small customers. (Smallbone, D. Leigh, 1995)

As it can be assumed, Kosovo companies have considered the use of these strategies to be logical and useful. However, due to the aforementioned specifications in the Kosovo market, many of these companies have stated that they are unable to implement some of the points of this strategy. Perhaps, the development of the market strategy is the best option in the circumstances of Kosovo and for the budget of the Small and Medium Enterprises in Kosovo.

In the survey conducted with SMEs in Kosovo, 71% of companies admitted that strategies they are constantly implementing and are most likely to achieve a successful market strategy for SMEs in Kosovo are based on the description of issues such as:

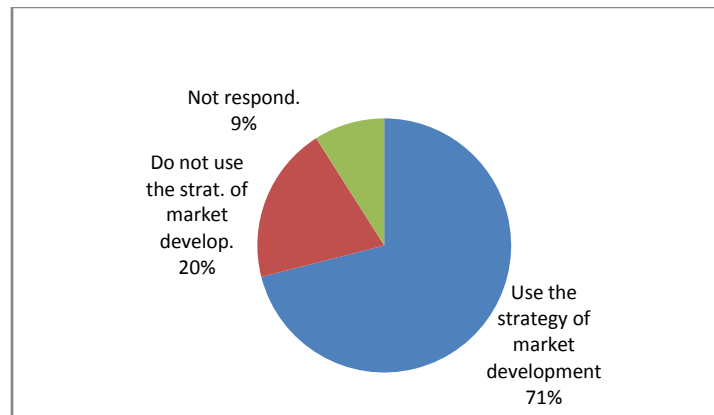
1. New customer groups for existing products,
2. Responding to new market opportunities,
3. Shortcomings in the new market and
4. Low dependence on large customers,

20% stated that in the circumstances in which they operate, SMEs in Kosovo cannot count on any adequate market development strategies because they operate in an unstable,

unpredictable and informal economy. 9% of companies have claimed that they have never planned a market development strategy.

All companies using market development strategies have stated that in their SWOT analysis, the aforementioned points have been identified as opportunities. Moreover, some of them have qualified the identification of the new customer group as strength in their companies. This is because of their ability to be closer to customers through direct contact and identification of their demand and requirements, which in this case makes them more different from the larger companies. Almost all SMEs in the study have stated that the issue of export is the biggest problem for Kosovo companies. Political problems and perceptions of insufficient quality of their products are the main factors that hinder the implementation of this part of the strategy. Also, for most SMEs in Kosovo, the issue of budget allocation is the biggest problem. With a limited budget, most of them have admitted that they cannot provide sufficient means to promote the product/service; at least not as much as required based on the Ansoff Matrix analysis.

Figure 6. Applying market development strategy to SMEs in Kosovo



Source: Research Results

Business Barriers for Kosovo SMEs

Despite some improvements in the business environment, especially from the legislative aspect as has been proved by Kosovo's ranking in the World Bank's Doing Business Index, the business environment in Kosovo remains characterized by corruption and disloyal competition. These barriers remain the same, and without any substantial difference, over the last five years. Immediately after the war, Kosovar businesses complained about the electric power supply and other infrastructure issues. By addressing these problems to a sufficient extent, businesses oriented their complaints more to factors related to the institutional and legal aspect.

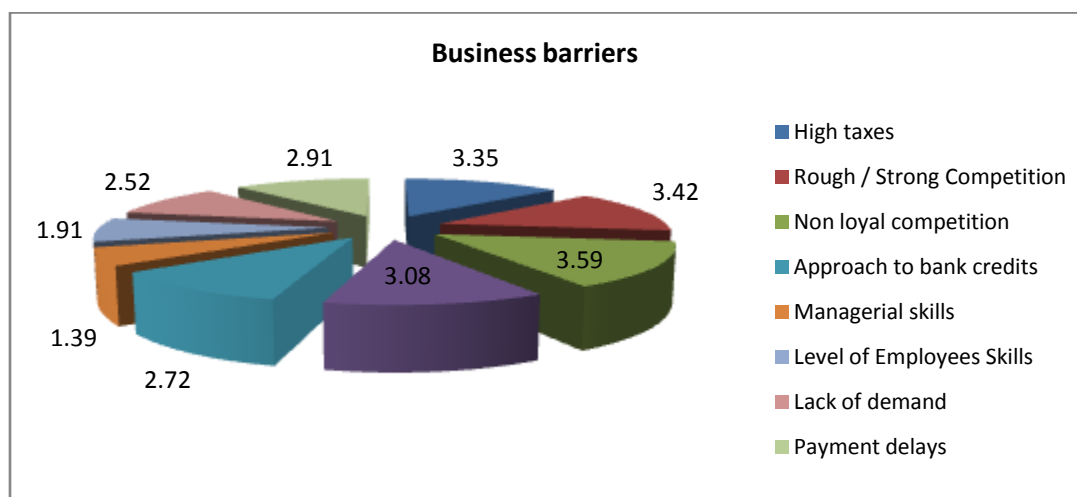
Table 2. Business Barriers for Kosovo SMEs

Business Barriers	Average
High Taxes	3,35
Rough / Strong Competition	3,42
Non loyal competition	3,59
Corruption	3,08
Approach to bank credits	2,72
Managerial skills	1,39
Level of Employees Skills	1,91
Lack of demand	2,52
Payment delays	2,91

Source: Research Results

Payment delays are another concern for Kosovar businesses. This is closely related to the rule of law since disrespect of contracts and delay in payments is influencing the company's cash flow, and has a chain effect on other businesses in the framework of creating a value chain.

Figure 7. Barriers of Doing Business in Kosovo



Source: Research Results

Despite the fact that the domestic resources of companies are not considered as big obstacles by entrepreneurs and they are not self-critical, these resources need to be seriously identified and addressed by them in order to create more successful and competitive human capacities with the countries in the region and beyond.

CONCLUSIONS

Analyzing the environmental factors in the Kosovo market, but also abroad, we can conclude that for Kosovo SMEs the most appropriate strategies for these businesses can be the differentiation and focusing strategy. This is especially true for those companies that claim to operate in the international market. By exploiting the endogenous factors of enterprises, with products or services that to a certain extent may be unique and have an added value in the market, can increase their competitive ability. Application of international standards for product quality and overall in the application of quality management system is a necessity. Also, other activities such as engagement in creativity and innovation, avoiding the copy - cat phenomenon and by developing a common innovative business center and business consulting market, these enterprises have a successful business. Research has shown that it is highly needed continuous training of entrepreneurs and management staff and a greater investment in domestic resources, especially in human resources.

For greater sustainability and a better business in the Kosovo market, state policies should also be more effective in completing the necessary legal infrastructure to address problems with non-loyal competition and corruption and mitigating policies to access bank credit for SMEs with the potential for rapid growth.

LIMITATIONS AND FUTURE RESEARCH

Beyond the fact that there are many researches on the development of sustainable SME strategies, there are very few studies and analyzes in Kosovo regarding Kosovo SMEs and their challenges regarding the application of a successful and sustainable strategy. Therefore, this paper is based mainly on the data of this research and those received by state institutions regarding the status of enterprises. Also, in some cases, obstacles to conducting interviews have been the level of knowledge of some entrepreneurs / managers regarding the strategic or strategic alternatives of enterprises and the difficulty in obtaining the desired responses. As a future development, a study on the impact of education on sustainable development of enterprises in Kosovo or even wider is desired.

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