

Strategic Leadership and Negotiation Capabilities in SME Success: Evidence from Kosovo

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Abstract

Small and medium-sized enterprises (SMEs) constitute a fundamental pillar of economic growth, innovation and employment generation in developing economies. In Kosovo, SMEs operate in a dynamic and evolving business environment, where managerial skills play a crucial role in shaping organizational sustainability and competitive advantage. In this context, strategic leadership and negotiation skills emerge primarily as critical organizational competencies that enable firms to navigate uncertainty, strengthen their relationships with stakeholders, and improve overall business performance. This study examines the direct and indirect effects of strategic leadership and negotiation skills on the success of SMEs, paying particular attention to the mediating role of negotiation skills.

This study uses a quantitative research design and applies PLS-SEM to test the proposed conceptual framework. Empirical data were collected from 325 employees in 25 SMEs operating in Kosovo, supplemented by 25 qualitative interviews with CEOs and senior managers to provide additional contextual insights. The measurement model consists of 14 Likert-scale indicators that capture three constructs: strategic leadership, negotiation skills, and SME success.

The results of the structural model reveal strong and statistically significant relationships between the constructs, with Strategic Leadership exerting a strong positive effect on SME success ($\beta = 0.52$, $p < 0.001$) and significantly increasing negotiation skills ($\beta = 0.68$, $p < 0.001$). On the other hand, negotiation skills demonstrate a significant positive impact on SME success ($\beta = 0.59$, $p < 0.001$). Mediation analysis confirms that negotiation skills partially mediate the relationship between strategic leadership and SME success, significantly strengthening the explanatory power of the model ($R^2 = 0.61$).

The findings provide strong empirical support for all proposed hypotheses (H1-H4) and contribute to the SME and entrepreneurship literature by integrating leadership and negotiation skills perspectives within a unified analytical framework. The results highlight that the success of SMEs in emerging markets depends not only on strategic direction, but also on the ability of leaders to develop effective negotiation skills that enhance organizational performance and long-term competitiveness.

Keywords

Strategic leadership, Negotiation skills, SME, PLS-SEM, Kosovo.