POLICIES, STRATEGIES, AND THE RULE OF LAW AS WAYS TO INCREASE ENTERPRISE PERFORMANCE

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Abstract

The main purpose of this paper is to empirically assess the impact of the interaction between information technology (IT), business models, and competitive strategies on the performance of manufacturing and service firms in Kosovo. The rule of law is also vital to the performance of firms as a facilitating factor in business activities. This research is based on the research of Kosta (2020), Neziraj et al. (2018), and Jusufi and Qorraj (2025), who used similar variables related to this issue. To support the raised hypotheses, the method of structural equation modeling (SEM) is used. The research provides a quantitative assessment of the proposed model, using data collected from 300 Kosovar businesses, 150 manufacturing, and 150 service. The relevance of this paper lies in the fact that this theme has never been elaborated on by other Kosovar authors. IT positively affects the business model. The business model positively affects the performance of the firm. The results of the study refute predictions that competitive strategies directly affect firm performance. The mediating role of business models in the relationship between information technology and enterprise performance is also confirmed. Although the rule of law as a variable is not included in the econometric model, theoretical evidence proves that it is an important factor in increasing the performance of Kosovar enterprises.

Keywords: Information Technology (IT), Business Model, Competitive Strategies, Enterprise Performance, Structural Equation Modeling (SEM)

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1. INTRODUCTION

As an important process, digitalization began in the 80s, when home computers began to be used in consumer markets. According to Shabani et al. (2022), new avenues were opened for consumers to be ordinary and gain awareness of democratic issues. The term digitalization means the automation of processes that affect the improvement of efficiency, where the firms' focus on digitalization can claim effectiveness, which has an impact on improving customer engagement in the contemporary economy. The rule of law refers to the functioning of various laws that regulate and protect enterprises from various problems in business activity in Kosovo. In recent years, reports by international organizations have criticized the rule of law in Kosovo, specifically local institutions that are not adequately fighting economic crime, corruption, fraud, etc.

Innovation in information technology (IT) has become the mainstay for any serious enterprise in a rapidly changing business environment (Jusufi et al., 2020). Doing business should lead to changes in the business model and process, competitive strategies, and ultimately increase efficiency in the production and service units (Osmani et al., 2022). Many enterprises have difficulty in understanding

the new information because of their poor concept of investment, especially in IT and modern management (Neziraj et al., 2018).

How enterprises react to external pressure caused by developments in IT depends on the business models of these enterprises. According to Kosta (2020), enterprises do not always manage to capture the value of the large investments they make in technology. The business model and how an appropriate business model helps to capture the value of the technology are of great importance (Abdelwahed et al., 2023).

The firm's performance is also determined by the competitive strategies it has (Setiany et al., 2023). Strategic positioning is a function of competitive strategies (differentiation strategy, cost leadership, time to market, etc.). Firms' response to external technological pressure must be accompanied by their efforts to understand which long-term competitive strategies are compatible with these business models (Spallini et al., 2022). Therefore, in order to be successful, companies in countries like Kosovo must make radical changes, especially in terms of innovations and IT. The development of enterprises and national economies depends heavily on the successful management of innovations.

Qorraj and Jusufi (2018) assert that Kosovo enterprises must improve their productivity to increase the level of their exports. This can be achieved through the introduction of new technologies in production processes and the provision of services. These investments will enable the accelerated growth of their exports to the European Union (EU) market (Qorraj & Bajraliu, 2023). Mahmutaj and Krasniqi (2020) have researched the role of different types of innovation in the growth of Kosovo firms, based on the level of their sales. Kosovo's manufacturing base is not developed, and, therefore, there are not many product innovations in Kosovo, even though they have an impact on the growth of enterprises. Given the turbulent environment, before deciding on the development of innovation, managers of Kosovar enterprises should provide appropriate information on market trends.

This paper is of particular importance because it constitutes the first attempt to empirically test a conceptual model, which evaluates the interaction between IT, business models, and competitive strategies in explaining the performance of Kosovo's manufacturing and service enterprises. In doing this, the paper empirically assesses the impact of the interaction between IT, business models, and competitive strategies on the performance of manufacturing and service firms in Kosovo. To fulfill the purpose of this study, the following research objectives were posed:

- Analysis of the impact of IT on the adaptation of business models;
- Analysis of the impact of business models on the performance of the studied enterprises.
- Analysis of the impact of competitive strategies on the performance of the studied enterprises.

This leaves room for future studies to be conducted on the impact of IT on the adaptation of business models, and how these models manage to translate the value of investments made in technology into value for the firm, specifically international-oriented firms. The literature gap has to do with the fact that there are not enough literary sources regarding this topic for Kosovo. The research methodology used is structural equation modeling (SEM). The theoretical/conceptual framework applied consists of the elaboration of various papers that have been drawn up related to this issue. The main findings/contributions are the great role that information technology has in the field of business.

The rest of this paper is structured as follows. Section 2 reviews the relevant literature. Based on these data, the hypotheses of this paper have also been presented. Section 3 analyzes the research methodology that has been used to conduct empirical research. Section 4 presents the results. Section 5 discusses these results. Section 6 concludes the paper.

2. LITERATURE REVIEW

2.1. Kosovo: The types of firms

Kosovo is one of the smallest countries both in terms of size and in terms of its economic influence in the Western Balkan region and beyond. The economy of Kosovo constitutes less than 0.40% of the general economy of this region; it constitutes less than 1/20 of the regional economy. As a result of the lack of internal economic development, Kosovo does not even come close to saturating the internal market, which is mainly covered by imports, due to an upsurge in trade deficit that affects the reduction of gross domestic product (GDP) (European Investment Bank, 2016). According to World Bank data, GDP per capita increased from $1,088 in 2000 to $3,902 in 2017. Despite the tripling of per capita income over the past 17 years, Kosovo remains the third poorest country in Europe (Kadriaj & Ramaj, 2023).

The economic growth of Kosovo has exceeded the economic growth of its neighbors. However, this growth has been insufficient to reduce unemployment, provide formal jobs, especially for women and young people, or change the high trend of migration. This is arguably because the current model of this growth relies on remittances for internal consumption. Kosovo, like other countries of the Western Balkans after the collapse of the former Yugoslavia, has followed a characteristic model of economic development, based mainly on EU integration, private consumption, financial influences, and remittances. This orientation is encountering difficulties in the way of creating sustainable economic growth because the current economic situation in Kosovo is characterized by a large trade deficit and a high level of unemployment (The World Bank, n.d.).

A process which, despite great expectations, did not bring economic effects was that of the privatization of Kosovo Socially Owned Enterprises. The various evidences available suggest that this process did not lead to economic development but contributed to the limitation of the socio-economic potential of Kosovo (Rexha et al., 2021). Even these enterprises were eventually sold at a strangely low price were ultimately sold at an unusually low price, through dubious bids fueled by allegations of corruption and mismanagement.

Kosovo is still in the phase of transition where entrepreneurship and the creation of small businesses are expected to play an essential role in the way to a modern, free market economy, and thus to development and economic growth. According to

the Kosovo small- and medium-sized enterprise (SME) development strategy 2012–2016 of the Kosovo government, the large imbalance between export and import is mainly the result of the fact that Kosovo SMEs are not competitive at the international level. Weak exporting SMEs hinder the further contribution of SMEs to GDP, job creation, and economic growth. Exports are dominated by base metals and minerals produced by large enterprises. The continued dominance of metal products in total exports continues to be a matter of concern, even more so than the low base of total exports (Qorraj & Jusufi, 2019). Categorization of enterprises by size in Kosovo is presented in Table 1.

Table 1. Categorization of enterprises by size

Classification	*Number of employees*	*Number of businesses*	*%*
Micro enterprise	1–9 employees	9.123	98.9%
Small businesses	10–49 employed	90	1.0%
Medium enterprise	50–249 employees	9	0.1%
Large enterprises	Over 250 employees	1	0.01%
Overall	-	9.223	100%

Source: Kosovo Statistics Agency (ASK, 2024).

Over 50% of all SMEs operate in the commercial sector, which is characterized by small and unproductive investments. According to the report on the business climate in Kosovo by the Riinvest Institute for Development Research (2017), the number of SMEs per capita in Kosovo is smaller than in other countries of the region. This shows that compared to other countries of the Western Balkans, the entrepreneurial culture in Kosovo is developing at a slow pace. Kosovar businesses are mainly concentrated in the central region, which includes the largest city, Prishtina, followed by the regions of Ferizaj, Peja, and Prizren. In Table 2, the geographical structure of the enterprises has remained almost the same over the years.

Table 2. Number of SMEs by region in 2024

Regions	*Number of enterprises*
Prishtina	3809
Prizren	1098
Peja	1211
Mitrovica	1089
Ferizaj	1186
Gjilan	997
Gjakova	816

Source: ASK (2024).

Regarding the number of enterprises according to sectors or economic activities (Table 3), it can be affirmed that the most preferred economic activities were trade, production, construction, accommodation and food services, and professional, scientific and technical activities.

Table 3. Number of SMEs established according to economic sectors 2019–2023

Years	*Total*	*Wholesale and retail trade*	*Construction*	*Accommodation and food service activities*	*Production*	*Professional, scientific, and technical activities*	*Other activities*
2019	9408	2815	804	1036	978	570	3205
2020	9833	2903	753	1018	1047	581	3531
2021	10424	2738	827	1017	1181	654	4007
2022	9223	2462	839	930	890	734	3368
2023	2556	722	266	247	316	204	801

Source: ASK (2024).

Most new firms are opened every year in the retail and wholesale trade sector. Trade is the most important economic activity in Kosovo. Due to tradition, most Kosovars find themselves better in this sector. From these figures, it can be understood that production is a sector that does not attract Kosovar entrepreneurs compared to trade and services. Therefore, economic policies related to the creation of new firms in Kosovo must focus more on attracting young entrepreneurs with the aim of opening manufacturing firms.

The construction sector is an attractive sector, and many new firms have been established in this sector as an immediate necessity of the conditions imposed after the war of 1999. Also, in this sector, many Kosovars have used the experiences they acquired in other countries, especially in Western European countries, where they have worked for years. Information and communication technology (ICT) service sectors, agro-food processing, beverages, and furniture and plastics are considered sectors with high growth potential and competitive advantage in the foreign market. Taking into account the economic structure of Kosovo, the challenges of the Kosovo transition can be summarized in the following points:

- High level of unemployment;
- Small and non-competitive private sector;
- The manufacturing (exporting) sector and the undeveloped service sector;
- Dependence on imports;
- Low labor productivity;
- Poor infrastructure;

2.2. Technological changes, the development of information technology, and business models

The technological evolution that has taken place in many industries and areas of economic activity has, over time, created tremendous pressure on enterprises of all countries to adopt new technologies (Bajraliu & Qorraj, 2023). According to Lal (1999), technological development in the world market mainly affects companies in the production and service sectors. Therefore, companies should adopt the latest IT tools available in the world market. This is crucial to remain internationally competitive.

Digitization, technological changes, and the development of IT have produced numerous challenges, but at the same time, they have also created opportunities for firms, in particular for firms from developing countries (Naala et al., 2017). Kosta (2020) emphasizes that technology, in particular IT, is extremely important for the performance of enterprises. Based on this inherent fact, a series of theoretical approaches tries to explain the performance of the enterprise. Among them can

be mentioned the theory based on resources, the perspective of organizational learning, and the theory of innovation. Likewise, the theoretical approach of business models, as a new approach inspired by all these theories, is important for elaborating the impact of these factors on business performance.

Theory-based on resources is a theory that suggests a firm's sustainable competitive advantage comes primarily from the internal resources and capabilities it controls, rather than from external market positioning. In the resource-based view (RBV), organizational learning is considered a dynamic capability, a higher-order resource that helps firms build, renew, and adapt their resource base over time. Innovation in management theory refers to the creation, adoption, and implementation of new ideas, products, processes, or business models to create value or competitive advantage. There are multiple innovation theories.

Amit and Zott (2001) assert that changes in the external technological environment influence enterprises to adopt business models based on innovation, as well as those based on transaction efficiency. Therefore, they consider the external environment as an influencer of the type of business model. However, the way firms respond to the challenges of the external environment depends on the response of entrepreneurs. Some that do not focus much on innovation try to imitate the models of others, focusing more on efficiency. Other entrepreneurs adopt newer business models, but for this, they need to be strategically oriented toward technology. This is good as it integrates empirical insight into entrepreneurial behavior.

Chesbrough (2007) asserts that enterprises need an appropriate business model to capture the value of technology and translate it into value for the firm, which refers to the firm's market value. Therefore, owning the latest technologies is not enough to have a high business performance. Kosta (2020), in her research, claims that competitive strategies, like business models, aim to help the firm create value and manage to capture this value in the form of benefits for the firm itself. So competitive strategies also affect firm performance. Firms may follow the same product strategies, but by no means the same business models. Positioning the firm in the market through one of the competitive strategies, independently, does not affect the firm's performance. Consequently, such an outcome "calls" for an interaction between business models and competitive strategies.

Researchers such as DaSilva and Trkman (2014) considered the term business models as a new unit of analysis and used it to explore the forms of operation and competition of businesses operating online. Timmers (1998) states that business models present an architecture for the product, service, and information flow, including a description of the various business actors and their roles, a description of the potential benefits for the various business actors, and a description of the sources of income.

Mahadevan (2000) states that a business model consists of a configuration of several approaches that are critical to the success of an enterprise. First, the value approach, which identifies value for business partners and buyers. Second, the revenue stream, which is a plan to ensure revenue generation for the business. Third, the logistics approach addresses various issues related to the design of the supply chain for the enterprise. Alt and Zimmermann (2001) include in the list of elements of the Business Model elements such as technology, mission, structure, and legal issues. Amit and Zott (2001) emphasize that their business model is broad enough and creates the possibility of studying all the nuances of the business model in different fields, such as online business, computer science, strategy, etc.

According to Amit and Zott (2010), there are four types of business models. These types are configurations of content, structure, and governance of activities. First, a new business model. The essence of such a model is the realization of new activities, new ways of connecting activities, or new ways of governing activities. Second, an efficient business model. The essence of such a model is the interconnection of activities at a low cost. Third, a closed business model. The essence of this business model is to attract stakeholders and build stable relationships with them. Finally, a complementary business model. Such a business model refers to the activities and exchanges within a business model in order to promote synergy between them. Some models are: subscription business model (example, Netflix), and multi-sided platform business model (such as Amazon).

According to Tung et al. (2012), enterprise performance can be measured through different forms. Some of these forms include technological performance, profit, production efficiency, product quality, etc. Porter (1980/1998) asserts that competitive strategy means the search to find an advantageous position in a particular industry. In choosing a competitive strategy, the two main principles are: First, how attractive is the industry and the factors that make it up. The second is related to the determining factors of a competitive positioning in relation to competitors in the market. Competitive strategy examples are Apple's differentiation, Walmart's cost leadership, and niche strategies like specialized software providers.

According to Karimi et al. (1996), competitive strategy, IT maturity, and firm size influence firms perceived increase in IT investment. The degree of IT integration within firms is a primary determinant of firms' willingness to use IT as part of their strategic response to globalization. The new competitive strategies will be increasingly technology-based global initiatives that are affected by the firms' IT maturity. Barriers are social etiquette, conflicting values, language barriers, nonverbal communication differences, and management differences.

Puspitasari and Jie (2020) claim that greater integration between firms and IT enables superior firm performance and creates value for a firm in achieving sustainable competitive advantage. However, the alignment between IT and firms remains a challenge. Existing methodologies of business integration with IT are too complicated for practical implementation. An IT-based competitive strategic framework must therefore exist to link an IT strategy to firms based on a scientific design research methodology. Its elements are: IT implementation value drivers, competitive factors, and a competitive IT strategy.

Technology, in particular, IT forces firms to be flexible and innovative in the way they do business. IT is an opportunity to survive, to provide a competitive advantage, and to ensure the sustainability of the firm's benefits. According to Deegahawature (2014), IT has a positive effect on

encouraging the creativity of employees by promoting organizational innovation, and with this, also the innovation of the business model.

Bouwman et al. (2018) assert that technology promotes experimentation with business models, thus enabling the change of business models. Cordella and Simon (1997) assert that the use of IT improves the efficiency of transactions improves the efficiency of the entire structure of exchanges. Technological advances simply reduce transaction costs, as well as make it possible to provide information in a much faster time. Ali (1994) asserts that an enterprise, which possesses sophisticated IT, uses the latest technology in the development of its products, as well as allocates a large part of resources and capabilities to research and development (R&D), sophisticated competitive strategies, and business models. So, firms allocate their resources and capabilities to secure new technologies and provide new goods/services and production processes. Good, links digital transformation to cost restructuring and agility.

Calia et al. (2007) assert that technology prompts firms to change operational and commercial activities, which in turn lead to changing the current business model. Based on this logical perspective, it can be asserted that firms that are technologically oriented innovate their business models. Teece's (2010) research on cloud-based computing models explains that such technology eliminated the investments small firms made in purchasing servers, thus replacing them with the latest cloud technology. Thus, firms can buy capacity in small quantities according to their needs. This technology eliminated fixed costs by turning them into variables. Precisely such new technology significantly improved efficiency and reduced the initial capital requirement. The use of digital technologies can lead to cost reduction, optimization of resource use, increased employee productivity and work efficiency, optimization of supply chains, etc. Based on these sources, the first hypothesis of this paper can be formulated:

H1: IT positively affects the business models of the studied firms.

There is a positive correlation between IT and enterprise performance. Enterprises that are technologically oriented are more likely to provide a higher performance compared to their competitors that are not technologically oriented in terms of sophisticated IT. According to Chege et al. (2020), the impact of IT varies due to moderating factors such as entrepreneurial innovativeness, which increases the impact of technology on organizational performance. Technology positively affects firm performance. Entrepreneurs must develop innovative strategies to enhance firm performance. Public policies should aim at improving ICT infrastructure, promoting technological externalities of SMEs within the industry, and creating ICT resource centers to support SME performance.

H2: IT positively affects the performance of the studied firms.

According to Amit and Zott (2001), enterprises that modernize their business models before competing enterprises improve their image in the market and attract new customers, which seems to lead to a higher business performance. Hartmann et al. (2013) have discovered a significant positive relationship between the business model and the operational performance of enterprises. Gerdoçi et al. (2018) achieved similar results to the works of these authors.

Williamson (1975) asserts that increased transaction efficiency will lead to reduced transaction costs. Thus, the lower the cost per transaction, the higher the value. So, a business model is able to reduce the costs of all participants, thereby influencing the cost of change by the actors of this business model. This leads to an increase in the economic power of the enterprise in the market. Brettel et al. (2012) assert that an adequate business model has a positive impact on improving the efficiency of governance and on the performance of enterprises, especially in the late stages of the enterprise's life cycle.

H3: Business models positively affect the performance of the studied firms.

Teeratansirikool et al. (2013) proved the direct positive relationship between differentiation strategy and company performance. Research with companies operating in the service and manufacturing sectors revealed a significant positive impact of the differentiation strategy on the performance of these companies. Islami et al. (2020) in their research discovered a significant positive impact of differentiation strategy on the performance of Kosovar enterprises. Ortega (2010) in his research has found a significant, positive impact of the cost leadership strategy on the profitability of the companies analyzed. Also, the performance of firms in the manufacturing sector is strongly influenced by the cost leadership strategy as a competitive strategy. An early market entry strategy has a strong positive impact on firm performance, followed by a later entry strategy.

H4: Competitive strategies positively affect the performance of the studied firms.

Chesbrough (2007) asserts that technology needs to be commercialized. If firms want to effectively manage new technological opportunities, they must invest in integrative capabilities, internal processes, and complementary assets. So, the business model of an enterprise has a mediating role between IT and enterprise performance. Similar findings were achieved by Smajlović et al. (2019). Koellinger (2008), in his research, suggests that if investments in new technologies are not accompanied by qualitative changes in production processes or in alignment with the business model, then this does not provide the company with increased performance.

H5: The business model of the analyzed companies mediates the relationship between IT and the performance of these companies.

Teece (2018) concludes that companies competing through a cost leadership strategy aim to reduce overall costs, control costs, or produce efficiently. Enterprises that implement contemporary ways of doing business must reconfigure their resources and skills, which increases costs. If the company has an early market entry strategy, this is aimed at cost control. On the other hand, the business model that this company has is aimed at allocating resources for the innovation of the components of this model. Therefore, such a strategy hinders the innovation of the business model. Such a strategy would weaken the link between the business model and the performance of this enterprise. Pang et al. (2019) found the negative moderating effect of cost leadership strategy between business model and firm performance.

H6: The company's competitive strategy strengthens the relationship between the business model and the performance of the analyzed companies.

3. RESEARCH METHODOLOGY

The research sample in this paper consists of 300 Kosovar enterprises, which are from sectors such as the beverage industry, the food industry, financial and insurance sector, the textile industry, metal processing, the plastic industry, furniture, the chemical industry, the wood industry, the shoe industry, packaging industry, sheet metal industry, stone processing, production of mechanical parts, production and processing of mushrooms, telecommunications, gastronomy, etc. The data for these enterprises has been provided by the Ministry of Trade and Industry of the Republic of Kosovo.

Therefore, the data are provided by the officials of this ministry, which has statistical data for all enterprises, whether small or large, medium-sized, in Kosovo. It should be emphasized that the number of enterprises is limited in Kosovo, due to the low level of economic development (Jusufi et al., 2022). The interview with these companies was done during the period October 2023 to December 2023. Below are the variables and their coding, starting from the first independent variable, which is *information technology (IT)*. Regarding data collection, interviews were conducted in person by the authors of this paper.

In Table 4, the second variable, *business models (BM)*, is presented, as well as its categories. Also, this variable is an independent variable.

Table 4. Information technology variable and its categories

Variable: Information technology (IT)	*Abbreviation*	*Measuring: Likert ordinal scale*
The use of the most advanced IT in the development of new products/services.	*IT1*	1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree
Rapidly changing IT in our industry.	*IT2*	1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree
Technological innovation is easily accepted in the enterprise.	*IT3*	1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree
A large number of ideas for creating new products come as a result of the large application of IT.	*IT4*	1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree

Source: Authors' elaboration.

Table 5. Business models variable and its categories

Variable: Business models (BM)	*Abbreviation*	*Measuring: Likert ordinal scale*
The enterprise's business model allows for the participation of a large number of actors.	*BM1*	1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree
The enterprise is constantly innovative to be as effective as possible in the market.	*BM2*	1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree
The transactions that customers make with our enterprise are simple.	*BM3*	1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree
The company's business model enables high transaction efficiency.	*BM4*	1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree

Source: Authors' elaboration.

Also, in Table 6, the third variable, *competitive strategies (CS)*, is presented as well as its categories. This variable is an independent variable.

Table 7 presents the dependent variable, *enterprise performance (EP)*, that is analyzed in this paper. All categories are on the Likert scale.

Table 6. Competitive strategies variable and its categories

Variable: Competitive strategies (CS)	*Abbreviation*	*Measuring: Likert ordinal scale*
Advertising as part of the company's marketing strategy.	*CS1*	1 = Not at all important, 2 = Slightly important, 3 = Moderately important, 4 = Important, 5 = Very important
Offering products/services at lower prices than competitors.	*CS2*	1 = Not at all important, 2 = Slightly important, 3 = Moderately important, 4 = Important, 5 = Very important
Economy of scale — high volume production of products.	*CS3*	1 = Not at all important, 2 = Slightly important, 3 = Moderately important, 4 = Important, 5 = Very important
The way the company enters the market.	*CS4*	1 = Not at all important, 2 = Slightly important, 3 = Moderately important, 4 = Important, 5 = Very important

Source: Authors' elaboration.

Table 7. Enterprise performance variable and its categories

Variable: Enterprise performance (EP)	*Abbreviation*	*Measuring: Likert ordinal scale*
Cash flow	*EP1*	1 = Much worse, 4 = Same, 7 = Much better
Marketing	*EP2*	1 = Much worse, 4 = Same, 7 = Much better
Income	*EP3*	1 = Much worse, 4 = Same, 7 = Much better
Return on investment	*EP4*	1 = Much worse, 4 = Same, 7 = Much better

Source: Authors' elaboration.

SPSS, as a software/tool, is used. SEM is a set of statistical techniques widely used in the social sciences to measure and analyze the relationship between observed and latent variables. Similar to, but more powerful than, regression analysis, this modeling examines linear causal relationships between variables while accounting for measurement error (Beran & Violato, 2010). This

model provides a flexible framework for analyzing complex relationships between multiple variables. These enable researchers to test the validity of the theory using empirical models.

Regarding alternative methods, it can be stated that multiple linear regression, probit, or logistic models could be used as an alternative method. These methods will provide sufficient statistical results to draw conclusions or to prove the raised hypotheses. Out of 300 companies approached, 300 valid responses. However, SEM analysis is the most appropriate method to derive the results.

4. RESULTS

First, the results or statistics from the correlation matrix are presented in Table 8. The figures obtained show the strength between the variables analyzed in this research. So, these coefficients are of particular importance because they provide information about the relationship between the variables or the strength of the relationship between these variables in the study.

Table 8. Correlation matrix

Variables	*IT*	*BM*	*CS*	*EP*
IT	1.000	0.386	0.174	0.291
BM	0.307	1.000	0.288	0.278
CS	0.159	0.246	1.000	0.297
EP	0.264	0.209	0.478	1.000

Source: Authors' elaboration.

Table 9 shows the reliability statistics for the variables of the econometric model.

Table 9. The reliability statistics

Variables	*Cronbach's alpha*	*CR*
IT	0.860	0.711
BM	0.715	0.748
CS	0.798	0.809
EP	0.913	0.919

Source: Authors' elaboration.

Based on the statistics obtained in Table 10, it will be verified whether the hypotheses of this research are supported or not. Based on the statistics, beta = 0.311, $p > 0.05$, *H1* is supported, that is, the IT of the analyzed enterprises positively affects the business models of these enterprises.

Table 10. The statistics of beta

Variables	*Unstandardized estimate (β)*	*S.E.*	*CR*	*P*	*Standard estimate (beta)*
IT –> BM	0.177	0.058	2.881	0.001*	0.311
IT –> EP	0.189	0.144	1.308	0.221	0.128
BM –> EP	0.328	0.149	2.607	0.207	0.345
CS –> EP	-0.055	0.113	-0.452	0.743	-0.068
BM –> IT –> EP	0.146	0.042	3.576	0.002***	0.283
CS –> BM –> EP	-0.073	0.126	-0.304	0.658	-0.097

*Note: * p < 0.01; *** p < 0.001.*
Source: Authors' elaboration.

5. DISCUSSION

As for *H2*, the value of beta is 0.128, while p is greater than 0.05. Therefore, this hypothesis based on these statistics is not supported. So, it is rejected because IT alone does not affect the performance of the analyzed companies. The beta value of 0.345 provides statistical evidence to support the third hypothesis of this research. Therefore, business models positively affect the performance of the analyzed companies. A business model that is effective and contemporary greatly influences the performance of the enterprise to increase or change for the better.

H4 is not supported because the beta value is 0.345; therefore, this statistic provides us with evidence that competitive strategies by themselves do not positively affect the increase in the performance of the studied enterprises. *H5* is supported because the beta value is 0.283, so based on this value, it can be affirmed that business models have a mediating role between IT and the performance of the analyzed companies. *H6* of this research is not supported because beta is -0.097 and p is 0.658, so the competitive strategy of the analyzed companies does not strengthen the relationship between the business model and the performance of the analyzed companies.

Managerial implications of this research are of great importance to many managers at all managerial levels because IT must be perfected in order to increase firm performance. Every achievement in the company has its origins in IT, specifically in the latest developments in IT science. Therefore, every manager must necessarily be involved in IT. Regarding future research directions, it can be asserted that they should focus on the role of IT in the performance of export-oriented Kosovar firms. The papers of Lal (1999), Sultanuzzaman et al. (2019), and Wen et al. (2020) can serve as a reference point for future research.

6. CONCLUSION

This research provides evidence regarding the impact of certain variables on the performance of Kosovar enterprises, and also indirectly emphasizes the importance of the rule of law in business activity in Kosovo. Changes in IT, in particular, are a factor that promotes change in the external and internal environment of Kosovar enterprises. Kosovar enterprises react to these changes. How companies respond depends on their business models. Therefore, here lies the connection or mutual influence business model and IT. Most Kosovar enterprises of all sectors make large investments in technology in general, and in particular in IT. However, not all firms manage to fully capture the invested value.

IT plays an important role in reconfiguring the business models of Kosovar enterprises. This research paper provides empirical evidence for the positive impact that business models have on the performance of Kosovo's manufacturing and service enterprises. Likewise, the competitive strategies of Kosovar enterprises do not have a significant impact on their business performance; however, they play an important role in

strengthening or weakening the links between business models and firm performance.

It should be emphasized that the way Kosovar enterprises react to the challenges of the external environment, with special emphasis on technological changes, depends on the reaction of the managers or entrepreneurs of these firms. Because of the high cost of innovations in IT, some managers imitate the models of more powerful firms. These firms give more importance to business efficiency. Other enterprises, which are more powerful both in terms of personnel and finance, adopt more modern business models, so these enterprises are driven by IT.

Kosovar enterprises that want to invest in technological capacity building, in particular in contemporary IT, must modernize their business models, because these investments in technological capacity building will not translate into high business performance. The empirical evidence of this research did not provide evidence of any direct relationship between the firm's competitive strategies and the business performance of the analyzed enterprises. Competitive strategies aim to help companies create value for the company itself. Competitive strategies by themselves do not affect the performance of the analyzed firms. It should be emphasized that firms may follow the same competitive strategies, but not the same business models. These results emphasize that there must be an interaction between the business models and the competitive strategies of these enterprises.

This paper is important for future research because it emphasizes the great role that IT has in the field of business; therefore, future research should deal in more detail with the correlation between business and recent developments in IT. This paper, like other research, has some limitations. The research sample, insufficient sources of literature in particular regarding Kosovo, and a more perfect econometric model are some of the limitations of this paper. Future research should focus on these limitations. In conclusion, it can be stated that all the variables analyzed affect the increase in the performance of Kosovar enterprises, but despite contemporary business models and advanced technology, if there is no genuine rule of law in Kosovo, then Kosovar enterprises cannot have business success. Simply the rule of law in the Kosovo economy completes the binomial of success of all Kosovar enterprises.

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