

THE ROLE OF SOFT SKILLS IN BOOSTING FINANCIAL METRICS FOR LEBANESE SMES

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<http://doi.org/10.35409/IJBMER.2024.3619>

ABSTRACT

Small and medium-sized enterprises (SMEs) are critical to Lebanon's economic structure, contributing significantly to employment and economic growth. However, one of the key challenges SMEs face is maintaining robust financial performance in an increasingly competitive and volatile business environment (Mekdessi et al., 2023). While much attention has been placed on technical skills development, the role of soft skills training in enhancing financial performance has been relatively underexplored. This research examines how soft skills, such as communication, leadership, emotional intelligence, and problem-solving, directly influence the financial metrics of Lebanese SMEs. Through a quantitative analysis of SMEs that have integrated soft skills training into their development programs, this study demonstrates that such training significantly improves financial outcomes, including profitability, operational efficiency, and customer satisfaction. These findings highlight the critical importance of a balanced skillset—one that incorporates both technical competencies and soft skills—to ensure the long-term success and competitiveness of SMEs in Lebanon. Practical recommendations are provided for SME leaders to incorporate soft skills training as part of their strategic development to drive financial growth.

Keywords: Soft skills, SMEs, financial performance, Lebanese economy, leadership, communication, emotional intelligence, profitability, customer satisfaction.

1. INTRODUCTION

Soft skills, often referred to as interpersonal or people skills, have become increasingly critical in today's business world, transcending their traditional role in communication and relationship-building to become integral to organizational success. Unlike technical skills that focus on specific knowledge and expertise, soft skills encompass qualities such as leadership, emotional intelligence, teamwork, communication, and problem-solving. These skills enable individuals and teams to work more effectively, navigate complex interpersonal dynamics, and adapt to changing business environments. In the context of small and medium-sized enterprises (SMEs), where agility and adaptability are crucial for survival, the development of soft skills can have a profound impact on financial performance (Makdissi et al., 2024).

SMEs are central to the economic fabric of Lebanon, contributing significantly to employment and GDP. However, they face considerable challenges in maintaining their financial stability, especially amid a volatile economic environment (Makdissi et al., 2023). While technical skills related to finance, marketing, and operations are widely recognized as necessary for business success, the influence of soft skills on financial performance has received less attention. Yet, studies suggest that businesses that invest in soft skills development tend to exhibit stronger organizational performance, improved customer satisfaction, and better financial outcomes

(Avdeeva et al., 2024). This is particularly true for SMEs, where leadership, communication, and emotional intelligence are essential for navigating challenges such as resource limitations, competition, and market fluctuations (Noriega Niño de Guzman et al., 2024).

In Lebanese SMEs, where many enterprises are family-owned or operated in closely-knit teams, the importance of soft skills cannot be overstated. Effective communication, strong leadership, and emotional intelligence not only foster a positive organizational culture but also enhance decision-making, employee engagement, and customer retention. These factors, in turn, have a direct impact on financial metrics such as profitability, operational efficiency, and long-term sustainability. As such, this study aims to explore the role of soft skills training in boosting the financial performance of Lebanese SMEs, with a particular focus on leadership, communication, and emotional intelligence (Moucachar et al., 2023).

Drawing from both existing literature and primary data collected from Lebanese SMEs, this paper examines how soft skills training contributes to enhanced financial metrics. The study hypothesizes that SMEs investing in soft skills development will demonstrate higher levels of profitability, efficiency, and customer satisfaction compared to those that focus solely on technical skill development. By highlighting the value of soft skills, this research aims to provide SME leaders with practical insights on how to integrate these skills into their organizational strategies to drive financial growth and ensure long-term competitiveness.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The role of soft skills in business performance has gained significant attention in recent years, especially in the context of small and medium-sized enterprises (SMEs). Soft skills, such as communication, leadership, adaptability, and emotional intelligence, are critical in managing teams, fostering innovation, and enhancing customer relations (Robles, 2012). For Lebanese SMEs, which operate in a challenging economic environment characterized by political instability and financial uncertainty, soft skills are particularly valuable in navigating these complexities and maintaining business continuity (Dubbelt et al., 2019). Several studies suggest that the development of soft skills among SME owners and managers can improve decision-making processes and interpersonal dynamics, ultimately leading to better financial performance (Gibb, 1997; Heckman & Kautz, 2012).

In the context of Lebanese SMEs, where access to financial capital is often constrained, the effective use of human capital becomes even more crucial (Alameddine et al., 2022). Recent research highlights that SMEs with leaders who possess strong soft skills tend to perform better financially, as these skills enable them to foster stronger relationships with stakeholders, including customers, employees, and financial institutions (Gibb, 2000). This aligns with social capital theory, which posits that the networks and relationships established by SME owners can lead to increased trust and collaboration, thereby improving business outcomes (Putnam, 1995). In Lebanon, the ability to navigate complex social networks is particularly important due to the fragmented nature of the business landscape and the prevalence of informal business practices (Sidani, 2005).

Communication skills, in particular, have been shown to have a direct impact on customer satisfaction and retention, which are key drivers of financial performance in SMEs (Bharadwaj & Menon, 2000). In the service sector, which constitutes a significant portion of the Lebanese SME market, the ability to effectively communicate with customers and respond to their needs can create a competitive advantage, leading to higher customer loyalty and, consequently, improved financial metrics (Pfeffer & Sutton, 2000). Moreover, soft skills such as conflict resolution and negotiation are essential in maintaining strong supplier relationships and navigating the often volatile market conditions in Lebanon (Makdissi et al., 2022).

Leadership skills also play a vital role in the financial performance of SMEs (Makdissi et al., 2023). Leaders who are able to inspire and motivate their teams can enhance employee engagement and productivity, which are key factors in achieving business growth (Goleman, 1998). In Lebanon, where SMEs often face challenges related to employee retention and motivation due to economic instability, effective leadership can mitigate these issues by fostering a positive organizational culture and encouraging innovation (Mekdessi et al., 2021). Research has shown that SMEs with transformational leaders are more likely to experience financial success, as these leaders are able to drive change and adapt to external pressures (Northouse, 2016).

Building on the existing literature, this study hypothesizes that the development of soft skills among SME owners and managers in Lebanon positively influences financial performance. Specifically, it is hypothesized that SMEs with leaders who demonstrate high levels of communication, leadership, and emotional intelligence will report stronger financial outcomes, measured through revenue growth, profitability, and customer satisfaction. This hypothesis is grounded in the understanding that soft skills facilitate better decision-making, foster stronger relationships with stakeholders, and enable SMEs to navigate the complexities of the Lebanese market more effectively.

3. METHODS

The research design adopted in this study is a quantitative approach aimed at investigating the role of soft skills in enhancing financial metrics within Lebanese SMEs. Quantitative research methods provide an empirical and systematic way of examining relationships between variables, allowing for the generalization of results across larger populations (Creswell, 2014). The study relies on a cross-sectional survey to collect data from SME owners and managers across different industries in Lebanon, ensuring a representative sample of the population. This method is particularly suited to assessing the prevalence of soft skills and their correlation with financial performance outcomes (Saunders, Lewis, & Thornhill, 2019).

A structured questionnaire was designed and distributed to SME owners and managers, targeting specific soft skills such as communication, leadership, and emotional intelligence, which are believed to impact business performance. The questionnaire was divided into sections that measured demographic data, soft skills, and financial performance metrics, including revenue growth, profitability, and customer retention. Likert-scale questions were used to quantify the level of proficiency in soft skills, while financial performance was assessed through self-reported metrics, a commonly used approach in SME research (Podsakoff & Organ, 1986).

The sample for this study was selected using stratified random sampling to ensure that various sectors such as retail, manufacturing, and services were adequately represented. A total of 300 SMEs were contacted, out of which 260 provided valid responses. This sample size is consistent with similar studies on SMEs, allowing for statistical significance and the ability to generalize findings (Hair et al., 2010). Ethical considerations were carefully addressed, with participants being informed about the purpose of the study and assured of the confidentiality of their responses. Consent was obtained prior to data collection.

Data analysis was conducted using SPSS software, with descriptive statistics being used to summarize demographic variables and key soft skills. Correlation analysis was then performed to identify the relationship between soft skills and financial performance metrics. Finally, multiple regression analysis was conducted to determine the predictive power of soft skills on financial outcomes, controlling for other variables such as firm size and industry type. The use of multiple regression is well-established in organizational behavior and SME research for examining complex relationships between human capital variables and performance outcomes (Field, 2013; Pallant, 2020).

The reliability and validity of the measurement instruments were tested using Cronbach's alpha, with all constructs exhibiting acceptable levels of internal consistency (Cronbach's $\alpha > 0.7$). Construct validity was further ensured through exploratory factor analysis, which confirmed that the items used to measure soft skills loaded onto distinct factors, consistent with the theoretical framework of the study (Hair et al., 2010). This methodological rigor ensures that the findings are robust and can be used to inform both academic research and practical recommendations for SME development in Lebanon.

4. RESULT AND DISCUSSION

The analysis of data from 230 Lebanese SMEs, supported by both qualitative insights and quantitative SPSS analysis, underscores the significant role of soft skills training in driving financial performance. SMEs that invested in the development of leadership, communication, emotional intelligence, and problem-solving skills consistently reported improvements in key financial metrics, including profitability, operational efficiency, customer satisfaction, and financial ratios such as ROI, ROE, and ROA.

4.1 Impact of soft skills training on financial performance

The study's results revealed a strong positive correlation between the implementation of soft skills training programs and overall financial performance. Approximately 72% of the surveyed SMEs reported that they had integrated some form of soft skills training into their organizational development programs. These businesses demonstrated an average profitability increase of 30% over the past three years, compared to just 10% for those that had not implemented such training.

SPSS analysis showed a Pearson correlation coefficient of 0.442 between investment in soft skills training and ROI, with a significance level of $p < 0.001$. This moderate positive correlation indicates that as SMEs increase their investment in soft skills, their ROI tends to improve significantly. The regression analysis further revealed that for every unit increase in investment in

soft skills training, there was an average increase of 0.431 units in ROI (t -value = 7.060, $p < 0.001$). These results highlight how the ability to communicate effectively, lead teams, and resolve conflicts boosts organizational performance, leading to higher returns on investment.

This finding resonates with previous research, showing that businesses with strong leadership and communication skills are better equipped to innovate, navigate challenges, and enhance client relationships, all of which contribute to stronger financial outcomes.

4.2 Leadership and emotional intelligence: key drivers of profitability

Leadership and emotional intelligence were found to have particularly strong effects on financial performance. The data indicate that SMEs offering leadership development programs reported an average revenue growth of 25%, as these organizations demonstrated stronger decision-making capabilities, better team cohesion, and improved adaptability to market conditions. One respondent mentioned, “Our leadership training has empowered managers to make more informed decisions, resulting in faster problem resolution and an increase in overall efficiency.”

The correlation between soft skills training (particularly in emotional intelligence) and ROE was notably high. Pearson’s correlation coefficient for the relationship between soft skills and ROE was 0.785 with a significance level of $p < 0.001$, suggesting a strong positive relationship. Regression analysis showed that for every unit increase in soft skills investment, ROE increased by 0.708 units. This demonstrates that leadership qualities and emotional intelligence not only improve internal team dynamics but also lead to higher returns for shareholders, likely through better strategic decision-making and employee engagement.

4.3 Communication and problem-solving skills and their influence on efficiency

Communication and problem-solving skills were also found to be crucial in improving operational efficiency. SMEs that invested in communication training saw a 35% increase in efficiency, as clear communication reduced misunderstandings, aligned team goals, and improved workflows. Additionally, those that emphasized problem-solving training experienced fewer disruptions and greater adaptability, as teams were better equipped to manage challenges swiftly.

SPSS analysis further supported these findings. The correlation between soft skills training in communication and ROA was found to be 0.797, with a significance level of $p < 0.001$. Regression results showed that every unit increase in communication training led to a 0.771-unit improvement in ROA, highlighting the direct impact of interpersonal skills on an SME’s ability to effectively manage its assets and operations.

Respondents reported that clear communication and efficient problem-solving enabled their teams to stay focused and proactive in resolving issues, which ultimately translated into financial gains. For example, one manager shared, “By enhancing our team’s problem-solving capabilities, we’ve been able to address operational bottlenecks more effectively, resulting in fewer delays and better customer service.”

4.4 Impact on customer satisfaction and financial stability

Customer satisfaction also emerged as a key area where soft skills training had a substantial impact. SMEs that invested in customer service and relationship management training reported an average customer satisfaction score of 85%, compared to 60% for those that did not offer such programs. High customer satisfaction is directly linked to repeat business and customer loyalty, both of which drive long-term profitability and financial stability.

The correlation between emotional intelligence and customer satisfaction was particularly strong, indicating that businesses that focus on building empathetic, emotionally intelligent teams are better able to serve their clients. This, in turn, leads to increased customer retention and word-of-mouth referrals, providing a competitive advantage in the marketplace.

4.5 Overall discussion of findings

The findings from both qualitative responses and SPSS analysis present a compelling case for the importance of soft skills in the financial success of Lebanese SMEs. The strong, statistically significant correlations between soft skills training and financial metrics like ROI, ROE, and ROA demonstrate that investing in leadership, emotional intelligence, communication, and problem-solving directly contributes to a company's profitability, efficiency, and customer satisfaction.

The evidence suggests that SMEs that develop soft skills across their teams are better positioned to navigate challenges, improve their internal operations, and build stronger customer relationships, all of which are critical for achieving financial resilience, especially in volatile markets like Lebanon. By investing in soft skills, businesses not only improve their day-to-day performance but also secure long-term financial growth and sustainability.

5. CONCLUSION

This research has demonstrated the significant impact that soft skills training has on the financial performance of Lebanese small and medium-sized enterprises (SMEs). Through an in-depth analysis of both qualitative feedback and quantitative SPSS data from 230 Lebanese SMEs, it is clear that soft skills—particularly leadership, communication, emotional intelligence, and problem-solving—play a crucial role in shaping the financial outcomes of businesses in an increasingly competitive and challenging economic environment.

The data revealed strong correlations between soft skills development and key financial metrics, including Return on Investment (ROI), Return on Equity (ROE), and Return on Assets (ROA). SMEs that invested in soft skills training experienced a significant improvement in profitability, operational efficiency, and customer satisfaction compared to those that focused solely on technical skills. Specifically, the regression analysis showed that increases in soft skills training led to higher ROI, with every unit increase in training investment resulting in a 0.431-unit increase in ROI, and an even more pronounced impact on ROE, where a unit increase led to a 0.708-unit rise. These findings underscore the importance of a balanced approach that integrates both technical and soft skills development to foster financial growth.

Leadership and emotional intelligence emerged as the most influential soft skills, particularly in

driving customer satisfaction, operational efficiency, and overall profitability. Leaders with strong emotional intelligence fostered better team dynamics, managed conflicts more effectively, and maintained higher employee engagement—all of which contributed to financial resilience, especially in the face of Lebanon's economic challenges. Moreover, businesses that prioritized communication and problem-solving saw notable improvements in operational efficiency, with a 35% increase reported in firms that invested in these areas.

The research suggests that Lebanese SMEs should prioritize soft skills training as part of their broader development strategies. While technical skills remain essential, the evidence from this study makes it clear that soft skills provide an invaluable competitive advantage. By developing leadership capabilities, fostering emotional intelligence, and enhancing communication and problem-solving skills, SMEs can drive profitability, build stronger relationships with their customers, and improve overall operational efficiency.

Limitations and Future Research

While this study offers valuable insights, it is not without limitations. The cross-sectional nature of the research only captures data at a specific point in time, limiting the ability to assess long-term impacts of soft skills training. Additionally, the reliance on self-reported data from SME owners and managers may introduce bias. Future research could benefit from a longitudinal approach to assess how soft skills training influences financial performance over time. Furthermore, expanding the sample size to include SMEs from other regions or sectors could provide a more comprehensive understanding of the broader applicability of these findings.

In conclusion, this research highlights the critical role that soft skills play in boosting the financial metrics of Lebanese SMEs. By investing in soft skills development, businesses not only improve their internal operations and financial performance but also position themselves for sustainable growth in a rapidly evolving market. As the business landscape continues to change, especially in Lebanon's uncertain economic climate, SMEs that prioritize soft skills will likely be better equipped to thrive and maintain long-term competitiveness.

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