

STRATEGIC MANAGEMENT ASPECTS IN ALBANIAN COMPANIES

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Abstract

In this study we have aimed at the assessment of the strategic management level in Albanian companies. The study focuses companies and industries selected in the Albanian environment. The purpose of the study is to analyze the business environment of the selected industries, how much do these industries know the environment in which they operate and how capable are they to get oriented in this environment. The study is conducted in the period May-December 2009. Object of study were 230 companies located in Tirana, from which 150 small and medium companies and 80 big companies. The survey data was collected from questionnaire forms filled in by these companies. Two classification criteria were used in selecting the companies: the size of the firm and the nature of the industry the firm belong to. The study is divided into three parts, where the strategic management level of these companies is studied based on each selection criteria. The first part of the survey examines and evaluates the strategic management level by considering the size of the firm. The second part analysis the strategic management level in a specific industry. The total number of 230 companies is divided into 5 industries: chemical industry, food, services, construction and engineering. The third and the final part studies the experience, knowledge, scale and intensity of competitors, predictability and diversity of business environment in selected industries, as well as attitudes or behavior of companies towards the future in this industry.

Keywords: Strategic Management, Albanian companies, SME, Big Companies

JEL classification: M19

1. INTRODUCTION

What we are experiencing at this time is the deepest recession in the global economy post the post-war period. The global financial crisis considerably surprised not only ordinary people but also economic and financial policy makers and as well as academic and economic circles. During the last two years, we saw how the big American banks and companies resulted in significant problems and how this crisis also turned into a global financial crisis. Known scholars have undertaken many studies and surveys on the causes of the crisis in the American financial market in particular and its consequences worldwide. We have no intention to analyse the causes of the crisis in this study. But as one of the questions which

required an answer in the beginning of the crisis was: Had these companies emergency plans? How much were they engaged in strategic management? In the "Global Strategy 2008" survey conducted by Watson Wyatt, a leading global consulting firm, the results show that only 79% of British companies had emergency plans up to summer 2008, this compared with 80% of the average of other companies in all of Europe. The British companies and the European companies appear to have been more prepared than those in the United States of America, where only 57% of companies had prepared emergency plans. Thus, according to this survey, the percentage of companies that had emergency plans by countries is as following:

- 100 % of French companies
- 87 % of German companies
- 85 % of Irish companies
- 82 % of Italian companies
- 75 % of Dutch companies
- 74 % of Swedish companies
- 57 % of Spanish companies.
- 57 % of American companies

In the analysis of all facts on the crisis of American companies, it turns out that Americans have really paid more attention to short and middle-term planning rather than to long-term planning.

Given the above, we got the impetus to question: What about Albanian businesses? How much are they prepared to face the crisis and the events in the future? Do Albanian companies have emergency and long-term plans?

2. STRATEGIC MANAGEMENT IN ALBANIA

The term and methods of strategic management have been very rarely used in Albania in the companies of the period of centralized and planned economy. State regime, common property, fixed and centralized purposes, non-existence of competition in domestic markets, fixed prices regulated by the state and a lot of other factors put these companies in the position of passive implementators of government's wishes. Strategic management terms were replaced by such terms as long-term planning, 5-years planning, the Party guidelines, etc. In the early 90s and after the change of political and economic regime, the Albanian companies faced very different situations. Politics and economic freedom, privatization and market price are all factors that gave companies the opportunity to make decisions independently about their future. In the course of the new economic life appeared new terms such as marketing, financial management, management of human resources, strategic management, etc. All the changes in the new environment made companies face many problems. In this situation, the effective and strategic management of these businesses was necessary. The strategic management process in a firm consists of setting the vision, mission and goals, analysis of external and internal business environment, selection of a favourable strategy, those links that constitute strategic planning and as well as proposals for organizational, administrative changes, setting measures on control systems and strategy implementation, which make the links to the implementation and evaluation of the strategy. These links are connected to one another and in general they create what is called Strategic Management Model. Skills are also very necessary to manage a company in a strategic way, such as crea-

tive thinking, working with persons and clients, planning and organization, managing and control of all company activities.

3. METHODOLOGY OF THE STUDY

In this study we have intended to evaluate the level of strategic management in Albanian companies. The study focuses on the companies and industries selected in the Albanian environment. It intends to analyze the business environment in the selected industries, how much do these industries know the environment in which they operate and how much capable are they to get oriented in this environment. The study is conducted in the period May-December 2009. Object of study were 230 companies located in Tirana, from which 150 small and medium companies and 80 big companies. The survey data was collected from questionnaire forms filled in by these companies. Two classification criteria were used in selecting the companies: the size of the firm and the nature of industry the firm belong to. The study is divided into three parts, where the strategic management level of these companies is studied based on each selection criteria. The first part of the survey examines and evaluates the strategic management level by considering the size of the firm. Results are classified in five thematic units as follows:

- Vision, mission and objectives of a firm,
- The use of analytical methods and formulation of strategy,
- Types of business strategies and reasons of their success or failure,
- Responsibility in Strategic Management,
- Communication

The second part analysis the strategic management level in a specific industry. The total number of 230 companies is divided into 5 industries: chemical industry, food, services, construction and engineering. Results are classified into three thematic units:

- Time horizon or periods of setting strategic and financial objectives,
- Stability of business strategy,
- Types of business strategies and reasons of their success or failure.

The third and the final part studies the experience, knowledge, scale and intensity of competitors, predictability and diversity of business environment in selected industries, as well as attitudes or behavior of companies towards their future in this industry. All results found are quantitatively expressed as frequency percentages of all examined parameters based on the size of the company or selected industry.

4. RESULTS OF THE STUDY

4.1 EVALUATION OF STRATEGIC MANAGEMENT LEVEL OF COMPANIES BASED ON THEIR SIZE

The categories of companies included in this study were: small, medium and big companies. From the questionnaire it resulted that nearly 50% of small and medium companies and 75% of big companies have formulated their vision, while only 65% of small and medium companies and 90% of big companies have formulated their mission. Most of these companies have only expressed vision and with a general content. Their missions are much more meaningful than their visions. Table 1 shows types of strategic objectives sorted ac-

According to the highest selection frequency, 60% of small and medium companies and 80% of big companies have put in the first place as their main strategic objective the product quality. Albanian companies are becoming more and more aware of the importance and the impact that the quality of the product has to their clients. Some of the companies which are part of the study have their products certified with ISO standards in order to become more competitive in the market and attract and satisfy new clients.

Table no.1- Content and frequency of strategic objectives

Ranking	Small and medium companies	Big companies
1.	Product quality	Product quality
2.	Qualitative services	Market share
3.	Image	Penetration in international markets
4.	Market share	Position in industry
5.	Position in industry	Image

The rankings in Table no. 1 show that the small and medium companies have set qualitative services as their second objective. This is for the simple reason that the majority of the companies of this category belong to service industry, while the big companies have set market share as second objective for the reason that competition for them is very high. Table 2 shows financial objectives sorted according to highest frequency, based on the answers of the companies included in the study. About 80% of both categories of the companies have set as their first and second objectives respectively sales and profits

Table no. 2 - Content and frequency of financial objectives.

Ranking	Small and medium companies	Big companies
1.	sales	sales
2.	profits	profits
3.	cash flow	ROI
4.	income	cash flow
5.	ROI	income

Although strategic management is a new discipline in Albania, some of its methods are being used by Albanian companies. Thus, from the questionnaire it results that SWOT Analysis stands in the first place, which is being used by 52% of small and medium companies and 74% of big companies. In the second place are Mathematical and Statistical Methods, followed by Porter Model and in the end stands Costs and Value Chain. Almost all of the examined companies had a strategy. But only a few of them had developed an effective and qualified strategy. As it is shown in Table 2 and Table 1, respectively 52% and 78% of the selected companies have formulated strategies based on rational objectives and goals. In the case of small companies, the strategy formulation is realised by the manager or the owner of the company, often resulting in ineffective strategies. While in the case of big companies, the majority of them have Senior Management which is responsible for the formulation of the strategy in an effective and qualified way.

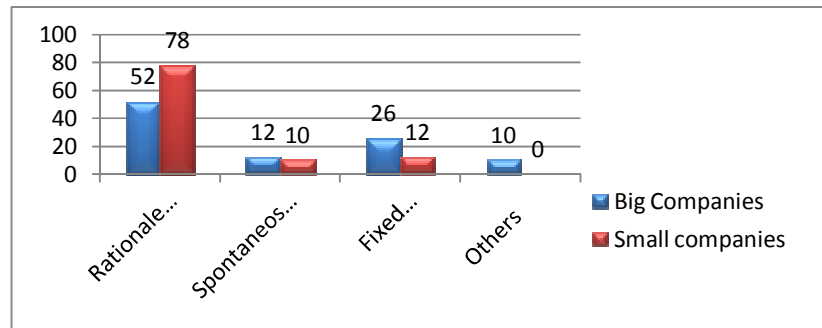


Figure no. 1 Strategy formulation

Strategies are reviewed and updated in most of the companies within a year as shown in Chart 2.

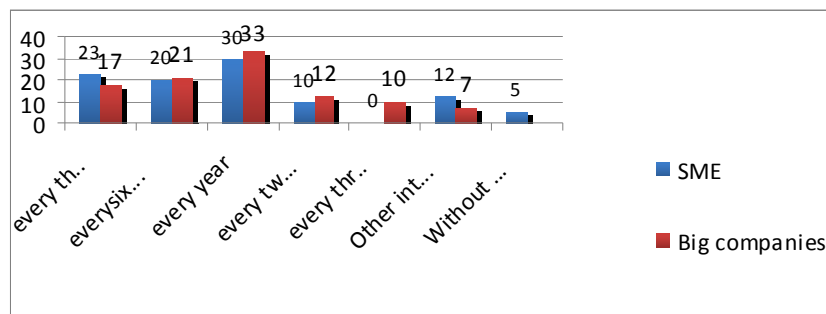


Figure no. 2 Strategy updating and review time intervals

What do you think are the factors that lead to the success of a strategy? (Chart3). Based on the answers given to the questionnaire, for both categories of the companies, a successful strategy is associated with a strong and ambitious management as well as with planned attitude and coordination of their external and internal factors.

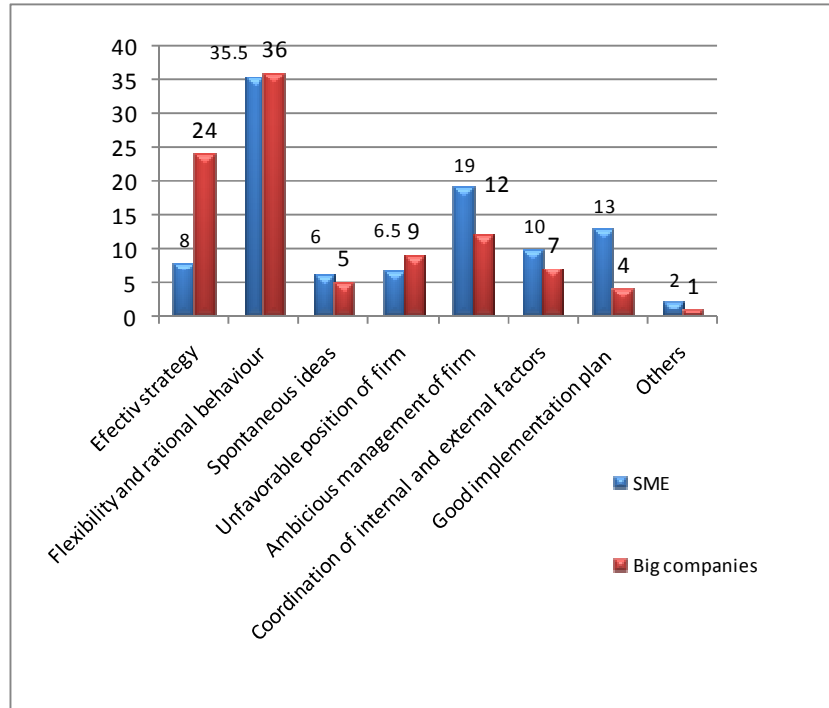


Figure no. 3 Success factors of a strategy

What are some of the main factors that lead a company to strategy failure? The causes of a strategy failure as perceived in the questionnaire, are somewhat similar to the reasons of strategy success, but in the opposite direction. In this case, it is the manager's duty to make a prediction and a better planning of the impact that the external and internal factors have on the company. The non-realization of a good and timely planning of these factors, often constitutes the cause of a strategy failure. The responsibility for strategy formulation is considered by respondents as a Senior Management task. They draft the strategy and delegate this activity also to other departments. The strategy, and its content, is also influenced by other senior managers as shown in Chart 4. Small and medium companies are characterized by high centralization and a special position of the manager. In big companies, the responsibility is divided in favor of all members of senior management. Consultancy is used by small and medium companies and as well as by big companies as an assistance in the formulation and implementation of the strategy.

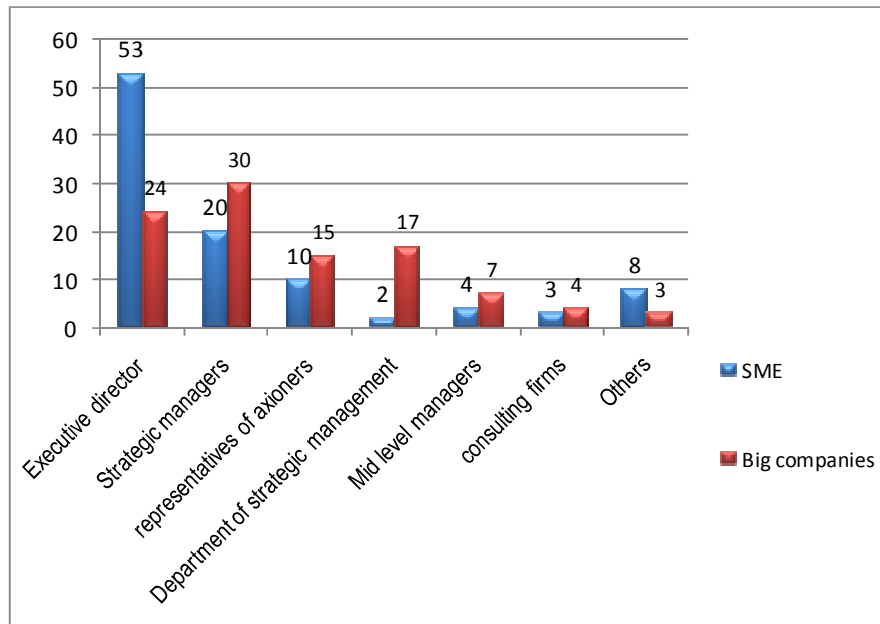


Figure no. 4 Strategic management responsibility

Nowadays, there are two generations of managers in Albanian companies. The first generation includes managers who have been executive directors before the 90s, while the second generation includes younger managers with different education, training, courses from those of the managers of the first generation. In addition to that, cooperation between these two generations in the future would be of great interest.

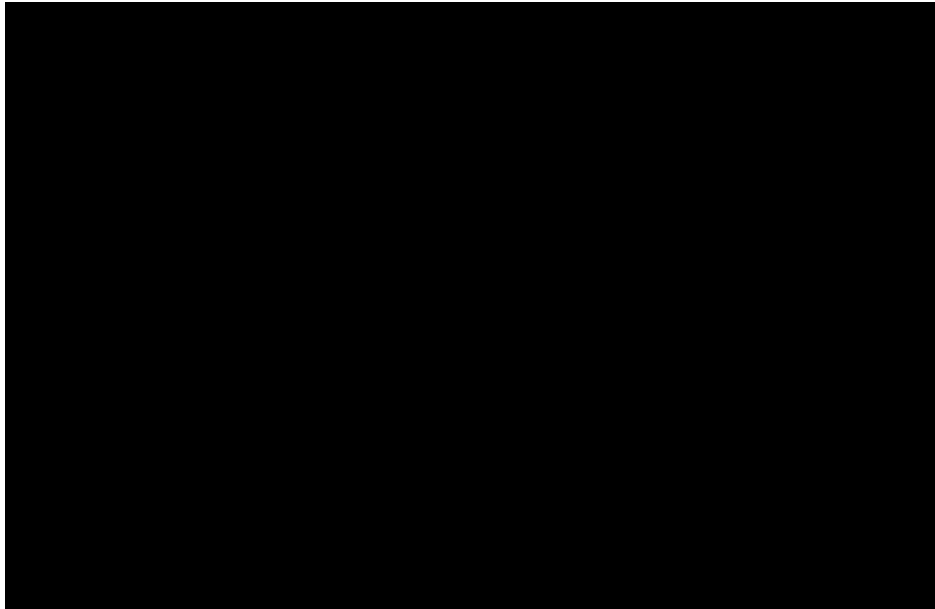


Figure no. 5 Ways of informing employees about the strategy

Strategic management discipline and field requires theoretic knowledge and skills. In big companies, executive directors have taken part in more training as they need more experience than executive directors in small and medium companies.

A critical factor and condition, very important in strategy implementation is the level of communication between senior management and management of other levels. It is important to highlight that employees, who perform daily works, play a key role in this factor or condition. They should have direct and free communication. The data of Chart 5 show that verbal communication significantly exceeds written communication. Generally in small and medium companies information is given through company meetings, while in big companies, information is given via relevant departments or divisions. The examined companies showed that they pay much attention to the implementation of the strategy. (Chart6). To accomplish a qualitative implementation of the strategy, it is necessary to have a complete set of measures, which should include all inevitable activities, necessary for the implementation of the strategy.

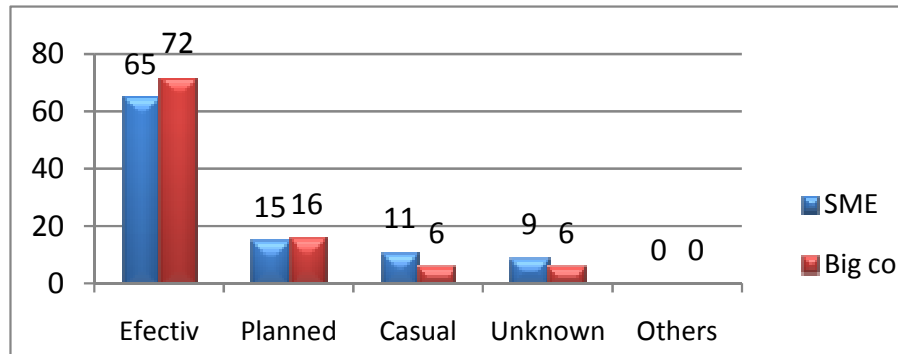


Figure no. 6 Strategy implementation

5.2. EVALUATION OF STRATEGIC MANAGEMENT IN THE SELECTED INDUSTRIES

In this part of the study, some of the questions mentioned in the first part will be repeated, which give different answers seen from the industry point of view in comparison with the first answers seen from the point of view of the company size. As shown in Chart 7, in those industries where the return on capital is slow, strategic objectives are set for a longer period than in those industries where the return on capital is faster.

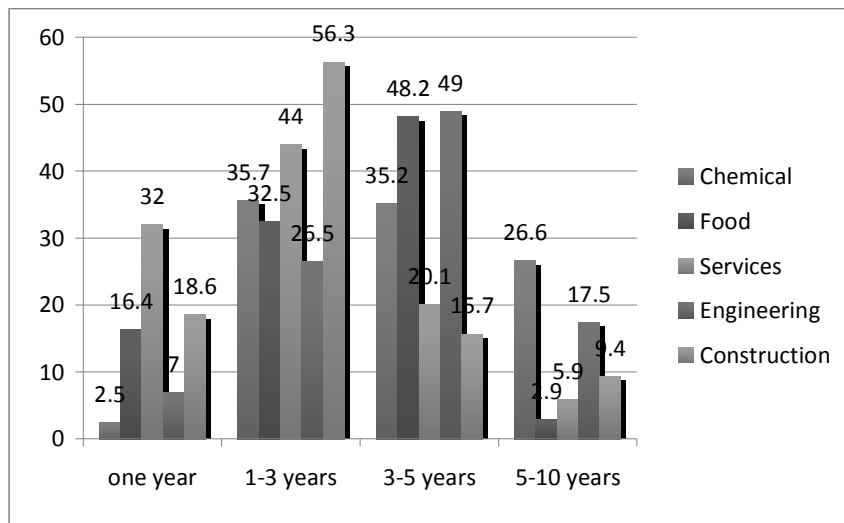


Figure no. 7 Strategic objectives setting- period

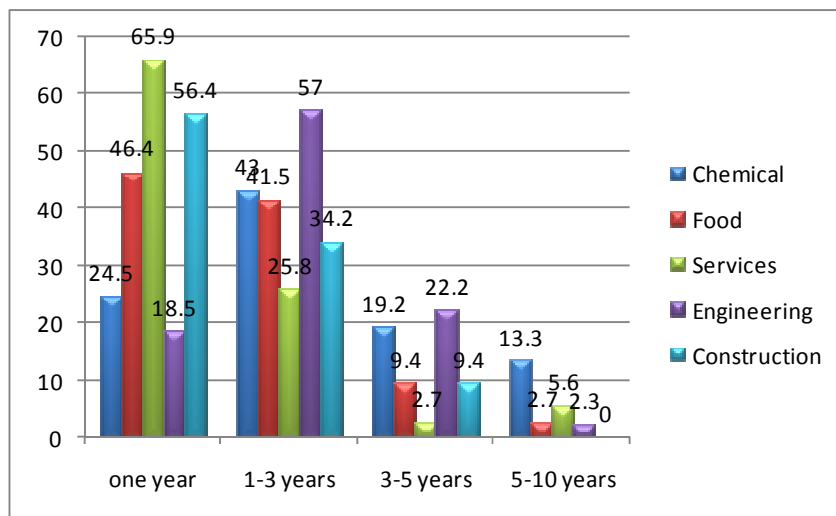


Figure no. 8 Period of setting financial objectives

Often setting financial objectives is not so simple as compared to setting strategic objectives. It is more highly concentrated in a period of over three years (Chart 8). This fact is more specific especially in the case of chemical and engineering industries, where the period of setting financial objectives exceeds even the period of three years. Just as in the first part of the study, in the case of industries, strategies are reviewed and updated. In this case, the change of the strategy within a year is a quite frequent and widely spread phenomenon, which in itself signals a lack of qualification in strategy formulation and implementation or a misunderstanding of the content and purpose of the strategy.

Table no. 3 - Causes of strategy failure

	Chemical (%)	Food (%)	Services (%)	Engineering (%)	Construction (%)
superficial strategic analysis	4	7.3	3.9	6.4	13.3
rational behaviour, but not flexible	-	5.2	7.2	6.1	-
spontaneous ideas, but short-life ideas	-	17.7	7.8	6.4	6.7
weak position in the industry	8	7.5	3.5	9.6	-
chaotic and ineffective management	6	-	-	2.8	-
unpredictable external factors	72	59.3	59.3	37.3	53.2
inappropriate implementation	8	3.7	3.7	18.7	6.6

From the point of view of the industry, the unpredictable external factors and uninfluential factors are considered as the main causes of a strategy failure (Table no. 3). All industries have set this as the main factor, which shows that the environment where Albanian businesses operate is dynamic and unpredictable.

5.3. BUSINESS ENVIRONMENT CHARACTERISTICS IN THE COMPANIES OF SELECTED INDUSTRIES

The good orientation towards external firm factors is also an essential condition to a strategy success. The senior management, who are not aware of the market size, is not capable to establish boundaries of the industry and recognize how strong the competitors of their company are. More than half of the companies in the food and construction industries do not recognize the size of the market they operate in. (Chart 9). This ignorance towards the market size generally is related with small and medium size companies, which identify the market size only at the moment they begin to operate in them.

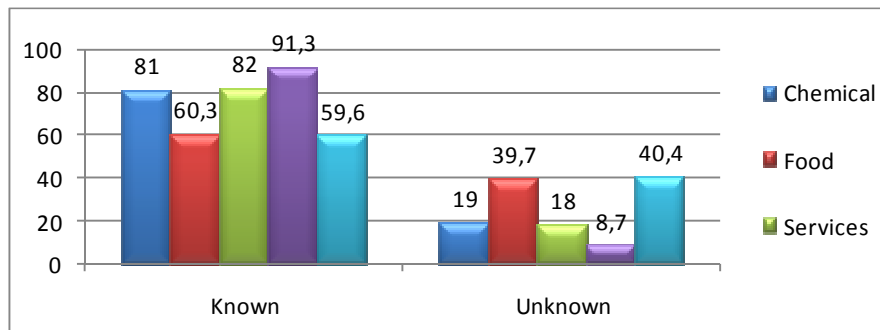


Figure no. 9 Recognition of market size

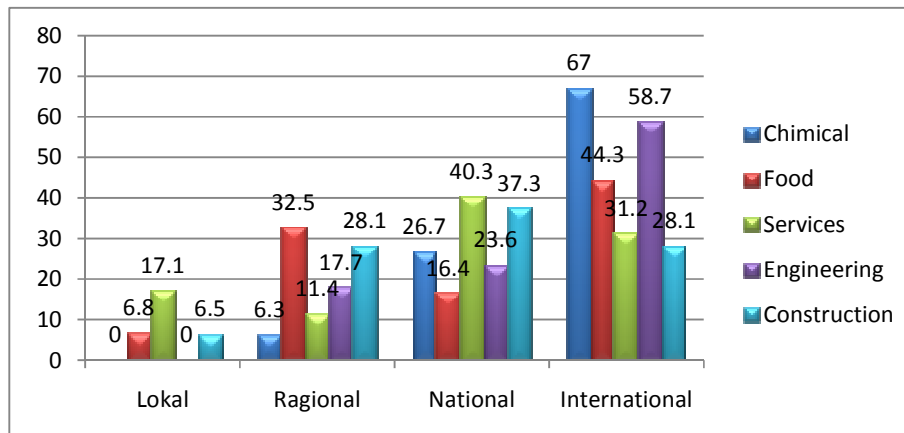


Figure no. 10 Nature of competition

From the results presented in and Chart 10, it is seen that Albanian companies are exposed to a great extent to international competition. In the case of chemical and engineering industry the impact of the local competition does not play any essential role. Albanian companies are slowly being adapted to the conditions necessary to enter international markets, because of the attitude of the companies that are rather concerned about local and national competition. The intensity of business environment can also be illustrated through the competition intensity, the results of which are presented in Table 4, where we see that very high competition exists in the five industries.

Table no. 4 - Competition intensity

	Chemical (%)	Food (%)	Services (%)	Engineering (%)	Construction (%)
a) very high	22.2	14.3	22.8	23.6	18.7
b) high	51.1	60.2	37.2	56	50,2
c) average	11.2	20.8	34.6	14.4	28.1
d) below average	2	2.3	5.4	4	-
e) low	6.7	2.4	-	2	-
f) none of the above	6.8	-	-	-	3

Based on this competition level, higher quality and lower production prices are expected from these companies/industries and as well as a strategy which has to be formulated and implemented at a higher quality.

Table no. 5 - Predictability of industry development

	Chemical (%)	Food (%)	Services (%)	Engineer. (%)	Construction (%)
unambitious future	23	27.5	40.3	23.4	28.2
variable future	61.5	53.5	42.5	61.9	50.1
constant future	13.2	16.6	11.5	8.6	9.4
unpredictable future	2.3	2.4	5.7	6.1	12.3

In Table 5 are presented results on the development predictability of the selected industries. These are the industries presented in the unambitious future and variable future, which have the greatest weight in the total predictability of industry development. Based on this fact, it can be said that the predictability is good, and that it can not cause big difficulties in these industries. This fact is also confirmed by the results of Table 6, which describes the level of changes or turmoil. To be successful against the influence of unpredictable and uninfluential external factors, a quick and flexible answer is necessary, which at the same time guarantees a successful strategy.

Table no. 6 - Level of changes/turmoil

	Chemical (%)	Food (%)	Services (%)	Engineering (%)	Construction (%)
no changes	11	27.8	8.6	2.3	9.3
slow growth-rate changes	35.7	32.8	42.7	44.6	31.4
rapid growth-rate changes	17.7	6.8	11.6	17.8	15.3
predictable changes	28.7	27.9	32.4	32.5	34.3
unpredictable changes	7.9	4.7	2.9	2.8	9.7

Table no. 7 shows the results on the attitude of the companies towards their future. The majority of them accept that a quick and flexible attitude would be the best attitude they might have for their future.

Table no. 7. Company's attitude towards the future

	Chemical (%)	Food (%)	Services (%)	Engineering (%)	Construction (%)
a) passive	2.3	4.4	5.5	-	6.2
b) reactive	17.5	18.8	17.5	14.3	18.7
c) very active	24.4	9.3	14.4	6.3	6.6
d) wait and see	11.2	16.3	8.5	8.5	21.7
e) adaptable	31.3	34.7	42.6	38.4	40.6
f) creative	13.3	16.5	11.5	32.5	6.2

5. CONCLUSIONS

According to the results of the study, some generalizing points on strategic management level of Albanian companies are identified as follows:

- Rules and methods of strategic management in the majority of Albanian companies are only formally approved. The modern vocabulary of strategic management is adopted without a deep understanding of the nature of the terms and its methods.
- What is claimed to be a strategy is more similar to daily tactics and operative and pragmatic activities.
- Indeed, strategic management is not considered to be a permanent and sustainable part of the company, but it is considered as a modern and temporary wave.
- The low level of strategic management in Albanian companies is also caused by non-transparent and unresolved problems of ownership structure and as well as from non-harmony of the interests of the companies' owners, managers and employees.

- Albanian managers lack the courage, original thinking and have irregular ideas. Furthermore, they have a relatively low capacity to correctly predict global development and quickly react against possible changes.

When Albania joins EU, a new market will be created, where the impact of the environment and competition will be more aggressive. Companies will be less protected as they are now. The high competition of business environment may result in increased levels of strategic management in favor of survival and prosperity.

The majority of the companies will lose their independence and will become parts of one or more multinational corporations, or will compete with each other in order to be included in the supply chain of the biggest international corporations.

In an environment where the consumers' preferences change constantly, where consumers' groups can not be easily identified, where new technologies which aim to meet consumers' needs are growing very fast, the prediction can not provide a reliable theoretic basis enough to achieve long-term strategies. In this case, the alternatives for a sustainable and supportive future can be found only inside company. High quality, original concepts and efficiency provide a more sustainable and constant basis for strategy.

Upon creation of this new global market, strategic management constitutes for Albanian companies a very important road to adapt to ongoing changes of international markets and create long-term advantages for the company. The main and somewhat generalizing recommendation that might be given to Albanian companies to face this moment of crises and global markets they aspire is the efficiency and effectiveness in their Strategic Management, by giving at the same time some other specific recommendations as following:

- Companies should make a full statement of their mission, by defining more clearly why do they exist, what services or products will they produce, whom do they produce for and how do they produce these products.
- These companies should identify all their stakeholders and the impact they have in their activity.
- Strategic and financial objectives must have an orientation toward long-term planning, as their goal is related with what they want to achieve in the future.
- Objectives must be set even in function level (operational levels), which should serve to the achievement of strategic objectives.
- During the strategy formulation, companies should make a full study of external and internal environment in order to have an effective and qualitative strategy.
- In the internal environment study these companies should include a full study of capacities, resources and their distinctive competences.
- Use of market research as a method to better understand the external environment where those companies operate from the moment they enter those markets.
- Use of PEST analysis should be more frequent to identify changes that will occur and the impact they will have in the company.
- Through the above recommended studies, companies should formulate such a strategy which relies on strengths and opportunities by minimizing their weaknesses and threats.
- Strategies should be presented and explained to all employees both verbally and in a written form.

- In the strategy implementation should be involved all company hierarchy levels.
- At industry level, the five forces analysis is necessary for company's success.
- Companies should clearly identify the industry development tendencies as well as the number and characteristics of other companies in the same industry.
- In strategy planning and implementation, especially in small and medium companies should be involved all management levels.
- Strategic management should become an integral part of company's functioning.
- This discipline must be present in every policy taken by companies.
- Senior managers and managers of other levels must be part of various trainings and courses on strategic management.
- Establishment of strategic management departments or offices constitutes a condition and a need in the nowadays global market conditions.

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