Strategic management in Albanian SMEs

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ABSTRACT

The strategic management process gives as a product the formulated strategy which is then implemented, evaluated and controlled. This process before being crowned with these stages had a different composition. Somewhere in the mid-1960s, strategic planning emerged, which preceded strategic management. It was a good way to steer businesses through strategies. But its main weakness was that it consisted only of the strategy formulation phase, so the final product of strategic planning was strategy. Business history is fraught with failures that are based on past successful models. So even if a firm performs well today, no one guarantees it will survive tomorrow. This study is a research which aims to investigate the level of implementation of strategic management process in Albanian enterprises. Due to the time and material constraint of doing a survey of companies in all sectors in Albania, I have been limited to companies dealing with the production of bottled water, which serve as a representative sample for the final results as well as for further research into the future.

Introduction

“*The essence of strategy is the choice of doing activities differently than rivals*” (Porter, 1996)

Is a good strategy good enough for a business to function properly? This is one of the most problematic questions to answer. The answer is yes. The great political, social, technological changes have made the external environment quite complex. This complexity is gradually increasing over time. Therefore, it is not enough to just anticipate the formulation of strategies in a dynamic environment. The successful formulation of the strategy does not guarantee its successful implementation. Therefore, the main disadvantage of strategic planning was that it did not foresee any phase beyond the strategy formulation. In addition, strategic management was born, which is complemented by two further phases: the implementation and then the control, the evaluation of the strategy.

Once we have a well-formulated, successful strategy in place that corresponds to the internal and external reality of the enterprise concerned, strategic management must first deal with the implementation of that strategy and then with control and evaluation, which means that the strategic management process is a continuing, dynamic process that adjusts to internal and external change.

Applying the strategic management process to larger businesses is more formal. Small businesses tend to have informal strategies. Greater formality in the implementation of the strategic management process usually has a positive impact on costs, security and success across all types and sizes of organizations. Author Fred David quotes: "However we can say that all businesses have strategies, some of them informal, unstructured and sporadic. They all want to get somewhere, but some of them do not know where. The old saying, "If you don't know where you are going, then any road will lead you there!" emphasizes the need to use concepts and techniques if you do not know where you are going.

One of the main reasons I set out to do research in the strategic management process is that all the time I was hearing the hypothesis that companies in Albania have no long-term strategies, most of them start-ups without strategies and other assumptions. On the
other hand, we know that the process of strategic management in most small and medium-sized enterprises is not present from the beginning, it arises as a necessity for survival from competition. Since there was no empirical study that could provide us with realistic interpretations and not assumptions about Albanian enterprises and strategy, I found it reasonable to start such a study as narrow as it focuses only on a specialized industry, that of bottled water.

The main aim of the study is to investigate the level of strategic management process in Albanian enterprises.

The paper is organized as follows: Begins with the literature review on strategic management, strategic management process, and benefits of strategic management process, then the used research methodology is explained, the results and discussion are presented in a separated section and the final section contains conclusions of the paper.

**Literature Review**

Researching the process of strategic management or research on the formulation, implementation and control of strategies in Albanian enterprises is a little studied topic. Other countries in the transition region also have few studies on strategic management in corporations, enterprises, etc. The authors Miloš Drulí and Miroslav Křížkovský (2001) in their paper "A Pragmatic Approach to Strategic Analysis" cite that strategic management is one of the biggest weaknesses in Czech companies.

Research in international strategic management has seen rapid growth in the 1980s (Ricks et al., 1990) and the 1990s (Werner, 2002). During the four year period, 1996-2000, the number of articles published in the nine most popular journals was analyzed and some 291 papers in the field of international strategic management were identified. Greater attention was given to topics about international diversification and strategic alliances (Lu, 2003).

From the literature we conclude that almost all authors agree that for enterprises to have long-term success, they must have long-term strategies. Otherwise success is lacking or it is very short term.

Below we will outline some basic concepts of strategic management. In this chapter we will try to provide the reader with the opportunity to get acquainted with the whole process of strategic management, but in short order due to the limited volume of work.

**Strategic management**

Strategic management, the way in which firms identify strategic orientations and guide operational processes according to their strategy, has become an academic discipline such as marketing and finance. (Mintzberg et al. 1998; Rumelt et al. 1994). Strategic management as an organized discipline was preceded by strategic planning dating back to the 1960s. Although there were many early contributors to the literature, the most influential pioneers were Alfred D. Chandler, Jr., Philip Selznick, Igor Ansoff, and Peter Drucker (David, 1997). The term strategic management was first used in 1970.

Strategic management is the art and science of formulating, implementing, and evaluating decisions made by the organization to achieve its objectives (David, 1997). Strategic management is the process by which the goals of the organization are defined, policies and plans are developed to achieve these objectives, and resources are allocated to implement those plans. Strategic management is the process in which top-level management (strategic leader) determines the direction of the long-term development of the enterprise and its tasks, and at the same time creates the relevant strategy, its implementation and permanent evaluation of the enterprise” (Mustafa, 1997). Strategic management is an enduring process that evaluates the business and industry in which the company is located; evaluates its competitors, sets goals and strategies for dealing with current and potential competitors; then reassess the strategies every year or every three months to see how it is implemented and whether it has succeeded or needs to be replaced with a new strategy to adapt to changing environments, new technology, new competitors, new environments economic or social, financial and political (Lamb et al., 1984).

We know that the whole process of strategic management works towards the long-term future, providing information from the near and distant environment, with the aim of creating a strategy or strategies appropriate to maintain a competitive position in the dynamic and to reinforce this position. It is therefore not an easy task to harmonize the short-term and long-term goals of the enterprise. Regarding this, the father of management, Peter Drucker, quotes: "Management has no choice but to foresee the future, to try to research it, and to balance long-term and short-term goals."

**Strategic management process**

The strategic management process consists of three stages: strategy formulation, strategy implementation and strategy evaluation and control. Each phase has its own importance, so all three phases must be taken into account to have a successful strategic management process and for such a process to be complete.

**The benefits of the strategic management process**

The benefits of the strategic management process are many. As the strategic management process involves all levels of an enterprise, communication is a very important element between all levels. Communication is the key to successful strategic management. (David, pg.15). In addition to communication, understanding the strategic management process itself is very important. If employees understand the process well, they will feel themselves part of the enterprise and will work to achieve the vision and fulfill the
enterprise's mission. Therefore, it is considered that one of the greatest benefits of strategic management is understanding this process that leads to the accomplishment of tasks or maximum engagement of employees.

**Figure 1:** An organization that has a strategic plan but its members do not know that plan

**Figure 2:** An organization that has a strategic plan but its members do not know that plan

Research of Dani (2004, pg. 122) shows that companies that implement the strategic management process are more profitable than those that do not. Among other benefits of MS we can count:

- Formulates the mission;
- Formulates philosophy, including values, beliefs, which distinguishes the enterprise from other enterprises;
- Sets objectives;
- Formulates better strategies;
- Systematic, logical, rational
- Plans the organizational structure of the enterprise;
- Provides human resources by recruiting, selecting and engaging people in positions according to the foreseen organizational structure;
- Improves knowledge of competitor strategies;
- Increase awareness of risks;
- Reduces resistance to change;
- Is proactive in determining the future of the firm, etc.

In other words the benefits of MS are great. It initiates and impacts almost all activities of the firm. Among the financial benefits are: sales improvement, profitability improvement, productivity improvement etc.

In the process of strategic management, the mission must be formulated before alternative strategies are formulated and implemented. Drucker says: “Creating a clear business mission is "the strategists' first responsibility." While it is the first step in the strategic management process, the mission provides the orientation basis for planning all other activities.
The mission should also include customer orientation. So a well-formulated mission must identify the needs of consumers and provide products to satisfy their needs. Formerly the orientation was only towards production but over time they began to give more importance to customer orientation.


Figure 3: Defining the Business

Research and Methodology

The study is based on primary data collected through interviewing techniques, on the level of formulation, implementation and evaluation of strategies in enterprises producing bottled water.

We have developed a conceptual model for the purposes of this study which is presented below:

Source: Author

Figure 4: Strategic management process and long-term success

Enterprises that operate without strategies, in chaos and those that have strategies differ greatly from one another. In order to explain the strong link between the strategic management process and long-term success we present the following figure.

The type of our search is descriptive search. The sample selected is a non-probable - intentional sample. The interviewing unit was top managers, owners of several companies dealing with the production of bottled water in Albania. The respondents were 83.33% male and 16.67% female. Their average age was 46 years. Their professional training was mainly high and superior. The sample size is 6. Out of 9 enterprises involved in producing bottled water in Albania, 6 were surveyed. Or in other words we can say that 67% or 2/3 of the market are surveyed.

The questionnaire consisted of 39 questions. Depending on the respondents’ answers, there were also a number of questions, since the negative answer to one question could outweigh some other related questions. The average time to complete the questionnaire was 33 min.

The time and human resources to complete the study have been sufficient. At the data collection stage, the purpose of the study was presented as precisely and directly as possible with the aim of reducing the responsiveness and dropout during the study. During the
data analysis phase, descriptive and logical analyzes were used and the responses processed and interpreted objectively.

Statistical analysis was done with the following: MS Excel and SPSS latest versions. They are based on descriptive statistics using cross tabulation techniques. The Chi-square test is used to test whether the sample set is representative and not biased. Cronbach's Alpha is used to test the reliability of the measurements. Whereas, the Anova test is used to test hypotheses in discrete data - or hypothesis testing if two floor-goric variables are independent of one another.

This study also requires more advanced models for analysis as correlation models. One of the models is the Spearman correlation coefficient – which is used to identify the ratio between variables.

\[ r_s = 1 - \frac{6\sum d_i^2}{n(n^2 - 1)} \]

Where :
- \( r_s \) = represents the Spearman coefficient
- \( d_i \) = represents the difference in rows given for the two variable values for each item from the data
- \( n \) – represents the number of datasets

The independent variables for this study are size, age, and ownership, whereas the strategic management process is a dependent variable.

**Result and Discussion**

The population of Albania is supplied with potable water by public (municipal and regional) water utilities, small rural settlements as well as individual resource catchments and by wells (Daci, 2002). The same source points out that the drinking water supply in Albania is low and reaches only about 40%. In Albania it is estimated that around 50-100 l/capita/day is consumed, depending on the urban or rural environment. The total consumption of drinking water in Albania is approximately 75-80 ml.m\(^3\) of water per year. Considering population growth trends, as a result of high natural growth rates, rising living standards, leading to increased water consumption per capita, rapid growth in water consumption per capita is expected in the next two decades. It is expected that consumption will increase to 200 l/capita/day, ie current consumption will triple to 250 ml.m\(^3\) (Ibid).

From the above information it is understood that only 40% of the population needs of potable water are met, nor will it be foreseen to be met in the future unless further accumulations arise and if they are extracted from various underground depths that require appropriate investment. According to a review made in 2004 by the Ministry of Environment and Spatial Planning in Albania all Albanian settlements face significant water problems, both in terms of quantity and quality. The problems mentioned in this review are of various nature such as:

- insufficient capacity of water sources,
- irrational spending and large network losses,
- purification of water only by chlorination and obsolete and limited capacity filtration stations, with their strenuous work disregarding the technical performance of the plants,
- lack of adequate urbanization of settlements and expansion of the water supply network even when capacity is limited,
- lack of incentives to save water (tariffs, controls, lump sum payments not based on the amount spent, etc.),
- lack of professional human resources,
- lack of respect for the water economy base, which foresees how the needs of the inhabitants will be met at present and for future generations.

It is also quoted in this review: “The conviction that water is in sufficient quantity has led to the fact that a number of rivers have become channels for the discharge of wastewater (Sitnica, Sazlia, M. Binces, Lumbaridi from the city of Prizren to Prizren). spill into Dri etc.). Therefore providing the necessary quantities of water, its conservation and protection should be one of the goals of Albania's overall development strategy.

As we mentioned at the beginning of the paper, the empirical study analyzes and describes the process of strategic management in enterprises dealing with the production of bottled water in Albania. 67% or 2/3 of them were surveyed. Main owners and managers were surveyed, in other words the most informed persons on the long-term strategies of these enterprises.

Based on the data on the number of employees in these enterprises we can conclude that the latter belong to the SME group. Almost
all companies produce water in PET and glass packaging.

According to the findings of the leaders of these enterprises, all have carried out water analyzes at least by the Institute of Chemistry and the National Institute of Public Health of Albania. Some of them have gone further, bringing experts from Europe to do the analysis of drinking water and to meet the required European standards. The most popular brands of drinking water production in Albania are: Domatja Water, Trangulli, Patatja, Fasulja, Kërmilli, Lulelakra, Hasani, Hyseni etc. Most of them deal with the production of naturally bottled and mineral water, a few of them only with natural.

Spearman correlation coefficient

Table 1 shows that the correlation between size of enterprise and the strategic management process is statistically significant for all phases of SM. Table 1 indicates also that relationship between the age of enterprises and strategic management process is statistically significant for all phases of SM and there is no relationship between ownership type and strategic management process.

Table 1: Spearman Correlation between strategic management and enterprises–specific characteristics

<table>
<thead>
<tr>
<th>Strategic management phases</th>
<th>Size</th>
<th>Age</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Spearman’s rho (2-tailed)</td>
<td>T-test F (p)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R(p)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formulation</td>
<td>0.550</td>
<td>0.513</td>
<td>2.354</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.001)</td>
<td>(0.113)</td>
</tr>
<tr>
<td>Implementation</td>
<td>0.507</td>
<td>0.887</td>
<td>0.775</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.000)</td>
<td>(0.377)</td>
</tr>
<tr>
<td>Control</td>
<td>0.633</td>
<td>0.750</td>
<td>5.003</td>
</tr>
<tr>
<td></td>
<td>(0.031)</td>
<td>(0.000)</td>
<td>(0.886)</td>
</tr>
</tbody>
</table>

Table 2 shows that there is a significant positive relationship between views of managers/owners on strategic management phases for following statements; namely, “Strategic management is very important for the analysis of the external environment”, “Strategic management is very important for the analysis of the internal environment”, and “Strategic management has helped us make it clear where we want to be in the long run”. The findings show that there is a significant negative relationship for two statements: namely, “Strategic management makes us aware that we need to be alert to potential competitors”, and “We need to keep in mind that if necessary we need to change our strategy so that we remain competitive”. Also the results show that there is significant relationship between the statements and strategic management phases: “Strategic management has helped us in selecting the right strategies for implementation”, and “Strategic management has helped us in selecting the right strategies for implementation”.

Table 2: Correlation between views of managers/owners on strategic management and its phases

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strategic management phases*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Spearman’s rho (2-tailed) r(p)</td>
</tr>
<tr>
<td>Strategic management is very important for the analysis of the external environment</td>
<td>0.432 (0.003)</td>
</tr>
<tr>
<td>Strategic management is very important for the analysis of the internal environment</td>
<td>0.458 (0.002)</td>
</tr>
<tr>
<td>Strategic management has helped us make it clear where we want to be in the long run</td>
<td>0.303 (0.000)</td>
</tr>
<tr>
<td>Strategic management has helped us in selecting the right strategies for implementation</td>
<td>0.123 (0.232)</td>
</tr>
<tr>
<td>Implementation of strategies has been followed with problems, especially those with human resources</td>
<td>0.126 (0.261)</td>
</tr>
<tr>
<td>Strategic management makes us aware that we need to be alert to potential competitors</td>
<td>-4.704 (0.000)</td>
</tr>
<tr>
<td>We need to keep in mind that if necessary we need to change our strategy so that we remain competitive</td>
<td>-6.547 (0.000)</td>
</tr>
</tbody>
</table>

*this variable is an average of all 3 phases of SM

Conclusions

The results of the study proved that the strategic management process is implemented in Albanian enterprises. The paper also answered why this process is important for the success of enterprises. Of all the enterprises that applied this process, their work resulted in success at various levels; the important thing is that success was not lacking. Research has also shown that the main
differences between enterprises that have strategies and those that do not have are: success, long-term strategies, escaping the various problems that arise in its absence, etc.

Most of them state that they have a formal document for starting their own business and still have it, while a small number have not and still do not.

The research reveals that the most commonly used strategies in Albanian enterprises, namely bottled water production companies, are intensive strategies. The overall purpose of investment strategies is to improve the competitive position with existing products. But the results also give good indications for future diversification strategies

One of the recommendations for future studies in this field is that the empirical study should have a broader sample of research involving enterprises from different industries in Albania. In this way there would be more accurate and satisfactory information on the state of the strategic management process in Albania.

References


