

## **Strategic Management Application into the Small and Medium businesses in Kosovo**

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### **Abstract**

*Similar to majority of places around the globe that operate on part on free markets, Kosovo's small and medium sized firms and companies struggle to catch up with close competition and against big companies on the other hand, though. Awareness of business people about the fast shifting and quick changes into the market made plenty of owners/entrepreneurs having different view of market they operate, particularly traditional trades which small and medium businesses are part of. The new perspective comprises the need for changes aiming moving personal firm towards cutting edge trends led by contemporary costumers' tastes, demands and wishes. Fast shifting trends compel businesses insofar as they are required to deeply analyze and indentify both internal and external factors in order to survive and prevail as main objective. Based upon the choice they make, trades may decide staying small and earning big or growing and earning big too; therefore, every single business inescapably ought to find a strategy since merely luck isn't enough to be relied urging for success. Not two markets can use the single strategy bearing numerous differentiations as in size, demography or economy. Coping with numerous issues business vendors should move forward and equip themselves with useful traits of sharp minded entrepreneurs, adaptive marketing managers, financially smart, long term forecasters, precise predictive and technologically savvy as common mandatory qualities succeeding in a complex market surroundings. Thought, kit of functional traits must be reckoned as proper solution for strategic managing operations of business an aim for long term achievements.*

**Keywords:** *Strategic, Management, Internal, External, Market, Small, Medium, Success*

### **1. Introduction**

Desire of entering into the business accompanies besides risk taking, it also requires being able having plenty of time planning how to operate and survive thereafter. As elsewhere in globe, from my point of view, yearning of people of being boss of their own by running personal business remains endless. The same desire reigns in the county I live, Kosovo. Hence, during the fourth quarter 2014 (Q4-2014), 2175 newly established businesses started operation into the Kosovo market, prior to this quarter, Q3 of the same year 2014, 1919 private enterprises started operation in the same market. Statistically expressed, 13.3% more firms entered the market comparing to Q3 2013, whilst 20.5% more of enterprises started business as for the same quarter of the previous year, Q4 2014 (Kosovo Agency of Statistics, 2015). On basis of statistics expressed, obviously craving for personal business ownership is growing as a space for market share is shrinking. In order to "grab" a market share, every business have to think big finding a strategy for market penetration first, and then finding a mandatory strategy to survive and stay a long time player becoming an "ingredient" of market.

Bearing in mind that majority of commerce's in Kosovo are typically solely owned - sole proprietorship, commonly small and medium enterprises, they may in general face more complexities while running business.

Seemingly, alternative for staying firm on feet against strong competitions such are big and multimillion companies, is looking hard finding the most appropriate strategy by making a market niche at least. Surviving amidst ongoing rising powerful big companies which literally “sweep ahead” small businesses, the only path to be followed is finding proper strategy utilizing as ladders attempting to climb high and create a sustainable business managed with appropriate strategy alignment.

According to Kyriazoglou who states that however beautiful the strategy, you should occasionally look at the results,’ is a famous quote by political leader, Winston Churchill. Strategy shows which way forward your business should try to go. Regardless of your company size small, medium, large, or type private or public. A strategic management process is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable your company to achieve its long-term objectives. It is the process of specifying your company’s mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies and plans, projects and programs (Kyriazoglou, 2012).

Objective of this paper is showing importance of utilizing strategic management on small businesses of Kosovo in order to prosper. Meanwhile, paper provides comprehensive facts of a strong and clever entrepreneurship that can be divulged with wise business movements sometimes followed by high risk taking and “gambling” behavior. Through expression of data provided which are results on original description derived from qualitative methods supported by literature and quantitative data assembled for completion and representation of valuable research paper, I intended to offer to readers inclusive knowledge on management strategy and its impact in businesses of Kosovo an useful prime guide equipping well with essential information upon strategic management application.

## **2. Reasons for applying strategic management in personal running businesses**

In today's' world of business strategic management is becoming the most valuable and import tool for every enterprise, moreover, for small and medium trades it is a compulsory "accessory" taken searching for success. According to Clark, the overwhelming support for strategic support for strategic management suggests that there are strong reasons for using it. Managers should understand exactly what these reasons are so that they can assess whether or not they fit needs of their respective firms. Among reasons mentioned by the author about utilization of strategic management are practical tips to be used from Kosovo enterprises as a guide prevailing and succeeding in market, instructions are as followings:

1. Providing Direction -A reason for using/applying strategic management is to provide a clear direction for the firm or business. An important component of strategic management is selecting goals to achieve; this allows a firm to be progressive and work toward its goals.
2. Enhancing Performance - According to a presentation from the University of Texas at El Paso, strategic management is capable of increasing firm performance. Examples of increased financial performance include higher return on investment, reduced operating costs and increased profits.
3. Measuring Progress - Strategic management is effective in measuring a firm's progress. A common method for measuring progress is through analysis, articulated later on paper part of external factors, which measures the gap between a firm's goals and its actual achievements.
4. Structuring Decision Making - Strategic management formalizes the decision-making process, making it possible for an organization/entrepreneurship to make consistent decisions across multiple departments and levels of the firm hierarchy.<sup>1</sup>

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<sup>1</sup> Wendel Clark "Reasons for Strategic Management"- [http://www.ehow.com/info\\_8088234\\_reasons-strategic-management.html](http://www.ehow.com/info_8088234_reasons-strategic-management.html)

### **3. Internal Environment factors impacting on strategy**

Important aspects that can significantly impact on the well-being of business are internal factors<sup>2</sup>. In general, majority of enterprises, start counting internal factors initially as they start indentifying issues impacting strategic management tools. According to statistis representing the structure of business ownership in Kosovo, see graph 1, we can see that 74.9% of existing enterprises run business individually, 0.08% are general partnership, 0.04 % limited partnership, 22.9% LLC, 0.09% foreign companies.

Seeing the graph we can figure out importance applying strategic management from personal owned businesses in Kosovo; however, since almost 75% of newly established business are managed from a single person, he/she must have some general abilities to manage enterprise to higher attainments.

**Business Strategic Plan** - First of all, strengthening his/her position into the market, Kosovo entrepreneurship must prepare a business strategic plan, a common rule for business start ups that can help in the future initially setting priorities that will be followed later as an appropriate path. According to Woody, strategic business planning is critical to many organization and should provide followings:

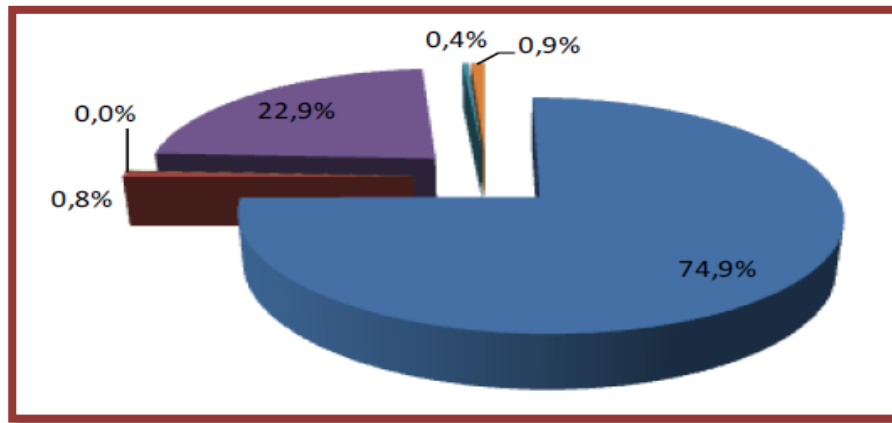
1. Serve as a framework for decisions,
2. Provide a basis for more detailed planning,
3. Provide detailed plans that include timelines, assignments and evaluations,
4. Explain the services provided to others in order to inform, motivate and involve,
5. Stimulate change and become the building block for next plan within established timelines (Woody).

While Loflin and Sanders state that strategic is also different than operational planning or short-term planning which primarily focuses on annual or budgeting process, whereas plans will focus on the future and direction of an organization. Choice and decision of strategic business planning will primary evolve around the mission, vision, goals, services, expectations, values, strategies, and resources and how they will be acquired (Woody).

**Human Resources** - Selection of crew who will be join firm is among additional issues that owners have to courteously and vigilantly select the right people. Selection of people thereafter needs to obtain them with training and other additional stuff in order to equip personnel being literate with company or firm policies helping them on alignment towards overall firm goals which is a leading track to success. Human resources, moreover, are among the most important internal factors to be focused on in case of Kosovo firms looking for long term succeeding strategies, therefore they have to toughen company with skilled, devoted and well attitude personnel.

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<sup>2</sup> <http://www.leoisaac.com/planning/strat016.htm>



Graph 1. Business organization of new enterprises in Kosovo\_Quarter 4-2014.

Sources: Kosovo Agency of Statistics

**Technology** - technological strength is almost inescapable part of internal factors that for sure make owners of Kosovo enterprises having fast and accurate job done in time. It deeply relies on organization structure on making owners decide on which appliance to be determined, but acquiring cutting edge technology including up to date software programs and other consistent joining technology is a decisive factor for Kosovo businesses to make a leap ahead in pursuing vogue trends of demands by fulfilling them with quick services and products accordingly.

#### 4. External Environment factors impacting on strategy

External factors surrounding businesses are even more complex for businesses of Kosovo to cope with. Similar as to majority of markets in the world, in Kosovo as well, market has almost the same actors and "rules" that every business encounters at. I have chosen an range of interesting and crucial points to discuss aiming to present plainly external factors that wrap Kosovo market.

**Economic conditions of market** - First information needed entering into the market, a crucial for entrepreneurs, is acquiring as much as possible realistic information about the conditions of market. Taking a glance at some data and information could be helpful at least for newly established businesses having clear and neat picture about the market, in contrary they have not to be afraid or refrained of entering into the market if data are not appropriate neither. As for instance, extracting of a source from Kosovar daily newspaper<sup>3</sup>, more than 700 businesses were part of survey conducted from Economic Chamber of Kosovo along with American Chamber of Economics in Kosovo. According to newspaper, 54% of businesses part of a survey, mentioned poverty as main indicator of low purchasing power a factor affecting badly on their businesses. High interest rates on banking loans, high level of corruption, low enforcement of law, and informal economy are additional problems to be tackled down in order to prosper on Kosovo external business environment (KOHA.net, 2014).

**Market competition** - Direct or indirect competition remains main factor to watch for as it comes on eternal factor assessment. Every detail learned or known about the competition about their strength of business is a constant positive feature helping entrepreneurs changing curse of actions and in some situations even modifying business strategies. Market of Kosovo, as a small size market, can be easily observed so competitors

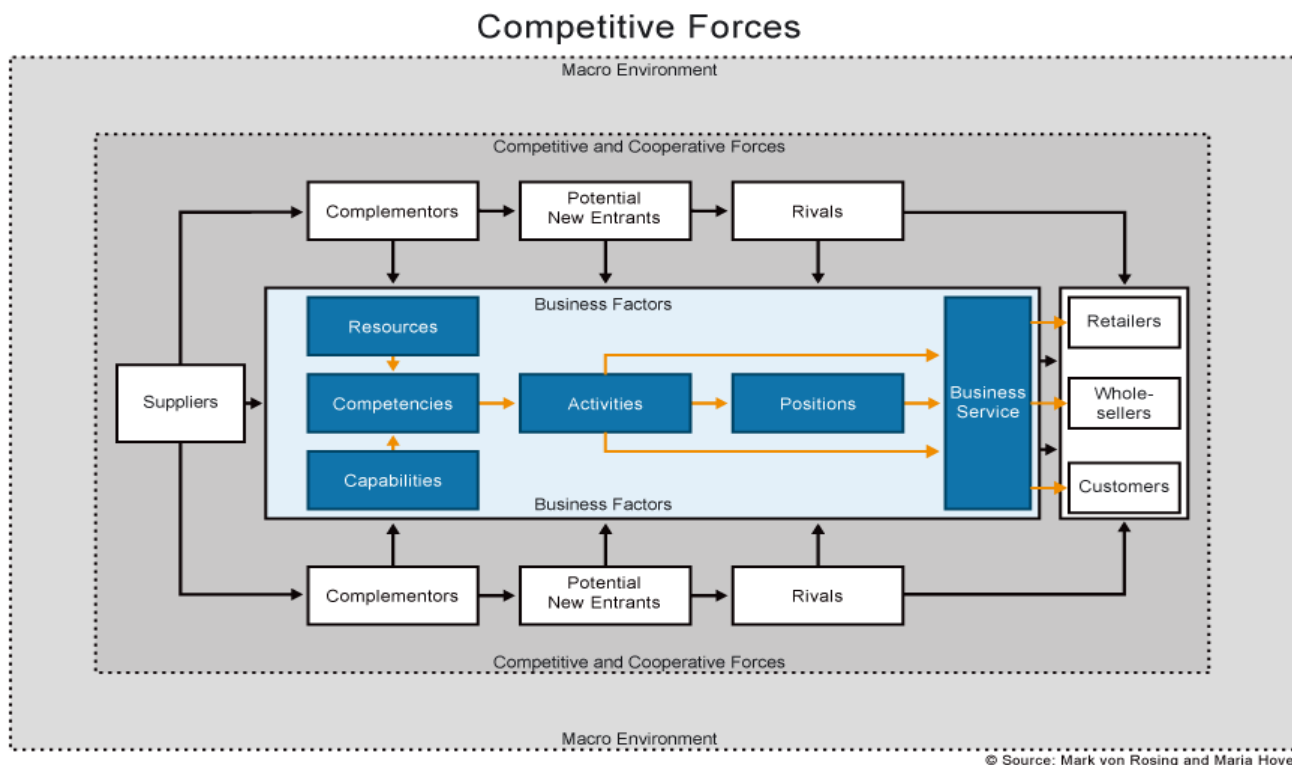
<sup>3</sup> KOHA.net "Problemet në ekonomi - Varfëria, korupsioni, mos sundimi i ligjit, ekonomia joformale.." <http://koha.net/?id=27&l=39258>

commitments - strategies, marketing and prices could be fast observed. With numerous information about competition business managers must be alerted about how trends have changed over the months or years, and where market is situated or which direction it is going, as result of changes while at the same time they will already have some ideas about adapting to the competitive environment and satisfying target costumers on behalf.

**Strategic Analyses (SWOT-PEST-FIVE FORCES)** - Fortunately number of well-educated youngsters in Kosovo is incremental. This situation creates positive outcomes for businesses to take advantage of. Plenty of well-educated people end up being hired from businesses, hence, crucial analytical skills for new way of doing business is evident on Kosovo entrepreneurship in general. Intentionally, moreover, I raised analytical skills as critical part of external analyses since it is driven from inner side, though. Handling well in market of Kosovo, commerce must have to be knowledgeable about the miscellaneous analyses coping better with actions to be taken influencing on firms success. Analyzes such are SWOT eases firms identifying their place in market throughout gauging and where it stands on strengths, which are weaknesses, the way opportunities are seen and how they could be utilized, and which are threats that a firm in Kosovo has to be faced with on its way towards success.

Talking about PEST analyses, not very much scrutinized in depth as it should from Kosovo firms and companies. Those analyses make possible being aware of Political, Economical, Social and Technological situation in order making a proper strategic action if required for better positioning of firm in market.

Five analytical forces embody bargaining power of suppliers, bargaining power of customers, threats of new entrants, threats of substitute products and rivalry among competitors in the same industry. With examination of those forces, every single business will have at least broad picture of market he/she is part of as in our case Kosovo market which is seem lack of proper regulation, consequently those analyses will greatly help every entrepreneur particularly those who decide to start up new so called infant businesses.



Graph 2. Competitive forces factors on external business environment

## 5. Conclusion and Recommendation

Each business should be described in terms of its key markets and customers served, their needs and desires, and the perceived value provided to them by the organization's products. Either the owner or the general manager should understand any unique, sustainable competitive advantages of the firm or company. The needs and desires of the customers assist in identifying the skills that are required to meet and fulfill them (often referred to as the critical skills of the business), which become important considerations in the business concept, the competitive strategy, and the functional strategies (Colley, Doyle, Hardie, Logan, & Stettinius 2007).

Just taking place in market is not sufficient reason for doing business anymore. Even small businesses started thinking and finding proper and most appropriate strategy in order to survive into the free market at least on those markets where rules and regulations are far from being implemented. Today's small and medium businesses participating into the market of Kosovo, turned to be more witty meaning that money intended for investments are more cleverly managed as it comes on long term planning. Seeing that number of people willing to invest money urged by desire to have own enterprise is rising from day to day. According to Kosovo agency of statistics range of newly opened businesses started operation in Kosovo during 2014 is larger from 13% to 20% rather than previous year. Extracted statistics gives us a clue supporting pressing idea of finding path for share in market which seemingly is shrinking as consequence of mass infant businesses. Implementation of strategic management is an useful tool that appears to be compulsory to be applied form small and medium businesses from Kosovo. Having implemented strategies, first of all the owners should be sharp minded, precise forecasters, flexible and adaptive on demands and needs of market, afterwards attempt to prevail on market surroundings. Reasons of applying strategic management for solely owned businesses are immense, among distinguished are getting direction where commerce is aiming to head on, enhancement of performance, measuring progress attained, and structuring decision making for success. Impacts of internal and external factors are inescapable to be reckoned talking about management strategy implementation form small and medium businesses of Kosovo. Business strategic plan is highly recommended setting priorities for future planning, additionally human resources are among strongest pillars of healthy and firm entity construction, technology for fast and exact competition of daily duties could be summed as internal factors for company prosperity. As per external factor, businesses have to take into consideration economic market condition as essential and crucial factor to be examined in details, moreover, competition and their business activities are factors that influence to greater extent. Strategic analyses are compulsory for ongoing focus and just in time information about market evolution.

In sum, businesses which operate in Kosovo among other issues they do cope with low level of economy so finding best managerial strategies for their businesses, particularly for small and medium, means avoiding possibilities of getting out of the business as it did some of the businesses or 447 of them went out the business during 2013 (Kosovo Agency of Statistics, 2015). Therefore, implementing of proper managerial strategy is witty way not just to survive but a certain path to succeed into the market of Kosovo.

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