



## STRATEGIC MANAGEMENT, A FRILL OR A NEED – AN EMPIRICAL STUDY OF ALBANIAN AND MACEDONIAN BUSINESSES

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### Abstract

*Management experts have argued repeatedly that firms or companies should respond to environmental changes, by engaging in more systematic planning to anticipate and respond to changing and unforeseen events. The main aim of this paper is to investigate the situation of implementation of strategic management thought in two Balkan Countries in order to give valuable recommendations for improvement of these processes. Through an empirical study of both countries are given answers to the following questions: How do private businesses formulate, implement and evaluate strategies in Albania and Macedonia context? How and to what extent do contextual factors influence the action and performance of businesses? The empirical research upon which this paper is based has highlighted a number of valuable results in terms of new descriptive evidence of the levels of tool support and the top tools which are used by strategic management practitioners in Albania and Macedonia for a series of core strategic tasks.*

**Keywords:** strategic management, formulation, implementation, Balkan countries, business performance

**JEL classification:** M19

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### 1. INTRODUCTION

New free-market economies are developing throughout the former socialist countries. Though these countries generally differ in essential features like culture, political background and economic potential, they are often characterized by a history of large-scale government and massive bureaucratic intervention in the economy. Besides building up new and democratic institutions, countries in transition face major problems of overcoming the lingering influence of the former institutions.

Each country addresses these problems in distinct ways. The relevant politico-economic institutions - democratic decision-making bodies (implying voter influence on

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policies); central banking policies (independent or not); the organization of privatization of industries; the regulation of private firms; and the role and influence of private banks - all have an impact on this transition period.

When these institutions prove unfavorable for the development of free market economies, one reaction in many countries is the spontaneous development of informal economies. 'Institutional economics and underground economics are highly complementary. The former examines the rules of the game, the latter the strategic responses of individuals and organizations to those rules' (Feige, 1997: 25).

Given the above, and having in mind that nowadays everybody has to run if wanted to stay in the same place, we got the impetus to questions: *What about businesses in emerging economies? How much are they prepared to face the crisis and the events in the future? Do Albanian and Macedonian companies have emergency and long-term plans? To what extent these businesses are engaged in the formulation and implementation of strategies? Is there a correlation between the formulation, implementation and evaluation of strategies in these businesses? Are there differences between two countries in this respect?*

## 2. RESEARCH DESIGN

All the firms examined have been in business for many years and have significant operations such as retail outlets and manufacturing facilities. Structured interviews are conducted with top managers of these firms. The interview questionnaire consisted of 26 questions dealing with basic company information, and 74 questions given in ranking scale according to a three-phase SM process model. Phase 1, strategy formulation, involves the evaluation of the current strategic position of the organization, organizational analysis and the identification of strategic issues. Phase 2, strategic implementation, involves seven key tasks which facilitate implementation of the chosen strategy (Johnson and Scholes, 2012; Wheelen and Hunger, 2008).

A multi-method research design was chosen to collect descriptive and explanatory data. The empirical study was replicated in Albania and Macedonia, using structured questionnaires. The questionnaire used in the realization of this study is drawn from AMCES (Association Management Consulting and Evaluation Services) a Canadian company that deals with managerial consulting of the companies. The questionnaire was developed in order to identify the strategic management challenges faced by companies, in order to be given suggestions and solutions. The questionnaires have been answered mainly by owners and/or managers of the companies and sometimes by accountants of the companies. Companies had to fill the same questionnaire, which is divided in four parts (1. General Questions, 2. Strategic Formulation, 3. Strategic Implementation, 4. Strategic Evaluation)

The period of the study was six months, from April 2015 to November, 2015. The questionnaire was pilot tested with a sample of 20 companies; with a response rate of 55%, with two phases of follow-up of non-respondents. Responses were received from 130 managers in Albania, and 120 in Macedonia. Hoelter (1983), recommends that the sample size should be between 100 and 200 responses, when using a quantitative method. Given the fact that we have respectively 130 and 120 responses (questionnaires) from 270 distributed, and then the extent of the selection is acceptable to carry out statistical analysis.

During the distribution of the questionnaires is taken care to have a sample, proportional to the structure of businesses in both countries. Thus, businesses with one owner are respectively 35 and 45 percent to Albania and Macedonia. The sample of the

study is dominated by locally owned businesses (respectively 75 and 65 Percent, Albania and Macedonia). Around 75 Percent of businesses interviewed were the SME's. Distribution of respondents in the survey sample was more or less uniform with the distribution of businesses in their respective countries (Figures no. 1 and no. 2).

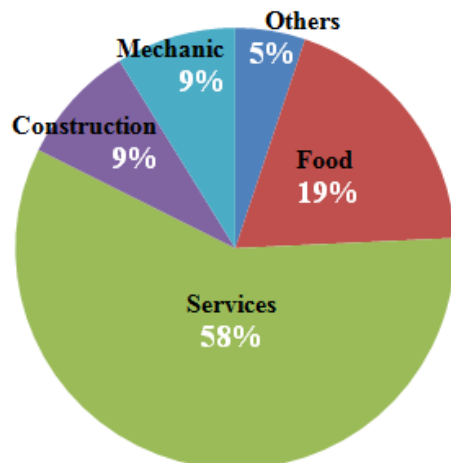


Figure no. 1 – Albania, businesses surveyed by sector

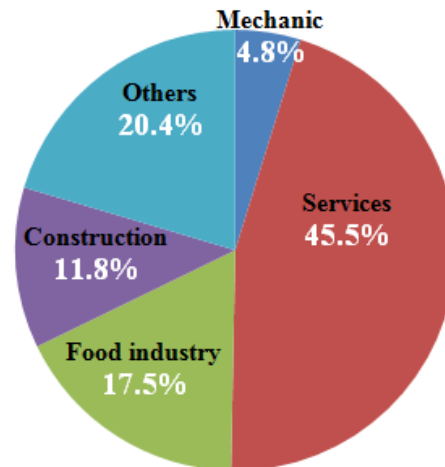


Figure no. 2 – Macedonia, businesses surveyed by sector

Descriptive statistics were obtained for the sample using the SPSS statistical analysis package. Frequency results were collated in tabular and graphical form to identify patterns and trends; mean values were used for interval scale data (Alrech and Settle, 1985).

### 3. RATIONALE OF THE STUDY

We consider the paper important for business community of both countries and further for emerging economies in South East Europe. The results of this study would also be invaluable to researchers and scholars, as it would form a basis for further research. The students and academics would use this study as a basis for discussions on how strategic management is applied and how important it is for companies. The study would be a source of reference material for future researchers on other related topics.

### 4. RESEARCH OBJECTIVES AND HYPOTHESIS

The objectives of this research are to give the answer to following questions:

1. How much are businesses in two countries prepared to face the dynamic and even turbulent environment and the events in the future?
2. Do Albanian and Macedonian companies have emergency and long-term plans?
3. To what extent these businesses are engaged in the formulation and implementation of strategies?
4. Is there a correlation between the formulation and implementation of strategies in these businesses?
5. Are there differences between two countries in this respect?

In addition to the above questions, there are compiled three hypotheses:

*Hypothesis 1: Rational-comprehensive strategic formulation will lead to rational comprehensive Strategic implementation.*

*Hypothesis 2: Rational-comprehensive strategic formulation will lead to rational comprehensive Strategic evaluation.*

*Hypothesis 3: Rational-comprehensive strategic implementation will lead to rational comprehensive Strategic evaluation.*

## 5. STRATEGIC MANAGEMENT FRAMEWORK

The first strategy definitions have been made by several authors, who did not have a dominant paradigm. This period of experimentation has differentiated two main streams of strategic management. Studies of Chandler (1962) and Ansoff (1965) have contributed to the first definition of the strategy and the establishment of this discipline. Ansoff, based on his experience, stressed that the objective of the firm is to maximize its economic return.

Competition in business is very similar to the sport. In business, groups of individuals, among others, face each other for employees, customers, product innovation, and profits. The main difference between sport and business is the time period. (Imagine football teams have to play every day with different opponents, from 9:00 to 17:00!)

As in sport, business organizations gain an emphasis on preparation, planning and implementation. They know the environment in which they operate, know where they want to go and determine the best way to go there. What is more important, these organizations always measure the pulse of the market, customers, technologies, and other innovations that can change the rules of the game and the factors that lead to success.

Chandler has defined strategy as planning and implementing the company's growth, which consisted in the establishment of long-term objectives as well as the adoption of action plans. Thus, a firm's strategy consists in how an organization chooses to move from point 'where we are' in 'where we want to be'. A basic feature of any strategy is the choice of those relations in which the company seeks to gain competitive advantage.

Wheelen and Hunger (2002) say that strategic management is a set of managerial decisions and actions that determines the long-run performance of an organization. It includes environmental scanning (both external and internal) strategy formulation (strategic or long-range planning), strategy implementation and evaluation and control (cited by Ahmad *et al.*, 2013). So, strategic management focuses not only on making decisions about key problems facing organizations. He also committed to the effective implementation of the strategy. Strategy implemented should be constantly monitored to see to what extent objectives are achieved. Despite efforts made in formulating the strategy, to be more accurate and objective during the implementation process should be controlled even improved in line with changing conditions. To this end the firm must provide observational methods of controlling how best to achieve the objectives set.

Hoffman (2007) however stresses that the strategic management process should be dynamic considering that there is ever changing markets and competitive structures. Therefore, they must be coordinated with a firm's continuously evolving strategic inputs (cited in <http://www.topqualityessays.com/Stra>).

One of the ways, and foremost, for the smooth running of a business, is to develop a business plan activity. In its narrow sense, planning must understand how the process of

setting objectives and selecting the most appropriate methods for achieving these objectives before taking action or enforcement actions.

But this is not enough. Recent decades, the big political, social and technological growth of the role of the state as a buyer, seller, regulatory and competitive in the free market and the internationalization of business and trade relations have made the environment in which businesses operate very complex. Then, how business organizations will take action for the future in such a complex and changing environment? For this reason, it becomes necessary strategic management of a business organization.

The question, what is strategic management often leads to the work of Porter. Strategic management texts inevitably contain his models, theories and frameworks which imply that they are 'fundamental' to the field.

On the other hand, [Johnson et al. \(2012\)](#) emphasize that since very few individuals sit at the very top of the organization, their experience of, and contribution to, strategic success is from 'below'. They will operate in parts of an organization where their day-to-day work is dominated by issues about the function, department, division or project team.

Strategy implementation has to do with the implementation of some specific plans or activities. So the detailed implementation of policies or strategies has to do with the design and management systems to achieve a better integration of people, structures, processes and resources to achieve the goals of the organization.

Strategy can be seen as a set of decisions and actions that are designated to exploit organizational competitive advantages in order to achieve pre-set objectives. Strategy scholars have long been fascinated by the relationships among strategy content, context, and processes; and/or an impact of such relations on firm performance ([Hoskisson et al., 2000](#); [Pettigrew, 2003](#); [Xu and Meyer, 2013](#)).

Traditionally, the relationship between strategy formulation, strategy implementation, and organizational performance has been depicted as shown in [Figure no. 3](#). In this model, organizations begin strategy formulation by carefully specifying their mission, goals, and objectives, and then they engage in *SWOT* analysis to choose appropriate strategies.

[Henry Mintzberg \(1987\)](#) suggests that the traditional way of thinking about strategy implementation focuses only on deliberate strategies. Mintzberg claims that some organizations begin implementing strategies before they clearly articulate mission, goals, or objectives. In this case strategy implementation actually precedes strategy formulation. Mintzberg calls strategies that unfold in this way emergent strategies. Implementation of emergent strategies involves the allocation of resources even though an organization has not explicitly chosen its strategies. Most organizations make use of both *deliberate* and *emergent strategies*. Whether deliberate or emergent, however, a strategy has little effect on an organization's performance until it is implemented. (available at <http://www.strategy-implementation.24xls.com/en104>)

Strategy Appropriateness	Good	SUCCESS	TROUBLE
	Poor	ROULETTE	FAILURE
		Good	Poor

**Strategy implementation**

*Source: Mintzberg (1987)*

**Figure no. 3 – Strategy Appropriateness/Strategy Implementation matrix**

There are 10 schools of thought regarding strategy formulation and implementation. We are referring to Mintzberg (1987) business model of correlation between strategy formulation and implementation. Based on Mintzberg work, Ryszard Barnat (1987) stressed out that in order to achieve its objectives, an organization must not only formulate but also implement its strategies effectively.

The Figure no. 3 represents the importance of both tasks in matrix form and suggests the probable outcomes of the four possible combinations of these variables:

- *Success* is the most likely outcome when strategy is appropriate and implementation good.
- *Roulette* involves situation wherein a poor strategy is implemented well.
- *Trouble* is characterized by situations wherein an appropriate strategy is poorly implemented.
- *Failure* involves situations wherein a poor strategy is poorly implemented.

It is another question we wanted to expound in this paper: Is there a correlation between strategy formulation and implementation? According to Prasad (2014) there is a backward and forward linkage between Strategy formulation and implementation (Figure no. 4).

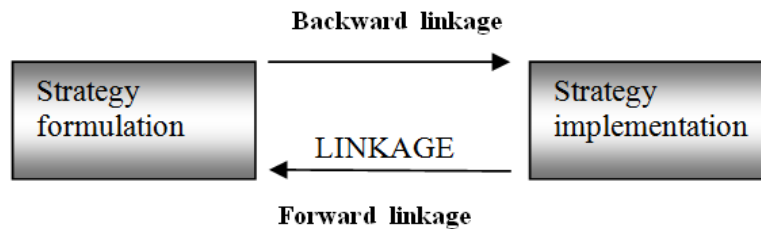


Figure no. 4 – The linkage between strategy formulation and implementation

Renée Dye and Olivier Sibony (2007), in their paper published at Mc Kinsey Quarterly, among the others state: “Our research shows that formal strategic-planning processes play an important role in improving overall satisfaction with strategy development. That role can be seen in the responses of the 79 percent of managers who claimed that the formal planning process played a significant role in developing strategies and were satisfied with the approach of their companies, compared with only 21 percent of the respondents who felt that the process did not play a significant role. Looked at another way, 51 percent of the respondents whose companies had no formal process were dissatisfied with their approach to the development of strategy, against only 20 percent of those at companies with a formal process (available at <http://www.mckinsey.com>).

In the light of the above arguments, this paper presents an approach to the integration of strategy formulation (planning) and implementation that has been developed from the experiences of Albanian and Macedonian businesses.

## 6. STRATEGIC MANAGEMENT IN BALKAN REGION

Studies of strategic management in Balkan countries have enriched the strategy literature by acknowledging the importance of contextual factors to strategy. Suklev B., and Debarliev S., (2012) have developed a comparative study of strategic planning effectiveness in Macedonian context, Kume V., and Leskaj E., (2010) have evidenced aspects of strategic

management in Albanian context. There are a lot of related articles regarding strategic management aspects in other Balkan countries that have contributed to the literature through the examination of how contextual factors and institutional variables shape and influence firm strategy making and execution (Todorov, 2001).

Therefore, a strategist's rationality is not only bounded but also contingent on the context in which she or he makes decisions. The recognition that rationality is contextually dependent - or "contextual rationality" (Townley, 2008) - helps researchers incorporate contextual factors into their research design, data collection, and analysis.

The distinctive characteristics of Balkan regions as contexts are their long traditions of the state authoritative structures, late comer status in industrialization and a mix of transition versus emerging economies. These contextual factors are assumed to introduce pre-set preferences and constraints on firm strategy formation and execution, especially in private and family businesses.

## **7. MAIN CHARACTERISTICS OF BUSINESS IN ALBANIA AND REPUBLIC OF MACEDONIA**

As members of the Southeast European countries (SEECs) and with economies in transition, Albania and Republic of Macedonia are attempting to recover from economic decline and find means to develop and promote their businesses, to establish new enterprises, especially small and medium enterprises (SMEs), and to improve its managerial and entrepreneurial skills.

Differently from other Eastern countries, Albania entered the road towards market economy under the conditions of an extreme decentralization of the economy and when the private entrepreneurship was denied for several decades. The wind of changes in the political, economical and social area was naturally accompanied with the birth and expansion of private business. Within a relatively short time, the businesses were spread over the whole territory of the country, being so a witness of the existence of a distinguished spirit of entrepreneurship of Albanians. (Kume and Leskaj, 2010)

As it concerns the Republic of Macedonia, entering to the market economy was after the disintegration of Yugoslavia and its establishment as independent country in 1991. Taking into the consideration the very specific, let say, the unique ownership of the capital (social, anonymous) it was needed a long period of privatization and transformation of the companies that was built for the bigger Yugoslavian market. All these processes resulted either in dividing of the big companies in many smaller ones, or even their closure. Little bit later, the entrepreneurial initiatives have been appeared and many new small enterprises were established.

In both countries many businesses started their activity with a very small initial capital, and having the typical characteristics of a family business, which along with keeping the family needs should fulfill a certain span of their needs like housing, life insurance, education etc. In some cases, these objectives were of so importance that the owner-managers would limit or exclude for a period of time the investment for expanding their business. The main sources of business financing have been mainly the incomes of refugees, the personal savings of new businessmen, domestic bank credits and as well as funds of international institution for business credit. We have to admit that at the beginning of the transition period, many people entered the world of business with a very little capital of their own and it is a fact that a part of them multiplied the capital rapidly. When the competition

in the market is going to become more severe, within an environment that is changing rapidly, today more than never a great need for more effectiveness in the businesses' management, is required.

The Albanian and Macedonian businessmen, together with their ownership right, are generally exercising the main role in management process of his/her business. Said in other words, there is no clear separation between the ownership right and managing function. This is linked with large percentage of micro businesses (micro firms), where the owner is doing by himself the managing function. The owners hesitate to give the managing right of their firm to "a foreign" person.

## 8. RESULT ANALYSIS

In the first part of the questionnaire the questions about companies' characteristics were formulated. The majority of the selected firms in Albania, 41.9% (Table no. 1) responded that the most important strategic goal for them was "Quality Services", while for the majority (55.3%) of the Macedonian companies the most important strategic goal was "Product quality". Most of the companies in Albania are focused in Service area while in Macedonia in production one, but behind this division, the "quality" still remains, the most important strategic goal of the companies, in respective countries.

**Table no. 1 – Which is most important to your firm, referring to the following strategic goals?**

Percentage of the companies' responds:	Macedonia %	Albania %
Product Quality	55.3	30.9
Image	9.7	14.0
Quality Services	23.3	41.9
Market share	2.9	2.2
Position in the industry	1.9	7.4
Penetration into international markets	6.8	3.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

*Source: authors' calculations*

The environment in which businesses operate today has become more and more complex mainly because of the big political, social and technological changes, increase in the number of competing firms, increase of the state's role as a buyer, seller and competitor in the free market economy and the entrance of more businesses in the international market. At this point, the product and service quality becomes essential for facing competition in both countries.

**Table no. 2 – Which is the most important to your firm referring to the following financial goals?**

Percentage of the companies' responds:	Macedonia %	Albania %
Sales	50.5	40.4
Earnings	24.3	22.8
Rate of return on investment (ROI)	7.8	14.0
Income	13.6	13.2
Cash flow	3.9	9.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

*Source: authors' calculations*



Beside the most important strategic goals similarity, we can notice (Table no. 2), the same similarity, as far as financial goals are concerned. The majority of the Albanian companies (40.4%) and the majority of the Macedonian ones (50.5%) classify “sales” as the most important financial goal of their activity.

This result was expected, in terms of an increasingly and tougher competition, especially after the economic crisis. Macedonia and Albania have a small base of consumers. Businesses in these countries make constant efforts to capture market share.

Strategic Management Components in both countries was the second part of the questionnaire. Table no. 3 refers to the average points, each component of Strategy pillar, got from the respondents. Each question in questionnaire refers to a sub component (resulted in a variable in ordinary level of measurement 1- Strong No...10- Strong Yes) It is calculated the total points per each respondent under respective component, and Table no. 3 refers to the average point per responder/component referring to respective countries.

**Table no. 3 – Comparison of components between two countries**

	<i>Albania</i>	<i>Macedonia</i>	<i>Albania</i>	<i>Macedonia</i>	<i>Sig (probability)</i>
	<i>Gross Mean per component</i>		<i>Mean per subcomponent</i>		
<b>Strategy Formulation (8 components)</b>					
1. Vision Statement (3 sub components)	22.7	24.71	7.56	8.23	0.026*
2. Mission Statement (5 sub components)	37.86	38.84	7.57	7.76	0.514
3. Understanding values (4 sub components)	29.93	33.52	7.48	8.38	0.000*
4. SWOT (5 sub components)	36.18	38.16	7.27	7.63	0.173
5. Understanding Issues that Influence the Association (4 sub components)	30.72	35.18	7.68	8.79	0.000*
6. Establish Long term Objectives (2 sub components)	16.38	18.08	8.19	9.04	0.001*
7. Generate Strategies (2 sub components)	15.95	17.51	7.97	8.75	0.002*
8. Selecting Strategies to pursue (2 sub components)	15.02	17.43	7.51	8.71	0.000*
<b>Strategy Implementation (7 components)</b>					
1. Policy Support (6 sub components)	47.08	49.92	7.79	8.32	0.028*
2. Financial capacity (3 sub components)	21.75	25.4	7.25	8.46	0.000*
3. Motivation and Ownership (5 sub components)	38.91	43.35	7.78	8.67	0.000*
4. Board Support (2 sub components)	16.18	17.76	8.09	8.88	0.000*
5. Organizational Structure (2 sub components)	16.19	17.09	8.092	8.54	0.065
6. Open to change (4 sub components)	30.6	32.54	7.65	8.13	0.046*
7. Human resource (3 sub components)	23.22	24.03	7.74	8.01	0.28
<b>Strategy Evaluation (5 components)</b>					
1. Assessment (4 sub components)	29.21	39.38	7.30	9.845	0.005*
2. Performance (2 sub components)	14.99	15.44	7.49	7.72	0.412
3. Corrective action (2 sub components)	14.68	15.05	7.34	7.52	0.091
4. Change/Participation (5 sub components)	36.9	41.47	7.38	8.29	0.000*
5. Beyond Evaluation (10 sub components)	70.15	76.07	7.01	7.60	0.001*

Source: authors' calculations \* Significant at 5%

What we can easily noticed from the results, is the fact that per each component of the three strategy pillars, Macedonian firms have a more positive attitude comparing with Albanian firms. For most of the components, this is statistically significant at level 95%. While for components such as, Mission statement, SWOT (under Strategy formulation); Organizational Structure, Human resource (under Strategy implementation), and Performance, Corrective action (under Strategy evaluation) the situation seems to be pretty much the same in both countries.

*Phase 1, Strategy formulation*, involves eight key tasks: *Vision Statement, Mission Statement, Understanding Values, SWOT analysis, Understanding Issues that Influence the Organization, Establish Long Term Objectives, Generate Strategies and Selecting Strategies to Pursue*.

The vision statement included 3 subcomponents. For more than three decades, researchers argue that the vision is very important for leadership, strategy implementation and change management. (Kantabutra S., Avery G. 2010). The engagement of managers in articulating and updating the company vision in both countries is surprisingly similar. The same one can say for development or update of a mission statement. It is worth mentioning that the question. It is worth mentioning that for the question, “Is the vision statement relevant to the association’s activities and mandate?”, the mean for Macedonian firms results 8.57 while for Albanian firms it results 7.74 (significance sigma 0.015\*, which means that Macedonia is statistically significant ahead of Albania, in this respect). While for the question, “Do you feel that your current mission statement is compatible with the activities being carried on by the association?”, the mean for Macedonian firms results 7.9 compared with Albanian firms 8.4 (significance 0.169, which means that the population in study of Albanian and Macedonian firms behave pretty much in the same level). The above result can be explained by the fact that a part of respondents may not have a clear mission and a realistic vision of the company. This conclusion can be further supported by the fact that the question, “How would you rate participation in developing the mission statement by the membership of the organization?” the mean respectively for Albania and Macedonia are 6.82 and 7.74.

Organization values represent the guiding principles of the organization’s culture, including what guides members’ priorities and actions within the organization. Values are an increasingly important component in strategic planning because they drive the intent and direction of the organization’s leadership.

With regard to “understanding values”, averages calculated for both countries are similar (over 7). While the subcomponent, “How would you rate the understanding of the association’s value statements (or values if formal statements have not been developed) by the membership, the mean for Albanian respondents was 6.99, compared with Macedonians responses, 7.22 (sig. 0.01\*). Here once again shows that, in the Albanian businesses more to be done in terms of informing the employees about the value of the organization.

While formulating assumptions is a legitimate task for the top team, its members rarely posses the first-hand knowledge needed to confirm or deny the validity of those assumptions. Using this approach makes strategy formulation scientific.

The environmental analysis includes evaluation of environmental factors which impact on the organization and its operating environment. As with the aforementioned organizational analysis tasks, most of the SM practitioners are using tools to evaluate each of these environmental influences and the levels of involvement in both countries are equivalent. The environmental analysis tasks with the highest levels of tool support for both

countries were conducting SWOT analysis. The mean number for involvement of managers in SWOT tool was respectively 7.23 and 7.63 (sig. 0.173) for Albanian and Macedonian businesses that participated in the sample. Surprisingly, when the respondents are asked if the SWOT analysis is employed when dealing with significant issues outside of strategic planning, both Albanian and Macedonian managers were not satisfied (Al. 6.97; Mq.6.83 sig. 0.717). In our opinion, this is because managers in both countries prefer to respond to frequent environmental changes with "guerrilla" methods. Both countries are undergoing a lengthy transition period, accompanied by political and economic crisis. Business managers try to respond quickly to rapid environmental changes.

Blumentritt and Danis (2006) observe that one key to successful strategic management is the ability to achieve fit or coherence among a set of competitive factors, both internal and extent, to the firm, in a manner that facilitates high performance. In such a case, firms must not simply react to their environments but should dynamically interact with them via the strategic actions of top managers. Achieving strategic fit therefore requires alignment of the firm's resources, capabilities and competencies with environmental opportunities and threats.

The effectiveness of strategic planning is associated with achieving formulated objectives, producing better results, or improving the organizational performance as the result of the use of strategic planning process in the companies. Strategic analysis, involves three other key tasks to establish long term objectives as well as to identify and select the best strategy for the future. For these tasks the same pattern of similar results between the two countries has been found; no statistically significant differences were observed in the levels of tool usage. Clearly, the majority of the SM respondents in both countries use tools to support these strategic analysis tasks; as evidenced by mean values of these three tasks. Both Albanian and Macedonian managers, through their responses stated that they are engaged seriously in developing long term objectives and that these objectives are very important for developing strategies and projecting the future of the organization. (Establishing long term objectives: Al. 8.19; Mq.7.63 sig. 0.001\*; Generating strategies: Al. 7.97; Mq.8.75 sig. 0.002\*; Selecting strategies to pursue: Al. 7.51; Mq.8.71 sig. 0.000\*).

Decision-flow process, however, are the vehicles firms use to integrate results into coherent patterns for developing, implementing, and controlling decision making (Raps A. June 2004). Moreover, without understanding the greater course of strategy, employees cannot contribute to an effective implementation. What is necessary to help reach this goal is a higher degree of transparency in the decision-making process.

*Phase 2, strategy implementation*, involves seven key tasks which facilitate implementation of the strategy. The examined companies showed that they pay much attention to the implementation of the strategy. 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.

These results show some variation in tool support between the two countries. The pattern of similarity between the two samples is observed; the average number of top tools in common to both samples is over seven. The only statistically significant difference in levels of tool support occurs with the task of organization's financial capacity to implement strategies (Al. 6.03; Mq.8.22 sig. 0.000\*). To give an explanation for this deficiency on Albanian businesses is somewhat difficult. There are two alternatives: either they are very aggressive in developing strategies that could not cover with financial resources, or most of managers of the sample are not informed of the possibilities of finances from the owners.

Strategic evaluation is the assessment process that provides executives and managers performance information about programs, projects and activities designed to meet business goals and objectives. Strategic evaluations provide an objective method for testing the efficiency and effectiveness of business strategies, as well as a way to determine whether the strategy being implemented is moving the business toward its intended strategic objectives. Evaluations also can help identify when and what corrective actions are necessary to bring performance back in line with business objectives.

*Phase 3, strategy evaluation* involves five key tasks which helps to gauge whether or not strategic management strategies and plans are fulfilling business objectives. Once again, the similarity between the two samples is observed; the average number of top tools in common to both samples is over seven. Statistically significant differences occur with two tasks. First with identifying corrective action when strategic initiatives are failing or could be improved, where Macedonian businesses feel very good (Al. 7.32; Mq.9.93 sig. 0.014\*). Second, with the level of participation in strategy evaluation by board of directors and management staff, where Albanian businesses feel not so good (the mean is under seven; Al. 6.56; Mq.8.13 sig. 0.000\*; Al. 6.79; Mq.8.75 sig. 0.000\*). Once again we are dealing with a weak participation of management staff in the evaluation of strategies in the Albanian businesses. The participation of staff management in the design of the organization mission is also mentioned in the formulation of business strategy in Albania. Exemption of staff from these tasks definitely has consequences in the successful implementation of strategies.

Wheelen and Hunger (2008) observe that in a survey of nearly 50 corporations from various countries and industries, there are three highly rated benefits of strategic management, namely: (1) clearer sense of strategic vision for the form; (2) sharper focus on what is strategically important; and (3) improved understanding of a rapidly changing environment.

**Hypothesis 1:** *Rational-comprehensive strategic formulation will lead to rational comprehensive strategic implementation.*

Research therefore has revealed that firms that engage in strategic management generally outperform those that do not but when a firm fails to execute effectively, the culprit is often how and why of countless individual decisions and actions (Chehade et al., 2006). The attainment of an appropriate match, or 'fit' between a firm's environment and its strategy, structure, and processes has positive effects on the firm's performance.

There is a positive correlation between strategic formulation and implementation in our sample. This means that the higher the level of attitude toward strategic formulation will lead to a higher attitude toward strategic implementation. We have used Spearman correlation, (statistically significant at 99%), and seems to be a strong positive correlation for both countries, even though it is a little higher for Macedonia (0.733, toward 0.66 for Albania) (see Table no. 4).

**Table no. 4 – Strategic Formulation vs. Strategic implementation**

		<i>Strategic Implementation</i>		
		<b>Macedonia</b>	<b>Albania</b>	
Spearman's rho	<b>Strategic Formulation</b>	Correlation Coefficient	.733**	.660**
		Sig. (2-tailed)	.000	.000
		N	103	136

\*\**. Correlation is significant at the 0.01 level (2-tailed).*

The examined companies showed that they pay much attention to the implementation of the strategy. 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. On the other side, it is very important to have a clear strategy, vision and mission.

Once a strategic analysis of the company's environment has been carried out, you can move onto listing the strategic choices your company can take to meet its objectives. If you need to increase revenue by 25 percent, for instance, over the next 12 months, listing your strategic choices will help you come up with ways to scale up resources, change company policy and reinvent business processes so as to reach the increased revenue goal. The key to this process is open communication. Discussing your options with your stakeholders -- employees, customers, board members and concerned community members -- will give you a 360-degree view of where the company can tweak or modify its policies and processes to better position itself for success.

**Hypothesis 2:** *Rational-comprehensive strategic formulation will lead to rational comprehensive Strategic evaluation*

There is a positive correlation between Strategic formulation and Evaluation, this means that the higher the level of attitude toward Strategic formulation will lead to a higher attitude toward Strategic Evaluation. We have used Spearman correlation, and it is statistically significant at 99%, that seems to be a strong positive correlation for both countries, even though it is a little higher for Macedonia (0.724, toward 0.616 for Albania) (see Table no. 5).

**Table no. 5 – Strategic Formulation vs. Strategic Evaluation**

			<i>Strategic Evaluation</i>	
			<b>Macedonia</b>	<b>Albania</b>
Spearman's rho	<i>Strategic Formulation</i>	Correlation Coefficient	.724**	.616**
		Sig. (2-tailed)	.000	.000
		N	103	136

\*\**. Correlation is significant at the 0.01 level (2-tailed).*

Strategy formulation is an idea used within the broader field of strategic management to help businesses understand where their companies fit into the broader marketplace. This starts by looking inward -- evaluating the work environment and the availability of resources. A carefully designed strategy will facilitate the monitoring and evaluation process, with the aim of possible adaptation to environmental changes.

**Hypothesis 3:** *Rational-comprehensive strategic implementation will lead to rational comprehensive Strategic evaluation*

There is a positive correlation between Strategic Implementation and Evaluation in our sample. This means that the higher the level of attitude toward Strategic Implementation will lead to a higher attitude toward Strategic Evaluation. We have used Spearman correlation, and it is statistically significant at 99%, that seems to be a strong positive correlation for both countries, even though it is a little higher for Macedonia (0.750, toward 0.724 for Albania) (see Table no. 6)

**Table no. 6 – Strategic Implementation vs. Strategic Evaluation**

			<i>Strategic Evaluation</i>	
			<b>Macedonia</b>	<b>Albania</b>
Spearman's rho	<i>Strategic Implementation</i>	Correlation Coefficient	.750**	.724**
		Sig. (2-tailed)	.000	.000
		N	103	136

\*\**. Correlation is significant at the 0.01 level (2-tailed).*

In order to be successful in undertaking strategy implementation, organization management must be committed to the continuous evaluation process. Program evaluations must be tailored to the needs and resources available. Methodologies used must be appropriate for addressing evaluation concerns and only information necessary to the evaluation process should be collected.

To sum up the discussion, it is nice to remember what *Thompson et al. (2005)* says about business strategy as follows:

*Crafting and executing strategy are core management functions. Among all the things a manager do, nothing affects a company's ultimate success or failure more fundamentally than how well its management team charts the company's direction, develops competitively effective strategic moves and business approaches, and pursues what needs to be done internally to produce good day-in, day-out strategy execution. Indeed, good strategy and good strategy execution are the most trustworthy signs of good management. The rationale for using the twin standards of good strategy making and good strategy execution to determine whether a company is well managed is therefore compelling: the better conceived a firm's strategy and the more competently it is executed, the more likely that the company will be a standout performer in the marketplace. (p. 35) (available at <http://www.topqualityessays.com/Stra>)*

## 9. CONCLUSIONS AND RECOMMENDATIONS

The environment in which businesses operate today has become more and more complex mainly because of the big political, social and technological changes, increase in the number of competing firms and their mostly global influence, increase of the state's role as a buyer, seller and competitor in the free market economy and the entrance of more businesses in the international market. The answer on a question on how would the businesses and the organization undertake future actions in a complex and ever changing environment at this point, the strategic orientation and way of thinking and respectively the strategic management of organizations becomes essential.

Given the concepts discussed regarding strategic management, we defined the main aim of this paper as answer on the question: Is strategic management a frill or necessity for Albanian and Macedonian Businesses? Actually the objectives of this research were to give the answer to following questions: how much are businesses in two countries prepared to face the dynamic and even turbulent environment and the events in the future? Do Albanian and Macedonian companies have emergency and long-term plans? To what extent these businesses are engaged in the formulation and implementation of strategies? Is there a correlation between the formulation and implementation of strategies in these businesses? Are there differences between two countries in this respect?

The empirical research upon which this paper is based has highlighted a number of interesting results. This exploratory research project has provided new descriptive evidence of the levels of tool support and the top tools which are used by SM practitioners in Albania and Macedonia for a series of core strategic tasks. The levels of tool support were surprisingly similar; statistically significant differences in sample proportions were found for only 4 of the 64 strategic tasks. Furthermore, these levels of tool support are comparatively high for most of the strategic tasks.

In both countries there is a growing interest and awareness in strategic management process. Rules and methods of strategic management in the majority of Albanian and Macedonian 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. Albanian and Macedonian managers have lack of courage, original thinking and regular and innovative ideas. Furthermore, they have a relatively low capacity to use the available information and to correctly predict global development and quickly react against possible changes.

Upon creation of this new global market, strategic management constitutes for Albanian and Macedonian 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 the companies of both countries in order to face the uncertain and the dynamic competition and global markets they aspire, is the efficiency and effectiveness in their Strategic Management. On the basis of this study and a previous study (Kume and Leskaj, 2010) results we are also giving some more specific recommendations to the companies:

In order to achieve its objectives, an organization must not only formulate but also implement its strategies effectively. Diagnosing why a strategy failed in the roulette, trouble, and failure cells in order to find a remedy, require the analysis of both formulation and implementation.

Although the research process is a complex, time-consuming, and expensive activity, this does not mean that firms must remain ignorant and isolated about the world around it. It should be remembered that there are simplified approaches to obtain data and information. (Katsioloudes, 2006) In such a case, therefore, relevant strategic inputs derived from analyses of the internal and external environments are necessary for effective strategy formulation and implementation. In turn, effective strategic actions are a pre-requisite to achieving the desired outcomes of strategic competitiveness and above-average returns. (Hitt *et al.*, 2003)

It should be remembered however that a firm's strategy, according to Thompson *et al.* (2005) Thompson *et al.* (2006) should always be viewed as a work in progress. In such a case, regardless of whether a firm's strategy changes gradually or swiftly, the important point is that a firm's present strategy is always temporary and on trial pending new ideas for improvement from management, changes in industry conditions, and any other new developments that management believes warrant strategic adjustments.

Implementing the choices outlined in the strategic plan is likely to be a time-consuming and, at times, frustrating endeavor. There are two things to keep in mind - allocation of resources and the organizational structure. If the organization and its

management are rigid and not very open to change, it will be much harder to implement your strategic plan. They also have to think about access to resources, such as manpower, money and tools. Implementing change within the business will require a balance between pouring money into a problem and effectively using resources to change business policies and processes.

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.

In an environment where the consumers' preferences change constantly, where consumers' groups cannot be easily identified, where new technologies which aim to meet consumers' needs are growing very fast, the prediction cannot 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.

Companies should make a full statement of their mission, by defining more clearly why do they exist, what services or products will they produce, to 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.

Companies should clearly identify the industry development tendencies as well as the number and characteristics of other companies in the same industry.

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.

## **10. LIMITATIONS OF THE STUDY**

Despite the importance and contributions, this paper is accompanied by a number of restrictions which in summary are listed as follows:

- Selected sample size of the study can be considered a small number compared to the total firms registered in the General Directorate of Taxation.
- Using the questionnaire as a tool to collect data also has its doubts about the sincerity of the answers given by representatives of companies.
- The questionnaires were distributed and data were collected for a time period about 6 months. The data have not a larger time span, in order to express the dynamics of events.



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