INDUSTRIES AND SECTORS: ISSUES AND POLICIES

CHALLENGES OF ORGANIZATIONAL CHANGE IN THE CASE OF ALBANIAN EXPORTING COMPANIES

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Abstract: The authors, using the export sector companies' data, attempt to study influence of internal organizational factors (such as structure, culture, political and power/authority issues of the decision making) on a company performance.

Introduction

This paper attempts to estimate the influence of the internal aspects of Albanian exporting companies, by raising three questions: Do exporting companies need change? What aspects need change in order to improve the company performance and competitiveness abroad? Are they able to change? The subjected internal factors include the internal organizational aspects such as structure, culture, human resources, decision making. The main assumption is that the external factors do not impact a company performance meaning that the internal ones will be in focus.

Thus, the paper is an attempt to study the way the factors of the internal organizational environment (such as structure, culture, political and power/authority issues of the decision making) influence the improvement of company performance.

In this approach one might raise questions such as "Why focusing only on exporting companies" and "Why focusing on the internal factors"?

As for the first question, the focus is on exporting companies just because they aim to become economic operators of a more complex environment, this way facing more different and difficult challenges rather than those faced in the local or national markets. As for the second question, the point is that we try to study the internal factors as complementary of the external factors influences given in a certain period.

Methodology

The primary data are collected through a questionnaire distributed to 200 exporting companies. The data panel was organized in December 2007. The data processing was done through SSPS program. All the data tend to prove how strong or weak is the influence of the internal organizational factors such as structure and human resources on the overall performance of the exporting companies. Since the data are collected more two years ago, the material does not count the impact of current financial global crisis. Another assumption is considering the need for technology and financial assistance as non-existent.

Companies' profile: Descriptive data

Sectors. Interviewed exporting companies belong to different business sectors of the economy. They are grouped as follows:

- Clothing industry includes 34 companies (23%), out of which only three apply subcontracting with foreign companies to supply semi products or final products;

- Leather/shoes production sector includes 16 companies (11%), out of which only 7 apply subcontracting;

- Agro-processing sector comprises 45 companies (30%), grouped to subsectors manufacturing fruits/vegetables, fish and producing drinks/juices, vegetable oil, spices;

- Industrial products sector includes 39 companies (26%), out of which 27 apply subcontracting with foreign companies

- Wood processing covers 14 companies (9%), out of which 8 apply subcontracts with foreign companies.

Turnover. Data processing is based on the classification of exporting companies in accordance with the Law of Small and Medium Enterprises No. 8957, dated 17.10.2002. The law considers three factors for the SME classification number of employees, turnover and capital. Referring to the data collected it results that 39% of the interviewed companies are microenterprises, 12.6% - medium and 34.5% - large companies. The turnover is used as an indicator since the companies still hesitate to declare their real profit size.

Ownership. Most of the interviewed exporting companies are Albanian (77%), about 10% of them has foreign ownership and 13% - are joint-venture firms.

Table 1 shows percentage of turnover exported. As it is seen from the table, 78 companies export most of their production (around 80-100% of total amount produced). These companies comprise 52% of all interviewed exporting companies. The companies exporting leather/shoes, herbs and spices, clothing constitute the main share of the export volumes, related mainly with EU market.

Markets. Clothing sector sells in EU, mainly in Italy. The second in the row is the leather/shoes sector that prefers

mainly EU (81%) and Balkan area (13%). As for the agro-processing sector 42% companies prefer EU and 40% companies target Balkan markets. The Table 2 presents market data:

TABLE 1. PERCENTAGE OF TURNOVER EXPORTED

Turnover based on exports	Number of enterprises	% of interviewed exporting companies
1 - 20 %	37	25
21- 40%	9	6
41 - 60%	9	6
61 - 80%	7	5
81 -100%	78	52
Total	149	100

Source: Calculation of authors.

TABLE 2. TARGET MARKETS

		Exporting target markets by sectors					Total
		clothing	Leather/ shoes	Agro-processing	Industry	Wood processing	
		%	%	%	%	%	%
Markets	N/A	6%	6%	2%	3%	7%	4%
	Balkan	3%	19%	30%	26%	43%	24%
	EU	79%	63%	51%	38%	29%	52%
	Eastern Europe	6%	0%	5%	0%	0%	2%
	UK	0%	0%	2%	8%	0%	2%
	USA	6%	6%	5%	23%	0%	8%
	Others	0%	6%	5%	3%	21%	7%
Total		100%	100%	100%	100%	100%	100%

Source: Authors calculation

TABLE 3. COEFFICIENTS OF REGRESSION FUNCTION (DEPENDENT VARIABLE - Y)

	Unstandardized coefficients		Standardized coefficients	t	sig.
	Values	std. error	Beta		
Constant	826066.3	485960.5		1.700	0.92
X1	-239197	136536.8	-.162	-1.752	0.0821**
X2	216566.0	153635.0	0.144	1.410	0.161
X3	-341299	141885.7	-0.274	-2.405	0.01756*
X4	30935.970	194732.3	0.016	0.159	0.874
X5	252025.2	162618.7	0.163	1.550	0.124
X6	218689.2	154212.1	0.146	1.418	0.159
X7	-178586	159452.9	-0.108	-1.120	0.265
X8	-238683	186167.9	-0.143	-1.282	0.202
X9	174280.5	130637.9	0.143	1.334	0.185
X10	304160.2	148185.9	0.189	2.053	0.04212*
X11	-110836	171459.7	-0.067	-0.646	0.519
X12	-3105.855	152153.7	-0.002	-0.020	0.984
X13	148930.9	152107.3	-0.113	-0.979	0.329
X14	-95572.2	173003.4	-0.070	-0.552	0.582
X15	-83924.9	152771.5	-0.063	-0.549	0.584

Source: Authors calculation

TABLE 4. ANALYSIS OF VARIANCE (DEPENDENT VARIABLE - Y)

	Sum of squares	df	Mean square	F	sig.
Regression	9.85E+13	15	6.569E+12	1.687	0.060**[a]
Residual	5.06+14	130	3.894E+12		
Total	6.05+14	145			

Notes: [a] Predictors: (Constant), X15, X7, X1, X4, X10, X6, X2, X12, X5, X9, X11, X13, X8, X3, X14.

Estimation of internal factors in the company performance

The estimation based on the following internal factors: Skills, Financial issues, Bureaucracy, Product issues, Others. The results of regression function that put together the internal factors and the company performance based on turnover is shown in Table 3 and Table 4.

So, the resulted regression is following:

$$Y = 826066.3 - 239197X_1 + 216566.0X_2 - 341299X_3 + 30935.970X_4 + 252025.2X_5 + 218689.2X_6 - 178586X_7 - 238683X_8 + 174280.5X_9 + 304160.2X_{10} - 110836X_{11} - 3105.855X_{12} + 148930.9X_{13} - 95572.2X_{14} - 83924.5X15,$$

where: X_1= market research skills, X_2= sales skills, X_3= knowledge of foreign languages, X_4= export documentation skills, X_5= international banking system documents skills, X_6= managing financial risks skills, X_7= poor financial assistance, X_8= insufficient capital to finance the receivable accounts, X_9=low margin , X_{10}=complicated documentation, X_{11}= high trade barrier, X_{12}= consumers procedures, X_{13}= lack of quality evaluation, X_{14}= deficiencies in product evaluation, X_{15}= product issues such as quality and packaging.

Y = Dependent variable-turnover, n= degree of freedom-146 companies interviewed, R^2 = 0.163.

Confidence coefficient shows that the independent variables ($X_1, X_2, X_3 … X15$) explain the dependent variable Y (turnover) at the rate of 16.3% through the relationships determined by this equation. This confidence coefficient is statistically important at α=10% (p=0.06 < 0.1). Meanwhile, the independent variables $X1$, $X3$ and $X10$ corresponding respectively to the skills and knowledge on market research, foreign languages and exporting documentation managing skills strongly explain the dependent variable Y (compared to the other variables). As for the other variables, their importance and influence seems weak, but altogether they influence statistically good on the depended variable Y (turnover).

Conclusion

Do internal factors influence the performance of exporting companies? The answer to this question is positive. Unfortunately, we cannot state the same positiveness for the strength of the impact of these factors on the company performance. The main reason for this second result is the fact that Albanian businesses still have to face external influences and forces that allow little or not at all the business entrepreneurs and managers to pay the proper needed attention and energies to the internal organizational issues.

Based on the theoretical material, it results that the organizational change process is difficult and multidimensional. On the other hand, implementation of a new decision made requires among others (such as skills, knowledge, financial budget etc.) the time. At the beginning of the paper we raised three questions that can be answered as follows.

Do exporting companies need change? The Albanian businesses, particularly those that has chosen to expand their markets abroad, must change certain organizational aspects to achieve these new markets. How big is this need to change? Referring to the statistic data (especially the influence of independent variables on the depended variable

Y) it results that this need is not as big as expected. Most of this answer is explained by the fact that the external influences or emergencies to face competition, technological renovations, crediting issues, etc. are stronger.

The second question regards to areas of organizational aspects must be changed? Based on the analysis one can say that at least three factors need further interventions: skills of the human resources, knowledge of foreign languages and management of export documentation. They are at least the ones that influence turnover stronger than the others. We can translate these three factors as need to change the human resource frame. On the other hand, this kind of change automatically affects the structural aspects as well.

Are they able to change? If the influence of all the independent factors would have been strong enough, we would have strongly recommended the exporting companies to undertake radical changes in all organizational aspects considered, in the same time. But as we already know, such strategies to implement multidimensional change processes require time, considerable financial budgets, efforts, skills and energy. However, whatever is the influence of the internal organizational aspects on the company performance; it is obvious that the influence of the external factors is much stronger.

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