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RESEARCH ARTICLE

THE ROLE OF THE ENVIRONMENT IN THE ORGANIZATIONAL CHANGE OF THE SME-S RESEARCH BASED IN THE EASTERN PART OF KOSOVO

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ABSTRACT

Managing change is an important issue in today's business environment, which changes constantly. If the enterprise wants to survive, grow and increase profits it must change its strategies continuously. The need for change comes from two main premises: external environment and internal environment. From the external environment treated competitive forces as (rivalry among competitors, the power of buyers, power of suppliers, the threat of new products, the threat of new entrants), forces that are uncontrollable by the enterprise. Meanwhile, the interior environment is established in the organization, destined to fulfill any requests from external environment. The aim of this paper is to show the connection of industry factors and internal factors with organizational change and their impact on the performance of SMEs in eastern part of Kosovo. The methodology used in the paper is a combination of qualitative and quantitative data. Results of the research are processed data of 41 SMEs that implement their activity in the eastern part of Kosovo. These data were processed with the help of SPSS v 21. SMEs which make the change from domestic environmental needs and significantly increase their performance. A well-managed change helps SMEs to be more successful in relation to the competition.

INTRODUCTION

Enterprise faces two sets of challenges: 1. Identification of factors, and 2.decision-making in regard to the strategy it will implement. Enterprise can not be successful without managing changes in the most effective way. Market economy is an important designation in the modern era.This has the significance of the development of privately owned businesses, in democratic conditions, in liberated markets. There are no specific obstacles to enter and operate in markets, except the problems arising from them, by the economic entities itself (Jakupi A., 2008). Problems are connected with the level of competition that the enterprises reach, efforts and commitment of the companies to be better, more capable and possibly the leader.Often the question arises, "How can we adjust to the external environment"? The answer is very clear: by drafting an effective strategy in the enterprise. In the present century organizations are more exposed to the increasing global competition, customer expectations and changes. To address these pressures, many organizations are in the situation either change or bankrupt (Beer M. andNohra N., 2000). In order to understand the factors that affect the enterprise, it is necessary to identify, analyze and study them.

Research issues

In this paper we will test hypotheses:

-H_1- Industry factors are more important for organizational promotion to amend internal factors; and

-H_2- The change driven by industry factors increases the performance of the enterprise more than the change driven by internal factors in SMEs in eastern Kosovo.

Theoretical review

Nowadays change has become an important part of strategic management in many organizations, because leaders have understood that we live in a temporary society and by bringing constant changes they could give a competitive advantage to the organizations they lead, in both the domestic business environment and global business environment (Stadtländer, 2006).Joyce and Woods (2003), from the study of 267 firms, have found that organizations that use strategic management systems make faster decisions and successfully undertake the organizational change. Organizational change affects every part, area, or every component of the organization. However, the three general areas of an organization that must be adapted to change are: the structure of organization and projections, technology and operations and the people (Griffin RW 2005). According to Ashmaria S.I andZotov AS (2015) economic, political, social, regional, sectorial and contenders system are the main factors affecting the willingness of enterprises to implement changes.

The ability to harmonize the internal environment of the organization with the requirements of the external environment is essential for the survival of the organization in an environment that changes constantly and understanding of the organizational environment is a necessary skill for successful change in organizations (Burnes 2004).To assess the situation,

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SMEs should investigate the external environment. There is a process of four steps for assessing the external environment: first needs to be set a quantitative value for each of the "forces of change"; secondly, to assess the impact of each forces in the enterprise; thirdly, to multiply the weight with the evaluation of each factor, in order to determine a weighted score; and fourthly, to interpret the result- What does it mean? (Banham, 2010). According to Banham (2010), challenges for growth and sustainability of SMEs arise from globalization, increased customer expectations, technological advances, and increased competition. Michael E.Porter (2008) defines the industrial competition in five forms: the rivalry among existing competitors; the risk from the new entrants in the industry, the risk from the substitute products or services, the power of buyers and power of suppliers.

The supporters of this approach (I/O) claim that the performance of the company is mainly based on the industry's attributes, such as economies of scale, barriers to enter the market, product differentiation, the economy and the level of competition in resources, skills, structure and internal operations (David, 2011). According to him the impact of the global recession has added confidence that external forces are stronger than internal forces, when in the years 2006-07 2008-09 thousands of strong firms disappeared. In a survey conducted by Borici Krajaand Osman. (2015), in 460 SMEs in northern Albania, resulted that the external environment has more impact in creating competitive advantage of enterprise than the internal environment.In the health care and airlines industry, changes may be caused by regulatory changes, while in other cases (eg, health care) changes can be driven by competitive forces (Achilles and Arthur, 1999).The ability of a firm to gain competitive advantage depends on how well it positions itself in an industry (Porter 1979). According to him, external factors (the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, the threat of substitute products or services, and the rivalry among existing firms) put us in difficult competitive situations. Efforts should be made to survive while our competitors try to push us out of business (HUSSON Nybakk 2010).

Teece (2007), makes the difference between resources/competencies and dynamic capabilities and he enacts these results when the organization owns resources/competences, but lacks dynamic capabilities it can provide competitive returns for a short-term, but not for a long-term. Comparing the performance between industries, Gadenne D. (1988) concluded that the retail industry products with lower price than competitors, the high sales turnover, cost reduction and quality control of products are positively related to performance; while in the manufacturing industry, performance is positively related with the competitive advantage factors (products with lower prices than competitors and knowing about the activities of competitors).Although the method based on resources highlights the fact that internal resources are more important than external factors in achieving competitive advantage, it can not be stated explicitly that only internal factors or external factors will always be important to achieve competitive advantage (David 2007).

MATERIALS AND METHODS

For empirical analysis of the study, data were collected from a self-administered questionnaire that was completed in SMEs in the eastern part of Kosovo, regarding the factors that have triggered organizational changes and their impact on the performance of SMEs. Results of the research include analysis of 41 questionnaires. Data obtained from the questionnaires were tested with regression and correlation analysis and these data were processed with SPSS version 21. The rate used in the questionnaire is based on a 5-point Likert scale (with 1 = strongly disagree, 2 = slightly disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

RESULTS AND DISCUSSION

To show the factors affecting organizational change in SMEs, we analyzed the industry environment and created the variable "industry factors" from the average of eight research questions (high number of competing firms, the decline in demand for the products of industry, low obstacles in market entry, the possibility of consumers to change market with ease, power of suppliers, power of buyers, the threat of new products, the threat of new entrants); and internal environment that we created the variable "internal factors" as the average of five research questions (the need to improve the organizational performance, the need to cut costs, a need to improve the quality of product /service, the need to manage human resources, the need to use technology); while the variable "performance of the enterprise" is the average of six research questions, in order to measure the success of the company after the organizational change (increasing profits, revenue growth, market share, return on investment (ROI), cost reduction, quality improvement). SMEs that were studied, practiced different activities as 46% are commercial enterprises, 28% manufacturing, 16% service and 10% construction.

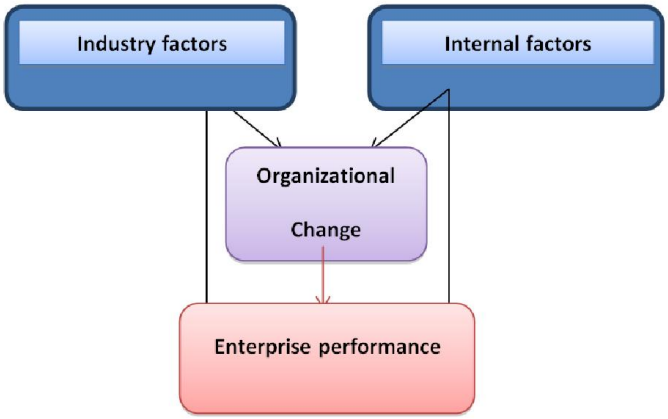


Fig. 1. Conceptual model

To make the regression analysis firstly we have to present the link between the independent variables, if the correlation between variables is within the limits (-0.7 to 0.7), from the general rule of correlation if the value is outside these limits, variables have strong connection between them, that produces incorrect estimated results.We have multicollinearity when we have a high correlation between independent variables (Hair *et al.,* 1998).

Correlation between "industry factors" and "internal factors"

Correlation between independent variables is (.083). This value is within the general boundaries and does not cause problems

for further analysis, because there is not multicollinearity (see Table 1).

Table 1.

Pearson correlation Sig 2 tailed	Industry factors	Internal factors
(Industry factors)	1	
(Internal factors)	.083	1

H_1- "industry factors" are more important than "internal factors" to trigger organizational change. To prove the hypothesis and to find out what are the factors that have prompted many firms to make organizational changes, we apply further multiple regression analysis. For this analysis the independent variables are "industry factors" and "internal factors", while the dependent variable is "change acceleration".

Multiple regression analysis for dependent variable "change acceleration"

Table 2.

	R^2	Adjusted R^2	B	Std. Error	T	Sig.
	.309	.273				
Constant			-.078	.836	-.093	.926
(Industry factors)			.447	.133	3.364	.002
(Internal factors)			.531	.179	2.959	.005

Based on the regression analysis, independent variables explain 27.3% of the variance of the dependent variable.
Using free-standardized weights of regression, multiple regression equation can be presented as follows:

$\hat{Y} = \beta_0 + \beta_1 x_1 + \beta_2 x_2$
$\hat{Y} = -0.078 + 0.447\, x_1 + 0.531\, x_2$
$\hat{Y}$ = the dependent variable "change acceleration"
X1 = the independent variable “industry environment”
X2 = the independent variable “internal environment”

By multiple regression analysis (see tab. 2) is shown that the two independent variables are statistically correct.The two coefficients from the regression analysis have shown positive values, with variable growth "industry factors" will increase the value of the variable "acceleration of change" for (B_1= 0.447), also with the increase of the variable "internal factors" will increase the value of the variable "acceleration of change" for (B_2 = 0.531).

From these two variables the greatest impact has the variable "internal factors" with non-standardized coefficient (B_2 = 0.531), which is higher than the value of the variable "industry factors" with no standardized coefficient (B_1 = 0.447).The value of F (2, 38) = 8.505 and (p = 0.01), which means that at least one of the variables is significant to the control level (0.05), because (0.001<0.5). According to the statistical test results for individual coefficient control we get the same result (t_1 = 3,364 and p = 0.002) and (t_2= 2.959 and p = 0.005), individual coefficients show that independent variables have a major contribution in this model. As seen by multiple regression equation, as well as without standardized β coefficients, internal factors affecting more than industry factors in promoting organizational change. In this way we can say that the hypothesis H1: rejected by showing that industry factors are not the greatest strength to initiate organizational change (H_1 ↓).

H_2- Change driven by “industry factors” increases more “the performance of enterprise” than change driven by “internal factors”.

To prove the second hypothesis and find out if they are affected by environmental changes of the industry that has grown up with a lot of success in the enterprise or from the internal environment, use of multiple regression analysis. In this analysis again the independent variables are “industry factors” and “internal factors”, while as the dependent variable is the “performance of the company”. Based on regression analysis, independent variables explain 33.2% of the variance of the dependent variable. With the help of multiple regression, we will show the connection between independent variables and the dependent variable.

$\hat{Y} = \beta_0 + \beta_1 x_1 + \beta_2 x_2$

"Performance of the company” = 1.104+ 0.272 “industry factors” + 0.477“internal factors”

Multiple regression analysis (see below tab. 3) shows that the two independent variables are statistically correct. Both of the regression coefficients are positive, with the increase of the variable “industry factors” will increase the value of the variable “performance of the company” for (B_1 = 0.272), also with the increase of the variable “internal factors” will increase the value of variable “performance of the firm” for (B_2 = 0.477).From these two variables the greatest influence has the independent variable “internal factors”, with the non-standardized coefficient (B_2 = 0.477), which is higher than the independent variable “industry factors”, with non-standardized coefficient (B_1 = 0.272). The value of F (2, 38) = 10,935; and (p = 0.00), which means that at least one of the variables is considerable to the control level (0.05), because (0,000 <0.5).According to the statistical test results for individual coefficient control we get the same result (t_1= 2.412 and p = 0.021) and (t_2 = 3.134 and p = 0.003), individual coefficients show that they have a greater contribution in this model.

Multiple regression analysis for dependent variable "performance of the company”

Table 3.

	R^2	Adjusted R^2	B	Std. Error	t	Sig.
	.365	.332				
Constant			1.104	.709	1.556	.128
(Industry factors)			.272	.113	2.412	.021
(Internal factors)			.477	.152	3.134	.003

As seen by multiple regression equation, as well as nonstandardized β coefficients, internal factors affect more than industry factors in the performance of the enterprise. In this way we can say that the hypothesis H_1 is rejected showing that organizational changes initiated by the industrial environment are not the greatest forces to influence the performance of the enterprise.

Conclusions

In this paper we analyzed the impact of industrial factors and the impact of internal factors in accelerating change and enterprise performance after organizational change. Results have shown that the industrial environment and internal

environment are related positively to organizational change and with the enhancement of enterprise performance after the change. Internal factors as (the need to improve the performance of the organization, the need to cut costs, a need to improve the quality of product/service, the need to manage human resources, the need to use technology) have affected more than the industry factors in promoting organizational change. SMEs should invest more in RandD activities and agreements for technology and know-how with other firms to improve their technological capacity, (Bouazza A.B et. Al, 2015).

In our research, the change initiated as a result of the industrial environment (high number of competing firms, the decline of demand for industry products, low barriers to entry in the market, the opportunity of consumers to switch brands with ease, the power of suppliers, the power of buyers, the threat of new products, the threat of new entrants) was less influential in the success of the enterprise (increasing performance of the enterprise) than when the change is initiated as a result of the internal needs of the enterprise.In general the evaluation of participants has been high. It is known that the higher the evaluation is, the more important are the participants in this study. Assessment of the industry factors results with an average (A = 3.96 and SD = 1.006), while the internal factors (A = 3.80 and SD = 0.745). This indicates that the two variables are important for change and enterprise performance. Whether SMEs are able to effectively adapt their internal resources to the industry, the success of the business can be increased. The analyzed internal factors aim to improve the image of the firm in theclients' eyes in relation to the competing firms.

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