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## Management of Organizational Structuring Process and Corporate Governance: Key Factors of Success in Albania

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### Abstract

*Organizational Structure includes a firm's formal role configuration, procedures, governance, and control mechanisms, and authority and decision-making processes. The simple structure is an organizational form in which the owner-manager makes all major decisions directly and monitors all activities, while the staff serves as an extension of the manager's supervisory authority.*

*Organizational structure is the manner in which an organization divides its labor into specific tasks and achieves coordination among these tasks. It broadly refers to how the organization's individuals and groups are put together or organized to accomplish work. Organizational structure intervenes between goals and organizational accomplishments and thus influences organizational effectiveness. Structure affects how effectively and efficiently group effort is coordinated. To achieve its goals, an organization has to divide labor among its members and then coordinate what has been divided.*

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### Key Words

**Key words:** *organizational structure, business trends, organizational design, organizational changes, corporate governance.*

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### I. INTRODUCTION

Organizations are essentially structured around tasks. Organizational goals are broken into tasks, from which jobs are designed. Jobs are then grouped into departments, which are linked to form organizational structure. This chapter addresses differentiation and integration, six basic design dimensions, five structural configurations, contextual variables influencing organizational design, five forces shaping organizations today, and cautions for managers with regard to

structural weaknesses. As the organization develops, the structure of the organization is likely to change. Organization size affects the centralization of the organization. Technology affects organizations whether structures are categorized as mechanistic or organic.

The purpose of this paper is to identify the patterns by which organizations are structured and attach importance to managers, the role of structure in various companies' Albanian companies. In the same time we will see and some aspects of corporate governance in Albania.

## **II. OBJECTIVE OF PAPERS**

Bearing in mind the nature and destination of this study, attention was focused on the realization of these objectives:

- A review of all literature regarding organizational structures and models used. This framework will serve as a based theoretical framework for analyzing performance.
- Conduct a survey on private firms and the public sector to identify what challenges they face in selecting and improving the structure.
- A Perform data analysis based on qualitative and statistical information by combining statistical methods and the qualitative analysis.
- An introduction of a number of conclusions of the paper, giving some explanations professional issues made the object of study in this paper.

## **III. RESEARCH QUESTIONS (HYPOTHESIS)**

All work and research issues identified and discussed at the presentation of the results and their discussion, directed and derive some hypotheses:

Hypothesis-1

"We still do not have adequate awareness of managers, about the importance of organizational structure. This hypothesis is fundamental pillars on which our work is organized, however, and supported by other hypotheses that:

Hypothesis - 2

While the most common model in the Albanian public organizations are traditional model / administrative in the private ones, are expected to be the mixed and flexible Albanian models.

These are hypotheses that we expect to prove during this study and that the results support the processing of questionnaires conducted in selected firms to public and private sector.

## **IV. THE METHODOLOGY USED IN THIS PAPER**

The methodology consist in a combination of primary data with secondary ones . A significant proportion of secondary data were provided through the use of electronic libraries of various universities mainly American, but also European ones. Also the data are used from researches made by the Duures District institutions such as Municipality , Prefecture , Chamber of Commerce and Industry Durres, etc.

To study the structure model are used private firms in Albanian cities as Vlore, Fier, Lushnje, Saranda, Durres and Tirana and to complete the comparison was drawn up a questionnaire. The questionnaire was designed to be addressed to the general managers, in private firms, which were tested those of functions, or of line ones, as well as to the specialists.

Questionnaires are standardized and uniform for all subjects included in the study.

Questionnaires were distributed to 300 firms during the second half of 2011 and during 2012, 2013. Distribution of the questionnaire was made personally interviewing 5 -6 persons at which firm or via e-mail.

In questionnaires are considered variables such as firm size , the year of their creation , knowledge of the structure and the organization's overall strategy , linking strategy organization for structuring future challenges.

## **V. ANALYZE AND VARIABLES**

In Albania 2011, have been active 78.4 thousand enterprises. These enterprises have 280.8 thousand employed, where 47 percent of them worked in 1,684 enterprises with 20 and more persons employed. These enterprises represent also 61 percent of the total turnover and 75 percent of the total investments. These enterprises dominate in industry and construction sectors. Enterprises with 1-4 employed represent 91 percent of the total enterprises. They represent 14 percent of total turnover. Small enterprises are dominant in service producers. SMEs that emerged from the systemic change rarely have business and reputational credentials stemming from continuous activity for years that allowed them to build a distinguished culture in the complex process of organizational learning.

### **A. The Industry or sector where the firm operates**

Durresi City firms when we have analyze this situation, concretely included in the study during our survey show a similar distribution to that sector as presented above. We see that 16.8% of private sector firms are builders. While the rest of the firm is divided by activities other import-export, services, inward processing, wood processing, food, insurance, physical security, etc.

### **B. The year of creation or the age of organizations**

Private and public firms operating in the region of Durres and taken to survey in our study are generally created after '90. We can say that in 2000-02 we have a huge increase in the creation of these firms with 23%. As if seeing the creation of firms operating in the public sector is about 12.34% of them were created in the 50's and 60's before the changes occurred in Albania and most of their consolidated after '90 and respectively, in 96, 99 and 2004. In recent years noticed that the indicator creating these same firms is 11.76%.

If we notice how this variable affects the model used by firms in Vlora, We will note that firms established in the 90s until 2000 used the more traditional model, which means that managers deal with more jobs daily administration. Using the traditional model of these firms is related to the period of their creation and economic meltdown and political Albania at that time (we remind here that in 90 years in Albania are the major political changes that led to the change of system and the transition to a market economy). The discipline of management in academic terms was also not recognized as much in Albanian of 90s. After these first years of transition we can say that this discipline has entered as an important part of economic curricula of faculties across the country.

These problems are certainly reflected in the work of managers of these firms and in particular the structural model that they used.

### **C. Does your organization have a business strategy?**

In terms of business strategy 95.8% of private firms admit they have such a strategy. While the public sector firms, the opposite occurs 78.95% of firms that did not receive a business strategy. This fact shows that private firms are very interested in developing a business strategy because without a strategy known as such a business cannot be successful. If we check the connection between the size of the organization and business strategy we would see again that despite their size private firms has business strategy and public ones have no business strategy.

Referring to the data and analysis of the questionnaires about the organization's strategy in Albanian private sector firms we can say, that almost all firms have agreed to have a business strategy in general. We did notice that they use a mixed traditional model. So referring to authors and the connection between the firm's strategy and structure, we can say that these integrate with each other and affect the quality of the model used.

The respondents agreed on a number of actions to support the change. These include: define rules, awards, and policies and processes to promote change; defining individual responsibilities with clear expectations for behavior and results and developing and disseminating simple performance indicators; giving people frequent information and encourage them to talk about it, always consider the practical aspects, to demonstrate a commitment to ensuring that the change will happen.

## **VI. DISCUSSION**

The competitive and dynamic landscape plays an influence on organization structure, in turn affecting organizations' abilities to align their structures with their strategies. In my survey I looked at structural change and resource alignment to support strategic execution, making the point that the advent of global competition heralded a shift in organization structure from centralization to and flexible model. Anyway is no longer sufficient to be ready, you have to "know how to change."What will be asked to companies in the near future? The answer is: "continues change is the core."

Frequently rethink own strategies to remain competitive. And when it comes to change strategies, today we refer not only to changes in the market, but also, and above all, to their own resources.

**A. Change management in Albania**

In Albania international trends are confirmed. In Albania, the answer is: create a company with the essence of continuous change.

The research came to view agility and resiliency as two sides of the same coin of “adaptive capacity,” or the capacity of organizations to manage change. Companies with high adaptive capacities will drive other organizations to perform better in the future.

**B. Main factors of change.**

What factors are the main causes of this change? 60% cited an internal cause, for example, the redefinition of the strategic lines, or fusion events (33.3%) & acquisition (26.7%) and few (13%) consider the redesign of the business processes. However, their review of internal processes, roles and responsibilities is perceived as the most difficult problem to deal with (over 60%).

TABLE I: MAIN FACTORS OF THE CHANGE IN THE COMPANIES IN ALBANIA

<b>Responders' percentage</b>	40%	External cause		
	60%	Internal cause		
<b>Internal cause</b>	Internal processes	Roles	Responsibilities	
	Strategic lines redefinition			
	Fusion events	Acquisition	Business processes redesign	
<b>Responders' %</b>	33.3%	26.7%	13%	

*Training:* Training to people, then, is indicated by all as the main resource that can support the company in change, followed by the use of external consultants. As regards the principal causes of resistance to change and how to overcome them, more than 78% indicates the instability of the working environment and the internal balance, and the "antidote" most popular is to encourage spontaneous communication and constructive (almost 60 %).

*Share gains:* What action can be useful to support change over time? What ease the stability of change are clear roles and responsibilities and a management approach focused on professional development. Finally, they were asked what behaviors should adopt the "leaders" with their employees in a process of change: almost 86% indicates you need to show an interest in feedback from employees and actively involve them.

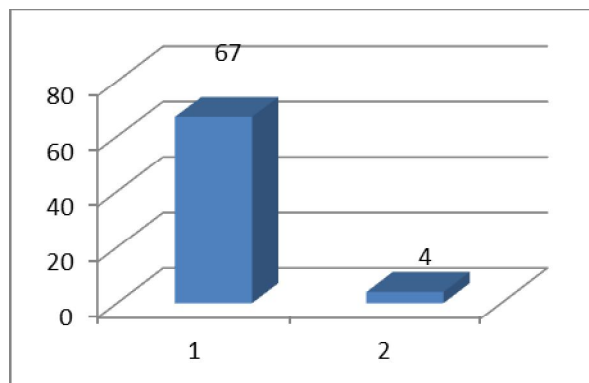
## VII. THE TREND IS TOWARDS THE CHANGING ORGANIZATION

Even in our country, therefore, there has been a strong awareness of the change as a factor intrinsic to the business context. The causes may be internal or external but require, in any case, an investment in a managerial capacity and management staff that passes through ongoing communication, facilitating bottom-up feedback (from the bottom) and the active involvement. According to the specialists, the companies will need to know how to equip to become the "Changing Organization", and have among its distinctive ability to manage change as a constant and continuous phenomenon. To become a Changing Organization, the companies must be able to renew and strengthen the managerial skills, but also the management of project / activity and therefore of program management. The leader must be able to adopt effective managerial behavior in organizational contexts characterized by instability and partiality of information.

The family property is shared by an increasingly large number of family members, conflicts may arise when the interests of the family members are not aligned, and the agency relationships between the various participants in the firm are influenced by economic and non-economic preferences (Chrisman, Chua, & Sharma, 2005; Sharma, Hoy, Astrachan, & Koiranen, 2007; Schulze et al., 2003).

## VIII. ALBANIAN CORPORATE GOVERNANCE

Albania family business is everywhere. Corporate Governance is in the beginning phases. I have made a self study with some business in Albania, concretely anonymous society. The study finds that companies prefer to decide Albanian leadership levels or supervisory boards of their close relatives.



1. Three members with the same surname
2. Two members with the same surname

FIGURE I: THE COMPONENT OF ALBANIAN FIRMS

In fact, the data analysis shows from 71 companies, anonymous society, that are interviewed and included in this analysis, 95 % have at least three members in supervisory board with the same surname and 5 % have two. 58 % of Albanian companies have at least two individuals with the

same name working in a senior management team , and the same phenomenon is present only in 10 % of foreign-owned companies. This shows that companies with foreign ownership have developed a culture of corporate governance in the countries of origin and that they use professional practices in the selection of the workforce. However, 10 % of such companies exhibit a tendency nepotism, which may be due either to the influence of the minority Albanian capital, or if companies follow a privatization process, it may be the result of recruitment procedures performed before that most of the capital spent in the hands of foreigners. The business environment characterized by the development, when labor markets are not competitive manager's nepotism in Albania affects the internal practices of companies. Seeking talented workforce of executive and non- executive has been replaced by a process where family ties become the most important criterion .Employees with family ties may not have the experience to do the job and may even be completely incompetent and unfit . They can lead to family conflicts at work and destroy communication in the working environment and in some extreme cases. Unfortunately, the literature and available data do not allow observation of the trend of nepotism in Albania .

Consequently, it is difficult to assess whether or not intensified over recent years .However, from the experience of other countries that have undergone similar steps of economic transition, it is believed that as they move into the next phase of development , nepotism practices increasingly replaced by corporate governance practices. There are numerous approaches for the explanation and organization of corporate governance (Nippa,2002),where most often the allocation of power and competence in the enterprise institutions is assumed to follow the American legal and political system. Hawley and Williams (1997) suggest a basic distinction between four different schools of thought, the principal-agent theory (the dominating approach),the stewardship approach, the stakeholder- approach, and the political approach. Fama (1980) pursues an approach which analyzes the efficiency and viability of companies that separate ownership and management, where the separation is based on a characterization by Berle and Means (1932).

In transition countries that means mayor change in organizational structures, products solutions, behaviour in managing. Thus restructuring has due to path-dependency long-term implications for the industry and its competitiveness (Klaus.E.Meyer, 2003) A great improvement is recognized through some research in discrepancy between code recommendations and corporate governance standards in practice. (Maier, 2005; Albert-Roulhac, 2005). Albania is a developing country that is still undertaking structural, economic, social and legal reforms –most in light of the country's EU integration process. However, despite accomplishments to date, the country is still stuck in the long–lasting transition that started in year 1992. With regard to the corporate governance legal framework, the main legislation includes:

- Company Law
- Public takeover law
- Securities Law
- Registration and Disclosures Law



- Banking Law
- Accounting and Financial Statements Law
- Certified Accountants Law.

Actually Albania has The Corporate Governance Code for Unlisted Joint Stock Companies in Albania focuses on specificities of corporate governance for un listed companies. The corporate governance of listed companies, which in principle have large number of external minority shareholders and may be run by professional managers, without significant ownership stake, tends to focus on ensuring that external shareholders can exercise effective oversight and control over management and the board. In contrast, most unlisted companies are owned and controlled by single individual or coalition of company insiders (e.g. a family). Good governance of unlisted companies, in this context, is not a question of protecting the interests of absentee shareholders. Rather, it is concerned with establishment of a framework of company processes and attitudes that add value to the business and help ensure long term continuity and success.

## **IX. CONCLUSION**

In order to design organizations that will be able to confront successfully with upcoming competition and increasing changes in consumer expectations, it is necessary to look for systemic and cause-and-effect relationships between emerging practice at various levels of analysis - industry, organization, and work.

From the study conducted, we found that despite changes occurred in recent years in Albania and in particular in Durres, we still do not have a managers' awareness of the importance of an organizational structure. Some of the reasons why human resource management is conducted in private firms operating in the city of Durres we can also find in staff development problems faced by these firms during the transition period to switch to economy market.

In order to identify basic links and guidelines, in the paper current trends in doing business are presented, jointly with consequential tendencies at the organizational and work level. Furthermore, it is possible to assume that certain contextual factors can have a direct and stronger, and others indirect and weaker, impact on work design. Equally, certain trends in work design can be more limited by broader organizational context, while others can be under their minimal impact.

I think that the results of this study are a modest contribution in terms of this broad field such as organizational structure. They can be any help to managers of Albanian firms anyway. They are limited, however, given the perspective of completing the questionnaires with the necessary data, and the lack of such data in most cases. I believe that the results of this study and arguments can and should be subject to debate and further study in this area. There are many future directions for this work. One is running field experiments on organizational changes within large firms to obtain further micro organizational evidence. Another is to further investigate the role of changes in information and technology.



In the same time Governance is a mechanism for monitoring the actions, policies and decisions of corporations. Governance involves the alignment of interests among the stakeholders

Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. Corporate governance has also been defined as a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers. In contemporary business corporations, the main external stakeholder groups are shareholders, debt-holders, trade creditors, suppliers, customers and communities affected by the corporation's activities. Internal stakeholders are the board of directors, executives, and other employees. Separation of ownership and control in all the companies of no particular consequence in the interest of owners and manager. Albania has a lot of to do because is in the beginning phases of corporate governance especially in separate of ownership from control. Albanian company are still family company. Important is that all the company will be implement the code of unlisted companies. In the interview from Albanian Company, 75% of this companies has no any information for this code. It is the duties of Economy Ministry to do the public the information and trainee procedure for this code.

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