STRATEGIC MANAGEMENT AND ENTREPRENEURSHIP IN THE REPUBLIC OF MACEDONIA

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Abstract

In this paper the area and objectives of strategic management and entrepreneurship will be examined, i.e. what it is concerned with and which goals it aims to achieve. As an example studies involving competitive advantage when applying the strategic management and entrepreneurship will be specified. The area of behaviour in the strategic management and entrepreneurship and its focus will be taken into account as well as what opportunities are given for the further development of small and medium companies. An answer will be given to the question of whether strategic planning is really so important. Further the strategic management and competitive advantage and the process of strategic management and his steps will be also considered. The positive guidelines to application of the strategic management in entrepreneurship will be briefly given.

In terms of strategic management and entrepreneurship in the Republic of Macedonia the access to the entrepreneurship by the Government of RM will be exposed. Reference to the role of the Agency for Support of Entrepreneurship of the Republic of Macedonia (ASERM) will be also given. In that relation, the Program of measures and activities in support of the entrepreneurship and creating competitiveness of small businesses in the Republic of Macedonia will be taken into consideration, as well as other programs adopted by the Government, that relate to the entrepreneurship and the small businesses. Other activities of the Government of the RM for encouragement of the entrepreneurship will be specified. In relation to the strategic framework for support of the development of small businesses the documents in which it is defined will be mentioned. An emphasis of the extent of application of the strategic management in small and medium companies will be given, i.e. whether they do apply the strategic management and to what extent they are doing so.

Key words: strategic management, entrepreneurship, competitive advantage, the process of strategic management, steps of the strategic management, Republic of Macedonia, the Agency for Support of Entrepreneurship of the Republic of Macedonia

Introduction

1. The area and objectives of strategic management and entrepreneurship

The area of the strategic management and entrepreneurship¹ deals with the creation, growth, transformation and performance of businesses and industries. It explores the impact of different attributes and actions on an organization and its top management teams in order to gain competitive advantage and achieve the goals of the organization.

2. The importance of the necessity for strategic planning

Strategic planning is crucial to building a successful business. It incorporates development of a plan that will lead the company which strives to achieve its mission, to achieve its goals and objectives and to keep it on its desired course. This importance is shown in the study of a number of small enterprises. They each differ in that those who had made progress had made a plan in writing while companies that did not make progress didn’t have such a plan. Another study

¹ http://www.rhsmith.umd.edu/faculty-research/academic-departments/management/organization/programs/phd/strategic-management

² http://www2.econ.iastate.edu/faculty/stone/Chapter3.pdf
showed that only 12% of small businesses had long-range plan in writing.

3. Competitive advantage in the application of strategic management and entrepreneurship

Development of a strategic plan is crucial in creating a competitive advantage, it is a set of factors that elevate the company over its competitors and give a unique position to it in the market. Hence in order to create a competitive advantage each company that aims to achieve a greater success should make a strategic plans with which it will perform on the market and gain progress that will elevate it over the others.

4. The process of the strategic management in the entrepreneurship

In this framework the steps in process of application of the strategic management in the entrepreneurship will be considered.

Step 1

- Development of a vision and its translation in a mission statement.

This step involves defining the term vision - for an entrepreneur that's what he stands for and what he believes in. A clearly defined vision gives direction, determines decisions and motivates people. It also answers the question: "What business we are in?".

The mission is a written statement of how the company will reflect the values, beliefs and vision of the owner. The mission of the company reflects its character, identity, and the area of operations in sufficient detail for it to be distinguished on the market.

Step 2

- Defining the core competencies and target market and identifying the desired market position.

The company must define the sum of its core competencies that enable it to serve its customers better than its competitors. To clarify - core competencies is a unique set of capabilities that the company develops in the key areas of operations that allow it to surpass the competitors. They are the thing that the company does the best.

It is best to rely on the natural advantage which is often linked to the size of the company. At identifying the desired position in the market it must be approached on market segmentation. In this regard the mass market should be divided into smaller, more homogeneous units and then to attack certain segments of such divided market with a specific marketing strategy. At the creation of a proper market position the desired image for business is created in the customers’ mind.

Step 3

- Assessing the strengths and weaknesses.

When evaluating strengths, the positive internal factors are taken into account that contribute to the achievement of the mission, goals, and objectives. When taking into account the negative aspects all the internal factors should be covered that impede the achievement of the mission, goals, and objectives.

Step 4

- Scanning the environment for opportunities and threats.

In this step it is important to consider the possibilities and all the positive factors that the company can engage in order to achieve its mission, goals, and objectives. It should be also taken into account the possible threats, that is, the negative external factors that may hamper the ability of the company to achieve its mission, goals, and objectives.

Step 5

- Identifying key factors for success.

The key factors include the relationship between the variable that can be controlled and the critical factor which affects the ability of the company to compete on the market. The key to success lies in "unlocking" the secrets for successful competition in a particular segment of the market.

Step 6

- Analysis of the competition

When analyzing the relevant competitors, the entrepreneur can acquire more information and hence could:
Which strategy?

Let’s clarify the three basic strategies:

**Costs of leadership** contain the idea of being a producer in the industry or trader in a market who will have low level of expenses. Thus those customers who bound in their purchase based on price would be included, and in this way the price level in the enterprise will be set.

**Differentiation or diversity** is a strategy with which the company aims to achieve loyalty.
among customers presenting its products or services in a unique or different way. The idea of this strategy is to be special into something which is valued by the clients.

The strategy of focusing is actually a choice of one or two segments of a market, by identifying the specific needs of the clients, their wishes or interests and then targeting them with a product or service made especially for them. This strategy is based on diversity in the types of markets. Depending on its needs the company can choose any of the three available categories or combine two or all three. It will mostly depend on the type of market and the type of the competition in the environment.

Step 9

• Translating plans into actions

At translating plans into actions i.e. when creating projects, the definition of the following must be taken into account:
- Purpose – what is the objective of the project
- Scope – which segment or segments of a market will be covered
- Contribution – what benefit will the enterprise acquire
- Resource requirements – accurately defined amount and the kind of resources (whether human or financial) will be needed for realization
- Timing – that is time frame for the realization of the project or the action.

Step 10

• Establishing accurate control

The last step is the control of the implementation of the plan. While creating the plan at the same time standards by which the performance and execution of the plan is measured are established. The entrepreneur must identify and track the key indicators for the performance of the job. If poor performance is noted the area where it is present should be identified and appropriate corrective actions should be taken.

As an addition in controlling the entrepreneur can introduce balanced scorecards that include financial and operational parameters. Through them a clear picture of the performance of the company can be seen.

All these 10 steps should be consistently developed, and it should be taken into account not to make oversight at some of the factors, particularly important would be step 5 and 6 which are virtually connected to each other – it can not be talked about success unless previous the market and the competition are analyzed and afterwards translated into an action plan.

5. Strategic management and entrepreneurship in Republic of Macedonia

In conditions of weak economy the entrepreneurship of small and medium-sized enterprises is seen as a key factor for achieving improvement in the economy and increase of the employment. The Macedonian Government\(^3\) gives high priority to the development of the small business sector. In its activities it focuses on concrete measures and activities that support the development and improvement of competitiveness of small and medium sized enterprises.

The strategic framework for support of small businesses is defined in the following documents: National strategy for development of small and medium enterprises (SMEs), Programme of measures and activities for support of the entrepreneurship and creation of competitiveness of small businesses of the Republic of Macedonia, European Charter for Small enterprises, Law on Crafts and the Law for establishment of the Agency for support of the entrepreneurship of the Republic of Macedonia (ASERM).

Also, in order to achieve a higher level of coordination among the relevant factors the National Council for Competitiveness and Entrepreneurship is established, as an advisory body to the Government of RM for connecting the private and public sectors and in order to improve the entrepreneurial climate.

5.1. Agency for support of the entrepreneurship of the Republic of Macedonia (ASERM)


The Agency for support of the entrepreneurship is built into the institutional structure for support of small businesses in the following way:

For realization of its activities it cooperates with institutions whose program and area of work is support of the entrepreneurship and small businesses. Institutions with which ASERM cooperates are:

- Foundations for support of SMEs and entrepreneurship (Regional Centers and ESA Agencies)
- Institutions for support of entrepreneurship and SMEs established by the bodies of the local self-government
- Development Centers
- Centers for transfer of technology
- Entrepreneurial incubators
- Euro info centers
- Private consultants.

The mission of the ASERM consists in the development of the entrepreneurship and small businesses in the Republic of Macedonia through realization of priority projects which denote:

- The real areas of intervention in accordance with the expressed real needs of small businesses, and
- The Government program of measures and activities to support the entrepreneurship and creation of the competitiveness in small businesses.

According to the Law for the Agency for support of entrepreneurship small businesses which actually target group of the Agency are:

1. Enterprises which:
   - have less than 50 employees;
   - have an annual turnover not exceeding EUR 1.5 million in dinars counter value or the total balance sheet does not exceed 1.1 million Euros in dinars counter value.
   - are independent in its work
   - at least 51% in private ownership
2. Individual traders
3. Craftsmen
4. Other service providers.

The Agency acts through its activities and provides assistance to the entrepreneurs through coordination, counseling and grants. The Government of the Republic of Macedonia in 2011 adopted a Program for support of the entrepreneurship, competitiveness and innovation of small and medium enterprises. This program regulates the purpose of budgetary funds to support the entrepreneurship, competitiveness and innovation of small and medium-sized enterprises. However in all these programs and activities somehow a there is a little mention of the application of strategic management in entrepreneurship, and steps, in the development of competitive advantage in a small enterprise that is developing, are not met.

5.2. Data from the conducted research for Strategic Management

A research has been conducted related to scientific insight of the level of presence of the strategic management and innovations that it offers, which should result from the current reforms in the public and private sectors in the Republic of Macedonia. This research gives a clear picture of the non-presence and slowness of the reform processes which consequently further
become an obstacle to further development of efficient and effective management of enterprises in the public and private sectors.

In terms of making a distinction between public and private purpose was obtained an indicator of 67.21% of respondents who completely differentiate and 16.07% who can make a difference, but not completely which means that total of 83.28% of the respondents are able to make such difference. Very few of 5.41% is still not able to make this distinction.

Do you make a distinction between public and private purpose?

Have you heard of the term strategic management?
Although quite a high percentage of 52.62% answered that they have heard of the term strategic management, and 19.67% said that they have heard, but not completely, we still cannot be satisfied with the indicator of 72.30% since the aim is all managers to have knowledge of strategic management and until the figure 27.70% is surpassed and a 100% indicator of knowledge of strategic management is gained, we cannot think in the direction of positive reforms in the public and private businesses.

**Conclusions**

In this paper the strategic management and entrepreneurship, their area and objectives, importance of the need for strategic planning, competitive advantage in the application of strategic management and entrepreneurship, strategic management process in entrepreneurship as well as the strategic management and entrepreneurship in the Republic of Macedonia have been analyzed. The Agency for support of the entrepreneurship of the Republic of Macedonia (ASERM) has been named too, and its role has been discussed. The importance of the need for strategic planning consists of the fact that the success of an entrepreneur is associated with planning. At the very process of planning the conditions for a competitive advantage are created. Competitive edge gets its full form when the steps contained in the process of strategic planning are applied. If an entrepreneur wants to be successful and to gain the desired competitive advantage he has to follow and implement the ten steps.

In terms of strategic management and entrepreneurship in the Republic of Macedonia it should be pointed out that despite the Government's efforts still little progress is felt in the entrepreneurship. Although there is the Agency for support of the entrepreneurship of the Republic of Macedonia (ASERM), and specific guidance and support is given to the entrepreneurship still that support should be increased.

From the conducted research and the received indicators, we can conclude that in the Republic of Macedonia it still needs to be worked on the application of strategic management in all segments and especially in the entrepreneurship in order the desired goal to be achieved. Mainly what is missing is the full application of strategic management in entrepreneurship with application of its steps for successful implementation.

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