

Performance and Managerial Skills on a Global Scale in Albania:

The Public Vs the Private Sector- Who Wins?»

Conference topic: A Survey in Economic Impact on Social Development and Democracy in Albania

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Abstract

Albania has taken steps towards bringing its legislation into line with the EU standards by approving a new public procurement law. The new law takes into account the principles of non-discrimination and equal treatment, transparency, and legal protection of interests of bidders on public contracts. Direct tendering has been abolished except in cases of extreme urgency and for the purchase of electricity, and criteria to identify abnormally low bids have been introduced. The new e-procurement regulations approved by the GOA in October 2007-2009 paved the way to the e-procurement system implementation at the central and local government level.

This study aims to examine perceptions of politics among public sector employees as a possible mediator between the supervisor's leadership style and formal and informal aspects of employees' performance (Organizational Citizenship Behavior – OCB). In this paper we are trying to analyze the role of leaders in Albanian conditions. We are focus in three elements: Productivity, Adaptively of the leader roles, Infectivity on job time. These three elements are analyzed with indicators like that: Performance in job descriptions and monitory of leader's styles, organizational climates and innovative behavior.

Key words: Albanian reforms Anticorruption activities, Leadership role, Local government, Decisions, Public procurement, Tax administration,

1. INTRODUCTION

This paper research addresses the situation in the leadership process. The evolving leadership model from the earlier chapters suggests that the situation in part defines the leadership process and that it influences the leader and interacts, with the leader's attempts to influence his or her followers. Three key questions that will be addressed are:

- Does the situation in which the leader and follower are embedded make a difference?
- What leader behavior works and when?
- What is the process through which the situation produces its effects?

The importance of the situation has already been alluded to on numerous occasions through the first several chapters. Murphy (1941), for example, noted that situations in which people find themselves create needs, and it is the nature of these needs that defines the type of leadership that best serves the group. Accordingly, Murphy saw leadership as a working relationship—one in which different contexts create a unique set of group needs, and a group's emerging leader is that individual who is capable of making meaningful contributions to the group.

1.1 LEADERSHIP AND SITUATIONAL DIFFERENCES

Leaders, according to Smircich and Morgan (1982), are those individuals who are capable of taking an ambiguous situation and framing it in a meaningful and acceptable way for the followers. Smircich and Morgan also defined leadership as a product of an interaction between the situation, the leader, and the followers. In Salancik and Pfeffer's (1977) strategic contingencies model of leadership, the leader is a person who brings scarce resources to assist a group of individuals in overcoming a critical problem that they face. As the problems facing a group change, their leader may also change because of his or her access to critical and scarce resources. Thus, Salancik and Pfeffer's work also serves to highlight the importance of the situation in defining leadership and the leadership process.

Overall, the improvements in the public procurement legislation are advancing while the proper enforcement of the law is still a work in progress. (Hardt 2009; Rieker 2009) Most banks today offer unsecured lines of credit targeted to small business owners. If yours is an established company, you may be able to apply for a credit line amount of between \$10,000 and \$50,000 by completing a simple one-page application, with no business financial statements or tax returns required. Institutionally, the successful implementation of the Northern Dimension Countries relies on using flexible coordination mechanisms. Within the EU, the Northern Dimension is part of the Union's external relations but cuts across all its three pillars: the funding instruments stem from the first pillar of the single market, the objectives come at least partly from the second pillar of external relations and some of the problems relate to the third pillar of justice and home affairs, including management of border regimes. (C. S. George)

1.1 THE PURPOSE OF THIS STUDY

In this study we have aimed at the assessment of the strategic management level in Albanian companies. The study focuses companies and industries selected in the Albania environment. The purpose of the study is to analyze the business environment of the selected industries, how much do these industries know the environment in which they operate and how capable are they to get oriented in this environment. The study is conducted in the period on 2006-2012 years. Object of study were 230 companies located in Tirana, from which 150 small and medium companies and 80 big companies. The survey data was collected from questionnaire forms filled in by these companies. Two classification criteria were used in selecting the companies: the size of the firm and the nature of the industry the firm belong to. Influenced by Stogidill's (1948, 1974) reviews of the leader behaviors literature and the emerging recognition of the importance of the leadership context, Steven Kerr, Chester A. Schriesheim, Charles J. Murphy and Ralph M. Stogill (1974), advanced a number of situational propositions linking leader of structure and consideration to a leader effectiveness. They note that accumulated evidence suggests that leader effectiveness is not always associated with those who behave in highly considerate and structuring manner. Among some of the situational factors that influence the effectiveness of leader consideration and initiating structure behavior are, for example, time urgency, amount of physical danger presence of external stress, degree of autonomy, degree of job, scope, importance, and meaningfulness of work.

Robert J. House (1971) contends that leader effectiveness is most appropriately examined in terms of the leader's impact upon the performance of his or her followers. In the first reading in this chapter, House and Terence R. Mitchell (1974) assert that a leader's behavior will be motivational and subsequently have an impact upon the attitudes and performance behavior of the follower to the extent that it makes the satisfaction of a subordinate's needs contingent upon his or her performance.

1.2 The structure of paper research

The study is divided into three parts, where the strategic management level of these companies is studied based on each selection criteria. The first part of the survey examines and evaluates the strategic management level by considering the size of the firm. The second part analysis the strategic management level in a specific industry. The total number of 230 companies is divided into 5 industries: chemical industry, food, services, construction and engineering. The third and the final part studies the experience, knowledge, scale and intensity of competitors, predictability and diversity of business environment in selected industries, as well as attitudes or behavior of companies towards the future in this industry.

2 LITERATURE REVIEW AND HYPOTHESES

The performance evaluation is a process related to the identification, evaluation and development of the performance of all the employees in the organization, in order to achieve effectively the objectives, and in the same time the process is in the behalf of the employees. It helps the employees in knowing, receiving feedback and offering work and career services. (Lansbury 1988) They are often held back by lack of productive capacity, difficulties in

diversifying their economy, poor infrastructure and export conditions. The Communication "Trade, growth and development", redefines how the EU's trade and development policy will work for the development of those poorer countries - in particular, Least Developed Countries (LDCs) - ensuring they can increasingly enjoy its benefits.

We discuss the most important digressions in turn. Given that both management and regulators are interested in the risk profile of financial firms, they have a shared interest in accurate measurement and, consecutively, management of risk. We then briefly outline measurement methods, primarily to discuss the most important hurdles that have to be taken before a firm-wide risk management system can be implemented adequately.

2.1 An historical sight of the evolution system in Albania

During the last decade the Albanian Public Administration is going under a reformation process, a process related with the political, economical and social changes. At the beginning of the '90 the role of the Albanian state was modernized, and was stimulated to economic improvement and to conceal social injustice. (Robins P 2002)

The new role of the state determined new obligations for the public, central and local administration. During this period the administration was nearly totally politicized and there were no clear divisions between the political and techno-professional functions. During this period the model of the political control was inappropriate and out of logic and it was still in the development phase.

During 1996-1999 the politicization of the administration ended and the administration was based on merits. The division between the political and techno-professional was clear. Several laws were approved; law no. 8095 in 21.03.96, "For the Civil Service in the Albanian Republic", The Decision of the Minister's Council no.657 in 16.09.96 "For ethic rules in the public service", law no. 8549 in 11.11.1999 "The status of the civil employee". All this laws were approved during this period. The administration had the possibility to implement a different system, in the human resources management in all the central and local institutions. (Dhima A 2003)

After DAP, the Institution of Training for the Public Administration was funded in order to give response to all the circumstances, opportunities and to the new challenges. In 2000 was published the Instruction from the Council of Ministers no. 2 in 07.07.2000 "For the evaluation system of the individual annual achievements of the civil employees". In 2002-2006 the position of the General Secretary in each ministry was consolidated as a inter-mediator between the political and managerial levels. The performance evaluation was designed to evaluate the employees based on their work and the individual work descriptions in four levels. (Ibrahimi G 2002)

2.1.1 Monetary policy and Albanian budget deficit

One of the key aspects of economic policy in Albania has been the tight fiscal and monetary policy. The budget deficit has been declined from 9 percent of GDP in 2000 to 6.6 percent in

2002. In addition, Bank of Albania has played a conservative interests rate policy by keeping its key interest rate well above CPI. Figure 2 shows that in 1996 and especially 1997 the economy lost its momentum, reflected also in the increase of CPI (end of period) by 22.7 percent.

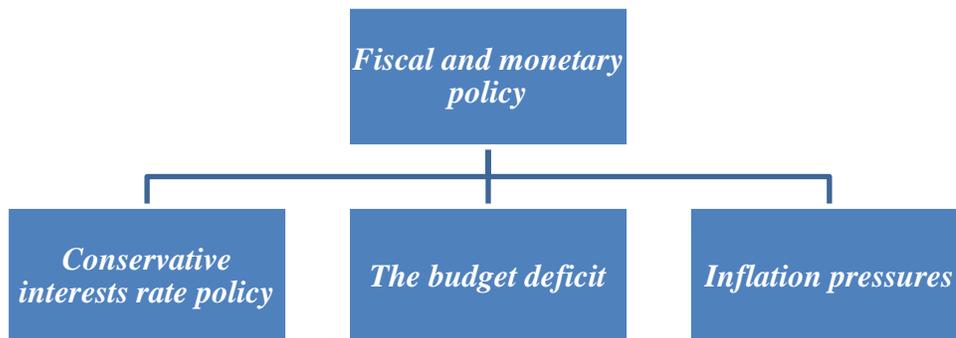


Figure 1. In 1996 and especially 1997 the economy lost its momentum, reflected also in the increase of CPI

3. METHODOLOGY OF THE STUDY

In this study we have intended to evaluate the level of strategic management in Albanian companies. The study focuses on the companies and industries selected in the Albanian environment. It intends to analyze the business environment in the selected industries, how much do these industries know the environment in which they operate and how much capable are they to get oriented in this environment. The study is conducted in the period May-December 2009. Object of study were 20 companies located in Tirana, from which 15 small and medium companies in Vlora and 50 big companies in Albania. The survey data was collected from questionnaire forms filled in by these companies. Two classification criteria were used in selecting the companies: the size of the firm and the nature of industry the firm belong to.

The study is divided into three parts, where the strategic management level of these companies is studied based on each selection criteria. The first part of the survey examines and evaluates the strategic management level by considering the size of the firm. Results are classified in four thematic units as follows:

- Vision, mission and objectives of a firm, (Indicator 1)
- The use of analytical methods and formulation of strategy, (Indicator 2)
- Types of business strategies and reasons of their success or failure, (Indicator 3)
- Responsibility in Strategic Management, (Indicator 4)
- Decentralization and independence (Indicator 5)



Tab: 2 *Types of business strategies and reasons of their success or failure, indicators of development: Source: Dumi A, JERM 2012, pp 66*

3.1 Analyzing data and regression analyze

The performance evaluation is mainly characterized by qualitative indicators and there are only a few quantitative indicators. According to the data collected from the questionnaires the employees assess the importance of the performance evaluation in 100%, they concretize it with the objectivity in the evaluation. To the question "Is the performance evaluation objective in your institution?"- 37% answered positively, 41% avoided the answer and 22% of them think that it is dictated from the subjectivity of the leaders. According to the questionnaire the major part of the questioned employees think that the performance evaluation takes to conflicts between the subordinate and the superiors. This is also another factor that contests rewarding according to the performance.

3.2 Design the study, methodology and approach of the study

The Multifactor Leadership Questionnaire (MLQ) was distributed to employees of a public security organization in Albania, asking them to evaluate their supervisor's style of leadership. Employees were also asked to report their perceptions of organizational politics using the scale developed by the leaders in Albania Region. In addition, supervisors provided objective evaluations of the levels of their employees' in-role performance and OCB. The intra-structure of the leadership variable was examined by exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) with structural equation modeling. Two alternative models were examined: first, a model of mediation and second, a direct model with no mediation. (Dumi A 2012)

3.3 Public Administration and its involved.

Even though generally the employees of the Public Administration were evaluated very good and good, still there is work that needs to be done regarding the personal qualification. The

personal qualification often is referred to the trainings that the employees of the public administration, which is very important. Until nowadays only a small part of the employees are involved in doctorate studies. The employees are still far from career commitments, and this is why only a few of them represent scientific publications for their sector. (Dumi A 2012)

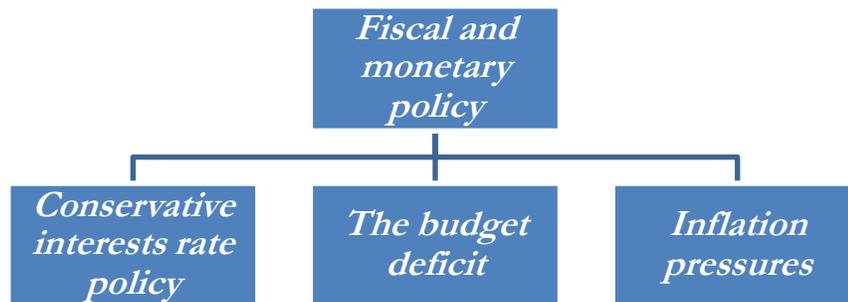


Figure 3. In 1996 and especially 1997 the economy lost its momentum, reflected also in the increase of CPI

And this is why we pretend that the performance evaluation does not justify its objectives because it is based only in the commitment related to the job. To create the conviction for this problem a hypotheses came out:

H1: The performance evaluation in the public administration is objective.

The question “Is the performance evaluation objective?” was analyzed in details and the answers were evaluated from 1-10 points each, nine of the questioned persons were leaders and employees.

The respective evaluations are presented below:

Four indicators of development of the business modeling	(Indicator 1)	(Indicator 2)	(Indicator 3)	(Indicator 4)	(Indicator without choice)
	Performance, mission, vision	Formulation strategy	Business strategy	Responsibility of business	

First choice	4.6	8.6	7.2	9.6	
Second choice	4.34	7.45	5.27	6.56	4.89
Third choice	23,6	2,67	2,89	5,89	5,89

We join both choices in one and keep the identity by underlining (for ex. the second choice)

values	<u>4.23</u>	<u>4.45</u>	<u>5.79</u>	<u>6.55</u>	<u>7.67</u>	7.89	7	8	9
Ranks	1	2	3	4	5	6	7	8	9
Index	12	14	15	31	24	34	44	23	11

We calculate the sum of the first choice and the average

$$R_{10} = 6+7+8+9$$

$$M_R = \frac{n1(n1+n2+1)}{2} = \frac{4(4+5+1)}{2} = 20 \quad S_n + S_n^1 + S_n^n + S_n^r = M_r$$

We calculate the quadratic average derivation of the Addler Shumman criteria

$$S_{R1} = \sqrt{\frac{n1n2(n1+n2+1)}{12}} = \sqrt{\frac{4.5(4+5+1)}{12}} = 4.8$$

We calculate the factual value Af and is compared with Ak that is the statistic value at a critic level.

$$Af = (R_{1m} - M_R) / S_{R1} = (30 - 20) / 4.8 = 2.08$$

$$Af > Ak ; 2.08 > 1.76$$

This calculation shows that the hypothesis is not valid.

In the performance evaluation the subjectivism has high levels. It is important to find other parameters for the evaluation, and this is a commitment of this article in the future.

3.3.1 Findings by regression analyze

According to the recent Nobelists in the field of finance, an economy finds itself at the empirical stage of its development when the financial and banking sector is dominated by the cash economy. The second stage is the credit economy. During this stage, the role of the financial intermediation and credit institutions – mainly of banks – increases very much. The banking activity represents an important direction in terms of the transfer of resources and funds.

Current procedures for handling complaints still do not meet recognized international standards. Despite progress, its application is hampered by technical problems, the insufficient IT capacity of many contracting authorities and corruption in drafting tender documents. Companies continue to experience issues with transparency in specifications and communication in competing for public tenders. Overall, the improvements in the public procurement legislation are advancing while the proper enforcement of the law is still a work in progress.

The research resulted in mixed findings that only partially support the mediating effect of organizational politics on the relationship between leadership, in-role performance and OCB. A direct relationship between leadership and performance (in-role and OCB) was also found.

We calculate the sum of the second choice and the average

$$A_{10} = 1+2+3+4+5$$

$$AMR_{R \text{ per } r=1 \text{ to } 5} = \frac{n1(n1+n2+1)}{2} = \frac{5(4+5+1)}{2} = 25$$

In principle, three types of strategies can be distinguished. Banks can try to shift un-diversifiable risks to their borrowers, e.g., by making variable-rate loans and mortgages. - Banks can try to shift un-diversifiable risks to their lenders, e.g., by financing fixed-interest loans with fixed-interest obligations of similar maturities. Banks can try to shift un-diversifiable risks to third parties, e.g., through interest rate swaps or other derivative instruments. These strategies can of course be used in combination as well as separately. For the purpose of the analysis though it is easier to look at each of them in isolation (Dessler G 2002)

We calculate the quadratic average derivation of the V criteria of Vodrich model

$$S_{R1} = \sqrt{\frac{n1n2(n1+n2+1)}{12}} = \sqrt{\frac{4.5(4+5+1)}{12}} = 4.8$$

$$S_{R1 \text{ to } 6} = \sqrt{\frac{n1n2(n1+n2+1)}{12}} = \sqrt{\frac{5*6(I1+I2+I3+I4+I5)}{12}} = S_{R1} = \sqrt{\frac{n1n2(n1+n2+1)}{12}} = \sqrt{\frac{4.5(4+5+1)}{12}} = 4.8$$

VSRIN =96 In the performance evaluation the subjectivism has high levels The performance evaluation is determined as an evaluation of the past and actual performance of an employee that works in accordance with the performance standards of the organization.(Lako M, MJSS,2012,vol 2)

The evaluation process includes:

- Setting the work standards.
- Evaluating the actual performance according to the standards.

Gives the feedback at the employee in order to motivate him to diminish its feeblenesses.

(Vodrich & Dessler 2008). $A_{R110} = \sqrt{\frac{n1n2(n1+n2+1)}{12}} = A^{m-ni} = a(rni-rni^{-n})$

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H2. Governments should also act to improve awareness among entrepreneurs of the range of financing options available to them from officials, private investors and banks.

General Business Development: The ambition and comprehensive macroeconomic program undertaken by Albanian Government after 1997 yielded quick results in macroeconomic stability followed also by increasing real GDP at satisfactory rates. Over the period 1998-2002, contribution of private sector in GDP growth is obvious. $A_{R110} = \sqrt{\frac{n1n2(n1+n2+1)}{12}} = A^{m-ni} = a(rni-$

$$rni^{-n}) S_{R1N} = \sqrt{\frac{n1n2(n1+n2+1)}{12}} = \sqrt{\frac{4.5(4+5+1)}{12}} = 4.8 * 20 = 96$$

$$A_{R110} = \sqrt{\frac{n1n2(n1+n2+1)}{12}} = 4.8$$

4. DISCUSSION BY ANALYZE OF THIS PAPER RESEARCH

This study empirically examines the impact of debt management policies on borrowing costs incurred by state governments when issuing debt in the municipal bond market. Based on positive political theory and the benefit principle of taxation, it is proposed that states that adhere to best practice debt management policies transmit signals to the credit ratings, investment community and taxpayers that the government should meet its obligations in a timely manner, resulting in lower debt costs. ¹The donors concurred with this assessment.

IDA, starting with the 1998 CAS, considered governance and institution building as one of the central planks of its intervention and identified the need to adopt and implement reforms to build an accountable and transparent state as the most important challenge facing the Government of Albania. The performance evaluation is a process that makes the employees reflect, discuss and change their working methods. During the process the individuals can change their working methods and there may be changes even in their behavior. At the institutional level the process enables the systematic collection of data about the individual's performance. The performance evaluation of the employees has two objectives:

First administrative objectives of this paper research

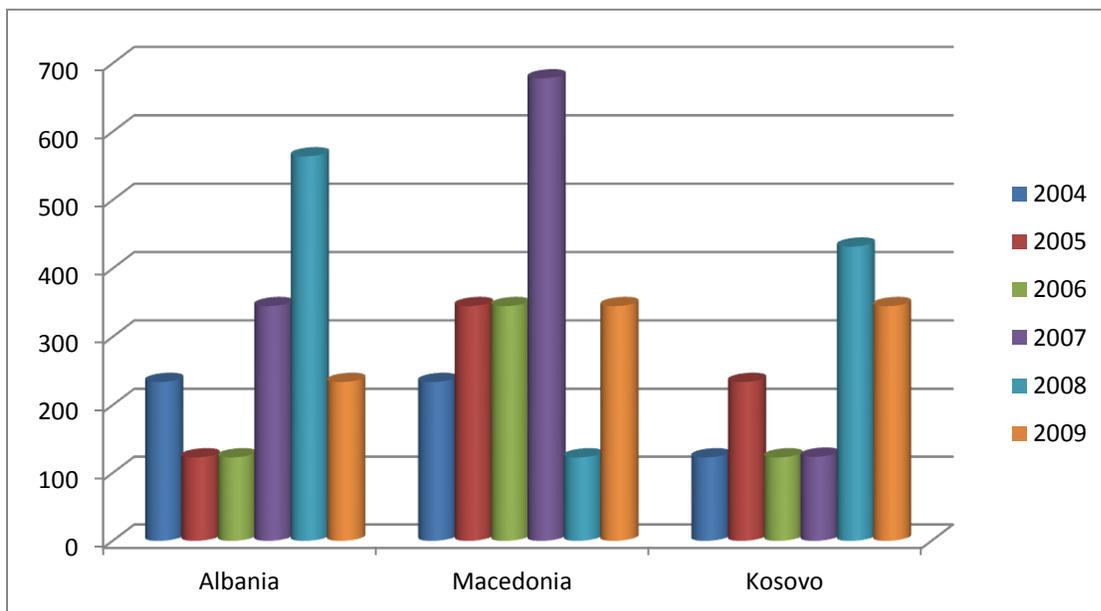
¹ Donors and government investments, IDA

It gives information in setting the salary, promotions, firing, and assures the necessary documentation to verify decisions in juridical processes.

$S_{R1 \text{ to } 6} = \sqrt{\frac{n_1 n_2 (n_1 + n_2 + 1)}{12}} = \sqrt{\frac{5 * 6 (1 + 1 + 2 + 3 + 4 + 5)}{12}}$ This analyze is optimal in our condition and its is necessary to progress in the second hypotheses of this research

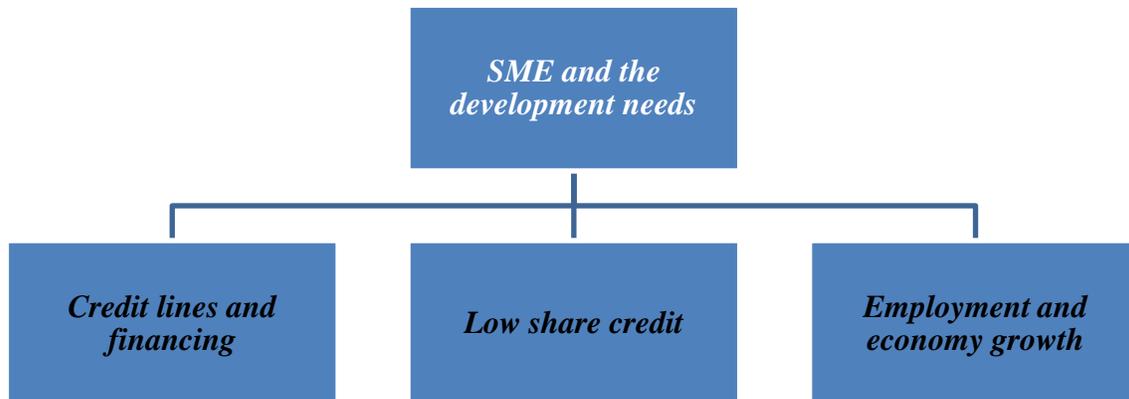
The mistake of regression analyze varied: $25 < SRI < 96$

The first stage is the empirical one. Undeveloped financial institutions as well as an undeveloped financial system characterize this stage. It belongs to the natural economy and to the low levels of economic growth and development. (*Bundo, Luci, Cane 2000*) In January 2000, the government promulgated a national Strategy for Decentralization and Local Autonomy which includes lows to strengthen the autonomy of local governments and increase their capacity to manage local infrastructure and services.



Source: Bank of Albania *A B estimate for the first three quarters of 2009

Second, and maybe the main objective is the objective of the development. The information can be used to diagnose the needs for trainings, career planning etc. the feedback and the training based on the information of the evaluation assures the fundamentals for constant performance improvement. (Robins & Couter, 1999)



Commercial banks, the main source of finance for SMEs (Figure 4)

Conclusions and Recommendations

The assistance and training was also expanded to cover financial operations of the water works of the participating towns. Participating towns, local authorities, and the PIU all demonstrated sound commitment and in implementing the project in a timely fashion.² A comprehensive approach to provision of water supplies is required to address competition for scarce water resources. We recommend these conclusions:

Albanian actors will be reality these points:

- A dynamic local government leadership for protection the health of people
- A coherent strategy acted upon with determination
- A healthy climate of cooperation with business
- Local government's investment initiatives to jumpstart the stagnant economy
- Creative use EU funds to implement local policy

Albania, in the last 5 years, has followed a tight fiscal and monetary policy. The budget deficit has declined from 9 percent of GDP in 2000 to 6.6 percent in 2002. In addition, the Central Bank of Albania has played an active interests rate policy by keeping its key interests rate well above CPI. Inflation pressures were kept under control in 1998 and CPI has moved in the narrow band of -1 to 4 percent in recent years. Interest rates applied by commercial bank for credits in Lek have decreased in the last 3 years.

Albania, one of the smallest and poorest countries in Eastern Europe, has experienced a transition marked by sharp economic swings and periods of civil strife. The early phases of decentralization witnessed the transfer of political autonomy and limited administrative and fiscal authority, to local governments, inadequate legislation outlining central/local responsibilities, scarce financial resources and deficient infrastructure strained the capacity of local governments to manage urban services.

² *Municipal Water and Wastewater Project, March 2003*

There exists an important postulate in the theory of finance on the role of the financial system: The level of development and the role of the financial system in the economy define the economic development stage of a country. Hence, based on the level, role and influence of the financial system on the economy, three stages can be identified with regard to the economic development. During the last decade the Albanian Public Administration is going under a reformation process, a process related with the political, economical and social changes. The results from this article show that the performance evaluation is a very important element in the Public Administration, and it effects the improvement of the work in the state and central bodies.

- The performance evaluation conditions the emplacement and the implementation of the standards as referential points. Emplacing standards would increase the responsibility for each post in the Public Administration and will help in monitoring the performance of the institution.
- Despite the continuous improvements after 1990, there are still lacks and gaps in the performance evaluation and this harms the public opinion for the Public Administration.
- One of the lacks is the considerable subjectivism during the performance evaluation, which was proved by the contemporary methods, with the Man Whitney method for the minor choices where A_f is larger than A_k , and this showed that the hypothesis about the objectivity of the performance evaluation is not available.

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