

An Analysis of Business Environment of Construction Industry in Albania

Mustafa Üç¹, Abdulla Kaja²

¹*Department of Business Administration, EPOKA University, Albania*

²*Bechtel-Enka GP, Kosovo*

Abstract

Following the collapse of communism in 1990, Albania introduced with capitalism as new economic order in the country. Since that time, Albanian economy has been developing day by day especially depends on some sectors. The construction industry in Albania has recorded significant growth during these transitional years.

Business environment refers to the aspects that surround the business enterprise which has influence on the functioning of the business. Businesses are affected by internal and external environment factors. While, the businesses are able to control and manage internal factors, external factors are beyond of the control of businesses.

After the mentioning some fundamentals of theoretical issues about business environment, this study presents relationships among construction industry in Albania and influential factors such as; politics, economy and operational efficiency. In order to explore these relationships a questionnaire designed and conducted on 130 respondents which 38 of them are foreigners in Albanian construction industry.

As an overall result of questionnaires demonstrates that the people in Albanian construction industry are satisfied with current business environment and they have optimistic thoughts for the future of construction industry in Albania.

Keywords: *Business environment, Construction industry, Albania.*

INTRODUCTION

Albania proclaimed its independence from the Ottoman Empire in 1912 as the last country in Europe. After the World War II the government which took over leading the country used combination of terror, nationalism and isolation to retain power until the communist regime in Europe had fallen in 1990.

After 1990, Albania has been on track of progress in economy. Living in a society that is trying to build up a safer future; having institutions that tend to establish outstanding models is a big success for construction industry and for the economy of Albania.

The construction industry in Albania has recorded during these transitional years a significant growth which becomes a strong support for the future challenges. This paper aims at studying the definition of business environment of construction industry, the classification of business environment, various types of factors that influence business environment, non-economic environment and its impact on business decisions for the construction industry. With a questionnaire thoughts of the people in the industry are collected about business environment factors of construction industry of Albania.

The organization of this study is as follows. The following chapter provides brief description of the business environment of construction industry including internal environment and external environment. Next chapter provides a survey of business environment of construction industry in Albania including research design, data collection, frequencies analyses and research findings. Last chapter concludes overall findings of research.

1. The Business Environment

Business is in any organization which makes distributions or provides any article or service to the customers, who are belonging to members of the society. Business may be satisfied customers needs for these purpose customers are able and willing to pay for it. Business may be defined as “the organized effort by individuals to produce goods and services to sell these goods and services in a market place and to reap some reward for this effort” (Hiriyappa, 2009).

Business definition consisting of three dimensions; business, customer needs served and technologies employed. A business can be defined in terms of its scope and differentiation on the mentioned dimensions, following either a focused, differentiated or undifferentiated strategy on each. The above dimensions thus seem to represent an appropriate framework for defining strategic groups in specific industries. The definition of an industry is not necessarily the same as the definition of where individual firms want to compete within its general confines (Frazier & Howell, 1983).

According to Haney. L, “*business may be defined as human activity directed towards producing or acquiring wealth through buying or selling goods*” (Goyal and Goyal, 2010).

The business is the competitive arena within which a firm operates. This arena is determined at first by the borders of the industry itself. The industry is defined as a group of firms making or selling a similar product (Houthoofd, 2009).

The business environment of any industry consists of systems and structures which determine the atmosphere under which all the business of that industry is operated. They affect directly or indirectly all practitioners of the industry without being able to influence it (Aniekwu, 1995).

The organization in other word is a resource conversion machine that takes inputs from the external environment and makes them available to customers as outputs. The organization must continuously monitor and adapt to the environment if it is to survive and prosper. The successful organization will identify, appraise, and respond to the various opportunities and threats in its environment (Kew & Stredwick, 2005).

Business environment has two components; internal environment and external environment. Micro and macro environments are two components of the external environment in the business environment. Micro environment constitute of the forces which are close to the company and affect its ability to work. Macro forces means general environment of the business. Macro forces are uncontrollable in comparison to the micro forces of the business environment (Jain et. al, 2010).

1.1 Internal Environment

Internal environment includes internal factors of the business which can be controlled by business. It refers to the environment within the organization. It includes objectives of business, managerial policies, management and employees of the organization, labor management relationship; brand image and corporate images, physical resources including infrastructure available with the business, working conditions of the organization, moral and commitment of human resources, facilities and technological infrastructure (Jain et. al, 2010).

The internal environment components usually can be controlled by the business. The main key for success of the business is the quality of human resources. If employees of an organization are skillful it can take business to heights, but if workers are not satisfied, then their efficiency will go down and then it may badly effect the organization. Marketing activities, available physical and financial resources are also part of internal environment (Goyal and Goyal, 2010).

1.2 External Environment

The external environment is a set of complex that rapidly changing and significant interacting institutions and forces that affect the organization's ability to serve its customers. External forces are not able to be controlled by an organization but they may be influenced by that organization. The external environment has a major impact on the determination of marketing decisions. Successful organizations scan their external environment so that they can respond profitably to unmet needs and trends in the targeted markets (Reddy, 2004).

The overall environment in which the business operates consists of wider external environment with segments such as: political and legal, economic, demographic, socio-cultural, technological, international and narrower external environment with segments such as: customers, suppliers, competitors and substitutes (Mirze, 2002).

The external environment consists of all the outside institutions and forces that have an actual interest on the organization's ability to achieve its objectives like: competitive, economic, technological, political, legal, demographic, cultural, and ecosystem (Jain et. al, 2010). Construction business in Albanian tries to response to these forces in order to keep positive actions with the targeted markets.

1.2.1 Micro environment

The micro environment consists of external factors to the organization that are part of an organization's marketing process. These factors include the suppliers, marketing intermediaries, competitors, customers and the public (Reddy, 2004).

1.2.2 Macro environment

Macro environment means general environment of the business. Macro environment consists of all the outside institutions and factors that have an actual or potential interest on the organization's or construction industry's ability to achieve their objectives like: economic, technological, political, legal, demographic, cultural (Jain et. al, 2010).

According to Philip Kotler; *“Macro environment includes factors that create opportunities and pose threat to the business units. It includes economic, demographic, natural, technological, political and cultural environments”* (Jain et. al, 2010).

2. Business Environment of Construction Industry in Albania

2.1 Research Design

This study explores business environment of construction industry in Albania. The aim of the research is to collect information about the effects of political, economical and social-cultural factors on business industry of Albania.

2.2 Data Collection

Data collection is an important aspect of any type of research study. Incorrect data collection can impact the results of a study and ultimately lead to invalid results.

In this study self completion questionnaire method was used as data collection tool. 140 questionnaires were distributed to the people randomly selected. 130 questionnaires were responded. The questionnaires were distributed to these cities: Tirane, Durres, Rreshen and Kukes. In order to increase the quality of the understanding of the statements researcher was present during the despondence of the questionnaire. Questionnaires were prepared and used in two languages; Albanian and English.

2.3 Frequencies analysis and Research Findings

We are interested to find out personal opinions and their personal problems with the working conditions construction industry. The descriptive statistics gives us a figure of their mean variables and shows the ability of the random selection which gives the level analysis to be real.

In this questionnaire we have interviewed 130 people where 70.8% of the respondents are Albanian and 29.2% are non-Albanian and 90% of respondents are male and remained 10% are female. From 130 people that are contacted 6.2% had graduate status, 84.6% had undergraduate status and 9.2% had high school status.

Question 1: The requirements for starting a construction business in Albania are simple

	Frequency	Valid Percent
Strongly disagree	0	0
Disagree	3	2.3
Neither agree nor disagree	82	63.1
Agree	44	33.8
Strongly agree	1	.8
Total	130	100.0

From 130 people that are questioned if the requirements for starting a constructions business in Albania are simple, 0.8 % of the questioned people are strongly agree that the requirements for starting a constructions business in Albania are simple, 33.8% of the questioned people are agree that the requirements for starting a constructions business in Albania are simple, 63.1% of the questioned people are neither agree nor disagree that the requirements for starting a constructions business in Albania are simple and 2.3% of the questioned people are disagree that the requirements for starting a constructions business in Albania are simple. With regard to this statement, most of these respondents did not express their opinions as positively or negatively.

Question 2: Business climate for operating in construction industry in Albania is better than the other Balkan countries

	Frequency	Valid Percent
Strongly disagree	1	.8
Disagree	2	1.5
Neither agree nor disagree	42	32.3
Agree	85	65.4
Strongly Agree	0	0
Total	130	100.0

Business climate to operate a construction industry in Albania is different with other Balkan countries. From 130 people that are questioned if the business climate to operate a construction industry in Albania is better than other Balkan countries, 65.4% of the questioned people are agree that the business climate to operate a construction industry in Albania is better than other Balkan countries. 32.3% of the questioned people are neither agree nor disagree that the business climate to operate a construction industry in Albania is better than other Balkan countries, 1.5% of the questioned people are disagree that the business climate to operate a construction industry in Albania is better than other Balkan countries and 0.8% of the questioned people are strongly disagree that the business climate to operate a construction industry in Albania is better than other Balkan countries.

Question 3: Do you think the duration of delivering imported materials and equipment for construction industries in Albania create

	Frequency	Valid Percent
Too much delay	0	0
Delay	5	3.8
Normal	23	17.7
Valid Not delay	88	67.7
Are always on time	14	10.8
Total	130	100.0

The duration for delivering imported materials and equipments is an important factor for the construction industry. In some cases productivity of the construction industries is related with duration for delivering of these materials. From 130 people that are questioned regarding the duration of delivering imported materials and equipment for construction industries in Albania. 10.8% of the questioned people are answered that the duration of delivering imported materials and equipment for construction industries in Albania are always on time, 67.6% are answered that the duration of delivering imported materials and equipment for construction industries in Albania do not create delays, 17.7% of the questioned people are answered that the duration of delivering imported materials and equipment for construction industries in Albania is normal and 3.8% of the questioned people are answered that the duration of delivering imported materials and equipment for construction industries in Albania create delays.

Question 4: Political environment affect the operation of the construction industry in Albania in

	Frequency	Valid Percent
Very bad	0	0
Bad way	13	10.0
Neutral	83	63.8
Valid Positive way	31	23.8
Very positively	3	2.3
Total	130	100.0

One of the factors that affect the construction industries in all over the world is political environment. From 130 people that are questioned regarding the affect of political environment for the operation of the construction industry in Albania 2.3% of the questioned people think that political environment affect the operation of the construction industry in Albania in very positively way, 23.8% think that political environment affect the operation of the construction industry in Albania in positive way, 63.8% of the questioned people are neutral and 10.0% think that political environment affect the operation of the construction industry in Albania in bad way.

Question 5: The impact of economic environment related to construction industry activities in Albania, you think, it is

	Frequency	Valid Percent
Not god	0	0
Acceptable	4	3.1
Good	30	23.1
Valid Very good	89	68.5
Perfect	7	5.4
Total	130	100.0

Construction industries are related with the impact of the economic environment. From 130 people that are questioned regarding the impact of economic environment related to construction industry activities in Albania, 5.4% of the questioned people think that this impact of economic environment related to construction industry activities in Albania is perfect, 68.5% of the questioned people think that this impact of economic environment related to construction industry activities in Albania is very good, 23.1% of the questioned people think that this impact of economic environment related to construction industry activities in Albania is good and 3.1% of the questioned people think that this impact of economic environment related to construction industry activities in Albania is acceptable. Most of the respondents find existing economic conditions and situation of Albanian is positive and its influence on the sector is good.

Question 6: Business is an integral part of the society and both influence each other. Social factors are the most difficult and its' variables cannot be measured or predicted. Social-cultural environmental factors in Albania effect the site operations of the construction industry positively

	Frequency	Valid Percent
Strongly disagree	0	0
Disagree	5	3.8
Neither agree nor disagree	50	38.5
Valid Agree	74	56.9
Strongly agree	1	.8
Total	130	100.0

The operation site of the construction industry is affected by social-cultural environmental factors. From 130 people that are questioned regarding how do effect social-cultural environmental factors in Albania the site operations of construction industry, 56.9% are agree that social-cultural environmental factors in Albania effect the site operations of the construction industry positively, 38.5% are neither agree nor disagree that social-cultural environmental factors in Albania effect the site operations of the construction industry positively, 3.8% are disagree that social-cultural environmental factors in Albania effect the site operations of the construction industry positively and 0.8% are strongly disagree that social-cultural environmental factors in Albania effect the site operations of the construction industry positively.

Question 7: Qualification is a major factor that influences the demand for products. Is sufficient qualification of Albanian workforce to operate in construction industry

	Frequency	Valid Percent
Strongly disagree	0	0
Disagree	0	0
Neither agree nor disagree	30	23.1
Valid Agree	88	67.7
Strongly agree	12	9.2
Total	130	100.0

Qualification of the workforce is an important factor in operation of the construction industry. If the workforce will be well qualified the construction industry will be good organized and therefore the business will have opportunities to achieve good results. From 130 people that are questioned regarding the sufficient qualification of Albanian workforce to operate in construction industry, 67.7% are agree with the sufficient qualification of Albanian workforce to operate in construction industry, 23.1% are neither agree nor disagree with the sufficient qualification of Albanian workforce to operate in construction industry and 9.2% of the questioned people are strongly agree with sufficient qualification of Albanian workforce to operate in construction industry.

Question 8: Construction industry in Albania are supported by sufficient technology to operate properly

	Frequency	Valid Percent
Strongly disagree	0	0
Disagree	0	0
Neither agree nor disagree	51	39.2
Valid Agree	71	54.6
Strongly agree	8	6.2
Total	130	100.0

Technology is an important key for all the businesses. New technologies are good support for the construction companies and help the businesses to operate properly. From 130 people that are questioned regarding the support that sufficient technology gives to construction industry in Albania to operate properly, 54.6% of questioned people are agree that construction industry in Albania are supported by sufficient technology to operate properly, 39.2% of the questioned people are neither agree nor disagree that construction industries in Albania are supported by sufficient technology to operate properly and 6.2% of the questioned people are strongly agree that construction industries in Albania are supported by sufficient technology to operate properly.

Question 9: Do political factors effect operation of construction companies in Albania

	Frequency	Valid Percent
Strongly disagree	1	.8
Disagree	28	21.5
Neither agree nor disagree	84	64.6
Agree	16	12.3
Strongly agree	1	.8
Total	130	100.0

The operation of construction companies are affected by political factors. From 130 people that are questioned if political factors effect operation of construction companies in Albania, 0.8% of the questioned people are strongly agree that political factors effect operation of construction companies in Albania, 12.3% of the questioned people are agree that political factors effect operation of construction companies in Albania, 64.6% of the questioned people are neither agree nor disagree that political factors effect operation of construction companies in Albania, 21.5% of the questioned people are disagree that political factors effect operation of construction companies in Albania and 0.8% of the questioned people are strongly disagree that political factors effect operation of construction companies in Albania.

Question 10: The relation between construction industry and costumers in Albania, you think, it is

	Frequency	Valid Percent
Not god	0	0
Acceptable	0	0
Good	22	16.9
Very good	81	62.3
Perfect	27	20.8
Total	130	100.0

Costumers have an important impact in all businesses. The success of the business depends in identifying preferences and tastes of the customers. From 130 people that are questioned regarding the relation between construction industry and costumers in Albania 20.8% of the questioned people are answered that the relation between construction industry and costumers in Albania is perfect, 62.3% of the questioned people are answered that the relation between construction industry and costumers in Albania is very good and 16.9% of the questioned people are answered that the relation between construction industry and costumers in Albania is good.

Question 11: What do you think about construction industry of Albania in next five years

	Frequency	Valid Percent
Not god	0	0
Acceptable	0	0
Valid Good	14	10.8
very good	71	54.6
perfect	45	34.6
Total	130	100.0

During the last decade the construction industry in Albania has achieved good development. 130 people are questioned regarding the Albanian construction industry in the coming next five years. 34.6% of the questioned people have mentioned that construction industry of Albania in the next five years will be perfect, 54.6% of the questioned people have mentioned that construction industry of Albania in the next five years will be very good and 10.8% of the questioned people have mentioned that construction industry of Albania in the next five years will be good. All of the participants are optimistic on the next five years for Albanian construction industry.

Reliability of the Questionnaire: Cronbach's alpha

Cronbach's alpha is a measure of internal consistency that shows how closely related a set of items are as a group. A "high" value of alpha is often used as evidence that the items measure an underlying construct. Technically Cronbach's alpha is a coefficient of reliability (or consistency) but not a statistical test.

In our study case Cronbach's alpha is 0.73. This means that it provides us information about internal reliability of scales and is acceptable.

CONCLUSIONS

The business environment is a system and structure which determine the atmosphere where all the businesses of the industry are operated. Internal and external environment are two components of the business environment. Internal environment includes internal factors of the business that can be controlled by the business. External environment consists of all outside forces that have an actual interest on the business's ability to achieve its objectives. External forces are not able to be controlled by the organization but they may be influenced by that organization. Micro and macro environment are two types of the external environment.

To have a better understanding of the construction industry in Albania we applied a questionnaire and got the overall opinion from the practitioner of the industry. The questionnaire is an imported tool for the research process. By answering the questionnaire the opinion of practitioners greatly assisted in analysing the business environment of construction industry in Albania. The information received opinion was beneficial for the study and helped a lot in analysing process.

As an overall result of questionnaires demonstrates that respondents in Albanian construction industry are satisfied with current business environment and they have optimistic thoughts for the future of construction industry in Albania.

REFERENCES

- [8] Hiriyappa B. (2009), Strategic Management for Chartered Accountants, Business Environment: Published by *New Age International*, 3-15
- [9] Frazier. L. Gary & Howell D Roy. (1983). Business Definition and Performance, *Journal of Marketing* Vol. 47: 53-67
- [10] Goyal Alok and Goyal Mridula. (2010). Business Environment, Theoretical Framework of Business Environment, Published by *V.K (INDIA) Enterprises*, New Delhi: 19-24
- [11] Houthoofd Noël. (2009), "Construction Management and Economics" HU Brussel Economics and Management, Published by *Taylor & Francis Group*, in Brussels, Belgium: 639-652
- [12] Aniekwu. A. (1995). "The Business Environment of the Construction Industry in Nigeria", *Construction Management and Economics*: 445-455

[6] Kew J, Stredwick J.; (2005). *Business Environment, Managing in a Strategic context*, Published by *Chartered Institute of Personnel and Development, CIPD House*, London: 1-5

[7] Jain. R.T, Trehan Mukesh and Trehan Ranju (2009). *Business Environment, Meaning of Business*, Published by *Rahul Jain, V.K (INDIA) Enterprises*, New Delhi: 3-28

[8] Reddy Jayaprakash. R. (2004). *Business Environment*, Published in India by *S.B Nangia, A P H Publishing Corporation*, New Delhi: 1-6

[9] Mirze, S.K, (October 2002), *Introduction to Business*, Published by *Literatur Yayincilik*, Istanbul, Turkey.