

NATIONAL STRATEGY DEVELOPMENT AND MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES FOR SOUTH-WEST REGION IN MACEDONIA

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ABSTRACT

The strategy of the economic development is closely tied with the business development, because it constitutes one of the strongest segments for one state, which as an objective has the creation of a positive-encouraging climate for the implementation of the investment politics and the export through the production which is focused in the human resources, in way that the managers to increase the competition and the survival of their enterprises and the investments with high technology - novelties that change the organizational culture, enabling a life quality for the community or our society. This experience is needed for a successful management strategy. These reforms are closely related to the market liberalization, the macroeconomics stability and the functioning of a market economy where the purpose is the economic efficiency and the competitive ability to be involved in the European Union. The EU does efforts such as in the moderated world, for a positive move for the Western Balkan countries that are less developed through the stabilization and association process (PSA) related to SMEs launched in 1999.

In this paper on this international conference we aim to present business data for the last six years, and also the business results of the company from the private sector in **South-West Planning Region**, Republic of Macedonia.

KEYWORDS: EU, SMES, South-West Planning Region, Private Sector, Production, Strategy

INTRODUCTION

The challenges that the small and medium economic entities face (a challenge of the globalization in the Republic of Macedonia) are definitely imperative for placing of the strategic goals and keeping the competitive advantage, which means being superior or different from others competitors in the market.

One of the main issues in our economic strategy in the Republic of Macedonia, in order to be successful and more competitive in European markets and wider is the determination for an open market economy, rapid economic development, improvement in business and investment climate, cheaper products which are more qualitative and popular that assure solving of actual problems and it is worth mentioning that we are in the “slow recovery” stage, but we are heading to the “stable growth”. (Source: World Bank.)

Getting started of the fact that economic efficiency and regional competition are occurrence of sophisticated actions and regional development, The Ministry of Economy through the existing program (program for the development of entrepreneurship, competition and innovation of small and medium enterprises; program for the development of clusters,

industrial policies, international cooperation, promoting foreign and domestic investments) works actively to create a better working climate and to encourage the competition between enterprises which helps in the economic development (www.economy.gov.mk). This policy in accordance with the industrial policy of EU (European Union) follows recommendations of the “Lisbon’s strategy” for the creation of “based on knowledge” economy. Contemporary trends, as a result of the development of economic entities, place the individual capital in the centre of financial means in order to increase the competitive ability of small and medium entities and this is getting an important factor of entrepreneurship as a specific assurance of their future business, restricted with an assigned number of products or services (Horvat, 2003).

THE STUDY TARGET – NATIONAL STRATEGY OF SMALL AND MEDIUM BUSINESS ENTITIES DEVELOPMENT

Goals: The growth of participation in the euro-regional market, keeping the leading role in the domestic market, we aim to be the first choice for the clients because of our competitive priorities, mostly because of the quality products and services and because of our deadline observances.

Vision: It is a company that stands out with an economic and stable development, with a special contribution in the overall social progress of Macedonia, based on economic and social development of the region, competitor in national and international framework.

Strategy: Implementation of the program for regional development for the period 2010 – 2015, supported by the program for regional development 2009 – 2019 as:

- Planning region, competitor in national and international framework, which will be characterized with a rapid, dynamic and stable development.
- Social, economic and spatial cohesion between urban and rural municipalities within the region, with its optimal and special use.

A researcher of this field, J.Morone, adds: The business strategy is in general an important factor in the determination of company’s abilities in order to compete in an effective manner (Joseph G.Morone, 1990).

The regional development of the planning region in south-west of Macedonia is based on the function of the institutes in national and local level. The vision of development demands a permanent and stable policy from every relevant subject, so that the differences between urban and rural centers can be solved. Equal development demands a full commitment of the competent persons in order to complete the strategic goals, priorities and preventive measures, foreseen in this program, which should be realized during the assigned medium term period. Activation of the strategic plan and implementation of the strategy increases the state in all business stages of the company.

Priority of the strategy for regional development (ING - LULI enterprise in Struga, and other enterprises operating in Macedonia) is to have typical products for the region, connected with the geographic descent, whose role is:

- Enhancing the role of all relevant factors that are included in the planning and realization of the regional development
- Promoting the region’s potential for investments

- Promoting the public-private partnerships for investments
- Educating of the entrepreneurs through development of the small and medium companies (NVM).
- Initiative for typical products for the region (www.rdc.mk/southwesternregion).

The South-west planning region is one of the eight statistical regions within the Republic of Macedonia. In the frame of this region are the following 9 municipalities: **Vevcani, Debar, Debrca, Ohrid, Kicevo, Makedonski Brod, Plasnica, Struga and Centar Zupa.**

On the territory of 3.340 km², in 286 inhabited places, live in total 222.064 inhabitants, out of them 50,15 % being male. The estimation for 2008 is that the number of inhabitants in the Republic of Macedonia was 2.048.619, and therefore on the territory of the South-west region live 10,83 % of the total population in the state. However, the population density in the frame of the South-west region is characterized with great differentiation among the municipalities and the inhabited places. In three municipalities within the region - Struga, Ohrid and Kicevo live 79,19 % of the total population in the region. Average population density in the state is 81,3 inhabitants, whereas in the South-west region is 66,4 inhabitants per km².

The total number of registered business entities in the South-west region is 11.696 out of which only 6.484 are active. The GDP per capita in the region is 1.807 € The GAV on the level of the region is 21,033 million MKD and is below the country's average. The largest part in the GAV generation in the South-west region have the industry and the electricity production and distribution, the retail, hotels, restaurants and the traffic, the financial sector, agriculture and fishery and other service activities. The participation of the South-west region in the GAV generation on the state level is 6,9 % whereas the Skopje region participates with 48,5% (southwestregion.mk).

Following the goal of this research, we could determinate the problems in this asking form

- Which are the quotes in economic developments, economic indicators in national development, competitive and stable planning region?
- What path should Macedonia follow in order to have a stable economic development?

RAISED HYPOTHESIS AND WORKING METHODOLOGY

- The NVM are main components in the economic development of the country, social cohesion, in the increased investments in human capital
- With the implementation of the modern technology, the productivity and the competition are increased
- The support for the NVM with investments helps for a stable economic development and for the integration of the country in EU and NATO. The integration in EU has a big importance for Macedonia, for the EU itself and for the Balkan countries.
- The position as a planning region is a special position in Macedonia to invest

The working methodology is supported in an empiric development, we had a direct contact with the representatives of ING – LULI Struga, so that we could be as much objective as we could in the conclusion of this

research. We have used large amounts of foreign and domestic literatures, internet sources, data from the republican statistical centre, data from local governance, data from southwestern regional planning agency and data from Economic Chamber of Macedonia. Determination of strategic purposes is realized through analysis of the statistical data and knowledge acquired during the working meetings with the representatives of the local government and with representatives of the private and nongovernmental sector of the region. This is done in order to incite the regional development of the southwestern planning region in Macedonia.

ECONOMIC EMPIRICAL EVIDENCES FOR ING – LULI ENTERPRISE IN STRUGA, MACEDONIA

In addition we will present the priorities and the activity of ING – LULI, Struga, Macedonia. In the financial, establishment and managing aspect exist businesses of the private and public sector. The differences in-between are that the private sector is established and managed as a result of a personal initiative, whose axis is the private ownership. Privatization is part of state reforms and aims the attraction of strategic investments. The advantage of small companies is important in the market economy framework, because they offer big employment opportunities. They are important for the economic development, because they are the main carrier and the pushing force of the economic activity. In order to be successful, private businesses must follow a managerial strategy, which should focus in the systems of information and they should balance taking of the long-term risk with the short-term commitments in order to reach an improvement in the activity of the enterprise and all the other opportunities that do not have to do with the technology should be ignored (V.Kume, 2004).

In this research as a case study we have taken the enterprise with a private structure of ownership, ING – LULI in Struga, Macedonia, established in 12.07.1994. Activity of the enterprise nowadays: Disposes modern equipments for the construction sealants (Tile adhesive) production and decorative plaster, with a high quality of the products, that results in the domestic market and in the foreign market also. The prices this enterprise offers are at the same level as the prices offered by the competitors in the market. ING – LULI has started its activity as a retail and wholesale enterprise for building materials supplied from inside the country or from outside of the country. In 1998, the company started to build a plan for the **production of high and low quality construction sealants.**

The company appeared in the domestic market with these products in July of 1999, with a capacity of 10 tons per day shift. Through the good management of sales and the high quality according to European norms, the company experienced a high development that affected in the economy growth and consequently softened the country's economy. Since 2000, the business environment of distribution of goods inside and outside the country showed continual growth in production and it also showed growth in general revenues of the company. According to economical empiric evidence, the company had shown rising trends in the development of the product called PEVALIT (Tile adhesives, decorative plasters, silicon sealants, etc. as shown in the figure 1).

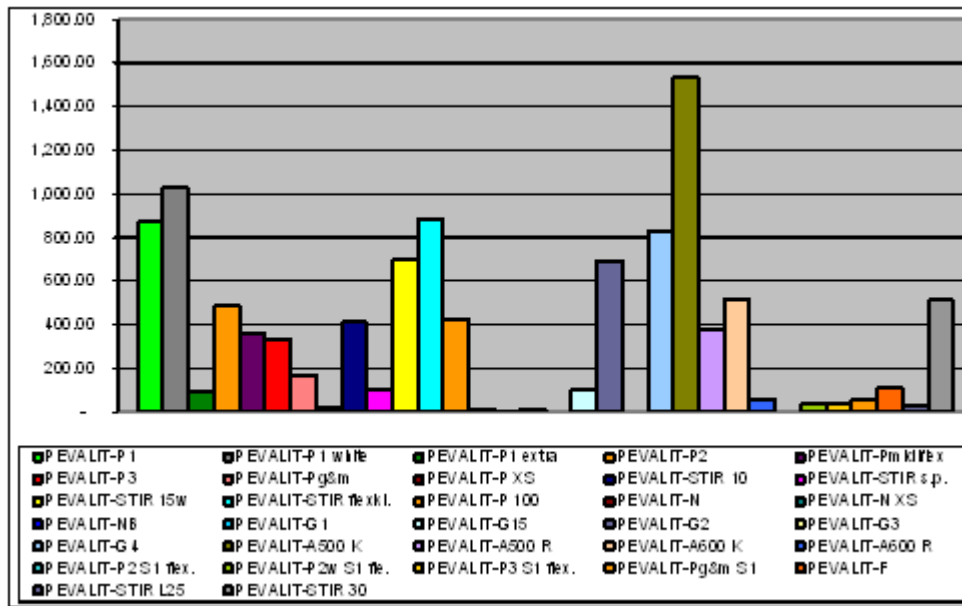


Figure 1: Business Results in Period 2012

BUSINESS RESULTS – DYNAMIC ANALYSIS

Based on the economic data, it is understandable that the dynamic of production has forwarded the sales-growth dynamic in tons during 2008-2013. Mostly is exported in the countries that are members of EU, the most preferred are Germany and Austria and Western Balkan countries, shown in the graphics 1.

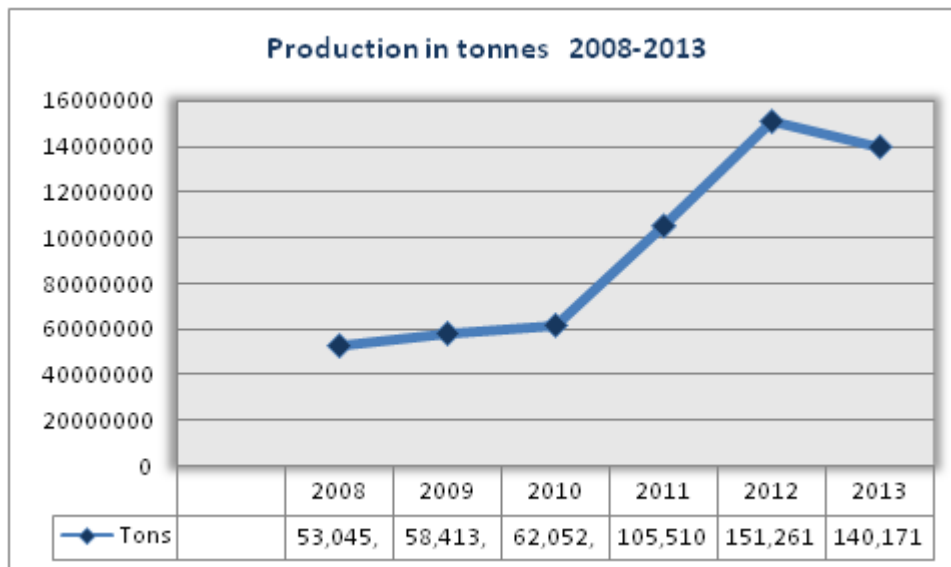


Figure 2

According to the microeconomic policies, two main targets have to be realized: Improvement of the real annual rate growth of the GDP, through improvement of the use of resources and growth of the domestic economic capacities, as well as through the implementation of equal taxes. These actions is expected to improve the competition, to raise the export, to raise the number of employees through the investment climate, actions that will support business initiatives and

will make it easier to pass from formal economy to non-formal economy. Which are the priorities?

- Employment and keeping at work as many employees as possible, to increase the labor force supply and modernization of the social protection system
- Easier adoption of employees and enterprises
- Investment growth in human capital through better education and expertise
- Increasing the participation in the euro-regional market, keeping the leading role in the domestic market, being the client's first choice because of our competitive priorities, mostly of our qualitative products and services and respecting the deadlines.

Knowing Macedonia's goal for the EU membership, during determination of strategic purposes and priorities of the program for development of southwestern planning region, the purposes of cohesive policy of EU and strategic purposes of Lisbon are considered. Strategy of Lisbon aims EU to be the most competitive and dynamic economy in the world, which will be based on knowledge and will have capacities for stable development, providing more jobs and a better social cohesion that has to do with bigger investments in innovation and development. This statistical data result with a connection that has to do with the raised hypothesis in the beginning of the research over the strategy of production with a advanced technology that has had a visible impact in the replacement of old PEVALIT products with new ones. The slogan of the company is: *cooperation, safety, quality and economizer*. In order to see how the company can compete better, the company's certain definition is the vision to compete in the market, which aims development of the new products for existing markets, development of products with different kind of qualities, development with bigger sizes in order to extend the life cycle of the product or to attract new consumers with new products in the mega economic and microeconomic area.

CONCLUSIONS

The challenges that small business entities have to deal with are imperative for setting of the strategic goals and keeping the competitive advantage, this means being superior or different in the market. The strategy of Macedonia according to long-term plans through the programs for entity development, competition and innovation of small and medium entities, industrial policies, international cooperation, boosts the competition and helps in the development of business entities. Environment is crucial in the success and existence of business entities, therefore they have to move heaven on earth to know the internal and external factors, which affect on their work. Famous credit agencies "Standard" and "Purse" confirmed the credit rating of Macedonia on the basis of the high economic growth and the growth that is expected to happen. "This is an indicator and an evidence for investors, because investment banks and investors in the real sector follow all these ratings and movements and for them this is a proof that the country is going on the right direction". Macedonia continues to stay between countries with the best results in a global level in the field of business reforms, showed in the newest report of World Bank "Doing business 2015". The aim of small business entities is to focus in the managerial development strategy. This means that business entities are prepared for innovation – pushing power of national and global competition in the market economy, in order to maximize the competitive advantages through pricing and functional strategies and to minimize the competitive weaknesses. Enterprise ING – LULI, Struga, Macedonia, keeps a leading role in the domestic and foreign market, because of their qualitative products with competitive prices and good

services for the consumers. Opportunities for growth and development in this business entity are in medium-terms and short-terms, because privatization is part of country's reforms and also is used as measuring unit for foreign investments attraction.

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