

HOW THE ALBANIAN EXTERNAL ENVIRONMENT AFFECT THE CONSTRUCTION INDUSTRY

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ABSTRACT. *Studies have proven that organizations in order to be vital, economically valuable and profitable in the market have to adapt to the external environment. The success and the failure of many companies depend on the factors which affect their activities. Without taking into account the impact of environmental factors, it is not possible to formulate a good strategy or to conduct profitable business. This environment refers to the factors that are outside the influence and control of the organization. It should be an important part of the decision making process and developing process of competitive strategies. The intensive changes of business conditions are an important fact that the organization does not operate in a vacuum. It operates as an open system, located in a certain field and connected directly with the influence of factors that compose this environment. This paper serves to provide a picture of the external environment as a tool of refining and focusing for the industry in which each company operates.*

Key words: construction industry, external environment, PEST analysis.

Jel code: E60, L74, O11.

Introduction

Regardless the industry the company operates, despite the fact of offering products or services, whether it is profit or non-profit organization, a corporate or SME, if we consider the same time of period, the external environment affects all of these businesses in the same way or trend (positively or negatively), but the extent or the impact degree varies and is specific to each industry. Naturally, the organizational processes, the systems and strategies should be based and adapt with the external environment. This is because; organizational choices depend on the changes degree of the factors that characterize the external environment (Child, 1972). Following this, performance will be likely increase when the changes and company's strategic choices are consistent with the dynamic faces in the external environment (Zajac et al., 2000). The dependence on external environment is not a problem in itself, as long as the environment surrounding the company appears static and simple during the analysis of the factors that constitute it. The problem arises when the uncertainty and dynamics increase. Environmental uncertainty can be defined as the extent beyond that the future state of the environment cannot be predicted (Preffer and Salancik, 1978). The high degree of unpredictability of external environment factors requires an ongoing analysis by the company which can be achieved through detailed analysis of the macro-environment approaching more and more of its operating environment. According to Duncan (1972), the business environment can be defined as a set of physical and social factors emerged in the external environment of the company and should be taken into account during individuals' decision-making behavior in organization (Duncan, 1972). While, as stated by Ward & Rivani (2005), PEST analysis involves the specific circumstances of the outside organization environment that influence business

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capacity to produce value. The only course of action by the companies is their recognition, collection of information and timely response in order to turn them into future opportunities. PEST analysis has been and remains used for many reasons: first, it helps to analyze the position of an organization or industry in mega-environment that surrounds (McManus et al., 2007), second, to analyze the validity of the decisions management if they meet the expediency and acceptability requirement from the external environmental factors of business (Neblett, 2007). In fact, as William Dill (1962) early observed: one of the major problems we face during the effective use of external environmental analysis is probably that we cannot reach to fully understand the concept of "environment". Dill argues: "The environment is not a mysterious concept. It means everything that surrounds the organization; climate in which the organization operates. This concept appears defiant if we try to move from his simple description to its features analysis."

Although, the early definitions of external environment, we can say that what has changed so far is the way by which we manage to answer the question: "What areas of external environment need to analyze? Scanning the external environment where the company operates means to seek, collect and use information about events, trends, relationships between variables and learning process which assist managers during the planning of the future through action (Voros, 2001). Finally, the companies analyze the environment in order to find and understand the external forces from which they are affected and to respond with appropriate actions ensuring a competitive position (Nistorescu and Barbu 2006).

This paper serves to provide a picture of the external environment as a tool of refining and focusing for the industry in which each company operates. The main purpose of this paper is to examine the impact of the external environment on the businesses entities. The paper aims to: a) indicate the importance of analyzing the macro-environment, b) present the concept of PEST analysis as one of the key instruments for monitoring the trends in the external environment; c) analyze the actual trends of the Albania environment and construction industry. Definitions and an overview of the authors' opinions on the external environment are one of the objectives of the paper which will help us for future comparisons with the Albanian construction industry.

The paper is structured in three parts:

- A literature review of the external environment of the organization.
- PEST analysis of Albania
- PEST Analysis of Construction Industry

According the purpose of this work there are following the description methods.

The external environment through PEST analysis. A literature review.

PEST analysis is considered as a framework within can be analyzed the impact of macro-environmental factors. In different management literature, it can be found under the acronym STEP (Clulow, 2005), SEPT (Narayanan and Fahey, 1994), or STEEP (Voros, 2001). PEST analysis goal is to develop and explain the impact of any external environmental factor in longevity, profitability and overall performance of a company. The PEST acronym is the shortening of legal and political environment, economic, social-cultural and technological terms. Finally, in this analysis has been added the ecological environment factors and international one.

P-political environment. Political arena has a huge influence on the way it regulates business activity, purchasing power of consumers and other businesses. In every initiative to analyze the factors of political environment, the two questions which need answer are:

- ✓ What are the government policies and their impact on the economy and business performance?
- ✓ How sustainable political environment is presented?

Political factors determine the legal and regulatory framework within the firms operates. These include government regulations such as employment laws, environmental regulations, tax policy, trade restrictions and political stability.

E- Economic environment. Economic factors have to do with the nature and direction of the economy in which the company operates (Fahey and Narayanan, 1986). As stated by Ward and Rivani (2005) economic factors include economic growth, interest rates and monetary policy, government spending, employment promotion policies, taxation, foreign exchange rates, interest rates, business cycles. The economy has a significant impact on the company's strategy because it affects the capital cost, the purchasing power of the organization as well as the purchasing power of consumers of goods and services. Also, the level of economic development has a direct impact on the factors which compose this environment (Kume, 2010).

S-Social environment. Social factors include beliefs, values, attitudes, opinions and lifestyles of individuals as part of the external environment of the company (Wheelen & Hunger, 1990). Social forces are dynamic and in a continuously process of change as a result of the individuals' efforts to fulfill the desires and needs controlling and adjusting external environmental factors (Kume, 2010). Porter notes that the demand for products is influenced by changes in lifestyle, tastes, philosophy and social conditions that any society experiences in different periods of time (Porter, 1980). Also, Epstein and Roy (2001) argue that companies need to identify the social environmental factors that affect specific industries and their location.

T-Technological environment. According Ward and Rivani (2005), technological factors include government spending on research and development, the focus on technological development in industry, innovation, degree of technology transfer, life cycle and the speed with which the technology changes, etc. One of the ways to ensure a stable performance is the investment in new technologies, redesigning products and processes or through the research and development expenses and development costs (Epstein & Roy, 2001). Also, Shrivastava (1995) argues that companies need to update their technologies concluding new and improved standards of technological environmental factors. From this point of view, technological environment helps companies to achieve social as well as economic goals. Another factor that affects companies in the technological environment is "technological uncertainty". Dasgupta & Stiglitz (1980) argue that in an uncertain environment, the companies' budgeting for research and developing is increasingly higher. Thus, companies decide if they want to offer standard products or to differentiate their products from competitors. If their orientation is toward products whose characteristics are matched, the used standards can be distinguished easily (Besen and Farrell, 1994). However, the choice to produce products that use the same standards and technology does not eliminate the competition. Rather, this way of acting channels the competition between companies in other dimensions such as the price, after-sales service etc.

PEST analysis of Albania

Political factors. Throughout the early 1990s, Albania was wracked by political instability and strikes because the wind of change in Eastern Europe overtook Albania and brought the end of isolation period. Following the political changes of 1990-1991, there were a series of economic and political changes in Albania whose sole purpose was to transition from a centralized economy to an open market economy. During this period were observed critical social problems such as poverty, unemployment, the insecurity of individual, high prices and low wages. In such a situation was the Albanian economy at the first years of the transition period. Before 1990, more than 55 percent of the population lived in rural areas. After this date, there was considerable internal migration from rural areas to urban ones and from small towns to bigger cities (KPMG, 2012). The followed period was accompanied by large demographic movements. The large-scale movements were seen with

population shifts from the north of Albania to the southern part of the country and from the suburbs to the cities proper. After 2000, the government has strongly invested in infrastructure, which has led the major economic centers (cities) being connected through an improved infrastructure.

Albania has a policy orientation towards the EU. Recently, our country seeks the EU membership, while it is a member of NATO. Currently, Albania benefits from the arrangements for free movement (visa free) within the union. For 50 years, Albania suffered the isolated status of the eastern communist bloc. After this long period of isolation, Albanians began to face stricter visa regimes characterized from complicated and expensive procedures. The strict visa regime brought a negative result such as the illegal immigration. The situation in these years has changed. After the success of NATO admission and EU membership application, another success is the free movement of individuals. On 1 January 2008, Albania has signed from the European Commission the "Visa Facilitation Agreement". This Agreement consisted in facilitating conditions to obtain visas, starting from the shortening procedures, reduction of the documents submitted for application, etc. The decision taken in December 2010 from EU parliament to allow citizens of Albania to enter the Schengen states without visas was a great achievement for our country. It is evident that the EU admission represents a great success deserved and related to: *first*, the implementation of reforms required by European standards and, *secondly*, the Albanians will have concrete benefits, one of which is the visa free movement. The opening of the borders facilitates to a large extent the business environment in the country and is a key factor for the increasing foreign direct investments.

One of the initiatives of the Albanian government to promote investment in the country is the "Albania, 1 euro". The purpose of this initiative is to invite and encourage domestic and foreign businesses to compete with high efficiency projects that enable an improvement of all indicators of the national economy

Economic environment. The improving economic environment in the Balkan countries, which have been living through a period of a transition to a market type economy, can so far be described as sluggish and quite painful (Minassian, 2002). Following the changes and the transition of the first years of '90, there were taken a series of economic reforms. The liberalization of prices, the financial market, the creation of a labor market and the privatization law were some of the radical changes that arose during the transition period. However, during this long period were observed critical social problems such as poverty, unemployment, insecurity at the individual as well as at the community level. These initial conditions that were created made it very difficult to accept phenomena such as high unemployment and social polarization. The large industrialization scale, the absence of the market mechanisms, and the lack of the competition were typical characteristics of the Albanian market before. Nevertheless, following the first chaotic years, the economy of the country began to stabilize and show a trend towards growth (Doka, 2005). According to the IMF (2006), after undertaking many structural reforms, Albania was one of the country with the fastest growing rate regarding others transition economies. Despite its dismal initial conditions, Albania became one of the well performers in terms of macroeconomic performance, with a GDP per capita growth over the period 1992 to 2004 of more than 6 percent per year (Beck & Laeven, 2006). As stated from the background note, Albania, May 2012, the country's economy has improved markedly over the last decade due to the reforms in infrastructure development, tax collection, property law, and business administration which are still progressing (MSU- GlobalEdge, 2012). Despite this notable progress, Albania is still one of the poorest countries in Europe (Beck & Laeven, 2006; Biberaj, 2011; p 387) according to major income indicators, although the GDP per capita figures do not fully capture remittance income from the extensive network of Albanians abroad and income from the informal market, which the IMF estimates at 30%-40% of GDP (Background Notes: Central Europe, February, 2011).

Unemployment rate. Labor market has changed completely during this period. One such market did not exist before. This is because the state was the only buyer of labor and the only regulator of the economy including also the labor market. The unemployment as a macro-economic problem affects the reduction of the living standard and the psychological problems of individuals. The early years of transition were characterized with an immediate growth of the number of the unemployed as a result of the interrupted activity of many economic, agricultural, and industrial companies. The statistics show that the unemployment rate decreased till 2008. Nevertheless, the influence of economic crisis was felt in the labour market increasing the unemployment rate due to the restriction of Albanian economy.

Another negative phenomenon is observed in the labour market. The high level of informal sector, the high level of people internal and external movements, the high rate of hidden unemployment in agriculture sector, and the high number of unemployed that are not registered in the public employment service, constitute some of the factors that makes difficult the real evaluation of the unemployment in the country. Based on the level of unemployment, Albania is ranked fifth in the region after Macedonia (31%), Bosnia and Herzegovina (23%), Serbia (18%) and Greece (15%). Meanwhile, after Albania (13.3%) rank: Montenegro (12%), Turkey (11%) and Croatia (9%) (Open Data Albania 2012).

Import-export. Since 1990, Albania had a trade deficit; the exports represent nearly no more than 25% of its imports. Almost 80% of exports result on behalf of companies working as subcontractors for European companies which are aware of the low cost of labor in the country. More than 90% of Albania's exports go to European countries and 76% of imports come from European countries. The inter-regional trade with the countries of Eastern Europe remains small. The lack of Albanian competition, low production, poor infrastructure, inadequate procedures for border crossing, lack of promotional activities and a weak institutional capacity, are factors increasing the trade deficit. Its primary export trading partners Italy are (55.9% of exports), Greece (11.6%), China (7.2%) Italy (27.6%), Greece (14.8%), Turkey (7.4%), China (6.8%), Germany (5.6%), Switzerland (5%) and Russia (4.2%) (Open Data Albania 2012). Albania's primary imports include machinery and equipment, foodstuffs, textiles and chemicals. It imports from Italy (32.2% of imports), Greece (13.1%), Turkey (7.2%), Germany (6.6%), China (4.5%), and Russia (4.4%) Italy (27.6%), Greece (14.8%), Turkey (7.4%), China (6.8%), Germany (5.6%), Switzerland (5%), Russia (4.2%) (Economy watch, 2012).

The current economic and market environment in Albania is not very favorable and competitive compared to other countries in the region. Surveys of the World Bank, presented the report "Doing Business 2012", (fig. no.1) where conditions were analyzed based on 10 parameters in terms of ease of doing business (starting from the commencement of business, securing permits, hiring, lending to business opportunities through the protection investors, contracts, and the closure of businesses) indicate that the business environment in Albania is ranked at 82nd position among 183 countries.

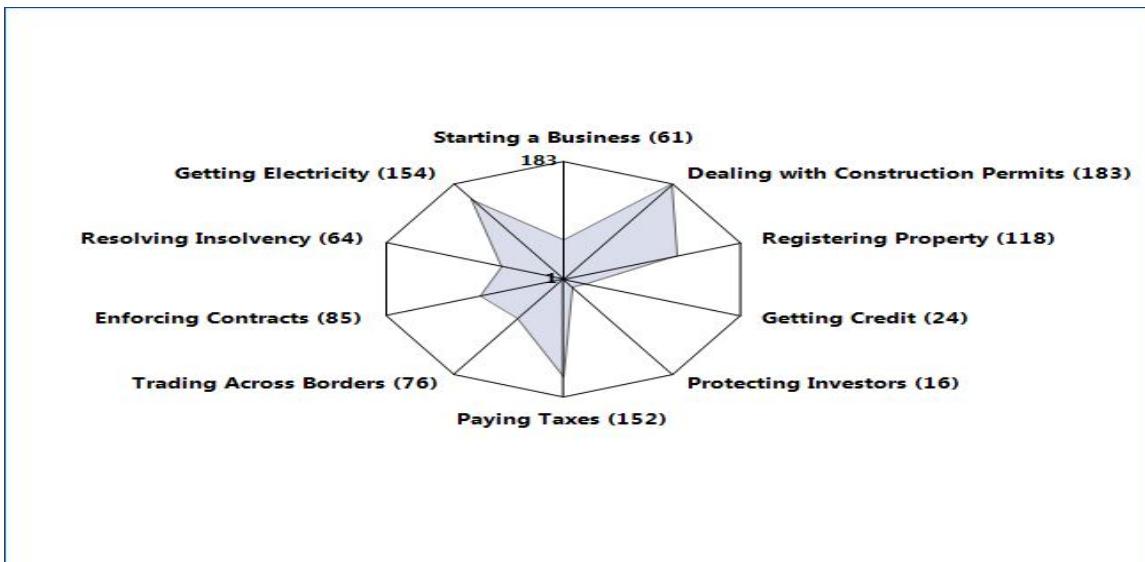


Figure no. 1 - Global Ranking of Albania in terms of business conditions

Source: Doing business in Albania 2012

The existing ranking of Albania in terms of business conditions is caused by many factors, including the following:

- ✓ In obtaining various types of permits for construction, power connections, telephone, approvals from inspections and other agencies necessary to launch the business, companies are faced with 23 procedures, for which fulfillment is needed to spend on average 331 days. In this respect, Albania is lagging behind the average for Central and Eastern Europe and holds the highly unfavorable 183rd place among 183 countries in the world;
- ✓ In terms of registering property Albania recorded progress. Registering property now requires 6 procedures and takes on average 33 days instead of the previous 42 days. Thanks to reforms in 2012, the registration has been reduced, allowing Albania to improve its ranking from 126th to the 118th position;
- ✓ When it comes to getting credit, Albania has a solid position and in terms of this indicator has the highest rank among all the indicators that are analyzed by experts of the World Bank (24th place);
- ✓ In terms of investor protection Albania holds 16th position and in that respect is better ranked than many neighboring countries. However, because of the implementation of further reforms in this area, Albania has improved its rank over the five previous years.
- ✓ Albania is among the countries with a complex system of taxes. Annually it is required to make payments 44 times. For the preparation, calculation and payment of taxes and other obligatory giving, companies even spend 371 hours. No significant changes were registered in this regard over the last years, because it is increased the number of hours spending to pay taxes from 364 to 371 hours and in this respect Albania is at 152nd position.
- ✓ In terms of foreign trade liberalization Albania takes 76th position (the same as year before), but since 2010 (implementation of ASYCUDA World system) no other reforms have been registered in this area.

Cultural environment. If we refer to the period before 1990, more than 55% of the population lived in rural areas. The period that followed was accompanied by a high demographic movement. In this period, a phenomenon observed was internal migration from rural to urban areas,

from small towns to big cities (KPMG, 2012). After 2000, the government has invested heavily in infrastructure, through which it becomes possible to connect major economic centers (cities).

Albania is a country characterized by a collective society. As individuals affected by the social environment, values, beliefs, traditions, attitudes, we can say that business companies need to understand the importance of these social and cultural factors as an important part of society. Recently, there has been a high interest how different social and cultural factors affect economic growth by influencing at the same time the growth of industries and firms (Inglehart & Baker, 2000, p.40). Socio-cultural factors such as beliefs, religion, attitudes and conflicts, demographic and cultural perceptions have been the center of attention and analysis for a better fit between the company and the target market.

For demographers, a widespread phenomenon is the impact that political and economic changes affect the social and demographic behavior of the population (Kupiszewski et al. 1994). We can say that the Albanian society development from the cultural standpoint seems to have been somewhat confusing. Legal, economic and political changes over the years, despite the dynamics of development, have affected the construction of norms and values, appropriate to the new conditions created. Referring to the social and cultural environment, a positive change, which can be perceived as an opportunity is growing society awareness on the consumption of many new services. All these trends in consumer behavior are translated from firms as an increased demand for new services and adaptation to the market needs.

Among other factors in the social and cultural environment is worth to analyze the purchasing power trends and consumption patterns related with disposable income, employment and unemployment indicators. Salary and pension level is among the lowest in the region. Given that Albanian society is characterized by a population with average and below average income, the large part of personal income goes purchasing utility products, limiting the development of new products and services in the domestic market.

Technological environment. The rapid development in the field of technology brought the achievement at the communications media which is one of the largest commodities nowadays. If we have to talk about the perfect information, this would be equivalent to the lower transaction costs as a result of data that the economic agents: individuals, private firms and the government elaborate in their rational behaviour as a consumer or as a seller. Although Albania is new country in the field of technological development, it is noticed a significant improvement at the investment field made for technological environment. This can be evidenced easy if we compare the data of annual reports "Global Information Technology 2009-2010", published by World Economic Forum. Compared with a year ago, Albania was ranked 10 positions higher in comparison with last year. The major developments and the undertaken reforms by the government in the field of information technology, bring our country to gain more positions in ICT rankings World Economic Forum.

Doing business electronically is a form of the contemporary business organization, which means intensive use of information, particularly Internet technology, for implementation of all key business functions. However, environmental factors have affected technological awareness of companies in Albania, to use new services that facilitate contacts and doing business worldwide. Today, E-Commerce affects both daily business operations and its strategy. It is clear that only organizations that use new technologies of Information and Communications will have an opportunity to improve their competitive advantages. Despite the potential barriers to use advanced technology systems, recently, this process is not optional for the firm growth in Albania, but is becoming as a condition because the expectancies of clients (businesses or consumers) are growing and changing continuously.

PEST Analysis of Construction Industry

Construction is a complex service and manufacturing industry, involving thousands of different component parts that are assembled into products and systems.

Political & legal factors. The political and legal factors affecting the construction industry mostly consists of documentations and permits that has to be obtained during the various phases of construction of a structure and its sale (Vora, 2009).

Some of the administrative procedures that construction firms have to provide are as below:

- *Building Commencement Certificate:* Construction of a building or any such structure cannot take place unless and until the builder or the company secures a commencement certificate from the (Vora, 2009) local government authority according urban plan. Often, the construction companies suffer the impact of irregularity encountered during dealing the construction permits, for which construction firms have objections regarding the deadlines, the correctness of state administration employees, lack of transparency and barriers by public utilities (water, electricity, telecommunications, etc). During the year 2011, Albania was ranked at 176-th level, meanwhile from the data taken during 2012 it is noticed a deterioration of the position related with the obtaining of construction permits. According to data collected by Doing Business, Albania stands at 183 in the ranking of 183 economies on the ease of dealing with construction permits (Doing business, Albania, 2012).
- *Floor Space Index*, which determines how tall can buildings or a structure can be constructed on a particular plot (Agjencia Kombëtare për Planifikimin e Territorit, 2012, p:33) . The local authority issues it (Vora, 2009).
- *Urban Plan and Developing Plans:* The urban and developing plans provide a full picture about the defined areas and projects which may be allocated for certain purposes under development parameters. The developing plan is an important element because it influences the giving of a construction permit. The urban development in Albania continues to reflect the socio-economic transformation of Albanian society. From the standpoint of these political and socio-economic changes in Albania during the transition period, we can say that urban developments were immediate and quickly. This is not just for the fact that up to year '90, only 35% of the population was urban, but also because the centralized system had accumulated many regional disparities, which requires a new equilibrium (Gjika & Shutina). Currently, despite the contribution of urbanization in reducing poverty, the lack of effective urban planning is associated with other problems in investments as well as the environmental damages. The challenge is how to stimulate transformative processes that enable sustainable development of urban areas.
- *The access to legal package changes and regulations* relating to operation of construction activity for which the construction firms may have their objections regarding the information on these acts.
- *The spent time by construction companies* for various applications in state institutions (procurement and receipt of construction permits), for which the firms have objections about time preparing the voluminous required documentation (Qëndra për Kërkim dhe Zhvillim, 2003).

Economic Factors. The economical environment includes macroeconomic indicators analysis, as well as changes in business conditions and economic policy which can have direct influence on business conditions and economic performance. Some of the economic factors which influence the construction companies are:

- *The fluctuations of inputs prices.* The inputs prices fluctuations make the construction industry a risky business. Many builders tend to stop work when the prices of inputs like cement, iron, etc

goes up so as to wait for the time when they expect the prices will come down. This result in unnecessary delay in the work and the cost of wasting time would actually be more than the increase in price (Vora, 2009). The high level of imported material is the main reason for the increased cost of constructions. Albania imports all the types of construction inputs. Meanwhile the import prices of the raw materials have increased about 7-8% during last year (INSTAT, 2012).

- *Changes in demand.* The demand changes due to two factors. Firstly, demand changes due to price and secondly demand changes on account of changes in other factors other than price (6 important factors, 2012) such as: economic growth, interest rates, bank credit, demographic movements and expectations for future income (Girouard et al, 2006). As other industries, the construction industry suffers from the fluctuation and changes in demand due to factors like disposable income of prospective and potential buyers and inflation. The demand for residential properties has decreased comparing the last year. The main reasons for this is the conflict between the buyers to low the prices and from the owners to increase it because they find the situation favorite as there are no more buildings and permissions going to approve in this situation. The mortgage loans have decreased due to tougher criteria from the banks. Another factor to the slow demand is the decline in remittances from emigrants living abroad by 15% of GPD. People living abroad and having families in Albania always invested in their home country and the majority of these investments were apartments (DANOS, 2012).
- *The increase of interest rate* has a direct impact on the cost of capital used in construction firms. As far as the interest rate increases the more inhibited free initiative in this industry but also it exacerbates the existing firms from the cost's funds credited by banks. Recently, this factor is seen as a threat because of the increase of interest rate. These last two years, the world economy is applying some tighten policy of the cash flow by raising interest rates. Before few days, the European Central Bank has increased the price of the euro, bringing it to 5.75 per cent. In response to this performance, the Bank of Albania has undertaken similar policies as similar banks in developed countries. Few days ago, BoA has increased the local currency price by 0.25 percent, bringing it to 5.75 per cent, from 5.5 that was previously statistics (Bank of Albania, 2013)
- *Future Growth & Resale Value.* Often, the project must be located in an area that if not fully developed must at least be on the way. This is because people prefer those areas having high resale value and will fetch them a good amount of gain (Vora, 2009). This has led to flourish the real estate market and many new operators acting on it. The real estate market in Albania is developing but the experts evaluate it as disorganized compared to international parameters (Revista Monitor, 2013). Although the construction sector occupied the major part of its economic development for the real estate market, it still suffers the lack of the proper environmental studies, architecture, planning, urbanization, etc.
- Another factor that influence the construction industry is the *informality of economy and labour trade*. The construction sector is the typical sector where the informality and the undeclared work are evident not only in Albania but also in Europe. There are many factors that affect the informality in the construction industry such as: low application of legislation regarding the financial obligations of the employers, the concealment of the real workers number, hiding the real level of income.

Social Factors. Social pressures have more impact on construction than in the past (Muir, 2005). Some of the social factors influencing the construction industries in Albania are:

- *Credibility of the construction company.* The buyers do not know everything about the quality and the kind of input materials which are used in the construction of a building. The credibility

of a construction company plays an important role during the sale's process because everyone want to feel secure that the quality of construction works are good enough. So, the albanian construction firms are working to differentiate themselves creating a good image and credibility in the eyes of all interest groups.

- *Perceived Image of the property developed.* In most of cases the decision to buy a building or to invest in a real estate depends on the proximity to the main facilities that we need in everyday life or on the basis of infrastructure facilities such as transport facilities, nearness to schools, hospitals, shopping complexes, leisure centers, etc.
- *Increased awareness of new products, services and building facilities.* Another tendency that we can observe is the increased interest of included building facilities such as: swimming pools, health-clubs, gyms & parks.
- *The uncontrolled demographic movement* of population toward the urban areas with a higher economic level. Faced with the alternative to choose their residence's place, people began to move from rural or less developed areas near to the best opportunities of work, education and welfare. A movement of such dimension creates enormous pressure on housing and infrastructure system.

Technical Factors. Due to the nature of the construction process, the changes of technical environment influence the performance of company. The first application of advanced technologies in housing construction dates back to the 1970s (Naeim & Brzev, 2011) and since this period, other developments in techniques used and materials used, are parts of construction business. There are the developments of the technological environment which gave to the construction firms a significant progress. such developments are:

- *The advanced technology* from which the construction companies have benefited in quicker responses on current project progress. Using high and advanced technology develops the links with multinational companies and large domestic companies providing an effective channel to gain access to markets, financing, skills and know-how.
- *Electronic links* between business entities, citizens, public administration (i.e. tax office) and non-governmental sector,
- *Pre-structured Concrete Blocks:* These are blocks of concrete, which are made in the factories according to the dimensions of the building or structure to be built. It is just like a jigsaw puzzle where these blocks are put together using a huge crane and joined together using mortar by workers. This enables quick completion of work and also economies of scale (Vora, 2009).

In all these years, as a result of the use of high and advanced technology, the construction companies have benefited in terms of:

- Economic development by providing a better economic efficiency, effective competition and profit,
- Reorganization and modernization of business processes adapted with trade activity and contemporary models,
- An increase of revenue through new more efficient channels of sale,
- Cost reduction through more efficient business processes,
- The improvement of a good image in the market through marketing,

Conclusions

Regarding the activities and business operations, it is important to monitor changes occurring in the external environment, considering that these environmental factors significantly affect the performance and business performance. Despite the development of Albania as a post communist country, with a long transition period, it seems that the current situation of these

indicators are not very favorable, and this is evident from the presence of any threats in our research environment. Consequently, it is necessary to take measures in order to minimize the impact of threats and create a favorable business climate to increase profits and longevity in the market by the companies.

1. The political environment seems to be very dynamic. Albania has made steady progress in structural reform during the past two decades, overcoming institutional weaknesses as one of the most difficult benchmarks for countries in transition.
 - ✓ After the success of NATO and EU membership application, another success is the free movement of individuals. The opening of borders facilitates the business environment in the country and is a key factor for the growth of foreign direct investment.
 - ✓ Despite the legal and political reforms, Albania suffers the ethical and social costs of corruption and informality (not only in the labor market) which pose a serious threat to the expectancy life of businesses.
 - ✓ The fight against corruption and a general lack of transparency are some of the ongoing challenges to create an incentive for the field of foreign and Albanian businesses seeking to invest in Albania. Although figures show decline in the level of corruption, this phenomenon continues to be an obstacle to economic and social development of the country. Some of the ways, we can fight the overall informality and also in the specific labor market of the construction industry are:
 - Doing carefully steps towards the formalization because the informal company's closure bring economic and social consequences.
 - The foundation and the expansion of our unions including as much as possible the employees without a contract.
 - The awareness of the society about the danger and the negative effects of the black labor market.
 - Encouragement of the active employment policies helping the private initiatives to cover the costs of salaries and social contributions.
 - Channeling the wage payment through the banking system and recognizing them by the tax authorities.
 - The mandatory registration of the self-employed persons contributing to the reduction of unemployment rate.
 - The integration of labour market policies against undeclared work in the construction sector.
 - ✓ Some of the external factors of political environment affecting the construction industry are: (i) building commencement certificate, (ii) floor space index, (iii) urban plan and developing plans, (iv) the access to legal package changes and regulations relating to operation of construction activity, (v) the spent time by construction companies for various applications in state institutions
2. While Eastern Europe has entered in a deep recession since 2009, the macroeconomic statistics show a slowdown in economic activity.
 - ✓ Over the years there have been a number of reforms to improve revenue collection, although public debt remains high.
 - ✓ It is a growing interest from foreign investors. Inflows of foreign direct investment (FDI) have increased in recent years also influenced from major privatizations creating an economic development for our country.
 - ✓ Infrastructure development and public/private projects implementation have facilitated the business climate of our country.

- ✓ The government is implementing an ambitious program of investment in the energy industry (hydro and thermal power plants), creating a favorable climate for investment and economic growth.
- ✓ Some of the economic factors which have the most influence in the construction companies are: (i) the fluctuations in prices of inputs, (ii) changes in demand, (iii) future growth & resale value, (iv) informality of economy and labour trade
- 3. We can say that the development of Albanian society based on socio-cultural aspect has been somewhat confusing. The political and economic changes over the years, despite development dynamics, seem to have influenced the behavior of Albanian society building a set of norms and values adapted to the new conditions created.
- ✓ Referring to socio-cultural environment, a positive change which could be perceived as an opportunity is the increase of the society awareness for the consumption of new innovative products and services.
- ✓ Some of the social factors which have the most influence in the construction companies are: credibility of the company/firm, perceived image of the property developed, awareness increase of new products, services and building facilities and the uncontrolled demographic movement
- 4. Despite the achievements of ICT sector during last few years, numerous problems remain to be resolved within this sector. Here we can mention: Internet signal coverage all over the country, the poor communication infrastructure due to limited access and high costs, limited research activities, the migration of well-prepared specialists, the financing gap limits small and medium businesses to adopt information and communication technology. Despite the progress in this area, the SME sector is considered as critical level for development and innovation process.

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