

## The Impact of Organizational Changes on Increasing SMEs Competitiveness

Naim Mustafa<sup>1</sup>, Leonid Nakov<sup>2</sup>, Xhavit Islami<sup>3</sup>

**Abstract:** Nowadays changes are compulsory for an organization in order to survive and stay competitive in a market. This paper discusses the aspects of understanding the general framework for an effective and efficient implementation of the organizational changes, as well as, their impact on motivation, employment, responsibility, competitive abilities, and it compares the measurable units of the capacity development for organizational changes. Besides, it focuses on creative dimensions and change management, new organizational knowledge, reward systems, managerial behavior, and organizational culture as a result of the organizational changes. Also, this study argues the value of organizational culture that needs to be shared between organization employees in order to help perform their duties as an important unit of the organizational change success. To obtain the results of this study are processed data of 200 SMEs that operate their activity in the Republic of Kosovo. These data were processed mainly using IBM SPSS software. The findings indicate that the proper organizational change management may help SMEs to be more successful in relation to the competition. And that the biggest challenge that successful managers face is to lead continuously the organizational systems toward the highest stages of organizational development. Moreover, results have shown that changes in the factors such as: organizational dimensions and organizational characteristics are closely related to competitive capability and organizational culture of the SMEs, as well as, changes in organizational culture may increase the competitive capability of SMEs in the competitive market.

**Keywords:** organizational changes; small and medium enterprises (SME); competitive capability; organizational dimensions; organizational culture

**JEL Classification:** L16; R11; O00; M21

---

<sup>1</sup> Department of Management, Faculty of Economics, University "Kadri Zeka", Republic of Kosovo, Address: str. "Zija Shemsiu", nn, 60 000 Gjilan, Republic of Kosovo, Tel: +383 44 376 376, E-mail: naim.mustafa@uni-gjilan.net.

<sup>2</sup> Director of the Center for Economic Researches at Faculty of Economics-Skopje, University "Ss. Cyril and Methodius" in Skopje, Republic of Macedonia, Address: Blvd. Goce Delcev 9V, 1000 Skopje, Republic of Macedonia, Tel: +389 78 220 620, E-mail: lnakov@eccf.ukim.edu.mk.

<sup>3</sup> Teaching Assistant, Department of Management, Faculty of Economics, University "Kadri Zeka", Republic of Kosovo, Address: str. "Zija Shemsiu", nn, 60000 Gjilan, Republic of Kosovo. Corresponding author: xhavitislami@gmail.com.

## 1. Introduction

The globalized market has allowed the appearance of small and medium-sized enterprises that become the driving force of economic development. The last decades of the 20th century have led to a change in the main business philosophy, even in the most developed countries, and hence their actuality in the countries in transition, as well as, the Balkan region as a whole. At the present time, organizations are more exposed to the increasing global competition, customer expectations and changes (Jakupi, 2008; Islami et al., 2015). To address these pressures, many organizations are in the situation either change or bankrupt (Beer & Nohra, 2000).

The dynamic trend of the global economy impose new forms of organizational changes, such as the application of new knowledge for their management, and particularly the importance of financing new technologies to provide competitive products on the global market. In this respect, in order to succeed in the competitive market, small and medium enterprises should own these key characteristics, such as: flexibility, independence, speed on creating business relations, opportunities of creating new jobs, creativity of employees, knowledgeable and flexible employees, and a quick adaptation to the market needs. The importance of having these factors results from market globalization, which leads to a growth in the complexity of factors in different markets as a consequence of the dependence between global economies. In the meantime, the world has become more and more dynamic, as a result of the information explosion and fast communication in the whole world (Zeffane, 1996). It is worth mentioning that, firms may lose their competitive abilities if they do not apply suitable organizational changes. Without presenting adequate changes on time and in an ethical way, organizations will be faced with hard times and it can decrease their chances for long-term survival (Christian & Stadlander, 2006).

Organizational changes are an allowable process from managers, as well as, by organizational employees. According to Susanto (2008) an effort to change which is supported by managers is an essential factor that indicate for successful organizational changes. Armenakis et al. (1993) found out that the scale in which the policies and organizational practices support changes may be an important factor in understanding how ready employees for organizational changes are. In accordance to Beckhardt and Harris (1987) and Schneider et al. (1992), the study of Eby et al. (2000) points out that successful organizational changes must contain flexible policies and procedures, as well as, flexible systems and supporting logistics (for example the amount of equipment, machines, and financial resources). Moreover, McManus et al. (1995) found that the scale of trust in management can feed the perception that the organization can face rapid changes. Changes might be accepted

easily by employees, if they are convinced that changes will be profitable for them and for the whole organization (Susanto, 2008). But, it should be mentioned that changes may not be profitable for a lot of employees. In such cases, employees may resist the organizational changes because they are concerned about immediate results. On the other hand, usually, profits as a result of change can be enjoyed after a certain period of time. According to, Smith (2005) the development of understanding the nature and reasons for changes in the early stages can provide a strong base for later changes and a high willingness of employees to take risks even beyond their limits.

A number of research papers treat organizational changes in general aspect and mainly were focused to measure the influence of outside environment factors. But, there is a lack of existing literature that treats organizational changes, in two aspects: a) increasing competitive capability of SME-s as a result of the organizational changes, and b) the influence of the organizational changes in the culture of SMEs. In this vein, this study exactly tries to contribute in the literature of the organizational changes by analyzing the abovementioned fields of changes. In order to clarify to the readers the term "employee" is referred to all employees in a SME, including managers of all levels and other employees that are led by managers. Thus, in this study employees are considered all the staff that contributes to realize the works of SMEs. In the second part, see session 2.2.1 organizational culture of SMEs where mainly is analyzed the aspect of employees, since implementing the changes from employees is an important factor that influence on the whole organizational culture on the SMEs.

Organizational culture includes a firm's climate that informally and silently describes how the SME develops and uses employees, thus it has a substantial effect on the competitive capability of SMEs. Therefore, as a significant driving force organizational culture is behind all the movements in the organization. The main contribution of this research study is to create a theoretical, methodological and applicative understanding of the concept for organizational changes in SMEs and their organizational development, as well as, to determine the degree of influence of changes on the SMEs competitive capability.

## **2. Literature Review**

Change has become an important part of strategic management in many organizations, because leaders have understood that we live in a temporary society and by bringing constant changes they could give a competitive advantage to the organizations that they lead, in both the domestic business environment and global

business environment (Stadtländer, 2006; Islami et al., 2015). Woods and Joyce (2003) conducted a study with 267 firms, where they have found that organizations that use strategic management systems make faster decisions and successfully undertake organizational changes. Organizational change affects every part, area, or every component of the organization (Islami et al., 2015). But, there are three main areas of the organization that must be adapted to change: the structure of organization and projections, technology and operations, and the people (Griffin, 2005). According to Ashmarina and Zotova (2015) economic, political, social, regional, sectorial and contenders systems are the main factors that affect the willingness of enterprises to implement changes. Thus, organizations are continually confronted with the need to implement changes in strategy, structure, process, and culture (Armenakis et al., 1993).

## **2.1. Hypotheses Development**

### **2.1.1. Organizational Changes and Competitive Capability of SMEs**

Competitive capability, in essence, is the ability to achieve market success in order to increase living standards and to survive for a longer period of time. In order to support SMEs in the environment in which they are located, in both, developed and developing countries, SMEs should create and use competitive advantage factors. According to UNCTAD (2001) the following areas should be changed in order to increase the SMEs competitive capability, such as: a) Automation – which involves the use of advanced technology that includes internal processes, just like e-business. All processes must be reviewed and adapted to achieve high organizational efficiency and effectiveness. b) Distribution – channels must be structured in order to meet customer needs and provide access to dedicated services. Also, the branch network must be differentiated according to consumption segmentation, and in particular the needs of a highly capable management. c) Marketing – which must be based on an efficient sales culture; hence prices should be in line with the risk structure, which must take into account the needs of SMEs. d) Credit policy – which must be supported by the achievement of credit stability, as well as, the creation of methodological tools for its evaluation. Commercial banks in developing countries must alter the techniques, in line with the environment and the development needs of SMEs. e) Top management – which needs a clear vision of the business development model. In developing countries, management should take a clear position on the conditions of functioning of SMEs and must support this field.

The country's mission related to competitive capability is defined by the Directorate for Development of SMEs (2011) as: improvement (change) of the competitive

capability factors that directly and indirectly influence the overall development of small and medium enterprises in terms of products and services.

Teece and Pisano (1994) put the arguments in an advanced level by pointing out that the strategic dimensions of changes are: managerial involvement in the organizational process, analyzing the current position, as well as, the available ways. Managerial process, it is referred to the manner of how the works are done in the firm, what is called “routine”, or actual practice models and learning. By, current position, it refers to the actual technology and intellectual property, as well as, its base of consumers in relation with the suppliers. And lastly, by available ways, it is referred to the strategic alternatives in firm’s and its attraction of opportunities that are ahead (Teece & Pisano, 1994). It is thought that the competitive advantage of firms derives from dynamics, abilities stamped in higher performance routines that operate inside firms, part of firm processes, and conditioned from its history. Especially, from the “soft” assets as cultural values and organization experience, these abilities that in general cannot be bought, but they must be built (Teece & Pisano, 1994).

In an environment that change rapidly, undoubtedly that a huge value should be given to the ability of understanding the need to reconfigure the firms’ structure, in order to make the necessary inside and outside changes (Amit & Schoemaker, 1993). This requires continuous observation of the market and technology development, and a full willingness to adopt the best organizational practices. In this respect, benchmarking is a suitable value as an organizational process to achieve such endings (Camp, 1989). In dynamic environments, self-satisfied organizations with their current state happened to be damaged. The capacity to reconfigure and transform is a self-formed organizational ability. The more it is practiced is much easier to realize it.

The changes may cause a new organizational culture. Therefore, SMEs should be ready to develop the organizational culture in their favor. The ability to measure the request of changes and to realize the necessary regulation is depended from the organizational ability: to analyze the environment, to evaluate the market, to analyze the competitors, and to realize a rapid configuration and transformation before the competition does. Decentralization helps in these processes (Teece & Pisano, 1994). Based on the review of the literature above, this study, proposes the following hypotheses:

*H1: Change in organizational dimensions has a positive relationship with increasing the competitive capability of SMEs;*

*H2: Change in organizational characteristics has a positive relationship with increasing the competitive capability of SMEs.*

### **2.1.2. Organizational Changes and Organizational Culture of SMEs**

In previous studies, researchers have found that the long-range endurance of small and medium-sized enterprises' depends on their capability to develop an operational business plan, in relation to their products, competitors, operations, and employees (Lyon, Lumpkin, & Dess, 2000). According to Susanto (2008) and Kotter (1995) organizational changes must follow a vision and a clear direction in which the organization wants to move. Without a clear vision, the efforts of the organization to change can be dropped into a confusing list or in an unacceptable project. Consequently, the organization can take a wrong direction that might be more costly for the organization (Kotter, 1995). The people in an organization have ambition for the changes which are inevitable (Susanto, 2008). According to, Strebel (1996) a lot of efforts to change fail because the leaders and employees of the organization consider changes as a difficult process. Employees as an object of changes are essential for the success of attempts to change because attitude, abilities, motivation and their knowledge includes an important component of organizational environment in which the change must be tried (Smith, 2005).

Moreover, the employees' perception of organizational changes is identified as an important factor for understanding the probability of resistance toward change on a wider scale (Eby et al., 2000). These processes can relieve or damage the effectiveness of an interrupted change (Armenakis et al., 1993; Lewin, 1951). McDonald and Siegal (1993), Iacovini (1993), and McManus et al. (1995) suggested that the attitude of employees toward an expected change can influence the morale, productivity, and the distribution aims. Employees' perception of the scale in which their organization has the flexibility to reach the change and the scale in which they participate actively in the process are important factors in reaching successful changes (Smith, 2005).

Through including actively, continuously and meaningfully in the process of changes, people can distinguish the connection between their personal work, attitude and general organizational performance. Also, employees can be encouraged to hold their personal responsibilities in order to reach the change (Smith, 2005). The personal valence that clarifies the inside and outside profits of the changes, may help in developing the momentum of change. Especially, where employees in their mind have clear how they are going to profit from the change, they'll start to seek other methods to improve the transition (Bernerth, 2004), so they will be engaged in the process of change. Even though, for a lot of employees, change can create feelings of anxiety and tension, because when the change starts to take form, most of the organizational members can feel insecure and confused (Bernerth, 2004).

It is worth clarifying that, organizational members must have the privilege to propose or to start the necessary changes. But in the end the organizational leader is the one that must decide and start the required changes. The organization leaders become leaders because of their abilities of planning, predicting and communicating a better future (Zeffane, 1996). The people in the organization must be given the opportunity to be included in project of changes and they must be given the opportunity to give feedback (Waddel & Sohal, 1998). This first step is essential because the start of a transformation requires the cooperation of a lot of peoples (Kotter, 1995).

Management support can be a reflection of how is the change decided from the management through re-organizing of performance evaluation and employees compensation with the initiative program of change. Change requires sacrifices from employees. Through the process of change, employees must feel themselves comfortable in the new environment. So, sacrifices, participation and work from the organization members should be rewarded through performance evaluation and compensation. The action of management toward each obstacle in treating the process of change reflects the scale of management support. The trust that management has taken the proper steps to overcome obstacles shows the level of willingness for changes (Susanto, 2008).

A well-planned change cannot be realized without the support of a clever and hard-working change agent. Beckard and Harris (1987) augmented that new-spread abilities include: knowledge, abilities and general organizational abilities in order to fulfill the necessary request for successful application of organizational changes (Jones et al., 2005).

Pardo and Fuentes (2003) has identified five essential sources, concretely: direct cost of change (Rumelt, 1995); the success in one product that is as a result of the change, at the same time may bring failure for others, in this respect, it is required a kind of sacrifice (Rumelt, 1995); subvention - because the need for a change is compensated through a higher rate without change in another different factor, so there is not a real motivation to change (Rumelt, 1995); past failures that leave a pessimistic image to future changes (Lorenzo, 2000); and different interest in between employees and management or lack of employees motivation that evaluate change and result less than the managers evaluate changes (Waddell & Sohal, 1998). If SMEs managers use the right techniques in a specific moment, this offers the enterprise the opportunity to realize an effective change and to precede with competitor's enterprise or even to pass them in positive aspect in the market (Islami, 2015). Following these arguments, this study, therefore, proposes the hypotheses:

*H3: Change in organizational dimensions has a positive relationship with improving organizational culture of SMEs;*

*H4: Change in organizational characteristics has a positive relationship with improving organizational culture of SMEs.*

### **2.1.3. Relationship between Organizational Culture and Competitive Capability of SMEs**

According to Rehman, Mohamed, and Ayoup (2019a) the organizational culture is considered the most significant determinant for any type of organization and a vital determinant of firm success. Thus, organizational culture plays an important role in an organization's survival in the market (Rehman et al., 2019b). In this way, organizational culture is the most significant factor in examining organizational capabilities and performance (Mania, 2016). Predictors other than organizational culture influence organizational performance, e.g., organizational capabilities (Shurafa & Mohamed, 2016). Organizational culture is a source of sustained competitive advantage (Barney, 1991) and empirical research shows that it is a key factor to organizational effectiveness (Gordon & Di Tomaso, 1992). In particular, Fey and Denison (2003) identified and validated four dimensions of organizational culture that are conducive to organizational effectiveness: adaptability, consistency, involvement, and mission. This study, therefore, proposes the hypothesis:

*H5: An improvement in organizational culture of SMEs has a positive influence in the competitive capability of SMEs.*

### **3. Methodological Approach**

To realize this study, a methodology consisting from a combination of primary and secondary data has been used. The article has been prepared using the analysis of secondary resources (scientific publications and articles from specialized databases, such as Science Direct, Emerald, Springer, and Goggle Scholar as a searching engine). Whereas, primary resources in the form of results of the quantitative survey conducted in a sample firms that operate their business activities in the Republic of Kosovo. For the empirical analysis of the study, the data were gathered from a self-administered questionnaire in 2013. The participants were randomly chosen. To measure the impact in between variables in this study SPSS program has been used. The research procedure is conducted over a representative sample of employees in: joint-stock companies, limited liability companies of one person, and partnership. The participant companies were not only of domestic capital but also and foreign capital; and entities of the SME sector that result from a partnership of the central or state government with a certain private interest.

In detailing the elements for the development topic, a complete instrumentation of research methods, as tools and techniques of research, were used in order to obtain

more complete and better results from the research. The very commitment of the deepest and pivotal elements of the functioning of SMEs aimed to collect very high quality data and information, in order to serve them in the process of making business decisions within the SMEs.

### 3.1. Data Collection

Empirical testing of the SMEs in Kosovo is of exceptional importance. It was conducted with a representative sample of 200 small and medium businesses.

The collected extensive statistical material has been processed in a quantitative statistical manner, mostly using the Excel and SPSS software package. In this sense, the basic intention of statistical determination is awareness of the following characteristics of the empirical sample of Kosovo SMEs, i.e.: setting up the hypothesis for research within the created model of dependence on the elements of the questionnaire; determining the dominant frequencies; and regression analysis as well. The scale used in questionnaire is based on 5-point Likert scale. Likert scale (1- not at all, 2- low, 3- moderately, 4- to a large extent, 5- to a very large extent).

**Table 1. Variables used in this study**

Abbreviations	Study Variables	Status
CreInn	Creativity and innovation	c
ConInf	Consumers influence the organizational change	c
KnoGai	Knowledge gained within the organization	d
EmpWil	Employee willingness for organizational changes	d
RalEmp	Relationships between employees	c
EmpInc	Employees increase the value of the final products	c
MetLea	Methodologies lead the organizational changes	c
EmpRew	Employees rewards	d
ManRes	Managers are responsible for organizational changes	d
EvaSuc	Evaluation of the success degree as a result of organizational changes	c
ComCap	Competitive capability of SMEs	dv
OrgCul	Organizational culture of SMEs	dv

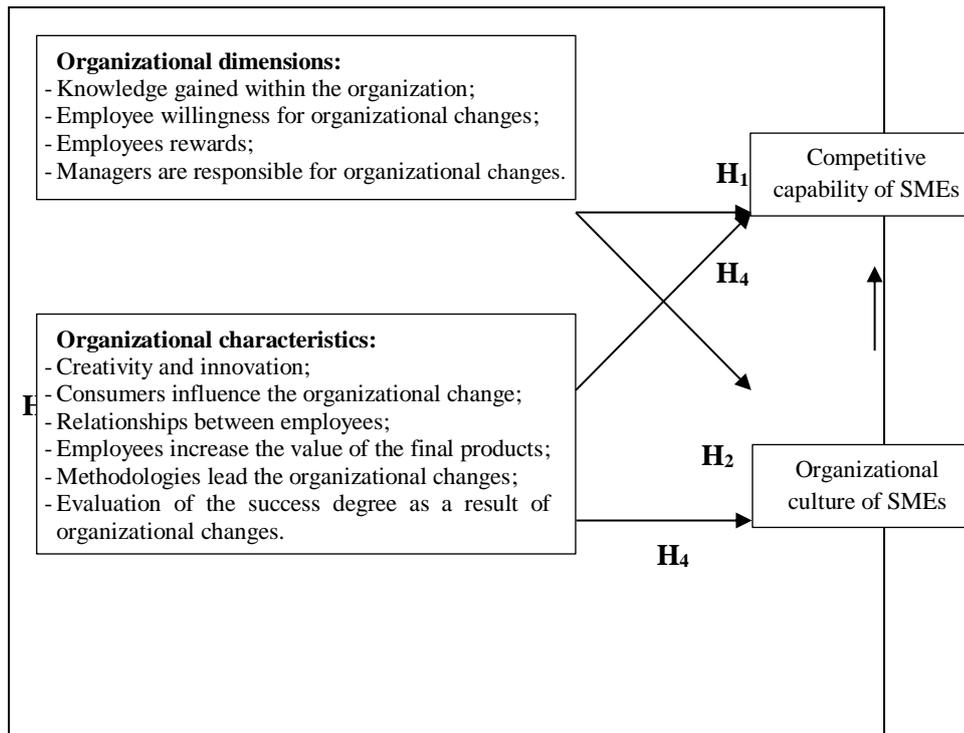
**Note:** d- dimension; c- characteristic; dv- dependent variable

**3.2. Instrument Design**

To make the regression analysis firstly we have to present the link between the independent variable. If the correlation between variables is within the limits (-0.7 to 0.7), from the general rule of correlation on the contrary if the value is outside these limits, variables have strong connection between them, that produces incorrect estimated results. We have multicollinearity when we have a high correlation between independent variables (Hair et al., 1998; Lind et al., 2002; Islami et al., 2018).

**3.3. The Conceptual Model Used in this Study**

In the created research model, the following quantitative methodological analytical instruments are used to perceive the relationship of independent and dependent variables.



**Figure 1. Conceptual model of this study**



medium business; his dominant, i.e. dominant activity as well; respondent category - owner or manager.

The initial categorization of covered and investigated SMEs was conducted according to the criterion of belonging in one of the subcategories within the SME segment, presented in the following tables:

**Table 2. Distribution of the surveyed sample of SMEs by category (n=200)**

<b>Category</b>	<b>Number of businesses</b>	<b>Percentage participation</b>
Micro businesses	124	62%
Small businesses	54	27%
Medium businesses	22	11%

Based on the Table 2, it is perceived that the dominant category of entities within the surveyed sample is micro businesses, with 62%, followed by small businesses with 27%, and the least represented are medium-sized business entities, with an overall participation of 11%.

**Table 3. The scope of SMEs from the aspect of their dominant activity (n=200)**

<b>Category</b>	<b>Number of businesses</b>	<b>Percentage participation</b>
Manufacturing activities	52	26%
Trade	80	40%
Services	48	24%
Construction	9	4,5%
Other activities	11	5,5%

It is evident from the Table 3, that the overall research structure is dominated by trade with 40% participation, followed by manufacturing activities with 26%, services with 24%, construction with 4.5% and the category containing other activities with 5.5%.

Undoubtedly, in the future, this distribution should move in the direction of greater representation of manufacturing and services, especially those from high value-added areas, which are based on strong expertise.

Extremely interesting is the cross-sectional analysis of the (relationship between Tables 2 and 3), where extraordinary knowledge is extracted. The category of micro

entities is oriented mainly towards trade, with 58%, followed by services with 34%, trade activities with 4% and other activities with 4%. Small business segment is focused mostly on production, with 43%, followed by trade with 33%, services with 13%, construction with 9% and other activities with 2%. And the category of medium-sized businesses is mostly oriented towards services with 38%, followed by production with 26%, trade with 21%, and construction with 6%.

And finally, from this general research approach, is categorized the analyzed SMEs according to the criterion of the category of the respondent - owner and/or manager, presented in the following table:

**Table 4. Distribution of the surveyed sample according to the respondent (n=200)**

<b>Category</b>	<b>Number of businesses</b>	<b>Percentage participation</b>
Owner, not a manager	43	21,5%
Manager, not owner	21	10,5%
Owner and manager	136	68%

As, it is presented in Table 4, is evident that among the majority of Kosovo SMEs from the sample, the authorization to respond to the questionnaire is set for a person who is a personal union - at the same time a dominant owner and manager with 68% representation, followed by owners who do not perform the management function with 21.5%, and last are managers who are not dominant owners with a share of 10.5%, which speaks enough about the concentration of authorizations around the owner, while at the same time pointing to a lack of separation of ownership from management.

Based on Table 5, it is perceived that the leading factor that encourages change is the risk that the change brings with it as an impetus for its management with 62.5%, followed by the support of the employees in securing a higher ranking as a result of the change, with 58.5%, followed by the dimension according to which the change is necessary because the increased number of employees partially possesses the necessary volume of knowledge, skills, experiences and abilities with 56.5%.

**Table 5. The largest distribution of individual factors that induce change (n=200)**

<b>Dimension of change</b>	<b>Number of answers</b>	<b>Frequency</b>
Support in securing the placement of your products/services	117	58,5%
The need to build a high degree of independence from big businesses and not depend solely on their relationships	94	47%
All employees have the responsibility for quality management of organizational changes	109	54,5%
The dominant model of organizational culture is very little changed	92	46%
The increased number of employees partially possesses the necessary scope of knowledge, skills, experiences and abilities	113	56,5%
The degree of risk that organizational change has the greatest potential for quality management of them	125	62,5%

In this paper is presented the analytical dimension of the degree of mutual correlative utility in the investigated representative sample using the following table:

**Table 6. Descriptive relationships of change dependence, on the sample (n=200)**

<b>Categories of dependencies in change</b>	<b>Result in %</b>
The dimensions of quality management of organizational change depend on the processes through which the organizational knowledge is exhausted	79%
Implementation of signals for consumer change depends on the utilization of the change in order to increase the competitiveness	84%
The motivation for increasing the competitiveness depends on the form of the awards for the employees	77%
The factors contributing to greater employment depend on the manner of valuation and assessment of the implemented changes	69%
Managers use changes to change processes and relationships depend on signals coming from consumers about the dimensions of change	91%

Based on the analysis of the elements in the Table 6, it can be seen the greatest dependence on the individual issues noted in managerial use of process changes and relations as the result of signals from consumers, with 91%, followed by the dependence of the implementation of signals for changes in use of the change to increase competitiveness with 84%.

#### 4.1. Regression Analysis

In this part of the paper, it will be presented the representation of the competitive capability dependence on the organizational dimensions and characteristics. Based on the fundamental features and elements of the developed conceptual and econometric model, for regression analyses were used a sample of 177 respondents.

In order to measure the impact of independent variables in dependent variable “competitive capability of SMEs” multiple regression analysis has been used. Regression analysis for the Model I, is presented in Table 7. According to regression analysis independent variables that enter in analysis explain 33.9% of dependent variable “ComCap”.

As it shown in Table 7, it is measured with the regression analysis the impact of change on organizational dimensions on competitive capability of SMEs, from this model the independent variable “EmpWil” is moved from further analysis because the significant values are larger than thresholds ( $p=0.01$ ;  $0.05$ ; or  $0.10$ ). Whereas, the independent variable “ManRes” is significant in value ( $p=0.10$ ). And two independent variables “KnoGai” and “EmpRew” are within the significant level ( $p=0.05$  and  $0.01$ , respectively).

Independent variable “KnoGai” is negatively connected with dependent variable “ComCap” by predicting it for -25% ( $b=-.250$  &  $p=.031$ ). Independent variable “EmpRew” is negatively related with dependent variable “ComCap” by predicting it for 24.4% ( $b=-.244$  &  $p=.008$ ). As well independent variable “ManRes” is negatively related with dependent variable “ComCap” by predicting it for 16.6% ( $b=-.166$  &  $p=.052$ ). By a close analysis of the Table 7 can be concluded that independent variable “KnoGai” has a higher impact than all other independent variables in competitive capability of SMEs.

**Table 7. Regression analysis of dependent variable “ComCap” (n = 177)**

Model I	R	R <sup>2</sup>	b	S.E	$\beta$	F	t	p	VIF
	.339	.115				5.615			
(Constant)			3.872	.528			7.327	.000	
KnoGai			-.250	.115	-.171		-2.169	.031	1.203
EmpWil			.035	.116	.024		.305	.761	1.167
EmpRew			-.244	.091	-.202		-2.692	.008	1.098
ManRes			-.166	.085	-.143		-1.955	.052	1.047

*b*-non-standardized coefficients; S.E-standard error of variables;  $\beta$ -standardized coefficients; *F*-test; *t*-statistic; *p*- significant level; *R*<sup>2</sup>-*R* square.

So, it is clearly perceived as a moderate right that a proportional influence on the internal capacities for changes, assessment and evaluation systems, as well as, the knowledge and abilities of the managers and their competitiveness may influence the particular enterprise on the environment.

As is presented in Table 8, in Model II is measured the impact of change on organizational characteristics on competitive capability of SMEs. In this measurement independent variables “MetLea” and “EvaSuc” are moved from further analysis because the significant values are larger than thresholds ( $p= 0.01$ ;  $0.05$ ; or  $0.10$ ). Whereas, the other independent variables are analyzed with significant level by ( $p=0.05$  or  $p=0.01$ ).

By a close analysis of the Table 8, can be concluded that independent variable “ConInf” has the highest positive impact compared to all other independent variables in the competitive capability of SMEs.

**Table 8. Regression analysis of dependent variable “ComCap” (n = 177).**

Model II	R	R <sup>2</sup>	b	S.E	$\beta$	F	t	p	VIF
	.320	.102				3.234			
(Constant)			2.274	.690			3.295	.001	
CreInn			-.295	.109	-.227		-2.703	.008	1.335
ConInf			.269	.127	.161		2.121	.035	1.089
RalEmp			.211	.113	.159		1.869	.063	1.368
EmpInc			-.179	.106	-.140		-1.677	.095	1.314
MetLea			-.081	.108	-.061		-.753	.453	1.230
EvaSuc			-.082	.112	-.058		-.738	.462	1.175

*b*-non-standardized coefficients; S.E-standard error of variables;  $\beta$ -standardized coefficients; *F*-test; *t*-statistic; *p*- significant level;  $R^2$ -*R* square.

The analytical perception of the Table 8 can be concluded that changes caused as a result of customers influence and where the relationship between employees is well developed may cause an incensement in the competitive capability of SMEs.

As it shown in Table 9, the Model III is measured with regression analysis in order to indicate the impact of change on organizational dimensions on organizational culture of SMEs. From this analysis the independent variable “KnoGai” and “ManRes” are moved from further analysis because the significant values are larger than ( $p= 0.01$ ;  $0.05$ ; or  $0.10$ ). While, two other independent variables “EmpWil” and “EmpRew” are significant in value ( $p=0.05$ ).

Independent variable “EmpWil” is negatively connected with dependent variable “organizational culture of SMEs” by predicting it for  $-25.7\%$  ( $b= -.257$  &  $p=.017$ ). Also, the independent variable “EmpRew” negatively related with dependent

variable “OrgCul” by predicting it for  $16.6\%$  ( $b=-.166$  &  $p=.047$ ). If it is analyzed closely Table 9, it can be concluded that independent variable “EmpWil” has a higher impact than all other independent variables in “OrgCul”.

**Table 9. Regression analysis of dependent variable “OrgCul” ( $n = 177$ ).**

Model III	<i>R</i>	$R^2$	<i>b</i>	S.E	$\beta$	<i>F</i>	<i>t</i>	<i>p</i>	VIF
	.282	.080				3.719			
(Constant)			3.539	.484			7.311	.000	
KnoGai			.080	.106	.060		.753	.453	1.203
EmpWil			-.257	.106	-.191		-2.418	.017	1.167
EmpRew			-.166	.083	-.153		-2.000	.047	1.098
ManRes			-.107	.078	-.103		-1.376	.171	1.047

*b*-non-standardized coefficients; S.E-standard error of variables;  $\beta$ -standardized coefficients; *F*-test; *t*-statistic; *p*- significant level;  $R^2$ -*R* square.

The deeper analysis of Table 9, indicates the elementary knowledge of low regressive relationships of dependence, whether rightly proportional to the organizational culture of SMEs, in conditions of poorly-linear influence on assessment and evaluation systems, as well as, knowledge and abilities of managers.

As is presented in Table 10, Model IV measures the impact of change on organizational characteristics on organizational culture of SMEs, where all independent variables are moved from further analysis because the significant values are larger than threshold ( $p= 0.01$ ;  $0.05$ ; or  $0.10$ ), except independent variable “CreInn” which is significant in value ( $p=0.01$ ). Independent variable “CreInn” is

negatively related with dependent variable “organizational culture of SMEs” by predicting it for 30% ( $b=-.300$  &  $p=.003$ ).

**Table 10. Regression analysis of dependent variable “OrgCul” ( $n = 177$ )**

Model IV	R	R <sup>2</sup>	b	S.E	$\beta$	F	t	p	VIF
	.286	.082				2.530			
(Constant)			2.973	.627			4.744	.000	
CreInn			-.300	.099	-.256		-3.020	.003	1.335
ConInf			.158	.115	.105		1.369	.173	1.089
RalEmp			-.005	.102	-.004		-.045	.964	1.368
EmpInc			.010	.097	.009		.107	.915	1.314
MetLea			-.055	.098	-.046		-.565	.573	1.230
EvaSuc			-.060	.101	-.047		-.588	.557	1.175

*b*-non-standardized coefficients; S.E-standard error of variables;  $\beta$ -standardized coefficients; *F*-test; *t*-statistic; *p*- significant level; *R*<sup>2</sup>-R square.

Based on the previous regression analysis from Table 10, a conclusion is drawn about the significant reverse - proportional influence of the category responsibility

for the implementation of change from realtors for changes, versus moderate inverse proportional influence of the category responsibility for the implementation of changes from experts, which speaks enough the limited impact of internal capabilities to implement the change-over organizational culture.

In order to measure the impact of independent variable “OrgCul” in dependent variable “ComCap” the regression analysis has been used. Regression analysis is presented in Table 11, which measures the last model of this study the Model V. According to regression analysis, independent variable that enter in the analysis explain 26.2% of dependent variable “ComCap”, the *F* value is 12.911 (sig. 0.000), which means that the model is statistically important with the significance level  $\alpha = 0.01$ . Independent variable “OrgCul” is positively connected with dependent variable “ComCap” by predicting it for 29.2% ( $b = 0.292$  and  $p = 0.000$ ), which means that for each 1% change in organizational culture competitive capability of SMEs will change by 29.2%.

**Table 11. Regression analysis of dependent variable “ComCap” ( $n = 177$ ).**

Model V	R	R <sup>2</sup>	b	S.E	$\beta$	F	t	p	VIF
	.262	.069				12.911			
(Constant)			1.216	.197			6.162	.000	
OrgCul			.292	.081	.262		3.593	.000	1.000

*b*-non-standardized coefficients; S.E-standard error of variables;  $\beta$ -standardized coefficients; *F*-test; *t*-statistic; *p*- significant level; *R*<sup>2</sup>-*R* square.

## 5. Discussion

The contemporary categorization of the instigators of change usually takes into account the impact of the competition pressure on changes as follows: the tendencies of globalization, the international instability, the growing needs for improvements in terms of transparency and accountability, the sustainability of the development initiated by the external changes, the lack of confidence in institutions, productivity, technology, e-business, consumer revolution, social trends, responses human resources, increasing the relative importance of stakeholders etc.

Based on the results of this study, the firms should be focused on the fact that it is necessary first to determine the goals of the concrete changes, and only then to think about the mechanisms for their realization, because the organizational policy for their realization depends on the inner feeling that the employees will acquire for organizational changes. Wherever there is a necessity for the expertise of a larger number of employees, they should be consulted about the whole process of change management, not just in the implementation phase. So, systemic management of

new creative initiatives, as well as, attracting quality employees to implement change, should largely become rooted in the root causes of the organizational change management rather than the dominant expenditure reductions.

Based on the identified trends in the development of SMEs in Kosovo, which were empirically rationally tested, is needed to clarify the specific modality of change that is most appropriate, according to the diagnosis of the stage in the life cycle in which they are located, as well as the internal and external conditions they face. Namely, in any organizational change, regardless of whether it is a current or planned change, the initial dimension is the awareness that its manifestation is to the greatest extent appropriate, from the following manifestations of the types: evolutionary (transactional) or revolutionary (transformational) (Connie, 1991).

The underlying dimension of diversity lies in the knowledge that the evolutionary project involves changing within the existing business model without substantial changes in the levels of authority and responsibility and is reflected in forms such as reconstructions, adaptations, moderation, etc. In contrast to the evolutionary, transformational organizational change presupposes the establishment of new, organic relations, with the essential change of the dominant business model, as well as real improvement of the quality of processes and relations in SMEs.

Organizational culture, to a greater extent, provides effective change of employees' awareness of the potential of organizational changes, for transition to the ideal form of organization. Signals coming from consumers should be more relevant to the dissatisfaction of their real needs, motives and desires in the consumption of the product/service and the restriction of the post-sale support, rather than the dominant of the payment terms that the current SME owns.

The findings show that prosperous organizational changes require a healthy organizational culture and a high degree of employees' learning capabilities in order to create organizational inertia and to adopt a new strategy that may lead to overall organizational success. In this vein, elements of a well-developed organizational culture (where employees work as a team, discuss the problems and give their opinion for the solution) may increase their willingness to support organizational changes, which may increase the competitive capability of the organization to flourish into the competitive market.

Although most of Kosovo's SMEs would volunteer to engage in evolutionary changes, according to their diagnosed state, most of them, i.e. 65% must gradually face transformational changes as the only model for building their competitiveness. In this vein, employee access to change is crucial, i.e. the way they see, feel and accept it. In the guidelines for the improvement of the organizational change management model, in the surveyed sample from Kosovo, the system for promotion and development of human resources has a separate meaning and influence.

The initial treatments of each employee in an SME involve the existence of their continuous and effective training and development. As a way to ensure the development of skills among people, that is to develop them from within, training should focus on facilitating learning, not just the inadvertent imposition of new functional knowledge. In addition to the training, emotional intelligence, sympathy, and integrity are considered as important, which in some situations are more important than the development of processes and skills. But, not always training, development and motivation of employees, as a conventional method of organizational change for human resources development, manage to yield the expected results. Unilateral imposition of new skills for human resource changes is

not effective due to too great personal goals and employee preferences, in circumstances where some of their personal convictions may even be contrary to those of the organization. What will always apply to the development of human resources in SMEs is that employees will never comply with incomprehensible or inapplicable organizational goals, especially those that are not transparent to the majority of employees.

## 6. Conclusion

We can say that in general change management is relatively a new area. In this paper we analyze the effect of organizational changes in dimensions and characteristics on SMEs competitive capability and SMEs organizational culture. Results have shown that the change in organizational dimensions factors are related to the SMEs competitive capability and may change organizational culture; also change on organizational culture of SMEs factors may increase the SMEs competitive capability.

First hypothesis (Model I): according to the statistical test results for individual coefficient control we get the result ( $t_1=7.327$  and  $p=0.000$ ) individual coefficients show that independent variables included in organizational dimensions have a significant contribution in this model. As seen by multiple regression equation, as well as without standardized  $\beta$  coefficients, change in organizational dimensions affecting competitive capability of SMEs. In this way we can say that the hypothesis H1, is not supported, by showing that organizational dimensions have a negative relationship and are important statistically with competitive capability of SMEs. The most important factor which has the larger impact on competitive capability of SMEs as is shown in Table 7, is "KnoGai" that has negative relationship, which would mean that if the "KnoGai" increase to 0.1 will decrease the competitive capability of SMEs for 25%, if other variables remain unchanged, it follows by reason that as much as employees are knowledgeable they may have different ideas to realize an organizational change, so they may resist to the changes, since the change may not go in the way how they have predicted and this may decrease the competitive capability of the SME.

Second hypothesis (Model II): as is shown in Table 8, according to the statistical test results for individual coefficient control we get the result ( $t_2=3.295$  and  $p=0.001$ ) individual coefficients showed that independent variables included in organizational characteristics have a significant contribution in this model. As seen by multiple regression equation, as well as, without standardized  $\beta$  coefficients,

change in organizational characteristics affecting competitive capability of SMEs. Since the relationship between organizational characteristics and SMEs competitive capability is not unique, some variables are positively whereas some other variables are negatively related, we can say that the hypothesis H2, is partially supported.

Third hypothesis (Model III): according to the statistical test results for individual coefficient control we get the result ( $t_3=7.311$  and  $p=0.000$ ) individual coefficients showed that independent variables included in organizational dimensions have a significant contribution in this model, so the model is statistically significant. As seen by multiple regression equation, as well as without standardized  $\beta$  coefficients, change in organizational dimensions affecting SMEs competitive capability. In this way we can say that the hypothesis H3, is not supported by showing that organizational dimensions have a negative relationship and are important statistically with organizational culture of SMEs. The most important factor which has the larger impact on changing the organizational culture as is shown in Table 9, is "EmpWil" that has negative relationship, which would mean that with the "EmpWil" increase to 0.1 the organizational culture of SMEs will change for 25.7 %, if other variables remain unchanged.

Fourth hypothesis (Model IV): as is shown in Table 10, according to the statistical test results for individual coefficient control we get the result ( $t_4=4.744$  and  $p=0.000$ ) individual coefficients show that independent variables included in organizational dimensions have a significant contribution in this model. As seen by multiple regression equation, as well as without standardized  $\beta$  coefficients, change in organizational characteristics affecting organizational culture of SMEs. In this way we can say that the hypothesis H4, is not supported by showing that some organizational characteristics have a negative relationship and are important statistically with organizational culture of SMEs.

Fifth hypothesis (Model V): states that "an improvement in organizational culture of SMEs a positive influence in increasing the competitive capability of SMEs". The results from Table 11, shows that the relationship between organizational culture and competitive capability of SMEs is positive and statistically significant. So, if an organization can provide a positive culture it may increase the competitive capability of the SME in the market. In this way, we can say that the fifth hypothesis (H<sub>5</sub>) is supported. The results of the fifth hypothesis indicated that organizational culture is one of the major reasons behind the failures of SMEs to realize competitive capabilities and it is critical for successful organizational changes.

This study makes a significant contribution to the scientific and academic value, by linking the organizational changes with SMEs competitive capability and organizational culture of SMEs in Kosovo, in the region and beyond.

## 7. Limitations of the Study

This study contributes in literature enrichment related to the relationship between change in organizational characteristics and dimensions with competitive capability and organizational culture of SMEs, but it has its limitation. Study limitations are:

- The size of selected SME that participated in the study is relatively low (200). For this reason, a close attention must be paid in trying to generalize the data of this study.
- Factors used in this study are not the only that influence in SMEs competitive capability and organizational culture. There are also other factors which are used.
- The data gathered in a moment of time, not in different periods of time. The value of the study would have been higher if the data had been gathered in different periods of time with the purpose of observing.
- It is worth emphasizing that not only changes in organizational characteristics and dimensions influence to organizational culture and competitive capabilities of SMEs but also the reverse causality should be analyzed in order to have a complete view of the relationship between these variables.

## 8. Reference

- Amit, R. & Schoemaker, P.J. (1993). Strategic assets and organizational rent. *Strategic management journal*, 14(1), pp. 33-46.
- Armenakis, A.A. & Harris, S.G. (2002). Crafting a change message to create transformational readiness. *Journal of Organizational Change Management*, 15(Number 2), pp. 169-183.
- Armenakis, A.A.; Harris, S.G. & Mossholder, K.W. (1993). Creating readiness for organizational change. *Human Relations*, 46(June), pp. 681-703.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), pp. 99-120.
- Beckhardt, R. & Harris, R.T. (1987). *Organizational transitions: managing complex - 59 -* ISBN: 1307-1629, 2008, 2(1) change. Reading: Addison-Wesley.
- Beer, M. & Nohria, N. (2000). Cracking the code of change. *Harvard Business Review*, (3), pp. 133-141.
- Bienert, Jeremy (2004). Expanding our understanding of the change message. *Human Resource Development Review*, 3(March), pp. 36-52.
- Camp, R. (1989). *Benchmarking: The Search for Industry Best Practice That Lead to Superior Performance*. White Plains, NY: Quality Resources.

- Eby, Lilian T.; Adams, Danielle M.; Russel, Joyce E.A. & Gaby, Stephen H. (2000). Perceptions of organizational readiness: factor related to employees' reactions to the implementation of team based selling. *Human Relation*, 53(March), pp. 419-442.
- Fey, C. F., & Denison, D. R. (2003). Organizational culture and effectiveness: Can American theory be applied in Russia?. *Organization science*, 14(6), pp. 686-706.
- Gersick, C.J. (1991). Revolutionary change theories: A multilevel exploration of the punctuated equilibrium paradigm. *Academy of management review*, 16(1), pp. 10-36.
- Gordon, G. G., & DiTomaso, N. (1992). Predicting corporate performance from organizational culture. *Journal of management studies*, 29(6), pp. 783-798.
- Griffin, R.W. (2005). *Management*. 8th ed. Indian adaptation.
- Hair, J.F.; Anderson, R.E.; Tatham, R.L. & Back, W.C. (1998). *Multivariate data analysis*. Fifth Edition. New Jersey: Prentice Hall.
- Iacovini, J. (1993). The human side of organization change. *Training and Development Journal*, 47(January), pp. 65-68.
- Islami, X. (2015). The Process and Techniques to overcome the Resistance of Change Research based in the Eastern Part of Kosovo. *International Journal of Multidisciplinary and Current Research*, 3(6), pp. 1122-1130.
- Islami, X., Mulolli, E. & Mustafa, N. (2018). Using Management by Objectives as a performance appraisal tool for employee satisfaction. *Future Business Journal*, 4(1), pp. 94-108.
- Islami, X., Mulolli, E. & Skenderi, N. (2015). The Role of the Environment in the Organizational Change of the SME-s Research Based in the Eastern Part of Kosovo. *International Journal of Recent Advances in Multidisciplinary Research*, 2(9), pp. 1763-1766.
- Jakupi, A. (2008). *Marketingu*. Bazat. Prishtinë.
- Jones, Renae A.; Jimmieson, Nerina L & Griffiths, Andrew (2005). The Impact of organizational culture and reshaping capabilities on change implementation success: the mediating role of readiness for change. *Journal of Management Studies*, 42(March), pp. 361-386.
- Kotter, J. (1995). Leading change: why transformation efforts fail. *Harvard Business Review*, 73(March), pp. 59-67.
- Lewin, K. (1951). *Field theory in social science*. New York: Harper and Row.
- Lind, D.A.; Marchal, W.G. & Mason, R.D. (2002). *Statistical techniques in business & economics*. 11th edition. New York, United States: McGraw-Hill Irwin.
- Lyon, D.W., Lumpkin, G.T., & Dess, G.G. (2000). Enhancing entrepreneurial orientation research: Operationalizing and measuring a key strategic decision making process. *Journal of Management*, 26(5), 1055-1085
- Mania, J. (2016). *Influence of organizational culture on performance of commercial banks in Kenya*. School of business, University of Nairobi.
- McDonald, T. & Siegal, M. (1993). Enhance self-efficacy. *Training and Development Journal*, 48(July), pp. 66-67.

- McManus, S.E.; Russell, J.E.A.; Freeman, D.M. & Rohricht, M.T. (1995). Factors related to employees' perceptions of organizational readiness for change. *Paper presented at the annual meeting of the Academy of Management*, Vancouver, BC, Canada.
- Pardo del Val, Manuela & Martinez Fuentes, Clara (2003). Resistance to change: a literature review and empirical study, *Management Decision*, 41(Number 2), pp. 149-155.
- Rehman, S.-U., Bhatti, A., & Chaudhry, N.I. (2019b). Mediating effect of innovative culture and organizational learning between leadership styles at third-order and organizational performance in Malaysian SMEs. *Journal of Global Entrepreneurship Research*, 9(1), pp. 1-24.
- Rehman, S.-U., Mohamed, R., & Ayoup, H. (2019a). The mediating role of organizational capabilities between organizational performance and its determinants. *Journal of Global Entrepreneurship Research*, 9(1), pp. 1-23.
- Rumelt, R.P. (1995). Inertia and transformation. In Montgomery, Cynthia A. (Eds.). *Resources in an evolutionary perspective: towards a synthesis of evolutionary and resource-based approaches to strategy*, pp. 101-132. Norwel: Kluwer Academic Publishers.
- Schneider, B.; Wheeler, J.K. & Cox, J.F. (1992). A passion for service: using content analysis to explicate service climate themes. *Journal of Applied Psychology*, 77(October), pp. 705-716.
- Shurafa, R., & Mohamed, R. B. (2016). Management control system, organizational learning, and firm's performance: An empirical study from developing economy. *International Journal of Advanced and Applied Sciences*, 3(10), pp.79-88.
- Smith, Ian (2005). Achieving readiness for organizational change. *Library Management*, 26(June), pp. 406-412.
- Smith, Ian (2005). Continuing professional development and workplace learning 11: managing the "people" side of organizational change. *Library Management*, 26(March), pp. 152-155.
- Stadtlander, Christian (2006). Strategically balanced change: a key factor in modern management, *Electronic Journal of Business Ethic and Organization Studies*, 11(May), pp. 17-25.
- Strebel, P. (1996). Why do employees resist change? *Harvard Business Review*, 74(May), pp. 86-92.
- Susanto, A.B. (2008). *Organizational readiness for change: A case study on change readiness in a manufacturing company in Indonesia*. WWW. IB-TS. ORG.
- Svetlana, I. Ashmarinaand Anna, S. Zotova, (2015). The Reasoning for Methodical Instruments of Evaluation of Organization Readiness, Possibility and Necessity to Implement the Organizational Changes. *Mediterranean Journal of Social Sciences*, vol 6, no 3, pp. 44-48.
- Teece, D. & G. Pisano (1994). *The dynamic capabilities of firms: An introduction Industrial and Corporate Change*, 3, pp. 537-556.
- Waddeal, Dianne & Sohal, Amrik S. (1998). Resistance: a constructive tool for change management. *Management Decision*, 36(Number 8), pp. 543-548.
- Woods, A. & Joyce, P. (2003). Owner-Managers and the Practice of Strategic Management. *International Small Business Journal*, vol. 21, (2), pp. 181-195.
- Zeffane, Rachid (1996). Dynamics of strategic change: critical issues in fostering positive organizational change. *Leadership and Organization Development Journal*, 17(Number 7), pp. 36-4