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**Institution:** Open University, Milton Keynes, UK

**Author:** Jakob Modéer

**Topic:** *“Social and cultural constraints to private sector development in Kosovo and how to include the constraints in development management”*

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## **Executive summary**

Private companies in Kosovo struggle with an array of hurdles. This refers mainly to internal and external economic constraints, such as poor marketing skills and weak regulatory frameworks. Too often social and cultural constraints such as nepotism in recruitment, personal rather than professional sources of power in management, clashing worldviews, lack of social capital, and prevailing patron-client relationships are overlooked. This type of constraints increase the companies' transaction costs in the same direct way as economic constraints.

Using a combination of qualitative and quantitative research methods, one-to-one interviews and an anonymous online survey, 19 company owners and managers as well as 12 management consultants shared their views on the accuracy and extent of five hypotheses on social and cultural constraints. While the sample is small, the answers of the respondents point to the existence of social and cultural constraints in Kosovo. The respondents also recognise the negative impact that the social and cultural constraints have on private company development and growth.

However, the research data shows the private companies less appreciative of the magnitude of problems caused by social and cultural constraints, and even less prepared to act to overcome the constraints affecting their own businesses. Instead of looking inside their own business operations, private company owners and managers tend to perceive the state, donors, media, courts and other external institutions responsible for managing the change process.

From a development management perspective, the core recommendation is for donors and state institutions to work more closely with and intensify the dialogue with the 'real' private companies in Kosovo. But foremost it is the 'real' private companies that must lead the effort to overcome the challenges they themselves are experiencing, including the sensitive social and cultural constraints. Recognising, appreciating and overcoming the social and cultural constraints will contribute to the emergence of a more competitive and viable private sector in Kosovo. Herein lay the fundamental value in further investigating the scope and strengths of social and cultural constraints to private company development.

## 1. Introduction and Background

The socio-economic situation in the Republic of Kosovo is characterised by high levels of unemployment, poverty and migration. In 2012, the unemployment rate was 45%, youth unemployment (15-25 years) measured 76% and women unemployment recorded 56%. (World Bank 2012:6) With a GDP per capita of €2,600 Kosovo remains one of the poorest countries in Europe. 34.5% of the population lives in poverty, while 12% lives in extreme poverty. 60% of all young people live in poverty. (World Bank 2012:6) Migration and remittances are considered coping mechanisms for households lacking employment and earning opportunities. (UNDP 2012:17) It is estimated that there are around 400.000 Kosovar emigrants abroad, 53.6% of them left Kosovo after 1999 as part of family re-unification, temporary legal and illegal migration. (UNDP 2012:26) In the latest wave of migration, in the winter of 2015, an estimated 30,000-50,000 Kosovars left the country. (FT.com, February 25, 2015)

Since the war in 1999, Kosovo's growth model has been strongly linked to external sources of financing, in particular to donor assistance and remittances. (World Bank 2012:8) In 2009, Official Development Assistance (ODA) accounted for 52.7% of gross capital formation in Kosovo. (UNDP 2011:161) In 2010, remittances from the Diaspora accounted for more than 11% of Kosovo's GDP. (UNDP 2012:17) However, donor assistance is in decline (IMF 2005:6), down from \$782 million in 2009 to \$533 million in 2013 (OECD 2015:193) and so are remittances, falling by 14% in 2011. (UNDP 2012:17)

In times of economic uncertainty, the public sector often assumes the role of "employer of last resort". In 2008, public sector employment in Kosovo recorded 35% of overall employment, and 24.6% of government spending. (World Bank 2008:73) In 2014, the country's fiscal policies deteriorated, as a result of government decision to increase public sector wages and pensions by 25%. (World Bank 2015:3) Public sector wages are now significantly higher than private sector wages, making it increasingly difficult for private companies to attract skilled labour. At the same time, donor agencies in Kosovo recognise that future economic growth and employment "should ultimately come from the private sector" and not the public sector. (IMF 2015, World Bank 2012:8) Consequently, Kosovo's current economic growth model, fuelled by government spending, remittances and development assistance, is deemed unsustainable. (World Bank 2015:5)

However, while the Kosovo government and donor agencies recognise the private sector as the primary generator of economic growth and employment, private companies in Kosovo are small, weak and under-performing. Kosovar companies are incapable of competing successfully with imported goods on the domestic market, let alone export. In 2014, Kosovo exports was €325 million, while imports were worth €2.5 billion. (World Bank 2015:5) The low levels of competitiveness among private companies contribute directly to the trade imbalance. Among the 126.277 registered private companies, 98.39% have less than ten employees, while 90% of the companies employ less than four persons. (Kosovo Business Registry 2014) The large majority of these companies are involved in trade and retail (50%) and small-scale services (30%), while only 10% are in manufacturing. (Ahmeti & Marmullaku 2015:420)

In Kosovo, business creation is very active, but most companies do not grow. In fact, research indicate high numbers of inactive SMEs in Kosovo, which may be a sign of high company mortality, a strong informal sector or company creation for the sole purpose of qualifying for external funding opportunities. (BSC Kosovo 2011:8) In 2011, only 20% of the registered companies in Kosovo paid taxes. (Kosovo Tax Administration) The

informal economy in Kosovo is estimated at 40% of GDP. (US State department 2014:1)

Until now in Kosovo, the key barriers to private company development have been divided into two main groups – internal and external economic constraints. Internal constraints refer to barriers affecting the private companies' operations, such as weak strategic and quality management, production technologies, human resource development, limited market linkages, lack of innovation capacities and other soft business skills. Added together, these internal constraints result in low levels of company performance, efficiency and value added. (EUSME TNA report 2012, EBRD Kosovo Strategy 2013:41)

'External' economic constraints refer to barriers identified in the business environment, such as infrastructure gaps (energy, transportation, telecommunication), deficiencies in laws and regulations, corruption (tax and customs administration in particular), weak administrative practices and law enforcement, limited access to finance, unfair competition caused by a flourishing informal economy, taxes, etc. (Riinvest 2011, World Bank 2012:8, USAID Kosovo Strategy 2014:6, SECO 2013-2016 Strategy, European Commission, "Indicative Strategy Paper for Kosovo 2014-2020:28-29)

However, the performance and management of private companies are also influenced by social and cultural aspects, which are context specific. This refers to social and cultural concerns that directly increase the companies' transaction costs, such as nepotism in recruitment, personal rather than professional sources of power in management, clashing worldviews, lack of social capital, and prevailing patron-client relationships. These are concerns that private company owners are less willing to discuss and let alone address because of their sensitive nature. However, by not addressing the social and cultural aspects, company performance is suffering. Also, by not recognizing and openly discussing the social and cultural aspects, their existence and negative impact on private companies remain unknown to the outside world. Without this information, donor agencies continue to design interventions that address easily identifiable internal and external economic constraints.

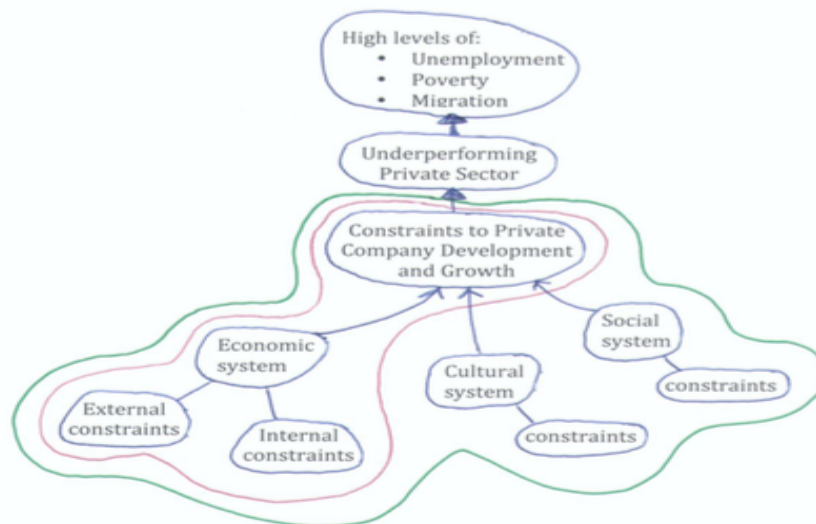
The same is true for Kosovo Government policies. Again, the focus is on addressing the obvious internal and external economic constraints. It follows that the Government recognizes that the business environment has until now been unfavourable to business, including the lack of a functional bankruptcy system and a Regulatory Impact Assessment, as well as weak contract enforcement and "ineffective legislation application". (MTI 2013:9, National Strategy for European Integration 2020:43) In recent years Kosovo has made some progress on business reform, as measured in the World Bank's 'Doing Business report. Kosovo is now ranked in 75<sup>th</sup> place, up from 117<sup>th</sup> place in 2012, having introduced specific reform in relation to 'enforcing contracts and 'dealing with construction permits' in 2014.

Development management, in the context of Kosovo, aims at achieving social goals, such as a reduction of unemployment, poverty and migration that are external to any specific organization. (Thomas 1996:102). Private sector development is a tool to achieve these social goals. Since 1999, numerous interventions by donor agencies (EAR, EU, USAID, GIZ, SECO, SDC, ADA, Norwegian Aid, Dutch Aid and many others) have offered and offer financial and non-financial support to entrepreneurs and existing private companies in Kosovo. Yet, despite over 15 years of continuous technical assistance and financial support (loans, micro-credit, grants, etc.) the private sector in Kosovo remains small and weak, divided and without a voice, incapable of making a dent in the country's extremely high levels of unemployment, poverty and migration.

There is a need for private company owners, donors and state institutions to recognise and appreciate the existence, extent and negative impact that social and cultural constraints have on private companies and on private sector development in Kosovo. Based on this recognition and appreciation, private companies can take actions to overcome the social and cultural constraints, which in turn will most certainly boost their performance and competitiveness. The role of the donors and Government is to support this change process, not trying to define it and lead it. That responsibility must lay entirely with the private companies.

## 2. Nature of the problem

From a development management perspective, I would argue that one reason for the obvious discrepancy between the *inputs* of private sector development projects (financial and non-financial support), *outputs* (project results) and *impact* (unemployment, poverty, migration data) is a too narrow framing of the system where private sector development occurs. Donor agencies, as the most powerful development actor in Kosovo, in applying systems practice as a process, draw a boundary around the economic system, in which private sector development is a part, indicating their system of interest (red line in graph below). Other systems, such as social and cultural systems, are deliberately placed in the external environment, indicating that the donors, as development practitioners, do not recognize the inter-action and relationships that exist between the economic, social and cultural systems. (Ison 2010:45)



I would argue that the current systems dynamics weighs heavily in favour of the economic system, ignoring existing social and cultural systems, which in turn hinder the emergence of well-performing private companies in Kosovo. (Bawden in Blackmore 2010:41) Numerous donor projects are making 'reality judgments' to address problems in the economic system, but few make any 'value judgment', highlighting the 'ethical and moral aspects' of the actions. (Study Guide, 2010:173). As a result of too many 'discipline-based experts missing the whole picture', the competitiveness of Kosovo companies remains low. (Bawden in Blackmore 2010:97)

Within the framework of development management as a deliberate effort of progress, the 'institutional agenda' (Washington Consensus) of common principles and objectives linked to 'market liberalization, privatization and state downsizing' is still shaping donor agencies' and governments' policies and toolkits. (Brinkerhoff & Brinkerhoff 2005:8) In the context of Kosovo, such deliberate efforts of progress include "promoting a more favourable business environment" (USAID, 2014:i), improving energy supply (World Bank, 2012:22), strengthening policy-making, building capacities in institutions and improving business support services (EC, 2014:290), and general "structural reforms to boost competitiveness and good financial sector health" (EBRD, 2013:1). Donor agencies and Kosovo institutions are repeatedly proposing systematic methods to overcome economic constraints in the private sector. However, this approach reduces company challenges into simple cause and effect tasks. According to the donor agencies, the private sector situation can be described objectively and change is dictated by blueprint plans, such as the EU's 'Small Business Act' and the World Bank's 'Doing Business' report. However, for all its efforts and resources this approach has produced very limited improvements in the private sector situation in Kosovo.

There is a tendency among donors to design policy and interventions based on economic analysis and there is often a built-in preference for neo-liberal economic theory. The neoliberal agenda include a push for market forces to take on a larger role in development, while the state's role is minimized. (Mackintosh, 1992:5) As a result of donor agencies' economic policy preference and top-down approach, their prescribed solutions are often "uniform, standard and for universal application". (Chambers in Allen and Thomas 2000:303) The analysis and development solutions show little appreciation for individual country's social and cultural context. However, "to understand how the market functions, we need to know about the legal and social structures within which markets are embedded". (Macintosh, 1992:7)

The reasons for the under-performance of Kosovo private companies are not found only in the economic system, but in the social and cultural context of Kosovo. Project activities to address weak marketing skills in companies or to reduce the number of days it takes to register a company (a World Bank "Doing Business" report indicator) are more easily designed and reported upon than activities aimed at changing a population's attitudes towards entrepreneurship. To better understand the behaviour of private companies, it must be analysed within the historical, social, cultural context where they operate. (Welter, 2010:165) There is a need to listen to the views of private company owners and managers in Kosovo.

It follows that in order to adequately address the under-performance of Kosovo private companies, development agencies must first 'understand things systemically', by putting things 'into a context' and establishing the 'nature of the relationship among things'. (Ison 2010:22) This will entail re-drawing the boundary of the situation to include also social and cultural aspects. (Green line in graph above) This would include analysing Kosovo society as a culture and a "system of basic common values that help shape the behaviour of people in a given society". (Granato et al, 1996:608) Culture has a profound affect on how we act as individuals, members of a group or as a private company owner. "Our personal and group identities cannot be separated from the cultures in which we are enmeshed." (mhhe.com, visited on September 12, 2015)

However, moving the boundary of the private sector development system to include also social and cultural aspects opens up the development management discourse about who is the system's main client, what is the power relations among system actors and what is the purpose of the project. (Blackmore and Ison in Thomas and Mohan 2007:52)

The final boundary of the private sector development system will depend on the perspectives of its participants and the power relationships among them. At the moment, the boundary is set mainly by the donor agencies, using 'power over' local institutions, including the private companies, to 'decide for' the private sector in Kosovo. This is a top-down, technocratic approach. By strengthening the roles, voice and power of local institutions, in particular the private companies as the key stakeholder group and project beneficiary, the framework could change from 'hierarchical' to 'autonomous', in which the power to 'decide' is 'delegated' to the private companies. (Heron in Thomas and Mohan 2007:52)

I would argue that in order to "do the right thing", donor agencies and government institutions need to move beyond economic analysis and blueprint solutions that focus entirely on how formal institutions determine 'transaction and transformation (production) costs', to appreciate the "informal constraints embodied in customs, traditions and codes of conduct' and their negative impact on the performance of private companies in Kosovo. (North 1990:6) It is true that poor management practices and weak business legislation mean higher 'transaction costs' for companies, but so do the numerous social and cultural constraints that Kosovo company owners struggle with on a daily basis. Economic development is not only a reflection of a "society's economic and political institutions, cultural factors are also important." (Granato et al, 1996:608)


Democratic dialogue is when actors and institutions 'within society engage with each other to understand, contest and influence the direction of social change'. (Woodhill in Blackmore 2010:62-63) This type of dialogue is weak in Kosovo, in particular in regards to the economic system. Re-framing the situation of private sector development in Kosovo will trigger a dialogue that in turn could stimulate a 'gradual transformation of the system as a whole' and as learners multiply and new private sector development ideas come into 'good currency' it becomes a learning system. (Schön in Blackmore 2010:215) This will require a more pro-active, organised and critical private sector. Currently, social change in Kosovo is 'dictated by tradition, existing institutional structures, brute economic and political power, vested interests...' (Woodhill in Blackmore 2010:63) Conservative systems protect themselves against ideas they find threatening, yet '...when the ideas are taken up by people already powerful in society this gives them a kind of legitimacy and completes their power to change public policy'. (Schön in Blackmore 2010:11) Herein lay the development management challenge. Social learning is the 'processes by which society democratically adapts its core institutions to cope with social and ecological change in ways that will optimise the collective well-being of current and future generations'. (Woodhill in Blackmore 2010:63) A new generation of professional and globally competitive private companies in Kosovo must start to advocate social change at home, challenging the current societal status quo dominated by a small local political-business elite, and to enhance social learning in order to replace the current "well-being for the few" with "collective well-being".

Chambers proclaims that the biggest challenge of the 21<sup>st</sup> Century is to "find better ways to enable those who are powerful to gain more satisfaction from exercising less power". (Chambers, 2006: Audio CD 3) This portrays well the situation of the political-business elite and donor agencies in Kosovo. Both are inertly conservative yet hold the power to initiate public policy change. The business model of the political-business elite can best be described as 'nomenclatura' business, "where political influence is used for private gain by protecting market niches and acting as a mechanism for resource mobilization." (Smallbone and Welter, 2001:252) Hyatt and Kaplan make the argument that by holding a more "open disposition to the outside world", being open to its "emergent self", an

organisation would open up for learning through “relationship, reflection and dialogue”. (Hyatt and Kaplan 2006:169) By exercising less power the political-business elite and donor agencies could encourage learning and change among key actors and institutions in society and in the private sector. The challenge is for the Kosovo political-business elite to move from ‘controlling’ a small domestic market dominated by imports and retail, to produce value-added products and services and to compete globally. The challenge for the donor agencies is to more effectively include the voice of private companies, beyond the ‘nomenclatura companies, in the project design, implementation and evaluation processes.

Re-framing the private sector situation to include social and cultural aspects will also affect selection of stakeholders and the way donor projects are managed. The predictive project management approach, as the preferred management choice in donor agency projects, influences stakeholder classification. A private sector development project ideally includes three stakeholders – private companies, state institutions and donor agency. Stakeholders have their own interests, and their relative power dictate to what extent they can materialise these interests.

		Level of interest	
		Low	High
Power	Low	a (minimal effort)	Enterprises b (keep informed)
	High	State institutions and Donors c (keep satisfied)	d (key player)



(Adaptation of Mendelow’s matrix, The Open University, 2014, p.23)

Within the project’s power-interest dynamics, the donor is the project sponsor and the project’s most powerful stakeholder. State institutions draw power from their authority to approve project outputs. The interests of both are limited to project outcomes. The private companies have a high interest in projects improving their performance. Without any demanding ‘key players’, the project manager only needs to keep private companies informed about activities, and state institutions/donors satisfied with project progress. Again, the power and interest dynamics support the predictive project management approach. For real improvements in the private sector to occur, enterprises, and to a lesser extent the state institutions must become ‘key players’. This will increase local ownership and influence project goals. However, in order to accommodate powerful donor agencies’ preference for control and predictability, stakeholders who share the same inclinations, such as local state institutions, more often get elevated and treated as primary rather than secondary stakeholders. Suddenly, to design policies and strategies to support private companies becomes a priority, rather than practical support to private companies in the field.

In private sector development projects, this means that state institutions become ‘end-users’ (Dix et al cited in Open University, 2014:21). The role of private companies in project design, implementation and governance is significantly reduced, which has a negative impact on project outcomes. From this mix-up of stakeholders it follows that stakeholders may review project outcomes very differently. While some stakeholders see predictable ‘outcomes’ (donors and state institutions), others see the wrong things

being delivered (private companies). Where some see planned targets met (donors and state institutions), others see no real improvements in the situation (private companies). Instead, by involving private company owners, as the primary stakeholders, in project design, management and evaluation means nursing a partnership for development where local stakeholders' are engaged, their capacities and sense of local ownership are strengthened. In such a scenario we are no longer just to giving aid, but "doing things *with* people not *for* them" (Robinson, Hewitt and Harriss, 2000:12). In the end of the day, it is the private company owners, managers and staff who will, or will not, transform their own businesses. Neither donors nor the state institutions can do that for them.

In this project I will explore *what* are the key social and cultural aspects affecting the private sector according to private company owners and managers in Kosovo, and *what* can/should be done to address and overcome these social and cultural aspects. I believe that by appreciating the existence and impact of the social and cultural aspects, the private company owners will recognise the necessity to deal with them in order to improve business operations. For the donor agencies and public institutions, the same recognition will assist them in designing private sector development interventions that are context sensitive, and consequently 'culturally feasible' to implement. Such project interventions are more likely to generate more competitive private companies in Kosovo, capable of competing on the domestic market and expanding internationally. In turn, a larger and stronger private sector will contribute to the reduction of unemployment, poverty and migration in Kosovo.

### **3. Research methodology and design**

The research methodology used in this project includes a combination of *field* and *desk research*. Through one-to-one interviews and an online survey data was collected from two distinct groups of interviewees – owners/managers of private companies registered in Kosovo and management consultants working in support of the development of private companies in Kosovo. I initially relied on my professional network of companies and consultants in Kosovo to identify respondents and to inquire about their willingness to be interviewed or fill in the online survey.

Through the *desk research* approach, donor agencies' core views on socio-economic development and methods applied in support of private sector development in Kosovo since 1999 were identified and analysed. There is an ethical agenda attached to the donors, by which 'care of the other', is applied in a hegemonic manner. (Van Ufford and Giri 2003:253, in TU874 Blocks 1-4) Within the private sector development situation in Kosovo this refers to donor agencies defining what is good for the private companies. However, the 'vision and practice of development' should be a shared responsibility. In this sense, the ultimate responsibility for the development of private companies in Kosovo must be with the private companies themselves. The role of the donors and public institutions is to support the private companies, not to lead the change process.

This project is about the owners and managers of private companies in Kosovo, as primary stakeholders in the process of developing and growing their businesses. This project is about the owners and managers' views on their own corporate development and on the socio-economic development of Kosovo, within which the private sector play a crucial role. The project draws on the owners and managers' sense of 'criticality' in reviewing the situation that their companies are in, including economic, social and cultural constraints to growth. A constructive dialogue can only take place when the

actors and institutions adopt a higher degree of criticality. (Bawden in Blackmore 2010:41) Donors and state institutions also need to be more critical about development policies, processes and methods applied in Kosovo since 1999, as well as recognise the lack of real improvements among private companies. Private companies are the primary generators of economic growth and employment in any free market economy. Kosovo is no exception. However, in the context of Kosovo, there is an urgent need among public institutions and development agencies to further enhance their own understanding of the situation in which private companies operate. This is a situation that is shaped by social and cultural aspects, not only economic aspects.

Over my 20 years of professional experiences in South East Europe, I have identified five core social and cultural barriers to private company development and growth in Kosovo. These constraints refer to the social and cultural pressure applied on private company owners to employ non-qualified staff, family versus professional management, a prevailing egalitarian worldview in society, lack of social capital and patron-client relationship as a method of corruption. In my view these social and cultural aspects increase transaction costs and the cost of doing business for private companies in Kosovo, making them less competitive. The social and cultural constraints were presented to the private company owners/managers and management consultants in the form of five hypotheses, requesting the respondents to mark to '*what extent they thought this was an accurate description*' or not, and '*to what extent they thought this is a common situation in Kosovo today*' or not.

*Secondary research and secondary sources*, in the form of donor agencies' Country Development Strategies for Kosovo and Kosovo Government policies and strategies, were used to complete a content analysis. Through these sources the predominate characteristics of the development management approaches, methods and tools applied by key donors in Kosovo were identified. The private sector development theories and approaches applied by donors in Kosovo were compared with the answers of the private companies and consultants give to the questions on "*what can/should be done to overcome the social and cultural aspects*" constraining corporate growth and "*on how can the process of including social and cultural issues within the development of business be managed*". Here, the question was whether or not development management, in the private sector situation, is indeed a shared responsibility when put into practice in the Kosovo context.

To appreciate the level of 'shared responsibility', I applied a *triangulation* concept to crosscheck and analyse the findings of the interviews and online survey with the private companies and management consultants (interviews and online survey), and with the donor agencies that offer financial and non-financial support to private companies in Kosovo (desk research).

## **Data collection**

While the management consultants were answering the small-scale survey by returning their written responses by email, great hesitation emerged among the private company owners to do the same. This unwillingness among the private company owners to open up and discuss social and cultural aspects was becoming a constraint to the research

process. In turn, this constraint could limit the number of companies that would respond. Through verbal conversations with three company owners I understood that their resistance to answer the survey was based on a risk assessment process. One women entrepreneur confirmed this sentiment in an email, stating that she *“did not feel comfortable answering the survey and having to write something that could be used against her company in the future...”* The company owners’ unwillingness to put their names under their personal views further supported the notion that social and cultural constraints are present in contemporary Kosovo, and that these constraints indeed affect business operations in direct and negative ways.

In order to overcome this constraint on the research method, an online survey was developed on SurveyPlanet.com. The survey link was sent to three business associations and chambers in Kosovo, asking them in turn to forward the link to their members. These efforts took place in the month of August, which is the most favoured holiday month in Kosovo. In the end, 14 private companies anonymously answered the web-based survey.

#### Summary of number of respondents per method

Method	Management Consultants	Private company owners
One-to-one interviews	5	5
Online survey, email submission	7	0
Online survey, web-based submission	N/A	14
<b>Total number of respondents</b>	<b>12</b>	<b>19</b>

The characteristics and scope of business of the 14 private companies that answered the online survey anonymously are unknown. Among the other five interviewed companies, two companies are micro-companies owned and managed by women (one in services and the other in basic food-processing). Two of the respondents are medium-sized companies with over 100 employees (one company active in agriculture and food-processing, while the other in metal-processing). The metal-processing company is a privatized, previously socially owned enterprise that currently exports a large portion of its products. The fifth company interviewed is an architecture and design bureau with diaspora linkages, managed by Kosovars educated in the UK, working almost entirely for international markets.

The data collected through the methods described above create a base for an initial analysis and the development of a set of recommendations. It should be recognized that the sample is small. It includes the scores, views and comments of 19 private companies and 12 management consultants in Kosovo. However, the views and comments of the consultants reflect their professional work with hundreds of micro, small and medium sized private companies in Kosovo. The survey and analysis give, although not statistically representative, an indication of the existence, magnitude and trends of social and cultural aspects, how these aspects negatively impact on private company performance and how the process of including social and cultural issues within the development of business can be managed in order to strengthen the overall performance of private companies in Kosovo.

## 4. Analysis and findings

A simple method is used in structuring the data analysis, in which the analytical framework method includes the three main questions asked to the respondents. (Open

University 2009:137) For each question, and for the five hypotheses in question 1, a review is conducted to what extent the respondents' answers approve or disapprove of the hypotheses. The answers of the consultants and private business owners are compared. The answers of the company owners and consultants to the open questions are used mainly as anecdotal evidence, to add additional primary information to the analysis, as well as to confirm or dispute the quantitative scores.

## Question 1 “Social and cultural aspects”

### Hypotheses 1 on nepotism

*“Private company owners are under **great social and cultural pressure** from family, relatives, political parties, others, to employ people, no matter their qualifications and willingness to work, and pay them salaries. This socio-cultural aspect increases the costs of doing business (transaction costs) for the individual company, making the company less competitive.”*

Hypotheses 1 answers	18 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li>Very accurate</li> <li>Accurate</li> <li>Don't know</li> <li>Not accurate</li> <li>Not very accurate</li> </ul>		
<i>Very accurate or accurate</i>	<b>89%</b>	<b>100%</b>
Hypotheses 1 answers	18 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li>Very common</li> <li>Common</li> <li>Don't know</li> <li>Not common</li> <li>Not very common</li> </ul>		
<i>Very common or common</i>	<b>72%</b>	<b>84%</b>

There appear to be two main reasons why private companies, in particular smaller companies in Kosovo, give priority to employing relatives. One, in a dire economic situation where finding a job is very hard no matter the candidate's qualifications, people tend to rely on personal contacts to find employment. “Family and kinship relations play an important role in overcoming or circumventing institutional deficiencies.” (Smallbone, Welter and Ateljevic, 2014:114) There is a perceived moral obligation in Kosovo, a post-conflict and transitional economy where “*family ties are very strong*” (respondent

comment), that private company owners should employ relatives in need. Employing family is also seen as a way of reducing labour costs.

The other main reason for employing family members and relatives appears to be trust. One women entrepreneur presented trust as a cultural dilemma. *"It is difficult to trust. I want to trust and educate staff as my company grows. But it will be a risk as they may engage in petty theft, stealing clients, and ruining client relations"*. "Families may be reluctant to hire outside managers because the law is not strong enough to protect them from theft". (Bloom and Van Reenen, 2010:219) This cultural constraint is linked to the performance of the judicial system. This risk was underlined by one consultant respondent, who pointed out that *"family members, instead of adding value to the business, due to their lack of skills and knowledge, may do more harm than good to the business as a result of their inappropriate behaviour towards staff and customers."* This fear puts in motion negative expectations about other people's motives and limits 'relational trust'. (Zahra, Yavuz and Ucbasaran, 2006:545)

Beyond the family, company owners are experiencing pressure from other power sources in society, mainly political parties, to employ people. *"I have five brothers (biological), but nowadays I have five more brothers (mainly political men)"*, one company owner described his predicament. While smaller company owners may feel a moral obligation to employ relatives, larger company owners appear to employ 'political men' in order to *"stay in the game"* and qualify for *"favourable treatment by public institutions on procurement, taxes and customs duties"*. This political infringement into the private companies' operations is a cultural constraint that adds to the company's cost of doing business. In the context of private sector development in transitional countries, this social and cultural constraint highlights the notion that private sector development is "more than an economic process" it is part of a social transformation. (Smallbone and Welter, 2001:252)

## Hypotheses 2 on personal versus professional sources of power

*“This refers to **family in management**. Company owners are under social and cultural influence to promote family members into company management positions (again, no matter their qualifications and willingness to manage/work). This non-business motivated decision lead to weak management and conflicts between “professional’ managers and ‘family’ managers, which in turn affects company performance negatively. “*

Hypotheses 2 answers	18 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li>■ Very accurate</li> <li>■ Accurate</li> <li>■ Don't know</li> <li>■ Not accurate</li> <li>■ Not very accurate</li> </ul>		
<i>Very accurate or accurate</i>	<b>61%</b>	<b>100%</b>
	<b>18 companies responded</b>	<b>12 consultants responded</b>
<ul style="list-style-type: none"> <li>■ Very common</li> <li>■ Common</li> <li>■ Don't know</li> <li>■ Not common</li> <li>■ Not very common</li> </ul>		
<i>Very common or common</i>	<b>89%</b>	<b>100%</b>

The almost 40% difference in the answers between private company owners and consultants, could illustrate that the decision to nominate family members over professionals is personal and consequently difficult for the company owners to view objectively.

This hypotheses brings to the fore the importance of trust between company owners, managers and staff, and how trust stimulates open dialogue and transfer of knowledge within the company. (Zahra, Yavuz and Ucbasaran, 2006:545) It also highlights the importance of qualified and professional management in a competitive market. In fact, research shows that “inherited family-owned firms who appoint a family member (especially the eldest son) as chief executive office are very badly managed on average.” (Bloom and Van Reenen, 2010:205) Research also shows that “Founder firms”, where the CEO established the company, are also ‘badly managed’. One reason for this may be that the “entrepreneurial skills required of a start-up, like creativity and risk taking, are not the primary skills required when a firm grows”. (Bloom and Van Reenen, 2010:218) A large number of companies in Kosovo were established out of necessity. Few company owners have a formal business education, while some have no previous experience in their chosen economic sector. As a result, a women entrepreneur remarked, “*decision-making is very centralized to the owner, while managers and staff*

take little or no responsibility for their actions. Within this one-man-show management style, there is no delegation of authority and responsibilities, and as a result the management process remains inflexible and slow." Some companies 'trust' family to keep business records secret, also from state institutions. According to one company manager "this is a result of the fact that most companies have no control procedures over management activities. In such a situation, they consider it easier to hire people they trust, continue to work without proper documentation in informality."

### Hypotheses 3 on egalitarian versus individualistic worldviews

*"As a historical outcome of living in socialist Yugoslavia, a large segment of the population in Kosovo still holds an **egalitarian worldview**. This means that they hold the view that the capitalist system has made a few people very rich, very quickly, but not by hard work or innovation but by means of nepotism and corruption. The egalitarian worldview and a commonly held senses of injustice and unfairness create space for state inspectors to misuse their authority (a perceived 'moral right') to 'go after' private businessmen in search of taxes and/or bribes. The view of the citizens is that the private businessmen deserve this treatment by state officials because they became rich on account of the state, taxpayers and future generations."*

Hypotheses 3 answers	18 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li>Very accurate</li> <li>Accurate</li> <li>Don't know</li> <li>Not accurate</li> <li>Not very accurate</li> </ul>		
Very accurate or accurate	84%	84%
Hypotheses 3 answers	18 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li>Very common</li> <li>Common</li> <li>Don't know</li> <li>Not common</li> <li>Not very common</li> </ul>		
Very common or common	83%	84%

Each economy possesses its own 'distinctive experience of entrepreneurship'. (Smallbone and Welter, 2001:250) For Kosovo, this experience includes not only transition towards a free market but war and post-conflict reconstruction, historical change processes that contribute to its current private sector context. As a part of Yugoslavia, Kosovo experienced a socialist economy dominated by state-owned

enterprises. When Kosovo Albanian managers and workers were forced out of their state jobs by the Milosevic regime, a large number of Kosovars turned to entrepreneurship for survival. This means that while Kosovars inherited an egalitarian worldview from Yugoslav times, the prosecution by Serb authorities forced them to embrace a more individualistic worldview. According to one of the respondents *“during the pre-Kosovo 1999 era entrepreneurship was excessively ‘taxed’ by various Serb officials (police, taxmen, customs, etc.). To survive the Kosovar entrepreneur had to collaborate with and probably bribe officials. This notion and practices of private business has remained in people's mind and therefore is continuously used, and is wrongly perceived as the only development route for entrepreneurs' and companies”*.

Another company owner stated that he did not believe Yugoslav mentality was to blame for people's negative view of the private sector in Kosovo. Rather, he blamed *“the unprofessional media who portray successful businessmen as thieves and corrupt persons.”* This notion was supported by the managers of one of the larger companies, who explained that *“private companies can be divided into two groups - those who became rich on account of state and those who became rich through hard work and innovation. There's confusion about who is who.”* By not promoting the ‘good’ companies or punishing the ‘bad’ companies, the state and society show little appreciation for private companies' positive roles in society in providing jobs and tax revenue. “The most important role of the state in relation to entrepreneurship and the development of private business is through its influence on the value placed on enterprise and entrepreneurship within society.” This value is influenced by a number of factors, such as education, but also by the way the state encourages people to become entrepreneurs, and “through the behaviour of politicians and government officials in their dealings with private entrepreneurs”. (Smallbone and Welter, 2001:259) If state inspectors abuse their authority, as they did during Serb rule, the transaction costs of private companies in Kosovo will increase.

## Hypotheses 4 on social capital

**“Lack of social capital.** In line with other countries in South East Europe that experienced the authoritarian and centralized political and economic systems of Ottoman, Monarchy and Communist rule, Kosovo society is suffering from a lack of personal trust and respect, making horizontal cooperation between people and companies a difficult task. From a company perspective, the inability of companies to collaborate with each other weakens their collective position in front of public institutions. The inability of companies to cooperate also limits the opportunity to learn from each other and create economies of scale.”

Hypotheses 4 answers	18 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li>■ Very accurate</li> <li>■ Accurate</li> <li>■ Don't know</li> <li>■ Not accurate</li> <li>■ Not very accurate</li> </ul>		
<i>Very accurate or accurate</i>	<b>72%</b>	<b>92%</b>
Hypotheses 4 answers	12 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li>■ Very common</li> <li>■ Common</li> <li>■ Don't know</li> <li>■ Not common</li> <li>■ Not very common</li> </ul>		
<i>Very common or common</i>	<b>61%</b>	<b>92%</b>

The company owners create a sense that trust and cooperation among themselves exist, something that the consultants refute in an overwhelming majority. The company owners' answers could reflect a general lack of criticality among them. Social capital is “the connections among individuals, social networks and the norms of reciprocity and trustworthiness that arise from them”. (Putnam in Batt, 2008:487) “Members of highly connected communities are more likely to trust one another due to strong societal values giving them confidence in other actors' actions and reliability. Thus, highly connected networks display higher levels of social capital”. (Batt 2008:488) The opposite is true in Kosovo, where private companies have limited contact with each other, let alone engage in open dialogue, knowledge sharing and cooperation. Intense competition, globalization and high transportation costs force competitive companies to think big. Yet, without cooperation private companies are unable to reap the benefits of economies of scale. In the words of one private company in the outsourcing business, “our company (and other that we know) has lost opportunities to bid on larger scale project due to inability to find

*common language of cooperation. Also quality control in projects of cooperative nature is difficult to maintain due to individual opportunism and also lack of performance references". "Without a degree of trust between business partners, the parties to the transaction will feel exposed to opportunistic behaviour which will either raise the transaction costs of doing business or even prevent the transaction being carried out altogether."* (Bartlett and Bukvič, 2001:182) Also, when fragmented the private companies remain without a powerful voice in front of state institutions. While business associations and chambers of commerce could play a pivotal role in managing horizontal cooperation among member companies, and advocate their needs in front of state institutions, one respondent representing a large processing company highlighted that *"most companies believe association membership is a waste of time and money. They see the associations as powerless in front of government bodies."*

### Hypotheses 5 on corruption (patron-client relationship)

*"The **patron-client relationship** is a mechanism of corrupt practices with long cultural and historical roots in the Balkans. The 'clients' are civil servants whose loyalty is foremost with the patron (political and/or business elite) and not with the public institution. The goal of the patron is to maximize profits, while the public institution aims to achieve external social goals. The behaviour of the patron is entrepreneurial, but "parasitical" and "damaging for the economy". The Kosovo business elite is mainly in the business of import, retail and public procurement, where monopolies and preferential treatment by public institutions offer the highest rewards.*

Hypotheses 5 answers	18 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li><span style="color: blue;">■</span> Very accurate</li> <li><span style="color: red;">■</span> Accurate</li> <li><span style="color: green;">■</span> Don't know</li> <li><span style="color: purple;">■</span> Not accurate</li> <li><span style="color: cyan;">■</span> Not very accurate</li> </ul>		
<i>Very accurate or accurate</i>	<b>77%</b>	<b>92%</b>
Hypotheses 5 answers	12 companies responded	12 consultants responded
<ul style="list-style-type: none"> <li><span style="color: blue;">■</span> Very common</li> <li><span style="color: red;">■</span> Common</li> <li><span style="color: green;">■</span> Don't know</li> <li><span style="color: purple;">■</span> Not common</li> <li><span style="color: cyan;">■</span> Not very common</li> </ul>		
<i>Very common or common</i>	<b>78%</b>	<b>92%</b>

Consultants appear more open to discuss and recognise the existence of corrupt practices than private company owners. It is important to recognise that private business is not automatically something good for society. Private business can take many forms, and not all involve hard-work, innovation, corporate social responsibility, exports and the creation of new jobs. In fact, some companies may lead a “parasitical existence”, which is damaging to the economy and society. (Baumol 1990:3) The current business elite in Kosovo is active in economic activities that are the most lucrative within the current ‘rules of the game’, such as public procurement, import of goods and retail. None of these activities bring in any new money, rather it feeds Kosovo’s ever-growing trade deficit.

One of the private companies put it bluntly. *“Private companies can be contracted or will be awarded contracts only if they have a link, or a relationship in the public institutions.”* Corrupt practices have become a way of life in Kosovo, and as in other Balkan countries, the art of avoiding the long arm of the state has its historical roots. The patron-client relationship mode of public administration was well established in the Ottoman Empire. (Inalcik, Faroqi, Quataer 1994:570) Or as one contemporary Kosovo civil servant expressed it. *“Our salaries are low, but our profits are high”*. Public office is perceived foremost as an opportunity to make personal financial gains.

**Question 2.** *“Can you think of any other social and/or cultural aspects that are negatively affecting the performance of private companies in Kosovo today?”*

Approximately 70% the respondents answered this open question. Not one of the respondents brought up a new social or cultural aspect. Rather, the focus was on other institutions that negatively affect private companies in Kosovo, such as the lack of rule of law, low economic growth, limited business skills, and a media that make businessmen look bad. One respondent challenged the notion that social and cultural aspects affect the performance of private businesses in Kosovo. This respondent did not challenge the existence of social and cultural constraints, rather she put the blame on a small domestic market and bad government policies to support businesses, and that *“entrepreneurs have no good business ideas, no access to international markets where you develop yourself as an entrepreneur and grow your business.”* Another respondent believed that the social and cultural constraints would disappear as the economy grows and new companies emerge. At this point *“businesses will want competent and capable employees”*, the respondent clarified, but reiterated that *“as long there is no economic growth, businesses will only try to survive.”* It is however difficult to see how the private economy can grow if the private companies do not first invest in their human resources, value-added innovation and professional management, and overcome some of the social and cultural constraints.

**Question 3.** *“What, in your opinion, can/should private companies, public institutions (government, ministries, agencies) and/or donor agencies (programs and projects) do to address and overcome the negative impact of social and cultural aspects on the performance of private companies in Kosovo?”*

About 70% of the private company managers and management consultants commented on this question. While both groups of respondents confirmed the existence of social and

cultural constraints and negative impact on private company performance in Kosovo by an overwhelming majority in question 1, the respondents presented no comments or ideas about what private company owners and managers in Kosovo should themselves do to overcome the social and cultural constraints in question 3. It is noteworthy that the company owners/managers showed neither interest nor urgency in assuming full responsibility for their own development, and did not proactively propose practical ways to build trust among company staff, to integrate professional managers, to cooperate among each other or to say no to corruption. On the opposite, the blame for the private sector's current weakness and the responsibility for improving private company performance were clearly placed on other institutions in society, such as government, academia, media, donors and the judicial system. As the sole cultural aspect, corruption was highlighted by one respondent but in relation to donors' distribution of grants, where *"too many well-established companies win free financial support at the expense of start-ups, because the larger companies have the required connections."* Another respondent claimed the *"whole situation of doing business in Kosovo hopeless. There is no room to implement what one learns in business management schools. Zero. It's imperative that serious international companies invest in Kosovo and start making good use of peoples' capabilities."* Again, a sense of fatalism prevails and an external solution, this time in the form of Direct Foreign Investment is sought for an internal problem.

While there are much that both donors and the Kosovo government can do to support private companies and create a favourable environment in which to operate, the main responsibility for the development of the private sector must be assumed by the private companies in Kosovo themselves. The answers to question 3 points to the need for all actors in the private sector system in Kosovo (private companies, consultants, donors, media and state institutions) to recognise the 'social structures within which markets are embedded'. (A.K. Sen in Macintosh 1992:7) In turn, this appreciation for the social and cultural constraints will expand the ethical agenda of shared responsibilities and hopefully allocate more project management responsibility and influence to the private companies.

## 5. Conclusions, implications and recommendations

This project is about the private sector in Kosovo. Ultimately, it is the private company owners, managers and staff, who must take responsibility for their own development and change processes. This means recognising and taking action to overcome internal and external constraints. These constraints include not only economic constraints, but social and cultural constraints that manifest themselves through nepotism in recruitment, personal rather than professional sources of power in management, clashing worldviews, lack of social capital, and prevailing corrupt patron-client relationships.

The collected research data points to the existence of social and cultural constraints in Kosovo that increase private companies' transaction costs. The research sample is small but the respondents' answers are consistent, pointing to a high degree of reliability in the data.

	Private companies	Consultants
Five hypotheses = 'very accurate' or 'accurate' (average)	76%	95.4%
Five hypotheses = 'very common' or 'common' (average)	77%	92%

The social and cultural constraints have direct implications on the management, organisation and overall performance of private companies in Kosovo. While private companies recognise the existence of social and cultural aspects, the research data shows them less appreciative of the magnitude of the problem, and even less ready to respond themselves to overcome the social and cultural constraints affecting their own businesses. This general sense of fatalism and apathy among private companies and consultants calls for further research, to better appreciate the magnitude of the problem and identify practical ways to overcome these negative attitudes that in turn hinders the development of a competitive private sector in Kosovo.

The norm of employing superfluous staff, relatives or 'political men', is a context driven phenomenon in Kosovo. This cultural aspect results in higher labour costs for the individual company, without any real increase in productivity and outputs. Trust, or rather the lack of trust among company owners and staff, is another cultural constraint causing negative energy in the office. Research shows that a business owner who acts trustworthy and supportive of staff may experience reciprocity from the staff. This puts in motion a virtuous cycle where staff find the 'time and energy' to innovate and develop new market opportunities, which in turn will lead to a better performing company. (Zahra, Yavuz and Ucbasaran, 2006:545) However, this assumes that the company operates on a competitive market, where company success is linked to innovation and seizing new market opportunities. This is not necessarily the case for companies operating on the small and saturated Kosovo market. Rather, where competition is weak, "some low-productivity firms will be able to survive". (Bloom and Van Reenen, 2010:212) In economies with strong 'product market competition', there is a positive correlation between management quality and company growth. This also goes some way in explaining why the interviewed export-oriented companies, active on competitive international markets, employ professional managers and apply international management systems. The CEO and non-family member of one of the large processing companies remarked, *"some companies in Kosovo have now understood the need to employ people originating from outside the preferred social group. The competition is growing every day, which creates the need for larger companies to employ professional managers in order for the company to be in line with competitors and move towards new company developments."*

In the contested space between an egalitarian and more individualistic worldview, in a volatile stage of transformation towards free market principles and democracy, Kosovo encourages opportunism rather than professional management, innovation and hard work. "In an unstable and weakly structured environment, informal networks often play a key role in helping entrepreneurs to mobilise resources, win orders and cope with constraints imposed by highly bureaucratic structures and often unfriendly officials." (Smallbone and Welter, 2001:261) However, a corrupt public administration and corrupting companies both benefit from a situation marred by insufficient policy frameworks and weak law enforcement. The mechanism to pay their way out of 'issues' with public officials, rather than adhering to formal procedures, again adds to the overall transaction costs of private companies in Kosovo.

It comes as no surprise that in an environment where there is limited trust among company owners and staff, and among companies and public officials, social capital is very limited in Kosovo. At the same time, social capital holds a key to reducing transaction costs for companies "by generating expectations, informal rules of conduct and a common understanding that enables actors to conduct business transactions more efficiently". (Batt 2008:488) There is a need for company owners, managers and

staff to embrace 'management of values'. When organisations share similar values they are more likely to work together effectively. (Thomas 1996:102) The same is true for private companies.

In a society characterised by limited trust and social capital the ground is fertile for opportunism and corruption. In contemporary Kosovo, corrupt practices, perceived by citizens as the only way to get ahead in life, are continuously reinforced and have become a norm. Corrupt practices, such as the patron-client relationship, directly threaten the emergence of a viable, free and competitive private sector in Kosovo. The corrupt behaviour of civil servants mean additional transaction costs for private companies. The public officials' behaviour reinforces a generally negative view of the private sector in society. There is a tendency among politicians and civil servants to view private companies "as a source of tax revenue", or rather a source of personal income (extortion, bribes and fines), and not as a cornerstone in the "transformation to a liberal, market based system." (Smallbone and Welter, 2001:259) One private company pointed the finger at the current political elite in Kosovo, calling for political change to start at the top. *"There is an urgent need for a new generation of politicians in Kosovo who do not steal and only think short term and about themselves."* This negative link between culture and institutions shape people's attitudes to corruption. (Budak and Rajh in Smallbone, Welter and Ateljevic, 2014:114)

In conclusion, there is an over-arching need for the private sector to distance itself from the political system, move away from the small local market and develop products and services that are competitive internationally. Some business activities differ "vastly from the introduction of a cost-saving industrial process or a valuable new consumer product. An individual who pursues wealth through the forcible appropriation of the possessions of others surely do not add to the national product. Its net effect may be merely a transfer but a net reduction in social income and wealth. (Baumol 1990:10) The negative consequences of a private sector inter-twined with politics and public procurement, and selling mainly imported goods and services to a small local market are evident everywhere in Kosovo society today in the form of high unemployment, poverty and migration.

## Recommendations

The challenge to overcome the social and cultural constraints to business growth in Kosovo is formidable. The interviewed companies appeared unsure how to respond to this challenge. From a development management perspective, the core recommendation is for donors and state institutions to work more closely with and intensify the dialogue with the 'real' private companies in Kosovo. But foremost it is the private companies that must lead the effort to overcome the challenges they themselves are experiencing, including the very personal and sensitive social and cultural constraints.

(Adapted from ISO 21500 in The Open University, 2014, p. 20)

By inviting private companies, the primary stakeholders in every private sector development project, as members of the **project steering committee** the dialogue can be

institutionalised. The Association for Project Management (APM) defines ways how good governance is demonstrated, including “ensuring that stakeholders are engaged at a level that reflects their importance to the organisation and in a way that fosters trust” (The Open University, 2014, p.16). This will ensure that the enterprises are engaged in the project organization, implementation and evaluation. The responsibility of the private companies to drive the change processes in their own companies is recognised, contributing to building trust between companies themselves, and between the private sector and public institutions.

There is a need to differentiate between the few **‘real’ businesses** in Kosovo that focus on producing their own products and services and selling them to private customers (individuals or corporate), preferably on international markets, and those businesses whose business model involves winning public procurement contracts (business-political elite). While the first operate in a competitive market based on private money, the other operates in an oligarchical environment fuelled by public money. One contributes fresh money to the Kosovo economy, while the other acts mainly ‘parasitical’.

Here the **media** has a key role to play in reinforcing the notion that ‘real’ private company growth and entrepreneurship is good for society as a whole. There is a need to highlight the vital link between a competitive private sector, capable of competing on international markets, and sustainable job creation and tax income generation for the state. This can be done by promoting inspirational stories of successful private companies and entrepreneurs, and by explaining why their stories are important for society. This will contribute to overcoming the social constraint caused by a generally negative view of businessmen in Kosovo. Capacity building of traditional media representatives is one method of creating a media buzz around private sector development, while social media offers another more direct channel of communication and dialogue on the importance of ‘real’ businesses and entrepreneurship in Kosovo.

After 15 years of private sector development interventions, linked to tools such as free consultancy and grants (quick-fix technical and short-term financial injections), it is time to place the responsibility for developing the private sector in Kosovo squarely with the private sector itself. That means that the representatives of the ‘real’ private sector in Kosovo, competent and experienced private company owners, managers and staff, need to replace the external consultants in offering quality managerial and technical support to private companies in Kosovo. This means moving from offering paid consultancy services provided by external experts to **mentoring by professionals**, based on trust, reciprocity and the willingness of experienced business owners, managers and entrepreneurs to share their knowledge and expertise. For this to function, there is a need for private companies to adapt a higher degree of criticality. At the moment, private companies appear neither critical of the ‘conditions of the environments’ nor ‘critically reflexive about (their) own structure and functions’. (Bawden in Blackmore 2010:95) In practice, interventions that aim to improve corporate management should include both professional managers and the company owner and family managers, illustrating appreciation and willingness to address the cultural constraint of personal versus professional management.

Finally, while the sample of this research is small, the answers of the respondents point to the existence of social and cultural constraints in Kosovo. The respondents also recognise the negative impact that the social and cultural constraints have on private company development and growth. The magnitude by which social and cultural constraints also hinder the implementation of interventions aimed at overcoming specific internal and external economic constraints, such as human resource management and

business regulation reform, necessitates further research. However, this research points to the possibility that some social and cultural constraints are so deep-rooted in the Kosovo context that some interventions are simply not culturally feasible to implement.

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