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Ylber Limani

*University for Business and Technology, ylber.limani@ubt-uni.net*

Florentina Musliu

*University for Business and Technology - UBT*

Blerina Hoxha

*University for Business and Technology - UBT*

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# The Impact of Effective Management on Enterprise Growth

Ylber Limani, Florentina Musliu, Blerina Hoxha

UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n.,  
Pristina, Kosovo

**Abstract.** Effective management implies truthful and satisfactory performance of management activities. A high performing productive management typically perform activities effectively and efficiently. Accordingly, companies and countries can be economically viable when the available human, physical, and financial resources are effectively and efficiently managed to ensure the economic growth and well-being. Growth is most powerful organisational device to compete and to sustain by creating profits and by providing prosperity. Nevertheless, the essential management principles alone, could not provide sufficient support to achieve and sustain the ultimate goal of growth and affluence. Therefore, deep focusing on management effectiveness is needed to achieve higher organisational performance, and thereby healthier economic growth. Accordingly, this paper analyses the factors triggering the management effectiveness within organisational structure, and outlines the role of effective management on enterprise growth. The study is focused on several important factors that contribute to building an effective management climate, such as: leadership, motivation, communication, integration, vision, value recognition, knowledge, and skills, and to search rather the integration of those factors may impact the enterprise growth.

**Keywords:** effectiveness, enterprise, management, knowledge, leadership, motivation, communication.

## Introduction

This research discusses the effective management and its impact on economic growth in transition countries. The study is focused on several significant effective management factors such as communication, vision, value recognition, integration, motivation, and leadership. The paper assumes that effective management is a significant influence of economic growth and examines such influence in the public and private organizational structures.

Public Sector Management deals with governance in each present-day country. The public sector is still playing a significant role in the employment proportion of countries. However, there is a significant difference in the size of government employees worldwide (OECD, 2017). Public service personnel comprise of people employed by public authorities at central, regional, and local levels and include civil servants and public employees. Public authorities are expected to provide high-quality services to their citizens and decent work for their workers.

The private sector also consists of different categories and types of businesses and organizations that, in close cooperation with the public sector, contribute to the economic growth of businesses themselves, regions and countries. There is evidence showing that the private sector is the main driver of economic growth of countries.

The starting argument is that economic growth is considered the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Both research and

case studies provide awesome indication that sustained enterprise growth is critical to making progress towards strategic goals.

Realistic data based on literature and field study, from both the public and private sectors, have been provided by this research, analyzing and comparing various situations to answer research questions and/or to test hypothesis, and finally to draw vibrant conclusions.

The purpose of this research

The significance of this paper and research is to generate a theoretical and practical overview, clarifying whether effective management practices are perceived as a way and instrument to influence economic growth, and to confirm the role and importance of effective management in this regard. The focus of effective management lies on factors as leadership, communication, motivation, value recognition, and integration.

The current research effort to solve the target issue is based on various studies of the organizational structures of public and private enterprises paying attention to the factors of effective management that are responsible for creating long-term sustainability, as well as reflecting on barriers. and the challenges of economic growth in the private and public sectors.

#### *Research objectives*

Firstly, this paper examines the effectiveness of management to manage private and public enterprises. Secondly, it attempts, through the use of scientific research methods, to identify obstacles to effective management that may have a negative impact on economic growth.

Through quantitative research conducted by means of a closed-ended questionnaire survey, different level managers are involved, varying in age, gender, and years of experience, employment and job position.

#### *Research Questions and Hypotheses*

This research addresses the identified problem through the following questions:

1. How enterprises can create conditions for development of an effective management?
2. What is the relationship between the enterprise's growth and effective management factors?
3. Does effective management of enterprises impact economic growth of regions?

This research addresses questions related to the impact of effective management on economic growth in the public and private sectors assuming that such a proposal would help the sector to ease the difficulties and possibly to solve the problems related to the effectiveness of management.

The hypotheses that address the study problem in this paper are the following:

[H1] Enterprises that have integrated management factors can create conditions for effective management.

[H2] The growth of enterprises is strongly correlated with the integration of effective management factors.

[H3] Enterprises with effective management can create conditions for economic growth of regions.

#### *Importance and contribution of the study*

The importance of this study lies on the complementation of the literature and knowledge in the area of effective management and on the explanation of the relationship between economic growth and effective management in the public and private sectors.

In addition to the importance of research, in this section we will also list the contributions of this research that we think latter will become important:

- Supplementing of regional literature, which appears to be substantially poor in this field of study;

- Introducing the current state of effective management its impact on the economic growth in the public and private sectors in a region of transition economy;
- Assisting the managers and other individuals and interest groups in harmonizing understanding in the context of improving their perception related to the subject;
- Supporting institutions in completing the curricula with focus of business management and economy.

#### *Research limitations*

In one hand, taking into consideration the limitations and difficulties encountered during this research work, we may point out some research shortcomings. The databases and the statistics in the study region are mostly in their early developing stages and there is a small number of organizations in the public and private sectors that have developed proper and dependable database and statistics. In another hand, conducting a survey to get a full understanding of the processes provided also limited outcomes, considering the organizations are mostly new in business. For this reason, it is difficult to ensure high dependability of the results of the study. Nonetheless, this research has reached a desirable altitude when it comes to its purpose. With other words, when another researcher had to study the same data on the same topic, but in another region, the probability is low she would have the same research outcomes, no matter as she could have chosen the same variables to analyze.

## **Literature review**

Historically, there are different approaches related to management. The evolution of management theories has created the conditions for a more systematic treatment of management as a discipline. Various scientists have focused on the analysis of management as a complex process, beginning from the 1890s to the present.

There are a lot of authors and scholars who are engaged in researching and writing on effective management in the world today, and each one stretches a different definition than the others. However, the definitions of management as a science as a process and as a discipline may differ from one another. Thought. This research focuses on the definition of management considering it as a process.

Luthans and Hodgetts provide a simpler definition of management “Management is the process of setting objectives and coordinating employees’ efforts to achieve them” (Luthans & Hodgetts, 1992).

Heller (1999) went farther than others by claiming that any attempt to provide a definitive answer to this question is doomed to failure. He emphasizes that every definition of management is right because they each put something in this amorphous field and in change (Heller, 1999).

Certo (2006) states that management is the process of achieving organizational objectives by working with and through people and other organizational resources.

Today’s conception shows that management has three main characteristics: it is a process that involves a series of continuous and interrelated activities; it is a process focused on achieving organizational objectives; and a process that aims to achieve these objectives by working with and through people and other resources of the organization (Certo & Certo, 2006; Campling, 2008; Mohylova, 2015).

#### *Effective management*

Effectiveness as a word has many meanings. Merriam-Webster dictionary defines the *effectivity* as ‘producing a decided, decisive, or desired effect’ (Merriam-Webster.com, 2018). While Cambridge dictionary defines the it as ‘producing the intended results, or (of a person) skilled

or able to do something well' (Dictionary.cambridge.org., 2019). Hence, we will define effectiveness as an attribute of the right activities on the right time and for the right purposes.

National and international organizations functioning in developing regions are faced with many real challenges and various opportunities. Effective management is about effective networking, which in turn is supplemented with cooperative objectives, joint energies and shared resources. (Limani and Stapleton, 2016).

*Effective management factors*

There are many important factors determining the effective management. A set of such factors is displayed in the Fig. 1. Nonetheless, the main factors for effective management identified and discussed in this research work are communication, motivation, and leadership.

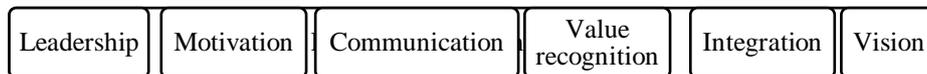


Fig.1. Selected effective management factors

Source: Williams, 2015

*Attributes of management effectiveness*

In our view effective management is about the process of properly managing and coordinating resources within organizations or businesses. For this process to be effective, managers are required to possess multidisciplinary, interpersonal, technical and professional skills and abilities. Managers play a vital role in improving the overall effectiveness of the organization.

It is generally believed that managerial effectiveness is an inherent quality of executives and cannot be learned (Kreitner, 2008). However, the certainty lies on that managerial effectiveness can be learned and optimized through practice and experience. To achieve this easily and quickly, managers need to possess an optimal level of talent. The effectiveness of talent management and the added value they provide to the organization is not completely evaluated (Machado, 2015). Effective managers know the important role creativity, knowledge, and people play in making an organization successful (HRB, 2005). Creativity is now considered the most important quality of leadership for business success, beyond global integrity and thinking. In today's business world, creativity is the key to the success and survival of any business. A manager should do the best for his employees by initiating and encouraging their creativity (Bierman, Ferrell & Ferrell, 2018).

Simply and typically explained, managerial effectiveness means performing managerial activities successfully. An effective manager performs activities effectively and efficiently by doing the right things and doing these things right. Many people believe that successful managers are intelligent, imaginative and knowledgeable. In conclusion, only effectiveness translates the intelligence, imagination, and knowledge into results and makes a manager successful (Drucker, 1974).

*Leadership*

Leadership is the key factor that makes everything function together; without leadership, all other business resources are not effective. Conscious leaders of business are aware of their employees' concerns and are at the forefront of new developments in leadership theory and

practice to create more effective work environments. Leadership means to influence people in order to direct their activities and motivate them to accomplish company goals (Betchoo, 2016)).

Effective management correspondingly depends on the leadership style. Not all leadership styles have the same effect on managing organizations. According to Stephen Covey (2004) it is sure that the traditional leadership methods and management tools will not be good enough to survive in future (Covey, 2004).

Not all styles of leadership function with each-other, e.g. coercive leadership style seems to be not consistently effective for creating the range of deep engagement within organization. E.g. energizing leaders use different leadership styles, like any other leader since they also use different leadership styles effectively as well. Contrary, an authoritarian leadership style may function well for energizing leaders in specific organizations, (Avolio and Gartner, 2005; Eigenhuis and Dijk, 2007).

Not proper leadership mostly produces ineffective process of directing and coordination resources in organizations, i.e. ineffective management. Consequently, organizations move very slowly, stagnate and miss their path. Leadership has more impact and is a most critical components of any company. Effective leaders have the necessary tools and skills to inspire and impact on their teams allowing firms to run proficiently and smoothly (Istrate and Puentes, 2011).

#### Leadership significance

There were many discussions about leadership, management and their relationship with all levels of workers. In this regard and interesting evidences showed that traditional leadership currently treats educated workers in an inappropriate way (Covey, 2004). All successful organizations and businesses need effective leaders. The leadership of effective and well-trained leaders is paramount to providing an agreed-upon goal for the company's success. Leaders are invaluable when it comes to formulating and communicating new strategic directions, as well as communicating with and motivating employees to increase dedication to organizational goals. Ongoing leadership skills training is essential to making sure that leaders are on the right track. The culture of the company depends on the specific leadership style of the responsible executive.

There is evidence showing that moral leadership is required to create an environment in which today's workers are willing to give the best of their abilities to their organization. This moral leadership should create a situation where employees trust each other and focus on activities where they are the best (Eigenhuis and Dijk, 2007).

In conclusion to this part, we maintain the assumption that leadership the most important factor of effective management.

#### Communication

In the context of management effective communication is about knowing your employees, developing a communications plan, choosing the right message and right channel for doing that. The organization's culture is reflected in the nature of office communications, and business can hinge on effective communication. Effective mechanisms and methods are decisive for the achievement of effective communication within the organization (Grunig, 2008). Indicators of effective communication include soft talk tones, willingness to consider all opinions, desire to increase communication frequency, effective conflict resolution, and efficient decision-making processes. Moreover, in order to promote team cohesion, employee satisfaction, and motivation, organizations must implement a formal conflict resolution process where managers cannot resolve conflict internally (Green, 2008).

Peter Drucker argues that communications have been in the centre of managerial attention for a long time. Nonetheless, there has been great concern with communications. Almost all industries including businesses, public administration, security and defence services, healthcare,

and perhaps in all main structures of modern society have shown great concern about the communication level. Furthermore, Drucker argues that communications are practically impossible if they are based on the downward relationship (Drucker, 2002). In conclusion to this part, we admit that communication is one of the most important factors of effective management.

#### Motivation

Motivation is the readiness of an individual to strive to achieve the objectives of the organization through the use of a large amount of energy and effort, provided that these efforts fulfill the objectives of the organization. Based on incentive theory, motivation is the pull of incentive that makes people work towards achieving personal and organizational objectives (Evans, 2016).

Motivation should be top management high priority and should be positively correlated with other managerial effective factors. Environments with no attention for motivation deliver low productivity and are bad for the organization's economy (Miner, 2015).

Motivation and performance are two concepts closely related to each other. What makes employees motivated is the interesting work, challenges and growth in general as factors. Employees have a thoughtful need for growth and achievement (Boxall & Purcell, 2003).

In conclusion, we assume that motivation is strongly correlated to the performance, and in turn performance is strongly correlated to the labour productivity.

### **Problem statement, research questions and hypothesis**

Economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Growth can generate virtuous circles of prosperity and opportunity. During the literature research we have noted that there is significant research effort made to elaborate and examine the topic of effective management and economic growth. Nonetheless, we didn't find much work directly related to the integration of effective management factors and their impact on enterprises growth and thereby on economic growth of a region.

Consequently, the study identified the opportunity to explaining whether effective management factors of enterprises are integrated, and what is the impact on economic growth of such practices, and to provide with a theoretical and practical overview in this respect.

Hence, the research is geographically limited to the case of an economically and politically transition country. In this case the study takes into account the difficulties and problems, namely the challenges that Kosovo faces concerning integration of effective management factors and economic growth.

This problem is addressed by following questions:

How enterprises can create conditions for development of an effective management?

What is the relationship between the enterprise's growth and effective management factors?

Does effective management of enterprises impact economic growth of regions?

The research questions are further translated into following three hypotheses:

[H1] Enterprises that have integrated management factors can create conditions for effective management.

[H2] The growth of enterprises is strongly correlated with the integration of effective management factors.

[H3] Enterprises with effective management can create conditions for economic growth of regions.

## The methodology

The working methodology is presented in the Figure 3 which is divided into four main phases and some sub-phases. Research design represents the first stage, literature research addresses the second stage and problem definition, Survey research and statistical analyses represents the third stage, and results, conclusions and conclusions in the fourth stage.

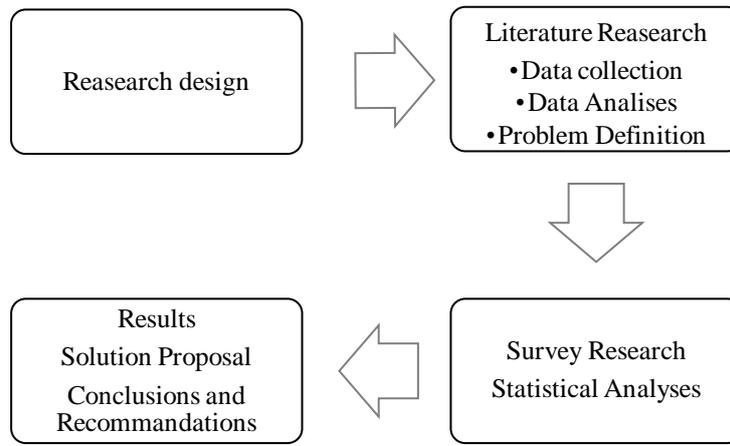


Figure 3. Working and research methodology

The methodology applied in this study is based on literature research related to the effective management features, and on survey research related to the association between effective management and economic growth, supported by case studies. The data collection and data analyses are completed based on quantitative and qualitative methods.

### *Population and sampling*

This study focused on the public and private enterprises involving about 72 companies from the territory of Kosovo. Respondents' samples are: enterprise size, industry-based, and positions/functions within enterprises.

### *Instruments*

The instruments used in this research are questionnaires as a qualitative data collection instrument (with companies' representatives of that will be part of the study).

### *Presentation of survey results*

This chapter explains in detail the relevant data used for the research work. In the research part a combined questionnaire was made, which has the following structure: The general, identifying part where age, position, and occupation are included.

## Results

Results are displayed in the following figures and discussed.

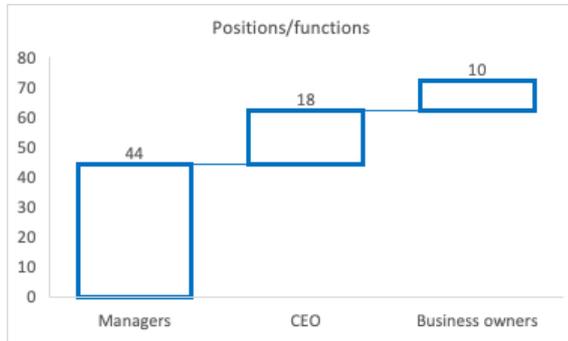


Fig.2 Positions/functions of respondents

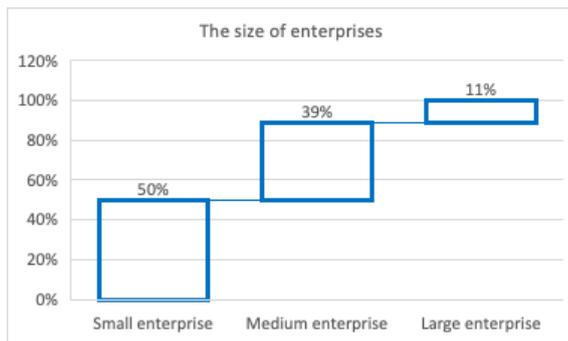


Fig.3 The size of enterprises where respondents work

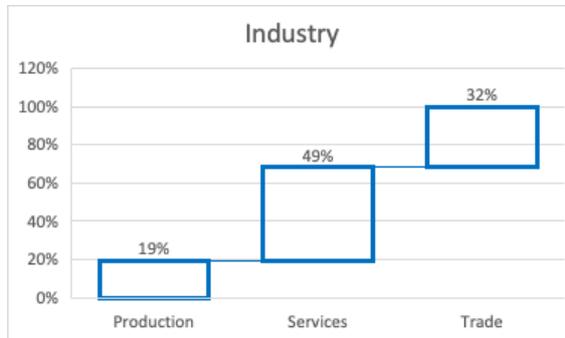


Fig.4 Operating industry of enterprises where respondents work

#### Testing the hypothesis

[H1] Enterprises that have integrated management factors can create conditions for effective management.

The H1 hypothesis is accepted. There is a strong positive and significant relationship between integrated management factors and effective management. The correlation Spearman coefficient was calculated to be  $r = 0.994^{**}$ , and the p value =0.00 which means there is a strong correlation between variables with a strong significance. From this we can conclude that integration of management factors can create conditions for effective management.

[H2] The growth of enterprises is strongly correlated with the integration of effective management factors.

The H2 hypothesis is accepted.

There is a strong positive and important link between integration of effective management factors and the creation of conditions for long-term enterprise growth. The Pearson correlation coefficient was calculated to be  $r = 0.997^{**}$ , and the p value =0.00 which means there is a strong correlation between variables with a strong significance. From this we can say that integrating effective management factors can create conditions for long-term enterprise growth.

[H3] Enterprises with effective management can create conditions for economic growth of regions.

The H2 hypothesis is accepted.

There is a strong positive and significant link between economic growth and enterprises' dependence on integrations of effective management factors.

The correlation coefficient was calculated to be  $r = 0.995^{**}$ , and p value equal with zero. From this we can say that the economic growth of regions may be influenced by the on the integration of effective management factors, and thereby by the effective management.

## Conclusions

Political scientists, legislators, educators, business executives, lawyers, consumerist, and practically everyone sometimes demand effective management whether in the public sector or in the private sector. For business people and other individuals and groups engaged in private sector, the need for effectivity in doing business is especially important because they feel surrounded by government institutions with which they are legally required to interact.

In point of fact, we came to the conclusion that effective business management is qualitatively and quantitatively different from effective government management, since the expectations of the processes are different.

This is made clear as we deal with different purposes: while business is aimed at maximizing profit and developing people within the organization, the government aims at maximizing the quality of service and improving the lives of the country's citizens. In this context it is necessary to have an effective co-operation in the form of a sustainable network.

Results show the findings from the statistical analysis of the enterprise survey data. The purpose of this part of the results is to understand if there are differences and / or similarities between those found in qualitative literature research. The results show that there is a positive and healthy relationship between qualitative and quantitative study since the results are comparable, logical and similar.

Future research could consider statistical relationships between economic indicators and effective management factors. For example, one can analyse employment in relation to effective leadership, GDP in relation to motivation, value recognition in relation motivation and effective management, and so on.

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