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Challenges and Opportunities in the waste management sector.
Experience of Saubermacher Dienstleistungs AG in Albania “

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Danke!

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Yesterday is gone
Tomorrow has not yet come
We have only today
Let us begin

Mother Teresa

1. Introduction

In May 2012, Alpine Holding GmbH, the Austrian construction company that is owned by the Spanish Construction and Waste Management group FCC, announced that they were withdrawing operations from some markets in Eastern and South-eastern Europe. How the withdrawal will affect its employees, its structures, which has to become “-thin and efficient again”, and all its stakeholders will have to be seen in the coming months. (www.kurier.at 7th May 2012)

In 2006, the giant American discount store Wal-Mart had to withdraw from the German market. Wal-Mart is market leader in USA, Canada and Mexico. Wal-Mart tried to apply its American business model in an unmodified way in Germany. Its unchanged American success formula resulted in a total failure which brought Wal-Mart to sell all its 85 stores to its competitor Metro and to leave, after 9 years of operations, the German market. (The Economist, 3rd Aug 2006)

In February 2012, Saubermacher Dienstleistungs AG announced that they were preparing their second withdrawal from the Croatian market. Back in 2004, Saubermacher Dienstleistungs, AG had stopped operations in the country because of an inadequate business environment. This time, according CEO Hans Roth, the withdrawal had nothing to do with the economic situation in Croatia but Saubermacher's expectations had not been fulfilled from the local Partner. (<http://www.wirtschaftsblatt.at>, 29th Feb 2012)

Alpine makes more than ½ of the turnover abroad and Saubermacher more than 1/3 of its turnover abroad. And none of them excludes the possibility to return to those countries for the 2nd or 3rd time when the environment is appropriate. Instead, Wal-Mart's international experience has had mixed results. At the moment Wal-Mart is not planning to go back to Germany or to any other European countries beside the UK.

There are companies that withdraw from developed countries and they don't want to re-enter. However there are also companies that withdraw from developing economies and want to re-enter when the weather is nice again.

There are many theories and studies about national market exit and re-entry, but theories about *international market exit and re-entry* are at embryonic stage. Most researchers have heavily referred to the literature relating to national market exit, and their usability can be questionable in the arena of international market exit and re-entry.

This paper contributes to the under-researched issue of international market exit and re-entry in transition markets by focusing on the role of politics as the main exit reason among other major indicators such as the economic situation, market size and attractiveness, development of the sector and cultural distance.

The paper is divided in four main parts. Part I-Theoretical Background, Part II-Market environment, Part III- Let's talk about Waste and Part-IV Case study.

Part I- Theoretical Background: This part focuses on the theoretical background of the market exit and the perceptions between the exit and the possible re-entry by performing an up-to-date literature review.

Part II-Market environment: This part gives an overview of the transition countries of Western Balkans and Albania in specific. The opportunities Albania offers today and the regional market potential will be closely swotted (AL-MA-KO-MO Region **AL**bania **MA**cedonia **KO**sovo and **MO**ntenegro).

Part III- - Let's talk about Waste! : In this part a situation analysis of the waste management sector in the home and host country will aim to highlight the specifics of this sector and the challenges in the internationalisation of waste management services.

Part IV- Case study: This part gives an overview of the company Saubermacher Dienstleistungs AG, Saubermacher-Tehnocomerc Albania and will analyse its market exit from Albania.

1.1. Methodology

This paper is a descriptive case study that will attempt to illustrate the phenomenon of a market exit in Albania at this specific point in time.

It is based on primary and secondary data sources. Primary data include partially structured in depth interviews with executives of Saubermacher Dienstleistungs AG, which were involved in the process of international market exit and re-entry.

Six expert interviews were prepared but only 5 were conducted with the following persons:

1. Ms. Ernestine Ölweiner, Today Head of accounting and personnel administration Saubermacher Dienstleistungs AG. In 2000, Ms. Ölweiner was Commercial Director of Saubermacher Tehnocomerc Albania
2. Dr. Frederik Konini, former Managing Director of Saubermacher-Tehnocomerc Albania
3. DI Robert Philipp, Technical Director of TERRA Umwelttechnik GmbH, Daughter Company of Saubermacher Dienstleistungs AG
4. DI Cristina Lupu, Former Project Manager of TERRA Romania,
5. Edvin Rama former Mayor of Tirana (Mayor of Tirana for 3 consecutive terms from 2000-2011) and today leader of the Albanian Opposition.
6. Mag. Tijana Jovic, today responsible for business development for new markets in Saubermacher Dienstleistungs AG and former Managing Director of Saubermacher Croatia during 2011-2012. After reading the questionnaire, Mag. Jovic stated that approx. 80% of the information asked is strictly confidential. The empty questionnaire is attached as annex.

Subject to availability, the personal interviews were conducted face to face or in writing where the interviewees completed the questionnaire without the presence of the interviewer. Other interviews were conducted with Albanian and Austrian experts in different fields, with aim of collecting information. Worth to mention here are Chamber of Commerce and Industry of Tirana, Ministry of Finance of Albania, Ministry of Environment, Forestry & Water Management of Albania; and independent experts in matters such as waste management and management of hazardous waste, or internationalisation strategies and international marketing in the Western Balkans.

Several company reports were made available from the above mentioned executives as well as the correspondence of Saubermacher-Tehnocomerc Albania with the Albanian authorities. All secondary data were taken from publicly available sources like: up-to-date literature review, press articles, company reports, company correspondence and company website. Other sources included country reports and reports from governmental bodies such as Ministry of Finance or Chamber of Commerce. The research for the paper started in Dec 2011. Worth mentioning here are the personal impartial observations of the Author, who is born and raised in Albania and has been working for 5 years in the waste management sector in Austria.

The case study will attempt to illustrate the following topics:

- What are the economic and political reasons that led to market exit?
- How did the post-exit-phase influence the company and its attitude toward market exit strategies in the future?
- What are the factors that influence a market re-entry decision?
- Will the company re-enter a previously exited market (i.e. Albania) if the exit reasons are now avoided/eliminated?

2. Part I: Theoretical background

2.1. Main drivers in firm's internationalization process

The world has become smaller thanks to the communication technology and globalisation. Globalisation, which appeared first as a term and as a phenomenon in the 21st century, has increased the economic integration and the global interdependence in economy, environment, politics, culture and communication. (www.newworldencyclopedia.org/entry/Globalization)

From the economic perspective, it refers to the internationalization of the firm, which increases the international dimension of the business activities through the movement of knowledge, information, capital, services and commodities across national borders. Firms produce, sell, organise and source in an international scale by trading physical and intellectual assets to foreign customers and foreign business partners. (Cavusgil et al. 2008 Page 28-35)

Firms engage in international market operations for different reasons. Most companies enter foreign markets in order to increase sales and profits. Some firms develop economies of scale in manufacturing, marketing or distribution and by expanding internationally they increase their customer base, increase the volume of commodities and thus lower the costs. Some companies just reply to orders from overseas, or decide to internationalize when national market has reached maturity. Other companies follow their clients who have moved abroad. Some firms just seek lower cost resources like skilled labour or low cost labour and low cost land. For some firms the practice of doing business abroad makes them achieve innovative ideas about products, services and business systems improving thus efficiency and effectiveness. (Gillespie et al. 2007 Chapter 1)

As we can see the reasons on going global and its timing can be different but their main objective is one and only: profit! Coordinating all these together is a process which its composition and amalgam is never quite sure.

2.2. International Market exit

Not always things happen as planned though. Sometimes situations may change and make companies terminate operations and exit a certain country.

2.2.1. Defining international market exit

There are different terms used for international market exit with similar definitions such as foreign divestment, foreign market withdrawal and de-internationalization.

Benito defines **foreign divestment** as “the closure or sell-off of units in foreign locations, or conversely units owned by foreign firms” (Benito 2004, p. 235). Hence, foreign divestment is the opposite of foreign investment. Divestment can be full scale or can be partial.

Pauwels & Matthyssens define **foreign market withdrawal** as “a firm's strategic decision to remove a product/market combination from its international portfolio” (Pauwels & Matthyssens 1999, p. 10-11). A foreign market withdrawal does not always mean a full withdrawal from the international market, sometimes can be a partial withdrawal in a certain country or it could be a country specific or region specific withdrawal.

De-internationalization is defined by Benito and Welch as “any voluntary or forced actions that reduces a company's engagement in or exposure to current cross border activities” (Benito & Welch 1997, p. 9). Thus Internationalization is the process of engaging in international business and De-internationalization is the opposite process of reducing or terminating the engagement in those markets.

In this paper these terms will be used as synonymous since the difference between the perceptions is minor.

2.2.2. Reasons for market exit

The most understandable motive to exit an international market is when the company doesn't make any profit anymore. But this is not always the case. Some firms are unsuccessful in reaching their strategic international objectives and consequently have to withdraw from that market. For example, Carrefour the French retailer, decided to withdraw from different international markets even though its operations were profitable.

The company's goal was to be in the top three ranking in each country it entered. (Som 2009, Chapter 7)

Some other companies are forced to exit a foreign market because of political reasons, government intervention and change of regulation, or expropriation in the foreign country. Sometimes the exit comes as a result of negative moral responses in the home country. Such was the case of the divestment campaign of US companies in South Africa protesting against South Africa's Apartheid system. In the period 1984-1986 approximately 60 U.S. companies exited the South African market by abandoning or selling their subsidiaries. In 1991, after the ban to invest in South Africa was lifted, several companies returned again, sometimes even by repurchasing their sold to locals subsidiaries. (Gillespie et al. 2007, Chapter 9)

The factors that influence the market exit are categorized by Benito (1996) into the four following groups:

1. Environmental stability

The host country's environment should be analysed from the perspective of competitive and political environment. If the company cannot remain competitive it will lose market share that at the end of the day brings low profits. The political environment of the host country and the country risk are very important factors that often lead to forced withdrawals. Another important aspect is the volume of market specific R & D investment, which takes great significance when evaluating a possible market withdrawal.

2. Attractiveness of current operations

Unsatisfactory economic performance of the plant or of the foreign subsidiary is often one of the motives to exit a foreign market.

Another important factor here is the economic growth of the host country, which in case of positive performance makes it very attractive and increases the barriers to exit.

3. Strategic fit

Business line relatedness between mother-daughter companies are very important motives to make a company stay or exit a certain market. Unrelated business operations increase governance costs and don't support the business to achieve economies of scale.

4. Governance issues

Companies might face problems if entering markets that are very culturally distant from their own.

Joint ventures with a local company can grant easy access to the local market. On the other hand, a lack of commitment by one of the partners can motivate a market exit.

Prior experience in international markets is very relevant in solving problems and running foreign operations. But in the same way an experienced international firm can decide more easily to close down operations in a certain country.

Balla and Lantz (Balla and Lantz 2011, p.5-6) argue that the reasons for exit from the subsidiary's point of view can be controllable, controllable to some extent or completely uncontrollable. Controllable for example can be competition, product failure, improper product design, financial processes, marketing processes or controlling processes. Controllable to some extent are foreign competitions, change in consumer preferences, market decline in demand, or corporate riding. Completely uncontrollable factors like government regulations or government deregulations, political instability cause the forced market exit.

2.2.3. Exit Barriers

On the other hand, according to Karakaya (Karakaya 2000, p.651), there are many reasons why businesses don't divest and exit a market even when they are not making big profit or even making a loss. He argues that the major factor that affects these firms to keep the operations in that market with low profit or at loss, are the **Exit Barriers**. (His article though doesn't specifically refer to a foreign market exit but to a domestic market exit.)

When the barriers to exit a market are high the competition in that market is much more intense than when the barriers to exit are low (Hollensen 2012, chapter 4, p.110)

Sometimes, the lack of business opportunities somewhere else can be a high exit barrier. Very high initial investment costs, as in Greenfield investment case, increases the exit barriers. The firm is not able to move this investment elsewhere and closing the production plant is accompanied by very high sunk cost.

Another exit barrier could be the level of vertical integration of the firm in its production or distribution activities. According to Karakaya (Karakaya 2000, p.653), the vertical

integration is the most important barrier to exit followed by the cost of divestment and operating marketing fit. Emotional exit barriers represent the emotional ties between the company and its local environment. It can be hard to sell or give away employees and customers. The same can be said for all intangible assets like goodwill, advertising, supplier relationships and channel members. Other exit barriers are the commitments between the two parties, contractual obligations, rental contracts, labour laws and labour unions which can hinder the market exit.

The incentives to exit a market contrasted with the barriers to exit. Respectively, if the barriers to exit a market, for a specific reason are high then for the same reason, the incentives to exit this same market are low. For example, if a company's operations are performing bad in a certain country but the company has invested a lot in market specific R & D, it might feel trapped and forced to carry on operations in this market. But if the same bad performing company has a relatively low market specific R&D investment than the incentives to exit this market are higher. The company should first analyse the exit barriers in order to develop different exit strategies for different possible scenarios. The following table developed by Benito explains better this relationship between incentives to exit and the exit barriers.

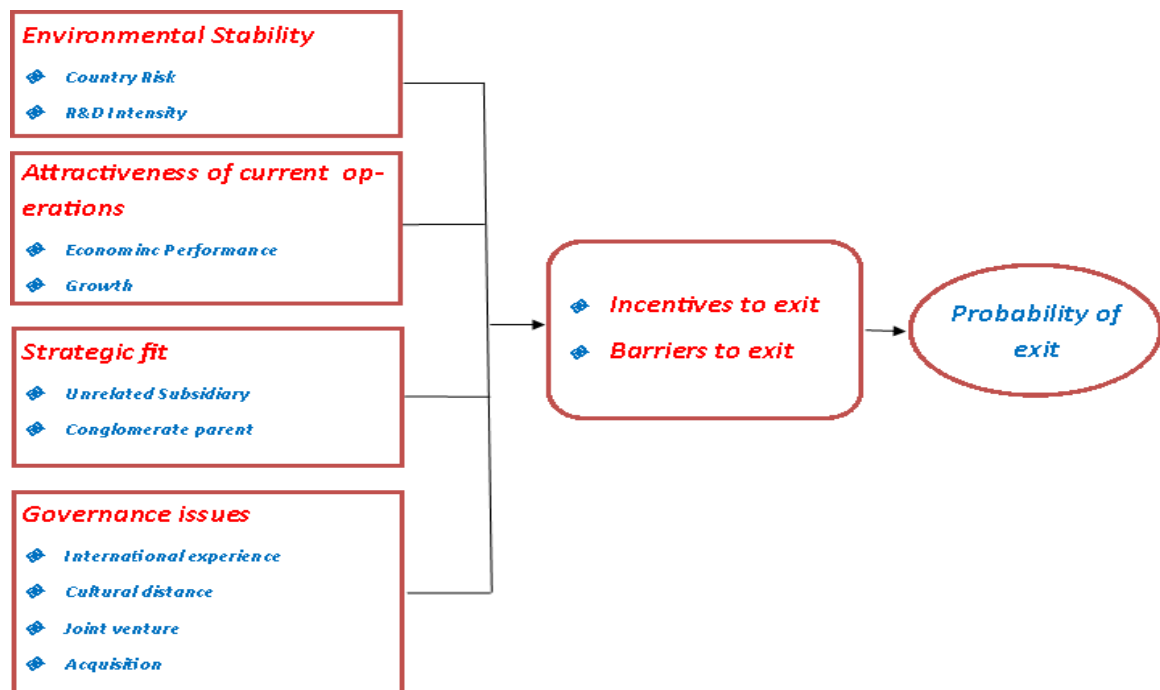


Figure 1: Divestment of foreign operations: a framework.
Source: Benito, 1997, pp.309-34

2.2.4. Exit strategies

International market exit is a serious complicated subject. It has severe wide-ranging consequences not only for the firm itself, but for all the stakeholders involved (Benito 2004) like the employees that lose their jobs, suppliers that lose their business partners and business opportunities, municipalities and districts that lose many occupation opportunities and income from local taxes.

Since most companies enter a foreign market with long term goals to succeed and stay, and because they are always under the pressure of reducing costs, they don't invest in drawing an international market withdrawal strategy.

Michael Porter (Porter 1976) argues that as market exit happens as a response to unfavourable host market environments, market withdrawal is expected to become a regular strategic result. He also emphasises that the strategic planning process of the company should include the market exit strategy chapter.

If the performance of the company does not meet a satisfactory standard, the management should make a decision. Usually, the management will first try through increased commitment to recover the situation in order to be present in the market and remain competitive (Pauwels & Matthyssens, 1999). Most companies find it easier to stay and give it another try by increasing the commitment than to withdraw, although the choice to withdraw would be the best choice for the company at that moment. This depends on the fact that, on one hand the decision to withdraw needs more bravery and more courage, and on the other hand staying would need supplementary investment in capital, time and additional resources. As a consequence after all the actions taken like increasing marketing activities, adopting a local strategy or introducing incentives there are two possible scenarios. The first one is that survival strategies actually provide the desired results and the company's performance is improved. Second scenario and probably the next logical action to be taken, if all these efforts to save the subsidiary don't provide the desired results, is starting the withdrawal process.

2.2.5. Exit modes

Different literatures refer to different types and modes of exit. Here the modes of exit will be categorised in three groups: full scale exit, partial exit and fake exit.

There are different types of **full scale exit** like sell out, close down or harvest. Sell out is becoming a popular way to exit a market. The subsidiary, which is not performing quite well, is sold with all its resources to another company. Very often the buyer is a former competitor that overtakes the existing contracts, human resources, distribution channels etc.. The harvesting-market exit is a similar strategy to exit a market. According to Karakaya (Karakaya 2000, p.655) harvesting is “a controlled withdrawal form used by companies with the purpose of increasing cash flow”. The difference from the sell-out is that in this case the subsidiary is sacrificed from the mother company to improve cash flow, even if it is performing well.

The closing down a subsidiary due to unexpected results and bad financial performance is anticipated by the downsizing of the activities followed by totally closing the operations in order to cut down on the losses. When an available buyer can be contracted, the remaining part of the company is sold. This form of exit is the most painful one because beside the high sunk costs, it affects negatively many stakeholders like the employees, the customer base, the distributors et cetera.

A **partial exit** is similar to ‘selling out’ but in this case while the firm withdraws operations from the country, the firm’s presence remains in other ways, for example through franchising. The buyer company becomes the franchisor and the mother company the franchisee.

Fake exits are as well considered as sleeping relationships. This is often the case when the economic and political environment of the host country is turbulent. The company reduces commitment in the host country but doesn’t leave the market. Some companies maintain a range of activities in the host country which keeps a sort of connection. This sleeping relationship provides to the firm the needed information flow, and keeps its visibility in the host market. (Welch & Welch 2009, p.572) Sometimes companies even continue international promotion activities during this period. These sleeping relationships can last for months or even years sometimes.

For example, Volvo the big Swedish auto manufacturer applied during 1975-1992 a sleeping relationship in Iran. (Hadjikhani & Johansson 1996). When the environment becomes favourable again the company re-enters that market.

2.2.6. Costs of exit

Foreign market withdrawal is mostly very costly. It is evident that the difficulties to exit a foreign market and its related costs are higher for the equity modes like wholly owned Subsidiaries, Joint Ventures and Acquisitions.

Mode of entry Tactical Consideration	Indirect exporting	Direct exporting	Licensing	Wholly owned Subsidiary	Joint Venture	Acquisition
Speed of entry	High	High	High	Low	Low	High
Difficulty of exit	Low	Moderate	Moderate	High	High	High
Costs of exit	low	Moderate	Moderate	High	High	High

Table 1: Strategic considerations. Market entry- Market exit
Source: Gillespie et al 2007 (Chapter 9 and own presentation)

The foreign market exit it's not only very costly. It implicates the disruption of many relationships that were previously very significant for the success of the international operations of the firm. (Welch & Welch, 2009, p.572) Thus, the exit affects negatively many involved parties like the local environment, the employees, the customers, the distributors, suppliers and the channel members. The only positive effect can be for the company's competitors as they can possibly increase their market share.

2.2.7. Quality of exit

The quality of exit is a very important issue to take care of. The terms used in the literature are "beautiful exit" and "ugly exit", which stand respectively for good quality exit a bad quality exit.

According to Alajoutsijärvi, Möller& Tähtinen (Alajoutsijärvi, Möller& Tähtinen, 2000, p. 1282) a beautiful exit is the one when the termination of a business relationship "avoids, as much as possible, hurting the disengager, the other party and the connected network". From this it can be directed how an ugly exit looks like. Often when a firm is forced to exit a market, it would perform an ugly exit because of lack of time. An ugly exit example performed the American Gateway Computer Corporation, a computer

hardware company based in California, from the Japanese market in 2001. Because of poor growth worldwide, Gateway decided to switch off their Japanese operations and exited the Japanese market in haste. The staff found out the same day as the media that Gateway was leaving Japan, and consequently found itself suddenly unemployed. After the withdrawal, its customers received neither after sales nor customer care support. But the biggest damage was done to its own brand name, which is affecting the latest attempts to re- enter the Japanese market. Harris (Harris, 2007, p.2).

2.3. Market re-entry

According to Welch& Welch (Welch&Welch, 2009, p. 569) main drivers of internationalization that will increase the chances for firms to internationalize are knowledge, experience, networks, market activities, and resource commitment. But in case of a market exit from the given country these factors will be influenced in a positive or negative way. Consequently, in the re-entry process they pursue each stage by applying the same concepts to be core drivers of internationalization.

2.3.1. Definition of International market re-entry

In this part there are similar terms that describe the same phenomena such as market re-entry or re-internationalisation. These terms will be used as synonymous as the difference between the perceptions is minor.

Welch& Welch (Welch& Welch, 2009, p.569) define the **re-internationalisation** as “withdrawal from inward and outward international operations by a company before subsequent international re-entry.” They perceive it as a process that involves four stages (1) the company is involved in international business operations, (2) the company withdraws from international operations, (3) a time-out period of some duration follows, (4) finally the company attempts a process of international re-entry, which concludes with successfully renewed international operations.

Most companies invest a lot of resources into international expansion strategies but they tend to hesitate when it comes to enter a previously exited market. This hesitancy according to Javalgi et al (Javalgi, Deligonul, Dixit , Cavusgil 2011, p.377) may be a

result of the several underlying reasons: (a) the objectives of the firms may be different at the time (b) residual mind-share could delay the decisions to re-entry (c) the neutralisation of the factors that led to exit (d) insufficient confidence in the previously exited market opportunities (e) insufficient knowledge of the present situation of the market (f) fright of being prejudiced for the previous experience.

Apart from external stimuli like the host country environment conditions there are other internal factors that influence the decisions to re-entry. The firm's internal resources, its managerial commitment and its objectives can determine the mode and the time of re-entry.

Javalgi et al 2011 emphasises that with the economy becoming global, the elimination of trade barriers and the economic growth of the transition economies should make firms reconsider entering the previously exited markets. (Javalgi, Deligonul, Dixit , Cavusgil 2011, p.377). By entering these markets most firms have the advantage of the previous knowledge and experience and they could use this knowledge to develop competitive advantage, economies of scale and collect sunk cost.

Javalgi et al (Javalgi, Deligonul, Dixit , Cavusgil 2011, p.380) argue that the **re-entry** process is a different concept from the *de novo* entry or the one time entry in an international market, from different perspectives such as market knowledge, relationships with stakeholders, host country environment or sunk costs. Firms that never re-enter a market exited previously may miss many opportunities that this market has to offer when the reasons that brought to exit are eliminated. For example, a firm that re-enters a certain market after some time still possesses a great deal of knowledge regarding host market specifications or regarding the host country environment. They have previously developed and often maintained strong ties with suppliers and customers. Another firm which is entering this market for the first time has to begin building this relationship but as well establish bilateral trust and understanding with customers and suppliers. Similarly can be alleged about the company's reputation or the reputation of its products and services in the host country. A new entrant has to first establish its reputation in the host country which is very time-consuming, instead a re-entrant has already a reputation established from the previous experience. On the other hand, if this reputation was not good or it was damaged through a bad exit the re-entrant has not such a favourable start position compared to the new entrant.

These criteria and the respective differences are put side by side in Table 2 in order to ease the comparison.

Criteria	De novo Entry	Re-entry
Foreign Market Knowledge	Less knowledge	Highly knowledgeable
Relationships (e.g., customers, suppliers)	To establish trust and understanding	Previously developed
Resources	To explore sources	Previously explored
Host Country environment (Economic, Political) and culture	To gain familiarity	Experienced
Sunk costs	No	Opportunity to salvage Sunk Costs
Company reputation	Establish reputation	Already established
Risk Aversion	Low	High

Table 2: De novo entry versus reentry in International markets
Source: R.R.G. Javalgi et al. / International Business Review 20, 2011, p. 381

In order to see the differences between *de novo* entry and the re-entry process in a more interactive perspective Javalgi et al (Javalgi, Deligonul, Dixit , Cavusgil 2011, p.380) have developed a model where they include all significant factors. Nevertheless the main three aspects which they investigate are the company's knowledge, the re-entry objectives and the re-entry decisions.

They examine the company's knowledge at three strategic moments a) the market entry (*de novo* entry), b) market exit and c) market re-entry. When preparing for a *de novo* entry the firm explores knowledge, at the time of market exit it has to do with knowledge acquisition and the phase of market re-entry it's the time of knowledge utilisation. When a firm prepares to enter a new market it gathers and elaborates huge amounts of market information on host country environment, host country customers, host country culture, host country competitors and host country institutions. Because this knowledge is of a secondary nature as the firm doesn't possess it yet first-hand from its own operations in the host country, Javalgi et al 2011 name it exploratory knowledge.

Only when the firm starts the operations in the host country it can obtain first-hand knowledge from the day to day operations and relationships in the market. If a firm for some reason exits a certain market, at the point of market exit the firms possess huge amounts of market specific knowledge. Javalgi et al 2011 maintain that the knowledge attained during operating in the host country adding here the knowledge attained during their market exit is very significant and thus they name it knowledge acquisition.

Nonetheless apart the tangible and intangible losses the firm takes home after the market exit, it acquired a lot of country and market specific knowledge. In the scenario of market re-entry the firm may use all the previous knowledge gathered through experience or because of archiving detailed documentation of previous operations regarding the host country characteristics and utilise it to gain competitive advantage toward its competitors. Javalgi et al 2011 emphasise at this point that, the knowledge utilisation at the point of re-entry will provide a greater opportunity to re-enter previously exited markets.

The re-entry objectives according to Javalgi et al 2011 could be:

- a) Capturing emerging opportunities, i.e. many emerging countries like India, Russia or China have become attractive again for MNE because of their high growth rate and their market size.
- b) Attain growth and diversification in international markets. For example, if the EU market slows down, companies which have diversified and expanded geographically will be more resistant and better performing than those companies who only perform in the home market.
- c) Recover sunk cost in terms of tangible and intangible cost. As Karakaya (Karakaya, 2000, p. 653) argues that sunk cost is the main barrier in the course of market exit. This delivers an incentive for most companies to return to markets which have been previously abandoned.
- d) Capturing low price human or capital resources. For example firms re-enter in countries like India or China because they offer vast low-priced natural resources and low-priced highly educated human resources.

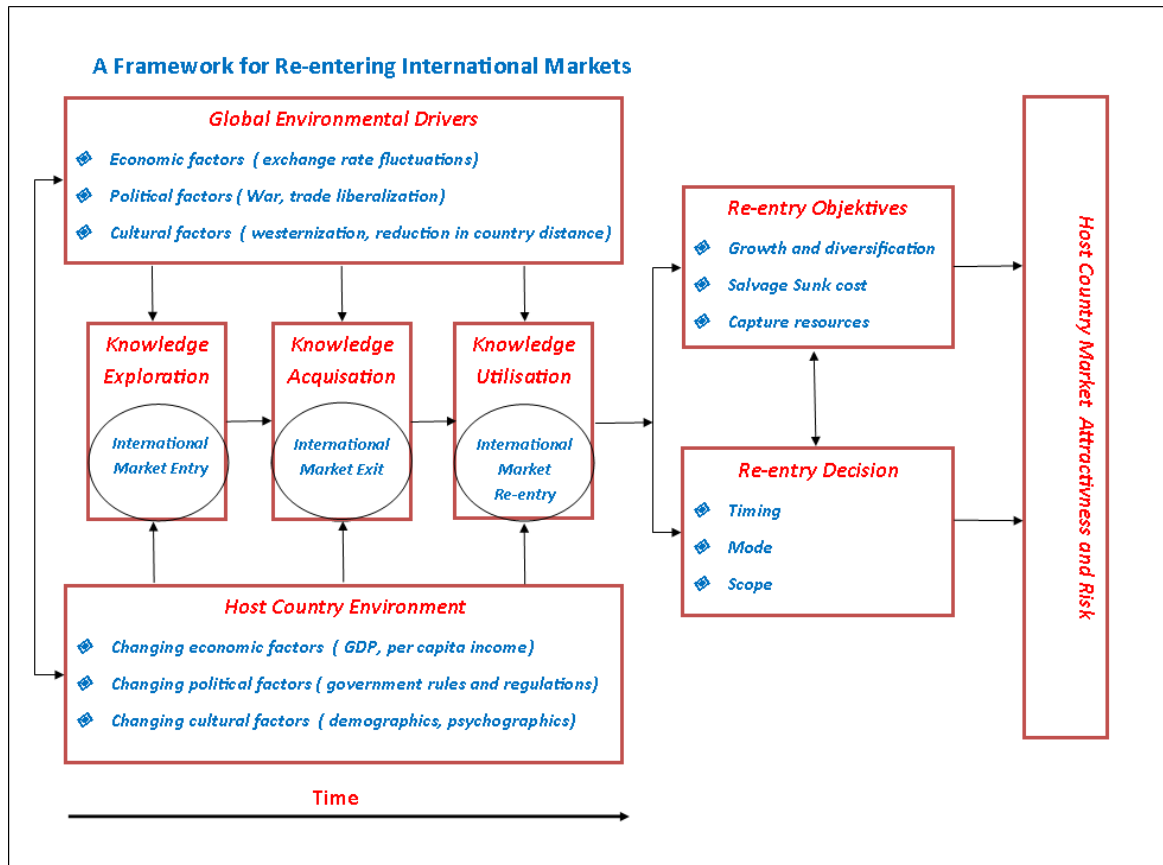


Figure 2: A Framework for Re-entering International Markets
 Source R.R.G. Javalgi et al. / International Business Review 20, 2011, p. 381

3. Part II: Market Environment

When deciding to expand and enter a new market before looking at the basic issues of the entry strategy, the first thing to do is look closely to the market environment and analyse risks and opportunities. The interest of Austrian companies that want to have business relations with the western Balkan countries has increased rapidly in the last decade. For this reason a detailed impression of the region and of the specific countries will be portrayed.

3.1. Transition economies in the Western Balkans

What are transition economies actually? There are different names, different classifications and different components used to categorise them depending on when and who defined them. In different literatures diverse terms are used like developing markets, emerging countries, frontier markets, emerging Europe, not to forget here the most frequently used term underdeveloped or ‘third world countries’. The last two are rather inaccurate because most of these countries are very developed if referred to history and culture. (Cavusgil et al. 2008, Page 254)

Since the focus of this study is not on the emerging economies in general but the South East European region, the term that will be used is transition economies. This term explains best the similarities and characterises of these countries that transited in the last 20 years from a centrally planned economic system to the market oriented economy.

3.1.1. Defining transition economies

The definition of the World Bank for *Countries with transition economies (transition countries, transition economies)*:

“...Countries moving from centrally planned to market-oriented economies. These countries- which include China, Mongolia, Vietnam, former republics of the Soviet Union, and the countries of Central and Eastern Europe contain about one-third of the world's population. [...]Several countries with transition economies are sometimes grouped with developing countries based on their low or middle levels of per capita income, and sometimes with developed countries based on their high industrialization...”. (www.worldbank.org May 2012)

The World Bank categorizes the different economies based on the levels of gross national income (GNI) per capita.

The World Bank classifies Albania, Macedonia, Montenegro, Kosovo and Serbia as developing countries and all these countries, except for Kosovo in the Upper-middle-income economies (\$3,976 to \$12,275 , GNI per capita 2010) (www.worldbank.org May 2012)

Another name for South eastern Europe that has been exclusively used lately is the name “Western Balkans” and this region includes Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia FYR, Montenegro and Serbia.(www.ebrd.com May 2012)

Western Balkan countries after the dissolution of Yugoslavia and the end of communist rule in Albania fell into deep poverty. This was mainly caused by an extreme inflation (extreme devaluation of Dinar and Lek), the collapse of state owned enterprises and thus the whole economic systems which lead to extreme decrease of incomes. The scissor effect widened very fast the gap between rich and poor.

The dissolution of Yugoslavia that took 17 years, many ethnic conflicts, several wars and several hundred thousands of lives, were a great obstacle in the socio economic development of the region. One country dissolved in 7 countries in 17 years. Slovenia was the first to split in 1991 and last was Kosovo in 2008.

This explains why this region is always analysed separately from Central Europe. While central Europe was unifying, integrating and working together for the same aim, the Balkans were separating, splitting and fighting for the proper nationalist right. The vast differences between Central Europe and the Western Balkans are these 17 years of conflicts or the lost decade of the Balkans wars of the 1990s. (Rupnik 2011, page 17).

3.1.2. Developments in recent years in the Western Balkan

Nevertheless since the start of the new century, it was very obvious that Western Balkans hold much potential. Thanks to countless international aid and investment it was possible to encourage the creation of new jobs, increase of incomes, foster economic stability and better living standards. The last decade in Western Balkans showed rapid economic growth.

Like all transition economies Western Balkans are characterised by a young median age of its citizens with a medium to high education level and a fast expanding middle-class.

What characterises all countries is the vast dissimilarity of the rural socio economic level with those in urban areas. Like in most transition economies there are strong poverty differences between rural and urban areas. (Swinnen 2006). The urban areas have an advanced commercial infrastructure and middle to high income consumers, contrasting the rural areas that have limited access to services and physical infrastructure, and consist of mainly agricultural based very low income consumers.

Looking separately one might think that these are small countries with little market potential. But by zooming out the map one soon recognises that it is quite a big region we are talking about. Comparatively, Western Balkans territory, with a population of almost 25 million, is slightly bigger than the United Kingdom and Belgium together (242.900 km² + 30.528 km²), with a total area of 275.333 km² or around 6% of the EU total territory (4.325.675 km²). (Own calculation)

Even though there are many market similarities when it comes to economic development there are huge differences (see Table 3). There is Croatia for example, that leads with the highest GDP per capita 15.000 EUR PPP, highest monthly wages 1.043 EUR, highest FDI inflows, lowest Inflation 2,3% and lowest unemployment rates 13,7% in the region.

Macro indicators Western Balkans for 2011							
Country	Albania	BiH	Croatia	Kosovo	Macedonia FYROM	Montenegro	Serbia
Population, 1000 Persons	2.831	3.843	4.435	2.070	2.060	620	7.280
Area km ²	28.748	51.197	56.594	10.908	25.713	13.812	88.361
GDP, real change in %	2,9	2,2	0,0	5	3	2	1,6
GDP per capita (EUR at PPP)	6.800	6.800	15.000	4.900	9.000	10.500	9.100
Gross industrial production, real change in %	2,0	5,6	-1,2	.	.	-10,3	2,1
Unemployment rate LFS, in %, average	14,0	27,6	13,7	45	31,4	19,7	23,0
Average gross monthly wages, EUR	292	649	1.043	230	497	722	512
Inflation %	3,5	3,7	2,3	5,3	3,9	3,1	11
Public debt in % of GDP	60	39	43,9	5,9	35	44	45
FDI inflow, EUR mln	742	313	1,048	701	304	401	1,949
Gross external debt in % of GDP	46,3	25,5	100,9	-	65,7	30,3	81,2

Table 3: Macro indicators Western Balkans for 2011
Source: WIIW (Vienna Institute for International Economic Studies),
Ministry of Finance of Kosovo,
WKÖ, own calculation; (Some data for Kosovo are estimated)

On the other hand there is Kosovo, an only 4 years old Republic, (public debt only 5,3 % of the GDP), with lowest GDP per capita PPP 4.900 EUR, lowest monthly wages of 230 EUR and highest unemployment rate of 45 %. The other countries tend to be more comparable to each other.

3.1.3. EU and Western Balkans

According to the European Commission, Western Balkans countries have moved closer towards the EU in the last 5 years, and the European Council has agreed to extend the EU perspective to the Western Balkans countries (<http://ec.europa.eu/enlargement> may 2012). It is clearly mentioned that the EU house is open for all the countries that fulfil all necessary political and economic conditions for the EU membership. On the other hand, a country can only become EU member with the unanimous decision of all 27 actual member states that makes this a political decision to a certain extent.

The next joining country will be Croatia, which currently hold the status of acceding country. It will become the 28th EU member on the 1st July 2013 after almost 10 years of consultations and negotiations. Montenegro, Macedonia FYROM and Serbia have currently the status of candidate countries. They are at different stages at their EU pre-association historical development as some countries accession negotiations progress quicker and for some others slower. (<http://ec.europa.eu/enlargement> May 2012) For example Macedonia is a candidate country since December 2005, Montenegro since December 2010 and Serbia since March 2012 and none of them has yet started the accession negotiations. Albania, Bosnia and Herzegovina and Kosovo are known as candidate countries, which mean that they are potential EU candidate in the long-term once they have fulfilled the necessary political and economic requirements for membership.

Many political analysts are sceptical regarding the membership of these three countries in the near future, so that it is at least a decade away before Albania, Bosnia and Herzegovina and Kosovo are ready to join the EU.¹

¹ Personally, I am particularly sceptical about the scepticism of most politic or economic analysts, experts or forecasters because at the end of the day there are advantages on both sides. There has been huge development and great change in this region taking into consideration the continuous issues and obstacles, even though sometimes self-made. With the hope of possible EU membership these countries have made a huge development and increased the speed of democratic reforms, in order to build strong political institutions and strong economy promoting thus greater stability.



Figure 3: Western Balkans and the EU enlargement 2012
Source: <http://ec.europa.eu/enlargement> May 2012

3.1.4. AL-MA-KO-MO²

It sounds like a Japanese producer of hi-tech commodities; it is in fact an abbreviation for **AL**bania, **MA**cedonia, **KO**sovo and **MO**ntenegro. These four countries are often put together in international business not only because of the geographic distance but also due to other similarities such as the languages spoken, and the socio-economical level of development. In Albania and Kosovo the official language is Albanian. In Macedonia and Montenegro the Albanian language is recognised as a minority language also in the official use. In Macedonia the official language is Macedonian and regionally Albanian, and in Montenegro the official language is Montenegrin language and regionally Albanian. In Kosovo and Montenegro the official currency is Euro even though neither is a member of the Eurozone Monetary Union. Both countries had adopted the German Deutsche Mark as official currency that subsequently was replaced by the euro.

3.1.4.1. Opportunities and risks

ALMAKOMO accounts for almost 10 million habitants or 10 million very fast thinking customers, in a very fast changing and expanding market around the corner of the European Union. Seeing foreign investment as one of the main pillars to build a healthy and strong economy, all countries have now established governmental bodies to attract foreign investment and assist foreign investors in achieving their objectives.

In Albania, the Albanian Investment Development Agency (AIDA) a renamed version of former Albinvest, a governmental organisation direct under the Prime minister's Office, aims to *"increase the competitiveness of the Albanian economy and offer the foreign and domestic investors comprehensive support for their investment projects"* (www.aida.gov.al)

In Macedonia, the Agency for Foreign Investments and Export Promotion of the Republic of Macedonia "Invest Macedonia" is the primary government institution supporting foreign investment in the Republic of Macedonia. (www.investinmacedonia.com)

In Kosovo, the Investment Promotion Agency of Kosovo (IPAK) is the leading Government Institution to promote foreign promotion in investment for Kosovo as well as with the promotion of exports. (www.invest-ks.org)

² This is a self-developed term for: ALbania, MAcedonia, KOsovo and MOntenegro

In Montenegro, the Montenegrin Investment Promotion Agency (MIPA) is a national investment agency set up by the Government of Montenegro in 2005 to promote foreign investments and facilitate economic development in Montenegro. (www.mipa.co.me).

Despite their present stage of economic struggling, the ALMAKOMO countries offer extraordinary investment prospects to open-minded investors. As the overhead objective of all these countries is the EU Membership, the agenda of each government clearly indicates in capital letters the words “Reforms”, “Stability” and “Economic Performance”. The “Doing Business Report in South East Europe 2011” issued by the World Bank shows that all four countries have made huge improvements compared to 2008 with regard to matters such as starting up a business, dealing with construction permits, registering property and enforcing contracts.

	Albania		Macedonia		Kosovo		Montenegro		Regional Average
	2009	2012	2009	2012	2011	2012	2009	2012	2012
Ease of doing Business	86	82	71	22	117	117	90	56	94
Starting a business	67	61	12	6	165	168	105	47	65
Dealing with construction permits	170	183	152	61	169	171	167	173	127
Registering Property	62	118	88	49	66	73	123	108	60
Getting Credit	12	24	43	24	21	24	43	8	51
Protecting Investors	14	16	88	17	172	174	24	29	68
Paying Taxes	143	152	27	26	45	46	139	108	99
Trading across borders	77	76	64	67	129	131	125	34	105
Enforcing Contracts	89	85	70	60	157	157	130	133	61
Closing a business	181	64	129	55	31	31	42	52	81

Table 4: Doing Business

Source: Doing Business Report 2009, Doing Business Report 2011, Doing Business Report 2012 (Countries are ranked on the ease of doing business 1 = best performer, 183= worst performer. A high ranking means that the environment is more favourable for starting and operating a business. Data for Kosovo for 2009 are not available)

The last decade has offered increasingly improved business environment in all four countries. The economic growth slowed down from 2008 onwards because of the global financial crisis which of course affected the ALMANOKO countries as well. In the four countries, the average GDP growth in 2011 was 2,9 % . The euro-zone stagnation, predominantly in Italy and Greece, which are the two most important commercial partners, has caused a shrinkage in tourism, trade, exports, and remittances from workers abroad.

Two very important stages in the development of these countries, which many foreign investors see as opportunities when deciding to invest are:

- a) the unfinished privatisation process, and
- b) the recently started process of building the country's infrastructure.

The privatisation process started in the early 90' with the low scale State Owned Enterprises (SOE). Since 2007 these countries advanced with the privatisation of the big unprofitable state owned companies that have been a weight to the public finances, but at the same time an asset sale brings an increase in revenues.

Having said this, there are still concerns about the risks that the region carries. A typical issue in all four countries is the non-coordination between governmental agencies and bureaucracy. Serious concerns remain about the large ratio of informal economy, corruption and organised crime networks. The high unemployment levels and the lack of infrastructure are seen by many companies as attractive opportunities rather than risks.

3.2. Albania, Land of Eagles!



Figure 4: Map of Albania
Source <http://hhw.squarespace.com>

3.2.1. Background³

Albania, Shqipëria, Shqipnija, or officially Republic of Albania, is located in South Eastern Europe, on the west coast of the Balkan Peninsula. It borders with Republics of Montenegro and Kosovo to the north, with Macedonia to the east, and with Greece to the south and southeast. Comparatively, Albania is slightly bigger than Lower Austria and Carinthia put together (28.713,75 km²), with a total area of 28,748 km². (own calculation). Albania has a coastline of 316 km facing the Adriatic and Ionian seas.

The population of Albania is approx. 2,831,741 (Albanian Institute of Statistics 2011). Approximately 900.000 Albanians are living abroad. Its capital, Tirana, located at the heart of the country is the centre of the political, economic and cultural activity.

³ Albanian Institute of Statistics 2012, Albanian Investment Development Agency, own calculation and comparison

The native language is Albanian nevertheless the business language range extends to English, Italian, Greek and German, and most of the time a combination of at least three of them spoken by one person.

Albania is a potential candidate country for EU accession, is a member of World Trade Organization since 2000 and a NATO member country since April 2009. Albania is a parliamentary republic with a transition economy.

3.2.2. Economy ⁴

Albania has a very dynamic economy and has shown great potential for economic growth. After more than 50 years of communist rule and total isolation Albania opened in 1992 to the market economy. During the last 20 years the country has reached the levels of upper middle income countries. However it still remains a poor country compared to west European standards.

Despite the global financial crisis the country has achieved positive GDP growth for the period 2000 – 2009 average of 6%, and of 3,5% for 2010 and 2,9% for 2011.

Many reforms were undertaken during the last decade in infrastructure development, anticorruption, tax collection etc. Albania is suffering the transition from a mainly agricultural economy to a service oriented economy. Albanian population has a median age of 29 years (INSTAT 2010) thus a very young workforce and a total labour force of 1.1 million (INSTAT 2011).

Albania legal framework encourages foreign investments. The corporate income tax was reduced to a flat rate of 10% in 2008 (previously 20%).

While 44.1 % of the people are employed in agriculture/forestry/fishing sector (INSTAT 2010) this division only accounts less than 1/5 or 17,5% of the GDP (Ministry of Finance of Albania 2010). From the other sectors, the services sector dominates with 58% of the GDP, the transport sector 5,2 %, the construction sector 9,4 and industry 9,9% of the GDP. It exists a big unreported informal sector which if sums up to the value of 50% of official GDP.

⁴ Ministry of Finance of Albania, Albanian Institute of Statistics 2012; Bank of Albania; Albanian Investment Development Agency

Main Economic Indicators	2006	2007	2008	2009	2010	2011	2012*	2013*	2014*
GDP, real growth %	5,4	5,9	7,71	3,32	3,5	2,9	2,2	2,6	3,4
GDP per capita (EUR at PPP)	5.000	6.000	6.400	6.500	6.600	6.800	.	.	.
Unemployment %	13,8	13,2	12,7	13,7	13,49	14,0	15	14	13
Average gross monthly wages, EUR	234	273	279	307	279	292	.	.	.
Inflation , %	2,5	3,1	2,2	3,7	3,5	3,5	3	4	4
Public debt in % of GDP	56,2	53,5	54,8	59,7	58,52	60	.	.	.
FDI inflow, EUR mn	260	452	653	705	827	742	.	.	.
External debt in % of GDP	16,6	15,3	18	23,4	25,19	46,3	.	.	.
Exports EUR mn	628	786	917	782	1.100	1.406	.	.	.
Imports EUR mn	2.430	3.043	3.582	3.263	3.300	3.865	.	.	.
Exchange rate ALL/EUR	123,1	123,6	122,8	132,1	137,8	138	.	.	.

Table 5: Main Economic Indicators for Albania
Source: Ministry of Finance of Albania, Bank of Albania, INSTAT, WIIW Vienna Institute for International Economic Studies, own calculation.
There are significant discrepancies between the various sources.
Data for 2012*2013* 2014* are calculations.

3.2.2.1. Banking sector

The banking system is composed of: the Bank of Albania (the Central Bank), second level banks (commercial banks) and the Deposits Insurance Agency (state owned). Only deposits, that are not used for commercial purposes, not exceeding of ALL 2,5 million (EUR 17.730) are insured.

The four largest commercial banks operating in Albania are Raiffeisen Bank (RZB International. AG, Austria), Banka Kombëtare Tregtare (Calik Holding Turkey), Intesa San Paolo Bank Albania (ISP, Italy), and Banka Credins. (Bank of Albania 2011)

3.2.2.2. Tourism

Tourism consistently increases year by year and its share in the GDP was almost 11% in 2010 including supporting industries (USAID 2010). It generates approx. 140.000 jobs coming in third place after agriculture and construction. The country possesses 290 hotels with a total capacity of 11.793 bed places. (INSTAT 2010). The natural treasures of Albania represent great potential of high quality tourism. It offers cultural and

architectural heritage from Greek, Roman and Ottoman times, national parks and stunning beaches, adventurous activities from the sea to the highlands known as the Albanian Alps and many unspoiled touristic attractions. Albania was selected as the number one holiday destination for 2011 by Lonely Planet, the largest travel guide book in the world.

3.2.2.3. Foreign trade

Regardless of the many reforms and efforts, Albania's economy is still imports-oriented that amounts 36,4% of the GDP (Ministry of Finance of Albania 2010). To a certain extent, one can say that Albania failed to develop a growing export sector. The export industry is very weak and amounts only 14 % of the GDP (Ministry of Finance of Albania 2010) and the export base is very undiversified and narrow. During 2011 total imports were 3,8 bn EUR and exports 1,4 bn EUR. The main exports in 2011 were textile and footwear with 32 % , minerals, fuels and electricity 30% and 21 % construction materials and metals (INSTAT 2011). The main trading partner is the EU, delivering 64% of the imports and getting 72.4 % of the Albanian exports. In 2011, in order of trade volume, Albania's main import partners were Italy (30,5%), Greece (10,6 %), China, Germany and Turkey, and export partners were Italy (50,9%), Kosovo, Turkey, Greece (5,1%), Spain and Germany. (Albanian Investment Development Agency 2012)

3.2.2.4. Inflation ⁵

Since 2002 the inflation has been between 2,2% and 3,7 % in 2009, that was the highest rate of the last decade. During the economic expansion of 2010 the inflation remained within the expectations of the Bank of Albania. The target of the Albanian government for 2012 is to maintain an inflation rate of 3%. One of the reasons for this increment of inflation in 2009 (3,7%) and 2010 (3,5%) was the inclusion of the pharma products into the VAT scheme which automatically increased their prices. One external reason worth mentioning was the increase of prices of imported goods such as food, oil and raw materials.

3.2.2.5. Transportation and logistics

The strategic geographic position, at the centre of a natural crossroads of major transit corridors in Europe, makes Albania the link between the Western Mediterranean

⁵ Ministry of Finance of Albania, Bank of Albania

countries with the Balkans and Asia. The principal modes of transportation in Albania are air transportation, road transportation, railways and waterways.

Albania’s international airport “Tirana international Airport Mother Theresa” is located 11 km from the capital. Airport traffic results for 2010 were 1.536.822 passengers, 20.775 flights, and about 2.000 tons of cargo transported. (Albania in Figures 2010, Institute of Statistics INSTAT) Another international airport has been built in the northern part of the country in the vicinity of the city of Kukes but hasn’t been operating yet.

	2005	2006	2007	2008	2009	2010
Passengers	785.000	906.103	1.105.770	1.267.041	1.394.688	1.536.822
Flights	15.400	1.5856	18.258	19.194	20.064	20.775
Cargo	2.000	1.603	1.695	1.987	1.711	2.000

Table 6 “Mother Teresa” Airport traffic
Source: Albania in Figures (2010), Institute of Statistics (INSTAT)

Albania has outperformed its neighbours when it comes to road transportation. Because the economic development is dependent on the country’s transport infrastructure most of the existing key roads have been reconstructed and new ones have been built. Here is to mention the 4 lanes motorway that connects the port city of Durrës with Morine the border with Kosovo. The motorway that opened in 2010 reduced dramatically traveling time from Durrës to Kosovo from 7 to 2 hours. It is expected that this road will increase Albania’s number of tourists and the commercial activity at Durrës port. In the framework of regional cooperation, special attention was paid to key roads that connect with neighbouring countries like Macedonia, Montenegro and Greece. Approximately 452 km of roads have been reconstructed in 2011 only throughout the country.

Railway transportation is not as efficient as road transportation. Albanian railway network is composed of 677 km of primary and secondary railways. One of the main priorities of the government is to reactivate the railway network through private capital investment.

There are four main seaports on the Albanian coast: Durrës Port and Shengjin Port on the Adriatic Sea, Vlora and Saranda Port on the Ionian Sea. The largest and most important port is Durrës, which covers over 80% of all the country’s maritime transport. The

Albanian seaports are a very essential logistics apparatus not only for the country but for the whole region.

3.2.3. Albania and its efforts attracting FDI⁶

Albania has attracted a notable amount of foreign investors in the last decade. Regardless of the economic crisis, the FDI inflows progressed from 259,8 mn EUR in 2006 to 827 mn EUR in 2010. (Albanian Investment Development Agency 2012 AIDA) A favourable foreign investment policy framework was developed early in 1993 and it continues to be upgraded by the government with policies to support private sector development, bureaucracy reduction and investment promotion.

Amongst the key pillars of the economy such as infrastructure, financial services, energy or mining, foreign investors are the main players. For example, the energy sector is dominated by Foreign Investors. The biggest Austrian companies such as EVN and Verbund are involved in constructing new hydropower plants in Albania as PPP investments (Private Public Partnerships). (Chamber of commerce and industry of Tirana 2012)

Financial services sector has had great developments in the last years, too. European bank giants such as Raiffeisen Bank, Intesa Sanpaolo Bank, Societe Generale or Credite Agricole, entered the Albanian market by privatising state owed banks or acquiring existing small private banks.

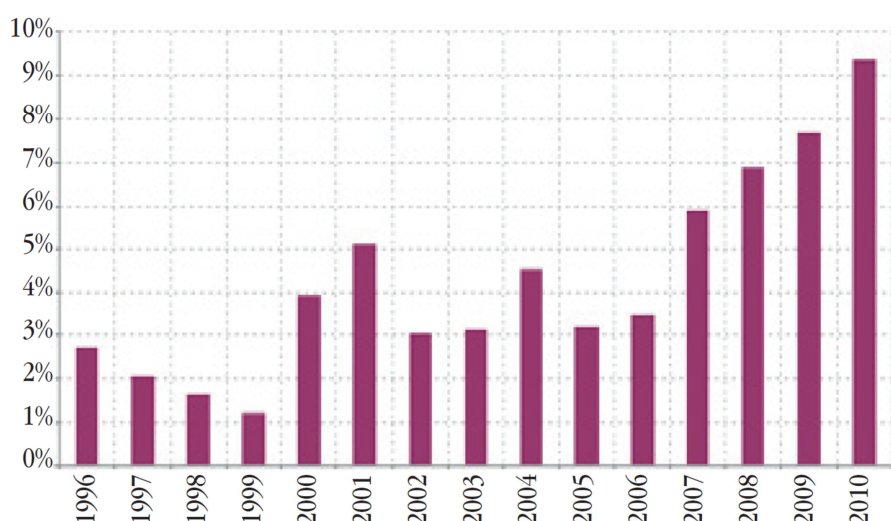


Figure 5: FDI as a % of GDP
Source: FDI Report 2012 page 3

⁶ Albanian Investment Development Agency AIDA FDI Report 2012

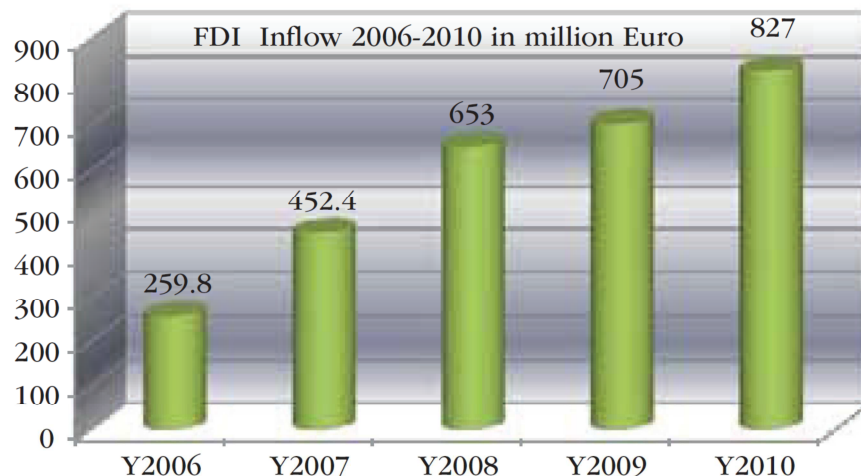


Figure 6: FDI Inflow in mln Euro

Source: Albanian Investment Development Agency AIDA FDI Report 2012 page 3

In the mining, extraction and mineral processing sector we can still mention the PPP-models in the country's rich chrome and ferronickel mines operated by Austrian companies or oil exploration and excavation operated by Canadian companies.

Another sector with great increase in foreign investment is the telecommunications segment. In all its divisions, such as mobile communication or internet services, foreign investors play a crucial role.

Last but not least, infrastructure and environment is dominated by foreign investors as well. Airport building and operation, constructions of motorways or seaports, design build and operation of landfills, incinerators or sewage treatment are all implemented by foreign companies.

Another segment worth mentioning, that differs from above because of its labour intensive characteristic, is the Textile Façon segment. It consists of inward processing of textiles and shoes to be later exported in EU countries. This sector is dominated by Italian companies but mainly with licensing contracts to Albanian partners (83 % according the Chamber of Façon of Albania). This is a very spread activity in rural areas and employs a lot of skilled female workers, and despite the very low wages it still contributes directly to the rural development and poverty reduction. There was a notable decrease in this sector at the beginning of the economic crises but it is slowly recovering mainly because of the competitive advantage Albania has in this industry, the competitive labour prices relative to the region and the short physical distance to the EU and thus lead time.

Some of the major foreign investors operating in Albania are listed in Table 7.

Company	Country of origin	Sector
EVN	Austria	Energy
Verbund (Ashta Hydro Power)	Austria	Energy
Raiffeisen Bank	Austria	Banking
Sigal (Uniq Group)/ (Acquisition)	Austria	Insurance
Trema Engineering Strabag	Austria	Construction
Wolf Theiss	Austria	Law firm
Bankers Petroleum	Canada	Oil and Gas Production
CEZ Albania	Czech	Energy Distribution
Societe Generale	France	Banking
Airport Partners (Hotchtief)	Germany	Infrastructure
AMC	Greece	Telecommunications
Consortium Atermon s.a - Roder & Blackwell Consultig	Greece	Energy
Vodafone	Greece	Telecommunications
Titan Cement Group - Antea Cement	Greece	General Manufacturing
Hygeia Hospital Tirana	Greece	Health
Interalbanian (Aspis Group)	Greece	Insurance
Alumil	Greece	Manufacturing
Coca-Cola Bottler	Italy	Beverage
Intesa San Paolo	Italy	Banking
Conad	Italy	Retail /Trade
Carrefour	Netherlands	Retail /Trade
Statkraft	Norway	Energy
Kurum	Turkey	Metallurgy
CALIK (Albtelecom)	Turkey	Telecommunications

Table7: Major foreign investors in Albania 2011

Source: Albanian Investment Development Agency AIDA FDI Report 2012 page 3

3.2.4. Working with Albanians, views from the praxis.

The internal market in Albania has changed significantly in the last decade. Now it can be described as an open market economy with elements of hard competition, especially for SMEs. There is freedom of trade, with Sunday shopping and often 24h stores. There is generally more competition in all areas. Hard to find is supplier loyalty or brand loyalty because the tendency is to try everything new. There is no big feeling of buying local. On the contrary, consumption of foreign western products shows status and wellbeing. Only people who didn't "make it" use the public transport, the rest drives a car even for short distances. Status symbols, luxury possessions and designer products are very popular.

3.2.4.1. Human resources

A great new generation of Albanians is getting prepared for the labour market. Albanians spend a lot of time and money for good high education of their children in the country and abroad. On the other hand, the vocational education is much neglected. You cannot make career in Albania if you don't possess high university education. The strengths of

this splendid labour force (22-35) are: the dynamics, the Will to change the environment and themselves plus the knowledge of foreign languages. (English! Italian! German!). Other characteristics are the healthy curiosity and openness, improvisation, creativity and flexibility. Albanians are loyal and hungry for success. A very valuable asset in the Albanian society is the Albanian woman. Women combine family and work very well and the role of women in the society is expected to be very active since the women were traditionally employed in socialism. Often women are more results-oriented and men more prestige-oriented. Mobility of working force and especially of managers is rather limited, as family ties are strong and there is lack of infrastructure and comfort once you leave the big cities.

The trends of the management are more a sort of emotional management because the employees are emotional and they show it. Some of the relics of the communist time are believed to be the rigid management style that one might find still very often, difficulties to delegate work and own initiative. Own initiative is not encouraged in schools for children at young age and it tends to be one of the main reasons of bureaucracy. Albanian managers tend to plan for the short run rather than the long run. Good managers are not cheap in Albania.

3.2.5. Doing Business in Albania -Opportunities and risks⁷

Albania with its strategic location and its low tax burden offers quite a lot of advantages in terms of inexpensive factories suitable for brownfield investment and inexpensive land suitable for greenfield investment. Its natural resources beside hydropower, solar and wind power include vast trails of agricultural land and beautiful coastline with admirable tourism potential. Albania is rich in petroleum, natural gas, iron, nickel, copper chromite, bauxite, salt and timber. Its young highly educated labour resources provide a skilled cost competitive workforce. Albania has had traditionally very good relations with Austria and the Albanians have a very good image of “Made in Austria” products and services.

Investor’s confidence in Albania has increased by the continuously upgrading of legal, structural, fiscal and administrative reforms concentrating on trade liberalization and facilitating doing business.

⁷ Chamber of Commerce and Industry of Tirana, Wirtschaftskammer Österreich, Albanian Investment Development Agency 2012 AIDA

Privatisation has been a very significant approach to bring many foreign investors to Albania, and now with privatisation soon to be finalized, the country should develop other attracting opportunities for foreign investors. The focus of the government is to attract foreign investors in sectors where the country has unexploited potential. These investment opportunities are to be focused in sectors rich of natural resources such as tourism, renewable energy, agribusiness, or in underperforming sectors like services, R&D, environmental and waste management, infrastructure etc. For example, tourism has a lot of available potential. By making a small comparison of hotel bed capacity between Albania and Montenegro, one can see that there is a lot of available potential tourism or its supporting industries. For example Albania possesses 290 hotels with a total capacity of 11.793 bed capacity (INSTAT 2010). While Montenegro in 2011 had 310 hotels with a total bed capacity of 40.427 beds in hotels, and 96.262 beds in private accommodation facilities, thus a total capacity of 136.689 available beds (MONSTAT statistical office of Montenegro).

Major problem continues to be a large informal economy, corruption, unemployment, non-coordination between agencies, bureaucracy and combative political opponents. (www.iaed.org/albania march 2012)

All these been said, Albania survived pretty good the global economic crisis, by outperforming most of its neighbours. Albania, however is seen to be one of the most significant countries for the future of the Balkans because of its geo-political situation. With a young and growing population Albania will have a larger role to play in the years to come (www.balkananalysis.com march 2012).

4. Part III- Let's talk about Waste!

'Through away, dig, burn, dispose, hide, recycle etc, whatever but just get rid of it!'

While most of us want to get rid of it, some others recognised what a smart good waste is.

It's the only commodity, in trade, that you can earn twice. For any other commodity the exchange is "give and take". For example, if you are the customer and want to buy olives you give money and take olives. The merchant on the other hand gives you olives and takes money from you.

For waste you would have to give twice as a customer or you get twice if you are a waste collector. As a waste collector you get the waste which most of the time is worth something and you get money as well to handle it.



Make more money out of waste!

Source www.trendsderzukunft.de/tag/recyclen/ August 2012

4.1. Definition of waste

An object or substance is defined as waste if there is either the intention of discarding them or if it is in the public interest to identify them as waste and treat them accordingly. (AWG)

Waste as defined in the § 2 AWG (Austrian Waste Management Law) are movable property:

1. Whose owner wants to get rid of, or has disposed it or
2. Whose collection, storage, transport and treatment has to be done as waste in order not to threaten the public interest
3. Waste is something whose proper collection, storage, transport and treatment are necessary in the public interest, even if they have made an environmentally harmful association with the soil (e.g. oil-polluted soil).

4.2. The Austrian Waste management framework

Austria is one of the leading European countries in terms of sustainable waste management. The waste management sector has been subject of remarkable improvement in the last 2 decades. Progressively tighter rules and regulations, followed by higher environmental standards and the increasing significance of the secondary raw materials have created a huge industry generating revenues of approx. 5bn Euros annually and employing approx. 31000 employees in Austria. (Federal Waste Management Plan 2011)

Key indicators on turnover and number employees in the Austrian waste management industry			
	Private waste management, including spun-off municipal enterprises	Municipal enterprises (including associations) and public administration	General waste management
Turnover	approx. € 4,000 m/a	approx. € 1,000 m/a	approx. € 5,000 m/a
Number of employees	approx. 25,000	approx. 6,000	approx. 31,000

Figure 7: Turnover and number of employees in the Austrian waste management industry
Source: Federal Waste Management Plan, (2011), Lebensministerium

According to the Waste Management Law of 2002 of the Republic of Austria (§1AWG Abfallwirtschaftsgesetz), waste management should be based on the precautionary principle of sustainability and be geared toward:

1. Preventing harmful or adverse effects on humans, animals, and plants, their life support system and their natural environment, and generally reduce any negative effects on human wellbeing to a minimum.
2. Keeping the emission of air pollutants and climate- relevant gases as low as possible.
3. Conserving resources (raw materials, water, energy, landscapes, land areas, landfill volumes).
4. Ensuring, in the case of recovery, that the materials reclaimed do not present a greater risk than do the comparable primary raw materials or products from primary raw materials and
5. Ensuring that only such waste remains as can be deposited without danger to future generations.

Respectively, the five steps of waste management hierarchy in Austria are:

1. Waste prevention
2. Preparation for reuse
3. Recycle
4. Other recovery e.g. energy recovery
5. Elimination

Translated in common language that means that the whole society and the waste management industry have to follow each of these steps in a consecutive order. Therefore (1) try to prevent waste as much as possible, then (2) what you can't prevent prepare to reuse it, and after it (3) separate what can be recycled, (4) what can't be recycled can be used for energy recovery and only what is left (5) have to be eliminated. The three-step waste hierarchy used previously (prevention before recovery before disposal) was replaced by the five-step hierarchy (prevention before preparation for recovery before recycling, before energy recovery, before disposal).

It can be assumed that trends in the following areas will have implications for the future development of the Austrian waste management: population growth, trends in lifestyle, economic growth, mobility and technical development.

Not only the quantities of waste have been increasing in the last ten years, but there has been an increase also in fees for waste collection and treatment, which can be endorsed to the improved services provided by the municipalities, or higher standards in waste treatment. This makes the waste business sector very attractive but at the same time very competitive and innovative.

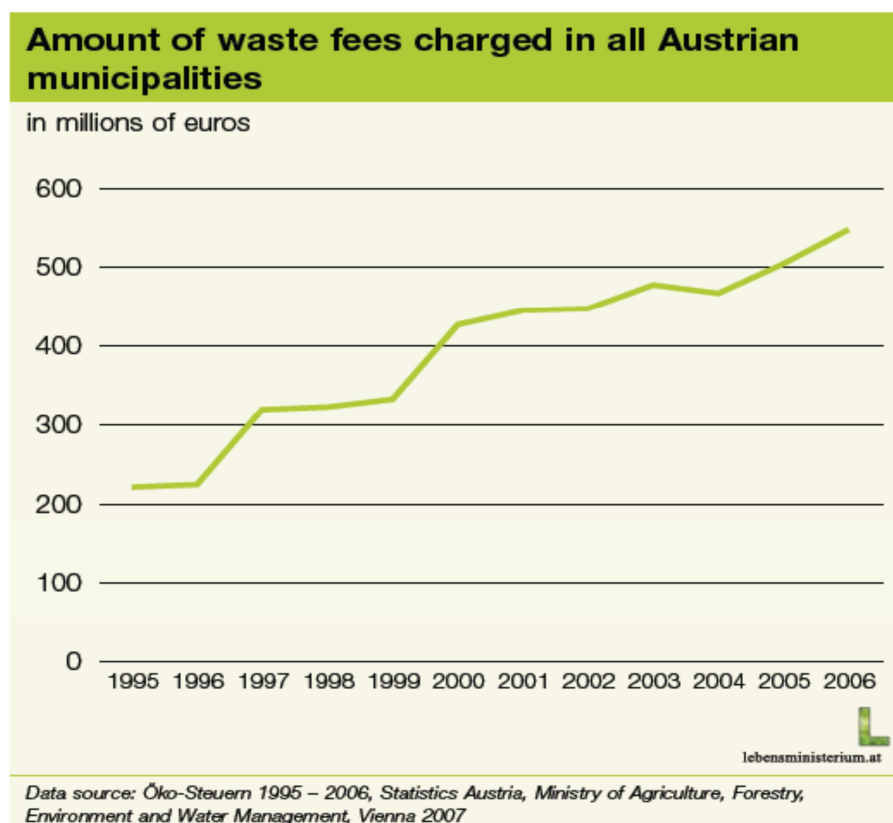


Figure 8: Waste charge fees in Austria
Source: Federal Waste Management Plan 2011, Lebensministerium

Urban waste is collected from private or semiprivate companies. Citizens pay a yearly fee to the respective municipalities for the waste collection. Citizens are “voluntarily” obliged to separate waste. Up to 18 different waste types are separated by each household voluntarily. The waste separation rules differ slightly in the different Federal States. For example, in Lower Austria households separate the following waste types: biological waste, paper, white glass, coloured glass, plastic packaging waste, aluminium or other

metal packaging waste, tetra pack, batteries, expired medicines, furniture and appliances, electrical appliances which contain hazardous materials (like refrigerators), electrical appliances not containing hazardous materials (like hairdryer, iron, radio without batteries etc), oils, cooking oils and fat, diapers, old paint, old chemicals, and everything that doesn't fit in any of these categories is collected as rest mixed waste. In Lower Austria, waste fees are approximately 200 EUR per household a year. According the Eurostat in Austria in 2010 the average waste production per person was 591 Kg per year. All 591kg are processed as following 1% in Landfills, 30% incinerated, 30 % recycled and approx. 40 % composted.

Industrial and business waste is collected and processed only by private companies. Businesses pay a fee to waste collectors based on volume, quantity or based on regular monthly/yearly contracts. When industrial non-hazardous waste is disposed safely in Austria, it costs approx. the 160 euros per ton.

All waste types are included in a special waste directory issued by the ÖNORM (Österreichische Normungsinstitut-Austrian Standards Institute) with a special 5 digit code number. Hazardous waste has in addition to the 5 digit number also the letter "g" for "Gefährlich kontaminiert" which means hazardous contaminated. For example, the code "35221" belongs to "large electrical appliances > = 50 cm", and the code "35210g" belongs to "large electrical appliances > = 50 cm with hazardous properties". There are around 1500 different waste codes in Austria out of which approx. 764 are labelled as hazardous or contaminated.

Waste collectors differ from each other by the type of licensing of activities. There are companies that are only licensed to collect waste according to a specified list of waste. There are companies licensed to dispose and others that are licensed to process and treat waste. Sometimes one company may have the right to do all three procedures. But NOT all companies that operate in the waste management sector are allowed to do the collection, disposal or treatment of hazardous waste.

The entering in force of the new Landfill Regulation in year 2004 (Deponieverordnung 2004) brought a major revolution in the waste management sector of Austria. Since then it is not allowed to dispose unprocessed waste in a landfill. All sorts of waste have to be separated, reused, processed, recycled, incinerated etc. The only types of waste, that are disposed in landfills, after being processed, are: rest of the ashes of the incinerator, soil

excavation, and construction waste and massive waste according to the corresponding landfill and the corresponding landfill regulations. The technical possibilities of waste collection and waste treatment in Austria are presented in Figure 8. Furthermore, all environmentally harmful deposits, refuse dumps and contaminated sites that still exist from previous years – the so-called “Altlasten” – are in process of remediation. First, the suspected sites get examined, recorded and the risks posed assessed, according the law for remediation of contaminated sites (ALSAG). The government contributes to finance the remediation and the redevelopment of contaminated land, if no polluter can be found. Otherwise, every polluter must pay for the remediation and the redevelopment of contaminated land itself.

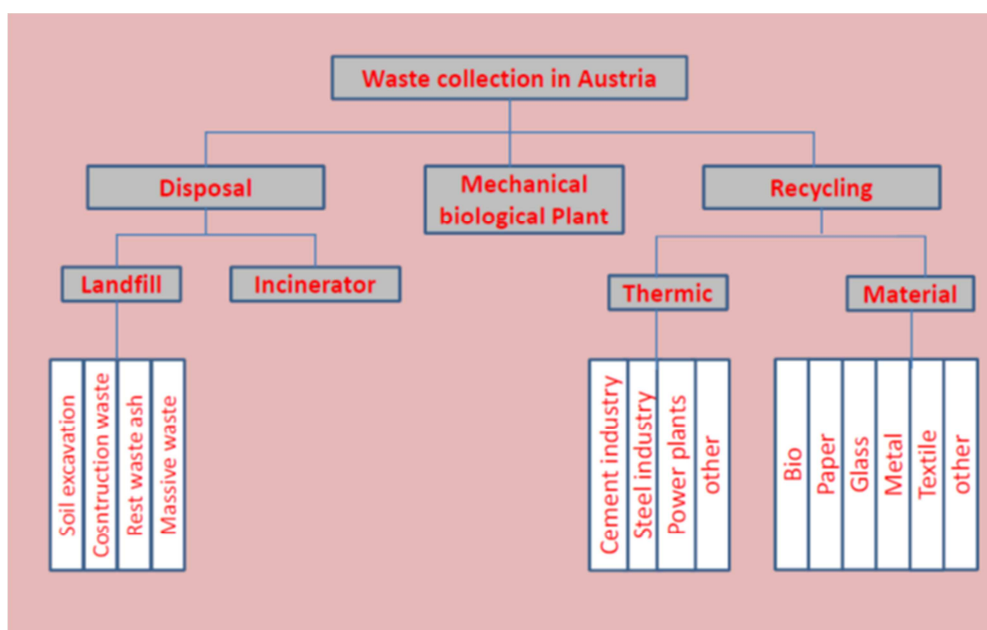


Figure 9: Technical possibilities of waste treatment in Austria
 Source: Own presentation

As mentioned above waste prevention is at the top of the waste management hierarchy, which aims to take all the measures to reduce it before a product actually becomes waste. Figure 10 explains the measures to be taken at every step of the supply chain of the waste prevention strategy.

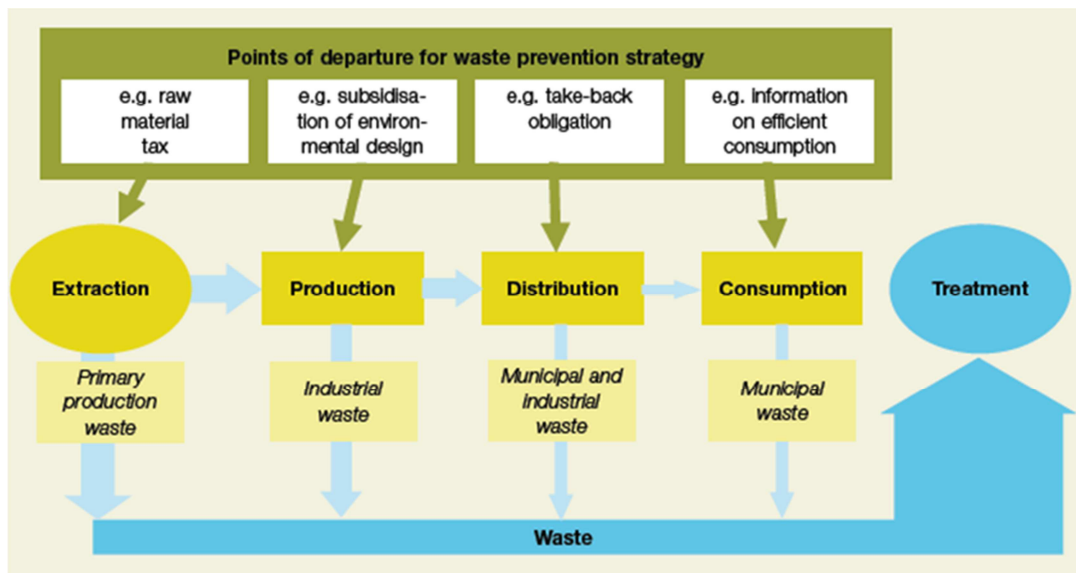


Figure 10: Waste creation along the value chain and starting points for the waste prevention strategy
Source: Federal Waste Management Plan (2011)

There are approximately 2200 waste treatment facilities in Austria out of which 666 landfills, 466 plants for aerobic biotechnological treatment of separately collected biogenic waste, (composting facilities), 400 treatment plants for construction and demolition waste, 182 plants for sorting and processing separately collected recoverables and other waste , and 157 plants for anaerobic biotechnological treatment (biogas facilities). Austrian waste treatment facilities provide the highest environmental standards in Europe. Generally all waste generated in Austria is treated in Austrian facilities in order to protect the investments and to contribute to the Austrian national economy. If there are „unused plant capacities“ available in Austria, than waste from Austria’s neighbouring countries is being treated, particularly because of the high technical standards of the plants. For that purpose importing waste to Austria is encouraged and viewed very positively. (Federal Waste Management Plan 2011)

Nevertheless, for some specific kind of waste there can’t be found a solution in Austria. For example, waste to be placed in underground storages (Untertagedeponien) is exported and disposed abroad (e.g. dangerous contaminated salts). In this case a notification approval of the Ministry of the Environment is required.

Kommunale Abfälle 2010

	Kommunales Abfallaufkom- men (kg/Person)	Gesamte behandelte komm. Abfälle (kg/Person)	Behandlung der kommunalen Abfälle (in %)			
			Depo- nierung	Verbren- ung	Recycling	Kompost- ierung
EU 27	502	486	38	22	25	15
Belgien	466	434	1	37	40	22
Bulgarien	410	404	100	-	-	-
Dänemark	673	673	3	54	23	19
Deutschland	583	583	0	38	45	17
Estland	311	261	77	-	14	9
Finnland	470	470	45	22	20	13
Frankreich	532	532	31	34	18	17
Griechenland*	457	457	82	-	17	1
Großbritannien*	521	518	49	12	25	14
Irland	636	586	57	4	35	4
Italien*	531	502	51	15	21	13
Lettland	304	304	91	-	9	1
Litauen	381	348	94	0	4	2
Luxemburg	678	678	18	35	26	20
Malta	591	562	86	-	7	6
Niederlande	595	499	0	39	33	28
Österreich*	591	591	1	30	30	40
Polen	315	263	73	1	18	8
Portugal	514	514	62	19	12	7
Rumänien	365	294	99	-	1	0
Schweden	465	460	1	49	36	14
Slowakei	333	322	81	10	4	5
Slowenien	422	471	58	1	39	2
Spanien	535	535	58	9	15	18
Tschech. Republik	317	303	68	16	14	2
Ungarn	413	413	69	10	18	4
Zypern	760	760	80	-	16	4
Island	572	531	73	11	14	2
Norwegen	469	462	6	51	27	16
Schweiz	707	708	-	50	34	17
Türkei	407	343	99	-	-	1

*Schätzung von Eurostat

0 bedeutet weniger als 0,5%, „-“ bedeutet einen echten Nullwert

Quelle: Eurostat, Tabelle: Kommunalnet

Figure 11: Urban Waste in Europe 2010
Source: Eurostat 2011

4.3. Waste management situation in Albania. Quo vadis Albania?!

4.3.1. Legal Framework

There is finally a clearer picture of the waste situation in Albania which consists of the national waste management strategy, the national waste management plan and a revised environmental legal framework. The National waste management strategy was drafted by the Commission of European Communities in 2010, for and on behalf of the Government of Albania. Furthermore, the waste management legislation is improved with new laws and regulations in accordance with the EC directives and the Basel Convention requirements. Nonetheless most advancements in this sector are made in the area of legislation.

The five step waste hierarchy, similar to Austrian Waste hierarchy, is integrated in the current legislation as a priority in waste prevention and management, nonetheless not yet put into practise.

1. Prevention
2. Preparing for re-use
3. Recycling
4. Other recovery, e.g. energy recovery
5. Disposal

The 2009 progress report of the European Union for Albania was not very positive regarding the environmental issues and waste management in particular.

“...There has been little progress in the area of waste management. The government adopted some implementing regulations. Apart from the rehabilitation of the Sharra landfill there have been no developments as regards municipal waste management. Uncontrolled dumping and burning of waste still represent environmental and health hazards. Albania lacks a modern system of waste collection, disposal and recycling, and has not set up a clear strategy for the safe disposal of hazardous waste. Preparations in the field of waste management are not advancedFurther efforts are required to strengthen the administrative capacity of all institutions involved in environmental policy making and enforcement. Inter-institutional cooperation and coordination still needs improving. The National Environmental Strategy has not yet been approved. Further efforts are needed towards ratification and implementation of international conventions. Overall approximation of legislation to the Acquis is making slow progress, but

implementation and enforcement are still lagging behind. Preparations in the field of the environment are advancing slowly...”. (Progress report 2008 of the European Union for Albania)

Regardless the legislative engagements of the Albanian Government, the main threats to its environment come from the impact of human practice. Environmental degradation particularly in the coastline has numerous factors such as municipal waste, industrial waste and pollution, illegal harvesting of forest and damage of vegetation resources, and unregulated development.

The biggest amounts of waste generated (in tons) are municipal waste, followed by construction waste. Nevertheless, the highest risks are related to smaller volumes of (industrial) hazardous wastes and clinical hospital waste. According to sources in the Ministry of Environment, Forestry & Water Management the total urban waste generation in Albania exceeded 900.000 tons per year in 2010. It is believed by specialists that real figures are much higher than the official figures. The median amount of waste production in urban areas is 550 kg per capita per year and 170 kg in rural areas. These amounts are expected to grow progressively with the economic development and spread of consumerism.

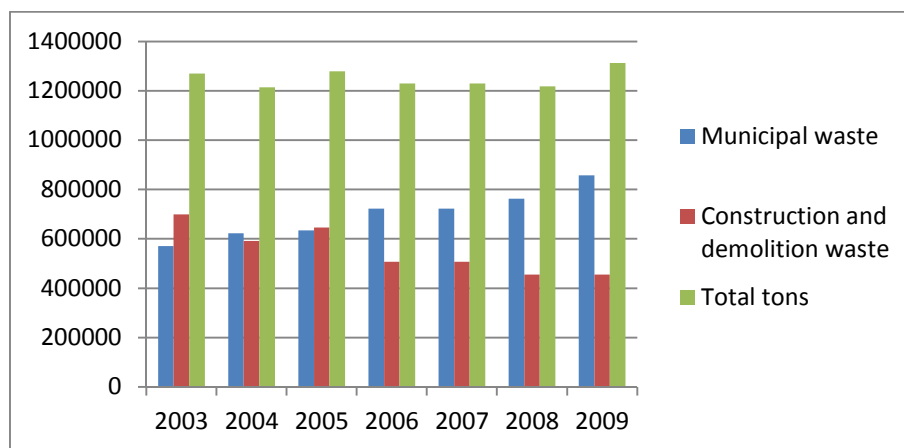


Figure 12: Total generation of waste in Albania

Source : Ministry of Public Works, Transport and Telecommunication, Ministry of Environment, Forestry & Water Management 2011

4.3.2. Waste collection and disposal⁸

Currently only 60% of the population are covered by a waste collection service. The local government collects the waste collection fee, known as the cleaning tax, according the Law on Local Taxes. The fees cover cleaning of the city, urban waste collection, transport and disposal at the dump site, but they don't cover supervision, or after-care of disposal sites. The fees are calculated per household hence they are not based in the number of persons but they are identical for all household. The fees, that are generally very low, differ from one municipally to the other. For example, in the capital Tirana, where the cleaning tax is the highest; the fee is approx. 3 EUR per household per month, in Durres 0,8 EUR per household per month and in smaller communities 0,58 EUR per household per month. (Albanian National Waste Strategy 2010) Incomes generated by the cleaning tax are not used exclusively for the purpose they were created.

Businesses pay a flat fee as well. The fee is paid every six months by the private households and once a year by the businesses. The revenues from the cleaning tax are not sufficient for the city cleaning and waste management, thus the municipalities have to add continuously more resources to the budget.

For example, the collection system for municipal waste has been privatized by 80%. Tirana is divided in 6 waste districts and is serviced by five private companies, four Albanian and one Italian company that are involved in waste collection. In the area of waste disposal or processing, there are no private specialised companies (Municipality of Tirana 2011).

There is no systematic recycling, because there is no systematic separation of waste neither for municipal nor for industrial waste. Roma families search for recyclable materials such as cardboard, plastic bottles and scrap out of the garbage and sell them to local recyclers. There are approx. 60 private companies dealing with waste recycling but most of them don't have an environmental permit from the authorities

They are operating in the following waste groups (Albanian National Waste Strategy 2010)

Plastic: 10 companies
Textile: 1 companies
Aluminium: 4 companies

⁸ Albanian National Waste Strategy 2010

Steel: 15 companies
Metal scrap: 21 companies
Inert waste (demolition bricks): 1 company
Wood: 1 company
Waste oil: 1 company
Used tyres: 1 company

There are also a handful of companies that collect cardboard and paper to process it into packaging material. Electrical and electronic waste and glass are not covered.

After the collection in urban centres, the waste is normally transported to specified dumping points. In many local papers or government reports these specified points are named landfills. These places are no landfills according to EU landfills standards but merely waste dumping sites or wild landfills at the edge of the residential site. The unprocessed dumped waste gets pressed and then covered with soil, creating thus huge hills with many layers of unprocessed waste. This kind of dumping of waste without separation and treatment causes serious pollution to air and groundwater. As this urban waste dumped contains a high percentage of organic waste it produces methane (CH₄) and carbon dioxide (CO₂) gases which are very harmful for the human health.

4.3.2.1. Construction and demolition waste

Construction and demolition waste created by the construction industry, demolition of older buildings or building infrastructure represents a high volume of waste in Albania.

Construction and demolition waste is generally inert but sometimes may contain small amounts of hazardous wastes like asbestos and paints. There are no specified landfills for construction and demolition waste. It is disposed at the same place as the urban waste or dumped at unauthorised places. There was a small decrease of the Construction and demolition waste in 2009 compared with 2005, but its volumes are expected to increase as the construction industry develops further.

4.3.2.2. Hazardous waste

Although according to the Albanian law hazardous waste must have the appropriate packing and labelling in accordance with international standards and must be accompanied with the proper documentation, this is not yet the practice. Furthermore according to the law, any kind of hazardous waste should not be mixed or diluted with other kinds of hazardous waste nor with other materials or substances.

If not separated correctly at the source, hazardous substances can be found in construction and demolition waste, in end of life vehicles, waste electrical and electronic equipment, waste lubricant oils and batteries and accumulators. But the most hazardous waste is generated from the industries like chemical and metallurgical industries, mineral and oil industries, light and food industries, besides the fertilizers. These wastes have toxicological and eco-toxicological properties and are classified as very toxic, toxic, corrosive, irritating and carcinogenic substances (cyanide, arsenic, mercury etc). It is estimated that Albania generates 170.000 tons industrial waste annually out of which a 3-4 % is to be categorized as hazardous waste.

Although in the Albanian law the importance and the proper disposal of hazardous waste are mentioned, no clear practical strategy or management plan was developed for the safe handling and disposal of hazardous waste. It is often the case when hazardous waste is mixed with non-hazardous waste to re-classify it as non-hazardous waste. There is no available official information concerning the disposal of hazardous waste in terms of volumes or when and where it is disposed. While unofficially, it is known that most of it is disposed at the same place as the urban waste, despite the fact that it is prohibited by law, and some of it is dumped at unauthorised places.

Not only the hazardous waste generated in the country provides tremendous problems but also the imported for good money of industrial and hazardous wastes are questionable. This despite the fact that the import of hazardous wastes into Albania is not allowed.

4.3.2.3. Clinical waste

Large quantities of hospital and clinical waste are disposed of at the same place as urban waste. An exception is the city of Tirana, where the major part of its hospital and clinical waste is incinerated from the hospitals independently.

4.3.3. Sites for emergent remediation

There are a large number of former industrial sites which are defined as environmental hot spots in Albania and require immediate remediation. According environmental experts, approx. 70% of these hot spots have had and still do have an impact in the soil and ground water contamination.

The ones where the human health and the environment are at high risk and where site remediation is urgently needed are the following former communist factories (Albanian National Waste Strategy 2010):

- P.V.C. in Vlora
- The Oil Refinery in Ballsh
- The Oil Extraction Industry in Patos – Marinzë
- Former Metallurgical Cooper Factory of Lac
- The Metallurgy of Elbasan
- The Batteries Factory and Former Textile Factory in Berat
- The Polluted Area of Porto Romanos in Durrës
- The Copper Factory in Reps and Rrubik

The capital required to invest in remediation of these facilities cannot be provided neither from the budget of the responsible Ministry nor from the budget of the local government. The lack of a Waste Management Strategy and Waste Management Plan all these years resulted also into low efficiency of the funds used in this field.

4.3.4. Waste Management Strategy 2010

There were four key documents produced by the Government of Albania between 2006 and 2008, but apparently they were not well coordinated between each other because their impact remained invisible. A new strategy was developed in 2010 in order to have a coherent one-piece strategic document “Albanian National Waste Strategy 2010 - Commission of European Communities, for and on behalf of the Government of Albania INPAEL project”. The strategy was developed in the framework of the INPAEL project (Implementation of the National Plan for Approximation of Environmental Legislation in Albania) in order to provide a clear national strategy on waste management. The main activity of this strategy is the National Waste Management Plan. The four main pillars of the strategy are Planning, Education, Resourcing and Legislation and this strategy is designed for the period 2010-2025.

The government of Albania in 2011 has made waste management and the radical improvement of the present situation a priority. As Albania is a potential candidate to join the EU, the government is now committed to a course of environmental developments and of an integrated waste management approach at a National, Regional and Local level. Another commitment of the government is that it will support the strategy and the national waste plan with national funds and funding from international donors in infrastructure and of course in human resources.

According to the new waste strategy main possible funding sources are:

- waste producers (measurements they take on their own);
- charges paid by waste producers to waste management service providers;
- fees for licences and other services;
- charges or taxes on new products intended to defray the eventual disposal costs;
- state, municipal or communal budgets;
- environment fund;
- grants from the European Union pre-accession instrument IPA;
- grants from the European Regional Development Fund (ERDF) and Cohesion Fund (CF) - Post-accession;
- grants from other international donors;
- loans from international funding institutions;
- loans from bilateral financing institutions;
- loans from commercial banks;
- bonds issued by central or local government authorities;
- private capital (through PPP arrangements).

4.3.4.1. National waste plan

Some of the main activities that the national waste plan proposes are:

-Dividing the country in 12 Waste Areas based on the existing district administrative boundaries. Every Waste Area should develop a waste solution appropriate to its specific needs and each Waste Area should create a waste area profile.

-Creating 12 Waste Area Working Groups coordinated and directed by the District with members from the Districts, Municipalities and Regional Environment Agencies.

-Developing regional waste plans in order to create a framework of the current capacities and resources needed for each waste area. Waste areas are encouraged to cooperate with each other if that is practical and sustainable (geography, seasonal climate, terrain, local politics) in order to achieve economies of scale. The regional waste plans will serve to the Ministry of Public Works to focus its spending.

-Creating a National Waste Advisory Group of about 25 members, coming from both regional and national bodies. This group will serve as policy and future strategy advisor to the government.

-Prioritise waste streams and prepare projects to present to international donors for funding these priority areas.

-Establishing a regulatory agency to clarify the roles and responsibilities of the authorities at central and local level, setting tariffs or strengthening existing institutions.

-Strengthen the role of Environmental Inspectorate

- Establishing guidelines and training.

-Development of databases etc.

The National Plan on Waste Management 2010–25, compiled and published in 2009, proposes the construction of landfills for regional urban waste in all 12 areas. In some areas the landfills are under construction, and in others are undergoing feasibility studies.

The following projects are currently in the planning phase and they will be financed by the government of Albania:

- Construction of landfills in the cities Shkoder, Bajram Currit, Rreshen, Skrapari, Fier, Lushnje, Elbasan, Vlore
- Closure of landfills in the cities Korce, Vlore, Durres, Pogradec, Elbasan
- Studies for closure and rehabilitation of existing landfills for the cities Durres, Elbasan, Shkoder, Vlore, Sarande, Lushnje
- Feasibility studies for landfills in Lushnje, Fier, Elbasan, Vlore
- Design of regional landfill for Vlora

The following projects are in the planning phase or running and they are financed by international donors:

- At the end of the year should be operating the new landfill of Shara, southwest of Tirana. A second landfill will be build to serve the needs of the entire city of Tirana. Both investments have a value of 4,6 mn EUR and are funded by the Italian government.
- In the framework of the south coast development project of the World Bank, two landfills are designed and planed for the cities of Himara and Saranda. The construction is yet to start.

- In three cities Saranda (South Coast), Kavaja (midlands) and Lezha (north coast) will be constructed through World Bank financing waste treatment facilities. The planning phase is complete and respective tenders are expected in the near future.

4.4. Opportunities and risks of the Albanian waste management sector

Where there is nothing, it can only get better!

In most of the status reports or progress reports of the EU or other international organisations the same remarks are being used regularly “Waste management in Albania is at a low level”.

For open minded investors in the waste management sector, this is an excellent opportunity rather than a weakness.

With the newly improved legislation on integrated waste management and the government’s support, which finally shows serious commitment to solve waste management issues , two very important milestones were reached.

It’s up to the investors to see Albania as a small market with less market potential, or to zoom out the map and see that Albania offers quite an access to the regional market. This is reasonably a big market we are talking about.

One can take advantage of first mover advantages and build a whole new infrastructure and a whole chain of waste management from scratch.

A lot of work though has to be done in order to approximate the current situation to a smoothly running waste management industry. A lot of effort is to be invested in capacity building, public educational work, building waste networks or building waste monitoring and statistics.

These are all weaknesses that can be projected as opportunities considering the economic growth prospects of the country and the abundance in resources such as young, skilled and price competitive labour force.

Investment risks of in the waste management sector in Albania are similar to any other foreign investment risk. Additionally should be mentioned here, the risk of the creation of waste mafia and its involvement in waste trafficking.

A comprehensive picture of the opportunities and risks to invest in the Albanian waste management sector are shown in the following SWOT analysis.

Strengths	Weaknesses
<ul style="list-style-type: none"> ★When nothing exists, things can only get better! ★Building a whole new infrastructure from scratch! ★One-piece strategic document the National Waste Management Plan ★Newly improved legislation ★Governmental commitment, finally!!!! ★Government support ★Clear EU perspective ★Catch-up growth potential ★Emerging market ★Access to regional Market ★Relatively low labour costs ★Young and skilled labour force ★Limited foreign debt ★Efforts on investment, particularly in infrastructure ★Low inflation 	<ul style="list-style-type: none"> ★Short term vision of lawmakers ★Lack of institutional/technical/ human capacities ★Insufficient financial resources ★Insufficient infrastructure investments ★Lack of experience/tradition with up-to-date management of such sector ★Poor economic instruments used for waste management ★Poor cooperation between the central and local level on waste issues ★Poor cooperation between the public and private organizations on waste management issues ★Weak enforcement structures (inspectorates) ★Lack of awareness on the economic value of waste as a resource ★Lack of waste monitoring, indicators and statistics ★Lack of waste networks to collect and process them ★Property rights ★Rule of law ★Deficiencies in the legal system and in combating corruption ★Dependency on international aid ★Bureaucracy
Opportunities	Threats
<ul style="list-style-type: none"> ★Private sector almost no present in the field ★PPP models ★Learn from best practice European models such as Austria and Germany ★Allow foreign private companies with long experience to invest and make profit ★Recycling waste as raw material ★Waste as energy generator ★Build the whole chain of waste management ★Homemade compost Bio waste- less fertilizer ★Environmental technology 	<ul style="list-style-type: none"> ★Misuse of waste import for hazardous waste ★Waste trafficking ★Unable to attract EU and international donors because of unable to design the right projects ★Political Will changes because of government change or other reasons ★The EU funds get exhausted ★Unable to monitor and enforce the law ★Creation of the waste mafia ★Eurozone recession ★Corruption

Figure 13: SWOT, Investing in Albanian Waste Management Sector

Source : Ministry of Public Works, Transport and Telecommunication, Ministry of Environment, Forestry & Water Management; own presentation

5. Part IV: Case study Market exit of Saubermacher Dienstleistungs AG

5.1. Company introduction

Saubermacher Dienstleistungs AG is an Austrian company that operates in the waste management sector in Austria, Hungary, Slovenia, Romania and the Czech Republic. With headquarters in Feldkirchen bei Graz Saubermacher Dienstleistungs AG serves to approximately 1.600 municipalities and 40.000 customers in trade, commerce and in industry. In 2011 the company employed in Austria and Central Europe 4.200 employees and generated consolidated revenues of approximately 294 mn EUR (www.saubermacher.at). Saubermacher Dienstleistungs AG provides its services primarily under the commercial name "Saubermacher".

Saubermacher is not only a pioneer in waste disposal and waste management, but the company also has an active role in the consolidation process of the waste management sector in the region. Saubermacher operates in a highly competitive business environment. Its own developed highly advanced technology brings not only cost advantages but also business opportunities, such as in the field of alternative energies. (<http://www.boerse-express.com>) This is reflected among others due the fact that the Saubermacher Group consists of 75 fully consolidated subsidiaries (2011) with approximately 92 locations at home and abroad and a fleet of approximately 680 special vehicles. Therefore the company is one of the top players in the sector not only in Austria, but also in Hungary, the Czech Republic and Slovenia.

Saubermacher is strongly customer and market-oriented and its activities are geared towards long-term partnerships. Saubermacher stands for high environmental and quality standards as well as reliable waste disposal. It has obtained different international certificates like ISO 9001 and ISO 14001, and it is certified as a specialised waste disposal company and the Austrian national coat of arms. Saubermacher invests continuously in human resources development and was lately awarded the internationally recognised quality standard "Investors in People" (IIP) certificate (www.saubermacher.at 2012)

Its service portfolio is nowadays rather wide and includes almost the whole chain of waste disposal. Saubermacher services include collecting, weighing, splitting and

recycling of municipal, industrial and hazardous waste, sewer services, oil separator maintenance, environmental analyses, disposal of waste electrical equipment, event waste disposal, sewage sludge recycling, road sweeping, industrial cleaning and treatment of hazardous waste.

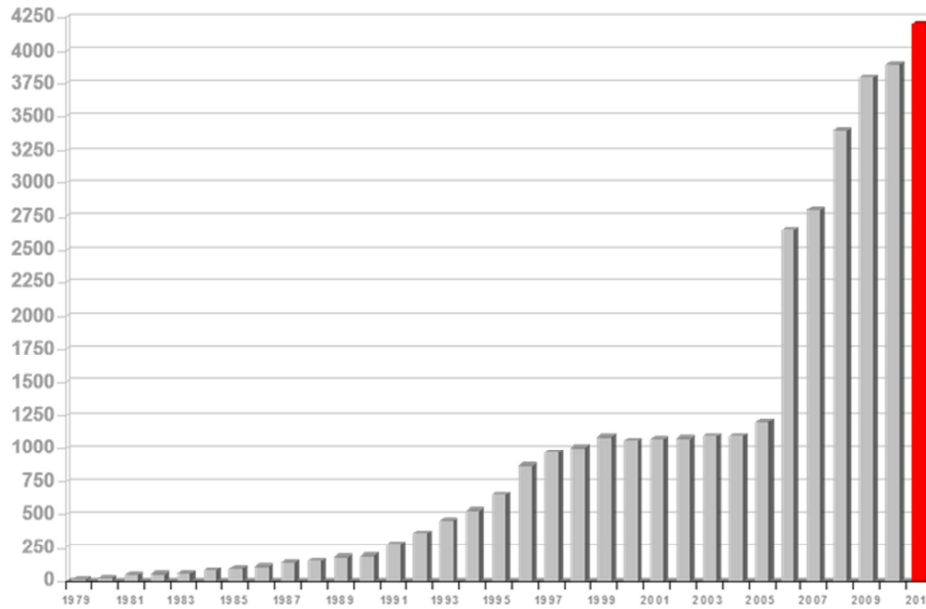


Figure 14: Development of the Number of Employees Saubermacher Diensleistungs AG
 Source: Saubermacher Diensleistungs AG (www.saubermacher.at 2012)

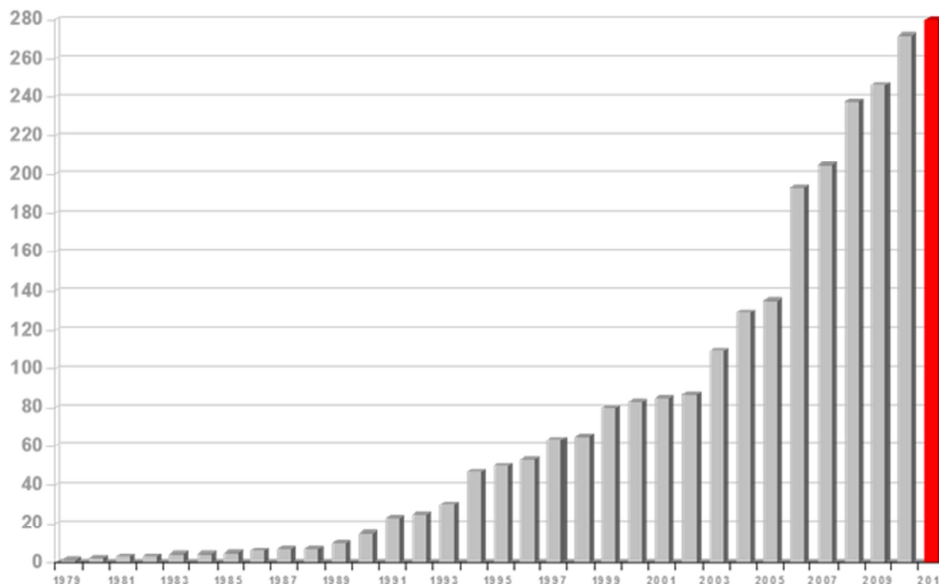


Figure 15: Turnover development Saubermacher (mn EUR)
 Source: Saubermacher Diensleistungs AG (www.saubermacher.at 2012)

5.2. Short history of first times Saubermacher!⁹

In 1979 Hans Roth and his wife Margaret Roth, co-founded the Roth Environmental Protection (Roth Umweltschutz GmbH). Later, the company was renamed "Saubermacher", and the first waste disposal contracts with East Styrian municipalities were signed. In the early 1980s Saubermacher expanded its operations in the South and Upper Styria areas and Lower Austria. With the first gas station disposal in Austria in 1984 and the introduction of separate collection of infectious medical waste in 1985, the company profiled itself as a waste disposal company. In 1985 the company introduced the first mobile sludge press and sludge treatment plant. Followed in 1986 by Austria's first sewer sanitation suction trucks and the introduction of 3-ton system - the separation of waste materials into glass, paper and other waste - and its extension to Mureck BioPaG system. In the late 1980s followed the first fluorescent lamp recycling. The introduction of first 24-hour oil-emergency services telephone number also offered a nonstop service for oil accidents and care for emergencies. Moreover, the first refrigerator disposal was introduced in Austria. Soon after the fall of communism, in the years 1990 to 1993, the subsidiaries Saubermacher Slovenia, Saubermacher Hungary and Saubermacher Czech Republic were founded. Saubermacher opened in 1991 in Graz, the first plant for the treatment of hazardous wastes. As a partner of the Consortium for Packaging Waste, Saubermacher contributed for the systematic collection packaging waste and from 1993 on the implementation of the new Austrian Packaging Regulation. With the establishment of the "Hartberger Saubermacher" in 1992 it was established the first public-private partnership, in which municipalities work together with a privately held company in a jointly operated company. In the same year, Saubermacher was the first waste management company in Austria, to get the quality certificate ISO 9002. With the acquisition of Altstoffrecycling Vienna and Rudolf Beck & Sons Ltd. Saubermacher AG entered the Vienna market. In 2001 Saubermacher built in Kecskemet in Hungary together with the city's administration one EU standards landfill. After opening in 2002 a plant for waste management in Lenart Slovenia, in 2003 Saubermacher established the first international public-private partnership in Velenje in Slovenia.

In 2003 in southern Styria in Retznei, was established ThermoTeam a facility for production of alternative fuels, as a result of cooperation between companies Lafarge

⁹ www.saubermacher.at

Perlmooser and Saubermacher. As part of this cooperation the Lafarge Perlmooser uses the ThermoTeam products for its cement plants, eliminating the need for medium term use of fossil fuels and thus contributing to climate protection. This project was awarded the Environmental Prize of the Province of Styria. In 2004 Saubermacher opened the splitting complex in Vienna, which prepares industrial waste for recycling. With the acquisition of Rumpold in 2006, a company specialized in hazardous waste, Saubermacher became the largest company in the Austrian waste management sector. Due to strong fluctuations in international stock markets a planned IPO in early 2008 has been postponed indefinitely. End of 2010 started operations the e-cycling-park in Unterpremstätten which is the first comprehensive treatment plant for electrical equipment waste in the Alpe-Adria region. This plant, a 4,5 million euro investment, can sort up to 85% of the components of electrical equipment and prepare them for a recycling fed. The catchment area of this facility includes Austria, Western Hungary, Northern Italy and Slovenia with an annual capacity of 15.000 tons.

In March 2011 Saubermacher inaugurated the new corporate headquarters the so called ECOPORT in Feldkirchen bei Graz. The ECOPORT, a very intelligent project, is one of Austria's rare office buildings with climate:active certification. A variety of environmental and energy-saving construction are incorporated , in order to ensure lowest energy requirement, high responsibility for resources and reduced CO2 emissions through sophisticated systems. (Saubermacher Diensleitungs AG www.saubermacher.at 2012)

5.3. Saubermacher in international markets¹⁰

Saubermacher is currently operating in Austria, Slovenia, Hungary, Czech Republic and Romania.

Saubermacher was one of the pioneer companies that decided to invest in the ex-communist countries in early 90'. It entered the Slovenian market in 1990 soon after the fall of communism. In 1992 entered Hungary, in 1993 entered Croatia and Czech Republic, followed by Albania in 1995. Later followed the market entries in Romania and Bulgaria.

¹⁰ Source: Saubermacher Diensleitungs AG (www.saubermacher.at 2012)

Further expansion in the region is of course part of the long term international strategy of Saubermacher. No-go markets are currently Russia, China, and India.

Saubermacher benefits directly from the overall development of waste management, especially from the new trends on stronger waste preparation for reuse and stronger waste recycling accentuated by the EU legislation. These trends are being transmitted additionally to Central- Eastern and South-Eastern Europe that has a lot to catch up with in the waste industry. Waste management development in Central and Eastern Europe is of particular importance for the private waste management in Austria. The accelerated development of these growth markets in the region and their potential are important dynamics that contribute to the implementation of Saubermacher growth strategy.

Saubermacher major practice to expand operations lately was through acquisitions and organic growth in order to rapidly gain market share.

Nevertheless, the unexpected withdrawal from the Croatian market, for the second time in May 2012, might have slowed down the existing expansion ambitions. And it will affect the international strategy of Saubermacher, for at least the next 3 years.

Currently in Slovenia, the Czech Republic and Hungary, Saubermacher is very significantly represented. These three countries contribute to 1/3 of the total turnover of the company. Together with Austrian operations these countries compose the core market of the company at present. It is believed that the current focus will be to increase market share and focus on sustainable innovation and growth in the existing markets. The energy sector in Europe is very challenging. As CEO, Hans Roth says “our response to the shortage of energy resources is:- Waste is the energy of the future”



Figure 16: Saubermacher presence in CEE
 Source: Saubermacher Diensleitungs AG (www.saubermacher.at 2012)

5.3.1. Two Business prototypes¹¹

Saubermacher enters a market only when its services are desired and when building long-term relationship seems possible. Saubermacher offers two international business models: 1) private 2) PPP (public-private partnerships)

1. The municipality gives the concession to Saubermacher to collect the waste and at the same time issues a waste management regulation. Waste fees are collected by the company, directly from the customers.

2. Larger cities want to have more influence in the whole process therefore Saubermacher offers the public-private partnership models. These models are practiced not only in Austria but also in neighbouring Central European countries. The municipalities are then involved in the waste company management and operations and have an immediate impact. The second model seems to be functioning better. Firstly, because it is a win-win situation for both parties and secondly, it reduces difficulties coming as a result of political changes. For example in a city in southern Hungary where Saubermacher was operating, in 15 years five mayors were changed.

¹¹ Source: Saubermacher Diensleitungs AG (www.saubermacher.at 2012)

5.3.2. The 4-stage business model for international markets

Saubermacher has developed a 4-phase model for internationalisation in the transition economies. This model has been successfully used since 1991 in the first international activities in Slovenia as well as in 2010 in Bulgaria.

In phase 1, the simple urban waste collection is reorganized. Each household receives standardized containers. The landfill is grossly improved, at least so that it no longer burns.

In phase 2, the landfill should be improved in order to fulfil EU standards, with insulation and degassing.

Phase 3 presumes the creation of separate collection abilities for glass or paper.

And in phase 4, the Western European standard is reached, where waste is not landfilled anymore, but is treated as a material of energy recovery.

According to Saubermacher CEO Hans Roth every country should go through these four stages and none of the phases can be skipped. For example, it doesn't make sense to start at phase four in a country that doesn't have yet landfills but just waste dumping sites. The investment should be suitable to the economic environment as well.

5.4. International market exits of Saubermacher –“Et tu Brute?”

Saubermacher has collected some experience of market exit. It did exit the Croatian market for the first time in 2004, it re-entered Croatia in 2011 and exited for the second time in 2012. Saubermacher, with immense optimism acquired in 2011 60% of EKO-FLOR PLUS d.o.o, the largest Croatian privately waste disposal company with offices and operations in Serbia and Macedonia. In less than a year the acquisition was rescinded with tolerable loss, according CEO Roth (Wirtschaftsblatt March 1st 2012). Because the exit from Croatia most of the related information is treated confidential. From the publicly available information, mainly from the press, one can understand that it was quite a painful and expensive exit.

Saubermacher exited from Albania in 2002 and from Bulgaria in 2010. Both provoked by unfavourable business environment, highlighted with unfair competition in connection with corruption.

Hungary might be the next one .The Hungarian government through a new law wants to bring waste management into the hands of the state. Saubermacher, that has been active in Hungary for the past 20 years, is frightened for its business in Hungary. (www.steiermark.orf.at 02.01.2012)

Its daughter company TERRA Umwelttechnik GmbH, which is known as the cutting edge know-how entity in environmental technology of Saubermacher Dienstleistungs AG, divested the North Africa markets Tunisia and Libya in 2011 as a result of the Arab spring. In July 2012, TERRA Umwelttechnik GmbH, after 6 years of operations had to withdraw from the Romanian Market. TERRA Umwelttechnik GmbH is specialized in hydrocarbon related prevention and remediation environmental services. The company was performing well in Romania. The substantial dropping of prices in the Romanian market threatened its competitiveness. In order to stay profitable in the market segment the company had to make reasonable investments. Saubermacher Dienstleistungs AG as the major shareholder did not approve these investments and consequently the market exit followed.

All these exits occurred for different reasons and they are not similar in any circumstance. The only similarity is sunk cost.

At the end of 2011 the international goals of Saubermacher were very clear: Expand, close the geographical gap, capture opportunities and emerging market growth in South East Europe. The exit of Saubermacher from the Croatian market will definitively affect its international strategy for the next period. We will have to wait and see.

According to Saubermacher executives, Saubermacher doesn't have an exit strategy. Saubermacher executives emphasise that they don't want to enter a new market, if from beginning on, they have to take into account an exit strategy. Additionally and essentially they state that not in every country, a standardised exit strategy could be implemented.

5.5. Saubermacher Tehnocomerc in Albania¹²

Saubermacher Diensleistungs AG founded in 1995 in Albania the Saubermacher Tehnocomerc Sh.p.k. The subsidiary operated for 7 years in the Albanian market. The reason to enter in Albania was an open bid announced by the municipality of the city of Tirana for the partly waste collection of the city. Saubermacher won the bid and the concession for a 5 years period. To build the business in Albania it took Saubermacher 2 years and the initial investment was 2 mn ATS (153.000 EUR). Continuous investments were made in the later periods in infrastructure, equipment and training. The Albanian market has been in terms of waste disposal for Saubermacher a clear market for the future. The main activity was the collection of municipal waste and disposal at the municipal waste disposal site in Sharra. Part of the contract included also the cleaning of city roads. It was a new approach and a pioneer activity. Only 5 years after the fall of communism, when the country was still struggling for anything free and west oriented, the collection of municipal waste with those beautiful vehicles full of colourful flowers didn't remain unnoticed. With the slogans "we clean your city" and "we keep the city clean for you" Saubermacher won every heart of the people who soon started to take care of their own city and keep it clean themselves. Everybody knew the red waste vehicles, the red uniforms, the punctuality and professionalism of the Austrian company. At the time, Saubermacher was one of the few European companies that were prepared to invest in Albania. Saubermacher created a recognisable operation in Tirana by employing 190 people and paying them decent wages. It is to mention that an unqualified Saubermacher worker earned at that time 3 times more than a civil servant in Albania.

Saubermacher's commitment went beyond contractual arrangements. Sometimes the waste volumes collected were two or three times more than described in the initial contract. For example, at that period 1995-2000, most Albanians started to refurbish their homes. That meant that the urban waste volumes to be collected were much higher than in the contract as they were not only daily household waste but construction and demolition waste too.

At the same time a lot of people moved from the rural areas to the capital, hoping to find work and a better life. In 1990 Tirana counted only 244.200 inhabitants, and 10 years later this number had doubled. That means that there were much more people in these

¹² Archive, Saubermacher Dienstleistungs AG

areas than initially foreseen in the contract. Nevertheless Saubermacher fulfilled its contractual agreement by increasing commitment and without extra payment.

Saubermacher executive's report that it was very hard and complicated to do their work properly due to political and economic disturbance as well as the numerous damages at containers and vehicles. Nevertheless they were always able to fulfil the normal operation.

In addition to the activities in the waste management sector Saubermacher was involved in many philanthropic actions in Albania. The environmental education programme was one of the main priorities of Saubermacher in Tirana. In different schools Saubermacher distributed for the children:

- the waste toolboxes with information how to collect and separate waste in the right way;
- Sigi Saubermacher the company mascot (a stuffed intelligent fox that collects waste);
- the Swabidu children books translated in Albanian with a lot of graphics and pictures of how to educate children to collect waste for an environment worth living in.

To enhance the environmental awareness, Saubermacher voluntarily cleaned about 40 km Albanian coastline and beaches. During the war in Kosovo in 1999, Saubermacher recovered and cleaned voluntary all the refugee camps in Tirana. In 2001 Saubermacher organized the first Christmas market in Tirana with the support of many other Austrian companies.

In the period of the activities in Tirana, Saubermacher succeeded to create substantial environmental awareness especially in schools, undertaking on-going public educational work.

5.5.1. Market Exit, Reasons/Reason! ¹³

Upon expiry of the concession period in autumn 2000 a new tender for waste management was published, which Saubermacher subsequently won.

After the election of the new Mayor, Edi Rama, the tender was declared void. After several consultations with the new mayor, Saubermacher prolonged the activities even after the expiry of the original contract. In March 2001 a contract extension till 31.03.2002 was agreed with the mayor Rama. In mid-March 2002 the tender for the waste

¹³Archive, Saubermacher Dienstleistungs AG

disposal was published with closing date 31.03.2002. After extended calculations Saubermacher submitted a realistic offer considering further investments. The tender conditions contained some unrealistic demands. The tender was won by a local construction company “Bruci Shpk”, that had no experience in waste management or possessing infrastructure, qualified human capital or vehicles.

According to Saubermacher, the price that Bruci Shpk offered was completely unrealistic. The prices estimated didn't even reach cost coverage. There was no transparency of tendering process and no information was disclosed about who the other bidding companies were. The winning company “Bruci Sh.p.k” asked Saubermacher on the 09.04.2002 to sell the special vehicles and containers to “Bruci Shpk”. Strangely enough, the major tender criteria were to have a long term experience in waste management and to present all the purchase contracts for the vehicles that had to be no older than 12 years.

It was known that one of the officials of the public tender committee became than managing director of Bruci Company.

Saubermacher as a fair and honest partner signed the offered contract extension till 30.04.2002. Nevertheless Saubermacher continued operations till June 2002 because the new company that won the bid was not able to start.

Saubermacher CEO Hans Roth held a press conference on the 8th of June 2002 to inform the public about the facts and irregularities that occurred. The reaction of the municipality and the mayor consisted in 1 mn ALL penalty (8.000 Euros) on grounds of delayed removal of waste containers. Despite the fact that the penalty was appealed, the amount was deducted from the fee for May 2002. After this date Saubermacher was obliged to clear and clean-up their operational premises in Tirana under very difficult circumstances.

Firstly, the business was kept in a small scale while looking for new areas and opportunities in the waste collection and disposal activities. After failing to make new contracts Saubermacher was forced to close completely down the operation in Tirana in October 2002.

The new company, “Bruci Sh.p.k”, took over a part of the employees, and bought from Saubermacher different special vehicles, waste container and baskets. The transportation capacities of the new company soon fall short of the volume required. It is known that the

“Bruci Sh.p.k” failed rapidly to reach the targets, because of lack of experience, lack of infrastructure, lack of vehicles and very low and not-cost covering service fee.

5.5.2. Possible re-entry in Albania

A possible re-entry in Albania will have to be reassessed in 2014. The reasons behind the re-entry might be closing the geographical gaps, and increasing market share. Albania will be a very attractive market for the future in the environmental business, as a result of its geographical position and its economic growth. Albania can be the perfect hub for expansion in the ALMAKOMO region because of its newly established infrastructure. The re-entry would help Saubermacher collect the sunk cost and recapture opportunities. Thus the opportunities of working as a private services provider are better than operating on contractual tender based agreements. The political landscape in Albania has improved in the last decade. The scenario that happened to Saubermacher 10 years ago cannot be repeated for many reasons.

The dependency than Saubermacher had with the only service contract in the country, obliged the company to withdraw totally. The exit barriers were low or inexistent

6. Limitations

During my research on Saubermacher market exit from Albania, many new developments took place on other markets where Saubermacher was present. This altered somehow the course of my research.

I am convinced that to a great extent, previous knowledge and local management should have a greater impact to ease the re-entry in the Western Balkans. But unfortunately I was able to show this partially with my research.

Another interesting point that needs further research is: How did the post exit phase influence the company and its attitude toward market exit strategies in the future? In conducting my study, I found out that carrying out a research of this magnitude would necessitate a more substantial study.

The information was gathered from only one company. In order to get more solid evidence in this topic, a deeper and wider data collection and data analysing has to be done.

There are major discrepancies between sources for the data about Albania. And the quality of reports on waste management is very poor.

Due to the unexpected exit of Saubermacher in Croatia and TERRA Umwelttechnik in Romania, I couldn't find a recent international strategy or any documentation to refer to it. Only a few people were involved in the decision making, and contacting them to get information was not easy. The turbulent times in this company were not helpful either on gathering information nor having questionnaires returned.

7. Conclusions

The Graz-based company entered the Albanian market with a long term vision and looking for long-term partnerships. Seven years later with some reasonable loss in tangible and intangible cost, the company was forced to leave the market. The exit didn't affect at all the reputation of the company. There were some media reports in Albania, but the reactions were very low or not present. In Austria, the exit didn't affect the reputation of the company at all, as everybody had good understanding for the exit.

7.1. Collateral damage

This market exit damaged more Albania and the reputation of Albania rather than Saubermacher.

Firstly, the bad experience Saubermacher made in Albania, discouraged many investors that considered investing in Albania at the time. In Austria and other German speaking countries, Saubermacher had a reputation as a reference company for Albania and was a reliable contact point for various relief organisations.

Secondly, Saubermacher's intentions were not only to have a long term activity in the capital but to put the fundamentals for modern waste management system for the whole country. The main aim was not only to be present in the waste disposal and waste collecting business but to breed a sustainable environmental development. Saubermacher, in year 2000, was planning to redevelop an international standards landfill outside of Tirana along with the EU and in cooperation with the Albanian government. Another draft project was to support the Albanian government with know-how in drafting a sustainable legal framework for waste management in Albania. Had all these plans been implemented, most likely Albania could have had a waste management system like Slovenia or Hungary nowadays.

Thirdly, multinationals don't just come to rob you. They bring jobs, education, and a piece of culture and in the case of Saubermacher great environmental awareness to the public. In 2001, Saubermacher launched a project to start separating glass and paper for recycling. 10 years later Tirana still doesn't separate waste and Sharra is not a landfill like

many politicians try to rename it, but just a toxic “garbage field”/ “fushe plehrash” like the original Albanian name says it.

This is a true example that short vision politics in combination with greed can make such a big damage not only to a city but to a whole nation.

Saubermacher’s exit from the Albanian market was a sad but a beautiful exit. It was an uncontrolled forced exit characterised by political unfairness and know-how loss.

7.2. Re-entry

After recent developments, such as market exit from Croatia and partially from Romania there is no hope that Saubermacher will re-enter Albania in the next 2 years. It looks like that the previous knowledge (Javalgi et al) was not that worthy for the re-entry in Croatia.

Nevertheless, at the moment it’s obvious that Saubermacher will not re-enter Albania simply because the reasons for exit were removed. This case study illustrates that so many other factors can affect the market re-entry.

Albania will be a very attractive market for the future not only in the environmental business because of its geographical position and its economic growth. Albania can be the perfect hub for expansion in the ALMAKOMO Region because of its promising newly established infrastructure. The re-entry would help Saubermacher collect the sunk cost and recapture opportunities. One can still profit of the first mover advantages in the waste management sector, especially now that the Albanian business environment is more mature compared to 2001.

Once the legal framework is established and its implementation starts, the government of Albania will soon recognize that waste management is something to be handled by the private sector but strictly regulated by the government. The Albanian waste management sector will develop massively once it starts. It looks like the start is near. The only ‘tiny’ problem is funds. This time the government is bluffing seriously!

7.3. The strategy of Waste management in Albania 2010

This strategy has its values because it is believed to be the first of its kind. To date strategies were written because some EU project was funding initiatives which funds

other project to write strategies. This time around, it is believed that this strategy and its action plan will be really implemented. The strategy sponsors were not sure in the beginning otherwise they could have hired true experts in waste management to write it.

It's more a kind of complaint status report from an all-rounder expert with an incorporated action plan, than a 15 year national strategy.

7.4. Exit strategy

As mentioned, by now Saubermacher has some experience of market exit. However each time it is a new type of exit and each time the exit occurs unexpectedly. And most likely it finds Saubermacher unprepared too.

Nonetheless Saubermacher still does not have an exit strategy. It is not clear if after the exit from Croatia, Saubermacher got cold feet and is harvesting its subsidiaries to minimise commitments and risk, or if the decision to divest TERRA Umwelttechnik from Romania a couple of months after Croatia was a pure coincidence. Saubermacher executives stress that having an exit strategy can be dangerous and can affect commitment. Furthermore, they state that not in every country a standardised strategy could be implemented.

But if a rich man gets divorced -that often- no matter who is the guilty, isn't it the right time for a prenuptial agreement?!

Finis coronat opus!

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corporAID Magazin Nr. 27 04/2010 – Botschafter des Mülls Hans Roth hat das Grazer Entsorgungsunternehmen Saubermacher in dreißig Jahren zu einem regionalen Player in Zentral- und Südosteuropa gemacht. Im Interview spricht er über Know-how und Werte im Abfallgeschäft. <http://www.corporaid.at>

Wirtschaftsblatt March 1st 2012, Saubermacher gibt in Kroatien auf Vor nicht einmal einem Jahr hat der Entsorger Saubermacher eine Beteiligung am größten privaten kroatischen Entsorger erworben - nun zieht man sich wieder aus dem Land zurück.

Wirtschaftsblatt Februar 29th 2012, Saubermacher entsorgt das Kroatien-Geschäft. Abgang. Vor knapp einem Jahr hat sich Saubermacher am größten kroatischen privaten Entsorger beteiligt, nun zieht man sich wieder zurück.

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9.1. Expert Interviews ¹⁵

Questionnaire type I

Introduction

1. What is your name?
2. What is your present position in Saubermacher Dienstleistungs AG?
3. How long have you been in your current position?
4. In what countries is SDAG operating in?
5. Has SDAG exited any markets in the past? If yes, where and when?

Saubermacher Tehnocomerc Albania

6. What was your position in Saubermacher Tehnocomerc Albania?
7. Did you live in Albania at that time? If yes for how long?
8. Did you have a local partner Joint Venture etc?
9. Did you have local management? At what level?
10. Why did SDAG decide to enter the Albanian Market at that time?
11. Did the management of the Albanian business unit speak the Albanian language?
12. Did you face a strong competition in the Albanian Market?
13. Was the Albanian business environment at that time suitable? Economic growth, stability, county risk?
14. Did you apply fully the Austrian business model or you adopted it to the Albanian market
15. Did you face big cultural differences?
16. Was Saubermacher Tehnocomerc a profitable business? Did u make profit in Albania?

Market Exit from Albania

17. What reasons caused the market exit in Albania?
18. Were there any governmental problems?
19. Did you face any difficulties regarding the exit? If yes, what kind of problems!
20. Did SDAG take any measures to secure its position in case of a potential future re-entry? What kind?
21. What is it in your opinion the quality of exit from the Albanian market from the part of Saubermacher? (a beautiful exit or an ugly exit and in what regards ?)
22. Employees How were the employees treated when SDAG left the market?
23. Customers How did the stakeholders of the firm respond?
24. What happened with the company assets?
25. How did the exit affect the overall firm image/reputation? In Austria? In Albania?
26. Sunk cost:What kind of cost did the exit from Albania cause? Tangible cost (investment in plants....) or only intangible cost (goodwill, advertising, relationships ,suppliers, channel members, customers)?
27. Was it a full scale exit, partial exit or a sleeping relationship?

Strategic considerations

¹⁵ The completed interviews will not be published, as wished from the interviewed persons

28. Have u ever exit another market other than Albania? Which one and for what reason and when? Have you re-entered it? When? In what mode (alliance, joint venture, acquisition?)
29. Does SDAG International strategy also include a market exit strategy?
30. If yes, what are the aspects SDAG takes into account?
31. If no, what is the reason for not having one?
32. Do you think it is important to include exit strategies in the operating and strategic planning of the organization?
33. Would you choose to return to a market that was previously exited?
34. Do u think your previous knowledge of that market will help you for the re-entry process?
35. If yes, in what ways?
36. Would you enter the Albanian Market again if the reasons why you exited were removed?
37. If you have further remarks that might be relevant for the study please write your comments below
38. Do you agree if I perform some interviews with former Saubermacher Technocomerc stakeholders like ex mayor, ex employees of Saubermacher etc

Thank you very much for your time

Questionnaire type II

Introduction

1. What is your name?
2. What is your present position in Saubermacher Dienstleistungs AG?
3. How long have you been in your current position?
4. In what countries is SDAG operating in?
5. Has SDAG exited any markets in the past? If yes, where and when?

Saubermacher EKO-FLOR Croatia 2nd Market re-entry (all questions in this part are related only to the 2nd re-entry, unless stated otherwise e.g question 9,18)

6. What was your position in Saubermacher EKO-FLOR PLUS Croatia?
7. Did you live in Croatia at that time? If yes for how long?
8. Did you have local management? At what level?
9. Why did SDAG decide to enter the Croatian Market for the 1st time?
10. Why did SDAG decide to enter the Croatian Market for the 2nd time?
11. Did the management of the Croatian business unit speak the Croatian language?
12. Did you face a strong competition in the Croatian Market?
13. Was the Croatian business environment at that time suitable? Economic growth, stability, country risk?
14. Did you apply fully the Austrian business model or you personalized it to the Croatian market?
15. Did you face big cultural differences?
16. Was Saubermacher EKO-FLOR a profitable business? Did u make profit in Croatia?
17. Have u exited the Croatian market before?
18. In what mode was the first entry: alliance, joint venture, acquisition etc?
19. In what mode was the 2nd entry? Did you have a local partner Joint Venture etc?
20. Was the previous host country knowledge important for SDAG when taking a decision to re-enter?
21. What was the objective of the re-entry?
 - a) Growth and diversification
 - b) Salvage Sunk cost
 - c) Capture resources

Second Market Exit from Croatia

22. What reasons caused the second market exit in Croatia?
23. Were there any governmental problems?
24. Did you face any difficulties regarding the exit? If yes, what kind of problems!
25. Did SDAG take any measures to secure its position in case of a potential future re-entry? What kind?
26. What is it in your opinion the quality of exit from the Croatian market from the part of Saubermacher? (A beautiful exit or an ugly exit and in what regards?)
27. Employees: How were the employees treated when SDAG left the market?
28. Customers: How did the stakeholders of the firm respond?
29. What happened with the company assets?
30. How did the exit affect the overall firm image/reputation? In Austria? In Croatia?

31. Sunk cost: What kind of cost did the exit from Croatia cause? Tangible cost (investment in plants....) or only intangible cost (goodwill, advertising, relationships, suppliers, channel members, customers)?
32. Was it a full scale exit, partial exit or a sleeping relationship?

Strategic considerations

33. Have u ever exit another market other than Croatia? Which one and for what reason and when? Have you re-entered it? When? In what mode (alliance, joint venture, acquisition?)
34. Does SDAG International strategy also include a market exit strategy?
35. If yes, what are the aspects SDAG takes into account?
36. If no, what is the reason for not having one?
37. Do you think it is important to include exit strategies in the operating and strategic planning of the organization?
38. Would you choose to return to a market that was previously exited?
39. Do you think your previous knowledge of that market helped you for the re-entry process?
40. If yes, in what ways?
41. Would you enter the Croatian Market again if the reasons why you exited were removed?
42. If you have further remarks that might be relevant for the study please write your comments below.
43. Do you agree if I perform some interviews with former Saubermacher Eco Flor stakeholders like mayor, former suppliers, former employees etc..

Thank you very much for your time!

Questionnaire type III

Introduction

1. What is your name?
2. What is your present position in TERRA Umwelttechnik GmbH?
3. What is the connection with Saubermacher Dienstleistungs AG
4. How long have you been in your current position?
5. In what countries is TERRA Umwelttechnik GmbH operating in?
6. Has TERRA Umwelttechnik GmbH exited any markets in the past? If yes, where and when? And why?

TERRA Romania

7. What was your position in TERRA Romania?
8. Did you live in Romania at that time? If yes for how long?
9. Did you have local management? At what level?
10. Why did TERRA Umwelttechnik GmbH decide to enter the Romanian Market at that time?
11. Did the management of the Romanian business unit speak the Romanian language?
12. Did you face a strong competition in the Romanian Market?
13. Was the Romanian business environment at that time suitable? Economic growth, stability, county risk?
14. Did you apply fully the Austrian business model or you personalized it to the Romanian market?
15. Did you face big cultural differences?
16. Was TERRA Romania a profitable business? Did u make profit in Romania?
17. In what mode was the first entry: alliance, joint venture, acquisition etc?

Market Exit from Romania

18. What reasons caused the market exit in Romania?
19. Who took the market decision?
20. Did you try first through increased commitment to recover the situation in order to be present in the market and remain competitive (Most companies find it easier to stay and give it another try by increasing the commitment than to withdraw)
21. Were there any governmental problems?
22. Did you face any difficulties regarding the exit? If yes, what kind of problems!
23. Did TERRA Umwelttechnik take any measures to secure its position in case of a potential future re-entry? What kind?
24. What is it in your opinion the quality of exit from the Romanian market from the part of TERRA Umwelttechnik? (a beautiful exit or an ugly exit and in what regards ?)
25. Employees: How were the employees treated when TERRA Umwelttechnik left the market?
26. Customers: How did the stakeholders of the firm respond?
27. What happened with the company assets?
28. How did the exit affect the overall firm image/reputation? In Austria? In Romania?
29. Sunk cost: What kind of cost did the exit from Romania cause? Tangible cost (investment in plants....) or only intangible cost (goodwill, advertising, relationships ,suppliers, channel members, customers)?
30. Was it a full scale exit, partial exit or a sleeping relationship?

Strategic considerations

31. Does TERRA Umwelttechnik International strategy also include a market exit strategy?
32. If yes, what are the aspects TERRA Umwelttechnik takes into account?
33. If no, what is the reason for not having one?
34. Do you think it is important to include exit strategies in the operating and strategic planning of the organization?
35. Would you choose to return to a market that was previously exited?
36. Do you think your previous knowledge of that market helped you for the re-entry process?
37. If yes, in what ways?
38. Would you enter the Romanian Market again if the reasons why you exited were removed?
39. If you have further remarks that might be relevant for the study please write your comments below
40. Do you agree if I perform some interviews with former TERRA Romania stakeholders like mayor, former suppliers, former employees etc

Thank you very much for your time

Open interview

Interview with: Edi Rama

Interviewer Asetila Köstinger Vienna 03.02.2012

This is a transcript interview conducted in Albanian Language between Asetila Köstinger (interviewer) and Mr. Edi Rama, Leader of the Albanian Opposition (interviewed) after the 'Diskussionsforum –“EU-between me and you” held on February, Friday 3rd 2012 18.00 at the Houses of the European Union, Wipplingerstraße 35, 1010 in Vienna.

AK: Mr. Rama, my name is Asetila Köstinger and I study at the University of Vienna International Business. I am now writing my Master Thesis “Market exit and Re-entry“ I would like to ask you some questions related to a company that exited the Albanian Market in 2002 namely Saubermacher Diendleistungs, AG.

Edi Rama: I don't remember any more. It has been such a long time.

AK : Mr. Rama Saubermacher was the company who helped you with one of the most important issues of a municipality, the garbage collection

Edi Rama: Yes, I know the company Saubermacher but in this regard I can only remember that they got disqualified from the tender. That's all.

AK: Mr. Rama you said before that as soon as Socialist Party comes in power you will abolish the law that the present government Berisha approved regarding waste and import of waste. Why? Waste is not a bad thing, neither is its import.

Edi Rama: What? Waste is a terrible thing. Don't you see what's happening to all those African countries?

AK . Mr. Rama I think you should consult some experts of waste when it comes to waste management.

Edi Rama: We have consulted waste management experts, of course.

AK . Mr. Rama did you know that it is not allowed the export of hazardous waste outside of the EU?

Edi Rama: Laughs....

AKand the import of processed waste to be burn (incinerated) it's not such a bad thing?

Edi Rama: (laughs again) Yes, I know but that's the point, who is going to control it? You can't control it.

AK: Mr. Rama, at the point when you have the Power and the Will to abolish a law and demolish a zig million euro investment we suppose you are the prime minister of Albania. So it's your job to safe guard it instead of abolishing a law.

.....

Mr. Rama left the interview to meet some other guest.

10. Abstract

Keywords: Market exit, market re-entry, international divestment, Albania, waste management in transition economies, exit strategy.

There are many theories and studies about domestic market exit and re-entry but theories about international market exit and re-entry are at embryonic stage. This paper contributes to the under-researched issue of **international market exit and re-entry** in transition markets. As the case study illustrates the role of politics in transition markets is one of the key exit reasons among other major indicators such as economic situation, market size and attractiveness, development of the sector and cultural distance. The still open question remains: Should companies have an exit strategy?

This paper gives an overview of the transition countries of Western Balkans, AL-MA-KO-MO Region (**AL**bania **MA**cedonia **KO**sovo and **MO**ntenegro) and Albania in specific. A situation analysis of the waste management sector in the Albania (home country) and Austria (host country) aims to highlight the specifics of this sector and the challenges in the internationalisation of waste management services.

11. Curriculum Vitae

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29.01.1977; Female; Married

WORK EXPERIENCE

- from Nov 2007 TERRA Umwelttechnik GmbH , Vienna Austria
Marketing
- Jan 2005- Oct 2006 Iceberg Communication Shpk, Tirana Albania
Marketing and Event Manager
- May 2003-Oct 2005 EU-Customs Assistance Mission to Albania, Tirana Albania
Project Coordinator
- Apr 2002–May 2003 Superior Italian Health Institute, Tirana /Rome
Project Manager

EDUCATION

- June 2012 incite Qualitätsakademie Wirtschaftskammer Österreich -Austrian
Economic Chamber
Accredited export consultant
- 2007-2012 University of Vienna , Vienna Austria
Master in international Business, MSc
- 1995-2000 University of Tirana , Tirana Albania
Bachelor in Economics , BSc
- Jan 05 –Jul 05 Albanian Diplomatic Academy , Tirana Albania
International Relations and Diplomacy, Postgraduate Diploma

SKILLS

Language Skills

English
German
Italian
Spanish
Russian
Albanian

★★★★★
★★★★★
★★★★★
★★★
★★
Native

Technical Skills

Computer
Project Management
Intern. Market Entry
International Marketing
Export Consulting
Waste Management

★★★★★
★★★★★
★★★★★
★★★★★
★★★★★
★★★★★

Other Skills

Team player
Communication
Accurate with numbers
Networking
Organisation
Western Balkans
(Pol Econ)

★★★★★
★★★★★
★★★★★
★★★★★
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