

## **ICT use in Small and Medium Enterprises for development in Vlora region**

---

**Ermelinda Kordha**

*University "Ismael Qemali", Vlore, Albania*  
[ermes.k@gmail.com](mailto:ermes.k@gmail.com)

**Gorica Klodiana**

*University of Tirana, Tirana, Albania*  
[klodi\\_gorica@yahoo.com](mailto:klodi_gorica@yahoo.com)

**Fioralba Vela**

*University "Ismael Qemali", Vlore, Albania*  
[fiorivela@yahoo.it](mailto:fiorivela@yahoo.it)

**Brokaj Rezarta**

*University "Ismael Qemali", Vlore, Albania*  
[rezartab@gmail.com](mailto:rezartab@gmail.com)

### **Abstract**

Republic of Albania, considers information and communication technologies, (hereafter named ICT), as an essential tool with a major impact in terms of building the information society, in order to build a sustainable growth in the regional context.

According to the strategy document for ICT 2007-2013, a document of the Albanian government, ICT should be used in all business sectors as transport, tourism, agriculture, environment, leisure, culture, etc. and to contribute to the entire population.

Despite the challenges facing Albania and other developing countries, computers and other ICTs have tremendous potential to help overcome them. This requires not only public sector leadership, but also private sector engagement. The strategy implementation in Albania has included different actions regarding not only central and local administration, but also the private sector and businesses. Implementation, on the other hand must be supported by regional and local level strategies and action. In this context, the Pitagora project is one of the projects undertaken by different actors in Albania and especially in Vlora Region to study the current use and future possibilities of using ICT in Vlora Region.

The purpose of this study is to focus on the use by businesses, especially small and medium-sized businesses, SMEs, given that ICT is considered by many authors as well as by the orientations of the European Union, a powerful engine for regional and local economic development.

On the other hand, as indicated above, the strategy of the study will include surveys through structured questionnaires, to identify some very important aspects of ICT use in SMEs.

The important indicators included in the survey are general data about SME in the region, and the ICT presence within organizations as well as ICT use, in the light of their importance for regional development.

As the analyses show, the characteristics of SME and their business operations affect the use of ICTs in this region. In fact, the low level of cooperation in the

value chain between clients and suppliers , a small number of operations abroad and types of sectors most developed in the region creates some opportunities for ICT use but also some challenges. The use of specific software and the depth of use in ICT are some of the solutions recommended for the relatively low level of ICT use in the region.

**Keywords:** ICT use, SME, businesses, economic sector, clients, suppliers, effective operations, Vlora region.

## **Introduction**

Starting a business in today's environment brings opportunities and challenges. Changing lifestyles demand greater choice of products and services. New technologies and greater access to global markets have provided increased business opportunities. At the same time increased competition, insistence on quality and unremitting pressure for lower costs, just to mention some issues, represent major challenges for business. For Small and Medium-sized Enterprises (SMEs) the challenge is greater. They lack scale, resources and the capacity to handle complex business management. Typically, less than half survive more than five years and only a small proportion go on to become large companies. Entrepreneurship and enterprise development are important elements in creating dynamic market economies. SMEs is a vital source of new jobs, exports and economic contribution to the countries. How to ensure the growth of the SME sector - a fundamental feature of all developments and growing economies - is a major policy challenge for all countries.

## **Literature review**

Entrepreneurship can take many forms and can be defined in many ways. In our paper we focus on entrepreneurship as it takes place in small and medium size enterprises (SMEs) since the two are often found to be closely related. As noted 'Small firms are the vehicle in which entrepreneurship thrives (Wennekers and Thurik, 1999). In the last ten years, governments in the transition countries have introduced a number of policies aiming to promote entrepreneurship through SME development, since SMEs compose a very large part of enterprises in these countries. Limited access to finance, a low degree of professionalism, difficulties in recruiting qualified personnel, depending on clients and suppliers and the absence of economies of scale are identified as the core SME sector weaknesses and the main areas where SMEs may require special attention (Burns, 2001).

A number of authors have identified the distinct characteristics of entrepreneurship and SME activities in transition countries where the environment is undergoing quite dramatic changes (Dallago, 1997; Scase, 2000; Chilosi, 2001; Smallbone & Welter, 2001; Aidis, 2006).

Though it is often argued that SME development is especially crucial for the early phases of transition (EBRD, 1995; Smallbone and Welter, 2001), it is, in fact, just as important for the advanced stages of post-transition. As M. Porter (1990) has argued, invention and entrepreneurship are at the heart of national advantage and country competitiveness.

So the new technologies may be an important aspect to be focused on the efforts for developing the SME sector for the purpose of development. In this context, SME usage of ICT ranges from basic technology such as radio and fixed lines to more advanced

technology such as email, e-commerce, and information processing systems. Using advanced ICT to improve business processes falls into the category of e-business. However, not all SMEs need to use ICT to the same degree of complexity. The first ICT tool that most SMEs adopt is having basic communications with a fixed line or mobile phone, whichever is more economical or most convenient for their business. This allows the SME to communicate

Like any firm, an SME decides which type of ICT products to adopt based on the concrete benefits they can bring to its core business, the ICT capacity of its employees, and the financial resources available. Most people are familiar with basic ICT such as fixed phone lines, mobile phones, fax, computers, and basic document processing software – like Microsoft Office. Advanced communication technology, however, is more complex.

Advanced communication technology relies primarily on the Internet and the intranet, which allow people within the firm to share files with each other over the same network. Having an Internet connectivity enables firms to do faster research, set up websites, conduct e-commerce, and set up video conferences. One of the most revolutionizing developments in advanced communication technology is Voice over Internet Protocol (VoIP).

### **Methodology of the study**

The results of this study are based on a research survey of 141 SME-s in Vlora region classified according to revenues. The methodology included a stratified random sampling of 141 out of 784 companies in the region requiring the regulated factor of a finite population for the sample size. The interviews were administered as face to face interviews with the study group in a period from May till September 2012. Some of the difficulties encountered in the field interviews were resolved with a fulfillment of the sample with a judgment sample of some bigger companies according to revenues and classification in tax payment.

### **Albanian general situation**

Actual statistics of enterprises in Albania, measured by INSTAT intended to represent the structure of economic activities through economic indicators. Data show that - Enterprises with 20 or more employees dominate the economy, from the point of view of number of employees and also turnover and investments. In 2010, there were 75.4 thousand enterprises where 1666 are with 20 and more employees. These big enterprises employ about 46 percent of the employed of the country, while they have also achieved 60 per cent of the turnover and 71 per cent of the investment.

On the other hand, small and medium-sized enterprises (SMEs) have a crucial role in the transition process. SMEs already makes up the vast majority of private businesses operating in Albania. Enterprises with 1-4 employees occupy 91 percent of enterprises, achieving 17 percent of turnover. Small enterprises are the dominant producers of services. Because of their size and adaptability they are likely to be the main source of employment generation in the future. As in mature market economies, a vibrant SME sector will eventually become not only a provider of employment, but also a key source of innovation, entrepreneurship and productivity growth. For these reasons, improving the business environment for SME development is a key objective of the policy framework in Albania. The Albanian authorities are increasing the support given to the SME sector, in recognition of the growing importance of SMEs to the national economy. This political support is manifested in developments such as:

- The approval of a medium term-strategy for SME development.

- The efforts to improve the legal and institutional framework for the business sector.
- The efforts to create a Small Business Development Agency.

Substantial emphasis on performance assessments has been placed in eliciting the views of private SMEs on their past experience and perception of the key barriers to business and new investment, and their assessment of progress in implementing policies to encourage the development of SMEs.

Part of this improvement, according to national strategies is also the involvement of ICT use in their business processes. One of the greatest projects involving SME and the use of technology is SME training for ICT user.

SMEs can benefit either as producers of ICT or as users of ICT for purposes such as increased productivity, faster communications and reaching new clients. However, it must be noted at the outset that not all SMEs need to adopt ICT tools to the same degree of sophistication. The most basic ICT tool is having communication capabilities through fixed lines or mobile phones, whichever is more cost effective. SMEs may then use a personal computer (PC) with basic software for simple information processing needs such as producing text or keeping track of accounting items. Internet access enables SMEs to have advanced communication capabilities such as email, web browsing and launching a website. SMEs in manufacturing can benefit from more advanced ICT tools such as Enterprise Resource Planning (ERP) or inventory management.

### **SME IN VLORA REGION**

Whereas the majority of the region's enterprises (95 percent of the overall number) are small ones with just 1-5 employees and only the remaining 5 percent employ more than 6 employees. Although there are only a few large companies with over 80 employees, they actually employ 26,5 percent of the overall number of employees working in the region's active enterprises. More people are employed in production, trade and service enterprises. Table 2.2 below provides information about the active enterprises in the Region of Vlora.

### **Survey results**

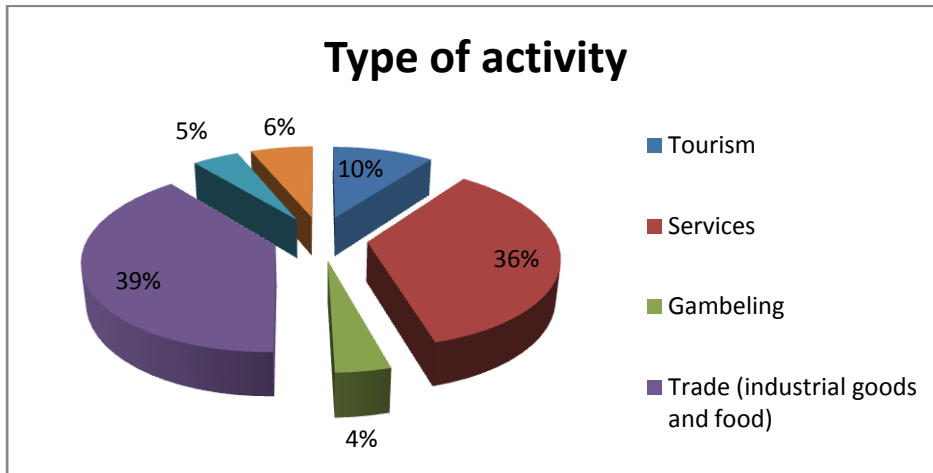
This study is focused on the actual and potential use of Information and communication Technologies, ICT). The goal is to study the use of the businesses, especially the Small and Medium Enterprises, SME, since it is considered from a lot of authors in the field, as well as from the directives of European Union Projects, that ICT is a powerful engine for economic development in the region and in the local level.

The strategy of the study, includes the survey through structured questionnaires, to identify the demand aspects of ICT. The users are businesses and the interviewee, managers and owners of 127 SME-s are selected through a probability sample methodology, explained thoroughly in the Anex 1. Even though, during the implementation it is combined for the sake of the important information missing, with a judge methodology in only 15% of the cases.

### **DESCRIPTIVE STATISTICS**

It is easily seen that the types of activities of companies that are part of the study are mainly in the trade and services sector, reflecting the distribution of businesses and companies in our country.

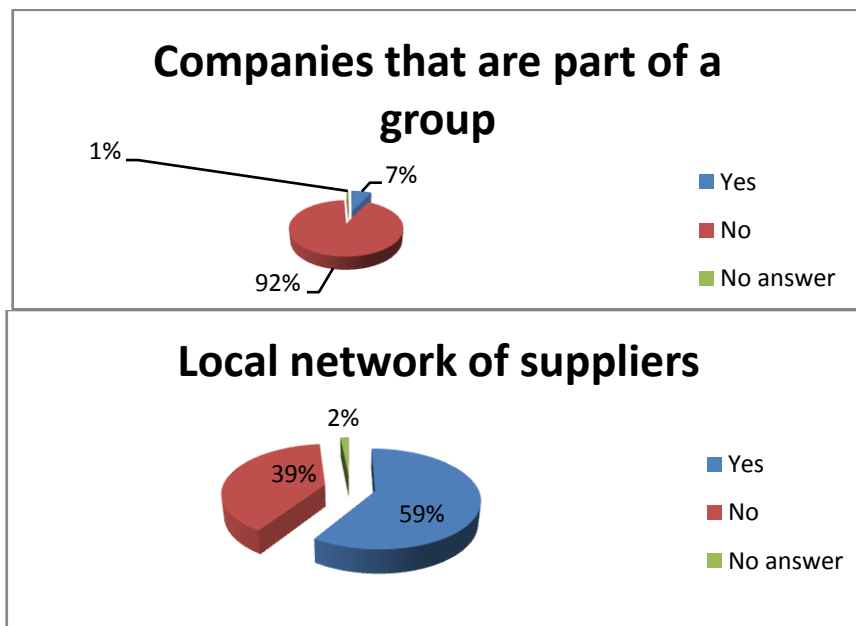
Figure 1 Percentage of companies according to sector



Some business characteristics directly reflect their conditions for ICT use. Thus, participation in a group, having a network of suppliers or certification, are characteristics that create conditions for the need and demand by the companies to use, not just computers and ICT equipment, but also for elements of information systems, such as databases, telecommunication networks, Electronic Data Interchange and e-commerce technologies.

Fig 2 shows that companies that are part of a group are in a small number, implying that these companies may not demand for ICT in the near future. The data about local network of suppliers, on the other hand, show that 59% of the businesses are part of such a network, so they can build further relationships with their network, using the benefits that offer Information Systems.

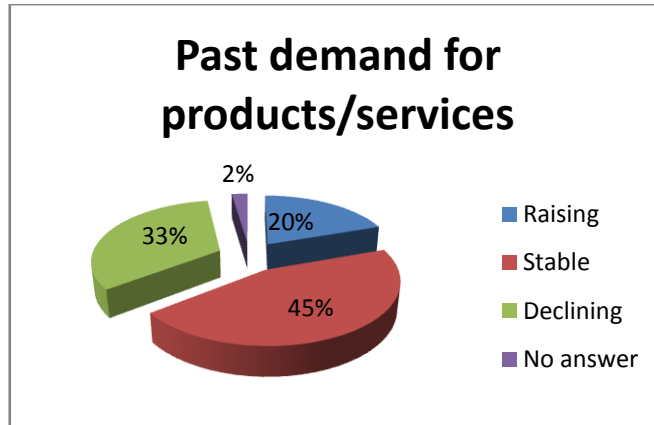
Figure 2 Characteristics related to conditions for ICT use.



The study has shown a high nonresponse rate in most of the questions that have sensitive information, such as the time of creation and declaration of yearly revenues. It remains clear the problem that businesses have with giving information because of lack of confidence in different state institutions, including research studies.

In relation with the demand trend for product/services of the companies interviewed, 45% of the companies declare that their demand is stable, 33% have experienced a declining demand, while only 20% declare rising demand for their product/services.

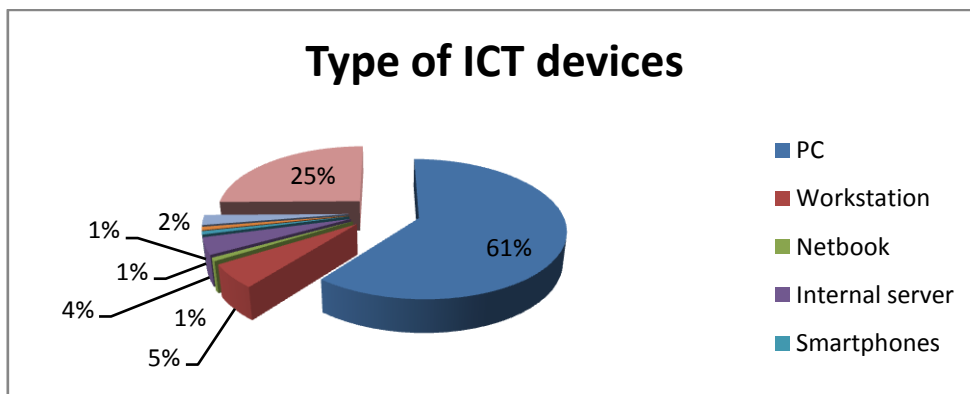
Figure 3 Demand for products/services of businesses



#### GENERAL INDICATORS

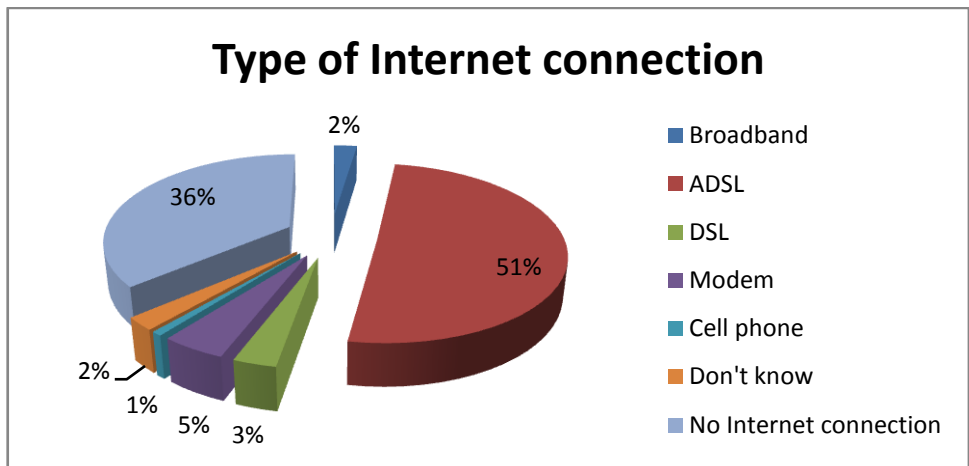
An important indicator for the use of technology in organizations is the number of computers. In fact from the questionnaire we can see the percentage of the organizations that have at least one computer, and as we see the percentage is higher, but not very satisfying. About 75% of companies have at least one computer or many devices, from which only 61% have PCs, only 25% have notebook technology. We see that the basic technology is widespread in organizations. But what comes next, since the number of computers is only an initial indication. Secondly about the variety of ICT equipment, we see that the numbers are deluded, 4% have an internal server (i.e. User networking) and 2% have iPhones, technologies that today is used from companies in very modern networks, called cloud computing. Only 1% have other technologies, such as notebook, netbook, etc.

Figure 4 Companies according to type of ICT devices used



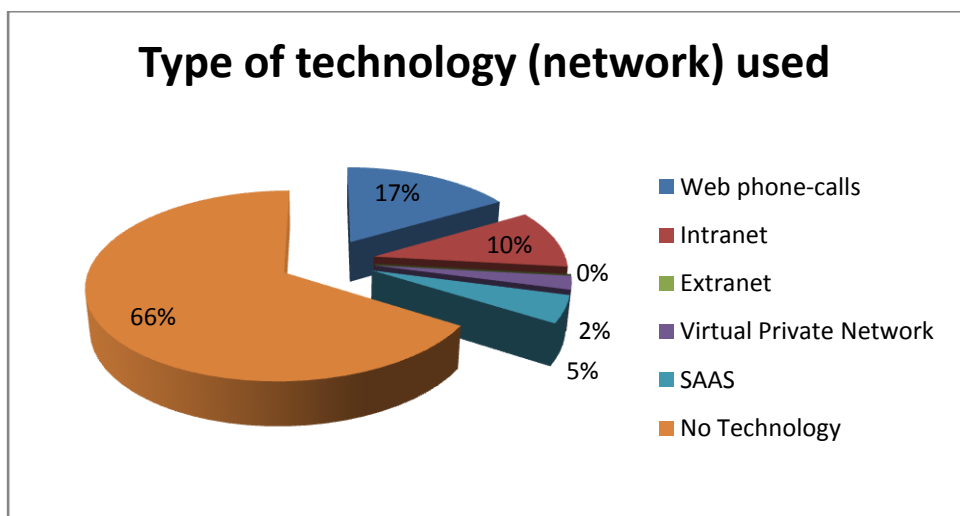
Types of Internet connections are also an indicator of technological development and the need for communication and fast data exchange. In fact they are an indicator for quality of service provided and the type of activities that are supported from these connections. Figure 5 shows that the companies either have no Internet connection, 36%, or have some connection type with satisfactory speed levels such as ADSL services, used in 51% of cases. Broadband technology, which has the greater speed, assuring so the quality of connection, is far from widespread. A small part of companies still connected through the modem.

Figure 5 Companies according to type of Internet connection



Networking technologies are an important indicator when considering not just the spread of ICT in organizations, but the full exploitation of ICT to impact the business processes and decision making. Here you can see that Albanian businesses have not yet joined these levels, because 66% of the respondents do not have technologies that use network connections.

Figure 6 Network Technologies used by businesses



Another element of the use of technology in order to increase the productivity of the company's activities is the Website. Today, this technological tool is used not simply and solely for information and promotion of the company, but largely for the realization of business transactions, saving time, energy and bureaucracy in the process. Even in this case, there is an absence. The percentage of companies with a website is very small compared with the standards of companies in developed countries. Only 15% of the interviewed companies have a website. This is a figure in fact that has changed compared with the first phase of the study, where the percentage of surveyed companies with Website was greater. In the second phase, the overall sample includes companies with a year revenue that categorizes them in the big business, but their activities are mainly manufacturing businesses, or even trade products that do not develop this type of electronic commerce and focus on the demand mainly in domestic markets. Their activities include only import of products or raw materials from foreign markets. If companies target the global marketplace and seek to enlarge their activities, there are opportunities to use technology through the newest models of electronic business. Even those companies that have a Web site, use it in most of the cases for promotion and only 2 of them for online transactions.

Figure 7 Percentage of companies with Website

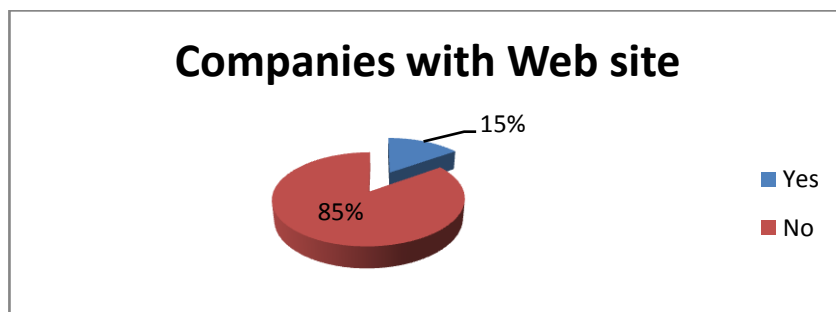
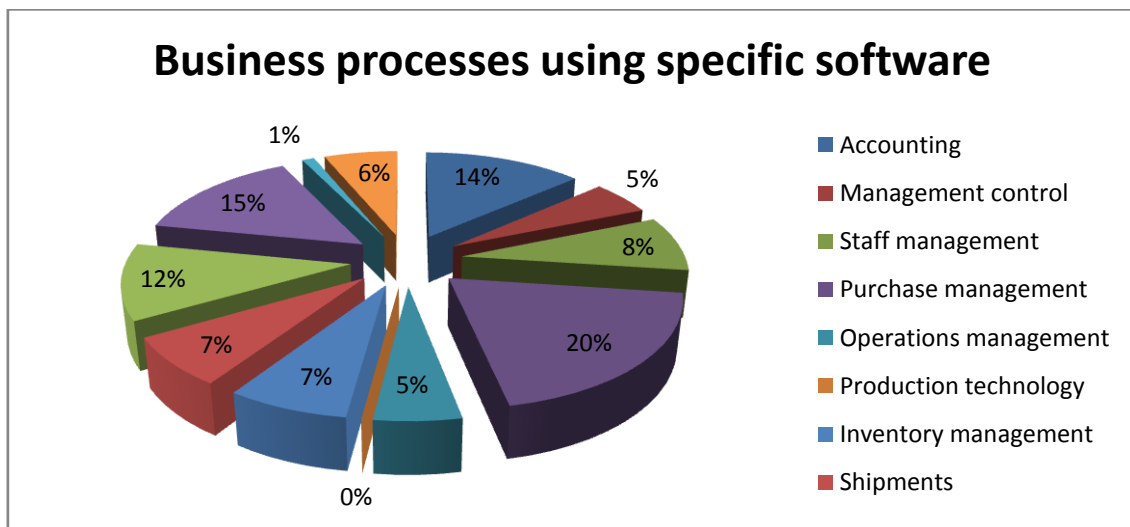


Figure 8 Companies using specific software to support their business processes



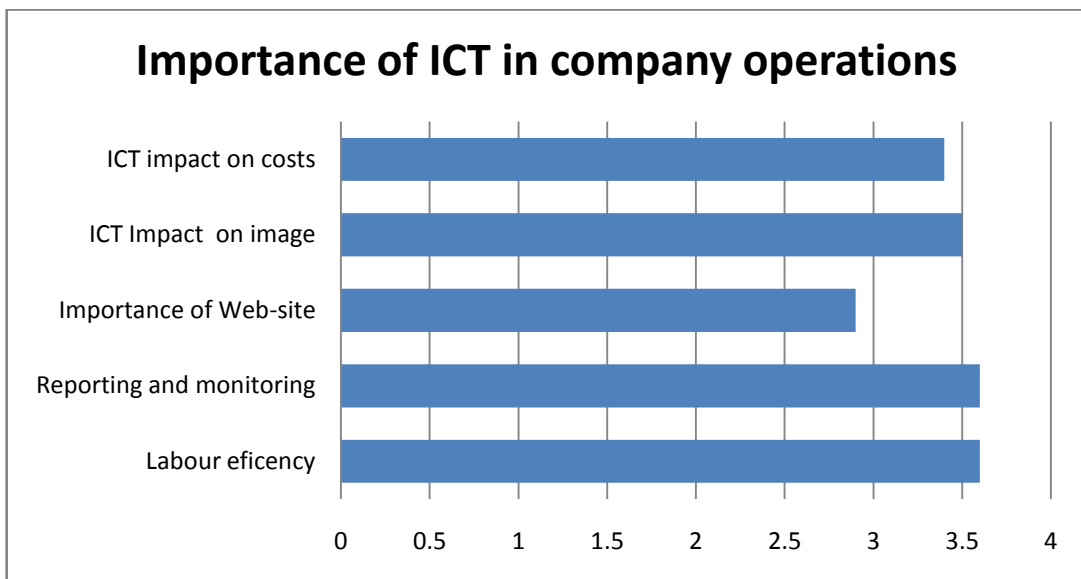


In relation with the use of specific software to support business processes, we can say that the small percentage of companies which are included, use them mostly for the management of purchases and sales and less for functions like accounting and staff management. Functions such as production and operations do not use technology.

### Opportunities for future use of ICT

Finally, despite the current low or high levels of different ICT, we asked about the interviewed perceptions of the ICT value in different company activities.. They do not consider technology as very important, in any of the activities. The largest impact is estimated to be in the work efficiencies and reporting and control, while that's somewhat less in the image and still less in cost.

Figure 9 The perceptions on ICT importance in business



These responses reaffirm that the stage of using ICT is low because such is the perception on the value it has in the company.

### CONCLUSIONS AND RECOMMENDATIONS

Despite the challenges facing Albania and other developing countries, computer technologies and other ICTs have tremendous potential to help overcome them. This requires not only public sector leadership, but also private sector commitment.

Vlora region, as one of the biggest region in the country has lately experienced economic development through some very important sectors in the economy such as Agriculture, Tourism, Fishing, Trade of commercial goods. Vlora region supports its economic development through the management of a lot of natural and cultural resources and heritage.

Since SMEs constitute a very important part of the economy, from the viewpoint of the number of enterprises, but also from the perspective of future developments, this study tried to give the state of the art in regard of ICT spread and use within SMEs.

- a. The greatest percentage of SMEs is part of trade, service and tourism sectors. The recommendation here is the incitement of specific software

- use, since these sectors, especially tourism, depend on the good management of natural, cultural and human resources.
- b. A very small part of companies are part of a group or have certifications for their products, while a bigger number are part of a network of suppliers. It is very important in this aspect, to incite SMEs for using the local suppliers and for creating long-term relationships through ICT use, for communication and data sharing through e-mail or Internet.
2. Types of technologies used are below the desired and appropriate level. Most of the companies have only PCs, and a relatively high percentage does not use any devices. They have Internet connections with ADSL services and their mobile devices, but there are still businesses that connect through a modem.
- a. The actual spread of computers and technology should be the beginning of a more planned and useful approach to businesses, especially thinking of their shortages or problems.
  - b. Encouraging the use of services of SMEs and companies in ICT sector such as outsourcing companies will, not only help the proper development of Information Systems and ICTs inside other sectors, but will help in the development of the ICT sector itself in Vlora region.
  - c. Using social networks or other Internet platforms, as a tool for getting clients or serving them better will help SMEs especially those in the service sector and tourism. Appropriate use for business must bring more revenues by satisfied clients as well as by more clients or more expenses to the company.

## **References**

- Aidis, R. (2006), *Laws and Customs: Entrepreneurship, Institutions and Gender During Transition*. SSEES Occasional Series, University College London, London.
- Aidis and Sauka, *Entrepreneurship in a changing environment: Analyzing impact of transitional stages on SME development*, Inter-RENT online publication, 2005.
- Burns, P. (2001), *Entrepreneurship and Small Business*. Palgrave Macmillan.
- Chacko J. G. *ICT, SMEs and business development UNDP-APDIP, National Workshop on Capacity Building in Public Policy issues of Internet Use for Business Development in Asia and the Pacific, 15-16 August 2007, Phnom Penh, Cambodia*
- Chilosi, A. (2001), *Entrepreneurship and Transition*. MOST 11:327 –357.
- Dallago, B. (1997), *The Economic System, Transition and Opportunities for Entrepreneurship*. Chapter 7, pp. 103-124 in *Entrepreneurship and SMEs in Transition Economies*, The Visegrad Conference. Paris: OECD.
- Wennekers, S. & Thurik, R. (1999), *Linking Entrepreneurship and Economic Growth*. *Small Business Economics* 13:27-55.

Smallbone, D. & Welter, F. (2001), The Distinctiveness of Entrepreneurship in Transition Economies. *Small Business Economics* 16:249-62.