Assessing the Technology and Innovation Used for Business Development by Albanian SME

Dr. Ismet VOKA
European University of Tirana
Faculty of Economics Business and Development

Prof. Assoc. Dr. Filip RUXHO
Universum College, Kosovo
Faculty of Business and Management

Abstract

The purpose of this paper is to analyze the technology and innovation used for business development by Albanian SMEs. This paper investigates if Albanian companies use innovation or integrate technology components into their daily activities with the purpose of developing their business. The instrument used was a questionnaire of 50 items and the participants where Albanian organizations (N = 163) from different sectors of the economy. Data were analyzed using IBM SPSS Statistics 20. Findings show that the sales team of these companies uses computer systems on the ground to manage customer-related business activities such as sales, billing, at a rate of 25.5% at a time when 74.5% of them do not use it purpose. The trade sector uses these systems the most (45.8%) followed by the Manufacturing sector (40%). Other data show that 95.1% of businesses think they have improved their products / services satisfactorily over the past 12 months, while only 4.9% of them do not think so. As far as product design / services are concerned, 40.5% choose to apply international standards, 37.4% of them think and create their own, while 19% of them use a mix of both methods.

Keywords: *Innovation, information technology, Albanian SMEs, entrepreneurship*

Introduction

Information technology drives innovation and the latter is the way to business success. Innovation in business has the same impact steam has on the industrial revolution. In fact, it is difficult to imagine any business that has not benefited from the digital revolution. Agriculture also uses information technology and computers to carry out work. Farmers use computers for production data, financial planning, research on technical issues and procurement (FAO, 2017).

Nowadays the formula for business success is simple: *Encourage innovation with information technology*. So, startups of the first things in every industry are trying to understand how to make smart choices of IT. Without a pillar of information technology, a business will not go far. Technology in business is a growing necessity (Dodgson, Gann, & Salter, 2006; Lindgardt, Reeves, Stalk, & Deimler, 2009). Over the years, the business world is increasingly inclined towards it, making it virtually impossible to divide two of each other. Innovation nourishes the business and as technology paves the way for its further development, no business needs technology to be sustainable (Chesbrough & Crowther, 2006; Huizingh, 2011).

Innovation, despite not being a recent phenomenon, is only receiving the attention it deserves from different scholars in recent years. This was mainly driven by the impact that innovation has had on the economic and social changes of recent years, but so far, there is no single discipline that deals with the study of specific aspects of innovation. Generally, innovation and its impact on the economy and beyond, are studied from various disciplines, mainly from those of social sciences. This is also noticed by the growing number of socio-scientific publications focused on innovation. As a result of these publications, innovation is taking the deserved importance also in schools, and as a result, there is seen some positive outcome of student knowledge about the innovation process, the economic and social aspects and impacts that they are bringing (Godin, Hatt, Iglesia-gomez, & Landabaso-alvarez, 2010).

Researchers (Adams, Tranfield, & Denyer, 2008; Cohen & Levinthal, 1990; Crossan & Apaydin, 2010; Garcia & Calantone, 2002; Gassmann, Enkel, & Chesbrough, 2010; Hall, Matos, Silvestre, & Martin, 2011) studied the field of innovation in different perspectives, four of which are the most disseminated. Questions like: "What is new?"; "How new?"; "New for whom?"; "When and where does the innovation process starts and finishes?"; "When is an innovation good or bad?"; represent different perspectives/dimensions of innovations. Innovation involves the creation of new businesses, products / services or new operational processes within an organization (Thurik & Wennekers, 2004). The concept of innovation and its development embraces five basic functions: (i) introducing a

new product that consumers are not familiar with or introducing a new quality of an existing product; (ii) introducing a new production method which has not yet been tested in practice, which is discovered by new scientific testing and there may be one form that is commercial; (iii) the opening of a new market which is a market in which a particular firm has not entered before, whether or not that market has existed or not; (iv) possession of a new source of material supply; and (v) successfully implementing a new organization in any industry.

Schumpeter (1934) considered entrepreneurship as a catalyst that creates a disruption, a continuous flow into the economy, and therefore starts and maintains the development process, so the entrepreneur activates the economy at a new level of development. This author introduced the concept of innovation as a key element in the venture by increasing risk taking and organizing factors of production. Schumpeter defines entrepreneurship as a "creative activity". An innovator who brings products or services to the economy is given the status of an entrepreneur. He sees innovation as a means of entrepreneurship, the entrepreneur is seen as a "growth engine". This thought is supported also by recent authors, confirming that innovation and creativity are the fundamental tools that help entrepreneurs to transform opportunities into reality (Kilenthong, Hills, & Hultman, 2010).

Technology offers a wide range of tools that entrepreneurs can use to guide their new companies through start-up and growth phases (Ingram, 2011). Small business accounting, marketing, and communications have been revolutionized by advances in computer, network, and communications technology, and businesses across a range of industries are constantly adapting to take full advantage of technological developments (Hamidi & Safabakhsh, 2011).

Business technology has revolutionized how companies conduct business. Small businesses can implement business technology and level up the playing field with larger organizations. Small businesses use computers, servers, websites and personal digital products to develop competitive advantages in the economic market (Dodgson et al., 2006; Legris, Ingham, & Collerette, 2003; Mckechnie, Winklhofer, & Ennew, 2006). Small business owners should consider implementing technology in their planning process. This allows owners to create operations using the best available technology. In Albania, the integration of technology into the extravagant activities is thought to be still in the early stages of implementation and use.

Literature Review

According to Som et al. (2012) innovation remains very important for small and medium enterprises, as in most cases it directly or indirectly affects the business performance of enterprises. Innovation in business is accompanied by innovation

and differentiation. In addition, innovation must bring economic impact in order to justify funding and further support. Innovation refers to a company's tendency to engage in creative processes, experimenting with new ideas that may provoke the creation of new ways of production or the introduction of new products or services for current or new markets (Hamel, 2006).

Orienting a company in an innovative way would be to promote creative change and behavior that push the active exchange of new ideas, expanding information flows and innovating in the development of new products (Conto, 2016). Entrepreneurial marketing entrepreneurs tend to be oriented towards innovation (driven by new ideas and intuitions), more than customer oriented (guided by market needs assessments) and tend to inform the informal networks instead of using systems search and intelligence (Morrish, 2011). Innovation-focused marketing activities allow companies to focus on new ideas that lead to new markets, products, or processes. The degree to which a successful organization underlines its activity in the market may range from the major market maker innovator to growing market builders. The market maker has to intervene with past solutions to offer a radically different value to the customer. The growing innovator builds relationships with existing customers. SMEs may choose to concentrate on innovative commercialization instruments as the company does not have the capacity and resources to intervene in the market with sector standards (Becherer, Haynes, & Helms, 2008).

Innovation is known for creating new knowledge that applies to practical problems (Melissa Schilling 2010), it is the most important driver of competitive success. Market demand results in shorter product life cycles and fast aging of products. Companies that are slow or inefficient to renew lose market share and ultimately move to the boundary of the competition field. Management has a decisive role that promotes innovation policies in a company. Management expert Peter Drucker (1985) said that if an established organization, which in this era that seeks innovation, is unable to renew, it faces decline and disappearance.

The importance of innovation in Albania

The private sector plays an important role in the Albanian economy. The private sector contribution is estimated at about 80% of GDP (Gross Domestic Product), while in employment it is over 70%. Referring to the structure of enterprises, SMEs, represent over 99.6% of active enterprises in Albania. In addition to the government's efforts to improve the business climate, the performance of SMEs is still weak to cope with the global growth of competition. The free trade agreements in the region today, as well as the implementation of the Stabilization and Association Agreement with the EU (the European Union) (2016), makes

it imperative for the government to take concrete measures focusing on the most critical factors and areas of the NMP sectors, such as: (i) Entrepreneurship and business innovation; (ii) Implementation of European Union (EU) standards.

It is true that Albania has taken various measures to develop the spirit of innovation between enterprises, but innovation is not yet at the desired level. Indeed, various reports show that in the period 2013-2017 has remained on the spot by marking a regression in Albania's global ranking. In 2013, Albania was ranked 93rd with an index of the innovative strength of 30.9, and in 2017 it stood in the 93rd place but with a downhill index of 28.9 points. For innovation input index are important: 1) Institutions; 2) Human Capital and Scientific Research; 3) Infrastructure; 4) Market Sophistication and 5) Sophistication of Business. Whereas the innovation output index has to do with the results of the innovative activities of the national economy, there are two results that make up this index: 1) Knowledge and Technology and 2) Creativity. In the case of Albania. Calculation of these indices gives rise to the ultimate end result of innovation.

Internet services such as e-business and electronic signature, which are commonly used in the EU, in Albania, are simply a concept and are not widely used by Albanians. The main reason for this lack of use is that Albania does not have a properly developed infrastructure for online services. Another innovation-related problem is that Albanian enterprises do not focus so much on R&D. Usually, Albanian enterprises focus more on increasing their profit by ignoring that successful R&D ideas will help them generate more profits.

Objectives of the Study

The main goal of this study is to analyze the technology and innovation used for business development by Albanian SMEs, Being mainly of investigative and explorative nature, this study is aimed at discovering the extent of what the targeted businesses implement technology and try to be innovative. More specifically, the study tries to:

i. Assess if Albanian SMEs use innovation or integrate technology components into their daily activities with the purpose of developing their business, as well
ii. Evidence industry sectors are using technology components to further improve the business activities, especially the salesforce, and
iii. Analyze the specific design techniques used for the product / service design.

Method

The target group selected for this study are the Albanian companies from different sectors of the economy, whereas, the sectors were selected based on the current percentage of their contribution to the GDP. Regarding sample selection, there was adopted a non-probabilistic approach, but there was also used an intentional selection, which is the most common technique of sample selection (Marshall, 1996). This might include the development of a variable model that can influence the individuals' contribution and may be based on the researchers' practical knowledge, available literature, and the study itself. The sample size (N=163) refers to 163 different SMEs distributed in different sectors (Civil construction industry -7%; Trade - 32%; Hospitality & Tourism - 34%; Manufacturing industry - 6%; Information and Technology -4%; and Services & others -17%). The questionnaire was designed based on the suggestions of the relevant literature. Later, the questionnaire was distributed to Albanian businesses operating mainly in Tirana, but also in other important cities such as Berat, Durres, Lezha, Fier, Elbasan, etc. In order to have a sample as more representative as possible, it was decided that the participation of businesses be fairly proportional to the distribution of sectors in accordance with their contribution to the Albanian Economy, which is actually: 43.4% Trade, Hotels and Restaurants-16.2%, Transport and Communication - 9.9%, Manufacturing - 9.6%, Civil construction - 4.3%, Agriculture and Fishing - 1.7%, while the Other services account for 14.9% (according to INSTAT, 2015). The questionnaire used for this study included five questions aimed at evaluating the training and development level of Albanian SMEs. Anyway, since some questions consist of different alternatives, they were considered as different variables, therefore, the total of considered variables was 24. Technology and Innovation in the underlying instrument of this study were measured through questions related to having a company's website, using software or hardware specific to day-to-day activities, design techniques, and product or service improvement. The questionnaire was distributed by sectors referring to their contribution to the economy; the source for this information was INSTAT (2016).

Data Analysis and Results

Participants in this study have responded to some general information in this field. First, 72.7% of respondents (N = 161) have websites. An interesting finding of this study is that the sales team of these companies uses computer systems on the

ground to manage customer-related business activities such as sales, billing, at a rate of 25.5% at a time when 74.5% of them do not use it purpose. The sector that uses it the most seems to be the trade sector (45.8%) followed by the Production and Processing sector (40%).

TABLE 1: Salesforce using computer systems

Industries	Frequency (N)	Percentage
Civil construction industry	3	25%
Trade	22	45.8%
Hospitality & Tourism	1	1.8%
Services	4	30.8%
Manufacturing	4	40%
Information and Technology	1	14.3%
Others	6	40%

Source: Author

Other findings suggest that 95.1% of businesses think they have improved their products / services satisfactorily over the past 12 months, while 4.9% of them do not think so. Ways to measure this aspect are different: through sales (49.7% of them), by spending (9.4%), by means of re-duplication of purchases (2.7%) and 37.6% of them have used such as profit, customer satisfaction, performance, increased customer number, new purchases, and more.

An important element of technology and innovation is the product design, and the path chosen to do so has been taken into consideration in this section. As far as product design / services are concerned, 40.5% choose to apply international standards, 37.4% of them think and create their own, while 19% of them use a mix of both methods.

Conclusions and Recommendations

The data analysis showed that there is still room for improvement and for an increase in the usage of the technology and innovation by Albanian SMEs. To achieve this, the competitiveness of Albanian SMEs will need to be enhanced through the promotion of innovative SMEs as well as technology transfer. Referring to the EU SME Charter, business innovation in the Albanian market is far from other countries in the region. To improve this situation, there is a need for better policy instruments that will enable businesses in Albania to be closer to the pace of development of Entrepreneurship, Innovation and Technology in the EU,

better cooperation between the Direct Investment (IHD) and NVEs, investing more in human resource development.

Based on these results, the below recommendations would be helpful for the further development of this sector in Albania:

i. Small and medium enterprises in Albania should consider innovation as a very important activity in their daily and long-term business. Investing and applying innovation in a variety of business, especially in improving their processes, can help small and medium enterprises to improve their business performance.
ii. The Government should continue to support financing schemes for innovation as an appropriate tool to help foster the development and modernization of small and medium-sized businesses in Albania.

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