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COMPETITIVENESS: CHALLENGES FROM THE PERSPECTIVE OF A SMALL ECONOMY

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Content

The Efficiency of Fiscal System from the Albanian Taxpayers' Viewpoint

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Abstract

In order to build an efficient fiscal system, it is important to analyse not only the government's activity in the design and implementation of fiscal policy and fiscal system administration, but also how such activity is perceived by taxpayers, as one of key stakeholders of this system. Fiscal policies implemented by governments over the years are largely focused on the objective of realizing budget revenues, rather than building an efficient fiscal system that produces consistent results. This paper addresses the efficiency of the fiscal system, in the perspective of Albanian taxpayers' viewpoint, by focusing on three main directions: Fiscal burden. What is the fiscal burden and a general information on the fiscal burden in Albania compared to the region countries and the EU, and how the current fiscal burden is perceived by Albanian taxpayers. Fairness (Justice) of the fiscal system. Deals with horizontal justice and vertical justice, the principles of well-functioning of a fiscal system and their implementation in Albania, as well as the perception of Albanian taxpayers on the justice system of the fiscal system. The goods and public services received by the taxpayer in comparison with their contributions. Good public governance offers good and low-cost services and with the right standards. It also looks at how efficient the Albanian governments were in providing public goods and services, and how the taxpayers perceived the benefits they received compared to their contributions. The paper concludes with the main conclusions of the functioning of the current fiscal system and recommendations for improving the system based on the perception of taxpayers.

Key words: taxpayers, fiscal policy, fiscal burden, fiscal justice, public services, fiscal efficiency.

Introduction

The main objective of fiscal policy is to generate sufficient income to guarantee democracy, public order and the functioning of the rule of law. An efficient fiscal system should be not only a source of revenue for the functioning of the state, but it must ensure that the government actively contributes to achieve its political, economic, social and environmental objectives. The fiscal system is an important tool for redistributing incomes to citizens and social cohesion in society. Taxation is an important instrument that influences the behaviour of individuals.

When designing and implementing the fiscal policy, the effective provision and use of resources, particularly public resources, plays an important role, with the aim for the policy to achieve its respective objectives for economic growth and employment. Various researchers emphasize that it is not important to analyse only the impacts of government actions on how to secure and use revenue, but also how these actions are perceived by all stakeholders involved in the process.

Fiscal burden in Albania and in the Balkans

The main objective of an efficient fiscal policy is to increase revenues, while maintaining the taxpayer's equality, in terms of respective tax burden they bear. The ability to pay taxes is usually measured by the income that a business generates or produces. The fiscal burden has a significant impact on ac country's budget deficit, investments and economic growth.

During recent years, Western Balkan countries, including Albania, have been focusing on a fiscal policy of decreasing income tax, as well as increasing VAT rate, where none of these countries intended to make a fiscal policy that focuses on reforming the tax system. Instead they are focused on some minor changes, aimed at increasing fiscal consolidation, as well as granting tax facilities to certain groups within national economy activities.

The indirect tax base still remains narrow, and this requires a review of model's adaptation to the economic and social environment. Also, it is not concluded that a poor performance in indirect tax collection, should be compensated by an increased direct tax payment, especially the personal income tax.

The percentage of direct and indirect taxes on tax burden has remained unchanged in 2016, when compared to the previous year.

TABLE 1: Structure of taxes (in %)

Type of tax	2015	2016	2017
Indirect taxes	65	65	65
Direct taxes	35	35	35

Source: Ministry of Finance, Albania

This indicates for a tax burden that is still maintained by the Albanian consumer, and not from the real economy. On the other hand, this reflects the need for a fiscal policy modification, to shift the burden from consumption to capital, where mostly rich individuals and large businesses should bear the main weight in this regard.

There are three main discussion issues for Albania, in order to achieve a better management and efficiency of indirect taxes, especially of VAT as the main source of tax revenues:

First, the VAT registration limit. Changes made by the government to the recent fiscal package, by way of lowering VAT registration limit for businesses, running a total annual turnover of up to ALL 2 million, will expand the tax base by significantly increasing the number of businesses declaring and paying such tax. It is thought that this change will lead to a greater formalization of the economy, but the impact of such reform will be assessed in the following tax periods and this will depend, to a greater extent, by the capability of fiscal administration in managing this tax.

Second, imposing progressive VAT rates. During this period, Bosnia and Herzegovina and Albania apply a standard VAT rate of 20% only, whereas all other Balkan countries apply reduced VAT rates. The reduced rates are mainly applied to vital consumption products, such as: health care products, electricity supply, as well as books, magazines and cultural & sports activities. Therefore, even for Albania, applying progressive VAT rates, accompanied with an increasing administrative capacity, would be a move that would lead to an increased effectiveness of such tax.

Third, applying VAT exempts for certain supplies. Generally, fiscal policies, a simple tax administration, tax justice (fairness) and economic neutrality of taxation are arguments which support a minimum use of tax exemptions. Various economic, political, social and tax administration situations in Albania and elsewhere have influenced the application of VAT exemptions. As above noted, the case of VAT exclusion for low turnover entities (small businesses with annual business turnover up to ALL 2 million), is a kind of general exclusion of all supplies of goods and services by subjects with a lower turnover than the VAT minimum limit. In many cases it is assumed that "exemptions" result in a VAT reduction burden on supplies. In order to avoid distortions, caused by the failure of VAT deduction for paid

purchases, a good policy may be followed by not excluding the supplies that are made for purely business activities.

The fiscal policy pursued by Balkan countries, regarding tax rates, has not had the expected impact on the economic growth of these countries.

TABLE 2: Fiscal Burden in Western Balkans for 2014-2018, in % of GDP.

	2014			2015			2016			2017			2018		
	Direct	Indirect	Soc.Sec/ Others	Direct	Indirect	Soc.Sec/ Others	Direct	Indirect	Soc.Sec/ Others	Direct	Indirect	Soc.Sec/ Others	Direct	Indirect	Soc.Sec/ Others
Kosovo	3,4	17,4	3,1	3,4	18,5	3,2	3,9	19,6	2,8	3,7	19,6	2,9	4	20,5	2,3
ALBANIA	4,6	12,2	7,3	4,6	11,8	7,3	5,1	11,9	7,8	5,3	12,3	8,1	6,1	11,6	7,7
Northern Macedonia	3,3	12,4	8,8	4,4	11,8	9	4,2	12,2	8,9	4,4	12,2	8,9	5,7	11,7	9,2
Serbia	7,8	15,9	11,3	7,6	16,1	10,9	7,5	15,9	11,7	7,5	16,7	11,9	8,5	16,7	12,8
Bosnia-Herzegovina	3,4	18,5	15,7	3,5	18,5	15,5	3,7	18,4	14,9	4,1	18,6	15,2	4,1	19,2	15,1
Croatia	5,7	16,40	14,20	5,5	17,1	14,3	5,6	17,5	14,5	5,7	18	14,9	9	18,5	12
Montenegro	8,4	18,9	11,8	7,9	17,2	10,9	8,1	17,3	10,7	5,8	19	11,7	6,2	20,4	11,8

Source: IMF, Ministry of Finance & Economy, ALTAX.

Changes made in the income tax rate, in cases of its reduction, have aimed to an expansion of the taxable base, but with an objective of not affecting budget revenues and fiscal stability. Regarding the income tax, Greece, Croatia, Albania, Serbia and Romania apply an above-average tax rate, while Montenegro, Kosovo, Macedonia and Bosnia and Herzegovina apply a below-average tax rate.

Studies regarding changes in consumption and capital tax rate show that they are less influential in the economy than changes in personal and labour tax rates, where shifting the tax burden from consumption and capital to labour and individuals is a rather difficult task for governments of these countries.

From the perspective of fiscal policy for Balkan countries, it is not considered as efficient the implementation of a comprehensive reform policy that is not based upon a higher management level and efficient fiscal capacities.

Tax revenues in Albania make up the bulk of budget revenues for 2016 and 2015, just 24.4% and 24.1% of GDP, respectively.

TABLE 3: Structure of tax revenues, in %.

Tax revenue	2015	2016	2017
Taxes and Customs	76.1	74.9	73.8
Local government	3.4	4.1	4.6
Social and health insurance	20.5	21	21.6

Source: Ministry of Finance, Albania.

As for the fiscal burden in Albania, tax revenues and customs in 2017 are 73.89% of total tax revenues, with a decrease of 1.1 percent. This decrease in

central government income is compensated by local governments' revenues with a weight to the total by 4.6%, where their growth compared with the previous year was 0.5%. Likewise, insurance contributions, in 2017, have a weight of 21.6% of total income. The increase with 0.6% for these incomes results from labour formalization, as well as legal changes regarding the removal of income tax ceiling for health insurance calculating purposes.

The collected revenues, which coincide with central customs & tax administration activities, constitute the main part of tax burden, as 17,9%, 18,3%, 18.7% of GDP for 2015, 2016 and 2017, respectively. This increase is mainly due to increases in income taxes and other taxes on capital, national taxes and increased excise duties.

In recent years there is a declining tendency of indirect tax burden and a slight increase in direct taxes, where the greatest impact is on corporate and personal income tax. This reflects the impact of the government's fiscal policy which aims at redistributing revenues by benefiting more taxes from capital gains.

Fiscal System Fairness

The process of preparing fiscal packages by the government should be subject to a broad discussion with taxpayers, before defining fiscal burden, as taxes need to be properly perceived, in order to guarantee the tax equality, they should pay. This would also significantly increase the taxpayer's tax obligations and the state budget revenues.

During all these years, all governments have not made such a discussion with all stakeholders (taxpayers) and in cases when it has been happening, their opinion has been rarely taken into account.

The basic principle, upon which a fiscal policy is based upon, and the country's fiscal system is built, is the *principle of justice (fairness)*. This principle requires equal treatment of all taxpayers. Justice (fairness) in the fiscal system should be applied in the horizontal aspect, where taxpayers under the same, or similar circumstances, should be treated equally, likewise in the vertical aspect, where higher-income taxpayers must hold a higher fiscal burden, thus placing the fiscal burden progressively, as revenues go up. The principle of justice, in terms of fiscal administration, requires that the law should be applied in a comprehensive, fair and neutral manner, regardless of the taxpayer's status. No one should have preferential, or discriminatory treatment, when implementing the law. Also, the principle of justice implies that tax legislation does not contain any discriminative criteria against taxpayers, or certain taxpayer groups. So, it is not enough just to project the fiscal system equally, but it is very important to function efficiently, since taxation should be guaranteed by procedures that it really works fine.

In the implementation of horizontal justice, equal treatment of taxpayers, still taxpayers in the same or similar circumstances, are not treated equally for various reasons (corruption in fiscal administration, their connections and recognitions, political creeds, etc.) Even in the application of vertical justice it is concluded that, for the moment, labour income is taxed more than capital income, so the labour that is rewarded through wages is taxed more than self-employment, as result of a considerable freedom of action enjoyed by self- employed and professionals, in determining their taxable income. In addition, indirect tax rates, especially for excise goods, vary by increasing the tax burden, whenever the government has problems in realizing tax revenues.

An important principle is that *the fiscal system should be simple, transparent and easy to administer*. Thus, the fiscal system should be easily understandable and applicable, not only by the fiscal administration, but also by taxpayers and their consultants. Transparency should be such as to enable taxpayers to understand the functioning of the system. Thera re cases in fiscal practice, where the system is difficult to understand and followed by taxpayers themselves, as well as to be administered by tax administration. This not only increases the cost of tax administration for taxpayers and fiscal administration, but it creates complicated schemes that can lead to tax and fiscal evasion.

Another principle is *fiscal system efficiency*, so that a fiscal system should be designed in such a way as to encourage the maximum of a country's economic development. This is achieved when the tax system affects, as little as possible, the pricing system and competition. Thus, the tax system should equally weigh on different sectors and be neutral, in terms of making business decisions. This requires a functioning system that leads to an accomplishment of pre-defined objectives.

It is important, for the efficient functioning of the fiscal system to respect taxpayers' rights and obligations, which are sanctioned in the law and taxpayer card, such as: (1) *the right of information,* where taxpayers have the right to have continuous information on the functioning of the tax system and the ways of calculating tax liabilities; (2) *the right of appeal* to any tax administration decision, regarding the determination of their tax obligations, or violation of legal and regulatory acts by the officials of fiscal administration; (3) *the right to pay the correct amount of tax and to be treated accurately* by fiscal administration; (4) *providing reasonable and timely assistance from fiscal administration,* in order for the taxpayer to be able to meet the obligations within the deadlines set out in relevant legal and regulatory provisions; (5) *the right of taxpayers to predict the tax consequences of their activity*; (6) *the right of confidentiality,* in order to avoid misuse of information, received by fiscal authorities; and (7) *the right of representation, in relations with the tax administration*. Also, it is important that the taxpayer, in addition to the rights,

should meet respective obligations for: *identification, information and enforcement of fiscal legislation.*

Respecting taxpayers' rights from the fiscal administration and the meeting obligations from taxpayers will significantly increase the efficiency of fiscal system's functioning and revenues in the state budget.

Public goods and services that taxpayers receive compared to their contributions

The main function of public organizations is to provide goods and services to citizens with low cost and in the right quality and standards. Public organizations provide a significant amount of goods and services, which require large financial resources, where the main part of these resources is realized by the fiscal system (taxes).

Public organizations need to make enough efforts to follow good public governance principles in fiscal and budget issues. The better the governance is, the greater the taxpayer's confidence in the government, and the greater their willingness to pay taxes.

The tax system is an important tool for income redistribution to citizens, solidarity and social cohesion in the society. Also, tax is an instrument that influences people's behavior. Contemporary infrastructure, modern healthcare, appropriate education policies, active employment and environmental protection require the use of substantial funds from public finances.

If taxpayers receive a fair compensation in public goods and services, they will be willing to pay the price for it, otherwise they create the idea that their money is not spent properly and, in this way, they will not be willing to contribute properly.

Also, for reasons of social justice, a progressive VAT should be applied, where basic goods and services should be taxed at a lower rate, compared to benefits and other services. In order to protect the living standards of vulnerable groups in society, special care must be taken to ensure that indirect taxes are not overly dominant, in the tax system. Also, from a social point of view, direct taxes should have priority over indirect taxes. Capital income tax should be comparable to personal income tax.

A good governance, in the area of budget and fiscal policies, can only function if there is a supporting behaviour culture, in line with public-oriented rules. Creating such a culture requires a long, continuous and gradual process of changing attitudes and governing actions, as the lack of this culture will not create the right trust in government and thus it will be difficult for taxpayers to pay taxes through self-declaration.

Conclusions

Determining the fiscal burden should be the main purpose of a government's transparency, in drafting and implementing fiscal and budget policies; if this burden is not equally distributed, some economic costs will build up, which will lead to distortions in the economy.

The drafting and implementation of an efficient fiscal policy that stimulates a country's economic resources development should not only be based on changing tax rates but should orient fiscal burden on those segments of taxpayers who have the greatest opportunity. If tax cuts are not conceptualized with policies and other reforms to be undertaken by the government then this will lead to an increase in the budget deficit.

In Balkan countries, including Albania, it is noticed that the fiscal burden is still maintained by consumers and not by the real economy, thus reflecting the need to modify fiscal policy to shift the burden from consumption to capital, where rich individuals and large businesses should be the ones who should bear the main weight of such burden.

The implementation of a comprehensive reform policy is considered efficient if it relies on a higher level of management and efficient functioning fiscal capacity.

The basic principle upon which a fiscal policy is based is *the principle of justice (fairness)*. This principle requires that the law should be implemented in a comprehensive, fair and neutral manner, regardless of the taxpayer's status, so no one should have preferential or discriminatory treatment during law enforcement. It is not enough just to design a fair fiscal system, but it is very important for it to function efficiently, as taxation should be guaranteed by procedures that work in practice. The fiscal system should be simple and transparent, easy to administer and built in such a way as to stimulate the development of the country's economic resources at the fullest. Also, for an efficient functioning of the fiscal system it is important to define and respect taxpayers' rights and obligations.

In the functioning of an efficient fiscal system it is important how such system is perceived by taxpayers. If taxpayers receive fair compensation in public goods and services, they will be willing to pay the price for it, otherwise they create the idea that their money is not spent properly and, in that way, they will not be willing to contribute. So, the better the governance is, the greatest the trust of taxpayers in the government, and the greater will be their willingness to pay taxes.

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Evaluating Entrepreneurship Thorough The Lens of Institutional Quality and Social Capital Theory

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Abstract

This paper investigates how the structural domain of social capital and institutional quality explains the current and expected entrepreneurial behavior. Based on the literature of social capital and institutional theory this article aims to examine the strength of the relationship between the degree of trust, norms, networks, and associations within a society with governance quality. By using a quantitative methodology, the data collected through the Global Competitiveness Index for 72 businesses in Albania are processed by conducting descriptive statistics and correlation analysis. The study intention is to explain the impact of perceived assessment for country institutions at entrepreneurial action in order to create a social relationship in society based on trust, norms, and networks. The results showed the significance of perceived trust and quality at public and private institutions as important predictors of entrepreneurship behaviors toward market or network orientations.

***Keywords**: Trust, Entrepreneurship, Networks, Social capital, Institutional Quality*

Introduction

This paper emphasizes the important role of positive social capital as described by the literature in solving and reducing both market and government failures. By explaining the effect of positive social capital build by governments is possible to explain then better ways by which institutions perform to support entrepreneurship. The contribution of this empiric study is the attempt to describe and analyze the relationship between perceived institutional quality and the social capital forms in Albania.

The study begins first through the introduction of institutional theory by emphasizing the importance of institutional quality in promoting and supplying entrepreneurship in an economy and also the introduction of social capital theory by emphasizing the forms of entrepreneurial networks and interconnections in order to facilitate entrepreneurial activity. In the next section is discussed the literature which describes the kind of relationships between social capital and institutions, the aim of discussion is to understand the context of this interaction in Albanian businesses studied in this paper.

Regarding social capital theory this study will focus mainly on the different dimensions of social capital trying to target entrepreneurial behavior if it is network oriented or market oriented. Then, based on the results of perceived institutional quality will be explained the effects and relationships between institutional quality and entrepreneurial orientation toward market or networks in the Albanian context.

The logic to study the link between social capital dimensions and perceived institutional character refers to the necessary awareness of social capital existence for policy makers to interpret the impact on entrepreneurial framework. The methodological tool used to measure institutional quality is referred to the first pillar of Global Competitiveness Index, an instrument developed by World Economic Forum since 2004 and used to rank countries according to their competitiveness based on one single index which integrates the macroeconomic and microeconomic aspects. While to measure social capital this study will refer to only one dimension of it, specifically the structural domain in order to understand the reasons behind entrepreneurial orientation toward market or networks. At the final section the study well refer to the importance of awareness for policymakers and researchers regarding the active consideration of social capital as a decisive economic force in promoting positive entrepreneurial environment. The final section encompasses some concluding remarks.

Study objective and Research Question

This exploratory study introduces and analysis the components of the social environment, as network forms, norms and trust, which correspond to the attributes

of social capital, and the overall institutional environment as important aspects of positive entrepreneurship encouragement. This study objective is to investigate the perceived institutional quality as a determinant factor of entrepreneur's strategy toward institutions. The research question which links three main components of entrepreneurial climate (social capital, businesses and institutions) is: Which are the possible strategies to be chosen by entrepreneurs in relation to the country's institutions based on their perception for institutional quality.

Literature review

The concept of social capital basically advocates the idea that social connections, norms, values and trust interact in function of facilitating the coordination and collaboration between individuals and groups in society. The main authors which introduced the social capital theory are Coleman (1990) and Putnam (1993, 1995). They underlined the notion of social capital in terms of its effects on economic activity and economic development. Through the social capital theory approach the common view of the authors was the creation of social networks based on the cooperation and reciprocity norms several individuals have with each other relying on trust with one-other.

Putnam (1993) has defined social capital as characteristics of social organization like trust, norms and networks which improve the efficiency of society by facilitating the coordinated actions. By the other side Lin (2001) offers an individualistic view by describing social capital in terms of social structures to which are attached several resources and those social structures are accessed and/or mobilized in purposive actions. Some of the well-known scholars of social capital like Coleman (1990) and Putnam (1993) have defined social capital in terms of trust and as access or membership in different forms of networks, also as mutual norms.

The concept of networks it refers to ties which link individuals between each other and through individuals they also create links between firms. These links facilitate, support and advance the exchange of information, also help searching information with lower costs. Trust can be explained as confidence in the reliability of others. The trust that people have in other people in general can be referred to as generalized or general trust. Knack and Keefer (1997) explain that in the case of high trust, people tend to follow the civic norms in their actions because the expectations that others will reciprocate are high. Fukuyama (1995) emphasizes that mutual trust at social networks provides the reduction of transactions costs. In the same logic Putnam (2000) explains that the difference between generalized reciprocity and trust absence at social networks is similar with the difference between money and barter. Kim and Aldrich (2005) explain the importance

of social capital based on the advantages of wider social relations in which the majority of individuals have embedded their ties. The basic logic is that when people are connected with the others, as they share the same values, this will make them able to benefit and profit more than when they acted alone.

Social capital represents a multidimensional concept. Researchers have described three forms of social capital bonding, bridging and linking. Bonding and bridging are described by Gitell and Vidal (1998) and Putnam (2000), the third dimension linking was described by Woolcock (1998, 2001). Bonding social capital refers to internal ties of a social group and are stronger and common in denser networks, bridging social capital refers to external ties and are weaker and common in larger networks, while linking social capital links citizens to formal institutions enabling them to access institutional resources. According to Granovetter (2005) the consequences of too much bonding are related with restraining innovation and adaption, creates monopolies, collusion and cartels. While bridging which leads to larger networks is better than bonding for sharing information in denser networks with a high degree of overlapping information.

Lumplin and Dess (1996) argue that entrepreneurial oriented companies try to realize their organizational visions and objectives independently, but they can't succeed because without all the necessary resources their strategies will tent to fail. Under these conditions is evidenced the social capital role with his positive effects by supplying the network with different and considerable resources. While the process is reciprocal, for the reason that entrepreneurial oriented companies can also have valuable influence on social capital.

Rothstein and Stolle (2008) in their study approach the role of state as a source of social capital, arguing that the mechanism of relationship between institutions and social capital is the creation of generalized trust. Authors explain that when the administrative system is characterized by bias (favoritism), unfairness and corruption all this causes low levels of social capital, this referring social capital as generalized trust. Institutions and social capital as represented from norms and values interact in order to treat the necessary trade-off-s and balances between freedom and competition on the one hand and regulation and predictability on the other.

Based on the logic that institutions replace and complement social capital Aoki (2007) argues that institutions affect the current social capital and co-evolve with it in positive and negative ways. Trust and good institutions reinforce each other. North (2003) explains that the main components of institutions which contribute to the definition of economic performance are a set of formal rules, informal rules (like norms), also conformity and implementation mechanisms. Referring to the definition of institutions as a set of informal rules (norms), it can be concluded that social capital is usually linked with institutions thorough the concept of informal

institutions. Ahlerup et al. (2009) in their study have reviewed the impact of institutions and social capital (represented by interpersonal trust) on economic growth, they describe that strong institutions causes a decrease in the marginal effect of social capital. The role of social capital in the form of trust as a promoter of economic growth was also emphasized by Zak and Knack (2001).

One of the most important contributions to explain the link between institutions and strategies is the study of Peng (2003) by proposing a two-phase model. Each one of the stages and related strategies are described by the author in terms of the institutional development level and in terms of benefits and costs. In previous studies Peng and Heath (1996) emphasize that when institutions are during an early stage in transition and the formal rules which support the market systems are not well established, firms will choice the strategy which is network centered or network oriented in other words, relying on strong personal ties. The authors explain that later, when formal rules more matured take place, network strategy's cost may gradually outweigh their benefits while the benefits of market oriented strategies gradually exceed their costs. For these reasons firms' strategic choices will be market oriented (Peng, Lee and Wang 2005).

Methodology

This study has a quantitative methodology, by following a deductive logic. The deductive logic begins with existing theories and concepts and formulates hypotheses that are testable later. To answer the research question this study is based on quantitative methods of data collection and processing. As an empirical study the paper collects numeric data which then are converted into statistically interpretable data. The research focus is to explore the relationship between company´s behavior with regard to perceived institutional quality. In the role of independent behavior is the perceived institutional quality while the dependent variable is the strategy (company behavior) which can be relationship (network) based or marked based.

The method used to collect data for this study is a survey questionnaire, which is composed by two sections. The first section uses questions from Executive Opinion Survey (WEF, 2016-2017) referring only to the part that includes the first dimension of Global Competitiveness Index developed by WEF since 2004, the second part it refers to dimensions of social capital bonding and bridging in order to identify the entrepreneurs strategy related with institutions according their perceptions for institutional quality. The last part of the study survey refers to demographic for the study sample: participant's gender, education and business location. The total study sample is 70 participants.

The reason why this study relies on GCI index is the fact that it one of the most distinguished indicators that evaluates the countries competitions at national levels, is an index that encompasses a wide range of dimensions and is published every year by WEF. Institutions the first dimension of this general index, which is the first part of the questionnaire construction, it refers to the legal and administrative framework within agents of society interact between each other and the quality of this framework has a very important influence on competitiveness, growth and sustainable development of an economy.

In the following table are represented the detailed data related with sample composition and its demographic characteristics.

FIGURE 1 Demographic characteristics of the study sample

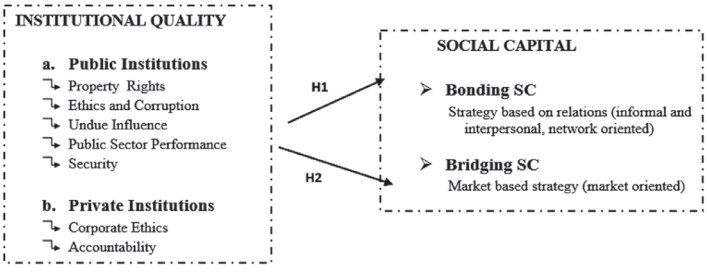
Gender	Fre-quency	Valid Percent	Education							
Valid			High School	Valid Percent	University	Valid Percent	Master degree	Valid Percent	Ph.D.	Valid Percent
Female	24	35.3	4	16.7	4	16.7	14	58.3	2	8,3
Male	44	64.7	8	18.2	9	20,4	27	61,4	0	
Missing	2									
Total	70	100%	14	20%	13	18,5%	41	58,5%	2	3%

Source authors

The dependent variable of the study is social capital which is represented by two components studied in this paper bonding and bridging. The determinant variables are a set of 7composed dimensions each of them detailed in components. All the composed variables are categorized in two groups: the first developed in order to evaluate the quality of public institutions, and the second developed for the assessment of the quality of private institutions.

The methodological model used in this study is configured like the figure below:

FIGURE 2 Methodological model



Source authors

The table below describes the detailed indicators and variables and the questions related with each one detailed variable.

FIGURE 3 Study Indicators, Source: For the perceived institutional quality GCI Report (World Economic Forum) 2016-2017, for social capital components according to literature Peng (2003).

Perceived Institutional Quality	
General Group of Indicator	Questions
A. Public Institutions Quality Indicators	
1.Property rights	Q01, Q02
2.Ethics and corruption	Q03, Q04, Q05, Q06, Q07, Q08
3.Undue influence	Q09, Q10
4.Public sector performance	Q12, Q13, Q14, Q15
5.Security	Q16, Q17, Q18, Q19
B. Private Institutions Quality Indicator	
1.Corporate ethic	Q20
2.Accountability	Q21, Q22, Q23
Social Capital Components	
A. Bonding	Q24
B. Bridging	Q25

There are 28 questions in total and all the collected data are in the form of attitudes that are held to the respective proposition, and each participant in the study chooses his/her attitude in a range of seven Likert scale. Likert scale is a 5- or 7-point ordinal scale used by respondents to rate the degree to which they agree or disagree with a statement. Based on the fact that an attitude can be described in preferential ways of behaving and reacting in specific circumstances around an object, a subject or a concept acquired through social interactions, Likert scales are created in order to quantify the subjective preferential thinking, feeling and action in a validated and reliable manner (Schwarz et.al.,2001). The statistical procedure used to analyze the collected data it refers to correlations statistics between the independent and dependent variables. The statistical results are provided by SPSS. The rule in evaluating the total institutional quality perceived is that every dimension is equally important and affects the performance of the other dimensions. In attempt to answer the research question: Which are the entrepreneurial strategies toward institutions related with their perceptions for institutional quality, the study hypothesis to be investigated are:

H_0: Entrepreneurs by perceiving a positive institutional quality are market oriented.

H_1: Entrepreneurs by perceiving a negative institutional quality are network oriented.

Based on the literature it is expected entrepreneurs to be network oriented (create bonding sc-contact with people like oneself) when they do not trust in institutions that will be similar with having negative perceptions related with country institutions quality. By the other side it is expected entrepreneurs to be market oriented when they trust in institutions that will be similar with having positive perceptions related with country institutions quality. In the following sections will be presented the reliability analysis and correlation statistics in order to control the study hypothesis. Detailed information related with study questionnaire, reliability analysis and Nonparametric Correlations are in the last section appendix.

Results

Before examining the percentages of descriptive in order to control the study hypothesis, the reliability analysis will be performed to evaluate the internal validity and to see if all variables will need to be included in the subsequent analysis. Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when there are multiple Likert questions in a survey that form a scale and it is necessary to determine if the scale is reliable.

Reliability

FIGURE 4 Reliability

Case Processing Summary			
		N	%
Cases	Valid	66	91.7
	Excluded	6	8.3
	Total	72	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.836	.855	25

The first table to be discussed is the Reliability Statistics table. This table gives the results for the Cronbach's alpha coefficient. This study analysis is looking for

a score of over .7 for high internal consistency. In this case, α = .836, which shows the questionnaire is reliable.

The next step of analysis is considering the correlations between the dependent and independent variables of the study. For each one of the dimensions of institutional quality it is necessary to consider the correlation with firm's choice strategy which can be market oriented or network oriented. But firstly is necessary to consider the perceptions of entrepreneurs regarding institutional quality in the country. Then according the positive or negative perceptions it will be considered then how this perceptions influence the firm's choice strategy in order to control the study hypothesis and answer the research question.

By analyzing frequency as descriptive statistics for each of the items which are components of institutional quality and based on the rule that the total institutional quality perceived is that every dimension is equally important and affects the performance of the other dimensions it can be distinguished that the overall perception of entrepreneurs for the institutional quality in public institutions is negative, while regarding to the private institutions, the entrepreneurs seem to have a neutral perception and uncertainty.

Considering the descriptive data from the statistical program related with entrepreneurial strategy orientation toward institutions it can be distinguished in general mainly neutral attitudes and with a little percent of the results related with network oriented strategy.

Strategy based on relations (informal and interpersonal)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	18	25.0	25.4	25.4
	To a small extent	12	16.7	16.9	42.3
	To some extent	10	13.9	14.1	56.3
	Neutral	15	20.8	21.1	77.5
	To a moderate extent	7	9.7	9.9	87.3
	To a great extent	5	6.9	7.0	94.4
	To a very great extent	4	5.6	5.6	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

It can be noticed than the most part of the participants 77.5% show attitudes mainly neutral to a small extent, to some extent or not at all related with relationship oriented strategy.

Strategy based on market					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	4	5.6	5.6	5.6
	To a small extent	2	2.8	2.8	8.3
	To some extent	10	13.9	13.9	22.2
	Neutral	13	18.1	18.1	40.3
	To a moderate extent	13	18.1	18.1	58.3
	To a great extent	14	19.4	19.4	77.8
	To a very great extent	16	22.2	22.2	100.0
	Total	72	100.0	100.0	

Mostly of the participants 59,7% in cumulative percent of the participants show attitudes that approve market oriented strategies to a moderate extent, to a great extent and to a very great extent. But this study focus is to consider the kind of relationship between each one of the strategies and the perceived institutional quality. In this framework will be analyzed the values of correlations between each one dimension of institutional quality and the alternative strategy.

As according the results are noticed negative perceptions related with country institutional quality so it is expected to be proven the second study hypothesis H2: Entrepreneurs by perceiving a negative institutional quality are network oriented. The statistical approach to explore this link between strategy and institutions are the correlations. When the study data are collected in Likert items it is more appropriate to analyze thorough non-parametric correlations. The detailed results of nonparametric correlations will be at the appendix section and in the following table will be presented only the significant correlations marked by the statistical program.

Figure 5 Summary Table of significant statistical correlations

	Q24 strategy based on relations	Q25 strategy based on network	
Q7	-.239*		Significant but week correlation
Q5		.329**	Significant but week correlation
Q20		.345**	Significant but week correlation
Q24	-.284*		Significant but week correlation

The correlations results show that no one of the hypotheses can be verified statistically for the sample included in this study. The next section, will present some explanation conclusions and implications.

Conclusions and Implications

The purpose of this study was to provide an assessment of the perceived efficiency of both public and private institutions of the country in the light of social dimension as an important economic force. Based on the fact that the legal and administrative interaction between individuals, firms and governments impacts growth and competitiveness, and also based on the fact that great and favorable private institutions have a considerable influence in the sustainable development of a country economy this topic's results represent a significant importance for policymakers.

Institutions the first dimension of GCI it refers to the legal and administrative framework within agents of society interact between each other and the quality of this framework has a very important influence on competitiveness, growth and sustainable development of an economy. The aim of this dimension of GCI index is to assess the ability of national economies to ensure and guarantee high levels of prosperity in order to offer sustainable economic development. As described and analyzed in the previous section, it results a low level of perceived institutional quality for the public institutions and also a low level of perceived institutional quality for private institutions, although for public institutions the comparative assessment is lower. Those attitudes and perceptions describe not a very favorable framework to be promotional for competitiveness and entrepreneurial incentives.

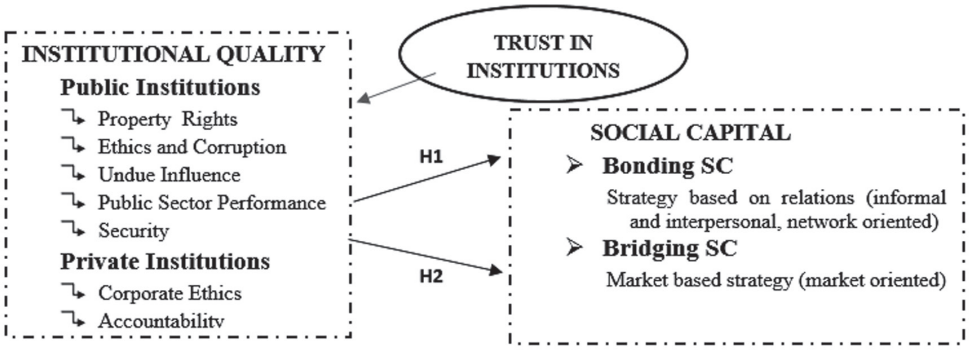
One of the study limitations is the number of participants included in the study, a larger number of participants would enable a more accurate overall outcome of the study population. Also the study model would be more completed and comprehensive, if it could be incorporated more elements of country competitiveness (other components of GCI) and some variables to measure the trust (as another important component of social capital) in order to explain in a wider and more convincing form strategies that entrepreneurs choose to react in their relationship with institutions. This study offered a specific view of only one of the GCI components and a more completed model for the main both study variables remains a starting point for another more extensive study.

The reported attitudes and perceptions related with institutional quality in general talk about an environment in which is needed more attempt in order to guarantee an environment that encourages entrepreneurship. One of the reasons why business have this kind of perceptions related with institutional quality of the country are explained by the levels of trust they have for the country institutions. This low level of trust it may be result of previous experiences related with the relationship between them and institutions and also may be result of the very slow improvement of the work of these institutions in guaranteeing the competitive environment and the promotion of entrepreneurship. Also it can be concluded

that the overall absence of trust makes possible that entrepreneurs do not create bonding or bridging relationships.

Finally, in another more extensive study it is necessary to include as independent variable the trust level of people in institutions in order to better explain the relationship between the forms of social capital and their strategy toward country institutions.

The new methodological framework would be as the following scheme:



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APPENDICES

Frequencies

• In your country, to what extent are property rights, including financial assets, protected?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	13	18.1	18.1	18.1
	To a small extent	15	20.8	20.8	38.9
	To some extent	17	23.6	23.6	62.5
	Neutral	15	20.8	20.8	83.3
	To a moderate extent	8	11.1	11.1	94.4
	To a great extent	2	2.8	2.8	97.2
	To a very great extent	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

• In your country, to what extent are property rights, including financial assets, protected?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	13	18.1	18.1	18.1
	To a small extent	15	20.8	20.8	38.9
	To some extent	17	23.6	23.6	62.5
	Neutral	15	20.8	20.8	83.3
	To a moderate extent	8	11.1	11.1	94.4
	To a great extent	2	2.8	2.8	97.2
	To a very great extent	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

• In your country, how do you rate the ethical standards of politicians?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely low	34	47.2	47.2	47.2
	Somewhat low	19	26.4	26.4	73.6
	Low	11	15.3	15.3	88.9
	Neutral	6	8.3	8.3	97.2
	Somewhat High	1	1.4	1.4	98.6
	High	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

• In your country, how common is it for firms to make undocumented extra payments or bribes connected with public utilities?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	28	38.9	38.9	38.9
	Usually occurs	16	22.2	22.2	61.1
	Occurs	12	16.7	16.7	77.8
	Neutral	9	12.5	12.5	90.3
	Almost doesn'toccur	3	4.2	4.2	94.4
	Does not occurs	3	4.2	4.2	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

• In your country, how common is it for firms to make undocumented extra payments or bribes connected with imports and exports?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	27	37.5	37.5	37.5
	Usually occurs	10	13.9	13.9	51.4
	Occurs	14	19.4	19.4	70.8
	Neutral	13	18.1	18.1	88.9
	Almost doesn'toccur	6	8.3	8.3	97.2
	Does not occurs	1	1.4	1.4	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

• In your country, how common is it for firms to make undocumented extra payments or bribes connected with public utilities?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	28	38.9	38.9	38.9
	Usually occurs	16	22.2	22.2	61.1
	Occurs	12	16.7	16.7	77.8
	Neutral	9	12.5	12.5	90.3
	Almost doesn'toccur	3	4.2	4.2	94.4
	Does not occurs	3	4.2	4.2	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

• In your country, how common is it for firms to make undocumented extra payments or bribes connected with annual tax payments?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	14	19.4	19.4	19.4
	Usually occurs	11	15.3	15.3	34.7
	Occurs	15	20.8	20.8	55.6
	Neutral	11	15.3	15.3	70.8
	Almost doesn'toccur	9	12.5	12.5	83.3
	Does not occurs	10	13.9	13.9	97.2
	Never occurs	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

• In your country, how common is it for firms to make undocumented extra payments or bribes connected with public contracts and licenses?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	24	33.3	33.8	33.8
	Usually occurs	14	19.4	19.7	53.5
	Occurs	13	18.1	18.3	71.8
	Neutral	6	8.3	8.5	80.3
	Almost doesn'toccur	11	15.3	15.5	95.8
	Does not occurs	2	2.8	2.8	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

• In your country, how common is it for firms to make undocumented extra payments or bribes connected with obtaining favorable judicial decisions?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	24	33.3	33.3	33.3
	Usually occurs	25	34.7	34.7	68.1
	Occurs	7	9.7	9.7	77.8
	Neutral	3	4.2	4.2	81.9
	Almost doesn'toccur	4	5.6	5.6	87.5
	Does not occurs	9	12.5	12.5	100.0
	Total	72	100.0	100.0	

• In your country, how independent is the judicial system from influences of the government, individuals, or companies?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not independent at all	18	25.0	25.4	25.4
	Not independent	22	30.6	31.0	56.3
	Dependent	15	20.8	21.1	77.5
	Neutral	10	13.9	14.1	91.5
	Somewhat Independent	5	6.9	7.0	98.6
	Independent	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

• In your country, how efficiently does the government spend public revenue?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent no efficient	17	23.6	23.6	23.6
	To a great extent no efficient	25	34.7	34.7	58.3
	No efficient	18	25.0	25.0	83.3
	Neutral	12	16.7	16.7	100.0
	Total	72	100.0	100.0	

• In your country, how burdensome is it for companies to comply with public administration's requirements (e.g., permits, regulations, reporting)?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely burdensome	23	31.9	31.9	31.9
	Burdensome	10	13.9	13.9	45.8
	Somewhat burdensome	11	15.3	15.3	61.1
	Neutral	11	15.3	15.3	76.4
	To some extent burdensome	4	5.6	5.6	81.9
	To a small extent burdensome	10	13.9	13.9	95.8
	Not burdensome at all	3	4.2	4.2	100.0
	Total	72	100.0	100.0	

• In your country, how efficient are the legal and judicial systems for companies in settling disputes?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent no efficient	4	5.6	5.6	5.6
	To a great extent no efficient	16	22.2	22.5	28.2
	No efficient	17	23.6	23.9	52.1
	Neutral	20	27.8	28.2	80.3
	Efficient	8	11.1	11.3	91.5
	To a great extent efficient	5	6.9	7.0	98.6
	To a very great efficient	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

• In your country, how easy is it for private businesses to challenge government actions and/or regulations through the legal system?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely difficult	14	19.4	19.4	19.4
	Difficult	15	20.8	20.8	40.3
	Somewhat difficult	16	22.2	22.2	62.5
	Neutral	17	23.6	23.6	86.1
	Somewhat easy	6	8.3	8.3	94.4
	Easy	2	2.8	2.8	97.2
	Extremely easy	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

• In your country, how easy is it for companies to obtain information about changes in government policies and regulations affecting their activities?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely difficult	8	11.1	11.1	11.1
	Difficult	10	13.9	13.9	25.0
	Somewhat difficult	15	20.8	20.8	45.8
	Neutral	19	26.4	26.4	72.2
	Somewhat easy	10	13.9	13.9	86.1
	Easy	7	9.7	9.7	95.8
	Extremely easy	3	4.2	4.2	100.0
	Total	72	100.0	100.0	

• In your country, to what extent does the threat of terrorism impose costs on businesses?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	5	6.9	6.9	6.9
	To a great extent imposeshuge costs	4	5.6	5.6	12.5
	To a moderate extent imposes huge costs	5	6.9	6.9	19.4
	Neutral	3	4.2	4.2	23.6
	To some extent imposes huge costs	7	9.7	9.7	33.3
	To a small extent imposes huge costs	21	29.2	29.2	62.5
	Not at all	27	37.5	37.5	100.0
	Total	72	100.0	100.0	

• In your country, to what extent does the incidence of crime and violence impose costs on businesses?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	7	9.7	9.7	9.7
	To a great extent imposes huge costs	12	16.7	16.7	26.4
	To a moderate extent imposes huge costs	9	12.5	12.5	38.9
	Neutral	14	19.4	19.4	58.3
	To some extent imposes huge costs	10	13.9	13.9	72.2
	To a small extent imposes huge costs	13	18.1	18.1	90.3
	Not at all	7	9.7	9.7	100.0
	Total	72	100.0	100.0	

• In your country, to what extent does organized crime (mafia-oriented racketeering, extortion) impose costs on businesses?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	7	9.7	9.7	9.7
	To a great extent imposes huge costs	19	26.4	26.4	36.1
	To a moderate extent imposes huge costs	11	15.3	15.3	51.4
	Neutral	14	19.4	19.4	70.8
	To some extent imposes huge costs	3	4.2	4.2	75.0
	To a small extent imposes huge costs	12	16.7	16.7	91.7
	Not at all	6	8.3	8.3	100.0
	Total	72	100.0	100.0	

• In your country, to what extent can police services be relied upon to enforce law and order?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	3	4.2	4.2	4.2
	To a small extent	16	22.2	22.5	26.8
	To some extent	10	13.9	14.1	40.8
	Neutral	21	29.2	29.6	70.4
	To a moderate extent	9	12.5	12.7	83.1
	To a great extent	11	15.3	15.5	98.6
	To a very great extent	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

• In your country, how do you rate the corporate ethics of companies (ethical behavior in interactions with public officials, politicians, and other firms)?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely poor	6	8.3	8.5	8.5
	Poor	5	6.9	7.0	15.5
	Fair	17	23.6	23.9	39.4
	Neutral	21	29.2	29.6	69.0
	Good	18	25.0	25.4	94.4
	Very good	4	5.6	5.6	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

• In your country, how strong are financial auditing and reporting standards?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely weak	6	8.3	8.3	8.3
	Weak	7	9.7	9.7	18.1
	Somewhat week	15	20.8	20.8	38.9
	Neutral	23	31.9	31.9	70.8
	Somewhat strong	12	16.7	16.7	87.5
	Strong	9	12.5	12.5	100.0
	Total	72	100.0	100.0	

• In your country, to what extent is management accountable to investors and boards of directors?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	3	4.2	4.3	4.3
	To a small extent	6	8.3	8.6	12.9
	To some extent	8	11.1	11.4	24.3
	Neutral	19	26.4	27.1	51.4
	To a moderate extent	11	15.3	15.7	67.1
	To a great extent	16	22.2	22.9	90.0
	To a very great extent	7	9.7	10.0	100.0
	Total	70	97.2	100.0	
Missing	999.00	2	2.8		
Total		72	100.0		

• In your country, to what extent are the interests of minority shareholders protected by the legal system?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not protected at all	2	2.8	2.8	2.8
	To a small extent protected	13	18.1	18.1	20.8
	To some extent protected	21	29.2	29.2	50.0
	Neutral	15	20.8	20.8	70.8
	Protected	10	13.9	13.9	84.7
	Protected to a great extent	10	13.9	13.9	98.6
	Protected to a very great extent	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

Strategy based on relations (informal and interpersonal)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	18	25.0	25.4	25.4
To a small extent	12	16.7		16.9	42.3
To some extent	10	13.9		14.1	56.3
Neutral	15	20.8		21.1	77.5
To a moderate extent	7	9.7		9.9	87.3
To a great extent	5	6.9		7.0	94.4
To a very great extent	4	5.6		5.6	100.0
Total	71	98.6		100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

Strategy based on market					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	4	5.6	5.6	5.6
	To a small extent	2	2.8	2.8	8.3
	To some extent	10	13.9	13.9	22.2
	Neutral	13	18.1	18.1	40.3
	To a moderate extent	13	18.1	18.1	58.3
	To a great extent	14	19.4	19.4	77.8
	To a very great extent	16	22.2	22.2	100.0
	Total	72	100.0	100.0	

Correlations														
					Q1		Q2		Q24		Q25			
Spearman's rho	Q1		Correlation Coefficient		1.000		.498**		-.127		.194			
		Sig. (2-tailed)			.	.000		.293		.102				
		N			72	72		71		72				
	Q2		Correlation Coefficient		.498**		1.000		-.001		.074			
		Sig. (2-tailed)			.000	.		.993		.534				
		N			72	72		71		72				
	Q24		Correlation Coefficient		-.127		-.001		1.000		-.402**			
		Sig. (2-tailed)			.293	.993		.		.001				
		N			71	71		71		71				
	Q25		Correlation Coefficient		.194		.074		-.402**		1.000			
		Sig. (2-tailed)			.102	.534		.001		.				
		N			72	72		71		72				
**. Correlation is significant at the 0.01 level (2-tailed).														

Correlations													
					Q24	Q25		Q3	Q4	Q5		Q6	Q7	Q8
Spearman's rho		Q24		Correlation Coefficient	1.000	-.402**		-.100	-.053	-.182		-.179	-.239*	.102
		Sig. (2-tailed)	.		.001	.405	.661	.129		.135	.044	.399		
		N	71		71	71	71	71		71	71	70		

	Q24	Correlation Coefficient	-.402**	1.000		.169	.041	.329**		.171	.100	.097	
	Sig. (2-tailed)	.001		.	.155	.735	.005		.150	.404	.420		
	N	71		72	72	72	72		72	72	71		
	Q3	Correlation Coefficient	-.100	.169		1.000	.353**	.409**		.508**	.459**	.506**	
	Sig. (2-tailed)	.405		.155	.	.002	.000		.000	.000	.000		
	N	71		72	72	72	72		72	72	71		
	Q4	Correlation Coefficient	-.053	.041		.353**	1.000	.408**		.415**	.278*	.398**	
	Sig. (2-tailed)	.661		.735	.002	.	.000		.000	.018	.001		
	N	71		72	72	72	72		72	72	71		
	Q5	Correlation Coefficient	-.182	.329**		.409**	.408**	1.000		.707**	.502**	.493**	
	Sig. (2-tailed)	.129		.005	.000	.000	.		.000	.000	.000		
	N	71		72	72	72	72		72	72	71		
	Q6	Correlation Coefficient	-.179	.171		.508**	.415**	.707**		1.000	.612**	.576**	
	Sig. (2-tailed)	.135		.150	.000	.000	.000		.	.000	.000		
	N	71		72	72	72	72		72	72	71		
	Q7	Correlation Coefficient	-.239*	.100		.459**	.278*	.502**		.612**	1.000	.572**	
	Sig. (2-tailed)	.044		.404	.000	.018	.000		.000	.	.000		
	N	71		72	72	72	72		72	72	71		
	Q8	Correlation Coefficient	.102	.097		.506**	.398**	.493**		.576**	.572**	1.000	
	Sig. (2-tailed)	.399		.420	.000	.001	.000		.000	.000	.		
	N	70		71	71	71	71		71	71	71		
**. Correlation is significant at the 0.01 level (2-tailed).													
*. Correlation is significant at the 0.05 level (2-tailed).													

Correlations					
		Q9	Q10	Q24	Q25
Q9	Pearson Correlation	1	.562**	-.065	.090
	Sig. (2-tailed)		.000	.589	.454
	N	72	71	71	72
Q10	Pearson Correlation	.562**	1	.061	-.032
	Sig. (2-tailed)	.000		.613	.794
	N	71	71	70	71
Q24	Pearson Correlation	-.065	.061	1	-.348**
	Sig. (2-tailed)	.589	.613		.003
	N	71	70	71	71
Q25	Pearson Correlation	.090	-.032	-.348**	1
	Sig. (2-tailed)	.454	.794	.003	
	N	72	71	71	72
**. Correlation is significant at the 0.01 level (2-tailed).					

Correlations							
		Q24	Q25	Q12	Q13	Q14	Q15
Q24	Pearson Correlation	1	-.348**	.011	-.079	.010	-.148
	Sig. (2-tailed)		.003	.925	.517	.932	.218
	N	71	71	71	70	71	71
Q25	Pearson Correlation	-.348**	1	-.153	.152	-.027	.177
	Sig. (2-tailed)	.003		.199	.204	.822	.138
	N	71	72	72	71	72	72
Q12	Pearson Correlation	.011	-.153	1	-.022	.236*	.031
	Sig. (2-tailed)	.925	.199		.853	.046	.797
	N	71	72	72	71	72	72
Q13	Pearson Correlation	-.079	.152	-.022	1	.103	.396**
	Sig. (2-tailed)	.517	.204	.853		.394	.001
	N	70	71	71	71	71	71
Q14	Pearson Correlation	.010	-.027	.236*	.103	1	.215
	Sig. (2-tailed)	.932	.822	.046	.394		.070
	N	71	72	72	71	72	72
Q15	Pearson Correlation	-.148	.177	.031	.396**	.215	1
	Sig. (2-tailed)	.218	.138	.797	.001	.070	
	N	71	72	72	71	72	72
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							
Correlations							

		Q24	Q25	Q16	Q17	Q18	Q19
Q24	Pearson Correlation	1	-.348**	-.225	-.047	-.017	-.056
	Sig. (2-tailed)		.003	.059	.698	.887	.646
	N	71	71	71	71	71	70
Q25	Pearson Correlation	-.348**	1	.102	.059	.170	.195
	Sig. (2-tailed)	.003		.394	.624	.153	.104
	N	71	72	72	72	72	71
Q16	Pearson Correlation	-.225	.102	1	.543**	.560**	.258*
	Sig. (2-tailed)	.059	.394		.000	.000	.030
	N	71	72	72	72	72	71
Q17	Pearson Correlation	-.047	.059	.543**	1	.644**	.330**
	Sig. (2-tailed)	.698	.624	.000		.000	.005
	N	71	72	72	72	72	71
Q18	Pearson Correlation	-.017	.170	.560**	.644**	1	.447**
	Sig. (2-tailed)	.887	.153	.000	.000		.000
	N	71	72	72	72	72	71
Q19	Pearson Correlation	-.056	.195	.258*	.330**	.447**	1
	Sig. (2-tailed)	.646	.104	.030	.005	.000	
	N	70	71	71	71	71	71
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Correlations				
		Q24	Q25	Q20
Q24	Pearson Correlation	1	-.348**	-.196
	Sig. (2-tailed)		.003	.104
	N	71	71	70
Q25	Pearson Correlation	-.348**	1	.345**
	Sig. (2-tailed)	.003		.003
	N	71	72	71
Q20	Pearson Correlation	-.196	.345**	1
	Sig. (2-tailed)	.104	.003	
	N	70	71	71
**. Correlation is significant at the 0.01 level (2-tailed).				

Correlations						
		Q24	Q25	Q21	Q22	Q23
Q24	Pearson Correlation	1	-.348**	.009	-.284*	-.055
	Sig. (2-tailed)		.003	.938	.018	.650
	N	71	71	71	69	71
Q25	Pearson Correlation	-.348**	1	.167	.142	.026
	Sig. (2-tailed)	.003		.161	.242	.830
	N	71	72	72	70	72
Q21	Pearson Correlation	.009	.167	1	.479**	.170
	Sig. (2-tailed)	.938	.161		.000	.153
	N	71	72	72	70	72
Q22	Pearson Correlation	-.284*	.142	.479**	1	.463**
	Sig. (2-tailed)	.018	.242	.000		.000
	N	69	70	70	70	70
Q23	Pearson Correlation	-.055	.026	.170	.463**	1
	Sig. (2-tailed)	.650	.830	.153	.000	
	N	71	72	72	70	72
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

Trends and problems of business decision-making

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Abstract

In the face of competition, business managers should focus on the quality of decision-making. This paper provides an assessment of decision-making methods by discussing the current trends of managers referring to decision-making methods. The paper is an analysis of the attitudes of managers towards decision-making methods. This paper is conducted through questionnaires. It also discusses the impact of decision-making methods on business financial performance. Eventually, some conclusions will be drawn.

***Key words**: decision making, analytical methods, intuitive methods, financial performance, etc.*

Introduction

Anyone participates or is involved in decision making. For Rosanas (2013): "Decisions are an everyday fact of life". The widespread dissemination of decision-making evidences the necessity of the decision on the path of development of society. Social development is an activity that faces many problems and challenges. Consequently, decision-making involves commitments, tasks and objectives, personal interests or joint interests. Decision-making is an individual fixed position with respect to the problem of the focus of the decision. Therefore Cooper (1961) states that: "The single decision is merely a moment in time".

Decision-making is presented as a choice process between alternatives. Choice among alternatives deserves managerial attention. For March (1994): "... the

decision maker will suffer regret that a better choice could have been done if the outcomes could have been predicted precisely in advance".

Business decision-making refers to the variety of problems that business faces. This requires the manager to design alternatives that ensure business success. Success in decision-making refers to decision-making methods. The method is decisive in the quality of decision-making.

Methods of decision-making have evolved over time. This evolution is measured by human effort referring to quality. According to Covina, Slevin and Heeley (2001); Nygren and White (2002); Dane, Rockmann and Pratt (2012), the methods of decision-making are classified into these two groups:

a. Intuitive methods, which are methods based on descriptive of economic phenomena.
b. Analytical methods are methods that represent an interconnection between science and its application in practice.

For the quality they provide in decision-making, analytical methods should be a priority of any managerial level that engages in decision-making.

Methodology

The methodology of this paper focuses on the study of the current situation in three of the countries of the Albanian speaking region: Albania, Montenegro and Macedonia. The necessary data for this paper is provided by the survey of 167 business managers operating in the three capitals of the region. This location refers to businesses run by Albanian managers. Data is processed using the Least Squares method. The method of Least Squares as a form of mathematical regression analysis finds the line of best fit for a dataset.

Data Analysis

Performance assessment takes on importance as it increases management team responsibilities through improving their work, results in business activities. It has to do with objectives, competences and motivation.

The judgment on financial performance is achieved by analyzing the indicators that characterize it.

In the context of financial performance, the financial indicator LRATIO was considered. The Quick Ratio is an important indicator. It also features the Acid-

test or liquidity ratio, refers measures the ability of a business to pay its short-term liabilities by having assets that are readily convertible into cash. According to Petru (2008); "... the more and more severe testing of the payment capacity of the short term debts from the elements of current assets nature which have greater and greater liquidity degrees".

The financial situation, considering the indicator "Liquidity ratio" generally in all three countries analyzed, is presented with obvious fluctuations. The situation is presented as follows:

- Albania has the largest share of food industry businesses with poor financial performance. Thus, 57 businesses or 74.03% of total businesses in Tirana have a monthly earnings ratio of less than 1 with extremely low levels of this indicator, which indicates an unbalanced financial situation. For 7.79% of businesses, the liquidity ratio is less than 1.27, which represents a financial condition that needs to be kept under control. Similarly, businesses, 7.79%, have reached the liquidity ratio in the range of 1.5-1.7, which proves a satisfactory economic condition. Only 10.39% of businesses have achieved a liquidity ratio of more than 2, which expresses an optimal financial condition.
- Referring to Macedonia, it results that 32.43% are in a balanced financial situation, with a monthly ratio of less than 1 and 37.84% need to be kept under control (1.27%). 5.41% of the total business is presented with satisfactory performance and 24.32% are presented with optimal financial performance, as the liquidity ratio is higher than 2.
- In Montenegro, more than 95% of them are characterized by poor financial performance. While businesses whose performance can be considered satisfactory and optimal represent 1.9% of total businesses respectively. The rest of businesses have achieved a liquidity ratio of less than 1.27%.

In the context of this situation it is very important to analyze the impact of the methods used by the managers. For this reason hypotheses have been raised:

H_1: Financial performance is expected to be affected by the methods used in managerial decision-making.

For comparison purposes the influence of intuitive and analytical methods were analyzed.

Regarding the use of intuitive methods the analysis results as follows:

Dependent Variable: LRATIO				
Method: Least Squares				
Sample: 1 167				
Included observations: 165				
Excluded observations: 2				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.341481	3.073665	-1.087132	0.2786
Q418	0.040724	0.644217	0.063215	0.9497
Q419	0.770186	0.576909	1.335021	0.1838
Q420	-0.511766	0.628893	-0.813756	0.4170
Q423	1.062976	0.596568	1.781818	0.0767
Q425	0.183108	0.539696	0.339279	0.7348
R-squared	0.040943	Mean dependent var		1.697670
Adjusted R-squared	0.010784	S.D. dependent var		6.822701
S.E. of regression	6.785812	Akaike info criterion		6.703231
Sum squared resid	7321.511	Schwarz criterion		6.816174
Log likelihood	-547.0165	F-statistic		1.357581
Durbin-Watson stat	2.045005	Prob(F-statistic)		0.243175

Note: Q418 - I sense the necessity of the trainings in decision-making field.
Q419 – Usually, I make quick decisions because I consider what is important in the decision-making moment.
Q420 – I make decisions based on my intuition
Q423 – Intuitive methods have resulted to be successful in general
Q425 - I make decision in independent way

From the set of statements taken into account that refer to intuitive methods only one of them, namely; "Intuitive methods have resulted to be successful in general" results in acceptable significance.

For this, the relation between dependent and independent variables can be expressed according to this relation:

$$\mathbf{y = -3.341481 + 1.062976^{*}x_1 + e}$$

y – financial performance of the business characterized by "liquidity ratio"
x_1 – intuitive methods have resulted to be successful in general
e – random factor

Positive assessments of the impact of intuitive methods in decision-making should not be considered a coincidence, especially for experienced managers. The

manager during his work experience has been enabled to receive information about business activity, which he organizes, interprets and evaluates the signals coming from outside and within the business. In this way the manager increases his professional competencies. But for Kahneman (2011): "Unfortunately, professionals intuitions do not all arise from true expertise".

The assessment and use of intuitive methods is a predominant situation in making decisions.

As for analytical methods the results of the analysis are presented as follows:

Dependent Variable: LRATIO				
Method: Least Squares				
Sample: 1 167				
Included observations: 166				
Excluded observations: 1				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.80207	5.577836	3.550136	0.0005
Q41	-0.446889	0.648555	-0.689053	0.4918
Q42	0.003483	0.741820	0.004695	0.9963
Q43	0.478855	0.608751	0.786620	0.4327
Q49	-1.227567	0.810451	-1.514671	0.1319
Q410	-0.331048	0.733903	-0.451079	0.6526
Q411	-1.363117	0.791043	-1.723190	0.0868
Q413	-1.415964	0.807539	-1.753431	0.0815
Q414	-0.180583	0.532766	-0.338953	0.7351
R-squared	0.130991	Mean dependent var		1.706298
Adjusted R-squared	0.086710	S.D. dependent var		6.802524
S.E. of regression	6.500914	Akaike info criterion		6.634454
Sum squared resid	6635.115	Schwarz criterion		6.803177
Log likelihood	-541.6597	F-statistic		2.958188
Durbin-Watson stat	1.880690	Prob(F-statistic)		0.004136

Note: Q41 - I make decisions only when I dispose the necessity data
Q42 - When I have analyzed the collected data in a good way, the decision-making have been successful
Q43 - I be carefully for clarification of the objectives that decision focus
Q49 - I evaluate the analytical methods because they take into the consideration the influence of some factors simultaneously in decision-making.
Q410 - I evaluate and use the analytical methods because I sense the protect from risk
Q411 - I evaluate the analytical methods because they enable the successful management of productive resources
Q413 - Use of analytical methods requires skills in the fields of statistics, econometrics and applied mathematics
Q414 - It exist the lack of readiness to cooperation with profesionists from the field of statistics, mathematics, etc.

Over the above from 8 statements, only two of them result in acceptable significance.

Therefore, dependent variable "*Financial performance - liquidity ratio" (y) and independent variables "I evaluate analytical methods because they enable successful management of productive resources" (x_1) and "Use of analytical methods requires skills in the fields of statistics, econometrics, applied mathematics, etc."* (x_2) can be expressed as follows:

$$\mathbf{y = 19.80207 - 1.363117^{*}x_1 - 1.415964^{*}x_2 + e}$$

y - financial performance of the business characterized by "liquidity ratio"

x_1 - evaluation of analytical methods because they enable successful management of production

resources

x_2 - the use of analytical methods requires skills in the fields of statistics, econometrics, applied

mathematics, etc.

e - random factor

The table above demonstrates the evaluation of analytical methods. Analytical merit assessment does not make us optimistic. There are huge differences between the evaluation and the use of analytical methods. It should be acknowledged that the assessment can be considered as a premise that leads to an increase in the degree of use. However, the analysis showed an increased sensitization of managers regarding analytical methods.

Conclusions

Albania as well as in the regional countries the mentality of managers towards running a business and the methods used in decision-making are characterized by their dominant approach, particularly in the case of small businesses and businesses with a sole owner. This fact dates back to the mentality these countries inherited from the past dictatorships. Under the circumstances, the study is indispensable as it aims to orientate the managers directing their activity towards a successful contemporary management.

The research found that the financial performance of the businesses is connected with methods of decision-making. The situation in the three analyzed countries does not depict an optimistic situation. The dominant method is the intuitive method. A result indicating a significant reason, as the way of doing business in the market economy is highly different from the management of enterprises in the centralized economy.

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The genesis of the Sharing Economy in Albania: The Mobike platform in Tirana

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Abstract

The "sharing economy" has attracted a great deal of attention in recent years. This paradigm offers transformative potential for the facilitation of the exchange of goods and services online. Although widely discussed phenomenon, sharing economy is a concept almost unknown in Albania, mainly due to the absence of Uber, BlaBlaCar, Airbnb and other platforms which have catalyzed its rise. However, it's only a matter of time until we see their launch even in Albania. For instance, thanks to the rise of tourism industry, Booking.com operator has already extended its business model in the albanian real estate market. While a large share of the debate tends to focus on how sharing economy affects different sectors (transportation, accommodation, food, finance, etc.) and legislation (labor, competition, data protection etc.), sharing economy brings also various benefits both for consumers and businesses. Therefore, the purpose of this paper is to explore the rise of sharing concept and its related regulatory challenges. In addition, an empirical methodology has been adopted. Firstly, I carried out a questionnaire on sharing economy awareness in Albania, aiming, on the one hand, to offer a chance of the current users' knowledge of sharing economy and, on the other hand, hoping that my statistics data may play a significant role on the future market decisions of platforms' providers who wish to invest and expand in Albania; further, this paper offers the opportunity to introduce Albanian's academics into the (unexplored) world of platform economy and the chance for the government of Albanian to be prepared in case of future required regulation; and, secondly, I decided (mainly due to the absence of other sharing platforms in Albania) to have Mobike – a bike mobility sharing platform – as a case study for this paper. Finally, I drew up my conclusion on the impact that sharing economy will have in the Albanian economy.

Keywords: *Sharing Economy, Collaborative Economy Albania, Mobike, Albania*

Introduction

Online platforms, such as, Facebook, Google, Amazon, Alibaba, TikTok, Uber, Airbnb are playing an increasing role in the economy by allowing new entrants, including non-professional operators, to offer content, goods, services or capital to other users of the platform. By facilitating the match between numerous suppliers and consumer, platforms allow new uses of existing resources owned by individuals ('my home, my care, my money and also 'my data') or entities and thus supporting market exchange. In essence, their business model consists of facilitating interaction between different user groups (be it buyers and sellers, or potential customers and advertisers). They are therefore said to operate in multisided markets, where every user group represents a 'side' (Rochet, Tirole 2003). Disruption has become a buzzword to designate this new phenomenon. It has an economic meaning when it refers to the challenge new online platforms present for incumbents.

The European Commission communication "Online Platforms and the Digital Single Market, Opportunities and Challenges for Europe" (2016) clearly identifies the main features of Online platforms which share some important and specific characteristics. In particular: a) they have the ability to create and shape new markets, to challenge traditional ones, and to organise new forms of participation or conducting business based on collecting, processing, and editing large amounts of data; b) they operate in multi-sided markets, but with varying degrees of control over direct interactions between groups of users; c) they benefit from 'network effects', where, broadly speaking, the value of the service increases with the number of users; c) they often rely on information and communications technologies to reach their users, instantly and effortlessly; d) they play a key role in digital value creation, notably by capturing significant value (including through data accumulation), facilitating new business ventures, and creating new strategic dependencies."

Subsequently, platforms beat traditional firm because platforms scale more efficiently by eliminating gatekeepers, unlocking new sources of value creation/supply and by using data-based tools to create community feedback loops (Parker, 2016). Unlike traditional businesses, platforms don't produce anything they do not have to invest directly in the production of the content, goods or service or capital to which they give accesses, instead they rely on the resources provided by third parties. In this accessibility-based model, the buzzword is 'access' rather than 'ownership' (Strowel, Vergote 2018). The rapid growth in the number of online businesses has produced many benefits for consumers and firms as well. It gives consumers reduced search costs (Basalisco, 2015), lower prices (Ibid) reduced information asymmetry (through rating systems, comparison tools) social benefits, easier access to a very wide variety of products and services (Ibid) and attractive delivery conditions (Oxera, 2015). It

gives firms (Bertin, 2016) the chance of transaction cost reduction, market expansion and access to much more online shelf-space than any offline shop can offer (COM, 2016). Therefore, the platform economy has recently gained such importance that it is now a true source of economic potential. Firstly, the paper tries to summaries the definition of sharing economy and its rise. Secondly, the main actors of sharing economic triangle and the related regulatory battles are discussed. Finally, once the concept and its characteristic are known, then the 'sharing' is analyzed under the Albania economic context.

Defining sharing/collaborative economy

The diversity of online platforms in terms of activity, sector, business model, and size is striking. Platforms range from small websites with a local reach to worldwide companies generating billions of revenues. They offer varied services such as Internet search engines (Google, Yahoo), online market places (eBay, Booking, Amazon), video-sharing platforms (e.g. YouTube), music and video platforms (e.g. Spotify, Netflix), social networks (e.g. Facebook, Twitter), collaborative/sharing economy platforms (AirBnB, Uber, BlaBlaCar, Ulule, Crowdcube), online gaming (Steam), etc. Finding a common definition for all of them is quit challenging. However, internet intermediaries have been defined by the Organization for Economic Cooperation and Development (OECD) as entities that "bring together or facilitate transactions between third parties on the Internet. They give access to, host, transmit and index content, products and services originated by third parties on the Internet or provide Internet-based services to third parties" (OECD, 2011).

The sharing economy encompasses a wide diversity of entrepreneurial initiatives (transportation, accommodation, freelance labour, finance, energy, health etc) which have in common the goal to optimize under-used resources. This phenomenon is known by different labels: the sharing economy, the gig economy, the platform economy, the on-demand economy, the peer-to-peer (P2P) economy and even the Uberized economy. Each of these expressions catches a different, prominent feature of the topic which this book aims to analyse (Hatzopoulos, 2018). Each of these terms represents an aspect of the digital platform revolution, but none completely captures the entire scope of the paradigmatic shift in the ways we produce, consume, work, finance, and learn. This new economy dramatically extends the lifecycle of products, shortens time of use, and exponentially expands connectivity and access. (Inglese 2019)

For example, while the EU Parliament (Guodin, 2016) used the term 'sharing economy', the Commission itself used the term 'collaborative economy'. The EU Agenda on collaborative economy adopts the following definition for

the collaborative economy: "collaborative economy' refers to business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals'(EU 2016). The collaborative economy (Ibid) involves three categories of actors: (i) service providers who share assets, resources, time and/or skills — these can be private individuals offering services on an occasional basis ('peers') or service providers acting in their professional capacity ("professional services providers"); (ii) users of these; and (iii) intermediaries that connect — via an online platform — providers with users and that facilitate transactions between them. Collaborative economy transactions generally do not involve a change of ownership and can be carried out for profit or not-for-profit.

The first scholars to deal with platforms, respectively, D. Evans and R. Schmalensse, provide the following economic definition of platforms: 'a digital multi-sided platform has two or more groups of customers who need each other in some way but who cannot capture the value of their mutual attraction on their own and rely on a digital "catalyst" to facilitate value creating interactions between them'(Evans, Schmalenese 2012). In other terms, a network orchestrator or a catalyst is a company that facilitate a network of users whose activities in turn create value for the company. This business model leverage a phenomenon known as network effects (Martens, 2016), which occur when the value of a good or service increase as the number of people using it increase (Zale, 2018). Acknowledging this lack of definitional consensus, both in the EU and beyond, I will refer to notions such as "the sharing economy," "the platform economy," and the "collaborative economy" interchangeably.

The combination of technological evolution, urbanization, overpopulation, the financial crisis and the rise of unemployment have resulted in the rapid growth of the collaborative economy (Hatzopoulos, 2018). The most widely recognized sharing economy companies are the "ride share" companies, such as Uber and Lyft, and renting platforms, such as Airbnb. Although sharing economy companies are relatively new, in 2013, the global economy market was valued at $26 billion, and it is expected to grow to $110 billion in the near future (Harris, 2017). Further, an estimate published in early 2016 posited that the growing sharing economy could reduce under-utilization of assets – i.e. labor, cars and accommodation – by up to €572 billion annually in Europe (Guodin, 2016).

Triadic relationship in the Sharing economy

What distinguishes the collaborative economy from any other sort of triangular legal relation is the diriment role of online platforms. Taking into account the asymmetric positions of those three parties, a collaborative economy triangle can

be construed as follows. Online platforms are situated at the apex, on the intuitive ground that, lacking their intermediary role, the collaborative economy cannot exist (Sorensen MJ, 2016). Otherwise, providers and users represent the basis of, and maintain, a binary mutual relation between them, while, at the same time, addressing themselves to an online platform for different reasons (i.e. to seek redress in the case of wrong doing perpetrated by providers). Regarding users, it is worth underlining that the emergence of the collaborative economy has given birth of what is called a 'novel economic agent', characterized by 'decentralization and de-professionalization', hence giving rise to the concept of peer and/or prosumer, as a person combining production and consumption (Smorto G, 2017). For a more in deep research of the other two parties, (i.e. service providers and users) within the EU law context this book is suggested for consultation (Inlgese 2019). In a nutshell, the key feature is that platforms allow the supply side (the suppliers) to meet the demand side (the customers), creating a triangular structure that is based on relations between (1) the platform and the supplier, (2) the platform and the consumer, and (3) the supplier and the customer.

Within the sharing economy, by mapping the value creation mechanisms and value distribution mechanisms four types of business model had been identified (Acquier, Carbon 2019). The first business model is made by "Commoners" which create and provide free access to public goods by pooling resources and skills in order to make them available to as many people as possible and to spur the emergence of alternative and non-market values, such as open knowledge, free and open access, or do-it-yourself (DIY). Value is created by and for the community or the initiative's ecosystem. Typical example is Wikipedia. The second category is made of "Mission-driven platforms", which intermediate between peers through a digital platform to support a societal cause. Like Commoners, they pursue a mission to transform society through the initiative by facilitating new practices of consumption, exchange, and relationships. The cause and values that initially motivated the founders constitute the purpose of the initiative, which grows along with the volume of resources that are shared through the platform. Typical example is Couchsurfing. In the third category belongs, "shared infrastructure providers" which are for-profit initiatives that monetize access to a strategic proprietary resource. Operating on a membership fee or pay-per-use basis, shared infrastructure providers earn a profit and gain power from a proprietary infrastructure that individuals and professionals use to realize their projects. Typical example is ZipCar. The last business model and the most visible and controversial initiatives in the sharing economy are known as "Matchmakers". These are for-profit commercial platforms that bring individuals together in networks so they can exchange goods or services on a peer-to-peer basis. In the field of personal transport or accommodation, examples include platforms such as Uber, Airbnb,

and BlaBlaCar. The platform intermediates between peers and captures part of the value created in order to make a profit from this intermediation. In other words, economic analyze could characterize the specificities of online platforms.

Regulatory challenges

The collaborative (or sharing) economy is an economic activity that has evolved in the last decade whose disruptive effects over consolidated legal acquisitions is now more evident than ever. It is indeed blurring the notions of consumer, service provider, employer, self-employed, command and control, user, digital platforms, online trusts etc (Inglese, 2019). In particular, the rise of the collaborative economy has sparked a controversial debate about the need to adapt the existing regulatory framework in order to reflect the changes in the market (Davidson et al., 2018). The results of the European Commission study (European Commission, 2016) found that, more than half of the respondents were aware of the sharing economy, but only 17% had used digital platforms to coordinate these activities. In the same survey, individuals aware of the sharing economy were asked which aspects of these new business models they found most unsatisfactory. Two out of five claimed that one of the major obstacles to customers was the lack of knowledge of who should be held responsible for any problems that may arise when entering a transaction. In traditional economy transactions, consumers are protected by the rights set out in the regulatory framework, which clearly define how transactions should be conducted. But in sharing economy, the responsibilities of each party involved in the transactions are usually not well defined. Sharing economy is extending into every economic activity, however, the two areas which have caused the most heated controversies are ridesharing and short-term rentals (Busch, 2019). Thus, my focus is upon these two sectors.

Transportation

In recent years, transport has been disrupted by the emergence of online platforms mediating between new transport service providers, often non-professional service providers, and passengers. Transport platforms like Uber, Lyft, Didi, and Ola are transforming urban mobility all around the globe. BlaBlaCar is transforming long-distance traveling, particularly in Europe (Montero J.J, 2019). Platforms like Uber and Lyft allow individuals who own a car to offer taxis at a fee. BlablaCar allows people who are traveling long distances to find passengers with whom to share the road and the costs. Carsharing schemes includes cases when only the vehicle is shared, without the presence of the driver/owner. Of all these models and providers, Uber is the most important and has provoked the most controversy in various jurisdictions.

The first regulatory challenge around online (transport) platforms is to define their legal status (Resta, 2017): mere facilitator, broker or supplier of integrated service? In particular, the debate has focused on whether they provide an intermediation service using digital technology, or whether they really provide a full transportation service, which often requires a license and full liability for the provision of transport services to passengers. Transport platforms have disrupted traditional transport companies that benefited of no network effects and they have often complained of the regulatory burdens they have (licenses, taxes, labor conditions, etc.) while platforms often had no license and paid not taxes (Montero, 2019). In general, online platforms are not designed to provide their own accommodation or transport services, but to facilitate the contracting of services provided by third parties. Acting as an intermediary has several advantages for the platform and it is usually expressed in the platform operator's terms of service. Such statements can be found, for example, in the terms and conditions of Airbnb, Uber, and MaaS apps. Nevertheless, it's doubtful whether such a declaration is sufficient for reducing the role of the platform to an intermediary. Already in its Communication on a European agenda for the collaborative economy of June 2016, the EU Commission underlined that whether an online platform also provides the underlying service has to be established on a case by case basis (EU Commission, 2016). Traditional transport operators have challenged before courts all around Europe the legality of transport platforms, accusing them for unfair competition. It has been argued that platforms are not mediating the provision of services by third parties, but are actually the service providers, and they are often providing services without the required license and without meeting other regulatory obligations, therefore competing under unfair terms. This has certainly been the case of Uber considered by the Court of Justice of the European Union (CJEU) as a transport operator (Judgment, 2017).

The emergence of the collaborative economy blurs also established lines between self-employed workers and employees. Courts are struggling with this 'binary" logic of traditional labor regulations (Hatzopoulus, 2018). Uber and Lyfti treat their drivers as independent contractors, as do the large majority of companies in the sharing economy (Tippett, 2018). Classifying workers as independent contractors rather than employees, on the one hand, render them ineligible for basic employment protections – such as the right to minimum wage and overtime, anti-discrimination protections, workers compensation, or unemployment insurance -, and, on the other hand, the legal (labor) relationship between the platform and the service provider directly impact the relationship between the platform and the user of the underlying service (EU, 2016). If the service provider is in an employment relationship with the platform, the platform is considered to have entered into a contract with the user (Hatzoupoulos, 2018). The essential

features of an employment relationship are, on one hand, the provision of service to and under the direction of another person, within a specific period, and, on the other hand, in return, he or she receives a reward (Court of Justice of EU, 2015). In United Kingdom, the UK Employment Tribunal reached the conclusion – also upheld by the Employment Appeal Tribunal (Aslam, 2017)- that Uber drivers qualify as workers, as far as, 'any driver who has the app switched on, is within the territory in which he is authorized to work, and is able and willing to accept assignments'. Likewise, recently France's Court of Cassation reached the same conclusion (Dillet, 2020).

However, sharing economy offers many opportunities for the labor market: a) Employment and performance support; b) Developing individuals' experience and skills. Participants in the sharing economy who engage in transactions, especially service providers, gain new experience, achieve greater flexibility and independence; c) Recovery and flexibilization of traditional segments of the economy. In some cases, platforms can help to "clean up" and make the traditional segments of the economy more flexible; d) Increase competition in the labor market (European Commission, 2016).

Accommodation

Airbnb is definitely one the most popular in the sharing economy. Airbnb allows individuals to become entrepreneurs by offering a part or all of their living space as temporary accommodation. Instead of going to traditional hotels or places with no hotels present, these visitors choose to be hosted in the homes of ordinary people. The rates are set by the providers and Airbnb carries a fee for the transaction. Airbnb was founded in 2008 in San Francisco. The company is already active in over 190 countries. The company generates estimated revenues of $150 million in 2012. To date, its founders were able to raise approximately $120 million in VC money from Sequoia, Greylock Partners, Andreessen Horowitz and Y Combinator. In 2011, the company was valuated at $1,3 billion (European Commission, 2013). After Uber decision, the focus of the regulatory battle shifted towards short term rental platforms. The first request for a preliminary ruling concerning Airbnb had reached the CJEU in June 2018 (Busch, 2018). The main question was the same in Uber case, namely: if Airbnb is offering only the information service or also the underlying service (accommodation). According to Advocate General Szpunar's opinion a service such as that provided by the Airbnb portal constitutes an information society service (Advocate General's opinion, 2019). By its judgment of 19 December 2019 the Grand Chamber of the Court - concurred with Advocate General Szpunar – held that an intermediation service which, by means of an electronic platform, is intended to connect, for remuneration, potential guests with professional or non-professional hosts offering short-term

accommodation services, while also providing a certain number of services ancillary to that intermediation service, must be classified as an 'information society service' under Directive 2000/31 on electronic commerce. In other terms, the Court has delivered an important judgment on the law applicable to Airbnb but more in general to digital platforms.

Sharing Economy and GDP

It is a significant complex undertaking to contrast the income in sharing economy and those in the traditional economy. The information accessible is extremely constrained and divided. Also, it is precarious to pick an important comparative method. Most platform representatives are independent, enterprising specialists who are paid for finishing a single task. Their benefit, subsequently, relies upon on how many tasks they perform and the value per unit. The UK PWC study says suppliers (workers) get on average 85% of the value of transactions in the sharing economy. Platform remuneration systems are not constantly straightforward. Sometimes, an accurate measure of an expense for the platform isn't known to its workers, as they can just observe their total compensation, or they utilize an elective compensation plot. Not all work performed is paid also. James Pennington, economic affairs adviser at the British Foreign Office, warns that sharing economy, while useful, is not good for GDP (World Economic Forum, 2016). He outlines four main reasons why he came to this conclusion: a) firstly, uncounted economic gains-sharing economy brings with it an increase in unregistered value. Because it is unregistered, it is not reflected in GDP; b) secondly, sharing economy allows existing resources to be exploited without providing/building new ones, and this has a negative impact on GDP. For example, why to build a new hotel if there are rooms available through Airbnb?; c) thirdly, when someone rents their apartment or gets paid to learn another new skill, this is reflected in GDP. But the sharing economy threatens this by not converting all resources into a monetary equivalent, thus lowering GDP; d) finally, the consequences of using an alternative service (i.e. if someone refuses to buy a car and uses public transport or calls for an Uber) this means an increase in the cost of alternatives, but no new acquisitions, thus lowering GDP.

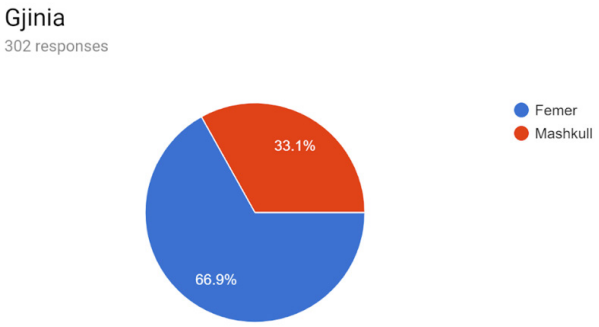
Sharing economy beneficially affects the economy, regardless of whether it doesn't influence Gross Domestic Product development. As the sharing economy keeps on obscuring the customary limits between the economy and regular day to day existence, governments must take care to create approaches that guarantee supportable monetary development and furthermore assist individuals with living and gaining as they wish.

Sharing economy in Albania

Given the novelty of the term, not only in Albania but also globally, firstly, I found necessary to develop a questionnaire in order to understand people's awareness in Albania to the concept of sharing economy. Secondly, these results are discussed in detail below and conclusion are drawn.

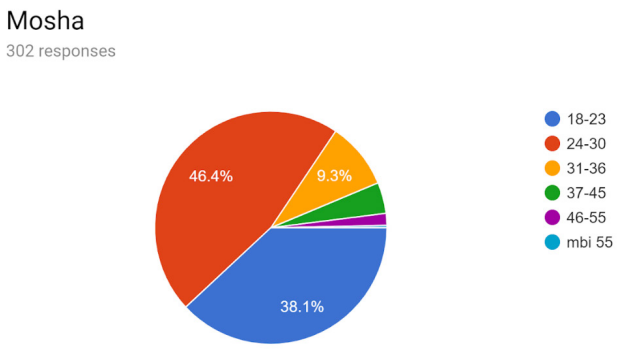
Questionnaire on Sharing awareness

GRAPH 1. Percentages of persons questioned by gender



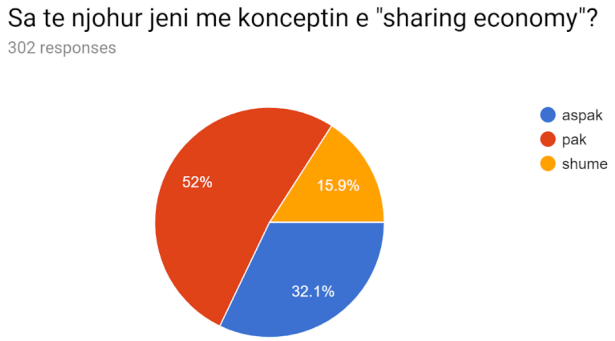
From the first graph we can notice that out of 302 people interviewed, 33% of them are male and 67%, are female.

GRAPH 2. Percentages of people questioned by age group



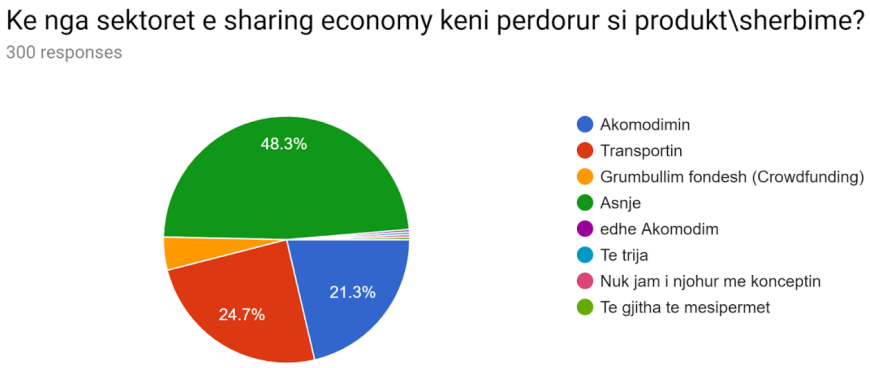
The second graph shows the percentages of people questioned by age group. Out of 302 people interviewed, 46.4% are between the ages of 24 and 30, 38.1% are between 18 and 23 years old and the percentage is decreasing for the other age groups. The purpose was to interview different age groups in order to generate data that are more comprehensive.

GRAPH 3. Percentages of people questioned about the understanding of sharing economy concept



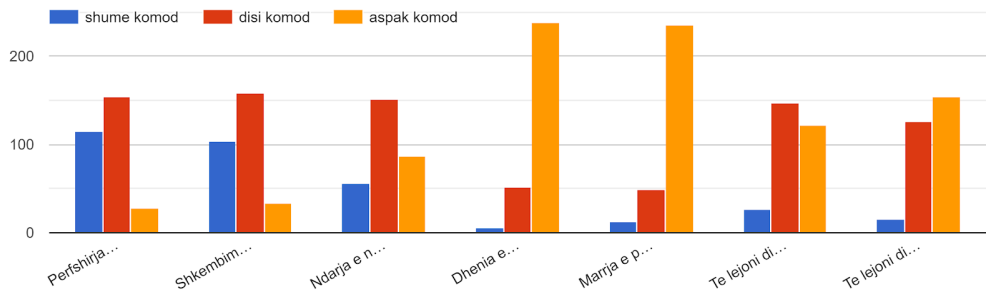
From the third graph the following results emerged: firstly, out of 302 people, 32.1% have never heard or experienced sharing concept; secondly, while 52% know little about sharing only 15.9% have good knowledge of it. This result is expected and may be justified due to the lack of sharing economy platforms in Albania.

GRAPH 4. Percentages of people questioned by use of market sectors



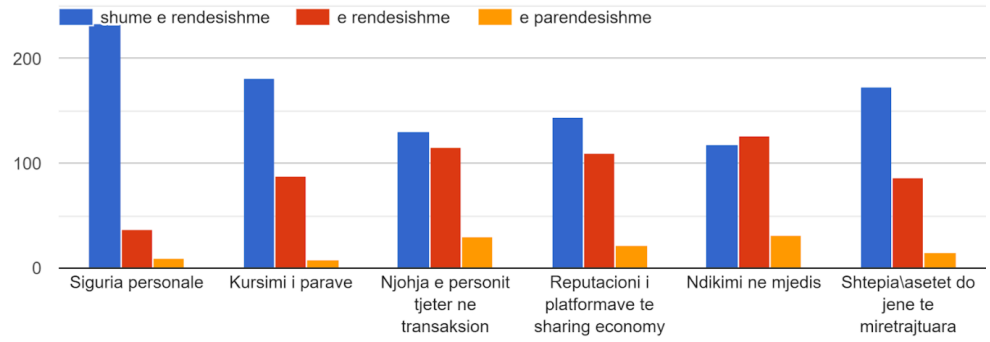
The fourth graph shows data about the use of various sharing economy sectors (i.e. transportation, accommodation, etc). In first place, almost half of the respondents (48.3%) have never used/experienced sharing economy. Indirectly, this data reinforces and it's coherent with the percentages on the awareness of sharing concept showed in the third graph. Secondly, among the sectors used, accommodation and transport stand by 21.3% and 24.7%, respectively. While the age groups between 24 and 30 years old are the one who are more involved on the use of these sectors which may be due to the fact that they are more predisposed to welcome new and rapid technological developments.

GRAPH 5. Comfortability and confidentiality

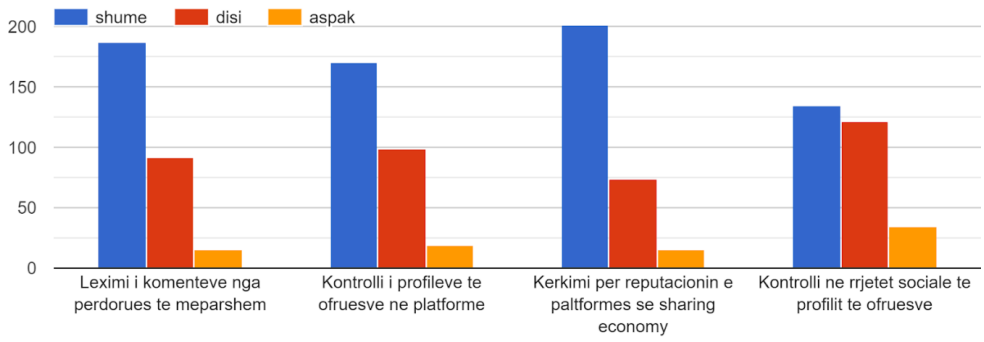


According to the fifth graph, which deals with the degree of comfortability while using sharing platforms, crowdfunding is one of the sectors that Albanian people feel less feel comfortable and confident. This may be due to the occurrence of the Ponzi scheme that precipitated in 1997 unrest in our country (Jarvis, 1999) that have led to a loss of confidence to the credit system.

GRAPH 6. Measuring users' reasons participation and concerns in the sharing economy

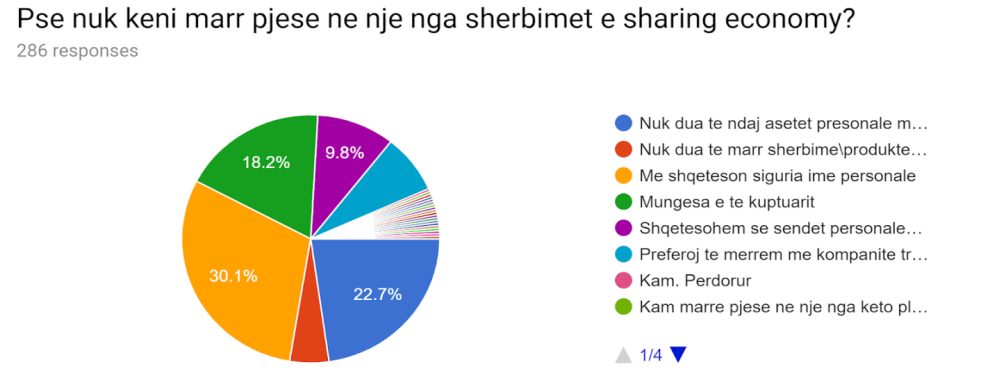


GRAPH 7. Results on making checks



Based to graph sixth and seventh, measuring reasons and concerns while using sharing economy, two interesting data are gained: first, people who have used the sharing economy platforms have rated personal safety as one of the main concerns while money saving as the most important factor for their participation; and, secondly, the credibility and reliability of the platforms and providers reputations also an important factor for participating in sharing.

GRAPH 8. Reasons for non-participation in sharing economy



Finally, the last graph shows the main reason for not participating in the sharing economy. First of all, trust and security (30.1%) are the main reason for not participating in sharing economy. Secondly, 22.7% are concerned about the

reluctance to share personal assets. Finally, 18.2% of non-users suffer a lack of understanding of these platforms which prevent them from their use.

Summarizing, taking into consideration all those data, the concept of sharing economy in Albania is still infantile, however, there are a lot of possibilities to expand this economic concept various sectors in the Albanian market. Finally, the above statistic data may play a significant role on the future market decisions of platforms' providers who wish to invest and expand in Albania.

Potential sharing's impacts on different market sectors in Albania

In the following sections I have analyzed the impacts of sharing economy in the Albanian economic context. The impacts discussed below are formed in terms of hypotheses.

Transport

According to Albanian's Institute of Statistics (up to 2018), Albania's highways, interurban and urban roads count circa 18,600 km.

FIG 1. Data on road transport infrastructure

Description	2014	2015	2016	2017	2018
Road Transport					
Total of freigt and passengers vehicles	490,890	522,066	563,106	535,570	578,635
Road vehicjes for passengers	415,121	443,227	479,217	460,299	500,891

The above data underline the rise passenger vehicles since 2014. Currently, in Tirana operates 15 urban transport lines. However, despite the efforts and extension of those bus lines by the local government, the conditions and standards of their offer remain obsolete. According to a 3-month survey (Local Gate), the situation presents major problems on the lines that go to the outskirts of Tirana, but other issues faced ay by the citizens are also the unfulfilled schedules, the influx of passengers and the failure of air conditioners. Therefore, the question to be answered is the impact that may have the use of ride-sharing or carpooling platform in Albania?

As it was already demonstrated in other countries where Uber started to operate the use of those platforms would have a positive impact on the taxi market by increasing the competitiveness and customer benefits through lower prices and better services as traditional taxi companies need to improve services in order to compete with those types of services. Further, the use of the car will increase drivers' income. On the other hand, the drawbacks may be as following: a) decrease in the value of taxi licenses. As Uber drivers do not

need to have a special taxi license to enter the market, even though taxi drivers own one. b) poor employment and safety conditions. Usually, Uber's drivers are considered independent contractors, so they are not entitled to minimum wage, paid vacation or health insurance. Although drivers or users do not know whom they are driving with and there may be cases of murder, thief etc. c) Negative impacts on price competition. Since such platforms would be introduced to the market by offering customers lower prices, this could lead to lower service quality. To minimize the problems that these platforms could cause, regulators should create a legal framework that maximizes benefits and eliminates associated costs and risks.

Accommodation

Another important sector of sharing economy is accommodation, the platform in this case makes it possible for anyone to register their house or rooms to be rented by other people, usually for short terms. The first impact of sharing economy in accommodation sector may be lowering hotel's revenues and increasing individuals' incomes. By lowering the income of hotel companies, the income state taxes would also be reduced. Due to reduced revenues, hotels may be forced to reduce their staffing or reduce staff payments. Currently, according to article 8 ad 9 of the Albanian Law (No. 8438 dated 28.121998) "On Income Tax", 'the income generated by individuals is taxable at a 15% tax rate'. However, giving the lack of efficient control by the state to peoples' activities it makes difficult to collect this tax on incomes through the platform, except evetual agreements between the State and the platform provider. According to the above questionnaire data, among the reasons why people would not opt for this form of service, safety and security reason were of primary order. Besides the above drawbacks, sharing economy have also positive implications in accommodation sector. For instance, the positive effects include facility for people to find a shelter. Moreover, host providers may orient tourists about the local area such as places to visit.

Finance

Crowdfunding are fundraising where individuals engage by loaning or investing in projects through the mediation of online platform. Banks 'households' demand for loans was reported to be higher in the last quarter of the year, according to the Bank of Albania. Since loans weigh heavily on citizens' pockets, fundraising would be a great choice. Individuals would get as much as they wanted without the need for high interest payments and involvement in lending procedures. On the other hand, we would have a decrease in loans taken in the banking sector.

Taxing sharing economy

In general, platform service providers: a) Provide an intermediation services to consumers and owner of goods or services; b) The platform collect a commission for the provided service; c) Working conditions of service provider and their behavior are monitored by platform providers; d) Health and social contributions are not paid by platform providers; Most of these industries operate in a similar model to ride-sharing and home-sharing. Business creates an online marketplace, bringing together consumers and suppliers of goods or services, and receives a commission percentage in exchange for providing platform. Tax issues in the sharing economy vary depending on the industry. Firstly, according to the labor legislation (Law No.7961 12.07.1995), self-employed are "all persons working on their own behalf, while employee are all persons employed by an employer". Due to the unique sharing economy structures, it is unclear whether workers should be classified as independent contractors, self-employed or employee. In some EU countries they are treated as employee in others as self-employed. The European Union is still engaged in regulating these platforms in this regard, trying to reach the most appropriate solution. The Albania tax legislation defines both typologies of tax treatment. If qualified as self-employed, service providers, according to Law No. 8438 "On Income Tax" need to make a declaration if the income for a tax period is higher than ALL 2,000,000. Also, those individuals must be entitled to deduct deductible expenses. In terms of payment of contributions, they must calculate the value of health and social contributions under Law No. 10383, over double the minimum wage. Furthermore, if they will be qualify as employee, any employer who pays a salary or remuneration provided for in letter "a" of Article 8 under Law No. 8438 dated 28.121998 "On Income Tax" shall withhold personal income tax in accordance with the first paragraph of Article 9 of this Law and shall pay tax withheld in favor of tax authorities. Based on the above aspects it cannot be correctly determined whether they should be treated as self-employed or employee, so the best way would be to review the tax legislation and adapt it to this new form of economy. If qualified as self-employed, they would be subject to the same rules as self-employed in other industries.

As regarding accommodation services, the main issues are: a) the rules governing income inclusions and deductions; b) issues arising in the allocation of expenses between business categories and personal categories; and c) state and local taxes. Home-sharing providers should include payments for rents received on gross income and deduct the expenses allowed to arrive at calculating taxable net income. However, the element of home-sharing can cause complications that are less present in traditional real estate leases. One issue that needs to be addressed is how the deduction of expenses will be handled in this case, how the personal

business use threshold should be set. If the provider uses several rooms in his home just to rent, then the income tax is as applicable as in the traditional lease. But if the rooms were used for personal use during the year as well, it should be determined how the tax will be divided and applied. According to Albanian Law No. 9632 "On the Local Tax System", the tax on buildings is subject to individuals, natural or legal persons, domestic or foreign, owners or users of immovable property in the territory of the Republic of Albania, regardless of the level of occupancy. In case of a local tax on real estate, the law provides for the following tax rates, which are different for different use purposes. Where a land is used for both business and residential purposes as in the case of home-sharing, the tax rate shall be calculated by the percentage which each occupies in the total area of the land. As showed above, spaces for rental use can also be used year-round for personal use. This would cause problems in calculating correctly the tax level.

FIG 2. Rates of local tax

KATEGORITË MINIMALE DHE NIVELET TREGUESE TË TAKSËS VENDORE MBI PASURINË E PALUAJTSHME TRUALL (JO HAPËSIRË PUBLIKE)

	KATEGORITË E BASHKIVE			
	I	II	III	IV
NIVELI I TAKSËS SË TRUALLIT NË LEKË PËR METËR KATROR NË VIT	TIRANË DURRËS KAVAJË KRUJË LEZHË LUSHNJË FIER VLORË SARANDË	SHKODËR ELBASAN BERAT KORÇË DELVINË KURBIN PEQIN KUÇOVË	GJIROKASTËR PËRMET POGRADEC LIBRAZHD DIBËR MAT SKRAPAR MALLAKASTËR DEVOLL TEPELENË	TË GJITHË BASHKITË E TJERA
Vlera e taksës së truallit për qëllime banimi nga individët	0,56 lekë/m2/vit	0,42 lekë/m2/vit	0,28 lekë/m2/vit	0,14 lekë/m2/vit
Vlera e taksës së truallit për qëllime biznesi	20 lekë/m2/vit	18 lekë/m2/vit	15 lekë/m2/vit	12 lekë/m2/vit

Another local tax that must be paid is the hotel dorm. "Hotel" means any activity that provides accommodation for payment and includes hotel, motel, tourist accommodation, retirement, guest houses, family tourism and any other facilities used for this purpose. This tax has to be paid by customers, based on numbers of nights stayed and payed. This tax should be withheld by the client on behalf of the municipality as shown below. The calculation of this tax does not cause problems in the case of home-sharing.

FIG 3. Local dormitory fee at hotels

TAKSA VENDORE E FJETJES NË HOTEL SIPAS KATEGORIVE TË NJËSIVE TË VETËQEVERISJES VENDORE (BASHKIVE)

Lekë për natë fjetje për person

KATEGORITË E NJËSIVE AKOMODUESE HOTELERIKE	KATEGORITË E BASHKIVE		
	I	II	III
	TIRANË DURRËS	VLORË FIER SARANDË POGRADEC KORÇË ELBASAN BERAT LUSHNJË GJIROKASTËR SHKODËR KAVAJË LEZHË	BASHKITË E TJERA Dhe të gjitha njësitë administrative jashtë qytetit përkatës për bashkitë e kategorive I, II dhe III, të cilat ju bashkuan njësive të qeverisjes vendore pas hyrjes në fuqi të ligjit Nr. 115/2014
Hotel me 4 dhe 5 yje	350	175	105
Hotel nën 4 yje, motel, hostel, bujtinë, si dhe çdo njësi tjetër akomoduese të ngjashme me to, sipas përcaktimeve të ligjit për turizmin	140	70	35

Finally, as regarding taxes on ride sharing platforms, revenue sources for ride-sharing drivers will include gross fees, as well as any additional benefits received. They may also include other referrals and rewards, driver loans, and other such payments from the ride-sharing services themselves. While the general scheme for taxing income and expenses is clear, difficulties may arise in the ride-sharing sector as many ride-sharing drivers do not work in full time scheme. Moreover, the car's driver is used for personal use. As a consequence, for instance, tax law allows only deductions of business-related expenses and not private one. Some of the costs that ride-sharing drivers incur are: vehicle insurance, fuel charges, parking fees, registration, repairs and fees paid to the platform. If the vehicle is for both business and personal use, then the driver must split these costs between business and personal use. Such a division, for example, may be based on the kilometers made. The driver must keep track of personal and business mileage records and record all costs listed above. These costs are then subdivided based on the kilometers made and drivers deduct only the expenses made for business purposes.

Case study: the Mobike platform in Tirana

A bike-sharing system is a service in which bicycles are made available for shared use to individuals in the short term for a fee or for free. Many bike sharing systems allow people to borrow a bike from one dock and turn it into another dock belonging to the same system. The docks are special bicycle holders that lock the bike and release it only with the control of a computer. The user enters payment information, and the computer opens a bike. The user turns the bike by placing it on a dock which locks it in place. Other systems are dockless. For many systems, applications show nearby available bicycles and open dock.

Following are showed the Mobike's statistic data in Tirana:

- The app has had 60,000 downloads.
- Currently active users are 10,682 people.
- The average time for log-in is 15-20 minutes.
- Bicycles in circulation are 900 pieces.

The advantages of using Mobike in Tirana are, mainly, environmental and health protection. If more people start to use bikes the consequences are less use of personal cars which, in turn, leads to a reduction of car gas emissions and users' cost reduction. In addition, Mobike has helped users to save time, which further promotes city's development towards a sustainable transport system. Finally, Mobike has facilitated user's approach for the use of platforms.

Conclusions

Sharing economy, as a new way of doing business and creating market value, has great potential to improve various sectors of the economy. There is not still a uniform definition of sharing economy, however there are some common elements form different definitions. As emerged, one of the biggest dilemmas is whether or not the sharing economy should be regulated and what would be the best regulation. In general, platforms need to be regulated but to the point that their regulation does not impede their development. According to the results of the questionnaire, the concept of sharing economy in Albania is very little known, with approximately half of the respondents not participating in any of the sharing platforms. Those data can play a significant role on the future decisions of platforms' providers and government policies.

In general, sharing economy in Albania may increase incomes of individuals and dislocate in more efficient manner the use of their assets. Transport platforms

may help to fix some of the current issues faced by transportation industry. In order to maximizes its benefits in Albania, a better understanding is needed by both citizens and government. Mobike platform has been active in Tirana for several months and has had a positive impact on the users' lives and city viability. According to the European Commission's report (2019) on economic criteria, Albania has made progress and is moderately prepared to develop a functioning market economy. Economic growth have increased further and unemployment declined but however remains high to EU's standards. Steps have been taken towards the development of the financial market. Albania has made some progress and has some level of preparation in terms of its ability to withstand competitive pressure and market forces within the Union. Albania has made some progress in terms of energy, transport and development of digital infrastructure, but lack of productive knowledge, low levels of education and technological transfer impede Albania's competitiveness and integration into international value chains. Based on this this paper, the introduction of sharing economy platforms in our country would affect Albania's increased competitiveness and integration into international value chains.

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Russia in the Western Balkans: Montenegro, Macedonia and Serbia

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Abstract

The eurozone crisis has produced an increasing influence of Eastern countries in the Balkan region. Indeed, the Western Balkans has been subject to growing Russian attention, particularly in the economic dimension. The present paper assessed Russian impact in Montenegro, Macedonia and Serbia. Considering the data from these three countries the strongest economic influence has been found for Serbia, a country which has close proximity to Russia not only in economic terms but also political stance, religion etc. Conversely the Russian influence in Macedonia and Montenegro has been mainly economic, while the latest has more recently taken a few steps back from Russia towards a pro-European approach. It might be claimed that the lack of vision and the uncertainty of European Union decisions in relation to the Balkans, would promote a pro-Eastern influence not only from Russia but also other countries such as Turkey and China. Nonetheless at the moment such influence seems to be mainly economic and less political.

Keywords: *Russia, Western Balkans, economic influence*

Introduction

During the last decade the Western Balkans has been subject to growing Russian attention. In an effort to improve and highlight its' approach in this region, Russia has been trying to build its' impact within 'the gaps' created by EU's lack of a clear

expansion strategy and openness to new memberships. Moreover the lack of good governance, high levels of corruption, or poor economy in the Balkan countries have all contributed to growing Russian influence. Indeed Russian investments in the region have increased by more than 3 billion euros Russian influence as part of the overall economy in the Western Balkans has decreased only after the imposition of international sanctions after the annexation of Crimea in 2014 (Conley et al., 2016).

Nonetheless, Russian investments are concentrated in a small number of strategic sectors, such as banking, energy, and real estate. Moreover, it could be stated that several Balkan countries including Serbia, Montenegro, Macedonia and Bosnia and Herzegovina are dependent on economic exchanges with Russia. Consequently, governments of these Balkan countries have become sufficiently sensitive to pressures on strategic decisions that relate not only to diversification and liberalization of the energy market, but also the Russian sanctions and the expansion of NATO and the EU (Conley et al., 2016).

Analysis of the Russian foreign policy regarding Balkan countries intends to interpret and explain how Russia's foreign policy approaches directly to the Balkans in relation to the role and attitudes of the European Union. Russia's role is considered very important in terms of both economic and political impact. To summarize the present article aims to emphasize the ever-increasing role of Russia in the Balkans by considering economic and political influences in these countries.

Russian influence in the Western Balkans

In 1990, due to the political collapse of the Soviet Union, a new consensus was crystallized, based on building of an entirely 'new' foreign policy of the Russian Federation. According to Aron (2013), Russia not only is one of the largest nuclear superpowers, but also a superpower in other international aspects such as economic policies, military and geopolitical policies. This fact is quite apparent thanks to the concepts of foreign policy put forward by President Putin in February 2013. Along the same lines it is claimed that the ability of Western countries to dominate all world and political economies is constantly decreasing. Examples include Balkan countries, EU countries, Kosovo and Russia. In the 2000s Europe was seen as a model guide, but this can be hardly claimed nowadays. Discussions on the growing Russian political and economic power in the Balkans are becoming more prominent and one of the main elements of this discussion is the Eurozone crisis dating back to 2008. It is clear that all Balkan states are closely related economically to European Union countries, and for this reason, the financial sector is very closely related to what is happening inside the EU (World Bank, 2012).

In 2008-2009, economic intelligence units pointed out that all Western Balkan economies in transition including Montenegro, Serbia, Croatia, Kosovo, Macedonia and Albania suffered shaky economies. In 2009, real GDP declined by 5.2%, which led to an extension of the review until 2010, with the GDP average declining by 0.4%, as the largest economy in the region experienced a significant decline in GDP production. So, as far as average output in the region is concerned, it is still far below the initial levels of the crisis. (EUI, 2012).

On the other hand, EU countries have negatively impacted local economies, which has led to the reduction of foreign direct investment and export demand. While EU's policies in the region were previously appreciated, nowadays they are not very widely supported as the EU is exporting the crisis to the now-troubled states. (ECFR, 2013).

Whenever a shock or financial turmoil occurs, the first effect is related to the growing uncertainty which is exactly what happened with the eurozone financial crisis. Of course, in this context Russia did not remain silent but rather started openly challenging these states by initially trying to emerge as a credible power through its economic and political representation in Western Balkan countries (Casier, 2011). In the recent years, Moscow has encouraged all Russian companies to invest in Europe by trying to turn this region into one of the geostrategic centers and one of the preferential entry points into the Western economic zone.

Obviously, these interests of Russia in the Western Balkans are not only economic, but primarily geopolitical interests. This essentially means adopting a foreign policy driven by the winner-loser dichotomy as explained in Bobo Lo's book. (Lo, 2002). In all cases where there is a winner, there should be a loser on the other hand, zero-zero equations have been crucial in shaping Russia's approaches to the Balkan countries as one of the key regions in terms of its' projection influence. In this context, two of the geopolitical strategic powers, the EU and Russia, have challenged each other in the Balkans; indeed the European Union has always pursued its interests in the region through multidimensional policies and instruments aiming towards cooperation and mutual interest (CESS, 2008). Conversely the multipolar Russian approach, refers to the Western Balkans as an arena of Moscow's powerful nature crash in its policies. For Moscow, the most strategic region is the Balkans region, currently considering its role as one of the largest gas and oil supply countries in European Union countries (Foreign Policy of the Russian Federation, 2013)

As far as cooperation and competition reports are concerned, this is dependent on certain areas of interest as well as on the wider constellation of power (Trenin, 2007).

But the EU and Russia are not the only actors who have ambitions and are trying to extend their influence in the Western Balkans. China and Turkey, on the other

hand, are acting as key players exert their pressure on development in the region, though "excluded" from European Union projects. Russia does not want a strong clash with these two rivals and wants to avoid the risk of strengthening economic policies to the Western Balkans (Blank, 2013; Mitrova, 2014). Other dimensions include the concepts of security from a different perspective of Moscow towards the Balkans, while making a reassessment of economic actions such as energy and infrastructure. Meanwhile, Russia's security issues and economic tasks in the Balkan countries have been conceived as one of the top priority issues in geopolitics. The economics of these countries reflects the interpretations of an external policy that is focused, among other things, on the benefits of economic co-operation, imposed on all the global processes (Center for the Study of Democracy, 2018).

Russian impact in Montenegro

Russia's approach to Montenegro might be described as a constantly changing curve, as opposed to Montenegro's foreign policy course. As soon as the Montenegrin government expects its ambition to get closer to the European Union and NATO, Moscow's aggressiveness and pressure are noted through its economic and political mechanisms (Marovic, 2016).

Russia's Foreign Direct Investments in Montenegro represent the first aspect of Russian influence on the economy and the Montenegrin foreign policy. They FDI account for roughly one third of the country's gross domestic product, where Russia is the largest single investor in Montenegro with $ 1.27 billion in investment (Tomovic, 2016). We can mention here one of the most important investments in the country "Podgorica Aluminum Plant" which was known for strong ties with President Putin. This aluminum factory, contributed to the economy by about 15% of Montenegro's GDP. Also according to Montenegro's official data in 2016, one-third of all foreign companies in the Montenegrin state register were owned by Russian nationals (Tomovic, 2016). The influence of Russian coorporations on the Montenegrin economy will be extended to the point of making the Montenegrin economy dependent on Russian investors. Practically this impact will extend to the country's foreign policy as well (Center for Democratic Studies, 2018).

Tourism is a vital sector for the Montenegrin economy and serves as a very important generator that directly affects economic growth. Tourism based on figures represents about one-fifth of Montenegro's Gross Domestic Product, and over 54% of exports; Also Montenegro's annual revenues from tourism account for 850 million euros (Center for Democratic Studies, 2018). Another significant aspect of Russian influence in this strategic sector for Montenegro is that at least ¼ of these revenues from tourism come from Russian tourists. The figure has increased between years 2005 and 2016; e.g., the number of Russian

Tourists in Montenegro has increased steadily, from 60,000 in 2005 to 316,000 in 2016. The fluctuating political climate did not seem to influence this dimension. Following the worsening political relations of the Montenegrins with Russia, and its rapprochement with the European Union and NATO, the Russian media's tendency has been to remove Russian tourists from Montenegro, despite the fact that many of these tourists have purchased property and have invested in this country (Montenegro Ministry of Tourism & Sustainable Development, 2016).

Over the last 10 years, Russians have invested in Montenegro a total of about 8.1 billion euros. Since 2006, Russia has been consistently among the three leading investors in the country, between Norway and Italy. Other major investors in this period including Austria, Switzerland, Cyprus, the Netherlands, Serbia, Slovenia, the United Kingdom, Hungary, and the United Arab Emirates (Montenegro Ministry of Tourism & Sustainable Development, 2016).

Between 2007 and 2016, an important part of the FDI inflow in Montenegro came from countries known differently as 'fiscal heaven' (Tomovic, 2016). It should be said that one of Russia's largest investments in Montenegro for the purchase of the Podgorica-based aluminum plant came from a company registered in Cyprus. Russia through its investments has contributed as far as possible and has shown its strength in the Montenegrin economy. On the other hand, it is seen that the investments remain low and very little variable in compared to that of EU member states. It is clear that Russian role in the Montenegrin economy has decreased considerably in recent years, from 29.4% of total revenues in 2006 to around 5.5% in 2015, mainly as a result of the withdrawal of Moscow from Podgorica, Aluminum Factory (KAP), one of the largest companies in the country, proves this. Of course, Russia's distancing is obviously and unequivocally linked to Montenegro's aspirations to become an EU member. Therefore, despite the powerful influence of Russia in this country, it seems there was no success in changing the Pro European course of Montenegro (Center for Democratic Studies, 2018).

Russian impact in Macedonia

Despite the pro-Russian approach of former Prime Minister Gruevski, who had a clear ambition to strengthen Macedonia's economic ties with the Russia (especially Russian gas), this country's influence in Macedonia is not very meaningful (Stojkovska, 2012). Given the necessity of Russian gas for the Macedonian economy, it is clear why former Prime Minister Gruevski considered Russian alliance as a necessity to invest as a reliable regional partner for them by providing favorable terms for Macedonia and at the same time becoming a transit point for Russian gas in the Balkan region and beyond. But this line did not work out well since Russia choose Turkish over Macedonian gas pipeline. Apart from the oil and gas

sector, it must be noted that the trade relationship between Russia and Macedonia has been growing at remarkable levels. Examples include Macedonian agricultural exports to Russia, particularly after the decision of banning agricultural goods from the EU due to the sanctions imposed on it by European Union countries (Stojkovska, 2012).

In this context, Russia created space for other producers outside the European Union, such as Macedonia, for yet another reason, which was political, as Macedonia refused to join the sanctions imposed by the EU and the United States. This decision was rated very favorably by Russia. Russian businesses have invested mostly in finding space through a direct network, investing in personal relations with the Prime Minister of Macedonia by creating preferential relations, among them we can mention "LUKOIL" one of the largest Russian companies operating in Macedonia (Stefanova, 2016). Another example is the gambling business where their owner is a Russian citizen, businessman Sergei Samsonenko, who is one of the wealthiest individuals in Macedonia, built strong ties with the Gruevski Government and its district, including powerful Macedonian businessmen as co-owner of Iskra MM company, Cvetan Pandeleski, and Orce Kamchev.And yet, Macedonia in general terms, with Russia the trade turnover ratio has not been more than 400 million euro a year, and is currently somewhere at 100 million euro. Moreover, Russian direct investment in Macedonia is only 27 million euro (in 2015), too low if we compare these figures with the direct investments of Australia, for example, which amount to 500 million Euro (Center for the Study of Democracy, 2018; Retman, 2017).

Russian impact in Serbia

Unlike Macedonia and Montenegro, with Serbia, Russia has a very close political and strategic relationship which is not comparable to any other Western Balkan countries. The cooperation between the two countries is rooted in the past but also extends to the last decade with Russia's political approach to the newest Balkan state of Kosovo. The Russians' stance in Serbia's favor and clearly against the declaration of Kosovo's independence has boosted the relationship between the two countries. Of course, Serbia is proud of its political partnership with Russia, and its attitude against Kosovo is used as a strong card in Brussels and with other countries that are still undecided about Kosovo recognition (Polterman, 2014).

Relations between Serbia and Russia can also be interpreted through historical ties, but in the last ten years along with political co-operation, they are intensified especially in the economic sphere, which has culminated with several important agreements between the two countries. As far as Russia is concerned, it is determined to increase economic co-operation with Serbia in some key sectors of

the Serbian economy, both in the gas and oil field, in road and rail infrastructure and in the banking sector (Energy Community, 2017).

The 2008 energy agreement between Gazprom and Serbia's largest company - Naftna Industrija Srbije (NIS) has produced significant effects on the Serbian economy (Energy Community, 2014). Large firms owned by Russian citizens are closely linked to Serbia, which controls revenues of approximately 5 billion euros, or 13 percent of the total income generated by the domestic economy. Another dimension of the influence of Russian companies is the dependence of local Serbian companies on imports of Russian raw materials such as gas, where Gazprom and Lukoil dominate the oil and fuel markets (Energy Community, 2017).

It is worth emphasizing that Serbia in this sector is almost completely dependent on Russia's natural gas imports. Not only that, but close ties between politically linked local intermediaries prevent diversification of supply and liberalization of the domestic market (Center for the Study of Democracy, 2018).

It is clear that all this influence of Russia in Serbia is not incidental; on the contrary, it has enforced its political ties and its economic presence in Serbia using the pro-Russian, pan-Slav tradition, and pan-orthodox attitudes through influences all-round Serbia, where it has left important economic and political traces (Center for the Study of Democracy, 2018).

Conclusions

The eurozone crisis and steps back as regards the enlargement of the European Union have reinvigorated great uncertainties in all Western Balkan countries relative to the credibility of the great European project. On the other hand, it is obvious that Russia's attempt is trying to take all the advantages of the difficulties that Brussels is producing in terms of its internal and external currents. It is understandable that this scenario of Russia will be larger if Brussels is ambiguous in relation to its obligations to member countries, but mostly to aspirant-member countries such as the Balkans (Balfur & Stratulat, 2011). Otherwise, Brussels and European Union policies should be more proactive in order to avoid the West Balkans turning into a free economic and political zone for Russia, which continues to be ambitious in this geopolitical region. Any delays would create new opportunities and opportunities for non-Western countries like Russia, China and Turkey, ready to "fill" the vacancy left by Brussels (Judah, 2012).

In terms of Russian influence in the Balkans is still unclear whether this approach and this geopolitical and economic vision of Russia in the Western Balkans would be translated into power and influence in the political aspect, mainly in other countries such as Kosovo, in addition to its indisputable inluence

in Serbia, Montenegro, and in Macedonia, where, despite the above indicators, they have affirmed their pro-European approach to their agenda. In this context, European politicians must begin to promote in a highly active way the expansion of EU influence in Balkan countries, as the risks remain persistent, leaving the Western Balkans in a difficult position.The lack of vision and the uncertainty of the Brussels decisions in relation to the Balkans would put at risk any achievement in the region, particularly the consolidation of new democracies.

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A general overview of business information systems, in the function of market recognition

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Abstract

Today we witness the reality of a world that is changing with the rhythm and very high dynamics, in particular in the field of information and communication technology, which has made it possible for the market and the competition in every field of human activity, to develop globally. At the same time, we are aware that technology development provides a chance and opportunity for all, regardless of their location or group affiliation. Thanks to this development of information and communication technology, it has become possible to realize sophisticated Information Systems, which have created opportunities for mass use in almost every sphere of human activity. In this regard, in this paper we have chosen the topic of: A General Overview of Business Information Systems, applied in the function of market recognition. These enables companies to store, create, transform and distribute information and conducting in-depth and complex business data analysis, in order to recognize the market in general, and decision making support to the managers and developers of business planning and marketing strategies!

Keywords: *Business, Information System, Information Technology, Market Knowledge*

Introduction

Computers have been used commercially for over four decades now, in business administration and for providing information. The original intentions, the focus of attention in data processing and the nature of the data processing effort itself have

changed considerably over this period. The very expression describing the activity has changed from the original 'data processing', through 'management information' to the more appropriate 'information processing'.

A great deal of effort has gone into the development of computer-based information systems since computers were first put to work automating clerical functions in commercial organizations. Although it is well known now that supporting businesses with formalized systems is not a task to be taken lightly, the realization of how best to achieve this aim was gradual. The change in views and approaches and the shift in the focus of attention have been caused partly by the rapid advancement in the relevant technology. But the changed attitudes that we experience today have also been caused by the good and bad experiences associated with using the technology of the day. In recent years two other factors have contributed to the general change in attitudes. As more coherent information was made available through the use of computers, the general level of awareness of information needs grew. At the same time the general economic trends, especially the rise in labour cost, combined with the favorable price trends of computer-related technology, *Strategic Information Management* appeared to have offered definite advantages in using computers and automated systems. Nevertheless this assumed potential of the technology has not always been realized.

The 1980s have brought about yet another series of changes. It has become clear that sophisticated hardware and software together can be targeted in different ways towards different types of application areas. New generic types of systems emerged on the side of data processing systems and MIS. Partly, it was realized that the high intelligence content of certain systems can be usefully deployed. Ideas originally put forward by the artificial intelligence (AI) community, which first emerged in the late 1950s as a separate discipline, now became realizable. Systems housing complex rules have emerged as 'rule-based' systems. The expressions 'expert systems' and 'intelligent knowledge-based systems' (IKBS) became fashionable to denote systems which imitate the rules and procedures followed by some particular expertise.

Partly, it was assumed that computers would have a major role in supporting decision-making processes at the highest levels of companies and the concept of decision support systems (DSS) evolved. When remembering the arguments about management information systems, many academics and professionals have posed the question whether 'decision support system' was a new buzz-word with no content or whether it reflected a new breed of systems. Subsequent research showed that the computerized system is only a small part of the arrangement that needs to be put in place for supporting top level decision makers.

Manufacturers got busy in the meantime providing advanced facilities that were made available by combining office systems, computers and networks, and by

employing the facilities provided by keypads, television and telecommunications. Electronic mail systems appeared, teleconferencing and video-text facilities shifted long-distance contact from the telephone, and – besides the processing of data – voice, text and image processing moved to the forefront. The emphasis shifted from the provision of data to the provision of information and to speeding up information flows.

The major task for many information systems (IS) departments in the early 1980s was making information available. The problems of interconnecting and exchanging information in many different forms and at many different places turned the general interest towards telecommunications. As a result of recent technological improvements and changes in attitudes, the role of both data processing professionals and users changed rapidly. More systems were being developed by the users themselves or in close cooperation with the users. Data processing professionals started assuming the role of advisers, supporters and helpers. Systems were being more closely controlled by their users than was the practice previously. A new concept – the information center – emerged, which aimed at supporting end-user computing and providing information and advice for users, at the same time also looking after the major databases and production systems in the background.

The most important result of using computer technology, however, was the growing realization that technology itself cannot solve problems and that the introduction of technology results in change. The impact of technological change depends on why and how technology is used. As management now had a definite choice in the use of technology, the technological choices could be evaluated within the context of business and organizational choices, using a planned approach. For this reason more and more companies started adopting a planned approach to their information systems. 'System strategy' and 'strategic system planning' became familiar expressions and major methods have been developed to help such activities.

It has been realized also that applying information technology outside its traditional domain of backroom effectiveness and efficiency, i.e. moving systems out of the back room and into the 'sharp end' of the business, would create, in many cases, distinct competitive advantage to the enterprise. This should be so, because information technology can affect the competitive forces that shape an industry by:

- building barriers against new entrants
- changing the basis of competition
- changing the balance of power in supplier relationships
- tying in customers
- switching costs, and
- Creating new products and services.

By the mid-1980s this new strategic role of information systems emerged.

From the USA came news of systems that helped companies to achieve unprecedented results in their markets. These systems were instrumental in changing the nature of the business, the competition and the company's competitive position. The role of information systems in business emerged as a strategic one and IS professionals were elevated in status accordingly. At the same time the large stock of old systems became an ever-increasing burden on companies wanting to move forward with the technology.

More and more researchers and practitioners were pointing towards the need for linking systems with the business, connecting business strategy with information system strategy. The demand grew for methods, approaches and methodologies that would provide an orderly process to strategic business and system planning. Ideas about analyzing user and business needs and the competitive impact of systems and technologies are plentiful. Whether they can deliver in line with the expectations will be judged in the future.

Defining data and information

It is important to distinguish between data and information. Data is a raw fact and can take the form of a number or statement such as a date or a measurement. It is necessary for businesses to put in place procedures to ensure data are recorded. For example, to ensure a call canter operator includes the postcode of every customer this can be written into their script and a validation check performed to check these data have been entered into the system.

A common definition of information is that it is data that have been processed so that they are meaningful (Oz and Jones, 2008). This requires a process that is used to produce information which involves collecting data and then subjecting them to a transformation process in order to create information. Some examples of information include a sales forecast or a financial statement.

As stated information is generated through the transformation of data. This can be achieved using a number of different transformation or data processes. Some examples of data processes include aggregating which summarizes data by such means as taking an average value of a group of numbers. Classification places data into categories such as on-time and late deliveries.

Sorting organizes data so that items are placed in a particular order, for example listing orders by delivery date. Calculations can be made on data such as calculating an employee's pay by multiplying the number of hours worked by the hourly rate of pay. Finally data can be chosen based on a set of selection criteria, such as the geographical location of customers.

Although information is an useful resource for individuals and organizations not all information can be considered useful.

The differences between 'good' and 'bad' information can be identified by considering whether or not it has some or all of the attributes of information quality. Attributes can be related to the timing, content and form of the information.

Timeliness refers to that the information should be available when needed. If information is provided too early, it may no longer be current when used. If the information is supplied too late, it will be of no use. Also the information should cover the correct time period. A sales forecast, for example, might include information concerning past performance, current performance and predicted performance so that the recipient has a view of past, present and future circumstances. The content of the information refers to factors such as the accuracy of the information and relevance of the information to a particular situation and user.

The form of the information refers to aspects such as the clarity of the information which should be appropriate to the intended recipient. The recipient should be able to locate specific items quickly and should be able to understand the information easily. The information should also contain the correct level of detail in order to meet the recipient's information needs. For example, in some cases highly detailed information will be required whilst in others only a summary will be necessary.

System definition

System implies a set of interrelated components, with clearly defined boundaries, which interact to achieve a common set of objectives, by accepting inputs and producing results, in an organized process of transformation. The purpose of a system is to transform the received inputs into meaningful outputs. Not every system has a single purpose and often one system contains several sub-objective subsystems, all of which contribute to the overall purpose of the system. For example, the finances, operations, and marketing of an organization must all have their goals, all together helping to achieve the overall corporate objectives. As can be seen, in systems, data is used as inputs to a process that creates information as a product. To monitor system performance, some kind of confirmatory mechanism is required. Furthermore, control should be exercised to correct any problems that are in process and to ensure that the system is meeting its purpose.

A system generally consists of five components, including: input, processing, production, feedback and control.

Basic Functions of a System

- Input - the retrieval and collection of data that enters the system for processing;
- Processing - transformation process which converts the data into results;
- Output - the transfer of transformed elements to their final destination;

Information system definition

An information system means an organized combination of people, hardware and software, communication networks, data sources, rules and procedures.

This system stores, creates, transforms and distributes information in an organization. Components of an Information System include hardware resources, software resources, data resources, network resources, and human resources.

The role of the Information systems is to provide information to management which will enable them to make decisions, which ensure that the organization is controlled. The organization will be in control if it is meeting the needs of the environment. In relation to control, systems can be classified into open-loop and closed-loop.

An open-loop control system is one that has no way of ensuring that objectives are met for a process. This means they are unsuitable in an organizational context because of the complexity of the environment in which organizations exist. Thus open-loop systems will only be successful in attaining a system's objectives in cases where we know with certainty the events that will take place during the system's process.

Closed loop systems can have two types of control mechanism referred to as feedback control and feed-forward control. Feedback control systems generally provide a way of ensuring a system is under control. Negative feedback is when actions are taken to reverse any differences between desired and actual outputs. The weakness of this approach is the potential for delay between discrepancy and the action taken to reduce it. Feed-forward control systems attempt to overcome the time-delay associated with feedback systems by incorporating a prediction element into the control feedback loop. Feed-forward systems are not as common as feedback systems in business settings. Examples include project management plans that are designed to meet time, quality and cost objectives over time.

System Analysis and Design -The five steps

Problem Analysis -Investigate the problem to determine what kind of problem it is. Gather preliminary information about the problem.

Problem Understanding – Accumulate detailed information about the problem by conducting interviews and studying documents, policies and procedures, including those pertaining to existing information systems. Analyze the problems, its technical, organizational, and people dimensions. State exactly what the problem is and what its causes are.

Decision Making – Specify solution objectives. State what the solution should be in precise terms. Typical solution objectives might be more efficient operations, reduced costs, tighter control, higher revenues, or improved decision making.

Consider constraints. Evaluate alternative solutions. Decide which alternative best meets the solution objectives within the specified constraints.

Solution Design– Develop a logical design capturing functional business requirements if the solution requires information systems application. Develop general specifications for how input, output, processing, database, procedure, and control components can meet the requirements of the proposed solutions.

Translate the logical design into a physical design if the solution requires information systems applications. Decide which among several configuration of hardware and software best meets solution objectives given the functional requirements and specified constraints. Develop detailed specifications for input output methods and media, database or file structure, processing logic, manual procedures, and control methods.

Implementation - Implement the solution code, list, and install the system if application solutions (the use of an information system to solve a problem) are required. Make the necessary modifications in procedures and management.

System Life Cycle

The system life cycle is the oldest method for building information system and is still used today for complex, medium, or large system projects. This methodology assumes that an information system has a life cycle similar to that of any living organism, with a beginning, middle, and an end. The life cycle for an information system has six stages

- Project definition
- System study
- Design
- Programming
- Installation
- Post implementation

The life cycle methodology has a very formal division of labor between end users and information systems specialists. Technical specialists such as systems analyst and programmers are responsible for much of the systems analysis, design, and implementation, end users are limited to providing information requirements and reviewing the work of the technical staff.

Formal sign offs or agreements between end users and technical specialists are required as each stages is completed.

Business information systems

With previous definitions of information and systems, we can now define a business information system, as a set of interconnected components, working together to perform data operations such as input, processing, output, storage and control, so that data can be transformed into information that can be used to support forecasting, planning, control, coordination, decision making and operational activities in an organization. In terms of the components that undertake this activity, they can be classified into five basic resources: human, computer equipment, software, communication and data.

Human resources include users and developers of an information system and those who help maintain and operate the system, such as Information System managers and technical assistance staff.

Hardware resources include computers and other items such as printers.

Software resources refer to software and related manuals.

Communication resources include networks, with the necessary hardware and software to support them.

Data resources cover the data that an organization possesses and has access to, such as computer databases and paper files.

In most organizations Business Information Systems (BIS) make extensive use of information technology, such as personal computers. The reasons why computerized BIS have become widespread are evident in their advantages such as speed, accuracy and dependability. They also have a high degree of flexibility due to their ability to be programmed to carry out a wide variety of tasks. There are, however, some disadvantages to BIS such as their lack of creativity that humans possess and the difficulty of incorporating other factors into their decision making such as innovation and intuition.

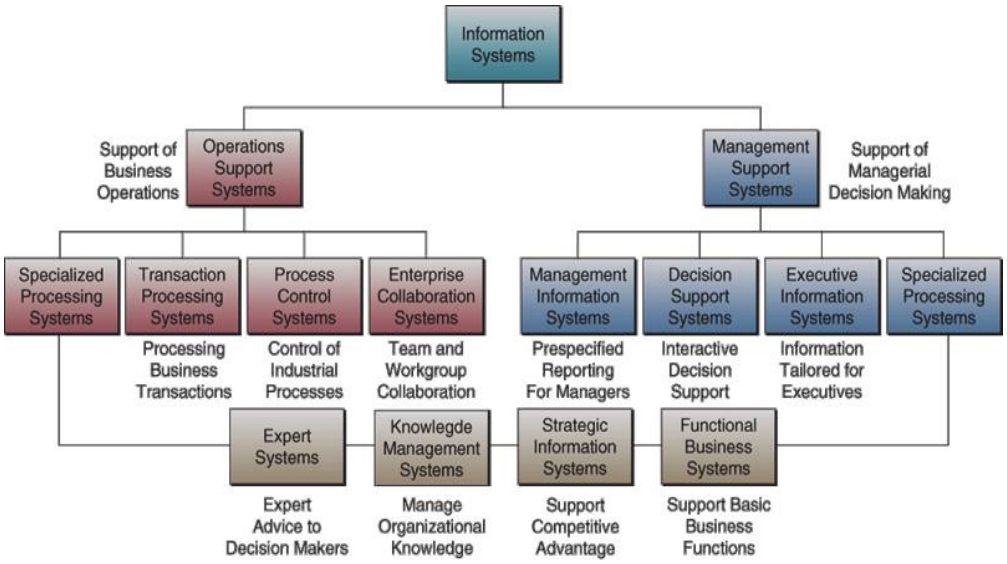
The basic functions of a Business Information System include: supporting business processes and operations, supporting business decision-making, and supporting strategies for securing business advantages over competition.

Types of business information system

Information systems can be divided into two categories of systems that support an organization's day-to-day business activities and systems that support managerial decision making. **Operations Information Systems (OIS)** are generally concerned with process control, transaction processing and communications.

Management Information Systems (MIS) are concerned with providing support to managerial decision making. Recently this division of BIS into operational and management systems, although useful for managers reviewing the types of BIS in use, does not now accurately reflect the reality of systems used within an organization, particularly with the increased use of inter-organizational e-commerce and electronic data interchange (EDI). For example e-business systems and enterprise resource planning systems are cut across both operational and management systems to provide businesses with more integrated information systems.

Types of business information system



Operations support systems

Operations Support Systems - efficiently process business transactions, control industrial processes, support communication and collaboration, refresh company databases. Some of the types of Operations Support Systems include:

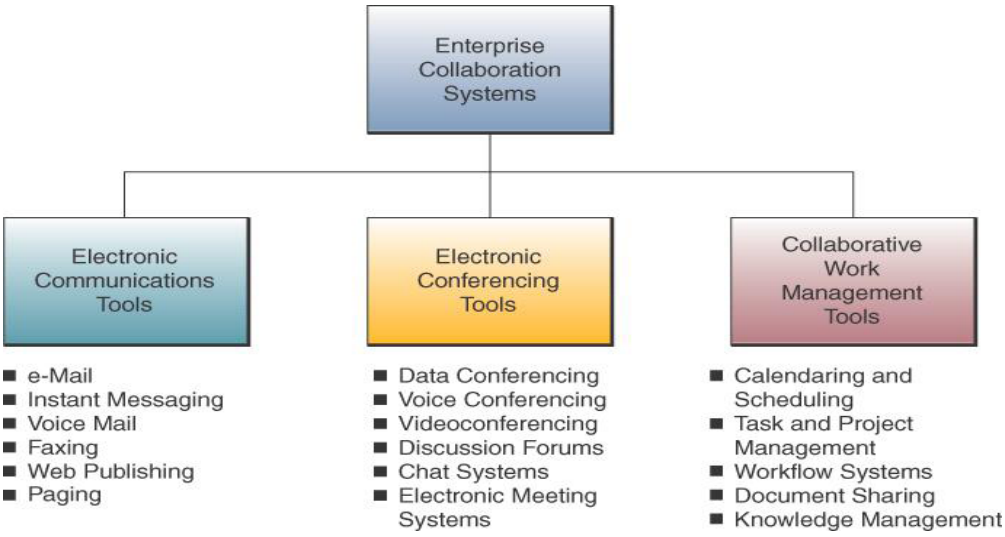
Transaction Processing Systems - record and process business transactions. Examples: sales processing systems, inventory systems, accounting systems.

Process Control System - monitors and controls physical processes. Example: the use of sensors to monitor various processes in the industry.

Enterprise Collaboration Systems (ECS) - ECS are cross-functional information systems that enable teamwork and work groups to enhance communication, coordination and collaboration, facilitate and improve team and inter-group communication.

These systems include - Networked PCs, Servers, Databases and various ECS Groupware (Collaborative software).

Enterprise Collaboration Systems (ECS)



Management support systems

Management Support Systems - provide information in form of the reports, provide direct computer support for managers in decision-making.

Management information system

The purpose of an information system is to collect, store, and disseminate information from an organizations environment and internal operations, to support organizational functions and decision making, communication, coordination, control and analysis, and visualization. Information systems transform raw data into useful information through three basic activities, input, processing, and output.

From a business perspective, an information system represents an organizational and management solution based on Information Technology to a challenge posed by the environment. The information system is part of a series of value adding activities for acquiring, transforming, and distributing information that managers can use to improve decision making, enhance organizational performance, and ultimately, increase firm profitability. Information systems literacy requires an understanding of the organizational and management dimensions of information systems as well as the technical dimensions addressed by computer literacy. Information systems literacy draws on both technical and behavioral approaches to studying information systems. Both perspectives can be combined into a sociotechnical approaches to systems.

The kinds of systems built today are very important for the organizations overall performance, especially in today's highly globalized and information based economy. Information systems are driving both daily operations and organizational strategy.

Powerful computers, software, and networks, including the Internet, have helped organizations become more flexible, eliminate layers of management, separate work from location, coordinate with suppliers and customers, and restructure work flows, giving new powers to both line workers and management. Information Technology provides managers with tools for more precise planning, forecasting, and monitoring of the business.

To maximize the advantages of Information Technology, there is a much greater need to plan the organization's information architecture and information technology infrastructure. Information systems have become essential for helping organizations deal with changes in global economies and the business enterprise. They provide firms with communications and analytical tools for conducting trade and managing business on a global scale. Information systems are the foundation of new knowledge based products and services, in knowledge economies and help firms manage their knowledge assets.

Information systems make it possible for business to adopt flatter, more employees and management. Organizations are trying to become more competitive and efficient by transforming themselves into digital firms where nearly all core business processes and relationships with customers, suppliers, and employees are digitally enabled.

Outputs of a Management Information System

- Scheduled report: produced periodically, or on a schedule;
- Key-indicator report: summary of the previous day's critical activities;
- Demand report: developed to give certain information at someone's request;

- Exception report: automatically produced when a situation is unusual or requires
- Management action;
- Drill-down reports: provides increasingly detailed data about a situation.

Decision support system (dss)

Decision Support System (DSS) is a computer-based information system that supports business or organizational decision-making activities. DSS serve the management, operations, and planning levels of an organization and help to make decisions, which may be rapidly changing and not easily specified in advance. DSSs include knowledge-based systems. A properly designed DSS is an interactive software-based system intended to help decision makers compile useful information from a combination of raw data, documents, personal knowledge, or business models to identify and solve problems and make decisions. There are many definitions for DSS:

- Decision Support System (DSS) are described as Interactive Computer Based Systems, which help decision makers utilize data and modules to solve unstructured problems.
- Keen and Scott Morton stated that Decision Support Systems couple the intellectual resources of individuals with the capabilities of the computer to improve the quality of decisions. It is a computer based system for management decision maker who deal with semi structured problems.
- Earliest definition by Gerritz is one who described DSS as an effective blend of human intelligence, information technology, and software that interact closely to solve complex problems.
- DSS is a coordinated collection of data systems, tools, and techniques with the necessary software and hardware through which an organization gathers and interprets relevant information from the business and environment and turns into information that can be acted upon.

Decision Support System (DSS) - Provide interactive and ad-hoc information support to managers and business professionals during the decision-making process. Example, in what-if analyzes, it helps to determine where to spend advertising funds.

The Distinct Elements of DSS:

- DSS Tools are programs or codes which are the foundations used to create the DSS generators and in turn specific DSS.

- Example Electronic Spread Sheets, 4GLS, RDBMS etc.
- DSS Generators the combination of DSS tools in the computer.
- Specific DSS

Database - The intelligence function develops and coordinates the flow of information from the multitude of external and internal resources. The primary task is to capture the data that can be used with the other components of the DSS to make decisions. A critical objective is to centralize all data in proper form and in sufficient detail so that it is accessible for decision making.

Decision Models - A model may be nothing more sophisticated than a rule of thumb, for example for each percent decline in territorial market share; trade promotion advertising should be increased by 5 percent. Models can be complicated computer drivenmathematical equations. These quantitative and qualitative conceptualize how a system operates. The model ex presses perception as to what data and variables are important and how the variables are related.

Statistics and Manipulation - These aspects of the DSS produce meaningful information by relating the data into the models. The typical operations involve segregating numbers into groups, aggregating them, taking ratios, ranking them, plotting them, making tables and so forth. General managerial models preform a profit and loss statements, budgetstatements, forecasting statements etc. and more Complex models marketing mix planning,, product portfolio analysis, new product tracking are aspects of data analysis in this process.

Display - this is the interface between the business manager and the DSS.

DSS Task Environment

Tasks of DSS has four dimensions

- Degree of Structure designed to address unstructured or semi structured problems.
- Level of Application applied at all three levels of management, that is,
  - Operational control
  - Managerial control
- Strategic planning
- Phase of Decision Process involves three primary phases, namely,
  - Intelligence gathering
  - Alternative development
  - Choice
- Recurrence both for regular task and once in a while tasks.

Executive support system (ESS)

Executive Support System (ESS) - Supports the information needs of very senior executives by summarizing and presenting data at the highest level of aggregation.

Usually ESSs involve presenting reports in standard formats, and they often involve graphic characteristics of an ESS.

The primary goal of an ESS is to obtain data from a variety of sources, integrate and aggregate that data, and display the resulting information in an easy to use comprehensive format. The characteristics of an ESS are:

- Graphical
- Easy-to-use interface
- Broad, aggregate perspective
- Able to expand detail
- Provides context
- Integrates many sources of data
- Timeliness crucial

Pointing devices and touch screens are often used. The goal is to require as little knowledge and skill on the part of the executives as possible.

ESS provides broad, highly aggregated information. At the same time, they can show further detail when, for example, an executive sees something that seems curious and wants to know the underlying data.

Executives are looking for differences that make a difference. Therefore, they want to see information within a context. Because executives have broad span of interest, an effective ESS must integrate many sources of data. And since executives typically need to respond rapidly to changing circumstances, timeliness is crucial. Information that is even a week old is often not useful.

As shown below ESS accepts data from all the other types of information systems. It also accepts input from personnel who support the executive, such as administrative assistants.

Other information systems

Database Systems

The purpose of a database is to keep track of things. Databases can exist on paper, for example a telephone directory, but are inefficient and costly to maintain. A computer-based database offers the advantage of powerful search facilities which can be used to locate and retrieve information many times faster than by manual

methods. An electronic database provides facilities for users to add, amend or delete records as required. Indexing features mean that the same basic information can be stored under a number of different categories. This provides great flexibility and allows users to locate, retrieve and organize information as needed. Databases used throughout a company are usually accessed by many different users across a network system. Some of the advantages of this approach include minimizing the unnecessary duplication of information, consistency is maintained by ensuring any changes made to the information held in the database are reflected to all users and although information is held in a structured manner, the database software will normally provide sufficient flexibility to meet the different requirements of individual users and departments.

Expert System

Expert System: are a specialized type of information system which provides advice and assistance on semi-structured problems. An expert system uses reasoning to render advice, make recommendations, or diagnose problems. To do this, the expert system processes input data against a knowledge base. In most expert system today, the knowledge base consists of a set of rules. For example, one organization uses an expert system to make recommendations to employees about the cost – effective means of shipping parcels. The user inputs size, weight, destination, and time constraints into the expert system. The system processes this data against a knowledge base of rules that tells which companies handle specific sizes of shipments, under what time constraints and at what costs. Thus, the system can make a recommendation about the most cost-effective transportation means. An expert system encodes knowledge that can take a human several months, years, or even decades to learn. The shipping advisor system, for instance, contains knowledge that shipping clerks normally require several months to learn. Using this expert system, new employees can be productive far more quickly. Also, when experienced and seasoned employees are promoted or otherwise leave the department, the benefit of their knowledge is retained, since it has been incorporated into the rule base. The term expert system may be misleading. Most systems today do not possess the capability of a true human expert. It might be better to think of these systems as knowledge helpers and encodes than as true experts.

Knowledge Management Systems

Knowledge Management Systems - supports the creation, organization and dissemination of business knowledge across the company.

Example: access to best business practices through the intranet

Strategic Systems

Strategic Systems - help find strategic advantages for consumers
Examples: shipment tracking, Web systems, e-commerce

E-commerce

A common activity associated with e-business is e-commerce which can be described as using technology to conduct business transactions, such as buying and selling goods and services. However, e-commerce involves more than merely conducting electronic transactions; it also encompasses a wide range of associated activities, such as after-sales support and even logistics. E-commerce activities can be broken down into five basic types:

- Business-to-business (B2B). Transactions take place between companies. Approximately 80 per cent of all e-commerce is of this type.
- Business-to-consumer (B2C). Companies sell products directly to consumers. B2C can involve activities such as product research (where consumers gather information and compare prices) and electronic delivery (where information products are delivered to consumers via e-mail or other means).
- Business-to-government (B2G). Transactions take place between companies and public sector organizations.
- Consumer-to-consumer (C2C). Transactions take place between private individuals. Perhaps the best examples of C2C commerce are online auction sites and peer-to-peer systems.
- Mobile commerce (m-commerce). M-Commerce is a relatively new development and involves selling goods or services via wireless technology, especially mobile phones.

Business Functional Systems

Business Functional Systems - focuses on the operational and managerial applications of the core business functions. There are several types of information systems that support certain business functions, such as: Accounting, Finance, Marketing, Operations Management and Human Resource Management.

Accounting Information Systems

Accounting Information Systems - are the oldest and most used business information systems. These systems record and report business transactions and economic events, produce financial statements, forecast future conditions.

Typically they focus on order processing, inventory control, accounts receivable, accounts payable, payments and ledger systems.

Financial Information Systems

Financial Information Systems - Information regarding flow of finance in an organization. All organization has some kind of financial information system; this category of information is the flow of finance/money throughout the organization, and if they are designed correctly, the profitability and responsibility accounting systems follow the organizational structure. These systems involve large amount of data concerned primarily with historical and internal, although in some areas of financial planning, the system provides the futuristic look associated with planning. Budgeting is wholly futuristic. Some of the subsystem are:

- Financial Planning
- Cost Accounting
- General Ledger
- Asset Accounting
- Budgets
- Accounts Receivable/payable
- Payroll

Periodically, management approves some type of financial plan (the master budget) that assigns responsibility for maintaining incomes, investments, and costs within standard limits. This plan then becomes the basis for periodic reports on performance against plan, and these reports become the device by which control is exercised. Major problems in such a system involve:

- Determining equitable standards of control;
- Determining when action is required; and
- Obtaining rapid, up-to-date information on variances.

It is unlikely that the automation of financial records will decrease the problems associated with the first two attributes. It will, however, materially assist in speeding up reporting.

The financial system is probably the most important single management information system in the company, and in most companies it is the oldest and best developed. The major concern associated with this system is a vital tool for operating and planning. Moreover, the financial system has a very significant impact on other information systems when one considers that the ultimate common denominator of many operating decisions is the money.

Example – Billing

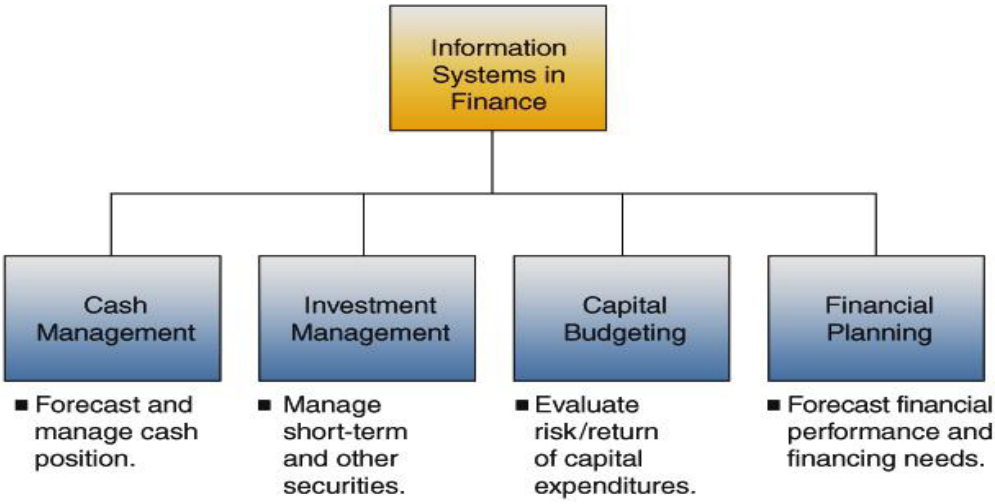
Billing is perhaps the most widely used data processing application.

Despite the fact that the preparation of invoices is often viewed as a somewhat casual clerical function, the speed and accuracy of the operation can have a significant impact upon cash flow as well as customer goodwill. Additional advantages include clerical savings, timelier Processing, the release of high-speed employees for other functions, and the flexibility to absorb additional work load during times of increased growth. Objectives:

- Provide Input to other Subsystems
- Improve cash flow
- Maintain customer goodwill
- Timely invoice processing
- Keep salesmen informed

Other systems which receive information from it are:

- Accounts receivable
- Sales analysis
- Tax reports
- Commission statement
- Shipping documents
- Inventory



Example of Financial Management System

Marketing Information System

The basic areas of the marketing function that lend themselves to improvement through information systems include:

- Forecasting/sales planning
- Market research
- Advertising

Operating and control information required to manage the marketing function, i.e., sales report, distribution cost reports etc.

A well-developed marketing information system will help manager make better decisions about:

- Pricing
- Advertising
- Product promotion policy
- Sales force effort, etc.

It requires both internal information, like sales report and external information like feedback from the market place. In fact the effectiveness of marketing information system depends to a large extent on feedback from the market place to the firm, so that the firm can judge the adequacy of its past performance as well as appraise the opportunities for new activities. ***Example - Interactive Marketing***, is a client-focused marketing process, utilizing Internet, intranet and extranet networks. Creates two-way communication lines between a business and its customers or potential customers.

Purpose: to make good use of networks to attract and retain customers, to use customer feedback as a guide in improving and creating products and services.

Logistics Information System

Logistics Information System (Production/ Operation Information System) - Concerned with the information about physical flow of goods/services. It covers such activities as:

- Production planning and control
- Inventory control and management
- Purchasing
- Distribution
- Transportation

The logistics information system gives information about:

- Development of product/services
- Cost savings
- Management improvement

An examination of this area leads to the design of related and integrates subsystems throughout the company. Examples:

a. Purchasing:
Objectives:

- Determining Economic Order Quantity (EOQ) to buy. Reduce clerical costs.
- Monitor buyer performance.
- Identify high volume vendors to negotiate higher discounts.
- Determine supplier performance by identifying late deliveries and poor quality.

b. Materials Planning:
Objectives:

- Plan and control parts from a predetermined production schedule.
- Reduce the time and costs of determining and ordering material requirements. Allow no disruptive changes to production schedule.
- Forecast changes in material requirements resulting from production schedule change.

c. Capacity Planning and Operations Scheduling:
Objectives:

- Evaluate alternatives of subcontracting or overtime to meet delivery dates.
- Identify orders to be rescheduled to level the load.
- Forecast time and location of equipment and tooling needs.
- Compute start dates for shop orders to meet delivery dates.
- Forecast skills and trades required.
- Forecast order release dates.

Human Resource Information Systems (HRIS)

HR Technology shape an intersection between human resource management (HRM) and information technology. It merges HRM as a discipline and in

particular its basic HR activities and processes with the information technology field. The function of Human Resources departments is generally administrative and common to all organizations. Organizations may have formalized selection, evaluation, and payroll processes.

The HR function consists of tracking existing employee data which traditionally includes personal histories, skills, capabilities, accomplishments and salary. To reduce the manual workload of these administrative activities, organizations began to electronically automate many of these processes by introducing specialized Human Resource Management Systems. Due HR executives rely on internal or external IT professionals to develop and maintain an integrated HRMS.

The Human Resource Management System generally encompasses:

- Payroll
- Work Time
- Benefit administration
- HR Management Information System
- Recruiting
- Training / Learning Management System

The Payroll module automates the pay process by gathering data on employee time and attendance, calculating various deductions and taxes, and generating periodic pay cheques and employee tax reports. Data is generally fed from human resources and time keeping modules to calculate automatic deposit and manual check writing capabilities. This module can encompass all employee-related transactions as well as integrate with existing financial management systems.

The Work Time gathers standardized time and work related efforts. The most advanced modules provide broad flexibility in data collection methods, lab distribution capabilities and data analysis features. Cost analysis and efficiency metrics are the primary functions.

The Benefits Administration module provides a system for organizations to administer and track employee participation in benefits programs. These are typically encompass insurance, compensation, profit sharing and retirement.

The HR management module is a component covering many other HR aspects from application to retirement. The system records basic demographic and address data, selection, training and development, management capabilities and skills, compensation planning records and other related activities.

Leading edge systems provide the ability to "read" applications and enter relevant data into applicable database fields, notify employers and provide position management and position control.

Human resource management function involves the recruitment, placement, evaluation, compensation and development of employees of an organization. Initially, businesses use computer based information system to:

- Produce pay checks and payroll reports;
- Maintain personnel records;
- Pursue Talent Management.

Online Recruiting has become one of the primary methods employed by HR departments to garner potential candidates for available positions within an organization. Talent Management systems typically encompass:

- Analyzing personnel use within an organization;
- Identifying potential applicants;
- Recruiting through company-facing listings;
- Recruiting through online recruitment sites or publications that market to both recruiters and applicants.

Significant cost incurred in maintaining an organized recruitment effort, cross-posting within and across general or industry-specific job boards and maintaining a competitive exposure of benefits has given rise to the development of a dedicated Applicant Tracking System, or 'ATS' module. The 'Training Module' provides a system for organizations to administer and track employee training and development efforts. The system, normally called a Learning Management System if a standalone product, allows HR to track the education, qualifications and skills of its employees as well as developing what training courses, books, CD, web based learning or materials are available to develop which skills . Courses can then be offered on specific dates, with delegates and training resources being mapped and managed within the same system. Sophisticated LMS allow managers to tailor training, budgets and calendars along with performance management and appraisal metrics. Many organizations have gone beyond traditional functions and developed human resource management information systems that support recruitment, selection, hiring, job placement, performance appraisals, employee benefit analysis, health, safety and security, while others integrate an outsourced Applicant Tracking System that encompasses a subset of the above.

Office automation system (oas)

These systems create, store, modify, and process inter personal communications, whether in written, verbal, and video form.

The prevalence of microcomputers in offices, along with a veritable explosion in new communications, computers, and storage devices has caused fundamental changes in the ways that business people communicate. At first, computer systems were used as word processors. Over time, interconnected computers let users share *word processing files* and messages electronically. Today a wide variety of OAS exists.

With *electronic mail systems,* business people create and send messages to one another.

On *electronic bulletin boards*, files are essentially electronic posts on which people can leave public messages. Today these systems have become more useful because high quality graphics can be included in the messages.

Facsimile (Fax) machines have been improved and reduced in cost, so documents containing text, illustrations, and graphics can be communicated over telephone lines. Personal computers can both send and receive faxes, if they are properly equipped.

In parallel with these developments, computer technology has improved voice message systems. Business telephones are connected to sophisticated private branch exchange (PBX) systems - computer based *switch boards* that not only support voice mail but also flexible call forwarding, telephone conferencing, and the like.

In addition, companies in document intensive industries such as insurance have developed image processing systems in which documents are *scanned* to produce an *electronic image* of every document it receives. Each image is coded with date, time, critical numbers (such as customer number, invoice number and the like), and comments.

When a customer calls regarding insurance claim, the agent is able to electronically access all data and correspond about that claim.

Collaborative writing systems enable groups of people to work together, in parallel, in the development such as proposals. Participants use the system both to contribute their work and to review the work of others as it is developed.

Finally, large organization use *video conferencing* to let people communicate face to face without traveling. At first, such capabilities were used to connect key executives in two or three locations. Recently such systems have been used to connect thousands of people to see and hear the presentation.

Most of these systems have been developed in isolation from each other.

Multimedia systems, appearing today, create message that are composite of the separate capabilities text, drawings, images, data, voice, and motion video. In some systems, messages are not limited to elements physically stored at any one site. Instead, they are created on demand from data assembled from many sites.

OASs and New Human Capabilities

Doug Englebert one of the pioneers in OASs, predict that the real power of such systems will not be realized by improving our productivity in working as we do today. Rather, the *greatest benefit will be to let people think, communicate, and work together in new ways.* OASs can change the way people view, conceptualize and solve problems.

Types of OAS Resources

- Word Power - Creates documents electronically
- Electronic Mail - Sends and receives messages electronically
- Electronic Bulletin Board - Posts electronic notices
- Facsimile (Fax) - Sends documents over telephone lines
- Voice Mail - Supports voice mail boxes, provides sophisticated telephone facilities
- Image Processing - Enables online access to pictures and documents
- Collaborative Document Processing - Enables groups to share the drafting of documents
- Video Conferencing - Communicates face to face without traveling
- Multimedia - creates composite documents and messages

For example, in hypertext systems, text, illustration, graphics, data, programs, audio, and video can be integrated into electronic documents. Users can read such a document sequentially or at random just as books can be read.

In OAS the media involved are so disparate (computers, telephones, television screens, coy machines, graphics plotters, audio equipment etc.) that no single chart can show any one over all architecture. In addition, specific applications are selected to meet the needs of particular companies and workgroups, and they may change over time. The needs of an architectural firm, the technical writing group of a software house, and the operations management group for a shipyard are significantly different, and OAS application must be selected to meet each set of needs.

Reasons to Study Information Systems

Instead of conclusion, we present some facts about information systems, which give us a basic justification for the importance of their study.

As stated above:

The Information System is a large functional business area, an important

contributor to operational efficiency, employee productivity and customer service. It is a great source of information and decision support, vital player in developing competitive products and services in the global market, dynamic opportunity and career challenging, key component of today's integrated business network!

Most businesses today have limited, defined objectives, and they deliver measurable value within strongly imposed structures and rules, but because of their close coupling to unstable markets, they are subject to radical change. They contend with unnatural time scales, unexpected innovations from competitors, shifting markets, and severe mismatches of internal and external pace.

Better, timely, accurate and *just the right* knowledge is what it takes to make strategic decisions that keep such businesses ahead of their competition.

Consequently, the most efficient use of the opportunities offered by the development of information technology today, we can give consistency and greater security of the local business participation in the global competitive market!

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