

# THE ROLE OF INFORMATION TECHNOLOGY IN BUSINESS GROWTH PERFORMANCE IN KOSOVA

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## Abstract

*As a result of rapid development of information technology and its fast application in the economy and business processes, it has come to the transformation of industrial society to information society while the information society is the new feature of human civilization, where services have become universal and increased the role and importance of information and knowledge.*

*Today the economy is transformed from the classical model in a new model known as the "knowledge economy" or "global economy". In terms of the knowledge economy in order to create competitive advantage, businesses must be innovative in information technology since information technology has become an integral part of organizational strategy and planning processes and the way to create and enhance competitiveness.*

*Given current trends in the computerization of enterprises worldwide scale is imperative that Kosovo enterprises to transform into computerized enterprise.*

**Keywords:** *information technology, business processes, enterprise, knowledge, competitive advantage.*

## 1. INTRODUCTION

As a result of the rapid development of information technology and its very fast application in the economy and business processes became the transformation of industrial society to information society and society of information is a new feature of human civilization, where services have become universal and increased the role and importance of information and knowledge.

Today the economy is transformed from the classical model of economics to a new model known as the "knowledge economy" or "global economy". In terms of the knowledge economy has to created a competitive difference between companies, they must be innovative in information technology because information technology has become an integral part of organizational strategy and planning processes and the way to create and enhance competitiveness.

In the XXI century enterprises operating in a competitive business environs, in terms of computerization and information technology application.

Therefore, those should be able to react fast to changes that may occur in the vicinity which could threaten their existence. Companies today are constantly under pressure of competition and are forced to walk in step with the competition to secure existence in the global markets. Even in Kosovo, under the new economy<sup>2</sup> and present process of globalization the link between different companies and observed trends are increasing use of information technology, computerization of enterprises and the growth business in collaboration between business partners with the customer.

Given current trends of information of enterprises in global scale are imperative of the Kosovo's enterprises to transform into computerized enterprise and focus on achieving their economic sustainability. Actual processes of business development in global scale clearly show that sustainable economic development in time which we live comes from their ability to be innovative in

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<sup>2</sup> According to Don Tapscott new economy or the global economy is nothing more than trade in goods, services, working capital and information. For more see: Group of Authors (1998): Selected topics from informatics. Prishtina, 1998.

business processes to gain competitive edge, which is included in terms of better management and achieve success and prosperity in longer period of time.

This is a challenge for many businesses, even for businesses in Kosovo, they need new information technology whose their data processing must be based on the computer, SMEs and their computer systems must be able to respond quickly and timely with market requirements and necessary changes in the organizational structure of business in order to increase their competitiveness. Business in world has changes every day for that needs growth and development information. At the same time computing systems needs to support growth and development.

## **2. THEORETICAL ASPECTS OF THE COMPUTERIZATION OF ECONOMIES**

Computerization of the economy indicates the level of using computers to perform business activities. Computerization of the economies of most developed countries is the result of a very high rate of growth of manufacturing in electronics and huge investment in these devices. In global proportions almost all countries have the features of information societies.<sup>3</sup> More significant are: the U.S., Japan and Germany which invest many times more per capita on computer equipment than other developed countries. Increasing productivity and reducing costs in developed countries comes from computerized production and investment in robotics and in computerization of administrative tasks. Selection technology today helps companies to provide competitive advantage in all stages of business life cycle.

Today, businesses are using information systems and information technology<sup>4</sup> to improve efficiency and effectiveness of business processes to support the decisions and cooperation in the group. In global proportions there be found some examples of successful companies that use this technology. On this occasion we can mention two of them: American Airlines, which create an entirely new business from the previous one by introducing elements of information technology in their services and Baxter Company from using information technology also they were able to create competitive advantage in global markets in the area in which they operate with their activities.

Using information systems as a factor of efficiency and success of a business has contributed for enterprise to have better position in global market. Computerization system is organized as combination of people, hardware, software, network communications, databases and procedures. These components are organized as a whole unique concept which have to help supporting businesses to create competitive advantage and to support the decision making process to provide support business in operational processes.

Most of today's products derive from the SME and the greatest number of opportunities for employment is also created by SMEs. Taking this into account during the last fifteen years in Kosovo was established a significant sector of SMEs which shows a large dynamic registration of new businesses especially in the first three years of the early nineties and after the war. Distribution of SMEs in Kosovo can be viewed in three stages:

- The first phase from 1991 until 1993
- The second phase from 1994 to 2000
- The third phase from 2001 -.

As a result of all this is necessary these enterprises to create an enabling environment to conduct their business.

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<sup>3</sup> Information Society is a new feature of human civilization, where universal service and equality of access to information along with the developed infrastructure systems and electronic communications contribute to sustainable socio-economic development, alleviating poverty and providing the best life standard.

<sup>4</sup> We learn and use IT because it is the vital component of business success and it helps to businesses expand and to compete with competitors.

### 3. EFFECTS OF COMPUTERIZATION OF THE BUSINESS OF SMES IN KOSOVO

Small and medium enterprises in Kosovo have started their development in the early 1990's. However due to the constant pressure on them by the regime they did not mark a significant development. Their rapid development started only after 1999 when it also began to become the main generator of employment and overall economic development of the country.

86.000 enterprises was the number of SMEs registered on March 31, 2008<sup>5</sup> this is one of the best evidence of the importance of this sector. The trend of establishing new SMEs in the economic development of our country according to the statistics shows a high degree of 7% from year to year and continue and into 2008. In the first quarter of 2009 is viewed a increasing interest in establishing new SMEs. The importance of these enterprises is even greater when it is known that over 98% are micro enterprises that employ from 1 to 9 workers.<sup>6</sup>

Despite positive achievements in recent years, the business environment and their surroundings the business in Kosovo still needs to improve, creating more favorable conditions for development and increase their competitiveness by eliminating barriers that private sector is facing the last decade. Computerization of the enterprises is the main way to increase their ability to compete in the global market. The world economy has changed radically, especially due to the rapid development and rapid application also information technology. To survive in global market conditions where there is high competition where the product life cycle is short and where there is a huge diversity of products and services companies it is necessary to apply this technology. It is encouraging fact that the development of information technology in Kosovo's SMEs every day is increasing. This is the best view because the Kosovar business has already realized that the exploitation and the use as soon as possible of this technology creates competitive advantage compared to the competition. They have realized that information technology and its use is the key to success which opens the door towards the future. The globalization of the economy and open competition will be the push for better organization of the production process and increasing demand for relevant software SMEs in Kosovo. Computerization of enterprises create lot of opportunities to contact quickly and directly with business of different countries and regions it has created new business performance and opened a better opportunity for development of various application of software which helps SME to communication wider and easier.

In general, SMEs in Kosovo, mostly uses the Internet to do business transactions, to introduce price lists and types of goods and services on their web-sites, to make orders for goods on-line, to collect information from all areas of different socio-economic activities, to exchange electronic mail with all those who are connected to the Internet, here we think especially for associates and external consultants who are in different universities of the world, to discuss various topics that are developed on the Internet right now that are related to their business activity to pick up various programs and documents relevant to their activities, etc.. Also, personnel working staff respectively to attend different schools on-line, to read and follow the news from around the world etc..

Given the rapid dynamics of development and application of information technology and communications, Kosovo's enterprises tend to adapt to global business environment that presents a real challenge especially if we consider that the Kosova market is limited size. Thus, restructuring can be done only through development that aims to replace imports with local products and export

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<sup>5</sup> 51,258 nga këto biznese janë të vogla dhe të mesme, të tjerët janë biznese individuale (dyqane, kafene, restorante, etj) që nuk kanë karakter të ndërmarrjes.

<sup>6</sup> The ownership structure also confirms their importance in terms of employment where near 92% is individual businesses, while 4.1% are limited liability companies. However, concern remains watching business structure in terms of their economic activity, given that only 17% of them are engaged in productive activities, most of them in the food industry (9.4%) and construction ((5.4) and in agriculture only 1.8%. On the other hand almost half of businesses (47.4%) engaged in wholesale and retail trade, 13.4% with transport services, 9% in catering and tourism, etc.. a direct consequence of this is the unfavorable structure of trade exchanges the country where the degree of coverage of imports by exports is only 6.4% according to data for 2007.

promotion. The importance of SME informatization in Kosovo, illustrated by the fact that the average export in 2008 is significantly higher in computerized enterprises compare with those that are not computerized.

It is important to note that enterprises in Kosovo are the initial stage of development of electronic business transactions via the Internet. Over 46% of SMEs conduct business transactions with each other (Business to Business-B2B), while over 35% of them conduct business transactions with the customer (B2C business-to costumers).

According to research on the development of SMEs in Kosovo since (2008), shows that over 70% of SMEs are equipped with computers that makes us realize that Kosovar business understand the importance of using computer technology and information in business processes and changes which bring the use of this powerful tool of our time. Research has also shown that in addition to increasing the number of SMEs that possess computer, from year to year has increased the average availability of computers for an enterprise. In 2008 (6.7 computers) in comparison with 2003 (4.8 PCs) increase is about 40%. While, as to which sector is more computerized research data show that the trade marks the highest percentage (40%), followed by services sector (34.5%) and manufacturing (25.5%).

Tab. 1. Show using Computer by SMEs in Kosovo

	2005 (%)	2008 (%)
Financial Evidence	41.6	33.8
Planning	13.7	14.2
Word processing	14.5	16.0
Market research	14.2	14.2
Leadership production	6.8	10.4
Quality control	5.0	6.6
For something else	4.3	4.6
Total	100.0	100.0

Initially small and medium enterprises have used computer for financial records and as a text processor. Today, the use of computers by SMEs is a qualitative change. In particular, there is a positive dynamic of using computers in the past three years in market research and planning (14.2%). Also, the positive trends recorded using computers for production management (10.4%) and for quality control (6.6%)

#### 4. Conclusion

SMEs are an important factor of economic development because it easily withstands shocks from the market, have close relationship with the customer, are flexible to changes, commit resources and capital at the local level, have great affinities to transition from one program to another, create rapid employment. Effects may be organized according to different shapes and create effects in the implementation of rapid technological innovation, the importance of private economy can best be illustrated by its participation in the social product.

Therefore Kosova enterprises should know that in an economy which is undergoing changes every day, adapting to this new environment and in global markets presents a challenge for them to have to be able to afford. Industry should be restructured and internationalize as soon as possible. Given that the Kosova market is of limited size, restructuring can be done only through development

that aims to export, taking into account the challenges and opportunities offered by the digital economy. This is a scenario that Kosovo as a small state and its enterprises have to face and overcome.

Kosovo SMEs are obviously well equipped with computerization of offices, but they should do more to try to modernize the way of communication, with a view to increasing competition outside national borders. The computerized SMEs are considered as a main driver for innovation, employment and social and regional integration.

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