THE REFORMING PROCESS OF ALBANIAN PENSION SYSTEM

LEGAL ENVIRONMENT OF BUSINESS TAXATION IN ALBANIA

THE CONCESSIONS AND FOREIGN DIRECT INVESTMENT IN TRANSITION ECONOMIES - NEW LEGAL AND INSTITUTIONAL ENVIRONMENT. A COMPARABLE WITH THE INTERNATIONAL STANDARDS ANALYSIS OF CONCESSION

WOMEN IN LEADERSHIP AND GENDER EQUITY IN ALBANIA - THE CASE OF VLORA REGION

TOURISM IN PREFECTURE OF VALONA AS A NEW ATTRACTIVE DESTINATION IN MEDITERRANEAN REGION. AN SWOT ANALYSIS AND ITS MARKETING

THE RELATIONSHIP BETWEEN INFORMATION TECHNOLOGY (IT), ORGANIZATIONAL LEARNING, FIRM INNOVATION AND FIRM PERFORMANCE THE CASE OF ALBANIA

THE EFFECTS OF INFORMATION TECHNOLOGY AND ELECTRIC COMMERCE IN SMALL TO MEDIUM –SIZED ENTERPRISES

AN EMPIRIC STUDY ON DIMENSIONS OF ALBANIAN CULTURE IN INTEGRATION SETTING. A COMPARATIVE ANALYSIS BETWEEN ALBANIA AND MACEDONIA

AN ANALYSIS OF FOREIGN TOURISM DEMAND FOR ALBANIAN DESTINATIONS

STRATEGIES FOR DEVELOPING DOMESTIC TOURISM: A SURVEY OF KEY STAKEHOLDERS IN NAMIBIA
EDITORS

**Western Europe**

Professor Barry J. Davies  
Professor of Marketing, University of Gloucestershire, UK  
b.davies@glos.ac.uk.

**The Rest of the World**

Professor Claudio Vignali  
Arnold Ziff Chair in Retailing, Leeds Metropolitan University, UK  
c.vignali@leedsmet.ac.uk

**Central Europe**

Professor Tihomir Vranesevic  
The Graduate School of Economics, The University of Zagreb  
tvranesevic@efzg.hr

EDITORIAL BOARD

Dr. Leo Dana  
University of Canterbury, New Zealand  
leo.dana@canterbury.ac.nz

Professor Alberto Mattiacci  
Professor of Retailing and Marketing, The University of Sienna, Italy  
mattiacci@unisi.it

Dr. Hans-Rüdiger Kaufmann  
University of Nicosia, Cyprus  
kaufmann.r@unic.ac.cy

Professor Dr. Jürgen Polke  
Virtual University of Munich, Germany  
jurgen.polke@fhv.at

Professor Carlo A. Pratesi  
Professor of Retailing Marketing, University of Urbino, Italy  
capbox@tin.it

Professor Brenda Sternquist  
Professor, International Retail Management, Michigan State University, USA  
steinqui@msu.edu

Dr. Tomasz Wisniewski  
The University of Szczecin Poland  
t.wisniewski@univ.szczecin.pl

Professor Irena Neganova  
Ural Sate University, Russia  
irena-neganova@andex.ru

Dr Ulrich Scholz  
Fontys Fachhochschule, Nederlands  
u.scholz@fontys.nl

Professor Sanda Renko  
Graduate School of Economics Zagreb, Croatia  
srenko@efzg.hr

Professor Lutz Sommer  
University of Abt, Germany  
sommer@hs-alsib.de

Dr. Jantima Banjongprasert  
Silpakon University, Thailand  
jantima@su.ac.th

Professor Vitor Ambrosio  
University of Estoril, Portugal  
vitor.ambrosio@esthe.pt

Professor Bernd Britzelmaier  
Pforzeim University, Germany  
bernd.britzelmaier@hs-pforzheim.de

Professor Nirmaalya B Biswas  
Bangalore Management Academy, India  
nirmaalya@bmaindia.com

Professor Ihn Hee Chung  
Kumoh Institute of Technology, South Korea  
ihnhlee@kumoh.ac.kr

Professor Gianpaolo Basile  
University of Salerno  
gibasile@unisa.it

Professor Marija Tomasevic  
Graduate School of Econcomics, Zagreb, Croatia  
lisanin@efzg.hr

Dr Carsten Bartsch  
FH Vorarberg, Austria  
carstenbartsch@fhv.at

PRODUCTION EDITOR

Gianpaolo Vignali  
Manchester Metropolitan University, UK  
g.vignali@mmu.ac.uk

www.ijmc.org

www.circleinternational.co.uk

ISSN 1741-6264

International Journal of Management Cases is published by:

Access Press UK,  
1 Hillside Gardens,  
Darwen,  
Lancashire,  
BB3 2NJ  
UK

Copyright © Access Press UK
Subscription Fees

2010 subscriptions are available in a number of major currencies. Exchange rates and prices will be held throughout 2011.

Subscription fees per volume are:

$US 300  £Stg 150  $Aus 370
€ 210  SFr 345  ¥ 33,740

Individual journal editions can be purchased at the following prices:

10 Journals @ £15 per journal
20 Journals @ £10 per journal
50 Journals @ £7 per journal

Subscription information is available from the Publishers at:

Access Press UK
1 Hillside Gardens
Darwen
Lancashire
BB3 2NJ
UK
+447815737243

Reproduction Rights

The publishers of the International Journal of Management Cases have granted, free of charge, unlimited photocopying and other reproduction rights to subscribers, for teaching and study use within the subscribing organization. Authors may also photocopy or otherwise reproduce their particular case from International Journal of Management Cases, subject to an acknowledgement of publication and copyright details.
# Contents

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>THE REFORMING PROCESS OF ALBANIAN PENSION SYSTEM</td>
<td>5</td>
</tr>
<tr>
<td>BERNARD DOSTI</td>
<td></td>
</tr>
<tr>
<td>LEGAL ENVIRONMENT OF BUSINESS TAXATION IN ALBANIA</td>
<td>13</td>
</tr>
<tr>
<td>KRISTAQ GJYLI</td>
<td></td>
</tr>
<tr>
<td>THE CONCESSIONS AND FOREIGN DIRECT INVESTMENT IN TRANSITION ECONOMIES - NEW LEGAL AND INSTITUTIONAL ENVIRONMENT. A COMPARABLE WITH THE INTERNATIONAL STANDARDS ANALYSIS OF CONCESSION</td>
<td>19</td>
</tr>
<tr>
<td>ARGITA MALLTEZ</td>
<td></td>
</tr>
<tr>
<td>WOMEN IN LEADERSHIP AND GENDER EQUITY IN ALBANIA - THE CASE OF VLORA REGION</td>
<td>29</td>
</tr>
<tr>
<td>HELGA VUKAJ &amp; ARGITA BERISHA- MALLTEZ</td>
<td></td>
</tr>
<tr>
<td>TOURISM IN PREFECTURE OF VALONA AS A NEW ATTRACTIVE DESTINATION IN MEDITERRANEAN REGION. AN SWOT ANALYSIS AND ITS MARKETING</td>
<td>37</td>
</tr>
<tr>
<td>ARGITA BERISHA- MALLTEZ &amp; LILJANA ELMAZI</td>
<td></td>
</tr>
<tr>
<td>THE RELATIONSHIP BETWEEN INFORMATION TECHNOLOGY (IT), ORGANIZATIONAL LEARNING, FIRM INNOVATION AND FIRM PERFORMANCE THE CASE OF ALBANIA</td>
<td>52</td>
</tr>
<tr>
<td>ELSA GEGA &amp; LILJANA ELMAZI</td>
<td></td>
</tr>
<tr>
<td>THE EFFECTS OF INFORMATION TECHNOLOGY AND ELECTRIC COMMERCE IN SMALL TO MEDIUM –SIZED ENTERPRISES</td>
<td>62</td>
</tr>
<tr>
<td>LILJANA ELMAZI &amp; REJLA BOZDO</td>
<td></td>
</tr>
<tr>
<td>AN EMPIRIC STUDY ON DIMENSIONS OF ALBANIAN CULTURE IN INTEGRATION SETTING. A COMPARATIVE ANALYSIS BETWEEN ALBANIA AND MACEDONIA</td>
<td>70</td>
</tr>
<tr>
<td>ELONA NAZARI</td>
<td></td>
</tr>
<tr>
<td>AN ANALYSIS OF FOREIGN TOURISM DEMAND FOR ALBANIAN DESTINATIONS</td>
<td>77</td>
</tr>
<tr>
<td>ELSA GEGA &amp; LILJANA ELMAZ</td>
<td></td>
</tr>
<tr>
<td>STRATEGIES FOR DEVELOPING DOMESTIC TOURISM: A SURVEY OF KEY STAKEHOLDERS IN NAMIBIA</td>
<td>82</td>
</tr>
<tr>
<td>JORAM NDLOVU, ELIAS NYAKUNU &amp; ERNIE T. HEATH</td>
<td></td>
</tr>
</tbody>
</table>
Abstract

Reforming pensions is a central policy issue in developed and developing countries alike. However, it is challenging and controversial because it involves long-term planning by governments faced with numerous short-term pressures. Pension reform usually provokes heated ideological debates and, often, street protests.

The pension system is the largest element of the social insurance system, both in terms of revenues and in terms of expenditures. As such, this paper is focuses on the pension system.

The pension system in Albania faces many problems, not the last of which is an extremely high contribution rate, among the highest in Europe. The benefits of this system were to be financed through payroll contributions, assessed on both employer and employee, but in differing degrees in different benefits.

Albania, as many of the other transition countries, has seen an increased informalization of the labor force, which has led to limited revenue from the payroll contributions while it faces the burden of supporting several generations of elderly, most of whom have full pension rights. The government has tried to raise the benefit level for the recipients of the lowest pensions, the rural pensioners, to equalize their pension levels with those of their urban counterparts. As a result, a number of inequities have arisen in the pension system with urban workers expected to pay large contribution in return for limited pensions, while rural workers pay little and receive smaller pensions, but still huge relative to what they paid.

As a result of shown problems, some reforms must carry out, for the improvement of pension system and welfare of pensioners.

1. Social Insurance System – Albanian history

1.1. Social Insurance System until 1990

The first legal act in the area of social insurance is the Act no. 129 “Civil Pensions”, date 28.10.1927. The content of this legal act presupposes that even prior to that, there had existed regulatory provisions on the pensions. Some overseas associations operating in Albania had voluntarily developed a work protection system, where a special place was occupied by social insurance against employment injuries. In addition, under some special acts the state had determined pensions for the civil and military personnel.

However the beginnings of the authentic social insurance system in Albania date in 1947. During that time, social insurance system was determined according to two schemes:

- First scheme: including employees in the state sector
- Second scheme: including members of agricultural cooperatives

Based on the Soviet model, the system was characterized by a high generosity but on the other side by inability to provide full social protection. The respective scheme during the communism regime has been featured by four main characteristics:

1. During the communism regime, private institutions were unacceptable. The government was the only institution authorized to decide for the contributions and benefits of the social insurance scheme.

2. The incomes collected by employees’ contributions did not constitute the main and unique source for paying the pensions. But, both employees and pensioners were not aware of this question.
3. The contributions were not directly paid by the employees. They were competence of the institutions, enterprises and agricultural cooperatives depositing them in the state budget.

4. The employees in the state and cooperative sector were insured in order to gain pension only by the government.

1.2. Social Insurance System after 1990

After the 1990-ies, was established a new social insurance scheme, as part of other important changes that took place in Albania.

The reform process in Albania is characterized by two major interventions: structural (1993) and parametric (2002) reform.

Structural reform in 1993

The 1993 reform is described as a structural intervention because it produced comprehensive reorganization of the social insurance system within the conceptual framework of a modern market economy. The Social Insurance Institute was created as autonomous body to administer all aspects of the public system.

The new scheme is characterized by the following aspects:

1. Every employee contributes individually in the social insurance scheme.

2. Parallel to these, the national entrepreneurship and private ones, contribute for their own employees.

3. There are other categories such as self-employed and private farmers that contribute in the social insurance scheme and in the respective budget. These individuals pay a certain amount, despite the incomes attained and gain also a certain amount. The contribution has been assessed smaller for the zones facing economic difficulties and scarce incomes.

4. Parallel to the compulsory insurance, the law allows the application of voluntary insurance scheme, creating in this way a new opportunity for the persons who can not be part of compulsory scheme, by contributing voluntary and benefiting in a later period.

5. The maximal measure of the old age is not allowed to be more than twice as big of the basic pension or 75% of the average net salary of the 3 last consecutive years of the last 10 years of the person insured.

Parametric reform in 2002

The second reform of the pension system occurred in 2002 and it was a parametric one. The major changes introduced consisted of: reduction by four percentage points in the urban contribution rate paid by the employer (The total contribution rate was thus reduced from 42.5 percent to 38.5 percent), a gradual increase (6 months per year) in the retirement age, from 55 to 60 for women and from 60 to 65 for men. Furthermore, an important change was introduced regarding early retirement provisions: eligibility for early retirement was maintained (at age 57 for women and 62 for men, provided 35 years of service had been completed) but the pension level was subject to actuarial correction.

On the administrative side, the collection of contributions for the urban plan was transferred from the Social Insurance Institute to the Tax Department of the Ministry of Finance.

The new social insurance scheme is organized according to the principle “Pay as you go”, which means that for old-age pensions, the person who retires does not take his individual contribution. The actual contributors contribute creating a fund which is used to pay the pensions. In other words Pay-as-you-go is a system in which the payroll taxes of the actual workers go to finance the pensions of the actual aged. When these contributors retire and pass on the beneficiaries’ side than there are other contingents of contributors that contribute on providing new funds and so on.

1.3. The social insurance system framework

The social insurance system framework is consisted of:

The obligatory social insurance scheme which is a nonprofit making scheme, based on the principle “pay as you go”. It is financed out of contributions
paid by employees, employers, self-employed and central budget.

The obligatory scheme protects employed persons regarding:

- The temporary incapability, maternity, old-aged pensions, invalidity, the lost of head of the household, accidents at work and professional illnesses, unemployment.

- Other persons economically active (employers and employees) related to: maternity, old-aged pensions, invalidity.

The volunteer scheme: The volunteer scheme in Albania has its beginning in 1994. Individuals that for a time and reasonable causes can not longer benefit from the compulsory scheme or wished to insure themselves independently have the right to be insured based on the voluntary scheme. For instance: students during their study period, persons employed abroad.

Supplementary social insurance scheme: offering supplementary benefits apart those of compulsory scheme. The supplementary scheme guarantees pensions for persons that have constitutional functions and state officers as well as for military officers.

Special state pensions awarded for particular reasons or under special conditions to individuals or social groups. For instance, to those who have participated in the national renaissance movement, war, have achieved remarkable results in the field of science, culture, economy, politics etc

This system is directed and managed by the Social Insurance Institute with structures in central and local level.

2. Some characteristics of Albanian Pension System

2.1. Demographics conditions

As elsewhere in Eastern Europe, the historical 100 percent of labor force participation rate result in large percentages of the elderly receiving pensions, while the post-transition rise in informality results in few contributors among the working age population. This imbalance between contributors and beneficiaries typically leads to fiscal problems.

Based on demographics, Albania is one of the younger countries in Europe and Central Asia region. The figure 1, compares the percentage of the population over the age of 65 for the number of transition countries. Albania has only 9.3 percent of its population over the age of 65. Bulgaria and Croatia have about 17 percent of their population over the age of 65.

![Figure 1: Percentage of Population over the Age of 65 among ECA counties (2007)](source: World Bank)

Table 1, provides many of the typical summary statistics for the Albania pension system. The table shows an almost even division in contributors between the urban and the rural sector. On the beneficiary side, there is a marked disparity between the two sectors, with urban beneficiaries outnumbering rural beneficiaries almost 2 to 1. The rural sector in Albania was not covered under any form of social insurance until 1972. With 35 years contributions required to collect a full pension, few rural workers qualify yet for a full pension. The difference between the sectors is reflected in the system dependency rates, which are much higher for the urban sector with more pensioners than contributors than in the rural sector.
Typically, system dependency rates shadow population dependency rates, which are the ratio of the elderly population in the country divided by the working age population. Albania has a relatively small elderly population, with a population dependency rate of only 19.3 percent. However, the system dependency rate is high, at more than 76 beneficiaries per 100 contributors in 2008.

### Table 2: Demographics Indicators of Albanian Pension System, 2008

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Urban</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Contributors</td>
<td>398,763</td>
<td>297,036</td>
<td>695,799</td>
</tr>
<tr>
<td>Number of Beneficiaries</td>
<td>374,838</td>
<td>159,433</td>
<td>534,271</td>
</tr>
<tr>
<td>System dependency ratio</td>
<td>94%</td>
<td>53%</td>
<td>76%</td>
</tr>
</tbody>
</table>

Source: Social Insurance Institute

2.2. Contribution rates

On the contributory side, the story in Albania is the same with other transition countries. Post-transition, public enterprises downsized and privatized. The new private economy chose to rely on the informal labor market rather than the more expensive and regulated formal labor market. As a result, the number of contributors to the pension system fell drastically. The Government’s aim is to increase the number of contributors to the pension system. To fulfill this goal, the Government has continually reduced the contribution rates.

### Table 2: Social insurance contribution rate (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social insurance rate</td>
<td>42.5</td>
<td>42.5</td>
<td>38.5</td>
<td>38.5</td>
<td>38.5</td>
<td>38.5</td>
<td>29.5</td>
<td>29.5</td>
<td>29.5</td>
</tr>
<tr>
<td>Pensions (old age, disability, survivors)</td>
<td>31.7</td>
<td>31.7</td>
<td>29.9</td>
<td>29.9</td>
<td>29.9</td>
<td>29.9</td>
<td>23.9</td>
<td>23.9</td>
<td>23.9</td>
</tr>
<tr>
<td>Sickness</td>
<td>1.5</td>
<td>1.5</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Maternity</td>
<td>2.8</td>
<td>2.8</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Employment injuries</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Unemployment</td>
<td>6.0</td>
<td>6.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Social Insurance Institute
Figure 2: Albanian contribution rates relative to other Balkan's countries (2008)

[Graph showing contribution rates]

Source: OECD

Figure 2 shows Albanian contribution rates relative to other Balkan's countries. Albanian rates are still high, but not completely out of line with other Balkan's rates as each of these countries faced the same drop in contributors as Albania did.

Contributions in Albania used to be collected by the Social Insurance Institute. In 2006, collection responsibility for all urban workers was transferred to the tax authorities, who then transfer the revenue to the Social Insurance Institute. The Social Insurance Institute continues to collect contribution revenue from rural workers.

2.3. Retirement ages

Retirement ages in Albania are still low. Initially, retirement ages for the majority of population were 60 for men and 55 for women, with earlier ages for special categories, as early as 50 for men and 45 for women. The special categories are gradually being abolished with retirement age set to increase to 65 for men and 60 for women, but these ages will be reached by the majority of workers only in 2011. The ages are rising 6 months per year with the age in 2008 as shown in table 3 and 4, at 63.6 years for men and 58.6 years for women. In all causes, a full pension was granted with 34 years service in early 2004, but with 35 years of service now. Prorated pensions are available with only 15 years of service.

2.4. Differences between rural and urban system

A crucial design element is the separate systems applicable to the urban and the rural sectors. Contribution rates are very different between the urban and rural sectors. Rural workers are assessed flat contributions determined by the Council of Ministers, one amount for lowland workers and an even lower amount for highland workers. The Government than calculates the full contribution that would have been required based on the minimum urban salary and pays the difference between that and the flat contribution paid by the rural workers to the Social Insurance Institute. The Government contribution has amounted to around 85 percent of the total in the recent years, making this system contributory largely in name rather than substance.

The pension paid in rural system is currently lower than in the urban system. Because, the rural system only began in 1972, few workers are retiring with full pensions, which require 35 years of service. The prorated pensions for fewer years of service are partially responsible for the low level of pensions. The Government has been raising rural pensions each year more than urban pensions. In 2008, rural pensions were raised 15 percent while urban pensions were raised only 10 percent. The Government’s goal is to equalize the rural and the urban pensions around 2012.
<table>
<thead>
<tr>
<th>Years</th>
<th>Category I*</th>
<th>Category II**</th>
<th>Category III***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Age (years)</td>
<td>Years of service</td>
<td>Age (years)</td>
</tr>
<tr>
<td>1993</td>
<td>50</td>
<td>20</td>
<td>55</td>
</tr>
<tr>
<td>1994</td>
<td>50</td>
<td>20</td>
<td>55</td>
</tr>
<tr>
<td>1995</td>
<td>51</td>
<td>21</td>
<td>56</td>
</tr>
<tr>
<td>1996</td>
<td>51</td>
<td>21</td>
<td>56</td>
</tr>
<tr>
<td>1997</td>
<td>52</td>
<td>22</td>
<td>57</td>
</tr>
<tr>
<td>1998</td>
<td>52</td>
<td>22</td>
<td>57</td>
</tr>
<tr>
<td>1999</td>
<td>53</td>
<td>23</td>
<td>58</td>
</tr>
<tr>
<td>2000</td>
<td>53</td>
<td>23</td>
<td>58</td>
</tr>
<tr>
<td>2001</td>
<td>54</td>
<td>24</td>
<td>59</td>
</tr>
<tr>
<td>01.07.2002 - 30.06.2003</td>
<td>54</td>
<td>24</td>
<td>59</td>
</tr>
<tr>
<td>01.07.2003 - 30.06.2004</td>
<td>55</td>
<td>25</td>
<td>60</td>
</tr>
<tr>
<td>01.07.2004 - 30.06.2005</td>
<td>55</td>
<td>25</td>
<td>60y 6m</td>
</tr>
<tr>
<td>01.07.2005 - 30.06.2006</td>
<td>56</td>
<td>26</td>
<td>61</td>
</tr>
<tr>
<td>01.07.2006 - 30.06.2007</td>
<td>56</td>
<td>27</td>
<td>61y 6m</td>
</tr>
<tr>
<td>01.07.2007 - 30.06.2008</td>
<td>57</td>
<td>28</td>
<td>62</td>
</tr>
<tr>
<td>01.07.2008 - 30.06.2009</td>
<td>57</td>
<td>29</td>
<td>62y 6m</td>
</tr>
<tr>
<td>01.07.2009 - 30.06.2010</td>
<td>58</td>
<td>30</td>
<td>63</td>
</tr>
<tr>
<td>01.07.2010 - 30.06.2011</td>
<td>58</td>
<td>31</td>
<td>63y 6m</td>
</tr>
<tr>
<td>01.07.2011 - 30.06.2012</td>
<td>59</td>
<td>32</td>
<td>64</td>
</tr>
<tr>
<td>01.07.2012 - 30.06.2013</td>
<td>59</td>
<td>33</td>
<td>64y 6m</td>
</tr>
<tr>
<td>01.07.2013 - 30.06.2014</td>
<td>60</td>
<td>34</td>
<td>65</td>
</tr>
<tr>
<td>01.07.2014 - 30.06.2015</td>
<td>60y 6m</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>01.07.2015 - 30.06.2016</td>
<td>61</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>01.07.2016 - 30.06.2017</td>
<td>61y 6m</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>01.07.2017 - 30.06.2018</td>
<td>62</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>01.07.2018 - 30.06.2019</td>
<td>62y 6m</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>01.07.2019 - 30.06.2020</td>
<td>63</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>01.07.2020 - 30.06.2021</td>
<td>63y 6m</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>01.07.2021 - 30.06.2022</td>
<td>64</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>01.07.2022 - 30.06.2023</td>
<td>64y 6m</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>2023 and on going</td>
<td>65</td>
<td></td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Social Insurance Institute
### Table 4: Age and years of service needed for each category / WOMEN

<table>
<thead>
<tr>
<th>Category I **</th>
<th>Category II **</th>
<th>Category III **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (years) Years of service</td>
<td>Age (years) Years of service</td>
<td>Age (years) Years of service</td>
</tr>
<tr>
<td>1993 45 15</td>
<td>1994 45 15</td>
<td>1995 45 15</td>
</tr>
<tr>
<td>1996 46 17</td>
<td>1997 47 18</td>
<td>1998 47 19</td>
</tr>
<tr>
<td>1999 48 20</td>
<td>2000 48 21</td>
<td>2001 49 22</td>
</tr>
<tr>
<td>2002 49 22</td>
<td>01.07.2002 - 30.06.2003 49 23</td>
<td>01.07.2003 - 30.06.2004 50 24</td>
</tr>
<tr>
<td>01.07.2008 - 30.06.2009 52 29</td>
<td>01.07.2009 - 30.06.2010 53 30</td>
<td>01.07.2010 - 30.06.2011 53 31</td>
</tr>
<tr>
<td>01.07.2011 - 30.06.2012 54 32</td>
<td>01.07.2012 - 30.06.2013 54 33</td>
<td>01.07.2013 - 30.06.2014 55 34</td>
</tr>
<tr>
<td>01.07.2014 - 30.06.2015 56 35</td>
<td>01.07.2016 - 30.06.2017 56 35</td>
<td>01.07.2017 - 30.06.2018 57 35</td>
</tr>
</tbody>
</table>
| 01.07.2021 - 30.06.2022 59 35                                               | 01.07.2022 - 30.06.2023 59 35                                               | 2023 and on going
| 60 35                                                                        | 60 35                                                                        | 60 35                                                                        |

Source: Social Insurance Institute
3. Conclusions

The social insurance in Albania while covering the risks of short-term illness, maternity benefits, unemployment, and health costs, is largely focused on pensions. The pension system is the largest element of the social insurance system.

The Albanian pension system is organized according to the principle “Pay as you go”, which means that for old-age pensions, the person who retires does not take his individual contribution. The actual contributors contribute creating a fund which is used to pay the pensions. In other words “Pay-as-you-go” is a system in which the payroll taxes of the actual workers go to finance the pensions of the actual aged. When these contributors retire and pass on the beneficiaries’ side than there are other contingents of contributors that contribute on providing new funds and so on.

Albania, as many of the other transition countries, has seen an increased in informalization of the labor force, which has led to limited revenue from the payroll contributions while it faces the burden of supporting several generations of elderly, most of whom have full pension rights. The government has tried to raise the benefit level for the recipients of the lowest pensions, the rural pensioners, to equalize their pension levels with those of their urban counterparts.

The actual pension system requires significant reforms to improve its performance:

- Decreasing the contribution rates
- Unification of the rural and urban pension system
- Increasing the voluntary contributions
- Encouragement of foreign and domestic direct investments
- Encouragement of private pensions

References

Albania Poverty Assessment, World Bank, 2003
The Law for Social Insurance in the Republic of Albania, 1993

Table 5: Pensions increase (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>117</td>
<td>108</td>
<td>110</td>
<td>110</td>
<td>108</td>
<td>108</td>
<td>105</td>
<td>105</td>
<td>110</td>
</tr>
<tr>
<td>Rural</td>
<td>115</td>
<td>130</td>
<td>125</td>
<td>120</td>
<td>115</td>
<td>115</td>
<td>120</td>
<td>110</td>
<td>115</td>
</tr>
</tbody>
</table>

Source: Social Insurance Institute
Introduction

The question “what is a tax?” is surprisingly difficult to answer. It is tempting to rely on the well-known reply of the child who was asked to define an elephant. “An elephant is large and grey, and lives in a herd of elephants.” some payments are not clearly one of the herd. This is so, for example, of the profits made on postage stamps or the fees paid to government for the right to operate independent television channels. Clarity is not helped because some politicians find it convenient to say that things are not tax when they certainly seem to look like taxes. An example is national insurance contributions.

Defining taxes

So, as the elephant definition does not seem to work, we must try to define a tax. A tax has three characteristics. It is a compulsory levy imposed by an organ of government for public purposes? The legal essence of this definition lies in the compulsion. Law requires that the payment be made. The political essence lies in the public purposes for which the payments are made. Even the definition reflects the disagreements that often take place about tax.

Another way to define taxes is by listing of levies that are, beyond doubt, taxes. Listing all the payments that might be regarded “currently” as taxes in force in the European Union would be both contentious and tedious. But here is a list of the 10 principal taxes, in order of importance to government at the time of writing income tax , value added tax , corporation tax , fuel duties , council tax , business rates , stamp duties , tobacco , alcoholic drinks , vehicle excise duties , inheritance tax .

And capital gains tax (2) does not make this top 10, but they do make the top 10 in terms of complexity. Customs duties and levies (2) is also left out, but this is because they are not united kingdom taxes but rather sums collected for the European union and are European taxes. Then we could add others, including the once mighty petroleum revenue tax , insurance premium tax , climate change levy , landfill tax , and air passenger duty .

Why do we tax?

It is valuable to spend a little time thinking about tax policy. Why do we tax the way we do? What are the political, economic, social and administrative pressures that have contributed to the shape of our tax system?

The primary purpose of taxation is to raise revenue for government expenditure. The government can raise revenue by borrowing, by “printing” money, and by selling things, but in practice it is unavoidable that taxation should raise most of the government’s fiscal requirements. The government spends part of the money on services which private enterprise cannot provide, such as defense and law and order. It also pays for services that it is thought are better provided on a universal basis, such as social security benefits, and education. Attitudes to taxation depend to some extent on the views of taxpayers as to the merits of these items of government expenditure. Do you, for example, think it the job of government to provide a health service, or consumer protection laws, or pensions? If raising money to pay for these things was the only reason for taxes, however, we could have a much simpler system. If we raised the rate of income tax by 2 per cent, we could abolish inheritance tax and capital gains tax and still make money. Or we could raise the rate of value added tax and abolish most of income tax. Would that be fair? Would it be efficient?

Another purpose behind taxation is the redistribution of wealth and income. Certain aspects of this idea are generally agreed. It is generally—but not universally—agreed that income tax should be “progressive”, and that some government revenue should be spent on welfare services. This was a major reason why the poll tax was so unpopular. People thought it unfair
that everyone should pay the same tax, whether
they were rich or poor, just because they lived in
the same town. An unpopular tax is a failure—it
loses politicians' votes, and it proves too expensive
to collect. Of course, for any tax the questions of
rate and amount are of immense importance. How
progressive should income tax be? How much
should be spent on social services? Once upon
time it was considered right that income tax had
a top rate of 98 per cent. Does anyone think that
right now? Few do, but "once upon a time" was
only 30 years ago. Fashions change in tax as in
all else.

Another purpose behind imposing taxes is control
of the economy. Changes in taxation can and do
affect the economy, but control is also exercised
by adjusting the money supply and credit. A good
example of using tax to control behavior is the use
of customs duties. There used to be a very high
customs duty on imported leather. The aim was
to protect the Scottish leather industry. This tax
was successful because it collected no money!
This also shows that taxes are not used only to
raise money. That is an important point. One main
way in which taxes are used to influence people
is by what is not taxed. For instance, we put value
added tax on most things that people buy, but we
do not tax medicines.

Taxes may also be used as a kind of social control.
We see this idea concerning the taxing oil alcohol
and tobacco. More recently, politicians have
decided that cars are less of a good thing, so they
have been increasing the cost of taxes on them.

We can also use taxes to make sure people pay
the full price for something. This is the idea of a
pollution tax. When I buy goods, I pay the price
the seller asks. That makes the seller a profit and
meets the costs. What if the seller has polluted
the local area while making the goods? Perhaps
the seller has made something that i am going to
dump untidily when I have finished with it (like car
tires or plastic bags)? Taxes can be used to impose
the cost of destroying the tire and collecting up the
bags. This is a matter of debate at present.

Choosing taxes, and the reasons for taxes, is a
fascinating topic of academic analysis and
discussion. It leads on to an easy question that it
is almost impossible to answer: what is the best
form of tax? That debate was started by a former
Customs official, Adam Smith in the wealth of
nations (first published in 1776). Smith set out four
"canons" that, in his view, lead to better taxes. In
modified form, they still influence official thinking
today. The four axioms are:

- People should contribute taxes in proportion to
  their incomes and wealth;
- Taxes should be certain, not arbitrary;
- Taxes should be levied in the most convenient
  way;
- The costs of imposing and collecting taxes should
  be kept minimal.

To this we must add a modern canon: taxes should
be both convenient and competitive internationally.
We are a trading nation, and we trade in a global
economy.

Taxation, then, can be used for several purposes
other than collecting money. If a tax operates in a
certain way that they can sidestep (such as stamp
duty taxing documents, but not oral transactions),
people will change the way they do things to pay
less tax. That is human nature. A tax that does not
alter behavior is said to be neutral. The aim of those
designing taxes is to create neutral taxes, unless
policy requires a tax to be non-neutral. In practice,
taxes often have unintended side effects.

Is taxation fair?

Let us look at the tax system from the point of
view of justice. The current thinking on this matter
concentrates on equity, which in this context
means fairness. Horizontal equity is the idea that
people in equal circumstances should pay an
equal amount of tax. Vertical equity means that
people in different circumstances should pay an
appropriately different amount of tax.

Horizontal equity commands strong support. It was
the reason that Adam smith advocated an income
tax, and it is a major reason for that form of tax
today. Those with similar levels of income should
pay similar levels of tax. Why should that be so?
There are several ways of justifying the levels of
tax paid by individuals. One economic view is the
ability-to-pay argument.

On that basis, those with equal ability to pay
should pay equally. Another economic view is the
benefit argument. Those who pay tax should do so
according to the benefits they gain. I caving aside
personal circumstances (for example, that a needs
more help than B because A is older/younger/less fit than B), again those with similar means should be paying similar taxes. I lie same result is achieved by taking the lawyer’s view of I unless that “we are all equal before the law”, or the democratic view that we are all members of the same society, and are equal within it.

Vertical equity is much more controversial. It is generally agreed that the richer should pay more tax than the poorer. That was why so many people did not like the poll tax, and found it “unfair”. Incidentally, they effectively threw out the benefit argument in so doing, and dismissed the “equal before the law” view as insufficient. But how much more should the richer be paying? Even with a proportional tax the richer do pay more ill in the poorer. If there were an income tax at a flat rate of 30 per cent, someone with an income of 1100,00€ would pay 10,000€ in tax. This is more than the 300€ that someone with an income of 1,000€ would pay. Should the person with 100,000€ pay more tax than the person with 1,000€ not merely absolutely but also proportionally? This is where a progressive tax comes in. Instead of paying at 30 per cent, those on 100,000€ income should pay rather more (at least, on part of their income), and those with 1,000€ rather less. Again the details become as important as the principle. Precisely what percentage? And on precisely what part of the income? Why? I an important aspect of the justice—or otherwise—of the tax system is the tax base. The base of a tax means the thing, transaction, or amount on which the tax is raised. All taxes have bases—whether the base is you (in the case of a poll tax), you’re me, your wealth, the number of shoes you buy, or whatever. This means the precise boundary of what is taxed as distinct from what is not taxed. Let us take an example. Hal has 100,000€ in hand. He uses it to buy a house in which he then lives, paying no rent. Cher also has 100,000€ in hand. She spends it on buying company shares. She lives in a rented house. Hal pays no tax on the use he has made of his 100,000€ (the occupation of his house). Cher does pay tax on the use she has made of her 100,000€ (the dividends). Is this fair?

As Adam smith pointed out, another aspect of justice is certainty. The tax system should be clear, so that a taxpayer can see in advance how much tax must be paid. Secondly, enforcement should be consistent and universal. There is nothing more destructive of taxpayer morality than the suspicion that others are not paying. If you pay only half your income tax because of a trick, why should I pay more than that? Equally, if you get some form of special allowance, why should i not get one too? But if neither of us understands the law, we do not know if we are paying enough. So, certainty also requires rules that can be understood. This thought leads to another of the paradoxes of tax. The simpler the rules are, the less fair they are (because they ignore justified differences). But the fairer they are, the more complex they are. The more complex they are, the harder they are to understand and put into effect. Therefore they are less certain and, arguably, appear less fair. If both simplicity and complexity lead to un fairness, is there a happy medium?

Is taxation efficient?

The fourth Smithian canon is cost-effectiveness. The effectiveness of a tax system is partly a matter of success in enforcement, and partly a matter of the total cost of running it and complying with it. Some think that enforcement, in the case of income tax, is not showing a very high success rate. What we call the black economy has grown up, including moonlighting and other forms of tax evasion. Moonlighting is the practice of earning and paying tax on a source of income properly, but then undertaking a second job without declaring the tax. Then there-are the ghosts—those who do not appear on any tax department records, and therefore pay no tax. Or do they? In practice, they may pay no direct income tax, but they would be hard put also to avoid all vat.

Currently, the cost of collecting the Inland Revenue taxes is about two per cent of the total net yield, and the cost of collecting the customs and excise duties varies from tax to tax. But, of course, this deals only with the direct government costs. There are also hidden compliance costs, that is, the costs incurred by taxpayers in paying taxes. Two notable examples of these compliance costs are the costs of an employer for staff hours acting as an unpaid collector of income tax for the revenue under the payee system, and the costs to a trader in complying with the vat system. Both may also incur substantial costs for professional assistance and advice concerning tax affairs.

There is also an even more deeply hidden cost, a kind of social cost, which the community as a whole pays as part of the price of taxation. What
we have in mind is the expenditure (one might almost say waste) of brain power. Some of the best brains in the foundry are exclusively devoted to tax matters; some on the revenue side, some against the revenue. This brain power could be better employed in increasing the wealth, health or happiness of the community. In the past, this brain drain was closely linked to the immensity of the rates of tax. If someone is asked to pay $h per cent income tax, or even 75 per cent tax, there is a high premium on good advice to avoid it. If income tax had a maximum rate of, say, 10 per cent, much less time and effort would be devoted to escaping the tax. But what would the state stop doing in return?

as for the effects of taxation, we are afraid that this is a topic where asking questions is easier than answering them. Does a high rate of income tax encourage people to work harder or does it discourage them? Most people would say that it discourages them, that it is a disincentive. But it is quite possible to argue that, on the contrary, it spurs people on to earn more, so that even when the tax is paid they will have enough left to live on. Does a high rate of tax on business raise prices? Does a high rate of tax on individuals raise wages and salaries? No one wins to know the answers. A high average rate of tax is probably an incentive to work, whereas high marginal rates are disincentives.

Of course, the ideal position for the taxpayer confronted with this dilemma is to ensure that whatever others pay, I pay no tax than I must. In considering this, it is very important to emphasise the distinction between tax avoidance and tax evasion. Tax avoidance is so arranging my affairs within the rules that I pay the smallest tax bill that are possible. This is perfectly lawful. Tax evasion is when you escape tax by unlawful means. This usually involves some form of dishonesty, ranging from hitting to state some item of income in a tax return to forging documents to create untrue “facts”. It is not easy to see (and keep to) the distinction between evasion and avoidance—if need, evasion involves some crime where avoidance involves none. Two factors blur this distinction in practice. First, some quite honorable people think that a tax crime is not “really” a crime at all. What is “really” wrong with omitting to mention in a tax return some jobbing gardening or book-reviewing done at weekends? We tend to think that what we do ourselves is not really criminal at all. What others do is always bigger and badder. The second factor is that crime versus no crime is not the last word on the subject. Elaborate schemes of tax avoidance that have no other purpose may not be criminal, but they are distasteful to many taxpayers and to some judges. Some taxes are more easily avoided than others. For example, income tax is more easily avoided than vat. It is partly for this reason that governments have made a big switch from income tax to vat. We did not have vat as a tax in 1970. Just 30 years later it is one of our biggest taxes. Indeed, replacement of income tax by an expenditure tax is advocated in some quarters. The merits of this are said to be that it would be less easily avoided or evaded, it would encourage saving, and it would be cheaper to administer. On the other hand it contradicts the progressive principle. An expenditure tax hits the poor harder than it would hit the rich.

International aspects

We added a new principle to those of Adam Smith. It is that internal rules have to work in the international arena. There are two aspects to this:

First, countries are now part of the European Union, and must comply with its rules.

Secondly, there is strong tax competition between states. Tax systems are as much part of the global marketplace as any other aspect of a country. Both arc extremely important in any overall view of current states tax policy. There is another dilemma here: we must both join them and beat them.

Certain Articles of the EU. Treaty prohibit rules of tax that would discriminate against persons in other member states. Another article provides for member states to work towards tax harmonization, at least on indirect taxes—those on goods. This movement has progressed farthest in the field of vat. It is partly why VAT is now so important as an internal tax, but it is not the only reason. For most of states and before its the extraordinary revenues of the crown (as taxes were called) came from customs duties on imports, and from excises. Excises have now been replaced by vat a European tax. Customs have now been replaced by the community customs regime.

Our direct taxes have not been affected by the rising tide of EU law. Well, even that is not true, as we shall see.
Introducing the Taxes

We want to finish this introduction, and start our detailed analysis of tax, by introducing the taxes dealt with in this book and then by referring generally to the kinds of taxes that exist and the issues that each tax must tackle. We want to try to state very few words what it is that each tax is taxing.

First, income tax. Why? Because it is in government terms the largest revenue raiser, and therefore the most important tax. And because, with corporation tax, it is the most complex tax, and the hardest to understand. And because it involves significant efforts by lawyers and accountants to ensure that their hints comply with the law, and avoid its excesses. What does it tax? In a famous aphorism in London county council v Attorney-General, HL, Lord Macnaghten said: “income tax, if I may be pardoned for saying so, is a tax on income.” This is largely, but not absolutely, true. There are some items of income that are not taxed—for example, student grants. So income tax is not a tax on all income. On the other hand, there are some items to income tax that are imposed on receipts that are not lit. Mile tax receipts, but rather capital receipts. This is so, for example, of taxing premiums received on leasing kind. Anyway, but is income? Such questions are why we wrote much of this book.

Second, social security contributions (or NI contributions as everyone and everything except the law itself terms them), which are the second source of government finance, and, for most people, a second income tax. The law is a little less complex and comprehensive than income tax law but requires less extended treatment.

Third, VAT (which is what the act imposing value added tax calls it, so we shall too). Why? Because it has become the most litigated of the taxes, and is gaining in complexity and practical importance each year.

Fourthly, corporation tax. This is simply income tax and capital gains tax imposed on companies. Well, not simply—parts are fiendishly complicated, although we avoid the worst of it!

Fifthly, capital gains tax (CGT). Its fiscal significance is trivial compared with the taxes so far listed. Nevertheless, its complexity—and therefore its nuisance value to lawyers—far outweighs its importance in filling a gap in the income tax. What it taxes is the gain represented by the difference between the price at which an item was acquired and the price at which it is sold. Since 1982 this taxes the real gain (taking account of inflation), not the cash gain.

Sixthly, inheritance tax (IHT) or, as it used to be called before they thought it fun to change its name, capital transfer tax. It is a tax on capital transfers, and has never been a tax on inheritances, but what does that matter? It is a tax on transfers of property by certain gifts, by transfers into trust, and by operation of law on someone’s death from that person’s estate. Although whether or not it is accurately named does not matter, accurate advice on where it may affect capital transfers is important. Again we must examine it in detail.

Collecting taxes

All these taxes, can be grouped under three broad heads of taxation in terms of the way they are imposed and collected: withholding taxes, taxation related to particular transactions or their effects (called transactions taxes for short), and taxes based on profits or wealth of any kind (called assessed taxes, but normally now self-assessed). Taxes are of all these kinds, frequently muddled up together.

A withholding tax is a tax imposed on the payer of a sum so that the recipient receives less than would otherwise be received. For example, someone paying patent royalties to another person will be required to deduct from that sum an amount equal to the basic rate of income tax. If this is done, the recipient is treated as having paid tax on those royalties. The tax authorities are always on the lookout for ways of increasing the payment of taxes at source in this way. Most income tax and NI contributions are collected in this way through the PAYE system. Under most forms of withholding tax, the payer is liable to pay the tax the tax authorities even though it was the recipient who is really paying the tax.

Transactions taxes are those based on particular transactions in their results. VAT is usually imposed on any supply of goods in services made by a business. Stamp duty is imposed whenever a document is used to transfer land. However, as electronic transfers take over, the stamp duty reserve tax and stamp duty land tax have been introduced to cover all transactions.
Assessed taxes are the most usual kinds of taxes in Britain although most are now self-assessed by taxpayers. Income tax although most of its money from the income of the employed, the self-employed and those with investment income. So does the national insurance fund through NI contributions. Then there are the special assessed taxes like petroleum revenue tax.

Anatomy of a tax

Whichever form of tax we adopt, and whatever the fiscal or other reasons for its adoption, the lawyer’s task is to identify when it is payable and when not. Tax law, or revenue law as many also call it, is there to define when taxes shall be charged. In respect of each tax this definition will contain the same elements:

• the tax base;
• the incidence (including the rate) of the tax; and
• the taxpayer, or person liable to pay.

The rate is often the most important point politically or commercially, but rarely detains the lawyer long. The other issues need further thought.

The tax base, as we have seen already, is the asset, transaction, profit or other thing which is liable to the tax. This may be anything from a television to the net profits of a year’s trading. Each tax will have a limited tax base, the limits being of two kinds: the general limits on that kind of tax, and specific exceptions. Clearly, the wider the tax base of a tax, the more revenue it will collect. The more exceptions that are allowed, the smaller the return from the tax. Over the years, all our main burs have become subject to important exceptions. This is partly because granting an exception is very easy politically, and votes are not easily won for removing it later. Nonetheless, in the last few years more attention has been turned to both the limits on the tax bases of our taxes and the width of exceptions. It has become common-place to regard exceptions as tax expenditures, that is, subsidies created by the tax not collected. The cost of these tax expenditures has often been worked out. As a result, some longstanding exceptions and reliefs from tax have been removed, such as the life assurance relief that lasted from 1842 to 1984. This trend is continuing.

The second issue is the identity of the taxpayer. Economists talk of this as the incidence of the tax, distinguishing between the formal incidence of the tax (who is required by law to pay it) and the effective incidence (who ends up paying). Lawyers are concerned only with formal incidence. In most cases under modern laws different people can be made to pay in respect of some taxes, especially when withholding taxes are used to collect the tax. For example, if someone makes a gift of shares to someone else on which inheritance tax ought to be paid, the authorities can try to collect the tax from the donor, the recipient and most subsequent owners of the shares.
THE CONCESSIONS AND FOREIGN DIRECT INVESTMENT IN TRANSITION ECONOMIES - NEW LEGAL AND INSTITUTIONAL ENVIRONMENT. A COMPARABLE WITH THE INTERNATIONAL STANDARDS ANALYSIS OF CONCESSION

ARGITA MALLTEZI
UNIVERSITY OF TIRANA, ALBANIA

Introduction

The concession definition depends on the relationships that the legislation of a country has on a juridical relationship. As we’ll see later, this legislation can include also the public and private consortiums, or the last one can be regulating by a special law.

The EU Legislation refers to the concession as following:

“The concession concept is defined as a same contract with public contracts excluding the fact that the reward for the job or the service consist only in the right to utilize the construction or the service or in this right with the payment.

The concessions and the Foreign Direct Investments

The concessions must be distinguished from the direct investment, home-brew or foreign. The last one, as shown by the definition is not conditioned by permits of concession type.

They are the realization of projects which were subjected to rules that regulate that particular sphere of activity in which the investment will occur, but not limited to the concession nature. It is understood that such investments can be made only in those sectors of the economy where state institutions do not enjoy exclusive rights.

Bring as an example the case of planting the olive plantations. In order to strengthen this sector, it is supported by investment in a Euro concession granting land for planting. We must understand that the law on concessions will operate only when the private entity by the state requires the provision of a public surface to realize the project. In contrast with this, if the private entity buys its own land for the same purpose it does not need to obtain a concession permit to achieve its investment, but will follow other procedures for obtaining permits from local and central bodies agriculture as appropriate.

For example bring the case of construction of power plants (TPP) in Albania. Currently building and putting in exploitation of the TEC-s not required the permission of concessional nature.

In general lines, the construction and operation procedures for the use of a TEC includes the following links.

1. Establishment of the Albanian company. For a number of legal conditions and related applications in the following links investors to create a new company based in Albania.

2. Appointment and obtaining ownership of the land where construction is expected to TEC. A work of such power can be built only in approved areas such as power parks.

3. Application for authorization for the construction of TEC-it becomes the law “On Power Sector” and Authorization Regulation. The law defines the word “construction of new
generating resources has not been approved by a concession contract is made with the approval of the Council of Ministers’ and the Rules specifically provides for the receipt of the authorization procedure.

Referring to this Regulation:

Any person who conducts business activities in accordance with Albanian legislation may apply for a permit to build new sources of energy generation. Every application under this regulation is the Ministry responsible for energy. The ministry responsible is the Ministry of Economy, Trade and Energy (METE below); the regulation provides that the authorization by the Council of Ministers should get prior authorization from the METE. This document, I called prior authorization, granted by METE within 3 (three) months of receipt of the application, if the documentation submitted is complete. After the item with prior authorization, the company must submit the application to METE, within the time period specified in the prior authorization, of documents defined in the law and the rules above to obtain permission from the Council of Ministers.

METE review within 30 (thirty) calendar days after submission, completeness and accuracy of all documents submitted. Concludes that if all the documents submitted by the applicant are complete and accurate, send the proposal to the Council of Ministers approval authority, accompanied by all documents and a copy of the previous authorization granted. After this, the Council of Ministers shall review and approve the authority and makes the announcement of this decision in the Official Gazette.

Then society must do

1. TSO application in connection with the transmission system
2. Conducting environmental studies and environmental permit application
3. Application for permission to use water
4. Application to ERE the license energy production
5. Conducting urban research and application for approval of construction and the square of the construction permit (according to the adoption of urban studies)
6. Application for obtaining license for power trading;
7. Application for registration and sign the agreement for participation in the energy market.

This is a common procedure of a direct investment. Similar examples can be brought by private investments in education, health and others.

However, treatment of construction investment may change depending on the needs of the economy and retention of different balances, especially the economic and environmental ones.

For example I return to TEC’s example. In the conditions when it needs to increase energy production and to diversify the sources of this production procedure of investment in such projects has undergone a relatively free regime.

But, if noticed an increase in investment in this area, regulatory bodies may limit the possibility of realizing such projects in various ways, for example, limiting the total amount of energy that can accept a national network of transmission energy produced by the TEC-mails in range country, and consequently opening race procedure field among investors, or stop production of certain energy sources - for example by burning coal.

In this context, the construction of a TEC may pass from the regime of direct investments under the concession regime, depending on the availability of opportunities and resources for conducting such an investment.

Different countries regulate through laws special concessions and public private partnership relations (PPP). If you need to identify a distinction between relations and the PPP concession he has to do with the extent of the state in co-investment and risk sharing. If the private partner provides the state of their own assets or guarantees for the realization of this project is a form of concessionary public private partnership. In Albania both these categories of relationship are regulated by the legal framework for concessions. An example of PPP concessions in Albania are under the scheme a Euro data, and as typical cases mentioned concession concessions for the construction of hydropower plants, in those cases when the
state has claimed that the expropriation of land or flooding has not provided guarantees for project financing.

International standards of Concession

Recognized international organizations such as UNCITRAL, OECD, EU, EBRD has prepared a list of principles on which laws should be designed for private public partnership. Briefly, the following are mentioned some of these principles and how compatible is to Albanian law.

The OECD in its meeting of 20 March 2007 adopted a recommendation entitled "OECD Principles for private sector participation in infrastructure. The objective of these principles is to assist governments and seek private sector participation in infrastructure development, while attract investment, mobilizing private sector resources to the interests of society and with a view to achieving sustainable development.

However, these are not the only standards that are developed by international bodies in connection with the cooperation of the public with the private sector. UNCITRAL, United Nations Commission on International Trade Law (UNCITRAL) has prepared a list of modern principles in the form of legal recommendations on the basis of which to build local laws regulating concessions. This institution has promoted the principles such as clarity, sustainability, predictability, and flexibility.

It is worth mentioning among these principles elaborated by UNCITRAL, this organization puts emphasis on the constitutional framework, legal and institutional framework stipulating that this should ensure transparency, fairness in the trial, long-term sustainability. Also the legal framework should be clear when identifying sectors and types of infrastructure which may be granted concession.

An important role is played between these principles and principles about the publicity. Searchable information to be published in requests for proposals or requests required for final proposals. As well as principles regarding the evaluation and comparison of technical proposals, commercial and financial bidders, confidentiality of the negotiations conducted between the Contracting Authority and the bidders in connection with price or other important information, the conditions that must be included in the concession agreement (Project Agreement).

In these recommendations are well defined cases of termination of the agreement for project implementation, if the outcome of the concessionaire, if the outcome of the contracting authority or by both parties, even ways to resolve potential conflicts between parties involved in the project.

Concessions and Albanian transition

Through the challenges of globalization and world economic crisis, Albania continues its efforts to become one of the most attractive markets in Europe, with emphasis on a series of legal reforms that make possible a favorable tax system for investment, the collapse of barriers that discriminate foreign investment to those domestic legislation and the fulfillment of investment schemes in different sectors of the economy that are seen by business interests of foreign investment such as those in renewable energy, tourism, mining, agriculture and other.

Among the most important reforms, undertaken in the period 2005-2010, to promote private investment may be mentioned the adoption of a one-stop-shop for business registration and obtaining licenses, e-Regulation - which includes the new procurement law online, online tax payment, the law signing electronic customs declaration online -, reduction of corporate tax to 10% and reducing social security obligations, the possibility of repatriation of dividend, the law on concessions, the law for traders and trading companies, and others.

There is no law that will favor domestic investors over foreign ones. When you register a company in Albania, all investors are considered equal in every aspect and differential treatment constitutes a violation of several laws, such as by Math competition, procurement, or protection of foreign investments.

These reforms contributed to the evaluation that Albania got to promote climate the business from various international forums. So for example in the report of the World Bank Doing Business 2009, Albania was proclaimed the second country in the world in terms of quality and depth of reform improvement and the business climate in the country, the 14th in the world for protection,
and improved with investors on 50 positions in
classification of this study compared with previous
year. In another study of the Economic Freedom
Heritage Foundation Report for 2009, I realized
the situation of financial freedom for 183 countries
of the world, Albania further marked increase in
the leading countries of the Balkans.

These reforms contributed to increased interest
in foreign investment in Albania and increase the
immediate influx of applications for investment in
various sectors of the economy.

The flow requirements made necessary revision
of legislation was linked to investment. A part of
private investment (FDI) can be placed directly
in the implementation, after approval of certain
permits or licenses, which mostly had to do with
the processes of construction and some of them
determine the utilize of process of implementation
of these investments. Such was for example
process of building power plants. However, for
most of the investment, and especially for those
in the field of energy and mining concession
procedures should be adopted.

In 2005, Albania had a law which stipulated for
granting concessions and concessions on the basis
of suggestions and proposals required unbidden,
applying procedures for the type of competition
only and not for the proposals before the unbidden.
Law recognize and define the various forms such
as BOT concession contracts, boo, ROT, BTL and
BOOT.

With the addition of private investment demand
was noted that lack of competitive procedures
for proposals not only unbidden to maximize
the concession benefits of history-but to prevent
competing bidders in different projects and
investments we enter a new market like Albania.

For this reason the change was initiated by a legal
framework for concessions through a reform that
had the product as a new law for concessions -
which was improved after some time - a number
of secondary legal acts and create structures for
dealing with a series of concessions. Dynamics
reform regarding the treatment of concessions
was dictated by the pressure of growing demand
bidders for projects, which were mostly unbidden,
and in response to this request, the need for
building institutional capacity able to respond
professionalism, such a flux.

In addition to this reform, the legal framework for
the treatment of concessions in Albania consists
of:

1. The law “On concessions” Nr.9663, date
   18.12.2006, and

2. The decision of the Council of Ministers “On
   approval of the evaluation and award of
   concessions” Nr27, datë19.01.2007, referred to
   as Rules for Concessions

Law as well as rules is changed many times by
continually adapting to the market needs and
investment.

Since the beginning of the implementation of new
procedures and improved concession framework,
since 2006 the numbers of direct investment and
concessional increased several times.

Example

HEC: There are concessions about 140 plants, a
part of which has started work. A part of them are
small HPP with a capacity of 15 MW, with average
capacity of up to 1000 MW and larger with a
capacity of 400 MW.

In financial terms, mentioned for example,
concessionary contract for the construction of:

HEC Devoll, 350MW, with investment worth 1
billion Euros, for which proceedings have started;

Kalivac HPP, 90 MW, with 140 million Euro
investment value, where the concessionaire has
completed now almost half of the works;

Ashta HPP on Drin River Cascades, the BOT
concession company Verbund, with a capacity of
48MW, the value of 10 Million Euro investment is
expected to begin work at the end of 2012.

300 requests for concessions in HEC are in the
process of treatment. (Source: METE)

Ports: port concession is given to The New
Container in Vlora, in favor of Zumax AG company
that will realize an investment of 1.5 billion Euros.
(Source: MTTPP, METE)

Concessions provided under clause 1 Euro:

This scheme is used for the treatment of
concessions for industrial parks, mining, agriculture
and tourism. Data assets have been grounds for the construction of agricultural lands owned by the state.

In the field of investment in the production of cement, six Albanian and foreign companies, ante-Titan, Fassa Barber, Colacem, two genera, SEASIF - General Cement and Acquila, have gained ground with a Euro price at which they have built production plants that value as the amount of investment together 1.6 billion. These investments have been completed or are under construction.

The same scheme is used in agriculture, especially for planting trees and producing olive oil.

Euro-concessions are given a certain mines and public grounds in which investments will be made for tourism development.

Concessions scheme with a Euro has been used successfully in the construction of industrial parks. By decision of the Council of Ministers are designated eight areas as industrial parks and another industrial park and free zone. For both of these parks and free zones have been approved concessionary contracts. (Source METE)

Future projects:

Besides the above-mentioned figures, demand remains high and concession of a series of major works in the field of energy, like hydropower and Skavica, Vjosa River, Drin River. Skavica interest for HEC opening made to tender for the proposed six unbidden and short-listed company.

Due to financial crisis, the continuation of the proceedings was not possible. In connection with HEC Skavica, with installed capacity of 350MW is currently looming construction of this project that can be set by HEC Albanian government itself through credit financing.

While regarding the use of Vjosa river, because of greater interest, but due to lack of preliminary studies of potential exploitation capacity of this river the Government has contracted an expert company to make the above-mentioned study. Based on this study is expected to begin procedures for a proposal to ask. (Source METE)

Governance structures for concessions handling

Low for “Concessions” and “Rules”, with the appropriate changes, have presented new structures for handling concessionaries relationship.

Constitutional dependency. Contractual authority for concessions is determined case by case from Council of Ministers any time it is taken in consideration the proposals for identification of possible concessions. Concession contracts over 20 Million Euro should be approved by Council of Ministers, while they under this value become valid when they are approved by contractor authority. Contractor authority may be either Ministry or Local Government, that according to the Albanian law, is responsible for the economic activity for which it is given the concession. In the case of concessions contract which duration is over 35 years, the contract should be ratified by Albanian Parliament. For the most part of concessions approved in Albania up to now are under dependence of Ministry of Economy, Trade and Energy (METE) and a few under dependence of Ministry of Public Works, Transportation and Communications (MPPT).

Handling concessions structures

Contracting authority include a unit which handle with identification, organization, attendance and execute concessions procedures. This unit identify possible concessionary projects taking in consideration suggestions made from a third part, take care of all the pre-qualifying and competing procedures, concession contract negotiation and the supervision of execution of these contracts and the proposal of concessionary contract negotiation without competing procedures. All the activity of this unit related to third parties interested in concessions is completed in account of contracting authority.

The Law consented in 2006, counted in starting up the Unit for Concessions Handle, under METE dependency which collaborate with other contracting authorities to identify and encourage concessions and also assist these authorities through all the concessionaries activities, from evaluation to concessionary contract negotiation. This unit named Agency for Concessionary Handle, (ATRAKO) raised based on Council of
Ministers decision, Nr. 150, date 22.03.2007, has the unique prerogative to advise and to help contractual authorities. Its specialists are part of commissions to draw the documents and offers evaluation. ATRAKO can also be at disposal of subcontractor of the concession authority (lender), but in any case the decision making role is for concession authority.

The pression of concessionar relationships problems flow have changed the instances of appeal against concessions decisions evaluation. According to the Law and Rules for Concessions in 2006-2007, appeals against concessions procedures were fallen back on competent organism for the public tenders in Albania (APP), which was under dependency of Premier.

Due to the incrising cases of concessions and also to the reforms on public tenders system and their appels undetaken in 2009, was found Concessions Agency. This agency is under Primer dependency and supervise the concessionary procedures execution and also handle all the appels from parties which are interested in concessionary process, and also substitue APP in the proces of handling the appels during a concessionary procedure. Decisiona of the Concessions Agency are executions. At the last instance, parties can appel Concessions Agency decisions, based in Civile Code but this does not cancel the execution of the decision.

Tender councilor

Is an independent institution which is in charged and discharged from Albanian Parliament and it operates based to the law “For Public Tenders”. Despite its the functions related with public tenders, the law “For Concessions” gives Tender Councilor the right to supervise of the legitimacy during a concession process and in particular the protection of the legal interests of the offering party. Tender councilor can make investigation and gives the results in a recommendation fort to Concessions Agency.

Project for the National Center of Applications in Energy.

Handling concessions structures aim to be reorganized, where this can be possible, in the system one-stop-shop in relation with the application for concessions of the objects. National Center for Energy Application is almost completed and it will handle all the applications for concessions and other investment licenses in the energetic field. One of the aims of this reform is to facilitate permits and licenses that depend from the local government and from independent authorities, in spite of those which depends on central government. This bring in a more reduced time and number of procedures that investors face today.

Concessions legal framework operation

General characteristics. Albanian legislation on concessions offer a good base for a transparent treatment for the colaboration of public and private organisms in the common investments and accomplish the international standards used in evaluation of such legislation from organisms such as UNCITRAL, OECD, EBRD.

Concessions legal framework in Albania:

- As mentioned above it is based in a law of Albanian Parliament and in a decision of Council of Ministers, both of them are changed different times but are unified.

Law for Concessions serves as a lex specialis for all the concessions, in spite of the field where they are applied or the contracting authority that gives them. Frequently changes are followed by changes in the legal actions related to the acted which were changed, which create a good coherence between this frame work and the trade legislation in general. In case of non concordance with other parts of legislation, law determine that, law for concessions prevales for the arrangement of all concessionary relationship.

Determine clearly the objective of relationship which it adjust and the procedures to obtain a concession are complete and well defined. There are a lot of economic sectors in which goods and services can be given to concession. Law offer a list that include all the kinds of infrastructure and services in transport, in production and delivery of electric energy and heating, in production, delivery and administration of waters, including sewage, in collection, transportation, and processing of residues, telecommunication, education and sports, health service, tourism, culture, prisons..
infrastructure, in recycle projects, land and foresters discharge, industrial parks, maintains services of information technology, gas delivery, administration contracts or public services realization. The Council of Ministers can authorize other concessions in other sectors based on the proposal of the Minister of METE. Law for concessions can’t be applied for project which through a special law will be carry out by Council of Ministers, for public tenders, private direct investments and for the permutations and licenses assignation , which are adjusted by special laws. Concessions law can not be applied for project which through a special law are treated by Council of Ministers, or for public tender contracts, private direct investments, and permissions and licenses, which are adjusted by special laws.

One of the characteristics of law for concessions is the prediction of concessions scheme worth 1 euro, which are applied to encourage investments in different sectors of economy.

According to this scheme, the concession authority, gives the investor public assets with a total value of 1 euro if the investment fulfill the criterias for employment stimulation and vitalize sectors of the economy. Such assets may include public land to be used for investments in the fields mentioned by the law for concessions or object like manufactory, production lines, transportation lines, etc.

- It aims to guaranty concessions security in relation to stability that will be applied to the contract during the time. This is realized by some “grandfathering clauses” that law offers and also by flexibility that it allows for the parties during the negotiation of the concessionary contract. As an example for the first one according the Regulation the contracting authority in the case of concession of energy, has the obligation to buy the energy produced from concessioners, if they asked to, and the price will be set according the formula which is part of the Regulation. Despite this, the Law doesn’t include contracts or standard previsions of the contract template), but it offers base norms and principles for the previsions of the concession contract. This permit contracting parties to have flexibility in determination of the investment terms, including “grandfathering clauses”. This flexibility include also the application of different schemes for the recompense of the concessioner.

- Continuous changes on this frame work aimed to improve transparency standards, fairness on judgment, access to information and participation of the interested parties to the procedures. These are the results of the requests presented by parties that make the offer and due to the problems that the concession practice has generated. We can mentioned the inclusion of competition procedures. Now concessions can be negotiated without competition procedures only in the case indicated according to the law, where specifically (i) have an impact in the national security, (ii) concession contract is canceled due to the serious contract item breaking and the competition procedure can not be realize because there is a urgent needs to continuo with proceedings, or (iii) when financial institutions that support the project needs substitution of the concessioner due to a violation made by concessioner (step in rights).

Law has no limitation or double standarts that restrict private entities to compete for the concessions, despite the fact that they may be navite or foreignners, individually or organized. The process of evaluation of the offers and the reviewing proces is well defined in the law and every decision relating to this phase can be appealed up to the administrative levels and court in accordance exactly the way mentionet above. The Law try to avoid unneccessaries financial difficulties for concessions and also pay attention to share equally the risk between contractor authority and concessioner. Competence sharing between Contracting Authority, Concessions Agency, Tender Councilor, Council of Ministers or Court, are too clear.

Local government competences in realizing of concessionary projects, when it has not the status of contractual authority, are adjusted based on the legislation for regulation and territory planning.

- It is determined by the law that relationship between contractual authorities and concessioners are adjusted based on the Albanian law, while the different entities that get together to present their offer can chose the legislation regime they desire to adjust relations between them. Law gives flexibility to the regime that will be used to resolve conflicts, but this should be decided since at the concessionary contract. From
the experience results that most part of the concessionary contracts signed up to now, refers to the arbitrary as a mean used to solve the problems, both the international arbitrary forums and the Albanian arbitrary.

- Law previese in a balancead manner for financial cover that parties should offer during the concession process. Party that present the offer should present, accoring to the procedural phase, financial cover form, with the amont that is up to 2% of the project value, which is considered as a protective provisión for the contractive authority just in case of irresponsible offers or in case the party which preset the offer gives up. Contract cover form it is needed too, by a total amount of 10% of the investment value, and it should be submited by the party selected and serves a garanty for the contractual authority just in case of violations of the contract conditions . Contracting authority by it’s self should respect legal deadlines in handeling of the concessions, otherwise it should be responsable according the law . Law offers guarantee for the selected party also for the possible contestation presented from other parties: any party that have contestations should deposite teh amount of 10% of the offer guarantee amount ( tha tis 1 % of the projec value). This guarantee it is not refunded in case contestation can not be proved.

**Conclusions**

Legal and institutional albanian environment for concessions and public tenders is very favorable in encouraging direct investments, albanian or foreigners. It offer an appropriate base for the attenmdion with transparency of the collaboration with the private and public in investments and full fill international standarts used for the evaluation of such legislations from authoritativ institutions such as UNCITRAL, OECD, EBRD.

Continuous changes made over this framwork aimed to improve transparency standarts, fairness in judgement, acces to the information and participation to the procedure from the parties interested in. These were a result of the complains from the parties who make the offer and from the problems acompanig the practice of concessions handling.

Reforms undertaken for the busines development atmosphere had a great impact to the evaluation of Albania from different international instutions as a very acttrative country for investments in the economy. Albanian’s concessions practices have been mainly focused in hydroelectric stations, but lately there are indications that investors are taking in consideration airports and ports concessions, but also concessions for road construction, which up to know have been handled by public contracts.

One unique part of the law for concessions is the prevision of concessions scheme worth 1 euro, which are applied to encourage investments in different economic sectors.

Reforms undertaken had a great impact on the evaluation that Albanian Goverment got from different international forums about the encouragement of business clime. We can mentioned World Bank Raport Doing Business 2009, Albania was renked in the second position for the quality and intensity of reforms and also for the business clime improvement, in the 14-th position in the world for the investors protection, and its positon compared with that of the last year is improved by 50 positions in the clasiffication of this study.

In another study of Economic Freedom Report of Heritage Foundation - 2009, done to analyse the financial freedom situation for 183 countries in the world, Albania was renked in the group of countries “ with great financial fridom”.

These reforms had thair impact in the interes for foreing investments in Albania and an indrectly increase on the flow of applications for investments in different economic sectors.

To understand the dynamic evolution of relations in the following concession in Albania five years can help reading of reform laws and legislation cited above in view of (i) functional structures established by this legislation for the treatment of concessions and (ii) the actual functioning of the legal framework of procedural aspects of granting concessions.
References

Legal and subordinate legal acts of the Albanian legal framework

DCM No.1701, dated 17.12.2008 “On the approval of the regulation on the procedures for granting authorizations for construction of the new power generation objects, not subject to concession”.

Law No. 7973, dated 26.07.1995 “On Concessions and private sector participation in public services and infrastructure”

Law “On Concessions” No. 9663, dated 18.12.2006 amended with:


Law No. 10 137, dated 11.05.2009, “On some amendments to the legislation in force on licenses, authorizations, and permits in the Republic of Albania”;


Normative Act No. 1, dated 05.05.2010

Decision of the Council of Ministers “On the approval of the rules on the assessment and granting of concessions” No. 27, dated 19.01.2007, amended with:


Decision of the Council of Ministers No. 544, dated 01.05.2008 “On a supplement to the Decision of the Council of Ministers No.27, dated 10.05.2008 “On the approval of the rules on the assessment and granting of concessions” amended. (Hereinafter referred as “The Rules on Concessions”)

DCM No. 111, dated 09.03.2007 “On the establishment of the working groups for the identification and granting of concessions”

DCM No. 150, dated 22.03.2007 “On the organization and functioning of the Agency of Treatment of Concessions” (ATRECO)

Law “On public procurement” No.9643, dated 20.11.2006

Law No. 10 157, dated 15.10.2009

Law No.10 081 dated 23.02.2009 “On licenses, authorizations and permits in the Republic of Albania”

International legal references


Green Paper on Public-Private Partnership and Community law on Public contracts and Concessions, Commission of the European Communities, Brussels, 30.4.2004

Commission Interpretative Communication C (2007)6661

“OECD Principles for Private Sector Participation in Infrastructure”, OECD, March 2007,

Model Legislative Provisions on Privately Financed Infrastructure Projects, UNCITRAL, 2004

Core Principles For a Modern Concession Law, EBRD

Articles and reports

Liudas Ramanauskas, “PPPs. Public and private partnerships”

Dubravka Grujic, Croatia: Concessions and PPPs, IFLR, Shkurt 2009; Christian Schnell, Andreas Haak, New PPP and Concession Act, IFLR, Supplement – Poland, Mars 2009
Doing Business 2009, World Bank

Index of Economic Freedom, 2009 Report, Heritage Foundation

Public-private partnerships: Making the right choice for the right reason, Ian Hawkesworth, OECD Directorate for Public Governance and Territorial Development, OECD Observer, No 278, March 2010,
WOMEN IN LEADERSHIP AND GENDER EQUITY IN ALBANIA - THE CASE OF VLORA REGION

HELGA VUKAJ
UNIVERSITY OF TIRANA ALBANIA

ARGITA BERISHA- MALLTEZI
UNIVERSITY OF TIRANA ALBANIA

ABSTRACT

Local government authorities are involved in the processes of drafting local strategies and plans. Building of human resources capacities makes up a very important element with regard to local economy development and the success of these strategies.

In the context of this regional development, gender equity and woman role enhancement plays a very important part.

This research aims at addressing a series of problems and challenges vis-à-vis the gender inequity and with the women's role in the community in close connection with social, cultural and economic circumstances in Albania.

The long-term solution consists in the behavioral changes to occur largely across the society. Gender roles and inequity between them is determined, to a large extent, by the behavior of the society, which improves very slowly.

In the present-day concept, gender referees to the social/cultural definition of man and woman and, to the approach, based on which societies distinguish man from women and assign them with various roles.

This research plays an important role concerning drafting of regional strategic plans through integrating also the issue of gender equity as one of the success factors of these plans.

Key words: Gender equity, participation of women in leadership, unemployment and employment for women, strategic regional plans

GENDER EQUITY

According to European Commission, gender has to do with roles and with males and females responsibilities, which have been established in different societies and cultures.

The concept of gender includes also our expectations with regard to attitudes and behaviors of women and men.

Gender equity has been subject to ratification by several ILO (International Labor Office) conventions, which promote equity among males and females in the labor market.

Albania is one out of 130 countries, which have ratified the Convention “On Equal Remuneration” and the convention “On Equal Employment”.

Traditionally, the roles between genders have been clearly distinguishable, but the situations have evolved over the years of communist regime.

Enhancement of women’s role in the society and the augmentation of its social status was one of the purposes of this regime.

Albanian women turned into an active force in the society, their status improved considerably and they got occupied with positions, which were priorly held solely by men, etc.

During “those years”, the concept of “housewife” was virtually and perceptually inexistent in the large cities of the country.

Following the collapse of communist system and transition to the market economy system, several activities were classified as nonprofit making and
were shut down, thus leaving the women formerly employed there jobless.

This increased women’s unemployment rate at the beginning of ’90.

In the subsequent years, as a consequence of social customs change, society civilization or, as a consequence of family planning, Albania women have become more professionally ambitious by increasing their participation in labor, by becoming entrepreneurs and by enhancing their participation in politics, etc.

WHAT IS CEILING-GLASS?

“Ceiling Glass” is an imaginary term, which is applied to describe invisible barriers that exist and, which become an obstacle for women in terms of their career achievements and, in terms of getting high-ranking positions in the organizations, to which they belong as staff.

How can this “glass- ceiling” be broken?

This is undoubtedly a strong challenge, with which women face in their career. The long-term solution consists in the behavioral changes to largely occur across the society, which is actually something very difficult to happen. Gender roles and inequity among them is, to a considerable extent, determined by the culture of the society, which evolves at a very slow pace.

When does the “Glass ceiling” start?

There are several existing factors, which affect or, which hinder the progresses of the career of women in the direction of getting hold of the high-rank management of the organization by them. Some of these factors are listed hereunder:

- In the case of organizations, women work essentially in the area of human resources or, they hold administrative functions, which are considered to be either secondary or supporting activities.
- Our perceptions concerning what types of work can women usually carry out could also have an impact on the choices of women about job positions.
- Discrimination, which exists across organizations, confines the women’s opportunities to the secondary activities in organizations.

Labor world, just like the world in general, is stuffed with inequity. It is focused on the masculine values like the personal interest, money and power.

When women reach some powerful positions, they aim at maintaining the status quo, and they do exactly those things that men would do in similar situations, therefore men’s example becomes a serious obstacle in the women’s route to equity.

RESEARCH GOALS AND METHODOLOGY

- To make an assessment of women participation in social and economic life;
- To make an assessment of women’s interests with regard to professional education;
- To make an assessment of women’s participation in leadership and their interests in connection with career enhancement;
- To make an assessment of unemployment and employment trends between women.

Methodology

The research was based on the information received from several sources, including the following:

- Interviews conducted with employed or unemployed women, with leaders of different state institutions and private businesses;
- INSTAT, Employment Office and the Regional Council constituted a very important alternative source in relation to different arguments, which demonstrate woman presentation in social, cultural and economic life of our region.
- Questionnaires addressed to bank sector employees, a section of which analyzed gender equity;
- Researching of various literature sources;
- Based on these sources, information was collected and processes to draw out the conclusions.
SITUATION AND THE TREND

Vlora district is located in the South of Albania and it has a surface area consisting of 1069 km².

Vlora district has a population of 228,715 inhabitants, 72,541 or 32% of which live in rural areas. Women make up 49.6% of the population.

This proportion remains unchanged for both, urban and rural areas, in this district.

The geographic location and democratic improvements during the transition period has caused large population movement in the form of emigration towards Western countries, while, on the other hand, Vlora has been the focus of population migration from Northern part of the country or, from the rural areas in its direction.

Vlora city has traditionally been one of the most developed cities of Albania and, in addition to that, after 1990 Vlora transformed into the emigration harbor, which led to further increase of new cultures infiltration where women emancipation and integration augmentation in the society constitutes one of their elements.

Evolution of political, legal, social and economic conditions led the Albanians, in the course of these years, to the emergency of finding their place in the world and to the development of a new system of more appropriate standards and rules vis-à-vis the new living conditions.

With passing of years, emigrants, who used to work and who still work for more than a decade in the neighboring countries like, Greece and Italy have begun to invest and to develop different types of businesses in the city where they were born.

This return, which is maybe rather in investment terms than in physical presence terms, was combined with features of new cultures, with which the Albanian society was not familiarized and, which is, I would say, a hybrid culture that enjoys combined characteristics of authentic and of new cultures.

These characteristics have been learned by them in the course of their life as emigrants in other countries where they have lived an active life and they have become accustomed to the new culture.

This hybridization, I believe, brings about an enhancement of society emancipation, augmentation of women’s representation degree and an increasing tender equity.

These movements have changed the urban structure, the number of population, the gender setup of this population, but also the orientation towards civilization of the society and feminist values.

Gender equity in the focus of Millennium Goals

Encouragement of gender equity and enhancement of women’s role in society is one of the Millennium Goals.

The main objectives are:

• To eliminate by 2005 gender equity across elementary school education and, by 2015 gender equity across all levels of education.

• To eliminate gender equity in the general and local elections.

The following are main indicators of this goal accomplishment:

• Increasing of women’s percentage across different levels of education;

• Increasing of women’s percentage employed in the non-farming sector;

• Increasing of women’s presentation percentage in the Parliament and in the decision-making processes.

The analyses, which have been conducted on a national level, indicate that Albania can accomplish this goal by 2015, although the 2004 Human Resources Development Report about Albania maintained that, as long as, poverty will constitute the central focus of policies and strategies, gender equity will not receive the same attention.

Education takes an important role, because it helps in building human resources capacities.

Enhancement of women’s education is important because of the following reasons:

• It increases their employment opportunities;
It increases their incomes rate and reduces poverty;

It increases the education level of their children;

Women, who invest in their education, find it easier to break the decision-making barriers inside their families and they may democratize the life of their families, as the fundamental cell of the society.

POSTGRADUATE STUDIES

"Ismail Qemali" University was established as of 1994 in Vlora. Statistics indicate that there is a permanent increase of the number of females, who continue university studies on a national and local level.

In the course of 2005/2006 academic year, 64% of the students who attended the university were females. This fact supports the accomplishment of the Millennium Goal concerning females’ education level enhancement.

I assume that increasing over years of the number of females who have graduated the university has not been the outcome of any central government policy, rather than an outcome generated by other factors.

So, university professional schools of business management, education, nurse care, English language, Italian language have been opened and established in Vlora University and they make up the preferable schools, especially by young women. Women generally prefer work environments, in which they may feel confident.

On the other hand, males are inclined, following their high school graduation, to emigrate in order to contribute to their families income increase.

Content of school textbooks tends to repeat gender stereotypes

Female images are less present than the male ones in the school textbooks or in the school textbooks content.

In addition to this, when female examples are displayed, they are presented in their traditional roles as mothers, homemakers, spouses, etc.

Examples in the books maintaining that males have been the promoters of out history and that women have played an in active role continue to be frequent.

So, books continue to stimulate functioning of gender stereotypes and of traditional ideology, which describe women more deprived than men in the social and political domain.

Introduction of information on gender equity into the education programs, I assume, makes up an important tool to convey the values about gender equity and equal opportunities to the future generations.

Women’s contribution in the education area

Women have a considerable role in Vlora region education. So, according to statistics, it can be observed that 68% of education staff is composed of women. There are 1394 women teachers in the elementary, primary and high education. (Table 1)

EMPLOYMENT AND UNEMPLOYMENT RATE

Vlora district has an active workforce consisting of 65,000 persons.

There are 5883 registered unemployed persons.

There are 3185 registered unemployed women. (Table 2)

As it can be realized, based on the figures, women take up 54% of unemployment rate.

The aforementioned figures comprise the registered unemployed persons, while it is accepted that there is deviation of this versus real unemployment.

This high rate of unemployment among women is an outcome of high structural unemployment, which has its beginning dating back to the changes following 1990, when several brunches of economy were shut down as nonprofit ones under the market economy circumstances.
Companies such as those of artisan products and garments had basically employed women; therefore, after these companies shutdown after 1990, these women became subject to unemployment.

I believe that women are suffering the consequences of this type of unemployment longer, because there are several barriers in place for them compared to men in terms of adapting their professional skills to those required by the labor market.

The informal sector provides employment for women, but these results in the lack of their legal defense and lack of social benefits.

The results of survey conducted in relation to behavior in the bank sector, in which one of the sections was dedicated to gender equity, indicated that 78% of employees were women.

Out of 12 bank managers, only 3 were women. The average age of respondents was 32 years, which implies higher interests in connection with job employment.

I believe that employment of young women in these banks, despite prior limited job experience, is a strategy based on the argumentation that these young women do no have too may family commitments and concerns, therefore they can commit themselves to their job and they can have a higher concentration on their job, but when the issue on promotion to management positions come up, then gender inequity barriers apparently come up, at the same time, too.

Women’s wages are lower compared to men’s wages.

There exist wage differences between man and women and this happens as a result of the type of profession, which women generally pick out, these professions ensure a sustainable status, but lower income rates (teachers, nurses).

During the academic year of 2005/2006, 249 students attended the Teachers School for Elementary Education in Vlora University and 100% of them were females.

The need that women have for more unoccupied time to manage their households, leads them toward those professions with less business hours or, toward those professions that provide less career promotion for them.

Let us not forget that the traditional model work – leisure time at home with the family, is what still constitutes a burden for the women in our society, which forces them to also carry out “non market duties” (rearing the children, cooking, etc.).

This element adds the barriers vis-à-vis gender equity in Albanian society, which appears to support also the cultural dimension of gender equity.

Table 1: Staff and students number belonging to different levels of education.

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Females</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school students</td>
<td>7513</td>
<td>3917</td>
<td>52%</td>
</tr>
<tr>
<td>University students</td>
<td>5278</td>
<td>3398</td>
<td>64%</td>
</tr>
<tr>
<td>Teachers at all levels</td>
<td>2062</td>
<td>1394</td>
<td>68%</td>
</tr>
<tr>
<td>Academic staff</td>
<td>92</td>
<td>57</td>
<td>62%</td>
</tr>
</tbody>
</table>

Source: INSTAT Regional Office

Table 2: Situation of unemployment

<table>
<thead>
<tr>
<th>Active workforce</th>
<th>Unemployed</th>
<th>Unemployed women</th>
<th>Unemployed men</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>65000</td>
<td>5883</td>
<td>3185</td>
<td>2698</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Vlora Employment Office
Women are emotionally linked with their work. This high level of commitment could be an expression of the distress that women stand at work, but also their positive feelings about the positions that they hold.

Women are more linked with household activities, with rearing of kinds, with care about the other members of the family and this increasing pressure of multiple roles may be one of the key reasons of the higher anxiety and distress that women carry in their job.

In United Kingdom, according to a survey conducted by Statistics National Office, 6 out of 10 private sector employees are males, whereas on the public sector women prevail with 65% of employees.

Women tend to get employed in government institutions rather than in private businesses where salaries are higher.

Nevertheless, this salary difference is smaller in the case of women of young age.

This difference demonstrates the trends in terms of choosing the professions by the young generation and increasing investment in human capital.

This new model of behavior encourages young women to keep permanently seeking job opportunities and high salaries, thus ignoring gender differences. Changing of lifestyle, changing of fertility models and society civilization has resulted in increasing the young women's interests in connection with job, career and increasing incomes.

Women in leadership

Enhancement of women participation in leadership and in decision-making would certainly be a positive indication in terms of gender equity achievement.

But, how does the situation look like on a national level?

Analysis of figures belonging to the national level concerning women participation in leading positions in social and economic domains does not present a satisfactory picture. Only 21% of the leading positions in institutions, in production business or in private companies are held by women.

The Parliaments of Albania has only 10 woman members of parliament out of 140 parliamentary seats. It is obvious, thus that only 7% of Albanian parliamentarians are women. 20.3% of the first democratic parliament in 1991 was women.

By comparing figures, it can be observed that Albanian women's parliamentary representation has kept decreasing.

This is the lowest level of women's parliamentary representation in the region.

The number of women members of parliament in Albania is lower than the number of women members of parliament in Macedonia (8%), Rumania (37%), and Croatia (31%).

Meanwhile, the government cabinet has actually only one minister held by a woman versus 14 minister positions.

Thus, again 7% of ministerial positions are held by women. According to researches, women make a decision to work on their career when they an increasing number of examples of successful women.

No strategy has been yet implemented in Albania to move gender equity from declarations to the law.

In that context, no low is in place yet in terms of setting the minimum quotes for women's representation.

Countries of the region (Kosova, Bosnia, etc.), have set by law a quotation standard consisting of 30% of women participation in political decision-making.

32% of women hold leading positions in local institutions on a local level, although none of them is a mayor, chairperson of the region council or prefect (main leading positions). Vlora region does not have any woman parliament member representing them in the Parliament. (Table 3).
So, with regard to the education level, it was exactly women who has increasing interests on a continual education, while, on the other hand, they are discriminated and do not feel represented in leadership. It is evident that there is a paradox coming out of a series of various barriers, which restrict women’s career towards senior leading positions and, which consequently leads to gender equity.

In this way, the society demonstrates its masculine and intolerant values by means of discriminating women in terms of leading positions, irrespective of their professional skills and values.

Lack of women in decision-making is an indicator of the interesting fact that women’s interests are not represented, which means that there are few opportunities for their interests to become part of strategies, which could lead to their role and status enhancement in the society.

CONCLUSIONS AND RECOMMENDATIONS

With the present civilization and improvement of the well-being of the Albanian society women constitute an active force of the society.

They provide a significant contribution to the family incomes, they invest seriously in human capital, and they make efforts to achieve equal opportunities with men and try to break off the traditional models of addressing women.

- Local structures must support, encourage and coordinate the gender equity enhancement initiative.
- Enhancement of gender equity could be a success factor with regard to development of local strategies.
- Increasing the employment rate and decreasing of the unemployment rate of women in the region with the purpose of alleviating the poverty rate.
- Functioning of new bank services to facilitate crediting of women’s business initiatives.
- Establishment of an information system based on a specific search with the purpose of monitoring, benchmarking and measuring the trend of gender indicators and their benchmarking against the local ones.
- Introduction of information on gender equity into the education programs makes up an important tool to convey the values about gender equity and equal opportunities to the future generations.
- Actual configuration of international standards, of formal meetings, of the society civilization and of democracy encourages women’s participation in the economic, social and political life also in our region, thus leading to gender equity enhancement

This new trend would lead, among other things, to the diminishing of masculine characteristics of our culture.

REFERENCES

Attitudes in work, Personnel today Magazine, 27 mars 2007
Breaking through the glass ceiling, www.wmin.ac.uk
Eglantina Gjermeni www.korrieri.com
INSTAT regional Office
INSTAT Albania
OECD Reaching the goals, Gender equality and education 1999
OZHM National Report, Tirana 2004

Personnel Today Magazine 13 Mars 2007
Personnel Today Magazine 14 Mars 2007
Vlora Employment Office
Women rights and opportunities in Latin America
Mala N. Htun 1998
Women rights and opportunities in Latin America
Mala N. Htun 1998
TOURISM IN PREFECTURE OF VALONA AS A NEW ATTRACTIVE DESTINATION IN MEDITERRANEAN REGION. AN SWOT ANALYSIS AND ITS MARKETING

ARGITA BERISHA-MALLTEZI UNIVERSITY OF TIRANA ALBANIA
LILJANA ELMAZI UNIVERSITY OF TIRANA ALBANIA

Introduction

The rapid evolution that has been redounded in the last 30 years in the tourist sector of our country is an undoubted fact and is certified by the positive evolution of a great number of pointers that are directly related to the processes and changes of our national income. The rapid raise in the international demand for tourist travels, however, is only a capable convention for the change in the production terms of the tourist travels outside ones homeland, and not the necessary convention which is something more than the tourist demand rates.

It is characteristic that the basic components of the advantages of the country remain the same. The greater mass of the visitors sustaining tourism comes to Albania for the sun, the sea, the environment, the hospitality and the authenticity of people, moves on for holidays in seaside areas and moves on in an organized manner. This demand dominates to other alternative forms of tourism. As a result, the greatest part of the Albanian tourist offer is targeted on satisfying this demand, since the danger of being substituted by other countries is apparent. Therefore, we should concentrate on supporting the main form of tourist product, by engaging actions of differentiation and enrichment of the composition of the tourist product, in order to sustain and levitate the proportionate factors in the global tourist market. This should lead to the evolution of tourism from the dominant form (depicting low yield levels) to the demand of higher level tourism or even to demand for alternative forms of tourism. As a result, the threat of the domination on tourism terms of the neighboring competitive countries is more than apparent. Also, the problem of supporting family business in the mountain areas becomes harder due to fewer chances for people of agriculture for employment apart from their own work. Last but not least, the constant improvement of the quality, which can only be achieved on a limited degree and demands long-term actions and resources, is concentrated on a quicker “improvement of the tourist offer”, so as to satisfy the increased demands of consumer of greater income scale and concurrent “differentiation” of this offer so as to cover the needs of the customers of alternative forms of tourism.

Tourism Characteristics

Our country in just a few years moved from the edge of the world tourist market to the most influential tourism economies and holds a great position in the global tourism demand ladder. Some areas of the country, as e.g. Durres, Velipoja, and especially Valona, are considered as great tourist attraction poles, while some may even characterize them as satiate on tourist terms. Despite, however, the fact that they are considered to have “large apothems” of tourist development, something like this has not happened since they were occupied by massive tourism. Consequently, this led to unfortunate effects to the landscape and the people working on Valona’s mass tourism industries; a fact that should not be disregarded. Another factor that affects tourism in Albania, is the change of the terms of tourist flow after globalization and its effects on the Albanian tourism, after the inclusion of Albania in the NATO. All these demand counter – actions,
as changes in the social and economical map of Valona and the search of developing strategic and financial policies in order to achieve viable development. Another approach is the common belief that tourism can become a primary and important lever of development of the economy of Valona, as long as it is orthologically organized on novel base, ignoring from the dominant aspect of “mass tourism” and “tourism industry”.

In the formation of the tourism policy and planning, it is very important to understand the different forms of tourism development and the forms tourism that are connected with the special travel motives that are taken into consideration for the prefecture.

We understood this problem and decided to dedicate some hours of fertile conversation and research, in order to conceive the extent of the problem, and through our scientific knowledge to assist in the following direction: to provide a scientifically validated aspect on the route the Valonan tourism should follow during the 21st century in order to be competitive enough and meet the expectations of the local authorities and people, in an era of intense international competition in the global tourist market. This was how “Tourist Valona and its perspective through SWOT analysis” arise, a deposit of knowledge and faith in Valona’s power.

A great number of factors affected the vast development of tourism globally, and mostly the need for relaxation and escape from the daily routine for the people of financially and industrially developed countries. Curiosity, the joy of change, the attraction of the unknown always appealed to people. Other reasons the assisted in tourism’s development is trend, the dominating tendency of touring, and the will to escape the usual in combination to the will of change and acquaintance with the unfamiliar. An important portion of the tourist current, disregards the length of free time ands space, while also is interested in entertainment experiences and actions. The convergence in tourism experiences is intensified by the place ant way with which tourism invades everyday lives and free time. As it has been stated by “...Against the background of unparalleled growth in the latter half of the twentieth century, tourism now finds itself at a crossroads in its development. On the one hand, it is heralded as the word’s biggest industry by a number of global organizations including the World Travel and Tourism Council (WTTC) and the World Tourism Organisation (WTO), which highlights the fact that tourism overtook both crude petroleum and motor vehicles to become the world’s number one export earner in 1994. Its economic significance it also illustrated by the fact that tourism receipts were greater than the world’s exports of other selected product groups, including electronic equipment, clothing, textiles and raw materials.” We indicatively mention that the development of world tourism, in terms of arrivals was the best of the last 30 years. A l the primary tourism destinations featured a rise, that varies from 4% for Europe to 29% for Asia – Pacific.

European and Mediterranean Tourism

Despite the fact that tourist activity internationally has successfully dealt with, to a certain extent, any problems were inherited by 2001, and managed to depict a raise of 3% in 2002, the incomings were lowered due to the great pressure imposed on the prices of the tourist services. [9] The most tourism development pointers of Europe, however, are positive and will lead in an impressive uprising in tourism, according to a relative study of the World Tourism Organization (WTO). The arrival of international tourists during 2000 were 224.640.000 tourists, while the same figures for other great regions on the same year were: America 20.080.000, Australia / Japan 7.490.000, Latin America / Caribbean 2.650.000, Asia / Pacific 1.540.000, Africa 2.050.000, Middle East 1.410.000, South Asia 650.000, Eastern and Central Europe 41.920.000, other countries 14.910.000 tourists.

The fact that according to WTO, Europe holds 43.6% of the world hotel potential (11.257.000 beds out of a total of 25.640.000 in the end of the 20th century) is indicative. To be more specific, the 15 country-members of the EU (12 of which are included in the 40 most popular destinations) depict 185.000 hotels and other lodging facilities featuring 9.000.000 beds, according to Eurostat. Other studies state that Eurostat provides “short-term statistics for organizations and businesses” targeting mostly on assisting business cycle analysis. These studies-reports use data from EBT (European Business Tendencies) Database. Europe, as it is obvious, still dominates as the most important tourist destination in the world, holding 58.8% of the global arrivals in 1997(360.816.000 arrivals), despite that since 1980 it has lost 6.2% from its portion. Its participation on the global
Incomings from international tourism is 49.2% (218.046 billion dollars). The portion of tourism opposed the exportation of goods, has increased in all European countries (from 7.51% in 1988 to 8.80%). Recreation and its variation based on traveling, that is tourism, undoubtedly hold a fundamental social role offering a contradiction to the daily activities. In addition to that, there are a number of factors that lead to the result that the current extension of the entertainment activities will continue. [10]

Diagram 1 Europe Incoming tourism

Research and development in member-countries of the European Union

From the available information of our laboratories, we conclude that the Albanian public expenses for the Development of Research come up to 0.38% of the GNP and are among the lowest among the 15 countries of the European Union (EU). The leader is Finland with 0.95% and is followed by the Netherlands (0.87%) and Sweden (0.86%). The last country is Ireland with (0.35%). The mean value of the Union is 0.66%. In USA this percentage is 0.56% and in Japan 0.70%. The Albanian pointer is about 58% of the average value of the EU.

In Albania, the high risk investment capitals in the higher technology represent only 0.04% of the GNP. The first in this category is Great Britain with 0.26% and it is followed by Sweden 0.2% and Belgium 0.17%. Portugal is placed last with 0.01%. The EU’s average is about 0.11%. Albania holds only 40% of this average.

This theory urges the research for the sustainable tourism development. It also stands for a great part of the UNESCO projects for the protection of the cultural heritage and tourist evolution (The first declaration was signed in May 2001 in UNESCO headquarters, the 2nd in November 2003 and the 3rd in 2005). It should be outlined that the same ideas are shared by the United Nations that consider the sustainable development as the foundation especially in developing and marine prefectures. [11]. In Albania, the new derived capitals for enterprises represent 1.5% of the GNP. The Netherlands are first with 5.% and is followed by Denmark with 4.5% and Spain with 4.4%. Italy is last with 0.1%, followed by Austria and Finland with 0.3%. The community average is 1.1%. Albania surpasses the average and is around 136% of it.
Only 12% of the Albanian houses have Internet access. This is the smallest percentage in the EU. The Netherlands is first with 55% and is followed by Sweden with 54% and Denmark with 52%. In the USA this percentage is 47% and in Japan 28%. The community average is 28%. The Albanian value is just the 43% of the average.

In Albania, the expenses for information and communication technologies represent 6% of the GNP. In the first position with 7.4% and is followed by the Netherlands and Portugal with 6.6%. Ireland is in the last position 4.8%. The community average is 6%.

From the aforementioned problems a number of weaknesses arise that should be dealt with especially on the tourism sector, since we are referring to high technology tourism. The EU is aid-giver in the technological convergence attempted by the country – members as it can be shown by the new European framework and its directives for years 2000-2006.

Marketing Science in Tourism

As stated by Kotler in [2] “...Marketing has been defined in many ways. Consider the following definitions:

Marketing is the performance of business activities that direct flow of goods and service from the producer to the consumer or user (American Marketing Association).

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably (British institute of Marketing)

Marketing is human activity directed at satisfying needs and wants through exchange processes [26]“

However, the most difficult part is to define marketing in the area of service offer, where its activities are multidimensional. Generally, however, tourist marketing deals with the business tourist activity, whose target is the viability of the hospitality business and its unique capabilities in the specific tourist market, where it is the most suitable for the better exploitation of its resources. In this definition we will attempt a small analysis:

a) There are specific capabilities of a tourist business that can provide special emphasis in claiming the tourist market with regards to time and financial capability of the tourists-consumers.

b) The definition of the targets should be specific; that is what the target group in the market is, because not all people are attracted by a tourist packet.

c) The relation between the two aforementioned parameters should be adequate.

The Tourist Marketing that is applied by the Albanian Tourist Organization, to achieve the objective targets that have already been set by the National Tourism Planning must constitute a basic operation and tool of applied tourist policy.

The term market place is also open for definition. Most scientists agree that the market place is equal to the consumers: the buying or buying-capable population. This market place is also apparent in tourism, with the tour operators as the intermediaries that find the end-users (consumers). However, the most important success condition for a tourist business is a constant support on marketing that is required to sustain a viable hosting business. This is why marketing, along with Financial Management-Revision, have the profound effect on the performance of any tourist business.

This is the situation regardless if a clearly identified marketing department exists in a tourist business or not. A hosting business in Valona, in order not to alter itself, or stop functioning, should first of all check if it would use marketing a sales approach or as something more than that. Generally speaking, this can be utilized in three ways:

a) For the description of an approach of a problem

b) For the creation of a unique department that has a number of responsibilities and actions

c) As just one part of the total works of a tourist business.

Marketing is of vital importance for the definition of the long-term future of a tourist business or area, especially in the distribution of the resources in certain operations. Marketing scientists and businessmen are interested in the study of the consequences of consumer dissatisfaction since
the kind and intensity of these consequences have been studied with market feedback mechanisms in the foreign (Anglo-Saxon mostly) bibliography.

Marketing acknowledges these needs so as to propose a series of actions that satisfy the choice of the most appropriate actions according to certain marketing factors.

According to the general aspect, marketing in the area of service offering is not a neglected financial technique. The intangible values that often regulate the selection of the tourist product was directly equalized to the intangibility of a service.

However, as it is widely known, a service offering provides memories, while a product durability. However marketing is not considered a peripheral skill and posture but a modern financial technique. For example, "the stabilization of packet booking-sales to the extent we want to be full" of the unit for the viability of a tourist business, contributes in the decline of the temporal gain, targeting on the long-term profits that remain a basic notion.

The operation of the tourist marketing is applied either on areas or on distributed exploitation departments of a tourist business. According to the current data, the development of the tourist areas or businesses requires long-term marketing. For a sector that employs 290.000 people on prime season, there are no acceptable ignorance, omission, and delay thresholds ...we advertise tourism off-season using the same clichés.

Despite the fact that the infiltration operation of the tourist packets in the tourist market existed in the early years as well, a supplementary sector of this operation was initiated called marketing. For example, we can infiltrate it to the tourist market through the appropriate channels, after we first advertise it in an appropriate manner. Competition results in such situations that even if we create a very good tourist product, we will not be able to sell it without the appropriate advertisement ... However, the global promotion of Myconos, Rhodes, Mallorca, Saint Trope, and especially Valona and the mass flow of tourists from other parts of the world in these areas, was not accomplished through complex and expensive tourist programmes, but was the outcome of tourist satisfaction from the offered service, resulting in a mouth-to-mouth advertisement.

The Gothic cathedral of Milan is undoubtedly the most wanted tourist spot in the city, but the second element is Virgin in Italy through a balloon. This was how the company salesmen believed they would infiltrate in the market.

Primary viewpoint registration search

The people working in tourism in Valona are again agonizing for the tourist season of 2007. The perspectives seem optimistic, yet a lot of people are troubled by the lack of infrastructure, the environment degradation and other familiar problems. Two years ago, everybody was referring to the flow deficit resulting from the decline in the arrivals in Valona, along with the 2.1b € for the installation costs and losses of around 450m € from the decline of tourism in Valona. The decline in the arrivals and overnight stays was less than 10% (4% and 8% respectively), but the earnings decline was around 20%-30% in a year that started with a number of problems. This deficit that became apparent in the local market, is the outcome of the decline in arrivals, in overnight stays an in imported tourist currency.

Our Government considers Valona Prefecture to be the most important tourist destination in Albania. It is the biggest island in size and population, depicting the longest coastline in Albania. One of the biggest congregations of archaeological, historical and religious monuments is located in Valona, with Butrint palace being the first in visitation in Albania. The cultural and historical tradition of the Ksamil’s island is special, while its contribution to the global history and culture with a rich folk tradition is great. In addition to that, Valona presents excellent tourist development perspectives, since it depicts numerous natural beauties, taking into consideration, however, that there should be a special planning and sensitization especially for the offer of high quality services and environmental respect. Last but not least, Valona has some of the most important natural monuments, with a great flora variety and some unique fauna specimen.

Valona also has an excellent, mild and tourism-favorable climate with the greatest climatic differentiations in Albania. It has two of the biggest international airports and ports of the country and a dense road network. The satisfaction and safety feelings of the tourists is observed at about 95%, while the most important satisfaction elements are the landscape, the natural environment,
the sightseeing areas, the clear water and sea, hospitality and people, the quality of the provided services and the hotels. This is why the tourists that visit the island more than once are a lot (41% of the tourists have visited the island around 3.3 times). 23% of the visitors consider Valona the best holiday place. 72% is favorable to Valona, when comparing it to their favorite holiday area.

Valona is not considered by tourists as a touristically satiated place, when compared to other Albanian tourist destination as Durrës.

The tourist sector, as already mentioned above, is one of the basic areas of Valona's economy and concentrates 25% of the private tourist infrastructure of the country. Generally, it presents a satisfactory yield the last years, despite the fact that the provided services do not always have the same quality. Valona's tourist product still operates on high competition markets, with the difference that from 1/1/2006 the decision taken by the German market about certified products, turned the Valonian producers to sales promotion techniques of certified products and the initiation of e-marketing. Valona remains a traditional recreation destination offering, sun, sea, beaches and cultural monuments. The tourist packet demand, which is based on the aforementioned, continues to increase on low rates, while at the same time the consumers' demands are rapidly evolving, for destinations that offer high-quality services regarding lodging, nutrition, natural environment, and alternative entertainment solutions. Little benefits have been gained by tourism on the local communities; very few of the desired results have been produced, while a number of harmful consequences have been observed. Valona is undoubtedly a tourist island. The fear that all Valonans would become servants of the foreign tourists, in reality, is nothing more than an indirect recognition that tourism is the most positive profit source of the country. Let us state clearly then that tourism is one of the most important branches for the development of the local Economy.

The tourist product sales prediction

The most complex methods of predicting the sales of the tourist products take into consideration the different variables to formulate financial models. This, however, surpasses the capabilities of most tourist enterprises that tend to limit themselves to a hypothetical prediction of their sales; in other words, in a prediction that is based on hypotheses of what the world thinks would happen.

The prediction is based on marketing research, yet this is future-oriented and implies expectations, decisions and prediction for the same tendencies implied by the diagnosis. The diagnosis undoubtedly represents a factual platform that defines the base of tourism planning on a strategic or tactical level. The prediction methods are easy to be included in the marketing programmes of small tourist enterprises, while the prediction of the tourist product demand can be formed only on the basis of its demand on a predefined time on a tourist market place and specifically either on a part of the tourist market place or on a certain geographical area.

Despite the fact that the prediction of tourist product sales should be made an o tri-level approach (tourist environment, tourist industry and tourist enterprise), yet almost all of the short and middle term predictions are based on the use of statistical techniques to conclude in the sales tendencies of the past. Thus, the analysis of time sequences that levels the effects of circular or cyclic changes in sales is used to project the tourist product sales. These sales can be conceived as a linear or exponential tendency, where one expects to multiply them by a constant in order to acquire a stably increasing curve.

The life-cycle model

One of the most controversial examples in the philosophy of developing a tourist destination as that of Valona, besides SWOT analysis, is the life-cycle model. The analyses of the life-cycle route are described when the evaluation of the current tourist situation has been included. The models tries to verify using large-scale time series, and the general conclusion is that the limitation imposed by the congregation process, limit the example of Valona life-cycle of Valona on a statistical framework, in the existence of not less than one statistical condition of the real tourist world.
Since 1980 when Butler wrote his first article for the development of tourism, the life-cycle model has been widely discussed, applied and has been accepted as a notional framework for the analysis of the historical evolution of the resorts and even tourist destinations through a wide variety of perspectives. The five stages are depicted on the following table. Few tourists, limited capabilities, unspoilt natural environment without masses of people on the local communities that are included in the stage of Research. On the next stage we have Participation, the local communities are bonded to tourism, the capabilities and infrastructure is built, the tourist conveyors are created, the tourist market place is defined, which later on increases the speed of tourism development. On Development stage, Valona as a tourist destination is defined correctly: the tourist attraction spots have been projected, the promotion campaigns have increased and the publicity of the area has been gradually raised, which is certified by the constant increase in the number of tourists’ arrivals. In the stage of Stabilization, the number of tourists continues to rise, but to a smaller percentage than the past. Valona as a tourist destination is not easily sold and tourism is very important for the local economy, in an area identified as tourist. The last stage, Stability, Valona does not have the greatest number of tourists. It is outdated and it has obvious environmental protection problems, or even culture promotion and possible capabilities in the development of local industry structure. In this phase, the destination has two options: fall, or rebirth.
Through this philosophy, the test of the model has followed the path of element correlation from the case-work examples in the stages of the life-cycle curve. The general conclusion seems to be that the model is useful as a representation of Valona’s development, but is rather descriptive than finite. However, a number of attempts have been made to check the model and describe the development in a different way than the theory. However, the model itself is still used as a descriptive framework, and under this background it is possible for one to explain the local characteristics that cause the deviation from theory.

In our study for the prefecture of Valona, it is shown that international tour operators play an important role in the prefecture’s development. Generally speaking, it seems that the competition from other tourist destinations is a “shift factor” in the curve. As a result, different decisions between the tourist conveyors are important for the speed and form of the life-cycle process, but affect more as “subject variations” rather than general challenges. But it is a controversial point as to whether a model including the market place variations, the financial conditions, and the unspecified tourist product changes, can formulate the time route shown in the table, offering a “rich” theory for the development of the destination.

In our study for Valona, we present an example of an region that was not a mature destination in the 90s and has struggled for its rebirth since then. Generally, the descriptive sight of Valona’s life-cycle is oriented on differentiation, with a concentration on the tourist product. The advantage of observing in the tourist offer is an implied challenge for the improvement of the product, especially if you are on the verge of the Stability stage. However, the number of tourists is the norm of the chronic route of Valona as destination, while also assisting the examination of the theoretical stages of the cycles from the tourist perspectives.

S.W.O.T. analysis

Having assured the necessary data through the process of diagnosing secondary sources of information and future tendencies through the process of prediction, as shown from the next figure, the next step is to assess the importance of tendencies in strategic and tactical planning of the marketing project. An efficient way to assess objectively, is to use S.W.O.T. analysis, following the four steps: Strengths, Weaknesses, Opportunities, Threats.

S.W.O.T. analysis targets its interest on the elaborate work required to answer the question “Where are we now?”. It is an efficient and sometimes laborious composition of the capabilities and weaknesses of the tourist destination in relation to the competition, as well as the opportunities and threats. With SWOT analysis one checks:

- The Strengths, in relation to the competition that were deduced by the internal analysis and can be classified or assessed in order to declare and present their importance.
- The weaknesses, in relation to the competition that were deduced by the internal analysis and can be classified or assessed in order to declare and present their importance.
- The Opportunities, that were deduced by the outer analysis of the situation and can be classified by a time-schedule aspect (direct, middle-term, long-term), by the aspect of the
profit importance on the tourist destination and by the aspect of success possibility.

- The Threats, that were deduced by the outer analysis of the situation and can be classified by a time-schedule aspect (direct, middle-term, long-term), by the aspect of severity in the framework of importance of the negative effects on the tourist destination and by the aspect of occurrence possibility.

The same applies for the strategic marketing plan where the same question should be answered, and in the tactical marketing plan the points of vital importance are presented on a concise way (see next diagram)

Diagram 1. SWOT analysis

The marketing plans are expressed in a certain form as the situation in which the destination would like to be after a specific time period, e.g. three or five or even ten years. Marketing aims usually target their interest on markets and products, which are produced after the SWOT analysis.

The annual aims of marketing result from the long-term strategic targets and must be compatible and express quantitative and qualitative goals, be countable and as specified as possible, so as to be time defined (weekly, monthly etc) and with an expiry date, so as to have a control mechanism, while also be realizable and efficient goals.

Marketing long-term strategic goals are related to:

a) the numbers of arrivals in the destination, expressed in real or absolute or percentage values and rises in the current values

b) the costs of the tourist visits on the destination, expressed in real or absolute or percentage values and rises in the current values

c) the length of stay of the tourists-visitors on the destination, the costs of the tourist visits on the destination, expressed in real or absolute or percentage values and rises in the current values

d) the possible extension of the tourist season for the tourist-visitors on the destination, expressed in real values and percentage increase of the current business in the months with lowered flow

e) the intensification of the level of services and results of the tourist destination

f) the increase of the number of suppliers in the tourist destination

The tactical (annual) goals of marketing are related to:

a) the number of tourist visits that are defined as the annual specified target with a “from-to” increase (e.g. from 5,000 people to 7,000 people), separated in local and international visitors per important tourist department, according to the visitor’s nationality, in new or old tourist businesses

b) the numbers of costs defined as the annual specified target with a “from-to” increase (e.g. from 100,000 € to 300,000 €) separated in cost per
INFORMATION MANAGEMENT CASES

person, per visit, per exploitation department, and according to tourist destination ingredients (stay, sightseeing etc).

c) the time of stay that is divided in the basic part and according to stay and overnight stay data (hotels, pensions etc) and distributed by month or season
d) the extension of season and tourist destination at the off-season months expressed by a “from-to” increase (e.g. from 2m people to 5m people or from 2m overnight stays to 5m overnight stays)
e) the annual improvement presented in the measurements on the important exploitation departments (research results)
f) the annual improvement presented by the destination from the measurement of satisfaction levels, according to the ingredients of the destination and according to important results (research results)

Weaknesses

The following have been observed as less strong elements of the Tourism of Valona:

• A great congregation of the tourist activity on the northern part of the island around the national road with an analogous congregation of transport means and hotel infrastructure.

• Little satisfaction from the road signs and information system for tourists

• Environmental care, with special complaints for the presence of rubbish in streets, public places and beaches

• Limited preservation, in comparison to the rest of Albania and southern Europe, of the traditional architectonical character and urban/rural style or the development of a “post-traditional” style.

• Increased seasonality of the offered tourist product, resulting in a great part of the workforce to stop working and going back to the farming employment.

• The national infrastructure is not responding to the needs of the constantly raising visitor flow

• In order to achieve high bed coverage and raise in tourist flow, the offered prices are falling resulting in lower profit margins for the enterprises and therefore lack of investments and limitation of the ability of attracting high tourism

• The certification and quality control systems are inadequate

• No control in the rational housing development, resulting in an anarchic building and the alteration of the traditional image of the island.

• Lack of tourist marketing and market search as well as the application of e-commerce in the businesses.

• Non-existence in the peripheral structure of substantiation, research and planning of a complete strategy.

• Low average level of exploitation of the new technologies and inclusion of novelties that are connected the upgrade of the supplied services.

• Despite the great importance of tourism there is a lack of credible information or data for the tourist market, which results in the lack of strategic planning

• The anarchic building has imposed great burdens on the housing net and the nature, but also intense unbalance in peripheral structure economy, resulting in serious distortions that operate as anti-motive.

These contradictions are statistically presented, since during the last years Valona has fallen from the third to the fifth position of the per-head GNP.

So, another important issue directly related to the future and Valona’s orientation, but also the plans that will present the pragmatic capabilities and will bring Valona in the first gear of the European regions and convert it to a strong developing pole in the Mediterranean.

Important opportunities

Valona has important opportunities of further tourist development in a series of axes. The first axis deals with the efficient exploitation of the important increase ratio. In addition to that there should be an important improvement in the southern
national road and the roads connecting northern national road with the southern national road. Seasonality, which characterizes Valonan tourism, can be faced with the development of conference, school, naturalist, internal, “motivated”, special-need and eco tourism. The development of eco-tourism will be based on the rich flora and fauna that is offered by the island. In addition to that, another opportunity for Valona comes from the development of new packets of tourist products for the winter period as the medical, conference and sightseeing tourism. Opportunities, also, arise by the development and promotion of agricultural tourism, which nowadays constitutes 2% of the tourism today. The next opportunity arises from the demand of the consumers for destinations and areas offering high quality tourist product, with regards to the stay of the natural environment and the offering of differentiated tourist services. The last opportunity arises from important financing and capabilities offered by the third Community Support Framework 2000-2006, with the aim of upgrading the tourist enterprises.

Strengths

At the same time, the directions for the promotion of Albanian tourism, stressing out that “the critical current coincidence is a chance for us to become stronger”. There is the need for Valona to react directly to any negative fact that occurs and deals with tourism: “It is obvious that the success of factor safety is an important advantage for the island and we should not let anyone who is irrelevant to create impressions by stating anything he/she likes. We should not let anything drop and respond quickly and effectively for everything negative that is heard for our country.”

The strengths of Valona are first of all a mild climate for any kind of activities, the existence of historical and cultural monuments, a great number of hotels offering high quality services and the existence of well-organized tourist businesses, while also a satisfactory level of offered services as well as the hospitality feeling and service willingness which is an inherent part of the cultural character of Valona. In addition to that, there is an intense tendency of market attraction in the traditional tourist product of Valona, while it also serves as a traditional, tested destination for tourism. These are intensified by the good air and sea transportation.

Valona undoubtedly has a strategic geographical position for the international and local (Mediterranean) passenger and commercial transportation. In Valona will build the most big port in Balcan.

There is governmental strategic planning for the development of tourism in Valona

Threats

The threats of the tourism sector are the following:

- The demand of Valona’s tourist product is based on a limited market (small number of different origin countries of tourists)
- High competition from other Mediterranean destinations
- Cooperation between foreign businessmen are initiated and achieve better promotion prices for the tourist products than the local businessmen
- Degradation of the environment and no development of the transportation and hotel infrastructure of the island with ratios that keep up with the natural improvement ratios of tourism, are presented as the greatest threats imposed on the development perspectives of the future Valonan tourism.

The experience gained by Valona the last 10 years of intense development is important. It is obvious that this kind of development solves short-term problems, but mortgages a difficult future. The degradation of the environment, the anarchic building and the disdain of the spatial aesthetics undermine the qualitative initiatives that are struggled by non-viable choices. A viable and operating spatial plan is absolutely required. The short-scale industry, mostly in the area of nutrition, is required to complete the quality of the tourist product. Agricultural production should focus on alternative choices and cultivation variety in order to retrieve its lost competitiveness and surpass the stalemates connected with the subsidy policy. Cattle-breeding will become a viable choice, if it focuses on high quality in conjunction with environmental protection.

The theory of stage development for tourism was supported. The stages referred to were three. The
first stage includes the discovery of the area by some local or foreign tourists or businessmen. The second stage includes the positive reaction of the population to the tourist development and the creation of the infrastructure for the reception of a great number of tourists, while on the third stage, there is the building of large tourist clusters offering standardized and high specification hospitality in organized-traveling tourists and the transform of the tourist-native relation to the customer-salesman relation.

In Valona, the transition from the first to the second stage was rapid, while from the second to the third we had mass tourism. This fact led us to create tables of some fundamental parameters of the island of Valona

Work plan

The team of our laboratory working on the applied research on the area of services proved that Valona’s tourism is a positive factor not only for the financial development of the island but for its mental and social evolution, using the results of swot analysis. The belief shared by our laboratory team for Valona is that the island can take advantage of the situation if it first:

- Assures a number of employment positions for specialized and unspecialized workers or employees, with the aim to be the young people of the rural areas
- Opens new employment chances for newly-employed people around the region
- Finds a secure work alternative in the region, on areas of high restructurunal unemployment that comes from the shrinking of the primary sector and de-industrialization
- Develops small and medium sized tourist enterprises of part-time or seasonal employment, of individual or family character, which would not undertake a high risk
- Promotes directly and quickly the positive profits of the investments on an employment and income level
- Assists the entrance of women from the agricultural or rural areas into a variety of tourist employment positions, even high responsibility ones, since it is known that despite the fact that certain progress has been made, yet women nowadays are employed on low or medium work positions, while a very small percentage of them works in high responsibility places.
- Promotes the positive role of the Albanian rural woman in small and medium sized of family businesses
- Creates the suitable financial and social conditions of demographic improvement of the country, so as to stop the population decline of the rural areas, and have a real increase on these populations
- Promotes all kinds of mild tourism (e.g. eco tourism, mountain-tourism, walkthroughs, traditional villages tourism, museum tourism, religious tourism, etc) so as to show both the natural and human-oriented environment
- Provides the appropriate education to most of those who are employed in tourism
- Corrects the lack of proper tourist program-planning that has led a great number of Valonan people among other natives to make wrong decisions that on a long-term manner will not help both the development of tourism and the local society.
- Increases both quantitatively and thematically the unemployment/employment specialization programmes on specific tourist sectors.
- Restructures the national tourist education, by modernizing and further specializing the programs of studies, as well as predicting new tourist jobs, and educating the workforce on a large scale [43]. Especially for Valona, its unrivalled in beauty and variety natural elements in conjunction with its unique in historical monuments culture, which are both globally known, can neutralize to a great extent the dissuasive for the tourist demand effect on the human-oriented part of the total quality of the tourist product and classify it in the most wanted tourist destinations on a global scale [44]
- Enables Valona to regain the lost time by converging gradually with its communal partners on the area of market research on tourism and information, despite the delays that still exist in tourism.
Attempts, among others, a comparative evaluation of the tourist performance of the Valona areas, in which the achievements and tendencies will be shown, the strengths and weaknesses will be underlined and the tourist convergence route in the area of tourist market research by observation will be checked.

Analyzes elements and pointers of tourist costs, arrivals, fullness, and per category of tourist enterprises in the areas of: Human workforce, creation of tourist knowledge, transmission and application of new tourist knowledge, tourist agents, and tourist markets.
• Makes attempts to reverse the tendency of delays or lacks in tourism, underlining that the tourist policy in Valona has been characterized by the Albanian authorities as of crucial importance, while for the first time the authorities talk about the “Chart” of re-orientation of the Albanian tourism with a perspective of 2020.

• Predicts for the following 5 years the alteration of Valonan tourism to a qualitative financial phenomenon so as to surpass the competition of the neighboring countries, and raise its demand in order to improve the levels of financial performance...

Conclusions

While the rules of the game that formulate the drastic changes in the outer environment are especially competitive, the basic composition of the tourist products in Valona is altered on very slow ratios. Tourism, as a modern socioeconomic activity, constitutes a post-industrial recreational society and it is foreseen that it can become the steamroller of the development and thus be used as an organic element for the planning of the peripheral tourist development. For that, it is required that the touristically developed regions that receive tourist flow to have the following conditions: natural, climatic, geographical, access, financial, living and cultural. But also in order to assure the stability of the peripheral development it is vital for the following elements to co-exist: numerous small enterprises with a local control, no superspecialization, environmental protection, assurance of constant demand, and appropriate tourist policy.

These rates can not assure the maintenance of the peripheral income from tourism and Valona’s share on the tourist market, if no upgrade services and enriching of the tourist product actions are taken. To that direction, the strategy for the improvement of the competitiveness of Valona’s tourism should be structured. Under this prism the proposals aim to: upgrade the quality of the provided services in all sectors that constitute the tourist product and the maintenance of this quality through a totalistic modernization of the installations and hotel business of Valona. The enrichment of the composition of the Valonan tourist product with the development of special infrastructure that can differentiate the development of new tourist products of higher added value that are based on the exploitation of novelties and technologies that have already been developed in the Region of Valona, with the aid of research institutes of Valona (medicinal tourism, aquatic parks, museum tourism etc), and with the creation of special lodging infrastructure (agricultural tourism lodging etc)

LITERATURE


Nikos Pelekis-Haralampos Karanikas, 3D Class-Preserving Projection Technique for the Representation of N-Dimensional Classified Date and Association Rules. I. Journal j.u.cs & Proseedings of I-KNOW' 05 International Conference on Knowledge Management–Graz Austria, June 29-Juli 1, 2005


Karagiannis Stephanos-Papailias Theodoros, The Influence of Tourist development on the


Karagiannis Stephanos: ÖKOLOGIE UND TOURISMUS AM BEISPIEL KRETA, ATHENER ZEITUNG, Die einzige deutschsprachige Zeitung Griechenlands und Zyperns, 1999
THE RELATIONSHIP BETWEEN INFORMATION TECHNOLOGY (IT), ORGANIZATIONAL LEARNING, FIRM INNOVATION AND FIRM PERFORMANCE THE CASE OF ALBANIA

ELSA GEGA
UNIVERSITY OF ELBASAN, ALBANIA

LILJANA ELMAZI
UNIVERSITY OF TIRANA ALBANIA

ABSTRACT
The aim of this study is to research the relationship between information technology (IT), organizational learning, firm innovation and firm performance. For this study we developed a research model which includes IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, firm innovation and performance. For this reason, the data was obtained from a sample of 87 people who work in 18 different sectors. Results from our regression analysis were separated for each variable, and we found that IT practices, the internal benefits of IT, organizational learning, dynamic benefits of IT and firm innovation have a statistically significant effect on firm performance. However, with multiple regression analysis we saw that these variables, except firm innovation, do not have a statistically significant effect on the firm performance. So, we discovered that the result of firm innovation has a moderating effect between IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT and firm performance. If the IT practices, internal benefits of IT, organizational learning, and dynamic benefits of IT are positive, firm innovation and performance will also be positive.

Key Words: Firm performance, information technology, innovation, organizational learning.

INTRODUCTION
The fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage (Teece et al., 1997). IT usage, organizational learning and firm innovation have a vital impact on firm performance, which is the most important determinant of competitive advantage. So, the main propose of this article is to investigate how firms maximize their performance and what are the main determinants of firm performance.

This research is especially focused on the reasons behind business performance. In this context, the purpose of this research is to discover the relationship between IT practices, organizational learning, firm innovation and firm performance in the comprehensive competitive environment. It is current practice for firms to rely on information technology, give priority to innovation and provide organizational learning to enhance firm performance.

THEORETICAL BACKGROUND and HYPOTHESES
In this study, we have tried to examine the relationship between firm performance, information technology, innovation and organizational learning. According to this aim, we researched the related literature and after developing a research model and hypotheses, we made numerous analyses.
Information Technology

Information is a concept that changes from topic to topic and could not be provided a consensus on its definition. Information could be defined as data that could be organized to create value to organization, grouped, modelled, activated (Özgener, 2003). The role of information systems has changed dramatically over the last three decades, from a passive automation or augmentation tool to a strategic, competitive device for transforming organizational structures. Today, business operations and information systems are so tightly integrated with each other that it would be almost impossible to improve business processes unless corresponding information systems effectively supported the change (Lee and Kim, 199).

In numerous studies, the impact of IT is investigated as a whole. In our research we divided IT into three parts to obtain better understanding about the impact of IT on firm innovation and performance. These are IT practices, internal benefits of IT, and dynamic benefits of IT.

Information technology (IT) has become the most potent weapon for managers to formulate and implement business strategies. Without the support of information systems, most business strategies cannot be carried out. The real power of IT can be realized in an organization only when it is aligned properly to support the organization's core business strategies (Lee and Kim, 1996). WWW. Amazon.com is the Internet web page address of the currently largest virtual bookstore in the world. More than one million titles are available. None of these is on store, but can be searched for and ordered interactively by remote Internet users located as far away as Herrenberg, Germany. The Amazon Company made sure though to locate near Seattle, Washington, to have easy access to the largest physical book warehouses in the U.S. Their web site even offers an alert function, which automatically sends an electronic mail (e-mail), whenever a new book has been published; whose profile (author, title, subject, etc.) the customer is interested in. This Amazon selection and ordering process would not be possible without the Internet technology (Schumacher, 1997).

H1: Information technology practices have direct and positive effect on firm innovation.

During the past two decades, both business managers and academic researchers have shown considerable interest in understanding how information technologies (IT) help to create competitive advantage for a firm (Bhatt and Grover, 2005). The Hewlett-Packard micro-economy, called Netcard, is just one way in which the organization is using its intranet to manage knowledge. A Web-based directory, for example, offers a searchable, relational database featuring profiles of thousands of employees' expertise, interests, and geographic locations. And for the company's sales force, the Electronic Sales Partner offers a repository of product and customer information. (Greco, 199).

The managerial decision for IT infrastructures is generally not whether to invest in IT, but rather how to obtain needed capabilities at lowest cost. When new levels of service to existing customers require that incremental power or features be added to the base structure, companies try to compare the net incremental costs and benefits of each feature, in financial terms if possible (Quinn and Bialy, 1994). Over the past eight years, the service sector has put nearly all of its incremental capital endowment into information technology. In fact, the service sector now owns more than 85% of America's installed base of information technology. Not surprisingly, the service sector has a far greater proportion of its total capital committed to information technology than manufacturing does. In 1982, services invested $6,000 in information technology for each white-collar worker. Since then, the capital per white-collar worker has essentially doubled. (Roach, 199). But some researchers claim that there is no correlation between IT investment and organizational success. Many investigators still think that the benefits of IT are inadequate and they claim that expenses of IT do not attain their object in productivity (Well, 1992; Strassman, 1990). On the other hand, some researchers claim that expenses paid for IT are beneficial for increased productivity (Brynjolfsson and Hitt, 1993; Osterman, 1986).

H2: Information technology practices have a direct and positive effect on firm performance.

Information technology lets people work together more closely. Traditional mainframe-oriented Information Processing was revolutionized in the 1980's by the Personal Computer (PC). Today, PC's are common place and mostly part of Local Area Networks (LAN), or even Wide Area Networks (WAN), which electronically link teams, to allow non-physical
collaborative work. Special software systems, like E-mail, groupware, workflow-management, teleconferencing, etc. are elements of this pervasive role. Information Technology is taking (Schumacher, 1997). Information technology is fast becoming an integral part of management. Most management decisions cannot be implemented effectively without responsive information systems. Information systems are becoming a primary enabler of strategic or managerial changes. Without the appropriate support of IT, it would be virtually impossible to transform a traditional organization into a world-class organization (Lee and Kim, 199).

H3: Internal benefits of IT have a direct and positive effect on firm innovation.

With IT it is generally possible to take advantage by increasing system productivity, providing higher quality goods and services, minimizing costs, developing new information-based products and raising competitive power. Also, a competitive advantage may be realized by an organization using IT in all management process as the inevitable path to success (Kazan et al., 2002).

H4: Internal benefits of IT have direct and positive effect on firm performance.

This finding suggests that heavy IT users paid greater attention to and spent more time on the roles they performed best with the technology (information-related activities) and may in fact have been embarking on an over-specialization trajectory (Pinsonneault and Suzanne, 1998). The role of it in shaping tomorrow's business operations is a distinctive one. It has become a fundamental enabler in creating and maintaining a flexible business network (Venkatnaman, 1994). They are all too aware that information technology is vital to strategic success (Dempsey et al., 1997).

H5: The dynamic benefits of IT have a direct and positive effect on firm innovation.

In the present day, when information is an instrument of power, developed countries and huge organizations contribute a large part of their investment in information and communication technologies (Göker, 1995). An information technology (IT) infrastructure is vitally important to companies, particularly those in industries going through dynamic change, those reengineering their business Processes, and those with widely dispersed operations. IT infrastructure investment are long-term commitments that account for more than 58 percent of the total IT budget of large firms and about 4 percent of revenues; they have increased at about 11 percent annually (Broadbent and Weil, 1997).

H6: The dynamic benefits of IT have a direct and positive effect on firm performance.

Organizational Learning

Learning comes into being with different mechanisms at a very wide range, and as a result, causes a change on behaviour (Ceylan, 1998). Some definitions which provide important contributions to individual learning processes are presented below; Corsini (1987) sees individual learning as involving five kinds of learned capabilities. Verbal knowledge (declarative knowledge) ranges from isolated 'facts' to bodies of organized information. Intellectual skills (procedural knowledge) enable the individual to demonstrate the application of concepts and rules to specific instances. Cognitive strategies involve a number of processes such as perceiving, encoding, retrieving and thinking; they can be problem-solving, and can control and modify other cognitive processes of learning and memory such as attention, encoding and retrieval. Attitudes are 'learned states that influence the choices of personal action the individual makes towards persons, objects or events'. Motor skills are smoothly timed muscular movements enabling procedures to be undertaken precisely (Dodgson, 1993). The dictionary definition states that learning is "the acquiring of knowledge or skill." Thus learning encompasses two meanings: (1) the acquisition of skill or know-how, which implies the physical ability to produce some action and (2) the acquisition of know-why, which implies the ability to articulate a conceptual understanding of an experience (Kim, 1993). Argyris and Schön (1996) are even less restricting in their definition declaring that organizational learning emerges when organizations acquire information (knowledge, understandings, know-how, techniques and procedures) of any kind by any means (Dimovski and Škerlavaj, 2005).

Concepts of organizational learning revealed in the mid 1970s, were primarily defined as “catching and correcting the mistakes”. According to Huber (1991) further, learning does not always increase the learner's effectiveness, or even potential effectiveness. Learning does not always lead to
veridical knowledge. Sample data are not always representative and new findings sometimes overturn what was previously “known to be true.” Entities can incorrectly learn, and they can correctly learn that which is incorrect. Finally, learning need not result in observable changes in behaviour. The traditional definition of learning as a shift in performance when the stimulus situation remains essentially the same implies a set of conditions that occur rarely in organizations. Thus, either organizational learning is an infrequent event, or it occurs frequently but takes a non-traditional form (Weick, 1991).

The concept of organizational learning with institutional application was first used in “The Fifth Discipline” published by Peter Senge in 1990. Senge emphasizes that the five disciplines must develop as an ensemble. Concerning e.g. system thinking Senge (1992) writes: «... system thinking [also] needs the disciplines of building shared vision, mental models, team learning, and personal mastery to realize its potential. Building shared vision fosters a commitment to the long term. Mental models focuses on the openness needed to unearth shortcomings in our present ways of seeing the world. And personal mastery fosters the personal motivation to continually learn how our actions affect our world.» (Senge, 1992).

Although the meaning of the term “learning” remains essentially the same as in the individual case, the learning process is fundamentally different at the organizational level. In the early stage of an organization’s existence, organizational learning is often synonymous with individual learning because the organization consists of a small group of people and has minimal structure. As an organization grows, however, a distinction between individual and organizational learning emerges, and a system for capturing the learning of its individual members evolves (Kim, 1993). To be a learning organization, individual learning followed by organizational learning are necessary. Organizational learning is defined as “to transfer individual learning to the working space” (Dinçer, 1994).

Understanding what contributes to learning capacity, and what factors differentiate good organizational learners from poor organizational learners, is important because: 1) There is general agreement among learning theorists that organizational learning promises to contribute to understanding performance variations across organizations. 2) Performance variations, studies suggest, can generally be explained as differences in the rates at which organizations learn, the ease with which they innovate, and differences in the effectiveness of the processes and mechanisms by which new knowledge is applied to decision making in organizations (Berta et al., 2005).

H7: Organizational Learning has a direct and positive effect on firm innovation.

Organizational theorists have studied learning for a long time; the accompanying quotations suggest that there is still considerable disagreement. Most scholars view organizational learning as a process that unfolds over time and link it with knowledge acquisition and improved performance. (Garvin, David, 1993). In today’s competitive climate, where the only certainty is uncertainty, organizational learning is considered a key factor of business success and is seen as the foundation of competitive advantage. In knowledge-based societies, knowledge has become the most important strategic asset. Organizations need to use knowledge to realize competitive advantages in the changing business environment (Sohal et al., 2004). We have to be aware of the fact that various aspects of organizational learning contribute to performance. Companies that will manage to develop organizational learning of higher level will gain in terms of higher profits and value added per employee relative to its competitors. Besides that, relationships with their main groups of stakeholders will improve. Besides improved financial picture of the company, higher level organizational learning endorses better relationships with employees, customers and suppliers (Dimovski and Škerlavaj, 2005).

H8: Organizational Learning has a direct and positive effect on firm performance.

Firm Innovation

Innovations vary in complexity and can range from minor changes to existing products, processes, or services to breakthrough products, and processes or services that introduce first-time features or exceptional performance. Process definition of innovation proponents concern themselves mainly with how the interplay between events and people
at each stage of the process influences events in subsequent stages, determining whether the adoption process will continue (Cooper, 1998). Organizational innovation is defined as “engaging in and supporting new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological Processes” (Lumpkin and Dess, 1996).

Most significantly, organizations that adopt an innovation strategy in pursuit of developing new products and/or processes have the potential to outperform their competitors. In fact Hill and Jones (1998) state that innovation is perhaps the single most important building block of competitive advantage (Richard et al., 2003). For an organization to develop the capacity for sustained innovation as a meaningful component of strategy, it must make resources available for new products and provide collaborative structures and process to solve problems creatively and connect innovations with existing business (Bhaskaran, 2006).

Tree types of impacts are measured in innovation studies: total factor productivity, which focuses on the differences in productive efficiency with the increase of the market power obtained through innovation (e.g., a product that is new for the market); and exports, which are related to knowledge-based comparative advantages. All these effects, along with public policies, help explain the funding of research expenditures. Innovation is associated with higher performance but the relationship between performances and innovation remains complex (Duguet, 2003).

These results are obtained when we evaluate innovation according to size of the organizations; in smaller organizations, top management is one person who is in sole charge of technological innovation. In large organizations, innovation is provided through buying patents and licenses. According to this, there are two sources of innovation; resources in the organization and resources external to the organization. Information Technologies, human resources and organizational factors are quite influential on innovation in the organization, and innovation has a significant role on stimulating the firm performance.

H9: Firm innovation has a direct and positive effect on firm performance.

Firm Performance

The simplest definition of performance is to measure productivity. Performance is generally stated as a doing business, implementing successfully. Performance, the main criteria of measuring success, could be defined as quite a wide concept that evaluates the ability to successfully achieve the organization’s targets (Akal, 1994). It is necessary that the criteria chosen to measure performance are objective and clear. The performance measures that are analyzed correctly are one of the components that provide a big contribution to an organization’s operations and success.

Evaluating organizational performance cannot be done without taking into consideration organizational goals (Dimovski and Škerlavaj, 2005). Firm performance is enhanced when there are synergies among the elements of system. Complementary factors of a system of mutually enhancing elements operate in such a way that doing more of one thing increases the return of doing more of another (Huang and Liu, 2005). Beside financial performance (FP) also non-financial performance (NFP) must be assessed in order to evaluate overall organizational performance of a modern company. There are two main reasons for such a requirement. First, several interest groups are involved in business and they all have their particular goals and expectations related to the company. They will remain in the coalition as long as their goals are satisfied in sufficient manner. Second, strategic business areas are not necessarily financial in their nature. Several approaches to non-financial indicators selection exist, of which the most established is Balanced Scorecard – BSC (Kaplan and Norton, 1993).

However, many classic measures still maintain validity to evaluate performance. In the present day, they are inefficient for conditions of specialization and competition. Reconstructing performance management systems do not only bring innovation to measuring the organization’s performance, but may also be used to develop similar measures, evaluate and apply to the conditions that organization faces. Today’s managers recognize the impact that measures have on performance. But they rarely think of measurement as an essential part of their strategy. For example, executives may introduce new strategies and innovative operating
processes intended to achieve breakthrough performance, and then continue to use the same short-term financial indicators they have used for decades, measures like return-on-investment, sales growth, and operating income. These managers fail not only to introduce new measures to monitor new goals and processes but also to question whether or not their old measures are relevant to the new initiatives (Kaplan and Norton, 1993).

For this reason, effective performance management systems that harmonize an organization's strategic objectives and targets should be constructed. Companies should establish performance measurement systems that support their strategies. Performance measurement systems should contain many nonfinancial indicators to complement financial ones, particularly with respect to customer perceptions and performance of internal processes. The company’s overall performance measurement system should be broken down into sets of local measurements for lower-level units to translate (cascade) the firm’s objectives into more manageable subsets (Epstein and Manzoni, 1997).

In our research, with the guidelines of literature review and previous empirical research, a research model has been developed to predict the effects of the IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation on firm performance. The research model is presented below:

**METHODOLOGY AND RESULTS**

**Sample and Data Collection**

In this study, we gathered data from a sample of 87 people who work in 18 different sectors in and around Albania. We gathered the questionnaires by meeting with the people face to face and we reached some accountants via the Internet Technology in accordance with our study. For this process we used the website that is designed in PHP program and data is saved in a MYSQL database. We tested the data with the help of regression analysis and all items included in the questionnaire were measured on a 5-point Likert-type scale. The items that we used were mostly tested in previous research and are proven to be theoretically strong.

**Measures**

In our study we have used the scale of 35 items to measure the variables. All the scales are empirically tested in previous research and they are generally accepted in the literature.

**Factor Analysis**

We used SPSS software, version 10.00 for the evaluation of our data. Factor analysis, correlation, reliability tests, the means of the variables and regression analysis are used to analyze the relationship between variables of the research model.

Since the scales that are used have been generally tested in previous research, they are theoretically strong. However, varimax rotational, exploratory factor analysis in SPSS software has been used to evaluate factor structure for the variables. The scales were submitted to principle component analysis with varimax rotation and six-factor solution was obtained as expected. We used the Cronbach’s Alpha to estimate reliability for scales. These items and factor loadings are presented in Table 1.

**Correlations and Associations between Variables of the Study**

Correlation analysis is conducted to research the relationship between IT dynamic benefits, organizational learning, IT practices, IT internal benefits, firm innovation and firm performance. As seen in Table 2, a positive and strong correlation is attracted attention at a significant level of p<0.01 between the variables. As can be seen from the correlation table (Table 2) below, all dimensions are correlated.
TABLE 1: FACTOR LOADINGS OF RESEARCH DIMENSIONS

<table>
<thead>
<tr>
<th>Factors and Scales</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
<th>Factor 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic Benefits of IT</td>
<td>0.809</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT System is beneficial to improve communication and solidarity among the organization's departments</td>
<td>0.799</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT System is beneficial to improve our external relationship with components such as our suppliers, customer and supply chain members</td>
<td>0.799</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dynamic Benefits of IT</td>
<td>0.780</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT System helps to enhance trust with other vendors</td>
<td>0.744</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT System helps to improve technological information</td>
<td>0.715</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dynamic Benefits of IT</td>
<td>0.707</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT System is the effectiveness of resource management is improved</td>
<td>0.629</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

study are significantly and positively correlated to each other. However, the effects of IT dynamic benefits, organizational learning, IT practices, IT internal benefits, firm innovation on business performance were our research questions. Thus, we have also conducted multiple regression analysis to investigate our hypothesis.

Test of the Hypotheses

Firstly, to understand if IT dynamic benefits, organizational learning, IT practices, IT internal benefits, firm innovation on firm performance separately, it is shown that all these variables have a positive effect on the firm innovation.

First, we made regression analyses between every variable with the firm performance separately. According to these regression analyses, it is found that H2, H4, H6, H8, H9 hypotheses are statistically significant at the p<0.01 significance level and all the variables have a positive impact on firm performance.

After the second regression analysis, we would like to learn what kind of relationship will be between the firm performance and other variables if they are all analysed one-to-one. So, we have also conducted multiple regression analyses to investigate our hypotheses.
For the multiple regression analysis that is made via SPSS 10.0 for Windows Statistical Analysis Program, firm performance is selected as a dependent variable and all the other variables selected as independent variables. The results of the analysis are shown in Table 5. When we look at the result of the analysis, we saw that only firm innovation (at the significance level of \( p<0.05 \)) has a statistically significant effect on the firm performance and other variables do not have a statistically significant effect on firm performance.

According to third regression analysis; \( H_2, H_4, H_6, H_8 \) hypotheses are not supported but at the second regression analysis (Table 4) these hypotheses are supported at \( p<0.01 \) significance level. In the present case, we could say that variables overshadow each other and we learned that firm innovation has a moderating effect between other variables and firm performance. Firm innovation is a moderating variable between the other variables and firm performance. So we could reformulate our research model according to the regression analyses like below.

DISCUSSION and CONCLUSION

The findings of this study extend the IT, organizational learning, innovation and firm performance literature. And it builds a foundation for further understanding the link between innovation and IT and performance outcomes. First, the impact of innovation (both product and
process) on performance (both profitability and growth) is primarily indirect and is instead fuelled by IT (Dibrell et al., 2008). No industry, no firm can hope to be at the top forever – unless it keeps innovating. Therefore, reducing costs may not be a reliable universal key any more; at the very least, this strategy should be employed concurrently with innovation when trying to improve competitiveness. Instead of strategies aiming at cost reductions, we should focus on innovation in our business strategy. Organizational learning is one of the processes of innovation within a firm, and as such, should be further studied (Yang et al., 2007). In this study, first of all, variables that are used for analysis are explained. After this step, hypotheses are developed and a research model is formed to test relationships between variables. Finally, using the data collected from a sample of 87 people who work in Turkish firms from 18 different sectors, we examined the potential effects of IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation on business performance via one-to-one regression analyses and multiple regression analysis.

The results of regression analysis have shown that all the variables (IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation) have a statistically significant and positive effect separately, but if we use multiple regression analyses, it is shown that IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT have significant effects on firm performance by firm innovation, even though this effect is not direct. Only firm innovation has statistically significant and direct effect on firm performance. However, the correlation analysis results among all variables correlate with each other. All of the one-to-one relations between all variables and firm performance have significant and positive correlations with each other.

The fact that IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation have effects on firm performance is supported by the results of research. In the light of these results, the companies that have willingness to grow should concentrate on information technology, organizational learning and firm innovation that provide high firm performance.

Another important point is that information technology and organizational learning lead to firm innovation. By this logic we could say that information technology and organizational learning are part of firm innovation. Today we should not disregard rapid changes in information technology, and all departments in the firm are effected by these changes. To reach sufficient financial results, and efficient performance, firms should implement these changes as quickly as possible.

According to the results of our analysis, the impact of IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation on firm performance, it may be inferred that firm innovation has positive and significant effects on firm performance directly. Also firm innovation has a moderating effect between IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT and firm performance. Therefore, IT practices, internal benefits of IT, organizational learning and dynamic benefits of IT are effective on firm performance by firm innovation and all these variables have a statistically significant and positive effect on firm innovation.

These results show that IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT and firm innovation are vital components of firm performance. If it is taught that firms have to achieve a positive financial performance and every kind of firm performance in the recent competitive business environment; Firms have to give importance to IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation.

In further research, these variables may be applied to different sized firms and industries to research firm performance. Another important point for future research, competitive strategies could include the analysis. Thanks to this research, firms may develop new competitive strategies and gain an advantage against their rivals.

REFERENCES


THE EFFECTS OF INFORMATION TECHNOLOGY AND ELECTRIC COMMERCE IN SMALL TO MEDIUM-SIZED ENTERPRISES

LILJANA ELMAZI
UNIVERSITY OF TIRANA, ALBANIA

REJLA BOZDO
UNIVERSITY OF TIRANA, ALBANIA

ABSTRACT

The recent years, small to medium-sized enterprises (SMEs) have been shown to contribute significantly to national economies. It was in the 1970s that researchers first began to highlight the critical role of SMEs, not only in maintaining healthy and dynamic economies within industrialized nations, but also in introducing inventions and innovations.

The recent emergence of the Internet in general, and the WWW or Web in particular has revolutionized business activities (Abell & Lim, 1996). This is generating new products, and is the driving force behind new production processes, new forms of business organization, new scope for consumers, and new market opportunities.

E-commerce is becoming more and more essential as a business tool for organizations in general, and for SMEs in particular, to gain competitive advantage and to access global markets. The online economy introduces unique opportunities to SMEs for open and free trade because it avoids tariffs and tax, while lessening the impact of geographical distances and time, which can serve to separate SMEs from potential opportunity.

There is a need to generate more e-commerce research that could penetrate much deeper into main impending issues pertaining to the SMEs in their potential uptake and use of e-commerce. On the other hand, e-commerce is characterized of being embryonic but growing very fast and fragmented across the different disciplines, which makes the task of capturing its different perspectives a very complex one. In line with the above implications, the first objective of this research aims at capturing the different e-commerce perspectives from the SMEs' point of view, and the second objective aims are capturing the e-commerce perspective from the theoretical and the methodological point of view.

Introduction

E-commerce is “the sharing of business information, maintaining business relationships, and conducting business transactions by means of telecommunication network” (Zwass, 1996). Currently, e-commerce pervasively and dramatically affects the ways firms think, operate, and compete in the market. Many innovative business models such as supply chain management, customer relationship management, and enterprise resource planning are also enabled by e-commerce. The adoption of e-commerce has brought new opportunities and challenges to business organizations.

The main purpose of this paper is to examine the factors that influence the variations of e-commerce adoption behaviours of small and medium businesses in Albania. Prior studies found that small businesses are slow in adopting technological innovations (Yap, Thong, & Raman, 1994). Since small and medium businesses constitute almost 90% of all businesses in many economies, the slowing rate of innovation adoption is a critical issue needed to be examined. Moreover, small and medium businesses are different from large businesses in many aspects. Organizational
theories that are applicable to large businesses may not fit in small and medium business environments (Wesh & White, 1981). There is a need to examine whether models of IT innovation tested on the large organization context can be similarly applied to small and medium business environments.

Since this study focuses on e-commerce adoption at an organizational level, individual characteristic variables, such as individual innovation perceptions, are not considered in this study. The sample frame includes small and medium businesses located in Albania. The research findings from this study can help in determining whether the organizational innovation theory can be generalized across other settings, particularly in Balkan settings. The key factors found to be crucial from this study could be incorporated in governmental initiatives and could be used in developing the strategy for promoting e-commerce adoption among small and medium businesses in the region.

The outline of this chapter is as follows.

First, the background of small and medium businesses, the e-commerce status in Albania, and the theoretical background are discussed.

Consequently, the hypothesis development, methodology, and the results of data analysis are explained.

The final section discusses the implications of this study for research and practice.

Small and Medium Businesses in Albania

The definition of small and medium businesses in Albania has gone through a series of modification and changes (Sevilla & Soonthornthada, 2000). In the past, many criteria had been used such as annual sales, net fixed assets, number of employees, and registered capital (Allal, 1999). While the size of small and medium businesses, reflected by the number of employees, has mutually been accepted to be fewer than 200, the asset value aspect has been periodically changed to reflect a more current economic condition.

E-Commerce Status in Albania

Albania initiated and implemented a series of national plans and activities to promote diffusion of e-commerce in both public and private sectors. Several governmental agents have engaged in these activities. In the context of small and medium businesses, the Ministry of Industry is in a leading role in promoting the use of e-commerce for competitiveness. The Ministry of Economy, through the Department of Industrial Promotion, has developed a website specifically for promoting small and medium businesses' products and services. The department also arranges a free homepage with URL and e-mail, and provides seminars and training programs for SMEs.

Theoretical Background and Development of the Research Model

Organizational innovation was adopted as a theoretical foundation for developing the research model. Organizational innovation can be defined as the development and implementation of ideas, systems, products, or technologies that are new to the organization adopting it (Rogers, 1983). Innovations are means of changing an organization, either as a response to changes in the external environment or as a pre-emptive action to influence the environment. The adoption of innovation is a process that includes the generation, development, and implementation of new ideas or behaviours (Rogers, 1983).

This study examines the influence of IT emphasis, reflected by IT investment intensity, on e-commerce adoption. Second, evidence from the innovation literature recently suggests that the role of a firm’s ability to absorb new knowledge related to innovation can play an important role in innovation adoption (Cohen & Lavinthal, 1990). Small and Medium businesses that are familiar with IT skills and knowledge might find it easier to acquire additional knowledge necessary for adopting e-commerce. The IT department is a major source of IT skills and knowledge in organizations, and could be a main unit in acquiring and assimilating the knowledge necessary to adopt and implement e-commerce innovation. Hence, it is conceivable that the existence of an IT department in small and medium businesses could promote e-commerce adoption.

The second group of variables is technology factors. Specific factors related to innovation characteristics are frequently used as a key determinant of innovation adoption intention. Rogers (1983), for example, identified several
attributes of an innovation that can influence innovation acceptance behaviours, such as relative advantage, complexity, compatibility, and observability. Tornatzky and Klein (1990) identified relative advantage, compatibility, and complexity as innovation characteristics that are salient to the attitude formation of innovation adoption. Though most of these factors are more pertinent to an individual perception, some attributes are applicable at an organization level (e.g., Chau & Tam, 1997; Thong, 1999). This study investigates the effects of two innovation characteristics: perceived compatibility and perceived benefits. Different organizations may face different innovation opportunities. Whether these opportunities can be exploited depends on the degree of match between the innovation’s characteristics and the infrastructure currently available in the organization (Rogers, 1983). In addition, not all innovations are relevant to an organization. The degree of relevance depends on the potential benefits organizations received.

The third group of research variables is an external factor. Past studies have stressed the importance of environments. Environmental contingencies such as environmental uncertainty and heterogeneity have been found as facilitators of innovation. When organizations face a complex and rapidly changing environment, innovation is both necessary and justified (Pfeffer & Leblebici, 1977). Environmental factors, especially market factors (i.e., competitiveness), cannot be controlled by organizations; rather, they affect the way firms conduct their businesses. Thus, it is conceivable that environmental factors create a need for firms to adopt IT-related innovation such as e-commerce. This study examines the effect of competitiveness on e-commerce adoption.

Hypotheses Organizational Factors

Size

Organizational size has been one of the most frequently examined factors in the study of organizational innovation (e.g., Rai & Patnayakuni, 1996; Thong, 1999). Large-size firms are more likely to adopt innovation since they are capable of absorbing risk associated with innovation, and have sufficient resources and infrastructure to facilitate the implementation of innovation (Fitchman & Kemerer, 1997).

Small and medium businesses encounter barriers to innovation adoption by limited financial resources, insufficient technological expertise, and a shortage of management perspective (Wesh & White, 1981). Adoption and implementation of e-commerce demand a certain level of organizational resources. Larger organizations should be in a better position to support such demands. Moreover, larger organizations should have a higher potential to use e-commerce due to a larger scale of business operations (Lind, Zmud, & Fischer, 1989). Therefore, we expect that e-commerce adopters would have a larger size than prospectors and laggards.

Hypothesis 1: The three types of organizations significantly differ in their size.

Top Management Support for E-Commerce

It is well accepted that top management plays a critical role in acquisition and diffusion of innovation (Orlikowski, 1993; Rai & Patnayakuni, 1996; Wesh & White, 1981). Top management can stimulate change by communicating and reinforcing values through an articulated vision for the organization (Thong, 1999). Moreover, top management can ensure that resources and capabilities required for adopting and implementing innovation will be readily available when they are needed (Rai & Patnayakuni, 1996). Empirical studies in IT innovation suggested a positive effect of leadership support on innovation adoption. Rai and Patnayakuni (1996), for example, found that top management support has a positive effect on CASE tools adoption behaviour in IS departments.

Adopting and implementing e-commerce requires resources extensively that are forthcoming only with the active support from top management. In addition, top management support for e-commerce would also send a strong signal to get line management to actively participate in proposing and developing an e-commerce initiative. Therefore, we expect that e-commerce adopters would have a higher level of top management support for e-commerce than prospectors and laggards.

Hypothesis 2: The three types of organizations significantly differ in the extent of top management support for e-commerce.
IT Emphasis

Firms significantly differ in their level of IT emphasis. Case studies that highlight strategic IT applications (e.g., Reich & Benbasat, 1990) also suggest that firms in service industries are more conducive to the use of IT for their business operations. Jarvenpaa and Ives (1991) found that top management’s interest in IT, as an indirect measure of the importance of IT, was lower for firms in the petroleum industry compared to firms in banking.

IT emphasis is defined as the level of importance the firms have placed on IT. In this study, we use the intensity of IT investment as a surrogate measurement of this variable. Differences in the level of IT emphasis are expected to significantly influence the adoption action of IT-related innovation such as e-commerce. Ravichandran (2000) also found that firms where IS plays a strategic role are more likely to adopt TQM in information systems development. Based on these cumulative evidences, we expected that e-commerce adopters would have a higher level of IT emphasis than prospectors and laggards. This leads to the following hypothesis:

Hypothesis 3: The three types of organizations significantly differ in the level of IT emphasis.

Existence of IT Department

Absorptive capacity theory (Cohen & Levinthal, 1990) asserts that a firm’s ability to appreciate an innovation, to assimilate it, and apply it to new ends is largely a result of the firm’s pre-existing knowledge in areas related to the focal innovation. This prior related knowledge makes it easier for organizations to acquire and retain new knowledge for innovation adoption. Complementary to this perspective, it was found that the technology assimilation is best characterized as a process of organizational learning, wherein individuals and the organization as a whole acquire the knowledge and skills necessary to effectively acquire and apply the new technology (Boynton et al., 1994). Prior empirical studies in IT innovation also point to prior knowledge as a key determinant of IT innovation adoption (Fitchman & Kemerer, 1997).

Adopting and implementing e-commerce innovation requires organizations to possess a bundle of IT-related skills and knowledge and Internet application environment (i.e., HTML coding, Java technology). Though many small firms may adopt an outsourcing strategy for e-commerce operation, they still need some basic knowledge for selecting appropriate service providers, and, in many cases, they need these IT skills and knowledge to control and monitor the operation of e-commerce.

The IT department can be viewed as a source of IT-related skills and knowledge within organizations. Most small businesses do not have any formal, or even informal IT department, and routine IT services are usually performed by accounting or administrative units. Small businesses that have an IT department should be in a better position to acquire some IT-related skills and knowledge, which make it easier for them to acquire new knowledge for adopting e-commerce. Therefore, we expect that e-commerce adopters are more likely to have a formal IT department within organizations than prospectors and laggards.

Hypothesis 4: The three types of organizations significantly differ in the existence of an IT department.

Technology Factors

Perceived Benefits

Perceived benefits refer to the extent of management recognition of the relative advantage that e-commerce can provide to the firms. Perceived benefits are regarded as an important factor in determining adoption of new innovations (Iacovou et al., 1995; Rogers, 1983). For example, Iacovou et al. (1995) found that perceived benefits have a positive effect on the likelihood of EDI adoption in small businesses.

The higher the level of management understanding on the relative advantage of e-commerce, the more the likelihood of the allocation of the managerial, financial, and technological resources necessary to adopt and implement e-commerce. This positive perception of the benefits of e-commerce should provide an incentive for the small and medium businesses to adopt the innovation. Therefore, we expect that adopters of e-commerce would have a higher level of perceived benefits than those of prospectors and laggards.
Hypothesis 5: The three types of organizations significantly differ in the extent of perceived benefits.

Perceived Compatibility

Perceived compatibility is defined as the extent to which an innovation is perceived as being consistent with the existing needs, values, and technological infrastructure of potential adopters (Rogers, 1983). Adopting e-commerce entails the selection and implementation of a suite of technologies (i.e., hardware, software, communication networking). If the innovation is compatible with existing work practices, environments, and overall objectives, firms will be more likely to adopt them. Therefore, we expect that adopters of e-commerce would have a higher level of perceived compatibility than that of prospectors and laggards.

Hypothesis 6: The three types of organizations significantly differ in the extent of perceived compatibility.

Environmental Factors

Industry Competitiveness

Innovation literature widely recognizes the influences of environmental contingencies. The environment creates contingencies to which firms have to respond typically through product and process of innovation (Duncan, 1972). Moreover, firms have to be compatible with their environment, which is essential for their long-term survival and growth (Thomson, 1967).

Competitiveness reflects the intensity level of competition within the industry where the firms operate. In a competitive environment, businesses are pushed to be innovative by the rivalry (Pfeffer & Leblebici, 1977). Firms respond to competition by offering innovative services and products. Past studies in IT innovation suggest that, in a competitive environment, firms have a greater need to adopt IT-related innovation for competitive advantage (Grover & Goslar, 1993; Ravichandran, 2000; Thong, 1999). Therefore, firms in a highly competitive environment are pressured to adopt e-commerce to respond to the competition. E-commerce can be used as a strategic tool to implement an organization’s chosen strategy and to respond to competitors. Therefore, we expect that e-commerce adopters would face a higher level of competitiveness than prospectors and laggards.

Hypothesis 7: The three types of organizations significantly differ in the extent of competitiveness.

Research Methodology

Data Collection

Survey was the primary research methodology of this study. Prior to the full-scale data collection phase, questionnaires were sent to a number of reviewers who were qualified to evaluate the content and appropriateness of the questions. Reviewers were asked to examine the document for question clarity, interest, and mechanical considerations, as well as the length of time necessary to complete the questionnaire.

Data for testing the hypotheses were collected through a national survey in several major cities in Albania. Based on the definition generally accepted in Albania, we define small and medium businesses as those which have less than 200 full-time employees. Respondents were those who influenced or were part of a decision-making process of e-commerce adoption. Data were collected through several approaches, such as a direct-mail-based survey, questionnaire distribution during small and medium-sized enterprise (SME) seminars, and individual interviews.

In total, 1,200 questionnaires were distributed and 452 were returned. Sixty-six questionnaires were unusable. The total response rate of this study is 32%. From the total 386 responses, 108 (28%) were manufacturers, 111 (29%) were firms in the service industry, 92 (24%) were retailers, and 75 (19%) were wholesalers.

Organization Types

Respondent firms were subsequently classified based on their e-commerce adoption action. The questionnaire asked respondents whether their organizations had already adopted e-commerce. If respondents answered no, they had to specify the plan of e-commerce adoption, ranging from adoption within three months, six months, one year, no specific plan, or no intention of adoption.
Firms were classified as adopters if they had already adopted e-commerce; as prospectors if they had not adopted e-commerce, but had a specific plan to adopt e-commerce within one year; and as laggards if they neither had a specific plan nor intended to adopt e-commerce. From the total 386 responses, 107 firms (28%) were classified as adopters, 52 firms (13%) as prospectors, and 227 firms (59%) as laggards.

Measure

The target respondents were small and medium businesses in Albania; therefore, all questions were originally composed in Albanian and English language. Organization size was determined by the number of full-time employees. Respondents were asked to specify the number of employees: less than 10, 10-30, 31-50, 51-100, and more than 100. Top management support was measured by a three-item scale assessing top management’s interests and understanding in e-commerce, and perceptions of top management towards e-commerce. IT emphasis was assessed by using a surrogate measurement of IT investment intensity. Respondents were asked to specify the proportion of IT investment on the total annual budget. Answers ranged from no budget for IT investment, less than 2.5%, 2.5-5%, >5-7.5%, >7.5-10%, to more than 10%. Existence of an IT department was measured by asking respondents whether they formally had an IT department within their organization. The answers were coded to “0” for having an IT department and “1” for not having an IT department. A score for each organization type was calculated by dividing the total score with the number of firms in each type. Therefore, the lower the average score, the more the organization type had an IT department.

Perceived compatibility is assessed by a three-item scale, perceived benefit by a five-item scale. These two scales were developed based on prior studies’ scales.

Finally, we used a three-item scale to assess industry competitiveness, measuring the number of competitors adopting e-commerce, and the success and failure of the competitors in adopting e-commerce.

Analysis

Since the main objective of the hypotheses is to test the differences among the three organization types based on the identified factors, Analysis of Variances (ANOVA) was employed to analyze a mean difference among the three groups. A post-hoc multiple comparison (Scheffée’s) was subsequently employed to perform a pair-wise comparison of the mean difference among the three organization types. Results from ANOVA analysis supported all of the seven hypotheses. In particular, analysis results strongly support hypotheses 2-6 (p < 0.001), support hypothesis 1 (p < 0.01), and moderately support hypothesis 7 (p < 0.05). Table 6 presents the statistical analysis results.

Furthermore, pair-wise analysis was performed to determine the mean difference among the three organization types (Table 7). The results suggest that adopters and laggards were significantly different in all variables. However, the results of the mean difference between adopters and prospectors, and between prospectors and laggards are mixed. In particular, adopters and prospectors are significantly different in size, IT emphasis, and existence of IT department. Prospectors and laggards are significantly different in IT emphasis, perceived benefits, and perceived compatibility.

Discussion and Conclusion

It is unarguable that e-commerce is becoming one of the key technologies driving businesses in the current dynamic environment. A study of e-commerce would expand our understanding on the rationale underlying the thinking logic of firms in adopting the technology.

Results from our statistical analysis reveal insides on key factors that influence adoption decision of small and medium businesses in Albania. Overall, the results strongly support the hypotheses reinforcing that key variables identified from the organization innovation theory are applicable in the context of Balkan settings, and in the context of e-commerce innovation. In particular, we found that adopters significantly differ from laggards in all key variables. While prospectors are significantly different from adopters in size, IT emphasis, and existence of IT department, they are significantly
different from laggards in IT emphasis, perceived benefits, and perceived compatibility.

A number of conclusions can be drawn based on these results.

First, the amount of strategic emphasis firms give to IT (i.e., IT-related knowledge, resources, and capabilities) has an impact on e-commerce adoption intention. Firms that strongly support the use of information technology, by formally establishing an IT department and making a significant amount of IT investment, are more likely to adopt e-commerce earlier than firms with less IT support. Firms that have IT assets readily in place should be in a better position to adopt and implement e-commerce than firms that need to build technology knowledge and infrastructure required for e-commerce adoption.

Second, we found that prospectors significantly differ from laggards in technology factors—perceived benefits and perceived compatibility—whereas there is no difference between prospectors and adopters in the technology factors. These results imply that technology factors do have an influence on attitudes toward e-commerce (i.e., changing from unfavourable (laggards) to favourable tendency (prospectors)), but have no influence on a relative earliness of adoption stage (i.e., no change from prospectors to adopters). This finding is consistent with the model of the innovation-decision process (Rogers, 1995) on the point that perceived characteristics of the innovation play a major role during the persuasion stage. One explanation to this phenomenon is the cost-benefits justification. Due to limited resources, laggards may hesitate to invest in new technologies because they are uncertain about the benefits of e-commerce, and the compatibility of the technology with their existing culture and business environment. On the other hand, adopters and prospectors are more willing to take a risk of e-commerce adoption since they perceive a more perceptible contribution of e-commerce to their business, and are more certain on the compatibility of the technology with their organizations.

Third, e-commerce adopters are more likely to operate in a more competitive environment, compared with the other two organization types. This result is consistent with prior studies that point to the environmental factors as the key factors influencing small and medium businesses’ decision to adopt innovation (e.g., Iacovou et al., 1995). This also implies that small and medium businesses operating in a competitive environment are constantly scanning and implementing new technologies such as e-commerce.

Implications

This study has implications for both research and practice. For research, this study is one among a few which empirically test the organizational innovation model in the context of Albania. The results of this study can be used as a guideline for future research that wishes to examine the phenomenon in other Balkan settings. For future research, while this study incorporates a number of key variables identified from the literature, future studies may expand the research model by incorporating a range of variables to cover more comprehensive aspects of the phenomenon, such as variables reflecting key aspects of e-commerce, variables reflecting small and medium business context, and variables representing a gap between Balkan and Western cultures.

In addition, this study examines only one aspect of e-commerce adoption—the extent to which an organization is relatively earlier to adopt e-commerce than others. A future study may attempt to test other aspects of e-commerce adoption. The diffusion of innovation literature can be used as a foundation to develop dependent variables. Fitchman (2001), for example, identified a number of measures of organizational innovation such as earliness of adoption, infusion, and assimilation. While these variables are widely used specifically in the context of information technology, they can be applied in the context of e-commerce. For instance, future study may develop a research model to test the infusion of e-commerce in small and medium businesses (i.e., the extent to which e-commerce is used in a complete and sophisticated way). By adopting a more sophisticated measure, future study might apply a more sophisticated technique in testing the relationships in the research model, such as linear regression and structural equation modelling techniques (i.e., LISREL, PLS).

For practitioners, our study highlights the importance of IT skills and knowledge in influencing e-commerce adoption. This study shows that a knowledge base about IT plays a major role in influencing a firm’s adoption decision. Small and medium businesses that strongly support IT deployment (i.e., high level of IT investment,
existence of IT department) are more likely to adopt e-commerce earlier than those with less IT support.

Since e-commerce is a key technology driving businesses in a current competitive environment, the earlier the firms adopt e-commerce, the faster the firms can extend their reach to customers and secure their share in the market by using a market access capability of e-commerce. However, knowledge-based skills and technologies required to adopt e-commerce cannot be acquired overnight. It takes time to accumulate. Hence, small and medium businesses should cultivate and develop their own IT skills and knowledge to be readily in place so that they can adopt and implement e-commerce to respond to competition in a timely manner.

References


In the framework of this developing background this paper tries to present theoretical aspects of five cultural dimensions of Geert Hofstede, well known for his researches on cultural variability and its consequences. On the other hand, this paper presents some empirical facts about the cultural dimensions of the Albanian reality as an important step toward explanation of organizational development in specific and those economic in general.

The objectives of my paper are:

1. To present the reason why we must to study the culture.
2. To present some theoretical aspects of models of cultural dimensions of Hoffstede.
3. To present the cultural dimensions of the Albanian reality and to compare these between two or more regions or countries.

The used tool is Values Survey Module 1994-VSM 94), an questionnaire including 26 questions, created to compare the values that determine the culture of people of two or more regions or countries.

The actual Albanian developments are a harmonic integration of lots of economics, politics, social and cultural problems, in the continuous effort for integration, first regional and then European. Now days some depreciate problems are becoming more perceptive and more indispensable to be studied. The social-economic developments incriminate the entrance of new studies and their deepening in the improvement service of these developments. In function of this developmental necessity and under the steps of the well-known researchers of these fields, this article tends to present theoretic the cultural dimensions from Hosted, “well-known for his work in the cultural variability and its consequences”.

Today we no as well that we are a country not only localized in Europe, because of our antic origin, but we also require to be part of this Europe in its developments. This require at first, to know ourself, so are cultural inherit. The developments show that we aren’t only geographical part of Europe.

Why We Must Study The Culture?

The culture is a incessant declinable term from a lot of sciences as: anthropology, sociology, philosophy and the organizational one. Its determination is not seen as impossible but diversified and in continuous evolution. Theoretical frameworks of cultural dimensions have been developed to explain differences, among which Hofstede's framework has taken a dominant position. However, these authors have hypothesized how culture influences management and organization without testing these hypotheses. Thus, confusion still remains, as numerous studies are conducted without sound research methodologies, in which theoretical frameworks for explaining cross-cultural differences are either not applied, or in which differences in attitudes are hypothesized to be related to theoretical frameworks of culture, without testing and confirming that this is so.

The Hoffsted Cultural Dimensions Model

Geert Hofstede was the first one that extended the cultural study sphere in organizational frame.
He has identified 5 independent dimensions of national culture. The result of this study was yet another model of universal cultural dimensions, which is still today considered to be the most comprehensive, and its methodology the most sound.

1. Power Distance, which is the extension that the members less stronger of one organization and institutions (as family) accept and wait that the force is extended equally.

2. Individualism/Collectivism, which is the measure of the integrity of persons in groups.

3. Masculine/Feminist, is referred to the disperse of the roles between the genders at a society.

4. The insecurity elude, implicates the society tolerance for insecurity and equivoque.

5. Long-term orientation against the short-term one. The values accompanied with the long-term orientation are the prudence and the insistence; the values accompanied with the short-term orientation are the respect for the tradition, the social obligation performance.

Methodology Of Study

The Used Observation Model

Type of used survey: the basic method used to achieve the empiric study is the stratified

The essential method used for the empiric studying realization is the Observation with stratified selection, based on the indispensable standards for being respected in the representative example. The Used Instrument is Values Survey Module, a questionnaire with 26 questions, developed for the comparison of the individual cultural values from two or more countries or regions.

It allows the calculation of results based on the five national or regional cultural dimensions, based on four questions for each dimension. So it contains 20 questions necessary to calculate these dimensions. The other questions in the questionnaire, that are six, principally belong to some of the individual-s datum such as the questions about the gender, the age, education level, kind of job, the actual nationality and the birth nationality.

The answers of the 20 questions can also be influenced from other characteristics of the answerers as the gender, age, education level, the occupation, kind of job and the year when has studied. So the countries or regions comparisons must be as much as possible be based in answerer population that agrees in all other characteristics, expect the nationality or region.

The 5*4 division of the questions is not made a priori, but because when the geminate populations from diverse countries have been compared, the results of the countries average in the four questions regarding the same dimension usually varied together, so if one were high, the other was high too. In statistic terms the countries averages are in a deeply correlation. While the countries’ averages results for the questions regarding the different dimensions usually don’t vary together. So the twenty questions form 5 classes with 4 questions each of them. The five classes correspond to five culture dimensions identified by Hofstede and Bond.

When is done the comparison of the populations not any more from different nations, but with different professions and different employers, there aren’t found the same dimensions. The questionnaire questions are chosen to compare the countries, so the questionnaire intends its using in comparable levels of countries (and can also be used in local and regional level inside the same country).

Respecting the recommended minimum for the data exactness of the study, the number of the questionnaires dispersed in both countries is 50 (that represent the ideal customer answerers). It is also stored the same representative structure according to the gender, age, profession, kind of job, education and the same questionnaire dispersing time and collecting data.

The Calculation Indexes Formulas

As we said above the contents of the 20 questionnaire questions allows the results calculation of the indexes in five dimensions o the national values system as national cultural components. All the questions are accompanied with a five scale (1-2-3-4-5) collecting answers. The index results derive from the calculated averages about the chosen regional or national populations of the answerers.
The results are extracted based on below formulas for the five dimensions.

### Table 1. Five dimensions of culture, index and edges

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Index</th>
<th>Edges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance (DF)</td>
<td>DF6= -35m(03) + 35m(06) +25m(14) - 20m(17)-20</td>
<td>0 (small DF) and 100 (high DF)</td>
</tr>
<tr>
<td>Individualism / Collectivism</td>
<td>IIK7 = - 50m(01)+30m(02)+20m(04)-25m(08)+130</td>
<td>0 (very collectivist) and 100 (very individualist)</td>
</tr>
<tr>
<td>Masculinity / Femininity</td>
<td>IMF8=60m(05)-20m(07)+20m(15)-70m(20)+100</td>
<td>0 (very feminine) and 100 (very masculine)</td>
</tr>
<tr>
<td>Insecurity Elude</td>
<td>IEP9= +25m(13)+20m(16)-50m(18)-15m(19)+120</td>
<td>0 (weak insecurity elude) and 100 (strong insecurity elude)</td>
</tr>
<tr>
<td>The Long-term orientation against the Short-term one.</td>
<td>IOF10 = +45m(09)-30m(10)-35m(11)+15m(12)+67</td>
<td>0 (a short-term orientation) and 100 (a long-term orientation)</td>
</tr>
</tbody>
</table>

The Empiric Studying

The limitations of studied examples have not permit the evidence of the results in concrete numbers of dimensions, but only comments and conclusions about the answers averages of two observed groups. Eliminating the deficiency and respecting the validity use of this questionnaire conditions, now the study involves students university population of Korca (Albania) and Bitola (Macedonia).

Positively has been distributed 100 questionnaire to Albanian students of Korca University, and 100 questionnaires to Macedonian students of University of Bitola. The handover measure is 100% (so have been taken 100 questionnaires from 100 distributed) for the Albanian case, for the Macedonian one and, where from 100 have been handovered 82 completed questionnaires. To avoid the other factors action except the cultural one, the case studies are in accordance with the age-groups, study field, education level, the time to complete the questionnaires, and the gender representation.

Since one of cultural dimensions take in consideration the dominion or not of masculine features against the feminine one at a certain society, is aimed that the two genders report inside of the same case study don’t be very distinctly.

From the data analysis we note that the cultural profiles of the two countries are represented below with the help of the Graphic 1.

So the Albanian society is a society with a little DF, in the borders between the Collectivism and Individualism, much masculine, with a medium
level of the uncertainty elude and between the short-term and long-term orientation.

The Macedonian society doesn’t have any cultural view very different from the Albanian one, but again presents a society with a smaller DF than the Albanian one, more individualism, more masculine, that has a uncertainty elude bigger and that is nearer the long-term orientation than the Albanian society.

Referring on the Hoffstede results (1984:214) for 40 countries in the dimension combination of DF and EP, we note that Serbia & Monte Negro is a country with a big DF and a strong EP. So there is a cultural dimensions displacement in time because Monte Negro, now are presented with a stressed difference in DF (this is very small, only 9.7, 9.0 and 9.3) and have not lot of difference at EP (that is 66.3, 60.5, 62.0 ). Also from a category of feminist country, in the actual study is presented a stressed masculine society.

Graphic 1: The cultural profiles of Albania and Macedonia

Table 2. Cultural Dimensions

<table>
<thead>
<tr>
<th></th>
<th>Albanian</th>
<th>73</th>
<th>60.5</th>
<th>66.3</th>
<th>53.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedoni a</td>
<td>7.67</td>
<td>64.15</td>
<td>90.1</td>
<td>48.75</td>
<td></td>
</tr>
</tbody>
</table>

The actual phenomenon in the Albanian society to minimize the disparity, to blame the system when it doesn’t functions, for the social system change via the redistribution of the force, the demand for equal rights, that subordinates and superiors are all people like us, that see the hierarchy as the base of the roles disparity, and the solidarity between the powerful and the poor are correspondent with the features of a Society with a small DF profiled by Hofstede (1984:94).

The low levels presentation of this cultural dimension have the origin in the difficult history of Albanians. The shocking historical events in all of the existence periods, a small number of persons, survival in hard climate and geographical conditions, the necessity to interfere in the nature as a survival condition, the war for the independence and the desire to be independent, are a clear origin of such a dimension. According to the analysis of this dimension and the religious faith, most than being consequent of each others, both are seen as consequence of the same cause.

By Hofstede refered Crozier (1984:73), “the force in the relationships between groups and organizations is not a really replication of the force between persons inside a group or organization”, that signifies that it is possible to have different force distances inside a group and inside groups of the same society. Despite of this, and other differences of this dimension accepted according to the education, profession, gender, etc, in the societies with small DF the relationships superior-
subordinate are centralized in interdependence and consultative decision-making. The social norms influence the personal image of the desired manager, but also the emotional distance between the superior and the subordinate, and the consideration that subordinates find to their superiors. All these differences conduce to a bigger disparity in high DF countries against them with small DF.

It is specific that this force is not only kept from the strongest but is also desired from who is less stronger. These are models accepted by the organization. The fact that we are a society with a low DF, shows also our inadmissibility in authority stiles or duties and competencies centralizations in hand of a runner minority during the communist power and the fail of this model to achieve a high performance in the society developments as whole and specific organizations. So if in the countries where the DF is high, these leading styles conduce at a high performance, in Albania this didn’t happen reinforcing the result of the low value presence of this dimension. So working with Albanian people is important to know that:

- Find employees less frightened to disobey their superiors; employees that ask cooperation; employees that require consideration from their managers; informal consultation without a formal presence of the employees;
- The managers are more satisfied with participant superiors; they like to see theirself as systematic and practical; managers with mixed thoughts according to the dispersal of the leadership capacity and initiative.

We note that the two countries represent masculine society. By Hofstede (1984; 205-207) the most part of social differences feminism/masculine must be determined historically and traditionally as the anthropologist report the differences in the distinctiveness of the gender role that can have only historical origin. The family is very important for the transmission of the gender roles, where the children model their own conception of the gender role according to the used values that they observe at the adults of the two genders, which are in continuous contact. So this feature is related with the differences between the parents in the family or the female /masculine adults, widely in society.

In total accordance with some other factors given by Hofstede, in Albania this dimension has the origin: the uncontrolled measures of the family (historically and generally very big, feature of poor countries); weak position of the mother in family; fathers used as models for boys and mothers for girls; and the tradition that turn back in generations, reinforced by historical events. The consequences are seen in a specific way for the society and in a more specific for the organization.

Are There Such As Consequences In The Albanian Society And Organizations?

The history, the facts and the daily life shows as better as possible the view of the society. But the communistic government has tried to change this view via the party propaganda, asking between other things “equality” for men and women in all the fields. There have been tendencies to eliminate the jobs only for men or only for women, but this very forced; the material awards or in status form was only based on party achievements and no others; economic developments in directions totally unstudied damaging the environment brought disaster and no growth, etc.

Table 3. The consequences for whole society and organization

For the whole society
- There are awards in material forms or status for the successful persons;
- Education system oriented by the performance;
- Some jobs considered only for men and only for women;
- The economic growth is considered more important that the environment.

For the organization
- The men are more inclined on career.
- The organizational interests are considered legal to influence the private life of the people.
Less women in more qualified jobs and more paid jobs.

So the interference in this dimension was only superficial because nothing has changed in Albanian families where the roles between the genders were totally the same. Also, the chosen manner tended a dispersion of masculine features to the feminist, when the feminist cultures tend the growth of the feminist features in the society.

According to the three other cultural dimensions, the common thing is that are almost at a medium level, that makes the Albanian society owner of the middle features between the two extremes for every dimension. This may be also sign of the changes of our cultures in years and mostly the entrance of totally new elements after 90’ of XX century.

IIK measured 45.8 shows a society in borders between collectivist and individuals, that presents the signs of a tendency from first to second. This based in the social and historical developments of our country where the view is shown below in the phenomenon origin and its consequences in the borders between two poles.

The same situation belongs to IEP with the value 53.2, so in a medium level. This shows also the fact that Albanian society has presented elements of social norms of both poles of the dimension.

The mix social norms or in optimal levels

The inherited of uncertainty sometimes is accepted but sometimes is treated as a threat that must be fight:

- the stress presence;
- there is a value growth of the time concept;
- a more opened presentation of emotions;
- moderate nationalizations;
- different attitudes towards the younger;
- less conservatory
- the desire for risk undertaking is being substituted by the preoccupation for a safe life;
- every day is present the necessary for written rules and regulators;
- confidence in experts and their know ledges;
- The authorities are serving citizens.

By the origin of this factor, in difference by IDF for which the origins are clear, for it is very unclear. The organization consequences, taking in consideration the medium position of this dimension, according to Albania can be described as below:

- more activity structures;
- more written rules;
- managers more involved in details than only in strategies;
- More oriented managers by the duties and less preoccupied about the interpersonal relationships.
- Managers that desire to take individual and risk decisions;
- Tendency for a decisive bigger move of the labor force.

IOF is the dimension that measures the scale that the people actions are directed by the aims and long-terms results more than the short terms one and the necessity for an immediate satisfaction. The value 42.5 of this dimension in the Albanian culture shows a bigger trendy of the orientation by the aims and short –term or medium-term objectives more than the long-term one. I think this is evident because no rarely we face the presence of the activity and plans composition that don’t think more than for 2-3 years. In a lot of cases this because of the hate created from five yare plans practiced during dictator period. This created handicap is reflected in different levels of governance, beginning from the Civic Centre, Commune, etc, for the strategies composition and is expanded widely in different organizations where is clear to have a short specter of their actions. This not a priori but also by their observations and their opinions tests, rarely undertake or aim to action thinking far away. According to a tourism study, essentially for the human capacities level in the hotel and restaurants management “are noted efforts from them to plan the business development but from the conservations, it results that this plan is not based on long-term and is not based on two decisive factors as sesonality and
the trend in years. Taking decisions is based in actual facts unrelated with the development trends of the future.

Conclusions And Recommendations

The national culture dimension is now a well-known process and proved empirically. The most used model is the model of 5 dimensions of Hofstede, took by the biggest studying realized in this field.

The Albanian culture, not treated yet in this sense, present a culture profile with a small DF, IIK, IEP and IOF of a level near the average and a high IMF, results taken by an empirical study with a student population of economics Albanian, and Macedonia faculties, under observation.

The studying has used the Macedonian results also as a reference point to make possible the comparison with the studies done before, where Macedonia was involved (as parts of ex-Jugoslavia). It is noted that there are displacements of cultural dimensions during years.

The new of the study besides the Albanian culture dimensions is also in the interpretation of these factors widely for the organizations. More concrete the study shows for them who want to work or cooperate with Albanians that:

• A society with masculine features stressed regardless of the effort presence to change this situation during the years and epochs. The women are really in the leadership or businesses. In the well-education population similar gaps are less in organization level, but almost is saved the same view in the social life.

• The involvement of the individual in the organization from a moral relation versus one more calculative where the workers defend their interests more than the organization, managers from traditional to modern, the politics and rules of the organizations are equally applied to all regardless of the relationship between individuals.

• In the IEF analysis, or the scale of the uncertainty planning is noted the need for more activity structures, more written rules, managers more involved in details than in strategies, managers more oriented from duties and less preoccupied for the interpersonal relationships, managers that desire to take individual and risk decisions. Managers that don't know to be directed in very long-term objectives. So the specter of the outlook and planning of the action is mostly short-term that the medium-term.

References


Abstract:
Given that tourism is a significant source of export revenues for Albania, it is vital for policymakers to understand the factors affecting foreign tourism demand for Albanian destinations. The objective of this study is to identify the factors determining foreign tourism demand for Albanian destinations, as measured by the number of overnight stays by foreign visitors. Our study provides long-run elasticity estimates associated with the aggregate foreign tourism demand for Albanian destinations in the period 1998:1-2008 using the autoregressive distributed lag (ARDL) approach. Foreign tourism demand is proxied by the aggregate number of foreign overnight stays in Albania. The long-run elasticity estimates indicate that tourism demand is positive and highly elastic with respect to the income of tourist-generating countries. Moreover, tourism demand is adversely affected by the political conflicts in the 1990s. The real exchange rate and transportation costs are not statistically significant determinants of foreign tourism demand.

Keywords: tourism demand, tourism sector, elasticity estimates, Albania

Introduction
In an economy, such as Albanian, in which a significant part of export revenues are due to foreign tourism, it is important for policymakers to understand the sensitivity of foreign tourism demand with respect to its main determinants. Therefore, the objective of this study is to identify the factors determining foreign tourism demand for Albanian destinations, as measured by the number of overnight stays by foreign visitors.

To illustrate the importance of the tourism sector for the Albanian economy as well as the developments that took place over the past decade it should be mentioned that foreign tourism receipts increased substantially representing about 14 percent of GDP and is almost four times the amount earned in 1998. At the same time, foreign tourism receipts made up 40 percent of the total export revenues of the Albanian economy. Furthermore, the labor force survey data suggest that in 2008, approximately 5.5 percent of employed persons in Albania worked directly in the tourism industry.

While the number of overnight stays by foreign visitors reached in 2008 three times the number achieved in 1998. Traditionally, Balkan countries' largest source market. Tourists from Kosovo and Macedoania presents two-thirds the total number of overnight stays. When tourists from European countries as Italy, Czech, Germany, UK, etc. other major tourism export markets, are added, close to three-fourths of the total number of overnight stays stem from these countries.

Overview of Literature
In general, the literature on modeling tourism demand focuses either on analyzing the effects of various determinants and/or on accurate forecasting of the future tourism demand. This study lies within the group focusing on the underlying determinants.

Comprehensive reviews of the empirical literature on tourism demand by Crouch (1994a, 1994b, 1995), Witt and Witt (1995), Lim (1997, 1999) and Li et al. (2005) suggest a substantial agreement regarding both the tourism demand measures and the variables that are important in explaining international tourism flows. Most of the existing empirical studies have used tourist arrivals/departures and tourism receipts/expenditures as dependent variables.
The number of overnight stays and the average length of stay have also been studied, but much less frequently. As for the explanatory variables, empirical models of tourism demand borrow heavily from the consumer theory which predicts that the level of consumption depends on the consumer’s income, the price of the good/service in question, the prices of related goods (substitutes and complements), and other demand shifters. As a result, income and prices are the most commonly used variables in terms of the major factors influencing tourism demand.

As leisure tourism is generally regarded a luxury good, the income remaining after expenditures on necessities, or the so-called discretionary income would be the preferred income variable. However, discretionary income is a subjective variable and is not precisely measurable. Therefore, most researchers have relied on the nominal or real (per capita) personal, disposable, or national income, as well as GDP as measures for income in origin countries.

Besides being sensitive to their own income, tourists are also sensitive to prices. Tourism includes two price elements: the cost of travel to the destination and the cost of living in the tourist destination. The literature shows that the most often employed variables aimed at measuring the cost of living at the tourist destination relative to the origin country (and possibly to alternative destinations) have been relative consumer price indices. However, their deficiency comes from the fact that the expenditure patterns of a tourist might be quite specific and therefore different from that of the average household in a certain country. As a result, some studies have used specific price indices such as hotel, drink and tobacco, shopping, meals, and entertainment price indices or the weighted prices of food, accommodation, transport, entertainment and other variables. It should be, however, noted that Martin and Witt (1987) report that such tourism-specific indices do not perform any better than the overall price indices.

Exchange rates often enter tourism demand models in addition to/or combined with relative price variables. Some researchers have even argued that tourists respond to exchange rate movements much more than to changes in relative inflation rates when they make decisions on the travel destination (Artus, 1972). However, Martin and Witt (1987) argue that the exchange rate alone is not an acceptable proxy for tourism costs.

The majority of tourism demand models have employed the exchange rate adjusted for relative prices (i.e., real exchange rate) to capture the substitution between domestic vacations and international travel. In this way, the impacts of (relative) inflation and exchange rate movements are measured through a single variable.

Transportation costs have attracted much less attention in empirical studies basically due to a lack of precise measures for effective transportation costs. In countries where the majority of foreign tourists arrive by car, the proxy are usually oil or gasoline prices while in the case of far-off destinations, airline fares represent the preferable alternative.

In the latter case, data problems arise due to the pricing practices of airlines that often include “special” fares which are difficult to collect and use for an empirical analysis. Furthermore, multicollinearity between the transportation cost and income variables presents an often cited reason for omitting the transportation cost variable from tourism studies (Lim, 1999).

In addition, the dynamics of tourism demand has been incorporated in studies to account for lagged effects due to supply constraints in the form of shortages in hotel accommodation, passenger transportation capacity and trained staff, which cannot be adjusted rapidly. Sometimes, a time trend is included to capture qualitative factors in the tourist destination or changes in tourist tastes for foreign travel. Finally, dummy variables are employed in order to capture the impact of wars, political crises or natural disasters, as well as seasonal variations.

In general, the international tourism demand model is typically estimated as a function of income of the origin country, relative prices, exchange rates, transportation costs between destination and origin as well as dummy variables and deterministic trends.

Although annual data have dominated the research, quarterly observations have been more often used in the post-1990 studies in line with an increasing interest in the seasonality of international tourism flows (Li et al., 2005). Log-linear regressions are the most frequently employed functional forms as
the estimated coefficients can be interpreted as elasticities. However, while traditional econometric techniques dominated studies up to the mid-1990s, the use of cointegration, VAR models, almost ideal demand systems, and time-varying parameter models have since become familiar approaches.

This trend parallels the overall trend in applied economic studies since it has been shown that most time series data are not stationary and, therefore, the use of traditional econometric techniques may seriously affect the credibility of results.

As for the relative impact of major explanatory variables used in tourism demand studies, general conclusions indicate that income elasticity has commonly been found to be greater than one, confirming the luxury nature of tourism travel. The own-price elasticity is normally negative, although magnitudes vary considerably among studies. Generally, elasticity estimates show negative values ranging from 0 to -1. Recent empirical studies that have undertaken the calculation of elasticities in both the short- and long-run show that the values of both income and own-price elasticities in the long-run are greater than their short-run counterparts, suggesting that tourists are more sensitive to income/price changes over the long-run (Li et al., 2005). That is in line with the demand theory implying that consumption depends on what people expect to earn throughout a considerable period of time, while fluctuations regarded as temporary have less of an effect on their consumption spending. Theory also suggests a negative elasticity with respect to the other price variable, transportation costs. However, this variable is less frequently used in studies and the results vary to a large extent, not only by size and significance but also by sign. It may even be asserted that empirical studies do not fully support the view that foreign tourism demand is negatively related to travel costs.

In light of the importance of the tourism industry for the Albanian economy, relatively little attention has been given so far to a quantitative analysis of this sector. The existing empirical research on international tourism demand has been limited and based on traditional econometric techniques such as ordinary least squares (Payne and Mervar, 2002) or more advanced econometric approaches such as the Johansen-Juselius co-integration approach (Bellulo and Križman, 2000).

This study aims to extend the tourism demand literature with respect to Albania on several fronts. Firstly, due to methodological changes that frequently occurred in the balance of payments statistics in the past several years, the reliability of using foreign tourism revenues as a dependent variable is questionable. Furthermore, the number of tourist arrivals is also problematic in that the statistics may be inflated. For example, in the case of Albania, if tourists change the place of their stay within the country, they are registered more than once in the statistics on tourist arrivals. Thus, the number of overnight stays circumvents these issues and also accounts for the length of stay although it excludes stays with friends and relatives or stays in other forms of unregistered accommodation. The aggregate number of overnight stays has not yet been used as a dependent variable in empirical studies.

Methodology and Results

Based on implications of the existing tourism demand literature and availability of data, the following empirical analysis employs foreign tourist overnight stays as a measure of tourism demand; various GDP measures of major tourist-generating countries as income measures, the real exchange rate as a measure of relative price and exchange rate effects, and oil prices as a proxy for transportation costs since the majority of tourists arrive to Albania by car. In addition, it should be noted that during the 1999–2009 period, the Albanian tourism industry was strongly affected by politically-related events: in 1997 due to a Civil War undertaken by the Albanian and in 1999 due to the Kosovo crisis and NATO intervention in the neighbouring Serbia and Montenegro and Macedonian war in 2000. Dummy variables are used to capture the effects of these one-off episodes.

The data are defined as follows:

\[ t \ q \] is the number of overnight stays by foreign tourists in Albania, seasonally adjusted; \[ j \ t \ y \] is either seasonally adjusted real gross domestic product for the “old” 15 European Union members (EU15 t y), members of the Euro Zone (EUZ t y), or all 27 European Union members (EU 27 t y); \[ j \ t \ x \] is either the index of the real effective exchange rate calculated with producer prices (XPP t x) or the index of the real effective exchange rate calculated with consumer prices (XCP t x);
The analysis begins by investigating the unit root properties of the respective variables using the augmented Dickey-Fuller (ADF, 1979), Phillips-Perron (PP, 1988), and Kwiatkowski-Phillips-Schmidt-Shin (KPSS, 1992) unit root tests. The ADF and PP unit roots are based on the null hypothesis that the respective time series are difference stationary while the KPSS unit root test is based on the null hypothesis of trend stationarity. With the exception of the real effective exchange rate index calculated with producer prices \((XPP_t x)\) and the average world oil price per barrel in U.S. dollars \((t_o)\), specifications of the ADF and PP unit root tests with a constant as well as a constant and trend indicate that variables are integrated of order one. However, the results for the KPSS unit root tests are quite diverse. Indeed, the unit root tests indicate varying orders of integration.

While the Engle-Granger (1987) and Johansen-Juselius (1990) co integration procedures require the respective time series to be integrated of order one, the appealing aspect of the ARDL approach is that a long-run relationship can be established without pre-testing the respective time series for unit roots, which is useful given a relatively low power of unit root tests. In order to determine the presence of a long-run relationship, two tests are conducted.

Firstly, the null hypothesis of no cointegration \(H_0: \pi_0 = \pi_1 = \pi_2 = \pi_3 = \pi_4 = \pi_5 = \pi_6 = 0\) is tested against the alternative hypothesis of cointegration \(H_A: \pi_0 \neq \pi_1 \neq \pi_2 \neq \pi_3 \neq \pi_4 \neq \pi_5 \neq \pi_6 \neq 0\) via a partial F-test. However, as discussed by Pesaran et al. (2001), the asymptotic distribution of the F-statistics is non-standard, regardless of whether the variables are I(0) or I(1). Pesaran et al. (2001) provide lower and upper bound critical values, where the lower bound critical values assume that all variables are I(0) while the upper bound critical values assume that all variables are I(1). If the calculated F-statistics are above the upper critical value, the null hypothesis of no cointegration can be rejected notwithstanding the orders of integration of the respective variables. If the calculated F-statistics is below the lower critical value, the null hypothesis of no cointegration cannot be rejected. However, if the calculated F-statistics falls between the lower and upper critical values, the result is inconclusive. Secondly, a t-test for the null hypothesis of no cointegration \(H_0: \pi_0 = \pi_1 = \pi_2 = \pi_3 = \pi_4 = \pi_5 = \pi_6 = 0\) is conducted with respect to the lagged level of the number of overnight stays by foreign tourists in Albania.

The t-statistics on the lagged level of overnight stays by foreign tourists in Albania \((t -1 q)\) is statistically significant at the 5 percent level or better with 1 lag, but not with 2 lags. The results suggest that a long-run equilibrium relationship exists with respect to the various determinants of overnight stays by foreign tourists in Albania. Given the results of the ARDL bounds testing procedure, the ARDL model (Pesaran and Shin, 1997; Pesaran et al., 2001) is specified in a general form to illustrate the derivation of the long-run elasticity estimates.

Based on the three alternative measures of income, it appears that the number of overnight stays by foreign tourists is highly income elastic.

In an attempt to recognize the role of currency fluctuations and relative prices on the demand for tourist destinations in Albania, two alternative real exchange rate measures are used: the index of the real effective exchange rate calculated with producer prices, and the index of the real effective exchange rate calculated with consumer prices. With the exception of one case, the parameter estimates for these two measures are positive, meaning that the real depreciation of the Albanian lek should have a positive impact on foreign tourism demand. However, the estimated parameters are statistically insignificant in all cases, suggesting that currency fluctuations and relative prices do not have a significant impact on tourism demand. Finally, the average world oil price per barrel in U.S. dollars, \(t_o\), serving as a proxy for transportation costs, is negative in only two cases. In all other cases, the parameter estimates yield an incorrect coefficient sign and are statistically insignificant.

Conclusions and recommendations

This study examines the factors contributing to foreign tourism demand for Albanian destinations. Although the results are in line with the previous studies, this analysis extends the tourism demand literature on Albania in several ways. Firstly, unlike in previous studies, the total number of overnight stays is used as a measure of tourism demand. Secondly, the analysis covers a longer time horizon than the previous studies on Albanian tourism. Thirdly, the autoregressive distributed lag (ARDL) bounds testing procedure is used to examine whether a long-run relationship between
tourism demand and its determinants (long-run elasticity estimates) exists in order to circumvent a low power of standard unit root/cointegration tests. The long-run elasticity estimates indicate that foreign tourism demand is highly income elastic while the real exchange rate and transportation costs (proxied by oil prices) do not have any statistically significant impact on foreign tourism demand. With respect to the political climate in the region, it appears that the incidence of the war-related political instability either within the country or in the broader region adversely affected tourism demand for Albanian destinations.

References


ABSTRACT

The tourism industry, which is often referred as an “invisible export”, is significant in the economic and social development of a country. In Namibia, tourism is ranked the third highest foreign currency earner and constitutes one of the economy’s cornerstones of revenue generation. Traditionally developing countries such as Namibia have relied heavily on international tourist arrivals, often at the expense of promoting domestic tourism. In spite of this, domestic tourism has grown rapidly to become one of the world's foremost economic phenomena. A significant number of countries in Africa have already realized the potentially positive economic impacts of domestic tourism and have taken steps to develop and implement domestic tourism strategies. Such a strategy has however not yet been formulated in Namibia, in spite of the fact that, according to the available statistics, domestic tourism in Namibia has considerable growth potential.

To get more clarity on Namibia's domestic tourism potential, a study was undertaken to determine domestic tourism expenditure patterns in Namibia; to identify the current constraints; and to ascertain the potential contribution of domestic tourism business. The empirical survey was conducted among 200 key tourism stakeholders involved in and/or impacting on Namibia’s current and potential domestic tourism market. The stakeholders included tourism representative bodies, tour operators, lodges, hotels, attractions facilities, travel agents and other relevant stakeholders.

The results show that there is a great potential for domestic tourism in Namibia. However, there is a need to develop a participative and integrated domestic tourism strategy that will enable the industry to tap this market potential in a sustainable and competitive manner. Key recommendations emanating from the study focus on the identification and prioritization of preferred destinations and attractions for the domestic market; the need to ensure accessible and affordable transport to tourism attractions and routes; and the importance of ensuring value for money and affordability of the current offerings to current and prospective domestic tourists. Based on the outcomes of the study, marketing guidelines are proposed that can lead to an increase in domestic tourism business capacity and enhance Namibia’s overall tourism sustainable competitiveness.

1.1 BACKGROUND TO THE STUDY

The tourism industry has become the cornerstone of economic development for the poor countries thus contributing a major input into the socio-economic development process (Lickorish & Jenkins, 1997:209). Tourism is viewed as a growth sector offering growth opportunities which other export commodities do not have (Vanhove, 2005:16). The major tourist generating countries are located in the so called developed regions of the world (Lickorish & Jenkins, 1997). These developed countries have the hard currency which is important for and is sought after by most developing countries economies (Dieke, 2000). Tourism has been favored also over some of the export products since it is not faced by tariff...
Due to over dependence on international tourism, developing countries have not come up with strategies to encourage and tap into the vast potential in the domestic tourism market. For instance, domestic tourism can contribute more than 30% to a country’s Gross Domestic Product (GDP) (Wilson & Fesenmaier, 2001:132). The World Tourism Organization (WTO) and the United Nations Statistical Commission have established a statistical methodological framework, Tourism satellite accounts (TSA) which articulates more precisely the significance of domestic tourism (Domestic Tourism growth strategy, 200). Like many other developing countries, Namibia needs to develop a strategy that can be used to tap into the existing domestic tourism potential.

Tourism can contribute to approximately 60% of the total tourism economy as a result of domestic tourism consumption (Crockett, Shane and Wood, 1999:276). Studies that have been carried out in developed countries have proved that out of the 60% revenue generated from tourism activities, 70% comes from domestic tourism (Crockett et al, 1999). Therefore, domestic tourism can play a pivotal role too in the economic development of a country such as Namibia.

Domestic tourism can lead to a number of benefits to the destination. An increase in the number of Namibian people traveling for leisure has a ripple effect on the growth of the economy. Domestic tourism tends to lead to an increase in employment, improve standards of living of the host community and development of attractions.

1.2 STATEMENT OF THE PROBLEM

Although tourism is historically a growth sector in the global economy, this growth does not apply to all the countries. Africa has received low numbers of international tourist arrivals while Asian counties, India and Thailand have enjoyed high growth rate in international tourists’ arrivals. While tourism brings foreign currency into the country some of this currency leaks out to support imports in the tourism sector. Tourism is generally accepted as employment sensitive as it often employs intensive low skilled people. Tourism can lead to tourism infrastructural development. Therefore, to what extent can Namibia tap into the potential domestic tourism to sustain the most contested international tourist arrivals?

1.3 OBJECTIVES OF THE STUDY

The main objectives of the study are:

- To establish the potential of domestic tourism in Namibia
- To identify the marketing strategies that can be employed in order to tap on the existing domestic tourism.
- To bring awareness to tourism players on the important role of domestic tourism in Namibia
- To develop conclusions and recommendations on future prospects of domestic tourism in Namibia.

2. LITERATURE REVIEW

Tourism is made up of tourists’ activities that are undertaken within the destination (Domestic Tourism Strategy, 200). Tourists are classified into either domestic or international tourists. International tourists consist of visitors traveling from outside their borders to other countries for the purposes of leisure travel or business (Dieke, 2000).

Domestic tourists comprise of locals traveling within their own country for the purpose of visiting friends and relatives or traveling for leisure. According to Moseley et al, (2007:17) domestic tourists are visitors within the country of residence or persons on a trip within the country of residence not taking into consideration the purpose of traveling or any other factor. It excludes residents traveling to set up their own usual residence in that place or for remunerative work on other parts of the country or a person traveling regularly within the country different destinations within a country (Deng, King & Bauer, 2002:422). The growth of domestic tourism has led to the realization of the important role of domestic tourism. As a result, many countries have taken steps towards the implementation of a variety of tourist attractions that appeal to the local market (Crouch & David, 2005:17). Destination Marketing Organizations (DMOs) across Africa have recently started collecting data on domestic tourism expenditure patterns.
Trends (travel propensity) of domestic tourists in Namibia

Globally domestic tourism has continued to grow. In developed countries domestic tourism contributes to 60% of the total tourist revenue. According to the WTO (2005) domestic tourism has led to employment creation, high economic growth and the overall development of the tourism industry. Namibia is one of the most productive economies in Sub-Sahara Africa (Country Report, 2006). In 2005, Namibia’s per capita gross domestic products (GDP) was US$3,022 this indicator has shown a sturdy increase within the past several years making it one of the highest in Southern Africa (Tapscott, 1993:36). Official publications (Vision 2030) and National Development plan 3 (NDP-3) have ranked tourism the 3rd foreign currency earner and one of the fastest growing industries (Tapscott, 1993; Country Report, 2006).

Based on the country’s unique history, Namibians have been restricted in their ability to enjoy domestic tourism. The majority of the population, who are blacks, are still unemployed, they own very little land and they have no access to the scarce limited resources (Tapscott, 1993). As a result the bottom 55% of the population controls only 3% of the GDP and lives in extreme poverty (Tapscott, 1993). These economic disparities have continued to limit the propensity to travel and participate in domestic tourism by the Namibians. According to the United Nations (2007), the rate of unemployment could be higher if one includes under-employment. Based on its unique history, Namibians have been restricted on their ability to enjoy domestic tourism. However, an opportunity exist for domestic tourism especially the business people, the emerging entrepreneurs and the visit friends and relatives (VFR) segment.

Market segmentation

Market segmentation can be defined as the sub-division of the total market into discrete and identifiable market segments according to clearly defined characteristics (Fyall & Garrod, 2005; George, 2007:268). There are a number of categories that can be used to segment the market. According to Seaton and Bennett (1996) the most basic segmentation strategy is segmenting the market using trip or tourist descriptors. Trip descriptors divide the market into smaller groups based on the type of trip the consumers would like to engage on.

Descriptors can include VFR, holiday and recreational trips as well business as trips. Market segmentation could also be achieved through the use of specific social characteristics such as cultural background, social class, and family groups. It could also observe the use of geographical, psychological (motivation, perception, beliefs, and values) personal (age, occupation, lifestyle, personality and income) behavioral (number of trips, purchases and expenditures and past travel) and time (seasonality, weekends vs weekdays) (Fyall & Garrod, 2005; Seaton & Bennett, 1996). Effective use of segmentation can help the marketers to reach out to domestic tourist in a more effective way by using different marketing programs for the different groups (George, 2007:268).

Marketing strategies that attract domestic tourists

A strategy is a plan of action through which an organization intends to reach its objectives (Stanton, Etzel, Alker, Abratt, Pitt & Staude, 1992). Marketing strategies therefore relate to how marketers seek to meet their objectives and usually points to the destination’s main lines of direction (George, 2001) A tactic is an operational means by which a strategy is to be implemented or activated (Stanton et al. 1992). A tactic is more specific, detailed course of action than a strategy. Marketing tactics vary from advertising, promotion, publicity, pricing to product development and other salient means including word of mouth, travel expos and road shows. Marketing mix is one of the fundamental tools in marketing (George, 2007) and the four ‘Ps’ are the main factors that need to be mixed in order to enable a tourism business to achieve its marketing objectives. Tourism marketing involves finding out what tourists want (marketing research) and developing suitable offerings (product offering development), telling them what is available (promotions) and providing instructions as to where they can buy the offerings (place) so that they in turn receive value (pricing) and the tourism organizations make money (George, 2007:270).

3. RESEARCH METHODOLOGY

A quantitative research design is the most popular research method used within the tourism industry (Milman, 1993). It pertains to data and large quantities of information that is analyzed statistically (Decrop, 1999:57). The empirical research was administered through questionnaires
which were distributed through the internet. The questionnaire design was structured in the form of open, rating, scaling and closed questions. In addition the design of the questionnaire was meant to probe the respondents beyond the reach of the researcher (Boone, 2004). The survey population comprised travel agents; tour operators; attractions; representative bodies of tourism organizations; hotels; and bed and breakfast facilities.

A total of 200 questionnaires were distributed through the internet which yielded a response rate of 15%. Due to the disadvantages associated with the Internet, the response rate achieved was thought to be significant and the findings valid (Jonker, 2004). The sample population was chosen from the directory of all the tourism operators in Namibia. The sampling was purposive which gave the researcher a chance to select those reputable organizations that could give unbiased inputs.

Whilst the probability sampling is widely used method, in this study the researchers could not employ this method due to the data collection method that was employed (Berg, 2007). The data collected was then analyzed, discussed and tabulated through the use of simple tables for clarity and findings were then summarized and reported.

4. RESULTS OF THE EMPIRICAL SURVEY

The empirical results of the study are analyzed and discussed based on the outcomes of the study. The aim of the study was to carry out an investigation on the strategies that are employed to market domestic tourism in Namibia. The survey which was conducted through the use of the internet where questionnaires were distributed to stakeholders in various tourism entities is now discussed and analyzed.

4.1 General information

As indicated before 200 questionnaires distributed through the internet, a 15% response rate was achieved. The percentage was considered satisfactory considering the disadvantages associated with the method. The sample population was a mixture of both industry professionals and practitioners which made the findings valid and reliable. 30% of the respondents were the tourism representative bodies, 30% were the private sector stakeholders, 10% were the destination marketing organization and 3% were the airlines focusing on Namibia. The statistics on the type of organizations was analyzed and categorized on the table below.

The private sector stakeholders chosen for the study included Tourist attractions (13%), accommodation facilities (30%), conference facilities (10%) game lodges (20%) distribution channel (30%), airlines 6.6% and ground transport (16.6%).

The distribution of the respondents made the results of the study valid.

Most of the respondents had an estimated domestic tourism profile that ranged from 0-10 (2.) to 20-30 (2.%) while those with international tourism arrivals ranged from 90-100 (2.) and 70-80 (2.6%). The results show that most operators concentrated on international tourism arrivals at the expense of domestic tourism. The results of the estimated business distribution between the domestic and international tourism are shown below.

The respondents were not new comers in the tourism industry. 4% of the responses came from organizations that have been in the tourism industry for more than 10 years. 3.% had 1-10 years in the industry while only 1.% had 1-5 years in the industry.
Table: 1 Type of organizations

<table>
<thead>
<tr>
<th>Type of organization</th>
<th>% Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism representative body</td>
<td>30</td>
</tr>
<tr>
<td>Destination marketing organization</td>
<td>10</td>
</tr>
<tr>
<td>Private sector stakeholder with an international tourism product</td>
<td>30</td>
</tr>
<tr>
<td>Airline focusing on Namibia</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>26.6</td>
</tr>
</tbody>
</table>

Table: 2 Private Sector Stakeholders.

<table>
<thead>
<tr>
<th>Type of stakeholder</th>
<th>% Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourist attraction</td>
<td>13</td>
</tr>
<tr>
<td>Accommodation facility</td>
<td>30</td>
</tr>
<tr>
<td>Conference facility</td>
<td>10</td>
</tr>
<tr>
<td>Game lodge/nature reserve</td>
<td>20</td>
</tr>
<tr>
<td>Distribution channel (e.g. tour operator/travel agent)</td>
<td>30</td>
</tr>
<tr>
<td>Airline</td>
<td>6.6</td>
</tr>
<tr>
<td>Ground transport (rail, coach, car rental, etc.)</td>
<td>16.6</td>
</tr>
</tbody>
</table>

Table: 3 Estimated percentage shares of domestic and international business

<table>
<thead>
<tr>
<th>Business</th>
<th>Percentage share of domestic and international tourists</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>0-10</td>
<td>26.6</td>
</tr>
<tr>
<td></td>
<td>10-20</td>
<td>33.3</td>
</tr>
<tr>
<td></td>
<td>20-30</td>
<td>26.6</td>
</tr>
<tr>
<td></td>
<td>30-40</td>
<td>13.3</td>
</tr>
<tr>
<td>International</td>
<td>90-100</td>
<td>26.6</td>
</tr>
<tr>
<td></td>
<td>70-80</td>
<td>33.3</td>
</tr>
<tr>
<td></td>
<td>60-70</td>
<td>26.6</td>
</tr>
<tr>
<td></td>
<td>50-60</td>
<td>13.3</td>
</tr>
</tbody>
</table>

Table: 4 Length of time the organizations have been in operation

<table>
<thead>
<tr>
<th>Number of years</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5 years</td>
<td>16.6</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>36.6</td>
</tr>
<tr>
<td>Longer than 10 years</td>
<td>46.6</td>
</tr>
</tbody>
</table>
4.2 Awareness of domestic tourism in Namibia

The study targeted the tourism and hospitality operators in Namibia. Most respondents' demonstrated a meaningful understanding of domestic tourism. The responses varied. The Respondents' understanding of domestic tourism ranged from visitors from ‘Namibia itself’, to some respondents indicating that domestic tourism is when Namibians travel and stay in places inside Namibia but outside their usual environment for not more than one consecutive year for leisure, business or other purposes. As shown by the respondents, domestic tourism as a concept is well understood by most tourism operators including its accumulative benefits. It was interesting to note that some respondents even included the traveling of residents within the country to visit their family friends and relatives and also taking part in a vacation.

A number of respondents agreed that there were domestic seasons in Namibia. They highlighted the Christmas period, Easter holidays and School holidays. It emerged from the study that a lot of Namibians prefer to go to the village than visiting areas of interest.

It was encouraging to note that a number of respondents recognized that a lot of Namibians want to travel but the hindrances include inaccessibility high prices and lack of promotion. In order to mitigate the lack of promotion, respondents recommended aggressive marketing strategies to be employed in order to appeal to the domestic tourism market. Most respondents acknowledged that domestic tourism has a big potential for the small businesses but noted that only 20% of the small businesses’ total occupancy is from domestic tourists.

Regarding prices Respondents said the prices were steep and beyond the income bracket of the majority of Namibians. Tourism places were considered extremely expensive for Namibians even though tourism enterprises have introduced a tier pricing system that provides a marked difference between the price paid by the locals and the international tourists.

A number of respondents indicated that the most important incentive that can be used to lure the domestic market is the offer of discounts. Some also argued that more emphasis should be placed on local advertisements promoting special Namibian rates. Respondents indicated that domestic tourism is hardly promoted in Namibia in and this is compounded by high prices which inhibits and restricts domestic tourists. Therefore, the emphasis was place on making Namibians feel more comfortable and developing a more holistic approach to domestic tourism. The approach would encourage locals to travel in their own country and appreciate the value of tourism.

4.3 Methods used to market domestic tourism in Namibia

4.3.1 Most commonly used methods to market domestic tourism

The aim was to determine the most commonly used strategy for domestic tourism promotion. The views of the respondents were varied on the methods used for domestic tourism in Namibia. 40% of the respondents indicated that the most commonly used strategy for promoting domestic tourism were the price discounts.

In respect of advertising, print media was acknowledged as being used most often which was followed by direct sales. Respondents indicated that the internet is used to a lesser degree in marketing domestic tourism. The internet is a strategic tool for marketing tourism opportunities, but it seems Namibian operators have not tapped into the optimum potential use of this tool.

26.6% of the respondents felt that promotion was not done at all, while 23% felt that promotion of domestic tourism is done satisfactorily. Group discounts of domestic tourists are not in place nor are the use of special packages, incentives and competitions widespread. These methods need to be pursued vigorously by tourism operators in order to win domestic tourists.

Publicity is one of the most commonly used marketing tool because it is cheap and does not require expertise, respondents felt that tourism operators rarely used this approach. Operators need to use periodicals, news letters, special events and public relations exercises to market domestic tourism. 26% of the respondents felt that a product designed specifically for the domestic market has not been developed yet nor existing
ones customized to suit the local tastes. Yet another 26% felt that it was rarely used.

Based on the outcomes of this factor, the operators need to make some improvements on the product, its quality and service in order to suit the local tastes (Dieke, 2000). This implies that the product needs to be customized by extending the product range, availability and accessibility.

Other strategies that were mentioned included the use of word of mouth, travel expos and road shows of which 30% respondents felt that these tools were rarely used, the operators only capitalized on the opportunities created by the Namibia Tourism Board which is not enough if domestic tourism has to be tapped into as a potential market. The table shown below shows the responses regarding the methods commonly used to promote domestic tourism.

4.3.2 Current strategies being used to market domestic tourism in Namibia

Respondents were asked to rate the current strategies that are used to promote domestic tourism in Namibia. 34% of the respondents felt that domestic tourism promotion was rarely used but 30% were of the opinion that domestic tourism was mostly promoted in Namibia. It will seem a number of respondents relied on the domestic tourism strategies employed by Namibia Tourism Board (NTB). 29.6% of the respondents felt that there is no promotion of product specific experiences to Namibians. 34.3% of the respondents indicated that operators need to develop product specific packages in order to attract domestic tourists. This should be complemented by the distribution of information to specific places (30.6%). Some respondents (40%) felt that there is need to encourage repeat visit by the domestic tourists. The table below shows the views of the respondents regarding domestic tourism strategies employed in Namibia.

4.4 Future strategies for marketing domestic tourism in Namibia

In order to encourage domestic tourism in Namibia, respondents felt that there is need to increase value for money for the locals on products on offer (30%). There is need to matching product and services to consumers’ needs i.e. longer stays, experience and activities (56.6%). 43.3% of the respondents indicated that operators need to provide group travel which is affordable and alternatively use travel vouchers as an option. 36.6% were of the opinion that in order to encourage more group travel, there is need to promote the use special rates during low seasons. Some respondents were of the view that in order to boost inter-provincial travel there is need to promote touring and to publicize hidden secrets in different regions and experiences. The future growth strategies were analyzed and summarized in the table below.

As shown on the table above, the respondents were of the opinion that there is need to make use of special events to target domestic tourists in order to reduce seasonality problems by providing customized services.

5. CONCLUSIONS

The study has concluded that there is an in-depth understanding of the role that can be played by domestic tourism. It emerged from the study that there is indeed a significant potential for Namibians to be involved in traveling locally. However, the number of domestic tourists can be increased by capitalizing on the marketing strategies available to tourism and hospitality operators. Based on the outcomes of the study, the results show that there are seasons for domestic tourism especially the Easter, Christmas and School holidays. The study has revealed the need for tourism operators to accommodate domestic tourists and appeal to them using certain marketing strategies. The tools that can be used to appeal to local tourists could include the use of advertising, direct sales, the print and electronic media as well as the Internet. Promotion could include the use of group discounts, special packages, incentives and competition involving domestic tourists. It emerged from the study that tourism and hospitality operators need to fully utilize publicity to effectively position their offerings to domestic tourists.
### Table: 5 Most commonly used methods to promote domestic tourism

<table>
<thead>
<tr>
<th>Information source</th>
<th>Namibia's rating of tools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1 Advertising</td>
<td>26.6</td>
</tr>
<tr>
<td>2 Promotion</td>
<td>26.6</td>
</tr>
<tr>
<td>3 Publicity</td>
<td>30</td>
</tr>
<tr>
<td>4 Pricing</td>
<td>13.3</td>
</tr>
<tr>
<td>5 Product</td>
<td>26.6</td>
</tr>
<tr>
<td>6 Other</td>
<td>23.3</td>
</tr>
</tbody>
</table>

### Table: 6 Current strategies being used to market domestic tourism in Namibia

<table>
<thead>
<tr>
<th>Current strategies used to promote domestic tourism</th>
<th>% Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1 Promotion of domestic tourism</td>
<td>14.3</td>
</tr>
<tr>
<td>2 Promotion of product specific experiences to Namibians</td>
<td>29.6</td>
</tr>
<tr>
<td>3 Development of product specific packages for domestic tourism</td>
<td>33</td>
</tr>
<tr>
<td>4 Distribution of information in specific places</td>
<td>30.5</td>
</tr>
<tr>
<td>5 Increase of marketing and distribution channels</td>
<td>23.3</td>
</tr>
<tr>
<td>6 Encouragement of repeat visit</td>
<td>32.6</td>
</tr>
</tbody>
</table>

### Table: 7 Future growth domestic tourism strategies in Namibia

<table>
<thead>
<tr>
<th>Market segmentation growth strategies for domestic tourism</th>
<th>% Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1 Increasing value for money on product offer.</td>
<td>-</td>
</tr>
<tr>
<td>2 Matching product and services to consumers. i.e. longer stays, experience and activities etc</td>
<td>6.6</td>
</tr>
<tr>
<td>3 Providing group travel, affordable and travel voucher options</td>
<td>16.6</td>
</tr>
<tr>
<td>4 Encouraging more travel to group domestic tourists through the use of special rates on low peak seasons</td>
<td>3.3</td>
</tr>
<tr>
<td>5 Promoting inter-provincial travel by encouraging touring and publicizing hidden secrets in different regions and experiences</td>
<td>3.3</td>
</tr>
<tr>
<td>6 Making use of special events to target domestic tourists to reduce seasonality and provide customized services</td>
<td>3.3</td>
</tr>
</tbody>
</table>
Publicity can be achieved through the use of periodicals, newsletters, special events and Public Relations exercise. While pricing structures are in place for domestic tourists, the study concluded that there is need for operators to lower their prices for the locals especially during off seasons and give special prices to different categories of the local market. The study revealed that operators need to develop and customize the tourism and hospitality products to suit the local market. This can be achieved by extending the product range and improving their availability and accessibility. Other strategies include the use of word of mouth making the locals ambassadors of the tourism industry. Even though the NTB has taken measures in marketing domestic tourism; the study revealed that there is need for a collaborative approach to domestic tourism marketing.

6. RECOMMENDATIONS

Based on the outcomes of the study, the following recommendations have been made. While there is a wide agreement on the role of domestic tourism in Namibia, there is need to employ aggressive marketing strategies regarding domestic tourism. The recommendations are made as follows:

- Develop a collaborative approach to domestic tourism marketing

There is need for a collaborative and participatory approach to domestic tourism marketing. Tourism and Hospitality operators need to come together and formulate marketing strategies that can appeal to the local populace. The marketing strategies can only be achieved if the operators develop customized products that can appeal to Namibians.

- Focus on domestic tourists during off seasons

There is need to target domestic tourists during the low seasons. While respondents indicated that the strategies being employed by NTB are not holistic, there is need to increase marketing and the distribution channels for domestic tourism. The service provided by the accommodation sector in the accommodation sector should encourage repeat visit there by making the locals ambassadors of tourism.

- Provide value for money for the domestic tourists

The study has revealed an immediate need for increasing value for money for the domestic tourists by matching the products and services offered to domestic tourists so that they may stay longer in these facilities.

- Increase accessibility to attractions for domestic tourists

From the observations made it can be concluded that in order to encourage accessibility, the tourism operators need to provide group travel, making travel affordable through the use of a voucher option system. The operators could promote inter-provincial travel by encouraging touring and publicizing the hidden secrets of the different attractions in different regions and the experiences there of.

- Educate the tourism operator on the value/role of domestic tourism

The study revealed the need to educate and re-orient the tourism operators on the value of domestic tourism in tourism and economic development of a place and the need to involve the local. As locals become more aware of the potential benefits of tourism, a positive response would result, thereby culminating into a boom in tourism within the local area.

REFERENCES


Morgan, N. Pritchard, A and Pride, R. 2002. Destination branding: creating the unique destination proposition (2nd) Elsevier:


