

TECHNOLOGY DISRUPTION: Challenges and Opportunities for Adding Value to National Economy, Businesses & Society



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Value to National Economy, Businesses & Society**

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Table of Contents

Panel I - Digital Economy Conundrum: Challenges for the National Economy

Transforming Albania's Economy: Initial discussion on the potential role of AI. A summary of existing evidence and case studies.....	2
<i>Edvina KAPLLANI</i>	
H2H Marketing Role in Shaping Consumer Behavior.....	16
<i>Dr. Aurela BRAHOLLI & Prof. Dr. Elvin MEKA & Kristina PAPAANI</i>	
Income and Electoral Choices: Analysing the Influence of Economic Status on Voting Behavior in 2021's Parliamentary Elections in Albania.....	35
<i>Assoc. Prof. Dr. Teuta XHINDI & Assoc. Prof. Dr. Gerti SQAPI</i>	
The attention of consumers on scarcity cues in hedonic goods: An eye-tracking study in the retailing context.....	48
<i>Assoc. Prof. Dr. Mirdaim AXHAMI & PhD (c) Agim FJOLLA</i>	
Harnessing Technological Disruption in Photovoltaics for Economic Growth in Albania.....	64
<i>PhD Lorenc GORDANI</i>	
The Importance of Employee Motivation and Their Role in Business Performance.....	81
<i>Dr. Fabian PJETRI & Assoc. Prof. Dr. Rezart DIBRA</i>	
An overview of the literature on integrated tourism product development and product diversification in destinations.....	89
<i>Assoc. Prof. Dr. Nevila ÇINAJ & Prof. Dr. Ermira QOSJA & Assoc. Prof. Dr. Mirjam DIBRA & Enida PULAJ (BRAKA)</i>	
The Contribution of Small and Medium Enterprises to Albania's Economy: Development Challenges in the Tirana Region	99
<i>Samel KRUJA & Gerti DAJÇI & Iris KRUJA</i>	
Corporate Governance, Financial Crisis and Trades.....	110
<i>Assoc. Prof. Dr. Rezart DIBRA & Dr. Fabian PJETRI & Dr. Ilirjan CUKAJ</i>	
The Importance and the Use of Gender Statistics in Drafting of the Public Policies in Albania.....	119
<i>Dr. Mimoza ZENELI & Dr. Enkeleda SHEHI & Dr. Irma GUGA</i>	
SME-s Innovation and their impact on economic growth.....	135
<i>Dr. Anisa KUME</i>	

Explaining the Role of Cleavages in the Political Realignment of the Electorate: A Literature Overview and Highlighting the Importance of the Contextual Factors..... 150
Assoc. Prof. Dr. Gerti SQAPI

Online shopping vs. Offline shopping. A case study of Company X..... 161
MSc Erga RUCI & Dr. Enkeleda SHEHI

Corporate Governance Practice in Some Commercial Companies, Trends After the Financial Crisis..... 184
Assoc. Prof. Dr. Rezart DIBRA & PhD (c) Eni DANAJ

How Do Albanian Enterprises Lead and Manage? Reflections from a Survey..... 191
Dr. Anisa KUME & Prof. Dr. Vasilika Kume

Panel II - Innovations in Information Technology: Driving Business and Economic Growth

Gen-AI” and Cards Payments Transformation in the Albanian Banking System..... 209
MSc. Gentiana DUKA & Prof. Dr. Elvin MEKA

Student Attitudes and Perceptions Towards the Use of ChatGPT: A Study on the Ethics and Effectiveness of AI in Education..... 232
Gentian HOXHALLI & Endri PLASARI & Irena FATA & Assoc. Prof. Dr. Indrit BAHOLLI

From Traditional Procurement into E-Procurement - Challenges and Advantages from the Perspective of ONE ALBANIA Company..... 247
MSc. Lorena MUHAMETAJ & Prof. Dr. Elvin MEKA

The Role of Artificial Intelligence in Identifying and Preventing Corruption in Public Procurement.... 257
PhD (c) Evis SHURDHA & Assoc. Prof. Dr. Gerti SQAPI

Exploring Public Sentiment Towards Agile and Digital Transformation: A Twitter Sentiment Analysis..... 270
PhD (c) Florenc HIDRI & Prof. Dr. Blerta Abazi Çaushi & PhD (c) Gladiola Tigno & Assoc. Prof. Dr. Indrit BAHOLLI

Data Mining in Human Resource Management..... 282
PhD (c) Xhezmiye PALUSHI & MSc. Eleni Papapano & MSc. Sidorela Marini

Remaining Future - Proof Throughout the Ai Revolution: How is AI Reshaping the Financial Industry and its Workforce?..... 289
MSc. Eda META & Prof. Dr. Elvin MEKA

Cybersecurity and International Partnerships: The Case of Israel in Albania..... **301**
MSc. Klajd HETA

Leveraging Technology in Albanian Gyms: Client Insights and Economic Outcomes..... **311**
MSc. Gert METANI & MSc. Dorjan ISUFAJ & MSc. Thoma AXHA

Panel I

Digital Economy Conundrum: Challenges for the National Economy

Transforming Albania's Economy: Initial discussion on the potential role of AI.

A summary of existing evidence and case studies

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Abstract:

Artificial Intelligence (AI) has emerged as a transformative force in global economies, reshaping business models and redefining workforce dynamics. In emerging markets like Albania, the potential for AI adoption to drive economic diversification and innovation is immense, yet largely untapped. This paper explores the context as well as opportunities and challenges associated with AI integration in Albania. By leveraging predictive analytics, process automation, and customer personalization, AI can enhance productivity and competitiveness. However, the success of AI-driven transformation depends on addressing critical bottlenecks, including limited infrastructure, workforce skill gaps, and regulatory inadequacies.

This study employs a mixed-methods approach, analyzing existing literature, regional case studies, and preliminary comparative benchmarks to assess Albania's AI readiness. Key findings highlight that while sectors like finance are beginning to adopt AI for fraud detection and customer service, others, such as agribusiness, remain under-digitized. The research identifies the need for targeted investments in AI innovation hubs, workforce upskilling programs, and ethical AI governance aligned with European Union standards. Case studies underscore the transformative potential of AI applications when tailored to local contexts.

The paper concludes with actionable recommendations, including fostering international partnerships, incentivizing AI adoption, and developing sector-specific AI strategies. It also emphasizes the importance of public awareness campaigns to build trust and acceptance of AI technologies. Future research directions are proposed to include longitudinal studies on AI's economic impact and the development of a localized AI readiness index to track progress. By addressing these priorities, Albania can position itself as a competitive player in the regional digital economy, leveraging AI to achieve sustainable growth and workforce transformation.

Keywords: Artificial Intelligence, Business Model, AI-powered Upskilling, Workforce Transformation, Economic Diversification

I. Introduction

Overview of AI in Global Business Context

Artificial Intelligence (AI) is reshaping economies worldwide, enhancing productivity, automating routine tasks, and enabling personalized services across sectors. Businesses leverage machine learning algorithms to streamline operations and develop customer-centric models.

The global impact of AI is immense. Studies estimate that “*the automation of individual work activities enabled by these technologies could provide the global economy with an annual productivity boost of 0.5 to 3.4 percent from 2023 to 2040, depending on the rate of automation adoption—with generative AI contributing 0.1 to 0.6 percentage points of that growth*” (McKinsey, 2023). According to IDC, 2024, AI is forecast to add a cumulative \$19.9 trillion to the global economy by 2030. This growth includes direct revenue from AI companies and investments in infrastructure. By that year, AI-related activities could contribute 3.5% to global GDP. According to the Accenture, 2024, “the number of companies that have fully modernized, AI-led processes has nearly doubled from 9% in 2023 to 16% in 2024. Compared to peers, these organizations achieve 2.5x higher revenue growth, 2.4x greater productivity and 3.3x greater success at scaling generative AI use cases”. These figures underscore the transformative potential of AI, but they also highlight the significant preparatory work required in emerging markets. In developed economies, AI adoption is fueled by robust infrastructures and skilled workforces. Yet, emerging economies like Albania face significant challenges, including limited infrastructure, digital skills gaps, and regulatory hurdles.

The Economic Context in Albania

Albania’s economy, reliant on agriculture, tourism, and manufacturing industry, is characterized by low technological adoption. Agriculture alone contributes 21% of gross value added but remains dependent on traditional practices that hinder productivity (UN, 2022). Tourism and manufacturing similarly face challenges in modernization. Recent initiatives, like e-Albania—a digital governance platform offering over 1,200 public services—signal progress, yet broader AI adoption is constrained by infrastructural and workforce limitations.

With internet penetration reaching 85.8% in 2024, Albania possesses the foundational connectivity for digital transformation (Data Reportal, 2024). However, digital skills and advanced technological infrastructure remain critical bottlenecks. The lack of strategic investment in AI-specific applications in key sectors further hampers the country’s ability to compete regionally. Additionally, the uneven distribution of digital services creates disparities in AI readiness between urban and rural regions, limiting the scalability of AI-driven innovations.

Research Objective and Significance

This research is a first step to discuss AI's transformative potential in Albania, specifically focusing on how it can modernize business models and associated need for workforce capabilities. The study aims to provide insights for policymakers, business leaders, and educators on the steps needed to prepare an AI-ready workforce but also keep in mind regulatory framework that supports long-term digital integration.

Central hypothesis is that AI can revolutionize Albania's economy by enabling traditional sectors like agriculture, manufacturing and tourism to adopt agile, data driven and scalable business models. Successful integration hinges on two factors: A digitally skilled workforce ready to collaborate with AI and Regulatory and infrastructural frameworks that support ethical and sustainable AI adoption.

II. Literature Review

The research draws from a robust body of academic and industry studies which underscore the progress made and the gaps that persist in Albania's AI journey. The literature review examines the impact of AI on business model innovation and workforce development. It synthesizes recent studies and surveys that address AI adoption, ethical considerations, digital skills development, and the role of AI in enhancing cybersecurity and data protection in Albania. Together, these studies highlight both the progress made and the ongoing gaps in Albania's AI landscape.

AI and Business Model Innovation

AI technologies are reshaping business models by driving predictive analytics, process automation, and customer personalization. Aagaard and Tucci (2024) discuss how AI redefines value creation and impacts the nine components of business models, emphasizing AI's role as a catalyst for strategic and operational transformation. It looks at customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, cost structure. AI's impact on business models spans predictive analytics, process automation, and customer personalization. The critical role of data and AI in driving successful digital business model innovation has been explored by a number of researchers. For example, Ghasemaghaei and Calic (2019) document that firms having a greater capacity of exploiting data, in terms of volume, variety, and velocity, reveal larger innovation competences and performance. Bresnahan (2021) emphasizes that integrating AI in business development requires significant organizational restructuring to be fully leveraged, a phenomenon consistent with historical transformations initiated by analogous technologies. While AI constitutes a pivotal element for innovation within business models, mere investments in digital infrastructure, technology, and data are insufficient for its holistic integration.

The Technology-Organization-Environment (TOE) framework is instrumental in assessing AI adoption readiness. It evaluates technological infrastructure, organizational readiness, and external factors. This framework aids in understanding the multifaced nature of AI-driven business model innovation (von Garrel and Jahn, 2023)

The state of AI in CEE report (The Recursive, 2024) highlights regional AI adoption trends, noting Albania's focus on digitalization within sectors such as finance, agribusiness, tourism and manufacturing. Another report, Mapping Opportunities for the Digital Economy in Albania (2022) by RisiAlbania and the Protik Innovation Center highlights the same conclusion of varying levels of digitalization across Albania's key economic sectors. According to the study, the financial sector is the most digitally advanced, with over 60% of companies planning to invest up to 25% of their revenue in digital transformation. In contrast, the agribusiness sector lags significantly, with minimal digital adoption and limited strategic planning. These findings suggest that targeted AI applications, especially in under-digitized industries like agribusiness, could provide significant benefits and drive broader digital transformation across sectors. To note that the country's Digital Agenda (2015-2020) identified agritech solutions as a key area for development, encouraging modernization to align with EU standards.

Workforce Development and Skills Gap

To maximize AI's benefits, Albania requires an AI-ready workforce. Despite efforts like "AI for Youth," only 21% of Albanians aged 16 to 74 have basic digital skills, among the lowest rates in Europe (ITU, 2021). Initiatives must focus on comprehensive upskilling to meet industry needs and align educational outputs with market demands.

The assessment stresses the need for a structured educational approach to digital literacy. RisiAlbania's analysis, focusing on digital skills across sectors, indicates a stark contrast in digital adoption. Studies suggest that upskilling initiatives are essential for preparing Albania's workforce for a digital economy and for supporting the expansion of AI technologies across sectors (RisiAlbania, 2022). Similarly, the European Skills and Jobs Survey by the European Training Foundation (ETF) in 2023 focuses on the evolving skill requirements in Albania's labor market, emphasizing the growing demand for digital competencies, including AI-related skills. Findings indicate that many workers feel unprepared for technological changes, underscoring the need for targeted upskilling initiatives. This survey highlights the gap between educational outputs and industry needs, suggesting that upskilling and reskilling programs are crucial for maintaining a competitive workforce in a digitalized economy.

Challenges and Opportunities in AI Adoption

Albania faces challenges such as ethical concerns, data privacy, and regulatory deficiencies. Adopting frameworks like the European Union's AI Act can help address these issues, ensuring responsible AI governance while fostering innovation. As Albania explores AI-driven solutions, data privacy and cybersecurity emerge as critical areas of focus. Gavin Dennis' 2023, explores the

challenges and opportunities posed by AI in enhancing cybersecurity defenses. As AI algorithms become more sophisticated, their capacity to process large datasets introduces potential risks to data privacy, particularly on sectors like e-commerce and public administration. Moreover, many companies in Albania lack awareness of the security controls necessary to protect sensitive data in cloud environments. The study emphasizes the need for transparent and ethical AI frameworks to address privacy concerns, especially given AI's capacity to process large volumes of data. Albanian organizations are experimenting with AI-powered tools for real-time threat detection and enhanced security, signaling progress in cybersecurity. However, the study calls for a regulatory framework to balance technological advancement with data protection, ensuring that AI deployment does not compromise privacy.

The Global Index on Responsible AI (GIRAI) 2024, conducted by SCiDEV, provides a comprehensive analysis of ethical AI practices across 138 countries, with Albania ranking 96th. These ranking underscores significant room for improvement in the country's AI governance frameworks. The report emphasizes the importance of aligning AI initiatives with ethical principles and human rights protections, urging Albania to adopt more robust policies for responsible AI. The findings suggest that while the potential for AI adoption exists, Albania must prioritize ethical considerations to ensure AI deployment respects human rights and data privacy.

The European Union's Artificial Intelligence Act (AI Act) presents a regulatory model for ethical AI that is highly relevant for Albania as it aligns its policies with EU standards. The Act mandates strict rules for high-risk AI applications, such as those used in finance and healthcare, and prohibits AI practices that could violate civil liberties. By aligning with the EU's regulatory structure, Albania could strengthen its governance of AI, addressing privacy and ethical concerns while fostering innovation. The AI Act serves as an essential reference for Albania in crafting its own AI policies to balance technological growth with ethical standards.

Opportunities lie in leveraging Albania's existing digital infrastructure, including the high internet penetration rate, to scale AI applications. Additionally, fostering partnerships with international tech firms could provide the expertise and funding necessary to accelerate AI initiatives. The development of localized AI applications, tailored to the unique needs of Albanian industries, offers another avenue for growth.

III. Methodology/Approach

Research Design

This study employs a mixed-methods approach, incorporating qualitative and quantitative data collection to assess AI's impact on Albanian business models and workforce requirements.

Data Collection.

This study employs a mixed-methods approach:

1. Literature Review: Analysis of studies on AI's economic impact and workforce transformation (global and regional AI adoption studies)
2. Case Studies: Examination of AI applications in the region, including agritech and financial services, but also inspirational case studies in the region
3. Comparative Analysis: Benchmarking Albania's AI maturity in the region.

Secondary data from government reports, industry surveys, and market studies provide the basis for this research.

Analytical Framework

The Technology-Organization-Environment (TOE) framework served as the basis for evaluating Albania's readiness for AI adoption. Metrics such as technological infrastructure, workforce capabilities, and regulatory support were assessed to identify gaps and areas for improvement.

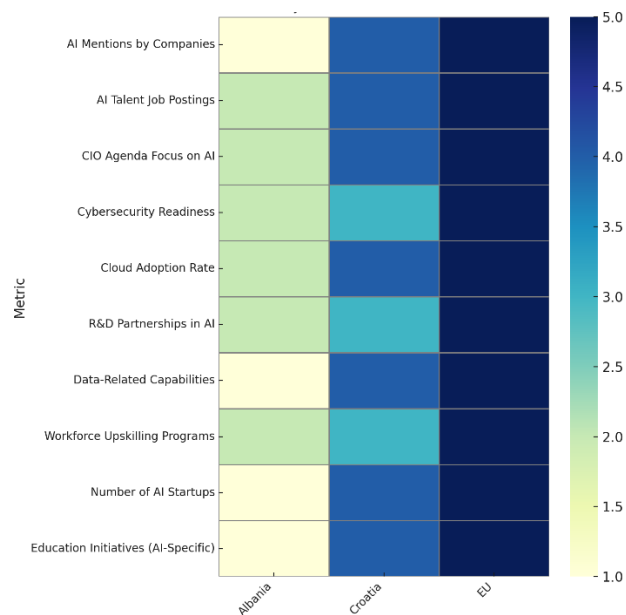
IV. Findings/Results

Current State of AI Adoption

Albania's AI adoption is in its infancy, with isolated examples in few sectors such as finance and government services. The other sectors remain undigitized due to budget constraints and a lack of expertise. However, there is evidence of progress in the financial sector, where over 60% of firms plan to invest in digital transformation (Risialbania, 2022). AI applications in customer service and risk management are already yielding measurable benefits.

Comparative Insights – A preliminary view

Below is a comparative overview of the key AI-related observations for Albania and for benchmark purpose a comparison with regional peers like Croatia and EU in AI adoption across key metrics, such as AI talent job postings and cybersecurity readiness



Notes:

The metrics chosen for the table were designed to reflect key dimensions of AI readiness that are typically used in global AI benchmarking studies, including:

- **Adoption levels (AI Mentions by Companies, AI Talent Job Postings):** Reflects how engaged industries and job markets are with AI technologies.
- **Infrastructure and Digital Maturity (IT Infrastructure, Cloud Adoption Rate):** Measures the technological foundation necessary for AI adoption.
- **Workforce Development and Skills (Upskilling Programs, Education Initiatives):** Evaluates human capital readiness and educational initiatives for AI.
- **Policy and Research (R&D Partnerships, AI Investments):** Assesses government support and collaboration between academia and industry.
- **Outcomes (Number of AI Startups, Data Capabilities):** Indicates tangible outputs of AI adoption efforts, like startups or data management capabilities.

Data Mapping and Scoring: To assign scores for each metric, qualitative categories (e.g., Limited, Low, Emerging, Moderate, High) were used to align with commonly observed levels in global AI readiness studies.

Observations: Croatia demonstrates a moderate level of AI integration across various metrics, indicating a more advanced position relative to its regional counterparts. The EU Average reflects a high level of AI maturity, serving as a benchmark in this exercise

Case Studies: AI-Driven Transformation

To illustrate the impact of AI-driven business models and workforce transformation, the following case studies highlight successful applications of AI across the broader Balkan region. Each case provides insights into how AI enhances competitiveness, efficiency, and customer satisfaction.

Precision Farming with Drones:

- **AI Applications:** Agremo, a Serbian agritech startup, has developed an AI platform to assist farmers
- **Potential Impact:** AI algorithms analyze these images to detect crop health, pest infestations, and irrigation issues. Improved yield predictions, enabling better financial planning

Personalized Financial Services: Zagrebačka Bank, Croatia

- **AI Applications:** Croatia's banking sector is testing AI to enhance customer experience through personalized financial solutions. The goal is to leverage data-driven insights to offer tailored products and services.
- **Potential Impact:** Enhanced customer satisfaction scores due to personalized banking experiences.
-

V. Discussions

How These Case Studies Relate to Albania

1. **Scaling Proven Models:** These examples showcase practical applications that Albania can replicate or adapt to its local context.
2. **Sectoral Prioritization:** Agriculture, tourism, and financial services emerge as key focus areas where AI adoption can yield immediate benefits.
3. **Regional Collaboration:** Learning from successful implementations in neighboring countries accelerates Albania's readiness for AI integration.

These real-world examples illustrate that AI is not just a futuristic vision—it is a transformative tool Albania can leverage today.

Preliminary thoughts on the impact on Business Models

AI is transforming Albanian business models by facilitating data-driven decision-making, improving efficiency, and enabling personalized services. In tourism, AI applications could help deliver customized travel experiences, while in agriculture, AI could improve production processes. Financial services also show promise, with over 50% of firms planning to increase

investment in digital technologies such as CRM systems and e-commerce platforms. (Risialbania, 2022) Yet, the high cost of AI solutions and skill gaps pose scalability challenges.

Workforce Transformation and Skills Gap

The workforce transformation required for AI adoption in Albania is extensive, as digital literacy rates are low. Despite the government's push to introduce coding and digital literacy programs in schools, Albania's talent pool lacks advanced AI skills. To bridge this gap, companies are forced to rely on international contractors or provide in-house training, which is often costly and time-consuming. According to the ITU, companies report that the mismatch between academic training and industry requirements hampers productivity and innovation

VI. Conclusion/Implications/Recommandations

Key Findings

AI has the potential to transform Albania's economy by:

1. Enhancing productivity in important sectors such as agriculture and tourism.
2. Driving innovation in services sectors such as financial services.
3. Addressing workforce skill gaps through targeted upskilling initiatives.

Actionable Recommendations

1. Sectoral Digitalization: Prioritize AI adoption in high-impact industries like agriculture and tourism to drive economic diversification. Promote the development of industry-specific AI applications
2. AI Innovation Hubs: Establish centers for collaboration between local and international tech firms.
3. Workforce Upskilling: Invest in early AI and digital literacy programs and partner with educational institutions to prepare a future-ready workforce, particularly in underserved regions.
4. Ethical AI Governance: Align with EU regulations, such as the AI Act, to establish comprehensive ethical guidelines for AI deployment, balancing innovation with data privacy and ethical concerns
5. Incentivize Investments: Offer tax breaks and subsidies to businesses adopting AI technologies.
6. Public Awareness Campaigns: Promote the benefits of AI through nationwide educational initiatives to foster acceptance and understanding.

Implications for Future Research

Future studies could focus on longitudinal analyses of AI's economic impact in Albania and comparative studies with similar emerging markets. Additionally, sector-specific research could uncover AI's unique applications and challenges in fields like healthcare.

Proposal for Future Research and Further Analysis

This study provides a preliminary view for understanding AI adoption and its implications on business models and workforce transformation in Albania. However, as AI and digital transformation efforts continue to evolve, there are several potential areas for further exploration that would enrich our understanding of AI's impact on Albania's economy, workforce, and regulatory landscape. This section outlines possible research extensions, including longitudinal studies, sector-specific analyses, comparative studies, and in-depth workforce skill assessments. These proposals aim to provide a comprehensive view of AI's transformative potential and guide both policymakers and industry stakeholders.

1. Longitudinal Analysis of AI's Economic Impact

Objective: To evaluate the long-term effects of AI adoption on Albania's economic growth, employment patterns, and productivity.

Proposed Methodology:

- **Data Collection:** Track and analyze AI adoption metrics in key economic sectors over a defined period. This includes collecting quantitative data on productivity, revenue growth, and employment statistics within AI-integrated firms.
- **Expected Outcomes:** A nuanced understanding of how AI affects economic indicators such as GDP growth, employment rates, and productivity, offering empirical evidence for targeted policy formulation.

2. Sector-Specific Studies: In-Depth Case Studies by Industry

Objective: To provide a granular analysis of AI adoption in specific industries, such as agriculture, tourism, manufacturing, and financial services, focusing on sector-specific challenges, benefits, and best practices.

Proposed Methodology:

- **Industry Case Studies:** Conduct case studies of key industries. Use a mixed-methods approach by combining in-depth interviews with industry professionals and data on sectoral performance metrics (e.g., productivity, cost savings, customer satisfaction). A cross-industry comparison could highlight best practices and innovative solutions applicable to other sectors.

- **Expected Outcomes:** Insights into sectoral AI adoption, providing actionable recommendations to stakeholders within each industry and identifying industry-specific needs for workforce upskilling and regulatory adjustments.

3. Comparative Study: AI Adoption in Albania vs. Other Emerging Markets

Objective: To position Albania's AI adoption trajectory within the broader context of emerging markets in Eastern Europe or other comparable regions.

Proposed Methodology:

- **Country Case Comparisons:** Select a sample of countries with similar economic profiles (e.g., North Macedonia, Montenegro, and Serbia) to compare AI adoption levels, regulatory frameworks, and workforce capabilities. Conduct a benchmarking analysis to evaluate Albania's AI maturity in relation to peer countries, focusing on factors such as government initiatives, workforce skills, and sectoral AI integration.
- **Expected Outcomes:** A comprehensive comparative framework, positioning Albania relative to its regional peers and identifying unique strengths and challenges that can guide policymakers in accelerating AI adoption.

4. In-Depth Analysis of AI-Driven Workforce Transformation and Skill Gaps

Objective: To conduct a detailed assessment of the skills required for AI-driven roles and evaluate Albania's current workforce readiness to meet these demands.

Proposed Methodology:

- *Skill Gap Survey:* Design a detailed survey targeting employees, HR managers, and educational institutions to assess current digital literacy levels and specific AI-related skills (e.g., data science, machine learning, cybersecurity). Use skills gap analysis to identify specific competencies lacking in the current workforce. Conduct factor analysis to categorize skills by industry relevance and use cluster analysis to identify employee subgroups with different training needs.
- *Expected Outcomes:* A clear framework of current skills gaps, categorized by industry and role type, providing insights for targeted training programs, curriculum development, and public-private partnerships in workforce upskilling.

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H2H marketing role in shaping consumer behavior

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Abstract

H2H (Human to Human Marketing) is a new approach already in Albania, which emphasizes the importance of direct and authentic communication between brands and customers, putting consumer at the center of marketing strategies.

This study examines the improvement of customer behavior and the effectiveness of marketing campaigns in Albania, by analyzing differences between traditional and digital marketing. The focus is on evolving the way message is delivered, the diversity of creative codes, and the importance of reinforcing brand's attribute to stand out in the market.

In other words, "the brand" faced with customer demands, which tends to meet any of their requirements, is the key driver in promoting products and services, in the most original way possible. Technology plays a key role in strengthening communication and educating customers, enabling the use of innovative and creative tools in advertising. Through this approach, it is concluded that H2H marketing is essential to meet the needs of consumers, aiming not only at direct communication, but also effectively solving their problems and creating effective future strategies.

Key words: H2H marketing, Brands, Selling and Cognition, technology, consumer

1. Introduction

The stages of business development in the times of capitalism, where the global geopolitical situation has changed with attractive steps in recent years, diplomatic relations between different countries in the region, Covid 19, the relentless war between Russia and Ukraine or even the increase of global growth The heat itself, have influenced the way the EU member states' own economies and internal policies develop, as well as the Albanian state. In these historical developments, the attachment of companies to the point of risk in heavy investments in marketing with the latest global innovations comes to life, where they sometimes make us dream with their creativity and sometimes ask us how many possibilities for expansion a company has to create even more sophisticated marketing today.

Convergent marketing is a marketing strategy that uses different communication methods and channels to reach target customers. In influencing the behavior of target consumers in Albania, convergent marketing can be successful by using a wide range of communication channels, such as social media, online advertising, radio, television and print, as well as information obtained from the monitoring consumer behavior to change and adapt their overall marketing strategies. Convergent marketing can help build a familiar and trustworthy image for a brand or a new brand in the market. Although in Albania the process of technological development and extension to online media is already quite significant, the priority audience remains television, where traditional marketing itself has adapted old communication channels into performing pieces of online media.

It is worth mentioning that today one of the most important trends of consumer absorption in the service is H2H marketing. Human to Human (H2H) marketing is a marketing strategy that focuses on building connections with customers on a personal level by focusing on their experience and emotions. H2H opposes the traditional marketing model, where communication with customers was too distant and unpleasant. In H2H, communication with customers occurs on a human level and in real time. This type of marketing requires communication to be open, sensitive and based on the customer's needs and wants, creating strong connections and loyalty between the customer and the brand.

The purpose of this research is to identify the impact of convergent marketing and H2H marketing tactics on consumer purchasing and business transaction growth. This study sheds light on consumer culture, on how each of our experiences is influenced by and reacts to the very communication channels we are surrounded with as part of our daily lives. Increasing sales is one of the main objectives of marketing and consists of finding ways to influence consumers to purchase the product or service offered. In this regard, there are several strategies that can help increase sales using marketing, so in this article we will see the tendency of companies to adapt directly to the customer, the effectiveness and approach of marketing campaigns with the differentiation between them from traditional marketing to traditional marketing. the latest

developments in digital marketing, what has been the impact of the types of marketing used and what unites them in the behavior of target consumers in Albania. But in this study, there are also limitations such as: subjectivity since we know that the questionnaires are simply self-evaluative and sometimes do not give us all the truths that we expect from the interviewees as well as the limited number in 3 different brand sectors of the interviewees.

2. Literature review

H2H (Human-to-Human) marketing is a concept related to strategy in the marketing department, where it is a priority to create close and reliable relationships with customers, (Philip Kotler, Waldemar Adam Pförsch, Hoch, Uwe Babu & Ramamoorthy, 2020; This strategy treats customers as unique individuals who have benefited from the product or service and encourages personal communication, creating healthy relationships with a long-term goal and not just as numbers in a database with incentives to transact according to the business achievement plan objectives. In the global market, where culture, language and customs differ from one country to another, H2H marketing performs a special function by focusing on people and understanding their particular needs and preferences, companies can build close relationships with customers in foreign markets and increase their success in these foreign markets, so that the brand maximizes demand flows from all over the world.

H2H marketing is a new concept that helps create close and trustworthy relationships with customers. This concept focuses on people and helps build long-term relationships with customers. (Philip Kotler, Waldemar Adam Pförsch, Hoch, Uwe Sponholz 2020). According to Sponholz, marketing is “the process of creating, delivering, communicating, and evaluating offerings to meet customer needs and wants and to achieve organizational goals” (Waldemar Pförsch and Uwe Sponholz, 2019). This definition highlights the importance of understanding customer needs and wants and building offers and marketing strategies to meet those needs and wants. Regarding business, Sponholz perceives it as an organization that aims to earn income and grow in a certain market (Uwe Sponholz, 2020). He explains that companies can build a positive image and significantly increase revenue by responding to customers’ needs and wants and offering quality products and services.

Another important point in this study is digital marketing, which is seen as an important channel in H2H marketing, where it is intertwined with the fundamental principles of H2H marketing. Digital marketing is considered one of the most important marketing channels whose advantages include consumers' broad, fast, cheap and easy access to products and services with the ability to complete buying and selling processes almost anywhere and at any time. On the part of businesses, digital marketing consists of a series of practices that allow them to communicate and interact with

consumers, in a lively manner, influencing consumers and their purchasing decisions (Babu & Ramamoortthy, 2020; Dwivedi, et al., 2021; Madan, 2021);

It is undeniable that over the last 20 years marketing has seen a shift in what is called the “digital transformation” of marketing, widely accepted and studied by both practitioners and academics. Digital advertising, e-Commerce, and mobile services have led to a revolution in the way consumers interact and provide these products and services (Li et al., 2021). However, due to the ever-evolving nature of the digital ecosystem, it is imperative that businesses keep themselves updated through evolutionary approaches in how they attract, interact, connect, network and integrate consumers through a digital marketing strategy and Badlo, 2021).

The COVID-19 pandemic has acted as an influencer pushing people towards adopting social media and other web applications for entertainment, socializing, shopping and keeping them consistent with news, among other things and activities. Taking a concrete look at marketing, the pandemic has placed an emphasis on social media and telemarketing (Mason et al., 2021). The numbers are indisputable: more than half of the world's population, around four billion people, actively use social media, 98.8% of them access social media platforms via mobile phone. Research by (Dubbelink et al., 2021; Mason et al., 2021; Patil et al., 2021; Statista 2022) showed that marketers who had used social media for a year or more reported significantly better than those with less experience in the field.

The permanent objective of marketing activity is to create a healthy relationship between companies and customers, leading to the creation of value for both parties. To do this it is necessary to focus on the right market segment, to understand its needs and expectations in creating a loyal customer base. All these findings remain valid in the digital marketing industry, introducing some special characteristics and requirements (Wibowo et al., 2021). Digital marketing tools include social media, mobile applications, online advertising, viral content, contextual advertising, targeted advertising, native advertising, and content marketing (Dubbelink et al., 2021; Wibowo et al., 2021).

Social media is a relatively important term that has evolved as a way to describe various platforms for online communication. In general, the term social media refers to “any technology that facilitates the distribution and sharing of information over the Internet.” More specifically, Kaplan and Haenlein define social media as a “group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and that enable the creation and sharing of user-generated content” (Kaplan and Haenlein, 2010). Social media (Mayfield, 2011) is changing the way information is communicated to and from people around the world. The rapid use of social media is changing the way organizations respond to consumer needs and wants and is changing the way they respond to competitors (Mayfield, 2011). Companies now have the opportunity to engage in broader and more innovative forms of mass communication online using social media marketing tools (Stelzner, 2010).

Social media marketing is the use of social media platforms and websites to promote products and services. Social media has dramatically changed the relationship between product/service providers and consumers. Nowadays, social media is used as the main source of product/service information for consumers who spend a lot of time there. Social media users feel empowered, having more opportunities for online participation, with the benefits of convenience, self-organization, self-education, richness of information, alternatives, options, reduced costs and time, which are highly appreciated (Babu & Ramamoorthy, 2020); (Dubbelink et al., 2021).

But on the other hand, companies today invest in platforms with more Google search in search and name bending, they invest in dedicated websites, where the focus is on online sales. In this concept, automatic formats are established for the way interested visitors communicate with customer service and the process of fulfilling the request, up to the form of online payment and with the logistics of distributing the product in the hands of the customer. To create a website today, a corporate communication strategy, the form of writing, color recognition and the draft template for products and more are necessary. On the other hand, today sites should not only sell or make a turnover but build a clientele within a framework of growing reliability and where the preferential customer translates into a loyal customer in the future. On the other hand, connecting the brand communication strategy on the website with social media are different types of mediums where the marketer enjoys the greatest potential to test and put into operation the development of mediums such as the web page or Instagram, LinkedIn, Facebook, Link tree, Tweet, Pinterest, Google My business and even the latest social networking phenomenon like Tik Tok.

For businesses, creating a brand presence on social media, and social media in particular, gives them the opportunity to, among other things, increase customer engagement through interactions that go beyond the purchase, including generation of new ideas from customers, the accumulation of learning in relation to customer preferences and other characteristics, thus exploiting the positive effects of Word of Mouth (WoM) advertising. Traditionally, WOM has been defined as “oral, person-to-person communication between a recipient and a communicator, which the recipient perceives as non-commercial, about a brand, product, or service” (Arndt, 1967). For a company, gaining a competitive advantage through this particular digital channel means increased branding, awareness and a better brand image, which leads to greater brand loyalty, which, in turn, makes the overall marketing strategy more effective and efficient (Babu & Ramamoorthy, 2020). Integrating digital marketing strategy within an enterprise's overall marketing strategy seems to be an inevitable organizational solution for sustainable business and good results (Malesev & Cherry, 2021; Santos & Pinto-e-Silva, 2021; Tairova, 2021).

With the wide range of advertising forms, the audience is now not only versatile but also with concepts with high technological investment and high public impact. The competition from competing companies is not only seen in the expenses incurred for television broadcasts, in the converging message it transmits, in the website or in the social media it personalizes, but it goes to an even higher level: the more innovative ideas it has and puts into play in implementation, the

more it strengthens the positioning compared to the competitor on the market. Adaptation that creates a smartphone game that is a form of entertainment, time-consuming and even addictive for different target groups. One way for a company to easily grab customers' attention is to create its own branded games. Gaming is a great customer retention technique because customers generally spend more time on a platform when they are busy playing games. The game's interactive content, subtle product positioning, and valuable incentives for winning make it a gamer's paradise. The right game can excite users and make them want more. Jane McGonigal, 2008, examined the positive impact that games can have on everyday life and how they influence consumer behavior.

Consumer behavior is a term that can generally be used to refer to the actions and decisions that influence consumers' purchasing behavior (Solomon et al., 2017). Consumer behavior mainly includes purchasing activities, consumption and disposal actions, behavioral, mental and emotional responses related to the decision to make a purchase (Zhang & Benyoucef, 2016). Consumer behavior is a field studied by marketing science and consumer psychology. Understanding and analyzing consumer behavior can help companies adapt their marketing strategies and develop products and services that meet consumer needs and preferences. For a company, consumer behavior can be influenced by marketing strategies such as advertising, promotion, pricing, packaging and additional services. Consumer behavior depends on a number of factors, such as previous experiences, perceptions, personal preferences, culture, social group, social influences and economic changes. Consumers are sensitive to price, quality, brands, advertising and other marketing influences on their purchasing decisions.

Kuester S. (2010) defines consumer behavior as the study of individuals, groups, or organizations and the processes they use to select, obtain, use, and dispose of products, services, experiences, or ideas to satisfy their needs and desires. According to Kotler and Keller (2011), consumer purchasing behavior is the study of the ways in which individuals, groups and organizations acquire and dispose of goods, services, ideas or experiences in order to satisfy their needs and desires. Kotler & Keller (2012) defined consumer behavior as the study of how individuals, organizations, and groups choose, purchase, and use products, services, experiences, or ideas to satisfy their needs and desires. According to Rami (2012), consumer behavior refers to the choice, purchase and consumption of goods and services for the satisfaction of one's desires, while consumer purchasing behavior concerns the decision-making processes and acts of consumers involved in the purchase and use of products. You further explained that many factors, specifications and characteristics influence the consumer in his decision-making process, purchasing habits, purchasing behaviors, the brands he buys or the retailers he turns to. Rami (2012) in his study on factors influencing consumer behavior explains that consumer purchasing behavior and the resulting purchase decision are strongly influenced by cultural, social, personal and psychological characteristics. Understanding the impact of these factors is essential for marketers to develop appropriate marketing mixes to attract the target customer.

Digital marketing has changed the growth of the online market and changed the behavior of online consumers. This technology changed consumer behavior as it shortened the purchasing time, and the product was also available in the domestic market and global market. Today the customer has the opportunity to view the product range and make an informed choice via the Internet. Consumers have many more opportunities to search and gather information to make decisions about planned purchases. The availability of information has increased significantly with the expansion of the Internet, the improvement of the full-text search engine algorithm, and the development of social networks and mobile technologies (Miklosik, 2015).

3. Methodology

In order to achieve full realization of the aims and objectives of this study, a combined method such as a combination of qualitative and quantitative methods was used to obtain a comprehensive understanding of the studied phenomenon intertwined with literature review or secondary data. The literature review is based on numerous research by foreign and Albanian authors, in articles, scientific publications, books, scientific journals, study reports as well as suggestions from marketing professionals. To obtain more information, a structured questionnaire tool with two sections was used, which included questions from which information was collected based on the set objectives. The primary data are those obtained from the distribution of 100 questionnaires on consumers and their segmentation, where all of them proved to be valid, and the other questionnaires on employees with a specific position in one of the professional fields of the marketing department in the Albanian companies of the city of Tirana in the period May-June 2023. The questionnaires built for the target group of consumers and those for the target group of marketing managers or employees of companies, marketing agencies or corporate employees in Albania, have two segments, in particular where the first section includes data such as age range, gender, education and average level of personal income and the second section includes concrete questions. Secondary data is the data that will present the theoretical data obtained for this study. The questionnaires were distributed via the dedicated Google Forms link. All the data were structured into tables and graphs using Excel where the classification was done by ordinal and nominal scale, helping us to carry out a descriptive analysis of all the information contained in each questionnaire.

4. Data Analysis

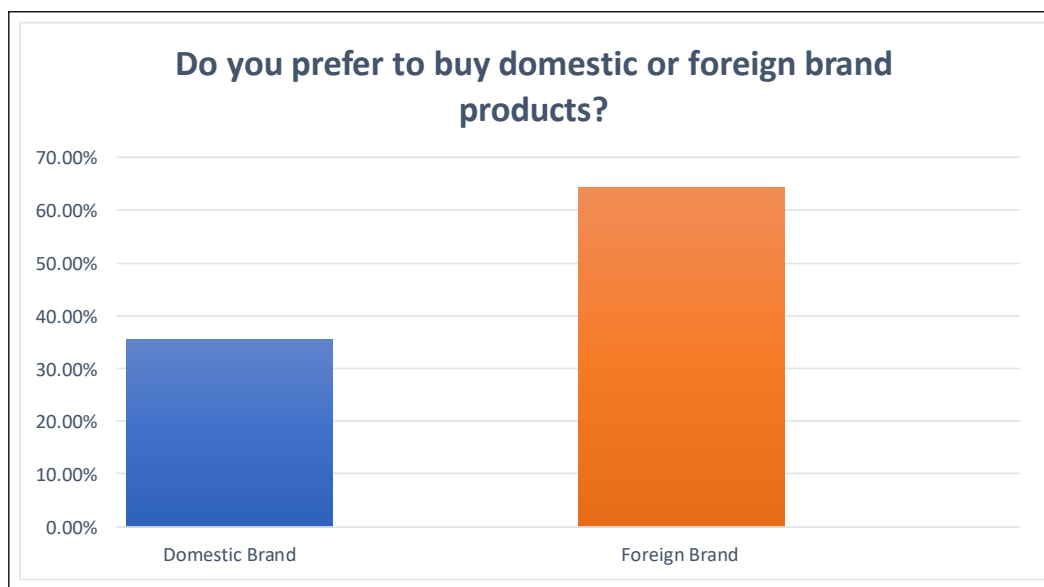
Through the analysis of data obtained from questionnaires developed in the target groups of consumers and marketing managers in Albania, they will once again demonstrate how H2H marketing is compatible with satisfying consumer needs and how the impact of the types of marketing used in behavior purchasing habits of consumers in our country. Below, more

specifically, we will present all the data obtained from the answers to the questions with the related analyses. First, we will present the interpretation of the data from the first questionnaire, first extracting those data that are considered demographic, i.e. gender, age, professional training, income level and others.

Demographic and general characteristics of the first questionnaire

From the demographic data obtained, we noticed that among the consumers interviewed, the dominant average age was the 18 - 25-year range with 58.9%. This is also related to the fact that most digital marketing users and those who make more online purchases are young compared to other age groups. When asked about their gender, the dominance percentage was found to be male at 59.3%. Regarding the level of education, according to the data obtained from the questionnaire, these are high level participants, 83.5% of the interviewees have a high level of education. This result demonstrates the high level of education of the interviewees who participated in this study. The questionnaire also identified the average level of monthly income of citizens, where it emerged that 59.6% of them have an average income between 350 and 700 euros.

Graph 1: Do you prefer to buy national or foreign branded products?



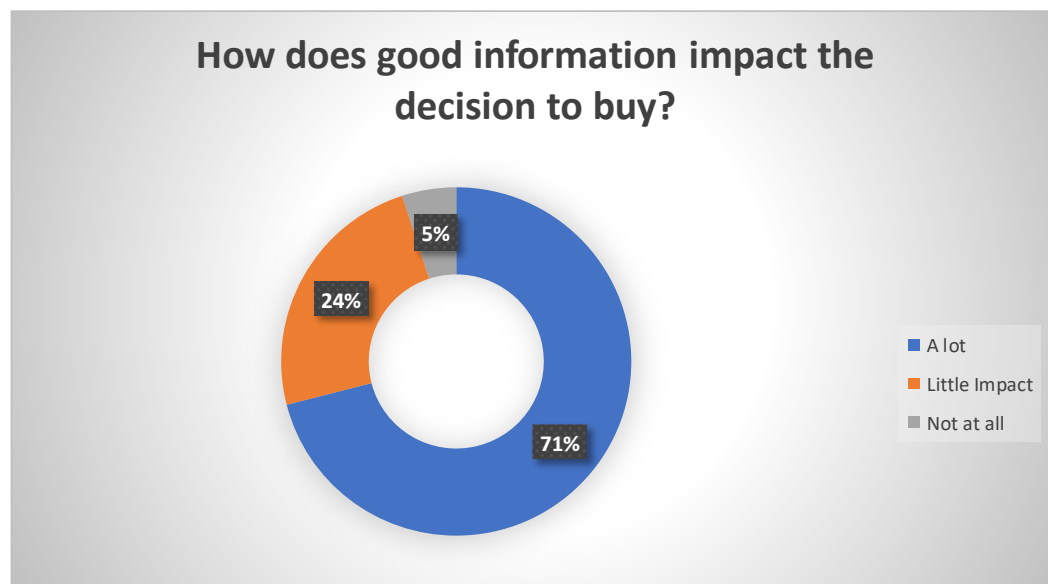
Source: Authors

Furthermore, they were asked, in their lifestyle, which products/services they consumed the most, local or foreign, and based on the answers they gave, it turned out that they were more likely to purchase foreign branded products than local ones. 64.5% of those interviewed said this. This is

an important signal for all Albanian brands that want to be promoted in our country and explode in market adoption. As a people where money does not often leave the comfort zone, brands have to work hard on the messages they convey, mainly in the launch of new products. This is due to confidence in existing products and the structure that has already received the information and has passed at least one level of periodic consumer experience.

From the data presented in the graph below (Graph 2) it emerges that 70.9% of those interviewed believe that good information on these purchasing methods has influenced them as consumers, making them more aware of their purchasing behavior, and more specifically in the choice of brand a product or service on the markets. 24.5% of them said that good information had little effect, while the rest had no effect at all.

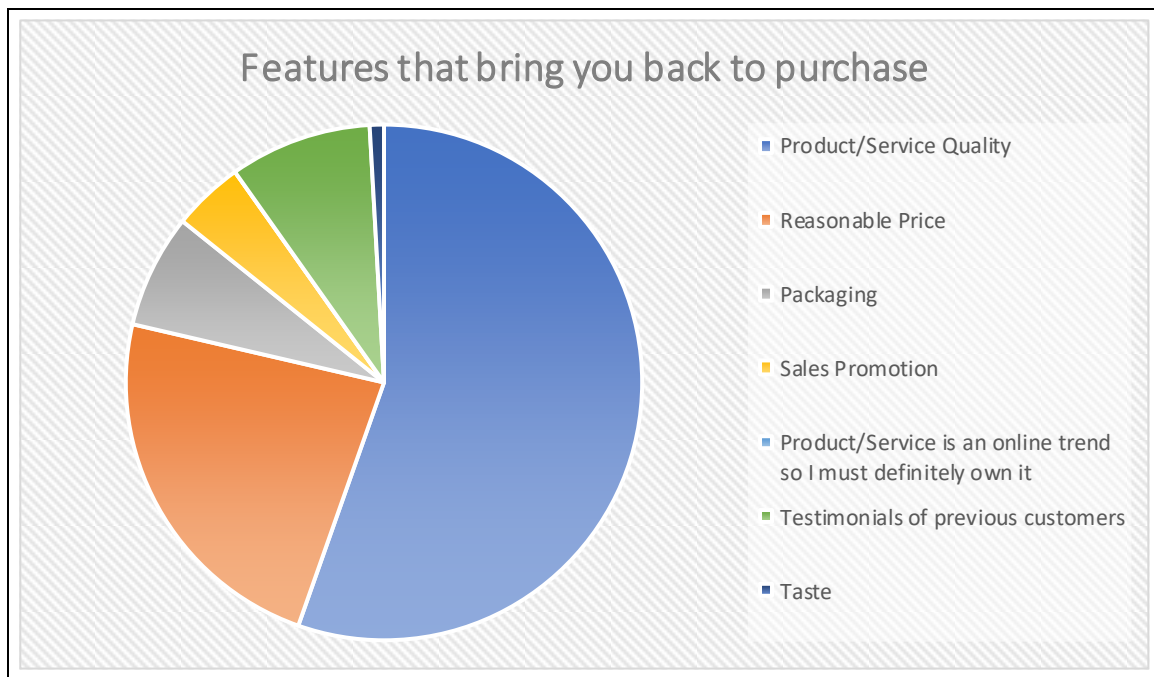
Graph 2: How does good information impact the purchasing decision?



Source: Authors

Other results obtained in the analysis of consumer behavior, specifically linked to the main impression of trying a product for the first time, showed that 50% of them preferred to have references from their relatives regarding the products/services purchased. They were also asked what main characteristics the products or services purchased should have in order to be able to return to the same purchase without obstacles. Chart 3 below presents these reasons.

Graph 3: Features that bring you back to purchase

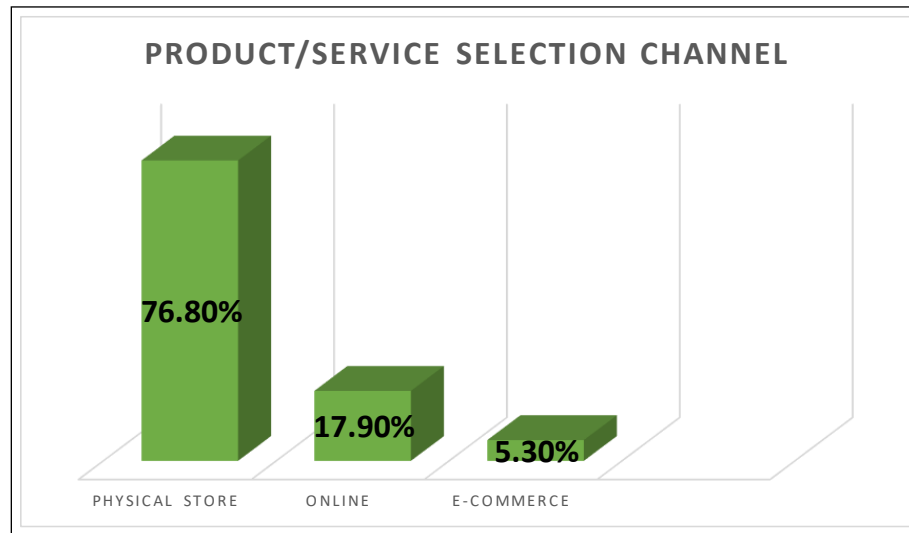


Source: Authors

For 62.2% of those interviewed, the main characteristic that forced them to return for a product/service was the quality of that product/service, for 26.1% it was the reasonable price offered to them, and so on. If they had to choose between a new product on the market and an existing one, 35.1% of them would be more inclined to purchase an "existing product" because they knew it and had created convenience for them, 27.9% did not have a real one problem, but it was enough that purchasing that product satisfied the need they had, 27% of them preferred to experiment with new purchases, while 9.9% could try new products/services only when they were on offer.

The following data (Graph 4) will show us that the preferred channel for obtaining the product/service was the physical store (76.8% of them chose the physical store, 17.9% online shopping and 5, 3% e-Commerce).

Graph 4: Product/service selection channel



Source: Authors

When asked how much they would recommend purchasing products on social media, 64% of them responded that they would not recommend purchasing products on social media as they have not had satisfactory results from purchasing on them, because most purchased products had not arrived as advertised in various media, 22.5% not at all, and only 10.8% of them recommended such a purchase because they did not have time and physical costs.

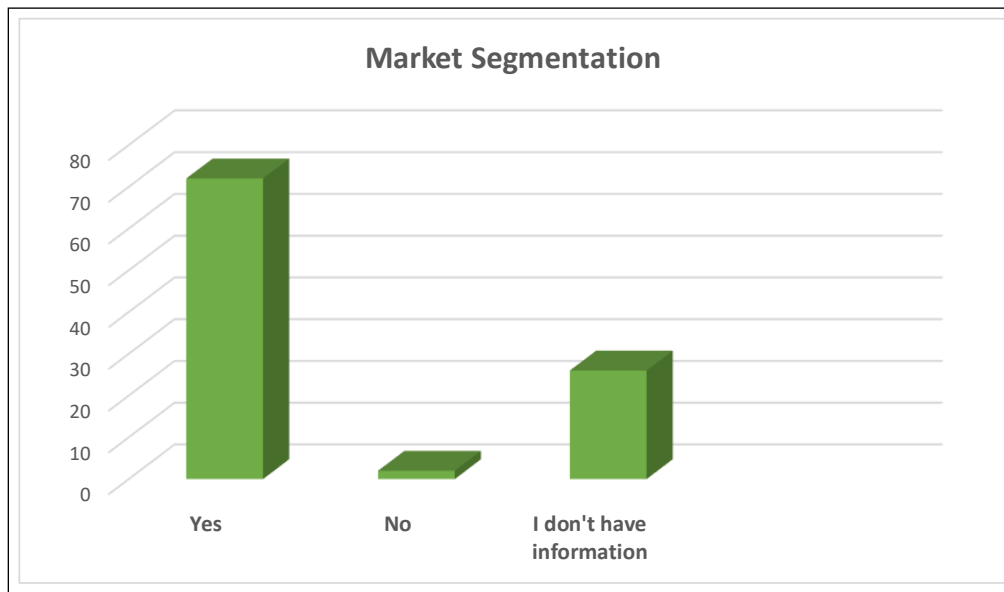
Demographic and general characteristics of the second questionnaire

As in the first part, also in the analysis of the data from the second questionnaire, prepared for the employees of various Albanian companies who have at least one profile dedicated to the communication or marketing profession, the demographic and general characteristics are the following: The age group with the largest number of study participants was those between 36 and 44 years old with 62%. The most representative gender is female with 68% of participation. Regarding the job position, it emerged that 32% of them were marketing managers in different marketing agencies, freelancers or current job positions in different Albanian companies.

To the question “Does the company you work for use differentiation strategies or not?” They responded that the company they worked for applied differentiation strategies to offer products that were distinct from competitors in the market. (82% of consumers interviewed agreed with this fact to be as competitive as possible on the market). The use of such strategies would be an important element to improve and increase the acceptance or positive perception of consumers when presenting evaluations or complaints about the products (services) received. Furthermore, 64% of those interviewed responded that their company focuses more on the quality of the

product/service provided, than on achieving profitable objectives. When asked whether the company has carried out an analysis on market segmentation and different marketing strategies, 72% of respondents responded positively. For most of them, this market segmentation would make it easier to meet the needs of consumer groups and increase their profitability. This is highlighted by the data in the graph below (Graph 5).

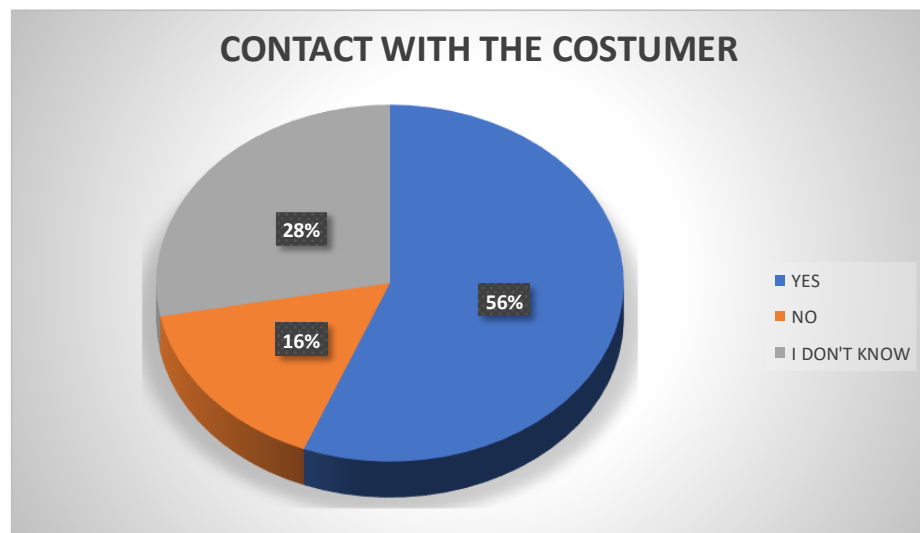
Graph 5: Market Segmentation



Source: Authors

All (100%) of respondents responded that the companies they managed occasionally took initiatives in marketing strategy with a defined annual budget plan because such steps would influence the conduct of their activities in a more targeted and cost-effective way for the company.

Graph 6: Contact with the customer



Source: Authors

To the next question: has the company created ready-made scripts for its employees on first contact in communication with the customer for each communication channel? 56% of respondents responded positively, 16% had no contact with the customer and 28% said they had no information. (Graph 6)

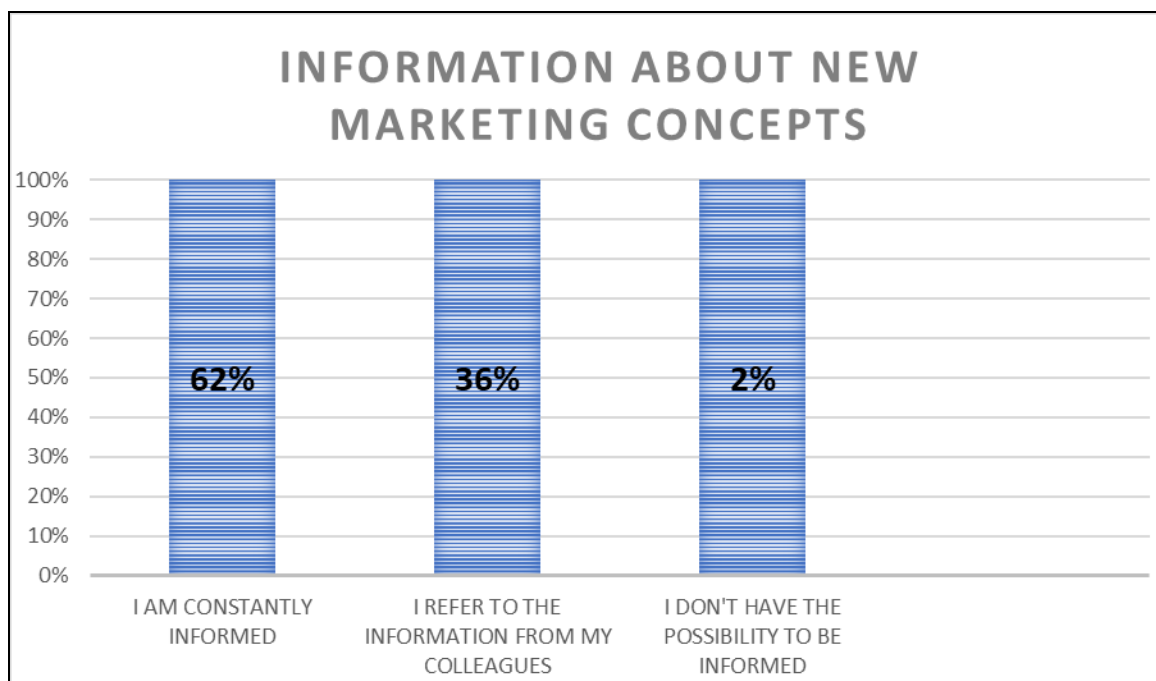
For 72% of those interviewed, their company is also attentive to customers' reactions and feedback because in this way the customer loyalty strategy would provide them with an even more personalized service. Several companies that use marketing mix strategies are more profitable and successful than those that do not, resulting in significantly improved sales, profitability, and greater productivity than those companies that do not use these concepts. When asked about this, specifically the best form of strategy used, 66% of them thought that the Mix strategy, part of H2H marketing for most consumers, was the best form for them today. It must be said that the Marketing Mix for Albanian marketers is a challenge, since there are still companies that have a marketing manager who carries out every necessary work process, but this constitutes a risk for the company itself, since efficiency in work for the development of ideas and new strategies, mechanical activities in work processes at your service.

In these times of rapid technological development, respondents said that various technological tools were what made it easier to conduct lead generation in the companies they worked for, making transactions faster. 94% of them said this as they believe that the advancement of digital technology has enabled lifestyle change as they were online most of the time on social networks using different tools to get the desired information. Everyone was also asked for information on job positions, working hours, evaluations in these companies, work plans in the context of

marketing initiatives, etc. The majority of those interviewed said they were open to work plans integrated into marketing initiatives to increase the recognition of their personal brand, inside and outside the company (72% say this), 62% of those interviewed work more than 8 hours a day and had weekends free, while 38% of them chose the provision of digital marketing services as a job position where they made a total contribution to the work process.

In Albania every marketing department has expanded communication channels and the market needs professionals. Therefore, it is very important for brands themselves to elevate attributes to further develop brand-loyal marketers. The marketer's job position in the company serves not only to overcome brand recognition values, but also to increase support to generate higher transaction figures.

Graph 7: Information about new marketing concepts

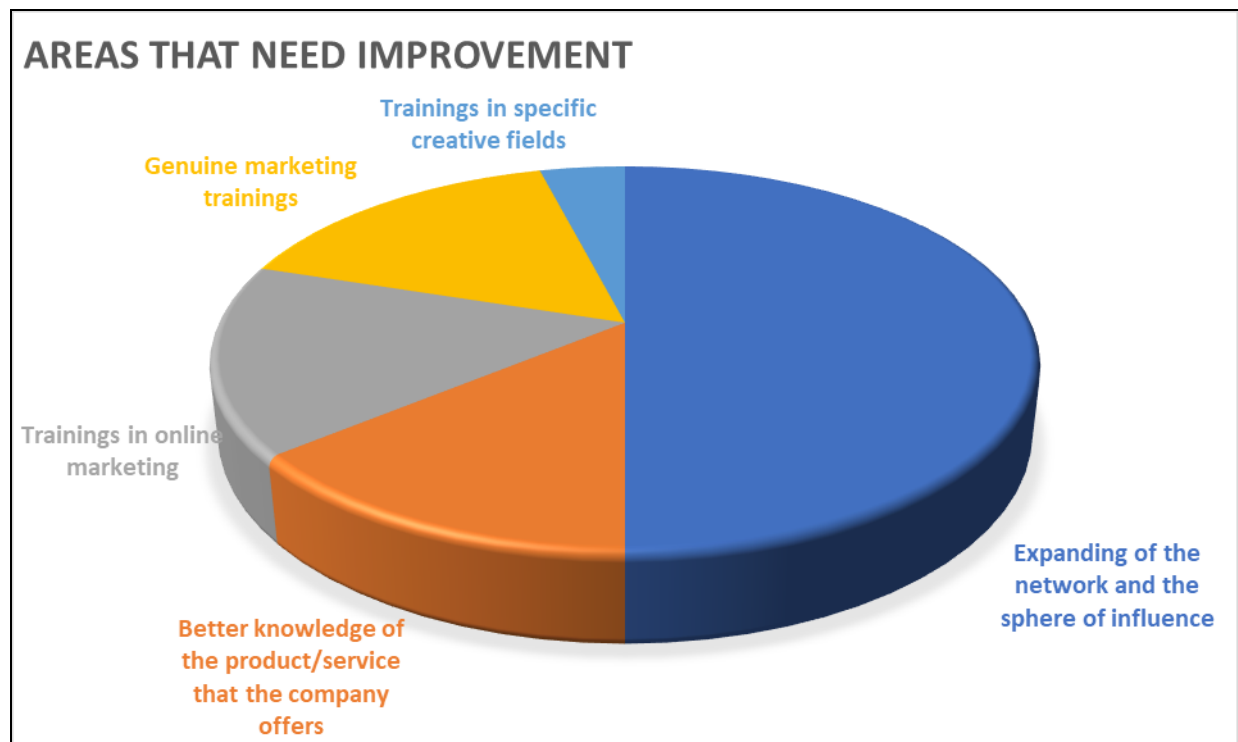


Source: Authors

Graph 7 above shows the responses to the question of how knowledgeable respondents were about new marketing concepts. 62% of them were constantly informed about new concepts of marketing forms, 36% were guided by information from colleagues, while the remaining 2% did not have the opportunity to be informed.

Regarding the area's most in need of improvement to increase their individual skills in the profession, 50% of them responded positively to increasing their sphere of influence and network as this would increase them more professionally at work.

Graph 8: Areas that need improvement



Source: Authors

5. Conclusions and Recommendations

- In the new digital age, many companies in the market are embracing digital marketing strategies even more. The transformation that digital marketing and social media have brought to the ways of communication and interaction between the respective buyer-seller parties has been seen as an effective means of accessing the services/products offered anywhere and at any time, and as a fundamental decision-making tool towards the consumer. Consumers in the city of Tirana attach very high importance to the quality of the product or service when choosing the brand of the product/service. This is a very important point that directly affects the company's marketing as the entire company can be destroyed by negative feedback from its customers, whether they are new or existing customers. They preferred to buy new and existing products of companies due to the location of the business

and less on social media. This gives importance to the continuation of the process of synchronizing the forms of brand communication in the growing recognition through word of mouth and in the loyalty of the online public, where traditional marketing still represents a strong point for the public impact in our country. All the respondents had almost the same perceptions among themselves, regardless of age group and other socio-demographic data regarding marketing of various products and services through social media, as almost half of them this accessible marketing through media ensured the process of purchasing that product or service for dedicated business sectors. But, at the time when they were going through an online purchasing process, the main suggestion they had came from their relatives.

- The employees of these companies in Albania specified through their answers that their professional development would be linked to possible training in digital marketing. This would develop capabilities to increase the creativity of targeted online advertising with consistent messages, otherwise known as a step to be closer to technology and its latest developments. For them, the companies where they worked had a budget plan, but this does not mean that companies could not save an extra budget in case of invitations to participate in various cultural, tourism, social activities to be part of different communities and groups. From the results of the questionnaire it emerged that the Mix strategy in H2H marketing has already been extended to our country. The periodic use of different channels will not only be able to target the public according to the forms of mass communication, but will favor the presence of the brand among those customers who do not know the product or at least have not tried to purchase it for the first time.
- Albanian consumers should be more loyal to the marketing of products and services of different brands, as they should take the necessary time and choose wisely who their brands are and therefore afford a more direct relationship with their favorite brand. While purchasing a product it is important to gather information about the product that anyone intends to purchase by reading the features, performance, quality, price, warranty and reviews of the product respectively as this will help them understand whether the product meets their needs. Product reviews and ratings from other consumers are valuable resources as this will help you understand others' experience with the product and give you a clear idea of what to expect from this product. Comparing products in their various aspects such as features, performance, price and quality can help you find the most suitable products for everyone.
- In our country, traditional advertising remains the most expensive for brands, but good spot contracting would allow the brand to be visually transmitted on the screen, where the Albanians themselves have the first reliable tool. Marketing managers must understand customers' needs and wants and carry out regular market research and gather customer information to understand what they really want. Big brands or companies need to communicate with customers actively and effectively through different communication

channels such as email, telephone, social networks. H2H marketing must necessarily be adapted to meet the needs of the customer, but one must not forget that the way of conceptualizing the message, the creative way of conveying the message and where this message will be conveyed are connected like a chain to each other.

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Income and Electoral Choices: Analysing the Influence of Economic Status on Voting Behavior in 2021's Parliamentary Elections in Albania

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Abstract: The aim of this paper is to analyze the relationship between Income levels and voting patterns of the Albanian electorate. Specifically, it seeks to determine whether the monthly income group of individuals [measured in terms of their household income level] significantly influences 1. the Party they voted for in the 2021 parliamentary elections and 2. the Party they declare they feel closest to. Data was collected through a structured questionnaire administered to a sample of 1812 individuals. Fisher's exact test is used to analyze the relationship between the Monthly income group of the respondents' family [household unit] and the Party they voted for in the 2021 parliamentary elections, and the Party they declare they feel closest to. The results indicate a statistically significant dependency between these variables. Higher-income individuals demonstrated different voting patterns compared to those in lower-income groups, indicating the importance of economic status in electoral decisions. However, the strength of association between the categorical variables results in "negligible", using Cramer's V statistic. This finding contributes to the broader understanding of voting behavior in post-socialist societies like Albania, where economic transformations and disparities may influence the political alignment of the electorate. The study provides valuable insights for the Albanian political and economic context and linkage strategies between political parties and the voters in Albania.

Kew words: p value, Cramer's V statistic, Income level, Party choice, Questionnaire, Fisher's exact test, control variable.

I. Introduction

The relationship between economic status and the voting or partisanship patterns of the electorate in different countries has been one of the main focuses of research in political sciences and political

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sociology. Electoral studies that have focused on analyzing the impact of economic status on the political alignments of citizens in different countries have a relatively long tradition of empirical research and investigation. Within the socio-structural tradition (also called the bottom-up perspective) of explaining voting behavior, among its main theoretical assumptions is the idea that the economic divisions and material conditions of citizens [which are manifested or measured in terms of their households' income level] play a very important role in their voting decisions. The focus in this perspective is on the thesis that “at least in transition societies, the ideological and social divisions underlying partisanship are best explained ‘socio-centrally’ - that is, by the interests, beliefs and behaviour of individuals, families and social groups that are a product of the social structure of a given society” (Evans & Whitefield, 2000: p. 1). Starting from the period after the publication of the seminal study by Seymour Martin Lipset and Stein Rokkan (1967), (*“Cleavage Structures, Party Systems and Voter Alignments: An Introduction”*), this relationship has been extensively examined in established Western democracies, but its dynamics in post-communist democracies, such as Albania, remain unexplored. For various countries in Eastern Europe [during this 33-34-year period since the overthrow of the communist regimes in their settings], studies have been undertaken which had in their focus “whether post-communist societies display patterns of association between socio-demographic structure - defined primarily as social class, income, and education... - and political preferences - defined primarily as support for parties, party blocs, or presidents and presidential candidates”. However, it can be noted that similar studies have been lacking for Albania.

The aim of this study is to investigate the influence of economic status [operationalized in terms of the monthly income of the respondents' family] on the voting choices of the Albanian electorate during 2021's parliamentary elections and on the party to which individuals declare they feel closest. The 2021 parliamentary elections in Albania occurred in a context marked by economic uncertainty, heightened inequality and political polarization, making them an ideal case for analyzing the interplay between income level [or group] and electoral choices. By examining how economic status [the *Monthly income group of the respondents' family*] shape party preferences and patterns of partisanship, this research sheds light to the broader understanding of voting behavior in post-socialist societies, like Albania.

II. Literature Review

More than six decades since the publication of the seminal study *“Cleavage Structures, Party Systems and Voter Alignments: An Introduction”* by Seymour Martin Lipset & Stein Rokkan (1967), which explained the political conflict in European (Western) societies on the basis of social divisions, a vast tradition of research would arise to investigate empirically the influence of social structure in shaping the political attitudes of the electorate in different countries. Through this work, Lipset and Rokkan made famous the “cleavage theory”, with which they explained the advent and formation of party systems in established democracies of countries in Western Europe.

From Lipset and Rokkan's perspective, emphasis is placed on the influence of structural factors (which produce fundamental social cleavages) in the formation of the electorate's identities, interests, and political conflict and, ultimately, in the voters' alignment with specific parties. Among the four main social cleavages that determine/structure the main lines of political conflict between social groups, (the *center-periphery cleavage*, the *church-state cleavage*, the *land-industry cleavage*, and the *class cleavage*), the latter has been the most prominent and influential in structuring political competition in Western European countries according to authors such as Evans & Whitefield, 1993; Nieuwbeerta, 1995; Mair, 1997, Evans & Whitefield; 1998; Evans, 2000; Norris, 2004; Evans, 2006. Class cleavage reflects one of the main lines of political conflict within the electorate and which is represented by Socialist and Social-democratic parties in the left specter, and the Conservative and Liberal parties [in the European political tradition] in the right of the political specter. "Early studies in this genre found that in general lower-class voters were more likely to vote for left-wing political parties than were those in higher classes" (Evans, 2000).

However, other authors have argued, based on the analysis of cross-national and panel data studies, that voting based on the class position of individuals has been steadily declining in Western societies. Lipset (1981) presents data in his study arguing a downward trend in Britain, Germany, and the United States of America between 1945 and 1980; while Ronald Inglehart (1990) and Clark & Lipset (1991) also highlight this trend in declining class voting [or class dealignment] by presenting further data in their studies for several Western European societies from 1980 to 1990.

Despite the significant changes and volatility of voting behavior (the declining trend for the voting based on class position) over the past decades in many Western European countries, Peter in particular has argued for the role that social class continues to play as a central force in structuring voting behavior, emphasizing that the cleavage once formed, and intensified by the institutional interaction with the social systems, freezes the party system along a specific division, while marginalizes, or ignores the rest of the issues. Evans (2000), in the same vein, advocates for the continued significance of class voting, emphasizing that while traditional class-based cleavages have evolved, income and occupation remain critical predictors of electoral choice. Similarly, Andersen and Heath (2002) note the persistent effects of contextual social class on voting patterns, arguing that the broader social environment influences individual decisions.

Thus, a substantial amount of work has been produced to explain the role of class position, with many authors conceptualizing and operationalizing it in different ways. Characterizations of class position have included numerous occupational classifications, employment status (e.g. owner versus employee), status rankings, income level, educational level, various combinations of education and income and occupation, and subjective class identification. In voting studies, it has not been unusual to treat current income as a measure of class position, though typically trichotomized into upper/middle/lower classes" (Cited in Evans, 2017).

In this study, we approach the class position of individuals by measuring it in terms of the (monthly) income level of the household unit in which surveyed individuals live. Classification

based on family's monthly income is also a very important way to determine the socio-economic status and position of individuals in the social stratification, representing the basic economic and material inequalities in any society (Norris, 2004: pp. 109). As such, this measurement and definition of class position [in terms of respondents' household monthly income] enables us to investigate the potential impact of socio-economic cleavage on political divisions and partisanship within the Albanian electorate.

III. Methodology and Data Analysis

Aim and objectives

Aim: To analyze the relationship between the (monthly) Income level of the respondents' family and the Party voted in the last national elections in Albania, as well as the Party to which the individuals feel closest.

Thus, the Monthly income group of the respondents' families constitutes the independent variable of the study, while the Party voted for in the 2021 parliamentary election and the Party to which the individuals feel closest constitute the two dependent variables.

Objectives:

1. Empirical analysis using Fisher's exact test to conclude about the relationship between:
 - Monthly income group of the respondents' family and the Party voted for in Albania's last national parliamentary elections (in 2021).
 - Monthly income group of the respondents' family and the Party to which the individuals feel closest.
2. Using the control variable of Clientelist Behavior to ensure that the observed relationship is not confounded by other factors.

Data were collected through a structured questionnaire administered to a sample of 1812 individuals in all the territory of Albania, between January to April 2023. Although the nonprobability sampling technique is used, elements of stratification and quotas are included to reduce sample bias as much as possible. The questionnaire was distributed in the main squares and streets of the 61 municipalities of Albania, including the administrative areas within them, which are rural areas. The instruction for field interviewers was to approach citizens in a random manner while considering the inclusion of as many socio-demographic categories as possible. The questionnaire contained a total of 42 structured questions, but for the purposes of this paper, only the four questions related to the measurements of the variables under consideration here have been taken into account.

Hypothesis

$H_0 1$: The monthly Income group to which the respondents' family belongs, and the Party voted for in the 2021 elections are independent

$H_a 1$: The monthly Income group to which the respondents' family belongs, and the Party voted for in the 2021 elections are dependent on each other

$H_0 2$: The monthly Income group to which the respondents' family belongs and the Party to which individuals feel closest are independent

$H_a 2$: The monthly Income group to which the respondents' family belongs and the Party to which individuals feel closest are dependent on each other

The variable *Income group* is categorical, measured on an ordinal scale and the categories are:

1. 0-45,000 ALL per month
2. 45,001-75,000 ALL per month
3. 75,001-150,000 ALL
4. 150,001-220,000 ALL per month
5. 220,001 or more ALL per month
6. Refused to answer

This variable represents the monthly income group for the respondents' families.

The variable *Party voted for in the 2021 elections* is also categorical, measured on a nominal scale and the categories are:

1. Socialist Party (SP)
2. Democratic Party (DP)
3. Socialist Movement for Integration (SMI)
4. Social Democratic Party (SDP)
5. Republican Party (RP)
6. Party for Justice, Integration and Unity
7. The Party Union for Human Rights
8. Other Party

For the second dependent variable (the *Party to which the individuals feel closest*) used to test the null hypothesis 2, the categories are:

1. Socialist Party
- 2 Democratic Party
3. Freedom Party
4. Social Democratic Party
5. Republican Party
6. Party for Justice, Integration and Unity
7. The Party Union for Human Rights,
8. Other Party

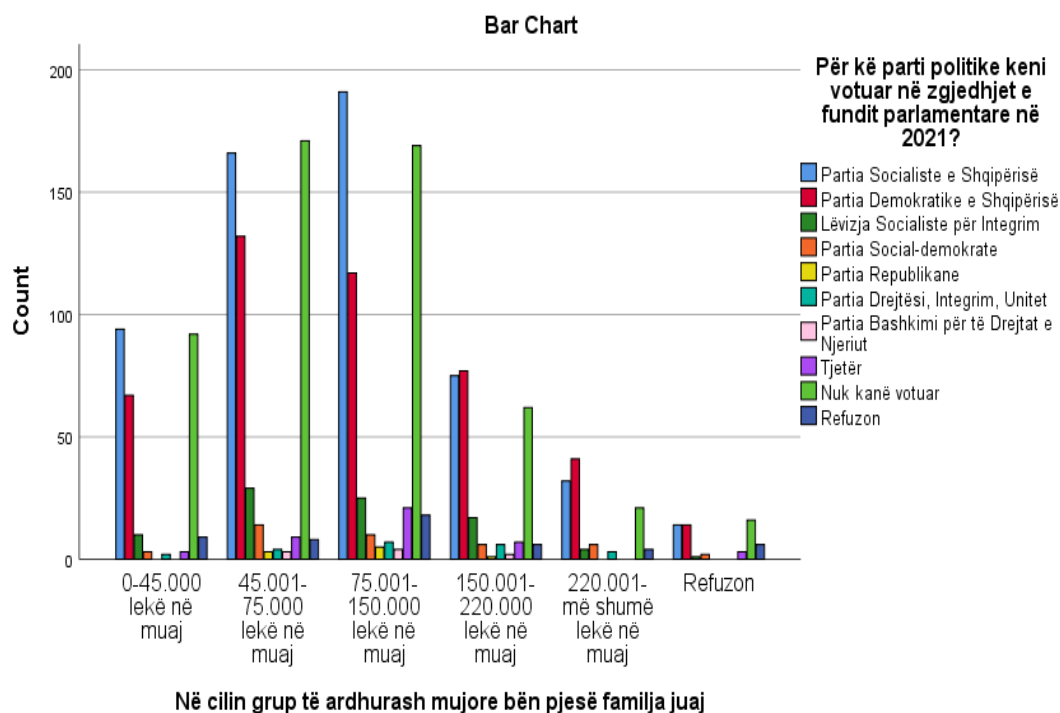
To empirically analyze if the Income group is related to the Party voted for in the 2021 elections and the Party to which the individuals feel closest, the first attempt was to use the Pearson chi square test of independence. However, as more than 20% of cells have expected frequencies of less than 5, we need to use Fisher's exact test because applying the approximation method is inadequate. Fisher's exact test assesses the null hypothesis of independence, calculating the p-value based on the hypergeometric distribution. If the p-value is less than our significance level of $\alpha=0.05$), the null hypothesis is rejected, and we conclude that there is a relationship between the variables.

In addition to that, the strength of association between the two categorical variables in the contingency table is measured using Cramér's V statistic, which takes values between 0 and 1. For interpretation:

- Cramér's V values closer to 0 suggest a weak association.
- Cramér's V values closer to 1 suggest a strong association.

There is no strict cutoff for what constitutes a "strong" or "weak" association, and the interpretation is often context dependent.

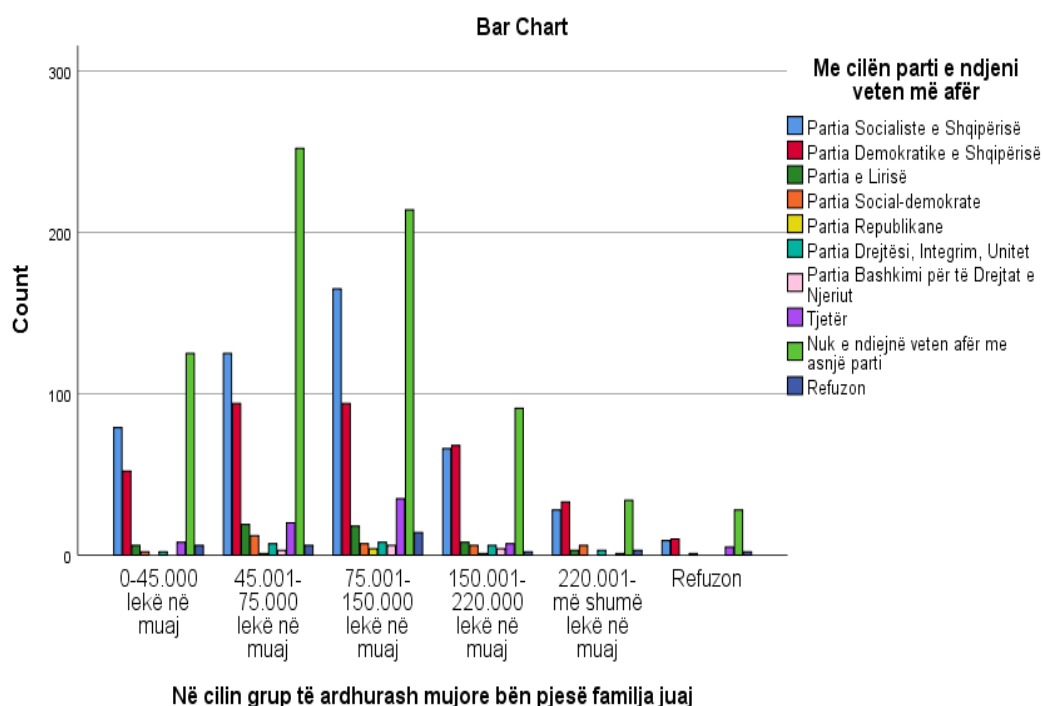
Table 1: The monthly Income group to which the respondents' family belongs and the Party voted for in the 2021 elections



The monthly income group: **0-45,000 ALL per month - 45,001-75,000 ALL per month - 75,001-150,000 ALL - 150,001-220,000 ALL per month - 220,001 or more ALL per month - Refusals**

To test the null hypothesis 1, the Fisher's Exact Test is used, as 38.3% of cells have an expected count of less than 5. From the SPSS output it results that the p-value is 0.001. As the p-value is smaller than the significance level $\alpha=0.05$, we reject the null hypothesis 1. So, we conclude that there exists a statistical dependency between the monthly Income group to which the respondents' family belongs and the Party voted for in the 2021 elections. From the data, it emerges that for the first three (lower) Income groups, the majority within them have voted for the Socialist Party, while for the two groups with the highest income, individuals voted slightly more for the Democratic Party (compared to the Socialist Party) in the 2021 elections.

Table 2: The monthly income group to which the respondents' family belongs and the Party to which individuals feel closer



The monthly income groups: **0-45,000 ALL per month - 45,001-75,000 ALL per month - 75,001-150,000 ALL - 150,001-220,000 ALL per month - 220,001 or more ALL per month - Refusals**

The Fisher's Exact Test is also used to test the null hypothesis 2, as 43.3% of cells have an expected count less than 5. From the SPSS output, it results that the p-value is =0.000. As the p-value is smaller than the significance level $\alpha=0.05$, we reject the null hypothesis 2. The data show that between the variables the monthly income group to which the respondents' family belongs and the Party to which the individuals declare to feel closest exists a statistically significant relationship. From the data of the study, it results that for the first three (lower) income groups, most of the individuals who declare that they feel closest to a political party, do so in favor of the Socialist Party. In comparison, individuals who state that their households' monthly income belongs to the two groups with the highest incomes declare, in a slight majority, that they feel closer to the Democratic Party. However, here we must also emphasize that, for all income groups, the majority of individuals within them state that they do not feel close to any political party compared to those who declare that they feel close to a specific political party.

Cramer's V is used to measure the strength of the association between the Household's monthly income group and the Party voted for in the 2021 election and the Party to which the individuals feel closer. As the values of Cramer's V are respectively 0.094 and 0.097, it turns out that the strength of the association is very weak (negligible) in both cases.

To make sure about significant relationship between variables considered in hypothesis testing procedures 1 and 2, a control variable that is related with clientelist behavior is included in our analyses. In the questionnaire, the control variable is formulated like this: If a political party/candidate were to offer/promise money, jobs, a license, a legalization permit, food packages, or other material benefits for you or your close family members in exchange for your vote, would you vote for them, putting aside any other considerations you may have?

The control variable which aims to measure clientelist behavior is also categorical, measured on a nominal scale and the categories are: 1. Yes 2. No 3. Maybe 4. Refusals

First, all the dataset is stratified based on the levels of the control variable. Then, Cramer's V statistic is computed for each subgroup the strength of the association is compared across subgroups.

The table below presents the values of Cramer's V statistic between Income and Party Voted as well as between Income and Party to which the individuals feel closer for every category of control variable.

Variables	Levels of the control variable	Approximate Significance	Cramer's V statistic	Result	Strength of association
Income group & Party voted in 2021 elections	Yes	0.952		Statistically insignificant relationship between variables at the 5% significance level	
	No	0.000	0.13	Statistically significant relationship between variables at 5% significance level	Weak association

	Maybe	0.033	0.176	Statistically significant relationship between variables at 5% significance level	Weak association
	Refused to answer	0.945		Statistically insignificant relationship between variables at the 5% significance level	
Income group & Party to which individuals feel closer	Yes	0.929		Statistically insignificant relationship between variables at the 5% significance level	
	No	0.002	0.124	Statistically significant relationship between variables at 5% significance level	Weak association
	Maybe	0.004	0.19	Statistically significant relationship between variables at 5% significance level	Weak association

	Refused to answer	0.171	Statistically insignificant relationship between variables at the 5% significance level	
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It turns out that for some levels of the control variable the relationship between Income group and Party voted in 2021 elections, as well as the relationship between Income group and Party to which individuals feel closer is statistically insignificant at 5% significance level, while for other levels the relationship is statistically significant, but the strength of the association is weak. This analysis confirms a statistically significant relationship between the Income group and the Party voted for in the 2021 elections, as well as between Income group and the Party to which the individuals feel closest, even after controlling variable (of clientelist behavior) such as money, jobs, licenses, legalization permits, food packages, or other material benefits in exchange for the individuals vote. This finding suggests that the relationship between the variables mentioned above is robust and not confounded by the control variable.

V. Conclusions

The data and analyses from the study indicate that, although some differences exist in voting behaviour among groups categorized by household's monthly income [with individuals in the three lowest and middle-income groups tending to vote more for the Socialist Party, while those in the two highest-income groups show more varied voting patterns but lean toward voting for the Democratic Party], these voting patterns and partisan preferences cannot be attributed to class position (in terms of household monthly income) as a determining factor. The findings indicate statistically significant but negligible relationships between income groups and both the party voted for in the 2021 election and the party to which individuals feel closest under certain conditions, the strength of these associations is negligible. Cramer's V values, both in the context of the party voted for in the 2021 elections and the party to which individuals feel closer, indicate weak associations, suggesting that income exerts minimal influence on voter partisanship in Albania. Also, it is important to highlight from the data of the study that for all categories of household's monthly income groups, the vast majority of individuals do not feel close to any political party in comparison to those who declare that they feel close to specific political parties, being another indicator that belonging to social class (according to household's monthly income groups) is not a factor related to the partisanship of Albanian voters.

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The attention of consumers on scarcity cues in hedonic goods: An eye-tracking study in the retailing context

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Abstract

Scarcity is defined as an objective or perceived discrepancy between the available number of products in the market and the expected one. As such, scarcity is a common phenomenon that we often encounter as consumers. However, while scarcity has been linked to negative consumer responses in the context of utilitarian goods, research is still silent on the objective responses of consumers to scarcity cues in the hedonic goods category. The purpose of this study is to provide objective data of the attention that scarcity communications get from consumers. We do so by conducting a field study in a major retailer using eye-tracking technology. Findings suggest that consumer responses to scarcity cues in the hedonic goods category are linked to greater focus and attention to the products of the brand that is manipulated as scarce. With this research, we provide implications to practitioners that employ scarcity cues as marketing strategy, and we contribute to research in marketing by showing the objective link between scarcity communications and consumer attention.

Keywords: scarcity, hedonic goods, retailing, eye-tracking

Introduction

Scarcity is a common phenomenon encountered in the everyday life of consumers, but also citizens in general. Figures S1 and S2 in the Web Appendix are real images taken from the shelves of a United Kingdom supermarket: “So that everyone can get what they need, we’re limiting these products to 3 per customer” and “To help give everyone access to essential items, this product is limited to 5 per consumer”. Scarcity in the marketplace is not an isolated phenomenon. S3 in the Web Appendix is another example, this time, sent from the National Health System to patients across the country regarding shortage of blood test tubes.

While research is conflicted on the findings regarding consumer responses to scarcity, with one stream suggesting that consumers are more interested, more positive, and deem of higher quality products that are perceived as scarce (Goldsmith et al., 2020; Inman et al., 1997; Ku et al., 2012; Parker and Lehman, 2011; Van Herpen et al., 2009; Worchel et al., 1975), and one stream finding that scarcity is, on the opposite, linked to negative consequences for both brands and consumers (Biraglia, Usrey, & Ulqinaku, 2021; Brizi & Biraglia, 2021; Gerrath et al., 2023; Kristofferson et al., 2017), we are unaware of research in marketing studying the link between scarcity cues and consumer behavior using objective eye-tracking data that would observe to a subconscious level the behavior and attention of consumers exposed to scarcity cues.

In this research, we have adopted an exploratory approach to investigate the concept of scarcity and the behavior of consumers when they encounter it using objective data resulting from an eye-tracking study. We have conducted a field study where consumers in a major retail store in Tirana were invited to wear eye-tracking glasses as part of their shopping journey and we tracked their attention as they saw scarcity communications in the store.

Specifically, with the aid of an eye-tracker, we have investigated the attention that consumers dedicate to each type of scarcity—such as, limited availability as part of a marketing campaign, limited availability because of macro market reasons in the hedonic product context—with greater attention being proxy for greater worry from the consumers.

Literature Review

Consumers are exposed to scarcity cues from a very young age and they continuously are exposed to it during their life (John, Melis, Read, Rossano, and Tomasello, 2018). How they respond to scarcity cues though, differs. While scarcity can be of different types (Aggarwal, Sung Jun & Huh, 2011; Botti et al., 2008; Briers & Laporte, 2013), such as time scarcity (i.e., related to a limited period only), quantity scarcity (related to a limited number of products), or financial scarcity (related to limited financial resources), we focus on scarcity related to products. Scarcity antecedents could be potentially categorized into two groups: scarcity as the result of unforeseeable factors, such as natural disasters, economic or political sanctions, and pandemics, and scarcity as the result of marketing techniques, such as limited editions and promotions.

Consumer responses to scarcity caused by unforeseeable factors

Research suggests that, sometimes, consumers can respond to lack of availability of products in a positive way. For instance, consumers exposed to scarcity of face masks during the pandemic of 2019-2021 responded by creatively making their own face masks or by making the extant ones more fashionable using in-house materials and sharing their creations with others (Hamilton, 2021). Similarly, consumers exposed to the scarcity of this pandemic displayed more favorable attitudes and appreciated publicly the work of frontline employees (Hamilton, 2021).

On the other hand, some other times, consumers responded negatively to scarcity. For instance, consumers publicly displayed on social media their anger and sadness towards companies that made their services scarce by disrupting flights during the lockdowns (Gerrath, Mafael, Ulqinaku, & Biraglia, 2023). Similarly, consumers facing vaccines scarcity reported that they would even oppose to vaccination when they would be available again if they were not the next group to be considered for it (Bruine de Bruin, Ulqinaku, & Goldman, 2022). Additionally, consumers reported greater tendency to stockpile products that they deemed as scarce during the pandemic out of fear of not being able to obtain them later on, resulting in financial and environmental waste (Brizi & Biraglia, 2021).

Consumer responses to scarcity used as a marketing strategy

Results of present research on scarcity in marketing and consumer psychology tend to be inconclusive and conflicting also when we consider consumer responses to scarcity that is used as a marketing strategy. Specifically, on the one hand, research in marketing shows that when consumers perceive a product or service as scarce they hold more positive attitudes towards it and greater choice desirability (Goldsmith, Griskevicius, & Hamilton, 2020; Inman, Peter, & Raghurir, 1997; Ku, Kuo, & Kuo, 2012; Parker & Lehmann, 2011; Ratner et al., 2014; Van Herpen, Pieters, & Zeelenberg, 2009; Worchel, Lee, & Adewole, 1975). Products that are advertised as scarce or perceived as scarce by the consumers are linked to being considered as of higher quality (Parker & Lehmann, 2011) and as of higher in demand by other consumers (Van Herpen et al., 1975). Moreover, consumers are willing to give higher online ratings to scarce items (Sevilla & Redden, 2014; Worchel et al., 1975). The same holds for time scarcity. Specifically, consumers show greater probability of redeeming coupons when they are closer to their expiration date (i.e., higher in time scarcity; Inman & McAlister, 1994). In line with this stream of research, consumers perceive themselves using scarce products as vested with greater sense of uniqueness, which is related to the sense of exclusivity that products advertised as limited edition have (Jang, Ko, Morris, & Chang, 2015), especially when it comes to products in the hedonic and conspicuous product category (Jang et al., 2015). Interestingly, consumers are even more willing to purchase pirated products if they consider the original ones as scarce (Miyazaki, Rodriguez, & Langenderfer, 2009).

Yet again, on the other hand, scarcity used as a marketing strategy can result in negative consumer responses. Research in marketing links perceptions of scarcity—e.g., during the Black Friday sales—to not only verbal aggression towards other but also physical one (Kristofferson et al., 2017). Similar, Biraglia and colleagues (2021) have shown that consumers that cannot get their hands on products advertised as scarce report high scores of anger and brand disloyalty. In line with these findings, Martin (2002) shows that consumers can respond with even sadness and regret when they cannot obtain a product that was marketed as scarce. Finally, scarcity used as a marketing strategy can result to lower perceived consumer autonomy and, thus, less positive consumer attitudes towards the company (Fitzsimons, 2000).

Hence, research on scarcity, especially the one in marketing and consumer psychology, tends to be inconclusive when it comes to consumer responses to scarcity perceptions, with one stream suggesting positive consumer responses and another stream suggesting negative consumer responses. We aim to focus on these streams of research and investigate the attention and focus traits of consumers exposed to scarcity cues using objective data, rather than self-reported ones. For this, we focus on scarcity cues used in marketing as a strategy related to product promotions. This is because we needed our context to be a credible one, and a significant shortage of products would have been communicated in the media. Because we are focusing on scarcity because of a marketing strategy, we have decided to focus on a hedonic product category. Hence, we aim to explore the objective attention and focus of consumers when they are exposed to limited availability of a hedonic good that is in promotion.

Methodology

Eye fixations have been associated with heightened cognitive activity. As noted by Viviani (1990), at least three processes occur during an eye fixation: the encoding of a visual stimulus, sampling of the peripheral vision, and planning for the next saccadic movement. Rayner (1998) demonstrated that eyes tend to focus on the most informative sections of a scene, as these areas are both visually distinct and informative. Eye tracking proves to be particularly useful in studies of visual attention and decision-making, as the processes involved occur swiftly (Payne, Bettman, and Johnson, 1993), are mostly automatic (Grunert, 1996), and are difficult to articulate (Ericsson and Simon, 1984). The key features in this context are saccades and fixations. Saccades are rapid eye movements that happen during activities such as reading, observing, or searching for objects.

Since saccades involve rapid eye movements across a visual stimulus, they don't yield new information, as the eyes move too quickly for the object to be clearly perceived. During a fixation, a portion of the scene is projected onto the fovea for detailed visual analysis. At any moment, only around 8% of the visual field is projected onto the fovea, where detailed processing occurs. The pattern of fixations and saccades over a stimulus, such as an advertisement, is referred to as a scan path (Noton and Stark, 1971).

In our dataset, we utilized the total fixation duration as a proxy for attention. This variable accurately measures the amount of time spent focusing on the product.

Sample and data collection

Our sample consisted of actual consumers from Spar Albania, a major food retailer in Tirana, Albania's capital. The retailer operates in 47 other countries and has more than 80 branches within the country. Attention data was gathered using an eye tracker, specifically the Tobii Pro Glasses 2. These glasses offer a 160-degree horizontal field of view and are effective across various eye types, although calibration may take longer for individuals who already wear glasses. While extreme eye movements may result in minor data loss, a gaze sample of over 50% is considered representative of total eye movements. Blind test recordings were manually coded to produce analyzable data, with the coding process generating approximately 60 snapshots per second for each image. A research assistant, who was unaware of the study's hypotheses or objectives, carried out the coding for all participants.

Specifically, we collected data on random days from 16 participants in a specific food category—i.e., chocolate. A series of randomly selected customers were asked to display the list of groceries they were planning on purchasing that day in the supermarket. If chocolate was in the grocery list, they were asked to participate in the study in return for a 10 Euro voucher that they could spend in the store, as a compensation for their time in this study. Upon agreeing to be part of the study, participants were subject to calibration of the eye-trackers. We used the Tobii Pro Lab Glasses 3 2022 for this research.

Demographics. Participants were 56% female for the chocolate section. All participants were Albanian and living in the area of Tirana. We did not ask about their age given that we did not want to put them in a difficult position of responding to this question, given the field nature of the study and the presence of the Research Assistant.

Duration and accuracy of recordings. The average duration of the recordings for the chocolate section was of 25.9 seconds, and its accuracy was of 96%.

Material and design

We invited the participants to the chocolate isle, where they were offered the calibration procedure of the eye-tracking device. In the chocolate isle, in the sector of the brand Milka—which is, according to the retailer, the best performing brand in terms of sales—we included a scarcity cue, as seen in the figure below:

Fig. 1: Scarcity cue in a retailing context



Hence, in collaboration with the retailer, we displayed a notification that a brand of chocolate (i.e., Milka) was in promotion and in limited availability because of that. The communication used was the same with the other isles and the communication translates as “*In promotion! Limited availability!*”. The picture above is a snapshot of how the chocolate sector looked when consumers approached this aisle. We focused on one specific chocolate brand, i.e., Milka, which corresponds to a brand that is a top performer in the chocolate market. The reason for this choice is that we wanted to observe what consumers do when they face scarcity or limited availability of a hedonic product brand that they would usually purchase.

Heatmaps: Analysis, results, and discussion

One way to visualize aggregated data from all or specific recordings is by using heat maps. These maps, generated by the software, highlight "hot spots" where visual attention is concentrated. A color gradient is used to represent different levels of interest, with dark red indicating the highest attention and transitioning to green for areas with less interest. Regions that receive no visual attention remain uncolored. The heat map images can be exported as movies or .jpg files, and we found it useful to export one image without the heat map for comparison purposes (Behe et al.,

2013). From the heatmaps generated with Tobii Pro Lab software, we will analyze the findings based on the chocolate section.



There is an immediate notable pattern in the heatmaps when it comes to this section. The heatmap for the chocolate section displays highly concentrated red areas, especially in the center and very slightly to the right of the shelves. The attention is mostly in the center, all focused on the brand that has the scarcity communication, with little to no attention given to the alternatives offered in the shelves of this product. This suggests that the specific brand or types of chocolate located in the rows where the scarcity label is are drawing significant attention. There is a clear pattern of customer focus primarily on the middle rows, with less attention to the bottom shelves.

This indicates that, while the label indicating limited availability gets most of the attention in the shelf, consumers are aware and pay attention to communications of scarcity in the sector of chocolate. Following that, we see that the brand that gets most of the attention is the one that is scarce, with consumers not evaluating alternatives to it. Hence, when it comes to a hedonic product like chocolates, warnings of scarcity do not spread the attention to alternative products.

In the chocolate section, customer attention is very much centralized around the middle shelves, likely reflecting specific popular products. In summary, this heatmap suggests that product placement strategies should prioritize middle shelf spaces for the most popular products, with the chocolate section showing a very concentrated customer interest. When it comes to scarcity communications, the findings of the heatmaps suggest that in case of perceived scarcity of hedonic goods, with chocolate being the representative of this category, consumers stick to the brand despite perceived scarcity of it and they do not spread their attention to alternative products or brands.

Bee Swarm Map: Analysis, results, and discussion

In eye-tracking studies, a bee swarm analysis could be used to display the distribution of users' gaze points or interactions over time or within specific areas of interest on an interface. The plot helps to visualize the frequency and location of attention without overlapping, which could make it easier to interpret than traditional scatterplots or heatmaps.

In bee swarm maps, each point represents a single data item, and they are placed in a non-overlapping manner to illustrate the concentration of points along the axis. Bee swarm plots effectively show how densely points are clustered at particular values. The individual data points are usually aligned along a horizontal or vertical axis depending on the variable of interest. By showing the exact positioning of each observation, bee swarm analysis is useful for emphasizing variability, density, and patterns in data that might otherwise be masked in other types of plots.



The bee swarm map for the chocolate section reveals a very high concentration of interaction in the center. The paths are dense and intertwined in the middle shelves, particularly around the middle-right part of the display. This indicates greater attention and less dispersion of attention towards the single brand, all focused into that section of the aisle. Specifically, the tracks indicate more attention on a specific group of products, i.e., Milka offerings, that attract the majority of interest.

This section also sees a few lines of interaction spreading toward the top and bottom, but the majority of movement is highly concentrated in the middle. This is an extremely important finding regarding hedonic products' perceived scarcity: perceptions of scarcity in hedonic products such

as chocolate can discourage consumers to search for alternative ones, especially if the product is still present on the shelves.

To summarize, the chocolate section clearly shows a very high concentration of movement, with tightly packed tracks in the middle rows. This indicates a focused exploration of specific products, likely the most popular brands. The middle rows are the primary areas of interest, indicating that customers are not very much willing to explore higher shelves.

Regarding attention concentration, the chocolate section has a very concentrated attention in the middle, with very little engagement at the top and bottom. The chocolate section stands out with focused and linear movement pattern, suggesting that customers may come with a specific goal in mind (e.g., purchasing a particular chocolate brand). The bee swarm paths are heavily concentrated in a few small areas.

In summary, the chocolate section consistently shows a very much focused customer attention, with movement concentrated in specific areas of the middle shelves. This suggests that strategic placement of high-demand products in this section is effective. Scarcity cues in the chocolate section do not seem to disperse the attention of consumers into considering other alternative brands.

Path scans: Analysis, results, and discussion

Finally, we analyzed the path scans of the data obtained from the eye-tracker. In eye-tracking studies, path scans are used to visualize the sequence and movement of a user's gaze as they interact with visual content. These scans trace the paths of the eyes, showing how attention moves from one point to another over time. The visualization typically includes lines or arrows connecting the points of fixation, providing insight into the order and flow of visual attention.

Path scans are useful for understanding the navigational patterns of users, revealing which areas draw the most attention first and how users transition between different sections of content. By illustrating the exact sequence of eye movements, path scans help to analyze user behavior in a more detailed manner than static heatmaps, highlighting flow, focus, and transitions in attention. Below, we analyze the path scans of consumers of chocolate, as a representative of a hedonic good.



This section displays a very intense concentration of attention. The circles are larger and more densely packed, especially in the middle shelves. The central portion of the shelves shows very large circles indicating the strongest interest, suggesting that the central products in this section (i.e., Milka products) are drawing the most interaction.

There's comparatively less activity in the top row but still considerable attention in the lower shelves, though to a lesser degree. Regarding scarcity communications, again, these findings confirm and enrich the previous findings from the heatmap, and the bee swarm map, indicating that when there is a scarcity communication in the chocolate section, consumers do not show major spread in their interactions across the product aisle considering alternative brands. Instead, their interaction remains loyal to the hedonic brand that communicated scarcity.

In terms of intensity of engagement, the chocolate section clearly shows a very high level of customer engagement. The path scan indicates more focused attention on specific products in the middle shelves, around the brand that is advertised as being scarce in availability. The circles here are consistently larger and densely packed, suggesting that customers are actively engaging with particular items, i.e., the Milka products that were accompanied by the label "Limited availability". In terms of product height and placement, the middle shelves appear to be the most engaging for customers, with larger circles dominating this area. This follows a general retail trend where customers tend to focus more on products at eye level.

General discussion and practical contributions

This research employs an exploratory approach that was taken to investigate how consumers respond to scarcity, utilizing objective data from an eye-tracking study. We conducted a field study in a major retail store in Tirana, where participants wore eye-tracking glasses while shopping. This allowed us to monitor their visual attention to scarcity-related messages within the store.

Overall, the findings of this study are consistent across the heatmap, bee swarm map, and the scan path and they all suggest that the attention of consumers, exposed to a sign of communication of limited availability (i.e., potential product scarcity), is important but not detrimental in the case of hedonic goods. Specifically, we observe that the attention of consumers when it comes to scarcity of hedonic goods is quite concentrated and focused on the products of the same brand, without dispersion to considering alternative products.

The findings of this study address the research objectives, offering valuable contributions to both marketing academia and practice. Given the widespread presence of scarcity—whether driven by external macro factors or employed as a marketing strategy to boost sales—this research provides critical insights into its impact on consumer attention.

In the following section, we cover the theoretical, empirical, and practical contributions of this research.

Theoretical contributions

Research on scarcity is extant and has been focusing on numerous aspects on how it affects individuals. Not only it affects individuals in various ways, but its impact is one that we are exposed to throughout our life, from the very young age of six years old (John et al., 2018). For instance, research shows that scarcity can affect contexts such as financial perceptions when individuals feel that they do not sufficient monetary resources to afford the life they prefer (e.g., Mani et al., 2013; Sarial-Abi et al., 2021; Van Kerckhove et al., 2020). Additionally, scarcity affects the cognitive and psychological functioning of individuals by either distorting or even deteriorating them (e.g., Cialdini, 1993; Mittal et al., 2020; Sarial-Abi et al., 2021). Moreover, those exposed to scarcity can display stress, anger, loss of self-control, or temporal distortion (Biraglia et al., 2021; Jachimowicz, Frey, Matz, Jeronimus, and Galinsky, 2022; Sarial-Abi et al., 2021).

We contribute to this vast stream of research by showing an additional effect of scarcity on individuals: the effect on consumer attention. We show that scarcity communications in marketing and scarcity cues related to shortage of product availability are related to greater attention on that product when we consider the hedonic goods category, ignoring alternative brands.

While some research suggests a positive relationship between scarcity and consumer interest and willingness to purchase products that are advertised as scarce (e.g., Goldsmith et al., 2020; Inman et al., 1997; Ku et al., 2012; Parker & Lehman, 2011; Van Herpen et al., 2009; Worchel et al., 1975) and some research suggests a negative one (e.g., Biraglia et al., 2021; Martin, 2002; Fitzsimons, 2000), we find exploratory evidence of a relationship between scarcity and consumer responses in the context of consumer attention and focus to products that are manipulated as scarce in the retailing context.

Limitation and future research

In this research, we have focused on only one food category as a representative of hedonic goods in a retailing context. Future research needs to focus on other food categories to cover both the hedonic and utilitarian aspects. Specifically, future research could investigate other types of scarcity cues too.

Additionally, in this research, we have used a cue of scarcity that is related to a product being in promotion, however, scarcity could be linked to shortages in stock due to more serious factors, such as economic sanctions, stockpiling as in the case of the COVID-19 pandemic, or natural conditions not allowing production of sufficient quantity. More research is needed to assess the generalizability of our findings and replicability of results in other contexts too.

Finally, we have collected our data in a food retailing context, but behaviour of consumers exposed to scarcity cues could differ in other types of retails and even more, on online retails. Given that our study falls short of these considerations, we invite future research to investigate whether behaviour of consumers is the same in the electronics, apparel, or other types of retailers, both physical and online.

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Web Appendix

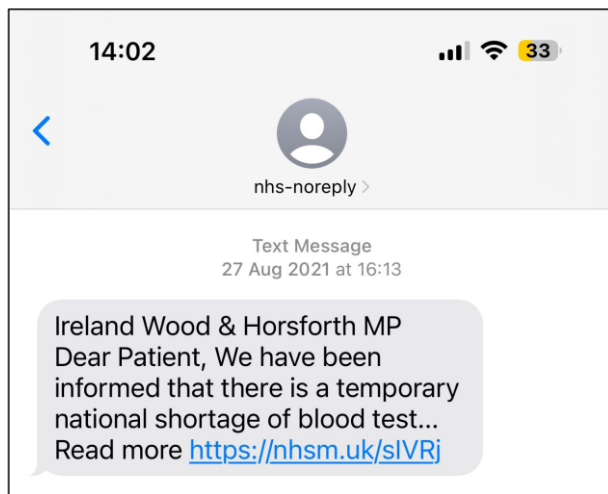
Figure 1



Figure 2



Figure 3



Harnessing Technological Disruption in Photovoltaics for Economic Growth in Albania

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Abstract

This paper explores the transformative potential of photovoltaic (PV) technology in the specific case of Albania, focusing on the implications for economic growth, business innovation, and social development. As the global transition toward renewable energy sources gathers speed, Albania's abundant solar energy resources provide the potential to diversify its energy mix, enhance energy self-sufficiency, and achieve environmental sustainability.

The paper explores the potential of PV systems in reducing energy costs, creating jobs, and contributing toward the growth of industry. A mixed-methods approach is used, combining qualitative evaluations of case studies and policy arrangements with a quantitative analysis of cost trends, environmental impacts, and energy security benefits.

The main findings highlight that, while Albania faces barriers, including high upfront costs, regulatory barriers, and limited public awareness, recent improvements in photovoltaic technology, coupled with enabling policies and international cooperation, provide significant opportunities for growth.

The research highlights the significance of combining technological advancement, financial motivations, and community involvement in order to address obstacles to adoption. Furthermore, it investigates methods to utilize photovoltaic technology for rural electricity provision, energy fairness, and sustainable progress.

This study enhances the extensive discussion surrounding technological disruption by offering practical recommendations for policymakers, industry participants, and scholars dedicated to promoting a robust and sustainable energy future. The results are especially pertinent in contexts such as Albania, where photovoltaic technology has the potential to significantly contribute to resolving energy issues while also benefiting the national economy, enterprises, and society at large.

Key words: *Renewable Energy Transition, Photovoltaic (PV) Technology, Economic Growth, Environmental Sustainability, Technological Innovation.*

1. Introduction

1.1 Global Energy Landscape

The global energy scenario is dramatically changing due to technological innovation and the urgent need for sustainable energy options. In this scenario, photovoltaic (PV) technology has emerged as one of the key constituents of the renewable energy transition. By harnessing the immense potential of solar energy, PV systems offer a clean, efficient, and increasingly cost-competitive alternative to traditional sources of energy. The rapid development of photovoltaic (PV) technology, from traditional silicon-based cells to novel perovskite and building-integrated photovoltaic (BIPV) systems, emphasizes its critical role in solving global energy challenges (Wang, 2024; Guo, 2024).

Renewable energy sources, especially solar energy, are now changing national policies related to energy security, economic resilience, and ecological sustainability. Technological advancement in PV systems has significantly reduced costs and increased efficiency, making them easily integrated into residential, commercial, and industrial sectors. Integration of energy storage systems with intelligent grid technologies enhances the reliability and flexibility of solar energy infrastructures, placing them at the forefront in the world in transitioning to sustainable energy (Liu, 2023; Zafoschnig et al., 2020).

1.2 Energy Situation in Albania

Albania, possessing substantial solar energy capabilities, is poised for a transformation in renewable energy. The nation's geographical location offers an average of 2,400 to 2,700 hours of sunlight each year, establishing it as a prime candidate for extensive photovoltaic (PV) implementation (Guo, 2023). Nevertheless, despite this promise, Albania's energy sector remains predominantly dependent on hydropower, which constitutes the bulk of its electricity generation. This reliance renders the nation susceptible to seasonal fluctuations and the effects of climate change.

Integration of PV technology into the energy mix in Albania is still at an early stage, constrained by economic, regulatory, and social challenges. The main barriers that delay the penetration of solar energy into the market are high upfront investment costs, a lack of public awareness, and an underdeveloped policy framework. More recent developments, though—such as government incentives and international cooperation—have created an enabling environment for the PV sector to grow faster. These projects support Albania's objectives to improve energy security, mitigate GHG emissions, and achieve the renewable energy targets of the European Union (Guo, 2024; Ali et al., 2021).

1.3 Objectives

The present research evaluates the transformation potential of photovoltaic technology in Albania concerning its economic, social, and environmental impact. Key objectives are:

1. **Assessment of the Role of PV Technology in Energy Cost Mitigation:** Analyze how PV systems can provide cost-effective energy solutions for businesses and households to reduce dependence on imported energy sources.
2. **Assessment of Opportunities for Job Creation and Economic Growth:** Investigate the potential of the PV sector in terms of job creation, investment attraction, and innovation within the Albanian economy.
3. **Analyzing Policy Frameworks and Global Collaboration:** Determine the regulatory and institutional impediments to the adoption of photovoltaic technology and emphasize approaches to utilize worldwide expertise and financial support.
4. **Situating Albania's Shift to Renewable Energy:** Contrast Albania's advancements with international case studies to derive significant insights for enhancing the implementation of photovoltaic systems.

By pursuing these objectives, this research strives to provide relevant recommendations to policymakers, industry actors, and researchers working to increase renewable energy in Albania. The results show that coordinated efforts, which include both technological development, enabling policies, and public engagement, are needed to materialize the full potential of solar energy in the country.

2. Literature Review

2.1 Evolution of Photovoltaic Technology

Photovoltaic technology has evolved from the early development of silicon-based solar cells to novel materials and system designs. The first generation of PV technology was largely silicon-based, laying the bedrock for the industry through its reliability in energy conversion. However, with high production costs and material limitations, the second generation of thin-film technologies developed, with somewhat reduced costs and greater scalability (Wang, 2024; Guo, 2023).

Third-generation technologies, including PSCs, have taken the research to a different level altogether. These materials indeed show excellent power conversion efficiencies, comparable or even higher than those obtained with traditional silicon-based cells, while exhibiting flexibility

and low production costs (Kajal et al., 2021; Jena et al., 2019). Simultaneously, however, there are issues such as stability and scalability that require further research if commercial viability is to be achieved (Yang et al., 2022; Fu et al., 2018).

Besides, there are innovative designs such as BIPV and FPVs. BIPV systems integrate PV modules into building structures, hence enabling energy generation without the use of any extra land space (Winkler, 2023). FPVs, on the other hand, address land scarcity by making use of water bodies, with increased efficiency in the panels through natural cooling mechanisms (Huang, 2023).

2.2 Economic and Environmental Benefits

Adoption of PV technology has numerous financial and environmental benefits and hence is considered the core in strategies for sustainable energy. Economically, PV systems are increasingly becoming competitive due to advances in technology and through economies of scale. The LCOE from PV systems has fallen dramatically, positioning solar energy as a real substitute for conventional fossil fuels (Zafoschnig et al., 2020; Kouloumpis et al., 2020).

Apart from cost-effectiveness, the photovoltaic sector contributes to significant economic development by generating employment and industrial development. Installation, maintenance, and manufacturing related to a PV system require a skilled workforce, thereby generating employment opportunities in both urban and rural areas (Gowri, 2024; Kung et al., 2020). Besides, PV technologies integrated into other industries include agrivoltaics and charging stations for electrical vehicles. These are among others discussed in the works by Chen et al. (2022) and Araki et al. (2018), respectively.

Environmentally, PV Technology presents a clean energy source that is sustainable. The emission of greenhouse gases is considerable in comparison with fossil fuels. This idea is discussed both by Liu, 2023; Wang & Li, 2022. It increases energy independence and resiliency, especially for countries like Albania, where such renewables can help decrease the reliance on imported sources of energy. Secondly, in recycling processes regarding solar panels at their end of life, the technology is at a development stage that contributes to the minimization of waste and supports a circular economy (Gerold, 2024; Ko et al., 2023).

2.3 Barriers to Adoption

Despite the many benefits, there are different obstacles to the wide dissemination of PV technology: primarily economic barriers, such as a high upfront cost and poor access to finances, which is a key factor for many potential adopters. It is very important to address these challenges faced by Altynbekov et al. (2023) and Akmal (2023) through financial innovation, such as green bonds and government subsidies.

Regulatory hurdles also impede the growth of the PV sector. Outdated policies, complex permitting processes, and a lack of clear incentives deter investments in solar energy (Guo, 2024; Xheneti & Kitching, 2011). Establishing streamlined regulatory frameworks and aligning with international standards can enhance investor confidence and accelerate adoption (Cullen, 2016; Kusch-Brandt, 2019).

Technical barriers include the intermittency of solar energy and the need for energy storage solutions. The integration of advanced battery technologies and smart grid systems is thus crucial to ensure the reliability and efficiency of PV systems. Huang, 2023; Li, 2024. Besides, the shortage of skilled labor and technical capacity in the installation and maintenance of solar systems calls for capacity-building programs. Shen et al., 2019.

At the same time, social acceptance and awareness are no less important for successful PV adoption. Public misconceptions about the reliability and various benefits of solar energy may stand in the way of demand. Educational campaigns and community engagement programs are highly in place to ensure a culture of sustainability and wide acceptance of renewable energy technologies (Vito, 2024; Oduro et al., 2020).

Coupled with economic and environmental benefits, the evolving photovoltaic technology underlines its transformational potential. However, the holistic approach in addressing barriers to adoption has to integrate policy reforms, technological innovations, and public awareness. The literature review hence highlights key areas that need to be pursued as important focus areas through which PV technology can be leveraged for the imperatives of sustainable development and economic growth.

3. Methodology/Approach

3.1 Research Design

The transformative potential of technological disruption in photovoltaic (PV) systems and its implications for national economies, businesses, and society in general are examined in this study through a mixed-methods approach. The current research combines both qualitative and quantitative methods to undertake an in-depth examination of the challenges and opportunities that PV technology poses. Qualitative methods include an in-depth literature review, a review of the regulatory frameworks, and case studies to help bring forth key themes and trends emerging in the PV technology adoption. Quantitative approaches, on the other hand, analyze statistical data related to solar energy deployment, cost variation, and environmental impacts in order to support the conclusions with empirical evidence (Guo, 2024; Wang, 2024).

This will ensure a holistic view of the topic, bringing together theoretical insights with practical data. Three key aspects emphasized in the research framework are the development of PV technology, its economic and environmental benefits, and the barriers to adoption. Each of these is viewed through the lens of technology disruption and its potential to drive sustainable development.

3.2 Data Sources

These will be the different sources of data that will be used in this research to make it robust and reliable. Primary data sources will include policy documents, government reports, and formal publications relating to renewable energy projects in Albania. Secondary data sources will also include peer-reviewed journal articles, conference proceedings, and industry reports exploring global developments in photovoltaic (PV) technology and its economic implications. Key references include:

- International studies on PV efficiency and cost trends (Zafoschnig et al., 2020; Kouloumpis et al., 2020).
- Innovative application case studies, such as BIPV and floating PV systems (Huang, 2023; Winkler, 2023).
- Information on the financial incentives and policy measures to increase PV uptake (Kusch-Brandt, 2019; Guo, 2024).
- Recycling processes and sustainability issues in the PV industry (Gerold, 2024; Ko et al., 2023).

By integrating these into the analysis, a multi-dimensional examination is achieved—one that grasps both the global and the local dimensions of PV technology adoption.

3.3 Limitations

While this study attempts a detailed analysis, some limitations are underscored. First, the secondary data that are mostly at the global trends level may not encapsulate the complexity of specific contexts like Albania. This is mitigated by combining the secondary data with localized research and government reports. Second, the nature of photovoltaic technology is highly dynamic, rendering long-term trend analysis and prediction of the future trajectory extremely challenging. The high-speed progress of perovskite solar cells and energy storage calls for paradigm shifts in continuing research (Yang et al., 2022; Liu, 2023).

The second limitation concerns data availability and homogeneity of PV adoption across the developing world. In countries like Albania, discrepancies in data and diversity in reporting might affect the accuracy of the findings. To handle this challenge, the research uses cross-referencing of multiple sources and highlights areas that require more investigation. Lastly, the social and cultural

factors influencing the adoption of PV technology are not explored in detail, hence an opportunity for future research (Oduro et al., 2020; Vito, 2024).

The study demonstrates the necessity of further research and collaboration to rise to the challenges and opportunities posed by the technological disruptions in the renewable energies field by acknowledging such constraints.

4. Findings and Results

4.1 Economic Impacts

The integration of photovoltaic (PV) technology has demonstrated substantial economic benefits, particularly in terms of job creation, cost savings, and industrial growth. The PV sector supports employment across various domains, including manufacturing, installation, and maintenance. Research shows that countries investing in solar energy experience significant job creation, with roles ranging from engineering and project management to skilled labor for system installation (Gowri, 2024; Kung et al., 2020).

Moreover, the declining costs of PV systems have made solar energy increasingly competitive with traditional energy sources. The levelized cost of electricity (LCOE) from PV systems has reached parity or fallen below that of fossil fuels in many regions (Zafoschnig et al., 2020; Kouloumpis et al., 2020). This cost-effectiveness reduces operational expenses for businesses and households, enhancing economic productivity. In Albania, where energy imports constitute a significant expenditure, PV adoption could contribute to energy independence and economic stability (Guo, 2024).

4.2 Social Benefits

The adoption of PV technology brings transformative social benefits by enhancing energy access and promoting equitable development. In rural and underserved areas, solar energy systems provide reliable and affordable electricity, improving living conditions and enabling economic activities (Rendón et al., 2022). This is particularly relevant in Albania, where isolated communities can benefit from off-grid solar solutions.

PV technology also fosters educational opportunities and community development. Schools and health facilities equipped with solar energy experience uninterrupted operations, which is crucial for social infrastructure (Oduro et al., 2020). Additionally, public awareness campaigns have increased societal understanding of renewable energy, fostering a culture of sustainability and environmental responsibility (Vito, 2024).

4.3 Environmental Gains

Photovoltaic systems significantly reduce greenhouse gas emissions and dependence on fossil fuels, aligning with global efforts to combat climate change. By replacing carbon-intensive energy sources, solar energy minimizes the environmental footprint of energy generation (Liu, 2023; Wang & Li, 2022). The life-cycle analysis of PV systems indicates substantial reductions in carbon dioxide emissions compared to traditional energy systems (Kouloumpis et al., 2020).

Moreover, advancements in recycling technologies for solar panels enhance the sustainability of the PV sector. Efficient recovery of materials such as silicon, silver, and rare metals minimizes waste and promotes a circular economy (Gerold, 2024; Ko et al., 2023). Albania's adoption of PV technology contributes to achieving its climate commitments under international agreements, while also improving air quality and public health.

4.4 Case Studies

Residential Rooftop PV in Tirana

A project in Tirana demonstrated the economic and environmental benefits of rooftop solar installations. By integrating building-integrated photovoltaic (BIPV) systems, households achieved significant energy savings and reduced their carbon footprint. This case highlights the potential for widespread adoption of residential solar energy to enhance sustainability (Winkler, 2023).

Agrivoltaics in Rural Albania

The use of PV technology in agricultural settings has proven effective in optimizing land use and supporting food production. Solar-powered irrigation systems in rural Albania enhance agricultural productivity while reducing energy costs. These systems exemplify the dual benefits of agrivoltaics in promoting energy and food security (Chen et al., 2022).

Commercial Solar Deployment

A shopping center in Albania implemented a large-scale PV system, reducing operational costs and setting an example for the commercial sector. The project underscored the economic viability of PV systems in reducing energy expenditures and achieving sustainability goals (Concolato et al., 2020).

Floating PV Systems

Floating photovoltaic (FPV) systems represent an innovative solution to land scarcity. A pilot project on a reservoir in Albania demonstrated the feasibility of FPV systems in generating renewable energy while preserving land for other uses. The natural cooling effect of water

improved panel efficiency, showcasing the potential of FPV systems in addressing energy challenges (Huang, 2023).

In summary, the findings reveal that PV technology offers extensive economic, social, and environmental benefits, complemented by successful case studies that demonstrate its transformative potential. These results provide a compelling argument for integrating PV systems into Albania's energy landscape, with lessons applicable to other emerging economies.

5. Discussion

5.1 Challenges in the Implementation of PV Technology in Albania

5.1.1 Economic Barriers

The high up-front costs of photovoltaic systems are a significant barrier to widespread adoption in Albania. Most households and small businesses do not have the financial resources to invest in solar technology, even though it would be cost-saving in the long run (Guo, 2024; Ali et al., 2021). The lack of strong financial incentives, such as subsidies or tax credits, further exacerbates this challenge. The limited access to economically feasible financing options, including green loans or credit schemes, hinders individuals and organizations in the installation of photovoltaic (PV) systems (Altynbekov et al., 2023; Akmal, 2023).

5.1.2 Regulatory Barriers

Outdated and intricate regulatory frameworks retard the growth of the photovoltaic (PV) industry in Albania. Lengthy permitting processes and ambiguous policies related to net metering and feed-in tariffs create uncertainty among investors and potential adopters (Guo, 2024; Xheneti & Kitching, 2011). Moreover, the irregular enforcement of renewable energy policies erodes trust among the stakeholders, thus slowing down the PV adoption rate (Cullen, 2016; Kusch-Brandt, 2019).

5.1.3 Technical Challenges

The intermittent nature of solar energy is a technical challenge, therefore, improvements in energy storage technology and grid integration are needed. The existing energy infrastructure in Albania needs significant upgrades to effectively accommodate decentralized solar power generation (Huang, 2023; Li, 2024). Additionally, the limited availability of skilled labor and technical expertise in installing, operating, and maintaining photovoltaic systems limits the scalability of the technology (Shen et al., 2019).

5.1.4 Social and Cultural Barriers

Public awareness and acceptance of PV technology are still very limited in Albania. Misconceptions about the reliability and efficiency of solar energy continue to bring about resistance among potential users (Oduro et al., 2020; Vito, 2024). Cultural preferences for traditional sources of energy and skepticism toward new technologies further curtail adoption. Education and community engagement activities need to be undertaken to transcend the barriers.

5.2 Opportunities Brought by PV Technology

5.2.1 Job Creation and Economic Development

The PV sector will hold some great potential for job creation and economic development. Increasing demand for a skilled workforce in the manufacture, installation, and maintenance of solar systems can help add jobs—mostly in rural areas (Gowri, 2024; Kung et al., 2020). Moreover, there could also be further innovation and diversification in related economic activities stemming from the PV-supporting industries at the local level.

5.2.2 Energy Security and Independence

PV technology can increase Albania's energy security by decreasing dependence on imported fossil fuels. Harvesting abundant solar resources allows for greater energy independence, mitigating vulnerabilities related to fluctuating energy markets (Guo, 2024; Wang & Li, 2022). The decentralization of energy production through PV systems also contributes to a more resilient energy infrastructure.

5.2.3 Environmental and Social Benefits

Adopting PV technology is in line with global efforts to combat climate change through the reduction in GHG emissions and improvement in air quality. The environmental benefits of solar energy are connected to better public health due to cleaner air contribution in reducing potential respiratory diseases (Liu, 2023; Gerold, 2024). Socially, PV adoption will enhance livelihoods in developing communities with access to more reliable and affordable electricity (Rendón et al., 2022).

5.2.4 International Cooperation and Funding

International cooperation and funding arrangements provide a significant advantage for Albania to help drive the uptake of photovoltaic technology. Collaborations with organizations like the European Union can provide technical expertise, financial assistance, and sharing of knowledge, which would be helpful in the transition to renewable energy (Kurmanalina, 2024; Simpson, 2017).

5.3 Strategic Considerations for Overcoming Barriers

5.3.1 Policy and Regulatory Reforms

For example, optimizing regulatory frameworks and developing transparent policies on feed-in tariffs and net metering will enhance investment in photovoltaic systems (Kusch-Brandt, 2019; Guo, 2024). Similarly, harmonization of the regulations with global standards and obligations shall be another significant way to further strengthen Albania's renewable environment.

5.3.2 Innovative Financing Models

New financing mechanisms, such as green bonds, public-private partnerships, and microfinance options, can make PV technology more accessible to a broader audience (Altynbekov et al., 2023; Akmal, 2023). These models may reduce financial barriers and encourage uptake by households and businesses.

5.3.3 Technology Integration

Sophisticated energy storage solutions and intelligent grid technologies are critical investments to overcome the technical challenges that come with PV systems (Huang, 2023; Li, 2024). Innovations like these could enhance the reliability and effectiveness of solar energy, making it amply possible to incorporate it smoothly into the energy framework of Albania.

5.3.4 Capacity Building and Public Awareness

Training programs and educational initiatives could reduce the gap in skilled labor within the photovoltaic industry. In addition, public sensitization campaigns based on the benefits of solar energy will go a long way in removing myths and fostering a sustainable culture (Oduro et al., 2020; Vito, 2024). This will be essential in building trust and earning the support of stakeholders for the renewable energy venture.

5.4 The Way Forward

While challenges persist, the opportunities afforded by PV technology outweigh these barriers. With focused policy reforms, nurturing innovation, and investing in public awareness, an enabling environment can be developed in Albania to grow its PV sector.

Integration of PV technology into the energy landscape of Albania requires coordination among government, industry, and civil society. This transition is not only an economic opportunity but also a strategic imperative for sustainable development and energy resilience. With the right measures in place, Albania can position itself as a leader in renewable energy in the Balkans and beyond.

6. Conclusion, Implications, and Recommendations

6.1 Conclusion

The use of photovoltaic (PV) technology is one of the great potentials for solving Albania's energy problems, along with the promotion of economic growth, environmental protection, and social justice. This study has highlighted how PV technology can help to reduce energy costs, create jobs, and enhance energy security. Despite the high barriers to PV adoption—economic, regulatory, technical, and social—the benefits of its adoption outweigh all these barriers. Albania can take leadership in renewable energy in the Balkans by harvesting its solar potential in line with international best practices.

6.2 Implications

For Policymakers:

It is important that the policymakers should focus on establishing clear and enabling regulations that create a supportive environment for photovoltaic technology. The critical strategies include streamlining permitting processes, establishing feed-in tariffs, and offering tax incentives to encourage investment in the technology for wide diffusion. (Guo, 2024; Kusch-Brandt, 2019).

For Enterprises and Investors:

The private sector has a very important role in the development of PV industry growth through innovation, investment, and collaboration. Companies will find opportunities in PV manufacturing, installation, and maintenance, while investors will be able to use new financial instruments, such as green bonds, to support projects in the area of renewable energy (Altynbekov et al., 2023; Kung et al., 2020).

For Society:

Photovoltaic (PV) technology brings societal benefits by providing constant and affordable energy, mostly to marginalized communities. Public awareness campaigns can enhance the understanding of the benefits of using solar energy and thus develop a culture of sustainability that enables the involvement of people in renewable energy projects (Vito, 2024; Oduro et al., 2020). For International Partners:

Collaboration with international actors and financing institutions is a necessary step for accessing technical expertise, funding, and capacity-building programs. Aligning with the policies of the European Union and leveraging international partnerships can help accelerate Albania's transition to a sustainable energy future (Kurmanalina, 2024; Simpson, 2017).

6.3 Recommendations

1. Establish a Robust Regulatory Framework: Develop clear policies, including feed-in tariffs, net metering, and streamlined permitting procedures, that provide investors and interested parties with certainty (Guo, 2024; Xheneti & Kitching, 2011).
2. Set up Financial Incentives and Support Schemes: Introduce subsidies, tax credits, and green loan programs to remove financial barriers and encourage the installation of photovoltaic systems in both residential and commercial sectors (Altynbekov et al., 2023; Akmal, 2023).
3. Enhance Public Awareness and Education: Launch education campaigns to debunk PV technology myths and emphasize its economic, social, and environmental benefits (Vito, 2024; Oduro et al., 2020).
4. Invest in the implementation of technology: Support the development of energy storage technologies and smart grid systems to remove the technological barriers and increase the reliability of solar power (Huang, 2023; Li, 2024).
5. Enhance joint cooperation with international stakeholders: Foster partnerships with the European Union and other international parties to access funds, technical expertise, and best practices (Kurmanalina, 2024; Kusch-Brandt, 2019).
6. Promote R&D: Allocate resources to R&D projects focusing on improving photovoltaic efficiency, optimizing the recycling process, and exploring new applications such as agrivoltaics and floating solar arrays (Chen et al., 2022; Gerold, 2024).
7. Electrification in the countryside and energy equity: Prioritize off-grid solar options to enable access to reliable electricity for isolated and underserved communities to ensure energy access and equity (Rendón et al., 2022).
8. Build a Resilient Energy Grid: Upgrade the energy infrastructure in Albania to support distributed solar generation, ensuring the integration of renewable energy into the grid (Shen et al., 2019; Liu, 2023).

6.4 Future Outlook

Prospects for PV technology in Albania are looking quite optimistic due to developments related to materials, system configurations, and financial frameworks that can hasten the transformation to sustainable energy. Among those technologies with prospects of increasing the production of energy while overcoming the associated land and resource constraints are perovskite solar cells, bifacial modules, and floating photovoltaic systems (Wang, 2024; Huang, 2023).

With coordinated efforts between the government, industry, and civil society, Albania can unlock the full potential of its solar resources. This transition not only aligns with global climate goals but also places Albania at the forefront as a model for renewable energy adoption in emerging economies. Embracing these opportunities and addressing the challenges outlined, Albania can achieve a resilient and sustainable energy future.

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The importance of employee motivation and their role in business performance

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Abstract

In this paper, the authors have tried to make a presentation of the real situation of the motivation process and its effect in relation to the performance in the workplace. Motivation in its composition has factors that direct and maintain goal-directed actions. In many cases, the process of evaluating motivation in business subjects has problems in its evaluation. The paper presented by the authors attempts to provide a clear presentation regarding the terms, notions, and motivation process in the economic entity. It also tries to identify a variety of indicators that affect the increase in the level of employee motivation, especially those who are part of the Public Administration. Based on the articles published in different journals at the international level that have been compiled and published by different researchers of the spectrum of the motivation process, it can be seen that efforts have been made and continue to be made to create a well-structured guide in relation to this topic. The Human Resources Study and motivation process, in which employees who are part of the Public Administration of Albania take part in particular, has to do with the nature and regulation of labor relations. Motivation, in essence, is an important field of study in which a variety of disciplines contribute, from the social, economic, and wider fields.

Key words: *Motivation, Public Administration, Self-motivation level etc.*

1. Introduction

Motivation refers to a process that encourages, directs and supports the behavior of an individual towards the fulfillment of a certain goal. This definition has 3 main elements: encouragement, direction and continuous support. Element (a) encouragement is a measuring unit of intensity. A motivated employee engages and works hard, but we must take into consideration both his intensity and his quality. Various works carried out by foreign researchers point out that, even though we have high levels of effort on the part of the

managers, this will not necessarily lead to a higher level of efficiency at work, except in cases where the efforts are specifically focused in that direction. (b) The efforts that focus on the organizational target is one of the most important elements that interests you, especially the employees. We can say that the motivation process within the organization has one of its main goals: continuity. (c) In all economic entities, regardless of their shape and size, managers try to encourage their employees to achieve the objectives and goals set according to the plans. High-level managers deal with the management process, the process of supervision and control of the corporate activity, in order to fulfill the organization's goals with the highest level of performance. The work that a successful manager must do is not only related to his personal achievements, but also related to the help he gives to others to achieve their goals. This may mean the coordination of work in a department, the leadership of an entire organization, or the supervision of a single person. It may include the coordination of the work activities of a team with individuals from different departments, different, or even of individuals outside the organization, such as contract employees, or individuals who work for the organization's suppliers. However, this difference does not mean that managers do not work in direct tasks. Some managers have work tasks that are not directly related with the supervision of the activities of others. For example, an insurance claims supervisor must process claims, in addition to coordinating work activities for employees who deal with complaints and claims, he must also deal with the processing of claims.

2. Literature review

The process to increase the level of motivation of employees within the economic entity is a theme that high level managers and operatives try to keep always in focus. The term motivation derives from the Latin word "move-move" and contains two elements: direction and energization/ arousal (Lens & Rand, 1997). Motivation theories examine what activities, needs, actions, tasks, desires, demands or goals "move" people (direction) and what factors make them move and accomplish these goals (energization) (Deci & Ryan, 1985). In itself, the process of Motivation refers to "reasons that drive behaviors" (Guay, 2013). Gredler, Broussard and Garrison (2004), define motivation as "attribute that prompts us to do or not do something" (Sheri Coates Broussard, 2009). The expression motivation derives from the Latin word "*movere*", which means movement, but only one word cannot express the whole meaning and essence of the concept in question (McGee, 1987). The role of Human Resources in various economic entities is to work regularly towards aligning the employee's aspirations with the goals of the organization in which he/she is a part. This objective can be achieved in the premises of the organization, if a suitable working environment is created which promotes and addresses the needs and desires of the employees for continuous growth and development (Varma, 2017). One of the most important theories regarding the process of motivation is the theory created and presented by the researcher Maslow, otherwise known as one of the pioneers of the theory of hierarchy regarding the needs of

human resources. Other theories that have been applied by different researchers regarding the process of motivation are Theory X and Theory Y, which is followed by Theory Z.

3. Methodology.

3.1 How to strengthen the process and motivation in the organization.

The process of Motivation is the desire to act in order to achieve a certain goal. Motivation is the essential element in setting and achieving objectives within the subject we are part of. The process of motivation itself is the internal force that prompts human resources to take the appropriate actions in relation to achieving objectives. In this paper, the authors have used primary, qualitative and quantitative data. The sampling sample taken in the study by the authors had a total of 120 individuals with residence in the district of Tirana and in the district of Durrës. More specifically, 120 questionnaires were distributed, but only 90 of them were completely filled out, while the rest were partially filled out. This work, which was carried out by the researchers, was carried out during the time period, from May 2024 to the end of October 2024. During this period of time, all the questionnaires were distributed to individuals in hard copy format by meeting them physically. The process of motivation in itself has to do with the individual's willingness to engage in the achievement of the objectives set by the economic entity. An individual who feels motivated by the leaders of the organization tries to give his best to achieve the objectives that have been assigned to him in relation to the workplace. The process of motivation, presented as above, promotes energy and internal direction and pushes human resources to reach the finalization of the intended objectives. An individual who is motivated in his place of work is a person who performs the work assigned by his superiors with more passion and energy in accordance with the organization's objectives.

3.2 High-level managers, what can they do to increase the level of motivation in the organization?

- a) Setting a specific objective that is possible and achievable. If it is thought that a goal is to be achieved which is claimed to be large in size. High-level managers should have the goal, which is of great value, to divide it into several smaller partitions that are more feasible for the organization's staff. This would help in increasing the motivation.
- b) In large and international organizations, Human Resources play an important role for the organization as a whole and in the sectors that belong to it in particular. Regardless of the sector in which each employee works, he must perform the work for which he is contracted responsibly and efficiently.
- c) Communication, conversation and consultation with people who have similar objectives in the organization is another very important element. The process of cooperation with other motivated people who share common interests with us in work.
- d) The tasks that are given to you, you complete at the right time, and not for a second moment.

- e) Self-affirmation that we can and will succeed. (Sasson, n.d.)

3.3 Strategies for Increasing Motivation.

Money as a factor for increasing motivation. According to economists and managers at different management levels, the salary received by employees for contracted work is very important for their motivation. Some of the most important points to consider when using money as a motivating factor, in order for it to play its role properly, would be: The concept of Salary, for different individuals, in different countries means different things. For example, in the countries of Central and Eastern Europe, and especially in our country, it is a powerful tool for motivating people, as well as for young employees who have just started work or are about to start a new family, the salary is very important first. In these cases, and for those people where the minimum needs of life do not pose a problem after they have met them, its motivational power decreases, but again the salary never loses its importance. The creation of an effective system in relation to the evaluation of the reward process based on performance is an essential element in order to encourage motivation in the organization. Building a fair compensation system is hard work, but managers in this work process should be guided by the principles that employees doing the same work inside or outside their organization should be paid equally. Salary can be used by managers to attract qualified employees to their organization and at the same time try not to allow employees to leave for other organizations that can reward them better for the same work. Where possible, the salary should be related to the performance of the employees and it is intended that these reward systems are not focused only on the workers but also on the managers, financiers, accountants, secretaries, etc.

3.4 The purpose of the study presented by the researchers in this paper.

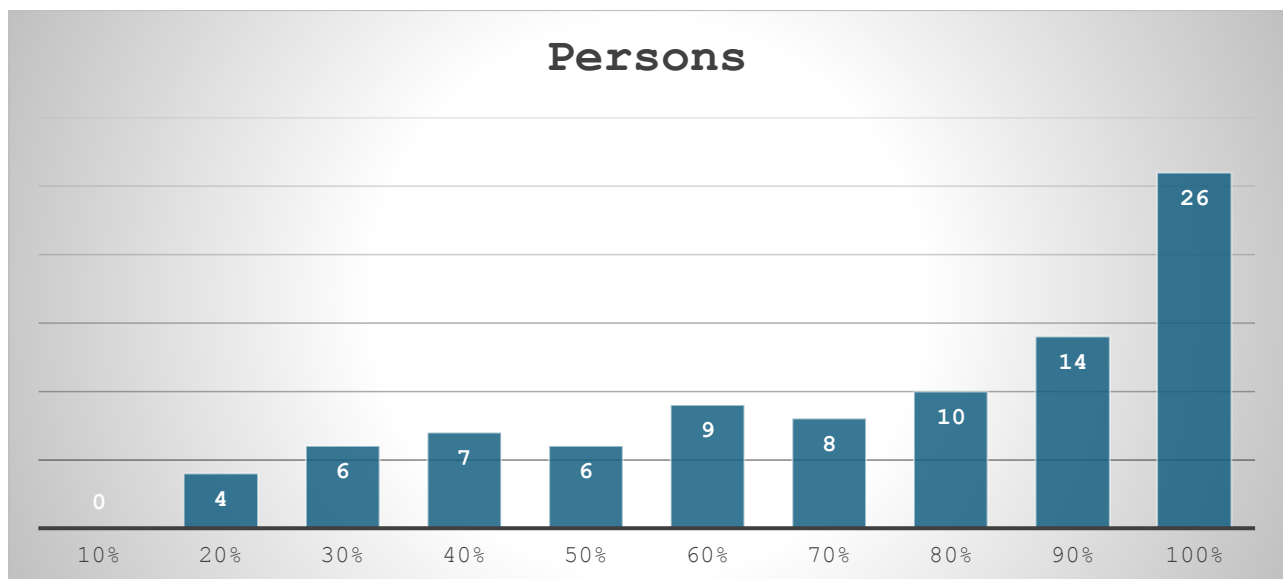
The purpose of this study is to rely on the contemporary literature in the field of motivation, to build a picture of reality regarding the motivation of employees in the public administration, according to the Theory of Processes-VROOM (F. William Brown, 1993), and to see what are the factors that influence in motivating employees in the public sector. In this paper, primary attention is paid to the following components:

- a) The element of expectation is one of the most important elements that influence the increase in motivation and performance within the organization. This indicator in your structure has to do with the ratio between the target performance of the individual and the effort of this individual in the organization. Can high performance be achieved with more effort?
- b) The Indicator of Instrumentality is another important element that basically has to do with the employee's belief that he will be able to receive a bonus in the form of a reward if he fulfills the required objectives. This indicator can be seen as the ratio of the expected profit that the corporation will realize with the level of performance that the organization will have.

- c) Indicator regarding the value of the reward that the organization's employees are expected to receive. The notion of valence is related to the preference of an employee of the organization to achieve an expected result. Through the processing of the questionnaire data with the Microsoft Excel software, a summary and an analysis of the answers received from the respondents will be made. Also, the sections of the questionnaire that can have a significant impact on increasing the level of motivation in the work environment within the organization will be looked at with maximum attention.

4. The analysis of results.

Chart 1: At your workplace, what percentage of your intellectual potential do you think you use?



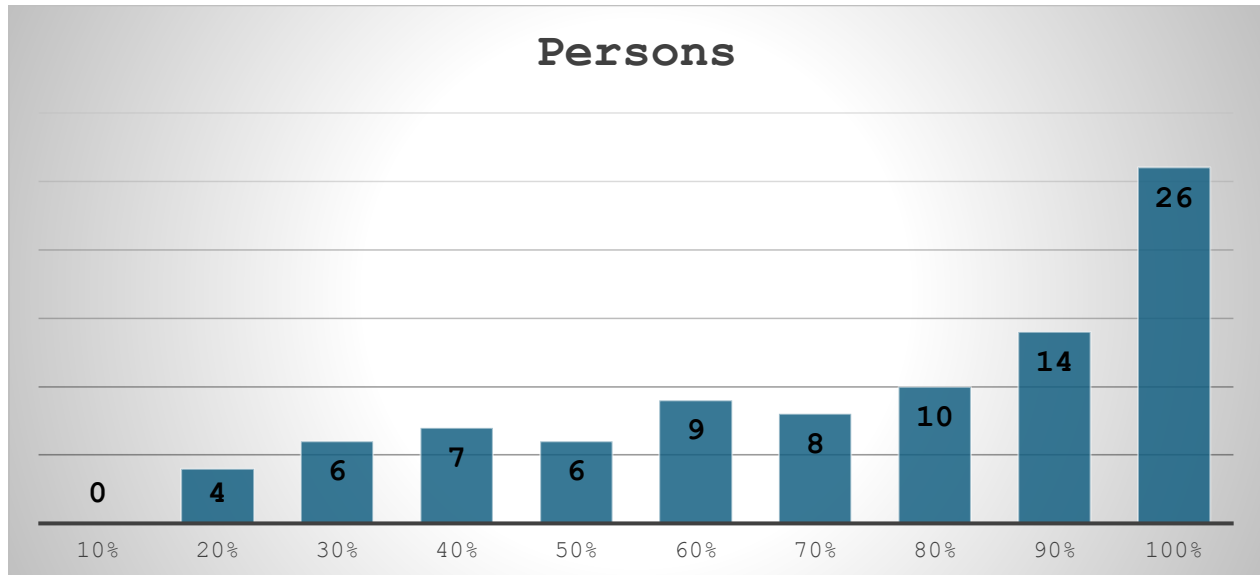
Source: The data were processed by the authors (November 2024).

Based on the data processed by the Questionnaires through the Microsoft Excel software program, the following findings resulted.

Twenty-six people surveyed state that, in their current job position in the organization they are a part of, they use about one hundred percent of their intellectual potential level. 14 people in the questionnaire stated that, in the workplace in which they are currently using approximately ninety percentage points of their intellectual potential in their workplace. Ten people surveyed state that, in their current job position in the organization they are a part of, they use about eighty percent of their intellectual potential level. Eight people in the questionnaire stated that, in the workplace in which they are currently using approximately seventy percentage points of their intellectual potential in their workplace. It is worth noting that only four people stated that, in the workplace

in which they participate, they use only twenty percentage points of their potential intellectual level.

Chart 2: To what extent are you able to use your intellectual potential in your workplace?



Source: The data were processed by the authors (November 2024).

Based on the data processed by the authors in relation to the next question, a detailed summary of the findings is given as follows:

From the responses received from the questionnaires regarding this question, it results that in this, 26 people interviewed have expressed that they have the opportunity to express their intellectual potential up to the level of one hundred percentage points in their workplace in the organization. 14 people interviewed have expressed that they have the opportunity to express their intellectual potential up to the level of ninety percentage points in their place of worke in the organization. 10 people interviewed have expressed that they have the opportunity to express their intellectual potential up to the level of eighty percentage points in their place of worke in the organization.

5. Conclusions.

The economic entities that operate in our country must use in their policies, standards that are well organized in order to realize a more realistic assessment regarding the performances of each employee as well as the way of reward that each one will benefit from individuals.

The opportunities for staff promotion should be more open and transparent in the provision of different courses and trainings related to the job position. (Loan Moise Achim, 2013) The purpose of the paper presented by the authors is based on an appropriate literature and supported by works by different authors at the international and national level in relation to the field of motivation. The researchers aimed to build a projection of the current reality related to the process of motivating

workers in general and in particular those who are part of the departments in the public administration. The authors in this paper were based on quantitative primary data. These data were provided in questionnaires distributed to different subjects. The secondary data that were applied in this paper were obtained from the review of the literature by different authors who have worked in connection with the field of motivation. The total number of samples collected by the researchers consists of 90 questionnaires, which were filled in by employees, who work mainly in positions close to the public administration. mainly in the Social Insurance Institute in Tirana District, specifically 28 people. While 16 questionnaires were completed by people who are employed near the branch of the Social Security Institute in the District of Durrës. 25 questionnaires were completed by individuals who are employed near the Treasury Branch in Tirana District, while 21 questionnaires were completed by individuals who are employed near the Treasury Branch in Durrës District. The authors, as part of the study, have considered valid only 90 questionnaires, since out of the 120 questionnaires distributed in the public institutions that participate in the Tiran County and in the public institutions that participate in the Durres County, 30 questionnaires were partially completed by employees.

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An overview of the literature on integrated tourism product development and product diversification in destinations

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Abstract

For specific destinations, the main tourist products are decisive factors in tourist attraction. The abundance, growth, distribution and connections of these products with one another can be decisive in the competition and sustainable development of tourist destinations. Current studies in these fields show that there are currently gaps in scientific research related to the treatment of multiple characteristics and transactions of the primary tourist product in tourist destinations. To fill in the blanks, the paper aims to develop two conceptual frameworks that help analyze and understand the features, relationships and strategic alternatives related to the development of the tourist product, concentration, diversification and their growth in tourist destinations. The main objectives of the work are the development of special and mass tourism products, parallel and integrative diversification, as well as integration and cooperation between tourist products both in thematic and spatial terms. In this paper, some typologies and strategic alternatives are given for the development and design of tourist products in tourist destinations, which are based on the degree of intensification, concentration and diversification of tourist products.

Key words: Integrated tourist products, tourist product development, themed tourist product, tourist product diversification.

Introduction

Destinations depend on their primary tourism products as key attraction factors that motivate tourists to visit them. The analysis of the paper focuses on primary tourism products rather than on products that are less likely to provide a significant tourist attraction to specific destinations, such as accommodation, food services and transport (Jansen-Verbeke, 1986). The attractiveness of destinations to tourists normally depends on the physical, environmental-mental and socio-cultural characteristics of destinations or attributes as primary tourism products (Jafari, 1982). Usually, the tourism industry, in order to meet the expectations of visitors and make destinations more frequented, uses as raw material for the creation of tourism products the cultural-historical values and the natural values of the environment, in order to model and develop primary tourism products. But there are also cases when the tourism product in the destination is developed in support of the natural and cultural heritage. There are many reasons for their importance, which is why the need for a clearer conceptual understanding arises. In particular, there is a need for destinations to develop their primary tourism products appropriately, such as by ensuring that there is a sufficient number and diversity of these products, that they have coherence and that there are synergies and linkages between them (Farmaki, 2012 Jansen-Verbeke, 1986; Lawton & Weaver, 2006). In order for destinations to ensure sustainability, have competitive advantages, and model profitable tourism products, they will need to mix tourism products, whether mass or special interest, in order to meet market demands and the scale of geographical distribution of development. In fact, in destinations, the creation of the tourism product depends on macro factors such as tourism policy at the destination level and local factors such as personal decisions by tourism businesses operating in the tourism market. The paper fills a gap that is noted in scientific studies regarding the creation of an integrated tourism product. What is missing is an integrated approach to the possibilities of combining tourism products in the form of strategic options for both small-scale and large-scale destinations. The current study is an attempt to provide a conceptual framework that encompasses many directions such as, processes, linkages and development options related to the diversity of tourism products and their concentration.

Literature Review

The interrelationships between the various elements of Fig. 1 are highlighted by the two-way black arrows between different parts of the diagram. Dwyer and Kim (2003, p. 379) note, for example, that “Actual visitation will depend on the fit between tourist preferences and the perceived destination product. A destination product must be developed in a way that ‘matches’ the evolving preferences of consumers if the destination is to increase or even maintain its competitiveness”. Another illustration is that tourist demand for a destination can be increased through such innovations as increased product quality and product range, and this in turn highlights the importance of understanding how tourists plan and mix product elements in terms of expectations and activities (Bramwell, 2004; Uysal, Chen, & Williams, 2000; Weidenfeld 2010, 2011). If

tourism products are developed in ways that conflict with tourism demand, the integrity of the destination, or the desires of local stakeholders, then this can lead to development that is not commercially viable or is unsustainable. Throughout the framework, the elements and their interrelationships (represented by double-headed arrows) are discussed. Researchers increasingly suggest that tourists are interested in the opportunities that destination products offer to help them create their own experiences, feelings, lifestyles, identities and social statuses, albeit within the context of the product offering and beyond (Cooper & Hall, 2008; Hayes & MacLeod, 2007). Tourism product modeling can be conceptualized as a creation from the interaction of tourists, tourism service providers, and the local community. Service providers, for example, can accumulate additional knowledge over time through co-creation processes, and this can help them to refine products and to build trusting relationships and reputations with tourists (Stamboulis & Skayannis, 2003). From this perspective, destinations can be described as environments where tourism product experiences are co-produced or co-created by both product producers (on the left side of Fig. 1), particularly tourism staff and the host community, and product consumers (on the right side of Fig. 1), who actively create their own personal experiences, lifestyles and identities (Chang & Huang, 2014). This happens, however, in different ways and often with important constraints, including the environmental heritage and socio-cultural characteristics of destinations and the organization of society. Such reciprocal processes bring together all parts of Fig. 1. The characteristics and processes of the tourism product identified in the central part of Fig. 1 can be further understood using ideas developed by Schumpeter (1934), an influential thinker on contemporary capitalism who saw entrepreneurship as the creation of profit opportunities for consumers through “new combinations” or innovation in the supply of goods by firms as economic actors (thus closely linking the three horizontal elements in Fig. 1). According to Jessop and Sum (2000), Schumpeter identifies how innovation can occur by introducing a new good or a new quality of a good, introducing a new method of production or handling a product commercially, opening a new market for a good, creating a new source of supply for the production of the product. These processes identified by Schumpeter can have their touristic competitiveness by finding innovative strategies of combining new products, creating new thematic or spatial connections. between products, combining or bundling different products, matching or niche) in new ways with the same products, or through collaboration.

Methodology

A systematic literature review was conducted in October, 2024, utilizing the PubMed, Google Scholar, MDPI, EMBASE, CembridgeCore, Science Direct, Research Gate databases. This study included tourism destinations as example cases to analyse the impact of tourism product diversification. The keyword diversification, tourism product, primary tourism product, mass tourism, niche tourism, warm tourism were used to identify 10 and 30 were cited.

Results

1. Diverse parallel/integrative tourism

Bramwell claims that “Malta is a good illustration of a destination that combines mass and niche tourism products. This diversity is increasingly evident when the spatial scale of the analysis is extended to include the smaller Maltese island of Gozo”. There are several significant tourism products on Gozo, a largely rural island that is doubly peripheral because access to it from the main island of Malta involves a sea crossing (Bramwell, 2007; Chaperon & Bramwell, 2011, 2013). While the main island has a lot of tourism development with products related to mass tourism, this is less evident in Gozo. Primarily tourists visit it to take advantage of the diving opportunities, to walk to experience the attractive landscapes and small rural settlements, and to be captivated by the traditional way of life. Due to Gozo's physical separation from the mass tourism resorts of the main island, the integrity and small scale of these tourism activities is more feasible. Gozo's circumstances have encouraged its overnight tourism industry to develop its own distinct products more in parallel than in an integrated manner with Malta's mass tourism (Bramwell, 2007). The differences can lead to tensions and conflicts. An activity that is often clearly distinguished from the surroundings of a destination Some (Milne & Ateljevic, 2001; Mowforth & Munt, 2009; Torres, 2002). Such enclaves, located at a geographical distance from the tourist areas for domestic tourists and less affluent international tourists, are found along certain coastal areas of the island of Mauritius (Nunkoo & Ramkissoon, 2010). To better understand the characteristics of the destination, massive and discrete categorization are used. They can be considered as the most appropriate form at a geographical scale. Second, integrative diversification occurs when tourism products are linked to other elements of the tourism offer of a tourist area and interact with activities organized by tourism businesses and local and central institutions. An example is the association of heritage tourism with coastal resort tourism in some parts of the Mediterranean, with heritage enhancing the coastal resort experience by providing opportunities for excursions and cultural performances (Ashworth & Tunbridge, 2005). Absolute extremes are also unlikely to occur for other reasons. Torres (2002, p. 93), for example, argues in relation to mass tourism that there is often a failure to recognise “the capacity of Fordist modes of production and consumption to become highly specialised and flexible, while maintaining a mass scale” (Bramwell, 2004). The categories of mass tourism products are necessary to understand the diversity of tourism products in a tourist area. They provide us with information about the degree of concentration, diversity and mix of products. Through them, suggestions can be given for the development of products based on local cultural and environmental characteristics. But on the other hand, care must be taken that not infrequently they lead to the imbalance of community life and are accompanied by negative social impacts. Such promotion and joint work can be encouraged when compatible sites and attractions are in spatial proximity, close to existing tourist routes, or combined within new tourist routes (Jansen-Verbeke & Lievois, 1999; Nordin, 2003; Weidenfeld, et al., 2011). A study by Kontogeorgopoulos (2005) illustrates the integrative

diversification of primary tourism products through spatial overlaps and other linkages between mass tourism and ecotourism products in Phuket, Thailand. He argues that this is not accidental because “Without close links to mass tourism, [ecotourism] companies such as Sea Canoe and Siam Safari would fail to survive financially” (Kontogeorgopoulos, 2005, p. 5). Phuket's ecotourism companies have been identified as being closely dependent on the area's mass tourism industry, with their clientele utilizing the area's substantial mass tourism infrastructure (such as the city's airport), often staying in large, luxury hotels, and often using local travel agents to book their ecotourism travel (Bramwell, 2007).

2. Niche Tourism and Mass Tourism Products

Strategies for diversification and primary concentration of the tourism product in destinations often involve the development of mass or niche tourism Fig.1 (Gartner, 1996; Smith & Eadington, 1992). Intensively developed and used tourism products are conventionally labeled as mass tourism (Vainikka, 2013). Mass tourism is often described as a large-scale activity involving a significant number of tourists intentionally if there are pronounced cultural or lifestyle differences between the groups.

3. The framework of tourism product development options in destinations

Destinations mentioned in their discussions of tourism often intuitively refer to the degree of development and the differences between mass and special interest tourism, which suggests that these dimensions can help in our thinking (Chaperon & Bramwell, 2011). The possibilities of combining elements of the tourist product in a destination are numerous and can be combined in different ways. But what remains important is finding ways to distinguish elements of mass tourism products from those of special interest, in conditions where the tourist demand for them is high and there is interaction between the products and their productivity is high. Another challenge is that ideal combinations of elements of tourist products can only be possible in tourist areas with a small surface area, and in tourist areas with a large surface area, sophisticated composite combinations can be created where the diversity of tourist potential is greater, as well as the diversity of local communities' demands for development is greater. Therefore, a specific conceptual framework is needed that takes into account the design of tourism development strategies when destinations are compared with the possibilities of the conceptual framework, as in figure 2.

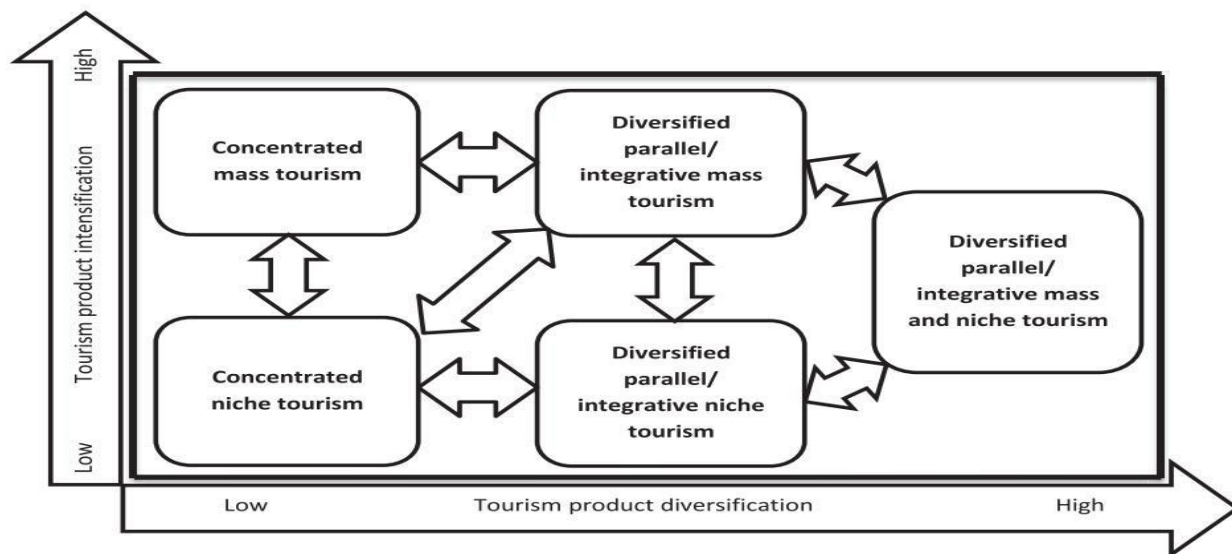


Fig. 2. Conceptual framework of tourism product choice options in a tourist area

This framework is based on two features of the tourism product: (i) the spatial integration and extension from a small to a large scale (ii) their aggregation and concentration from a small to a larger scale. The scales help to find new, previously unexplored opportunities for the development of the tourism product in a tourist area, as well as possible strategic axes for the development of destinations according to the options, referred to the direction of the arrows. In it you can see five options to which are added other options generated by the parallel and concentrated integration, thus increasing the possibilities for optimal choices depending on the factors of the development of the tourist area. The framework allows you to distinguish between possible strategic variants of product development, ideal and specific variants. Here we can also distinguish transitional features due to the dynamics of the development of the tourist product within a tourist area. If the development of the destination cycle is accompanied by an increase in the number of tourists and the expansion of its borders, then the accumulation of income will also increase and businesses will develop further, affecting the increase in the diversity and increase in the complexity of the tourist product. Not all possibilities for combining tourist products will be successful, affecting the decrease in their number in a tourist area over time. This shows that the cycle of tourism development in a destination depends on the development of the tourist market and the forms of monitoring and regulations of tourism development. The diversity of the tourist product and concentration are two interdependent components that develop or decline over time. This framework can be an instrument to assist in the design of strategies and policies for tourism development, finding possible solutions in accordance with the characteristics of tourist areas and the specific conditions and situations of tourist destinations.

3.1. Focused on the specialized tourism

This type of tourism attracts a relatively small number of tourists and develops in tourist areas with a very small number of primary tourist products. This may occur in an early stage of tourism development, when a limited number of tourists discover a new destination and when some local businesses recognize this activity as an economic opportunity (Godfrey & Clarke, 2000; Weaver, 2000). This may be similar to Butler's (1980) exploration phase of destination development, where it is suggested that adventurous tourists first discover a place. However, the tourism development option may also be one that destinations desire in the long term, for reasons such as seeking a more balanced economy, due to a lack of infrastructure, or due to limited local interest or government willingness in tourism development. This development strategy involves tourists being attracted to a destination in large numbers based on one or only a few primary tourism products that are intensively developed and used. In "concentrated mass tourism" destinations there is often rapid development of secondary and contingent products (Jansen-Verbeke, 1986) around one or a few closely related primary tourism products. According to Bramwell "In some countries, particularly in some coastal resorts, the characteristics of mass production and consumption focused on a limited range of products have encouraged a relatively modest quality of development". Destinations with concentrated mass tourism characteristics include Cancun in Mexico (Martínez, Nechar, & González, 2013) and Phuket in Thailand between 1990 and 1996 (Kontogeorgopoulos, 1998). The Mexican mass tourism-focused beach resort of Los Cabos developed in the early 1980s and now has 40 hotels, numerous rental apartments and resort buildings, seven championship golf courses, and its beach-based activities are complemented by deep-sea sport fishing, scuba diving, snorkeling, surfing, and windsurfing (Agarwal & Shaw, 2007).

3.2 Integration of special interest and mass tourism products

From the perspective of expanding tourism products, the primary tourism product is formed by specific tourism products (of special interest), in a small tourism space. On the one hand, products of special interest in a destination can be developed independently of each other or can be developed simultaneously with each other. These combinations of tourism product development create the possibility of attracting tourists of special interests that make up different segments of the tourism market. This gives the opportunity for producers of specific products to cooperate with each other to ensure mutual benefits from this expansion. With this form of expanding the range of tourism products in the destination, the possibility is created that destination products can be developed by combining mass tourism products with conference tourism or nature tourism which, if used intensively, would expand its tourism market. Complex forms of tourism products can be developed in parallel in several separate tourist areas, where their providers may or may not cooperate with each other.

Conclusions

The main factors that influence the motives of tourist flows in a tourist destination are the tourist products that it offers. From the study of the literature, it is noted that there are few studies of the conceptual nature of the integrated tourist product. A very small part of them considers the features and the way it functions in destinations with different characteristics. And just as few are the scientific works that focus on the analysis of the way in which the elements of the tourist product interact in different tourist areas. The proposal of different forms of modeling of tourist products would help not only in deepening the research on this issue but also could provide concrete proposals in the development of the destination cycle by making them more competitive in the tourist market and by somewhat mitigating the problem of seasonality. For this reason, the focus of the study is the analytical examination of the connections between the elements of the tourist product, the relationships that are created between them if they are combined, thus proposing a conceptual framework for how they can be integrated. The framework of possibilities for combining the primary elements of the tourist product sheds light on the diversity of forms that exist for the development of an integrated and diverse tourist product. This framework creates the possibility that if the development of destinations relies on this approach, it can design successful destination management strategies. This paper opens new avenues to explore the forms of integration of physical-geographic elements with cultural elements and local policies and the tourist market in the creation of new models of the tourist product. On the other hand, the limitations that such solutions can create in a tourist area should also be taken into account.

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The Contribution of Small and Medium Enterprises to Albania's Economy: Development Challenges in the Tirana Region

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Abstract

Small and Medium Enterprises (SMEs) play a crucial role in fostering economic growth, creating jobs, and driving innovation in emerging economies. In Albania, SMEs dominate the private sector, accounting for over 99% of businesses and employing a significant portion of the workforce. This paper focuses on the contribution of SMEs to Albania's economy, with a particular emphasis on the Tirana region, which serves as the country's economic hub. Drawing on a combination of literature review, statistical analysis, and case studies, the study explores the economic impact of SMEs, their role in employment generation, GDP contribution, and international trade. It also examines the key challenges faced by SMEs, including limited access to finance, regulatory and administrative burdens, inadequate infrastructure, skills gaps, and restricted market access. The findings highlight that while SMEs in Tirana have immense potential, their growth is constrained by systemic issues that require targeted policy interventions. The paper provides actionable recommendations to enhance SME development, such as improving access to finance, simplifying regulations, upgrading infrastructure, fostering workforce development, and expanding market opportunities. By addressing these challenges, policymakers and stakeholders can create a more enabling environment for SMEs, thereby unlocking their full potential to drive sustainable economic development in the Tirana region and beyond. This study contributes to the broader understanding of SME dynamics in Albania and offers insights for fostering inclusive growth in similar emerging economies.

Kew words: *small and medium enterprises, economy, growth, Tirana.*

Introduction

Small and Medium Enterprises (SMEs) are widely recognized as engines of economic growth and drivers of innovation in both developed and developing economies (Acs et al., 1999). Their flexibility, ability to adapt quickly to market changes, and focus on local employment make them essential for economic stability, poverty reduction, and inclusive development (OECD, 2019; Audretsch & Thurik, 2001). SMEs contribute not only to GDP and job creation but also to fostering social cohesion and reducing regional inequalities (Beck et al., 2005).

In Albania, SMEs constitute over 99% of all registered enterprises, underscoring their central role in the country's economic structure (Ministry of Finance and Economy, Albania, 2022). These businesses operate across diverse sectors, including trade, manufacturing, agriculture, services, and tourism, contributing significantly to employment and innovation. According to INSTAT (2022), SMEs generate approximately 70% of Albania's employment, making them vital for addressing the country's socio-economic challenges, such as youth unemployment and rural-urban disparities.

The Tirana region, as the economic centre of Albania, is home to a substantial proportion of the country's SMEs. Its strategic location, relatively advanced infrastructure, and concentration of skilled labour make it a hub for entrepreneurial activity. The Tirana Chamber of Commerce and Industry (2023) reports that SMEs in this region employ over 60% of the local workforce, playing a critical role in mitigating unemployment, particularly among vulnerable groups such as youth and women. Additionally, SMEs in Tirana contribute significantly to the region's GDP, driven by a growing emphasis on service-oriented industries, technology, and tourism.

Despite their immense contributions, SMEs in Tirana face significant structural and operational challenges that hinder their growth and long-term sustainability. Limited access to affordable and diversified financing remains a key barrier. Many SMEs rely heavily on personal or informal financing due to the stringent requirements of traditional financial institutions (Beck & Demirguc-Kunt, 2006). Innovative financial mechanisms such as microfinance, venture capital, and crowdfunding remain underdeveloped, creating a persistent funding gap (World Bank, 2022).

Another critical challenge is the complex and often burdensome regulatory framework. Cumbersome administrative processes, high compliance costs, and frequent changes in taxation policies pose significant obstacles to SMEs, discouraging formalization and limiting growth potential (European Commission, 2023). Additionally, inadequate infrastructure, particularly in transportation and energy, exacerbates operational inefficiencies and increases costs for SMEs, making them less competitive both locally and internationally (Escribano, Guasch, & Pena, 2010).

The mismatch between labour market needs and available skills is another pressing issue. Albania's education and vocational training systems often fail to equip the workforce with the practical competencies required by SMEs, particularly in high-demand sectors such as technology and manufacturing (OECD, 2020). This skills gap hampers productivity and limits SMEs' capacity

to innovate. Furthermore, SMEs face growing competitive pressures from international markets, necessitating investments in technology adoption, digital transformation, and capacity building to enhance their resilience (Radas & Božić, 2009).

This study aims to provide a comprehensive analysis of the contribution of SMEs to Albania's economy, with a specific focus on the Tirana region. It examines the economic impact of SMEs, identifies key barriers to their development, and proposes evidence-based policy recommendations to address these challenges. By employing a mixed-methods approach that integrates quantitative data analysis with qualitative insights from stakeholders—including policymakers, financial institutions, and SME owners—this research contributes to the broader discourse on SME development. It seeks to offer practical solutions for fostering sustainable growth, promoting innovation, and enhancing the global competitiveness of SMEs in emerging economies.

Future policy frameworks must prioritize reforms that improve access to finance, simplify regulations, and foster stronger public-private partnerships. Investments in digital and physical infrastructure, coupled with targeted vocational training programs, are essential for empowering SMEs to unlock their full potential. Drawing from international best practices and aligning strategies with Albania's national economic development goals can ensure that SMEs remain a cornerstone of the country's economic progress and social stability.

Literature Review

The role of SMEs in economic development has been extensively studied in both global and regional contexts. Beck and Demircuc-Kunt (2006) emphasize the pivotal contribution of SMEs to fostering economic diversification and resilience, particularly in emerging markets. These enterprises are often described as the backbone of economies due to their ability to generate employment, drive income growth, and stimulate innovation, enabling economies to adapt to dynamic global challenges. Similarly, Storey (1994) highlights the capacity of SMEs to reduce income inequality and improve social cohesion by offering inclusive economic opportunities, especially to marginalized groups.

Acs et al. (1999) further argue that SMEs are critical to regional innovation systems, particularly through their engagement in knowledge diffusion and the development of niche markets. This is especially relevant in developing economies, where SMEs frequently act as intermediaries between larger enterprises and local markets. Audretsch and Thurik (2001) expand on this perspective by linking SME activity to entrepreneurial dynamism, which is essential for economic renewal and technological advancement.

In the context of Albania, a growing body of research underscores the critical role SMEs play in the national economy. The European Commission's 2023 SME Performance Review highlights that SMEs account for nearly 67% of Albania's GDP and employ approximately 72% of the

workforce. This reflects their substantial economic footprint and their role in mitigating unemployment, especially among youth and women. However, the same report identifies several structural challenges, such as limited access to finance, inadequate infrastructure, and regulatory complexities, which hinder the potential of SMEs to scale and compete effectively.

Research specific to the Tirana region, such as studies conducted by the World Bank (2023) and the Tirana Chamber of Commerce and Industry (2023), provides valuable insights into the unique challenges faced by SMEs in this economic hub. High competition, limited market access, and insufficient adoption of digital technologies are prominent issues. Additionally, urbanization pressures in Tirana exacerbate infrastructure bottlenecks, particularly in transportation and energy, further impacting SME efficiency (Escribano, Guasch, & Pena, 2010).

Policy frameworks such as Albania's National SME Strategy (2021-2027) demonstrate government efforts to address these barriers. The strategy outlines key initiatives, including tax incentives for small businesses, grants for innovation and technology adoption, and capacity-building programs aimed at bridging the skills gap. However, implementation challenges remain, as these initiatives often face resource constraints and lack effective monitoring mechanisms.

Global trends discussed by the OECD (2019) highlight the transformative potential of digitalization and innovation for SMEs. Digital technologies, such as e-commerce platforms, cloud computing, and digital marketing tools, can enhance SME productivity, expand market access, and foster innovation. This is particularly relevant in urban centers like Tirana, where SMEs have the potential to integrate into global value chains through technology adoption. However, as Radas and Božić (2009) point out, successful digital transformation requires robust support systems, including accessible financing, digital infrastructure, and targeted training programs.

Moreover, the rise of Industry 4.0 technologies, such as artificial intelligence (AI) and the Internet of Things (IoT), presents both opportunities and challenges for SMEs. According to Schwab (2017), these technologies have the potential to revolutionize business models, enabling SMEs to become more competitive and efficient. However, the high costs associated with adopting such advanced technologies, coupled with a lack of digital literacy, remain significant barriers for SMEs in developing economies like Albania.

The literature also highlights the importance of fostering an enabling business environment. Simplifying regulatory processes, improving access to credit, and investing in infrastructure are essential for creating a conducive ecosystem for SME growth. For example, Kotka and Rikk (2015) document the success of Estonia's e-Government initiatives in streamlining business registration and tax filing processes, which could serve as a model for Albania.

In conclusion, the extensive body of literature underscores the multidimensional contributions of SMEs to economic growth and social development while emphasizing the need for targeted interventions to address persistent barriers. By examining global best practices and contextualizing

them within the Albanian framework, this study seeks to provide actionable insights for fostering SME development in the Tirana region and beyond.

Methodology

This study employs a mixed-methods approach to analyze the contributions and challenges of SMEs in the Tirana region. The methodology integrates both quantitative and qualitative methods to ensure a comprehensive understanding of the subject matter. This approach ensures that the analysis captures both the broader economic trends and the personal experiences of those directly involved in the SME sector.

The quantitative aspect of the research draws on secondary data from trusted sources such as the Albanian Institute of Statistics (INSTAT), the Ministry of Finance and Economy, and the European Commission's SME Performance Review. These sources offer a wealth of information on employment rates, GDP contributions, and export activities, which are critical to understanding the role of SMEs in the regional economy. By analyzing data from the past five years, the study identifies key trends and patterns, shedding light on how SMEs have evolved over time. Descriptive statistics are used to provide a snapshot of SME performance, while trend analysis highlights shifts and developments in the sector. In addition, relationships between variables such as business size, sector, and economic impact are explored through correlation analysis, offering deeper insights into the dynamics of SME contributions.

On the qualitative side, the study delves into the perspectives of individuals who shape and experience the SME landscape in Tirana. Semi-structured interviews were conducted with a diverse group of stakeholders, including SME owners, policymakers, representatives from financial institutions, and experts from the Tirana Chamber of Commerce and Industry. These conversations were designed to uncover the real-world challenges SMEs face, from navigating regulatory hurdles to accessing financing and competing in local and global markets. At the same time, the interviews explored the effectiveness of existing policies and programs, as well as the untapped opportunities that could drive further growth and innovation in the sector.

A total of 15 interviews were carried out, each lasting between 45 and 60 minutes. The discussions were guided by a set of core questions but remained flexible, allowing participants to share their unique insights and experiences. The interviews were recorded with the consent of the participants, then transcribed and analyzed using thematic analysis. This process involved identifying recurring themes and notable differences in perspective, enabling the study to capture both shared challenges and innovative solutions that might not emerge from quantitative data alone.

By integrating these two approaches, the study achieves a balance between macro-level trends and micro-level insights. The quantitative findings provide the foundation for understanding the economic footprint of SMEs, while the qualitative narratives add depth, offering a glimpse into the human side of the sector. Together, these methods ensure a comprehensive analysis that not

only highlights the current state of SMEs in Tirana but also informs future strategies for their growth and development.

Results

The analysis of both quantitative and qualitative data revealed a multifaceted picture of the contributions and challenges faced by SMEs in the Tirana region. These findings underline the critical role SMEs play in driving the local economy, while also shedding light on the barriers that limit their potential for growth and innovation.

Small and medium enterprises (SMEs) are at the heart of Tirana's economy, accounting for an impressive 70% of the region's GDP and providing jobs for over 60% of the local workforce. Their contributions span multiple sectors, each with its own story of impact. The trade sector stands out as the most significant, with SMEs acting as the backbone of retail and wholesale activities. Their ability to quickly adapt to market needs ensures the steady flow of goods and services across the region.

In the construction sector, SMEs have played a pivotal role in responding to Tirana's rapid urbanization. From building new residential complexes to supporting large-scale infrastructure projects, these businesses have been instrumental in shaping the region's evolving landscape. Meanwhile, the service sector, particularly in IT and hospitality, is emerging as a dynamic force. IT-focused SMEs are harnessing digital tools and innovation to drive growth, while hospitality businesses are contributing to the region's cultural and economic vitality, especially as tourism continues to grow.

Yet, beneath these successes lies a series of challenges that threaten to stifle progress. Chief among these is access to finance, a hurdle cited by more than 70% of SMEs surveyed. High interest rates and stringent collateral requirements make traditional loans inaccessible for many small business owners, forcing them to rely on personal savings or informal sources of funding. This lack of capital not only limits their ability to grow but also stifles innovation. Compounding the issue is a general lack of awareness about alternative financing options, such as grants or venture capital, leaving many SMEs without the resources to explore these potentially transformative avenues.

Regulatory inefficiencies present another significant roadblock. Business owners spoke candidly about the inconsistencies in tax enforcement and the burdensome administrative processes they must navigate. For smaller enterprises, the lengthy and often complex licensing procedures can be particularly daunting, delaying or even deterring formalization and expansion.

Infrastructure, too, remains a challenge. Poor road connectivity drives up transportation costs, especially for SMEs involved in trade and manufacturing. Frequent power outages disrupt operations, a problem felt most acutely by businesses in the manufacturing sector that rely on consistent energy supplies. Digital infrastructure, while improving, is still insufficient in many

areas, hindering SMEs' ability to adopt modern technologies and compete in an increasingly digital global market.

The study also uncovered a critical skills mismatch in the labor market. Many SME owners reported struggling to find workers with the right technical, managerial, or soft skills, with these gaps being particularly pronounced in high-demand sectors such as IT and engineering. While some vocational training programs exist, they often fail to align with the specific needs of SMEs, leaving businesses without the talent they need to thrive.

Lastly, the challenge of market access emerged as a recurring theme. SMEs looking to expand into international markets face a steep uphill climb. Export-oriented businesses reported difficulties meeting international quality standards and navigating complex trade regulations. At the same time, competition from larger multinational firms continues to pressure local SMEs, particularly in sectors like manufacturing and agriculture, where economies of scale play a decisive role.

These findings paint a complex picture of the SME landscape in Tirana. While SMEs are undeniably the lifeblood of the regional economy, their full potential remains untapped due to systemic barriers. The insights gained from this study point to the urgent need for targeted interventions to address these challenges, paving the way for a more robust and dynamic SME ecosystem in Tirana.

Discussions

The findings align with global literature on SME challenges, emphasizing the need for targeted interventions to address systemic barriers. The role of financial institutions in providing affordable and accessible credit is critical for fostering SME growth (Beck & Demircug-Kunt, 2006). However, traditional banking services are often limited in their reach, particularly for SMEs in emerging markets, necessitating alternative approaches. Innovative financing mechanisms, such as crowdfunding, venture capital, and peer-to-peer lending platforms, should be explored to bridge the funding gap (Belleflamme, Lambert, & Schwienbacher, 2014). Moreover, government-backed credit guarantee schemes can mitigate risks for lenders, making financing more accessible to smaller businesses.

The regulatory environment remains a significant impediment for SMEs. Streamlining administrative processes, reducing compliance costs, and implementing digital platforms for tax filing and business registration could significantly enhance efficiency and transparency. Case studies from Estonia's e-Government initiatives demonstrate how digital solutions can improve the ease of doing business (Kotka & Rikk, 2015). Additionally, fostering public-private dialogue to address regulatory bottlenecks could create a more conducive environment for SME growth.

Investments in infrastructure, particularly in transportation and energy, are critical for enabling SME productivity. Poor infrastructure increases operating costs and reduces market accessibility, limiting SMEs' ability to compete. Studies from Sub-Saharan Africa highlight that inadequate infrastructure contributes to productivity losses, reinforcing the need for targeted public

investment in these areas (Escribano, Guasch, & Pena, 2010). A coordinated approach involving public and private stakeholders is required to ensure infrastructure projects meet the specific needs of SMEs.

Addressing the skills gap necessitates stronger collaboration between educational institutions, vocational training centers, and the private sector. Vocational training programs tailored to industry needs can equip the workforce with relevant competencies, enhancing their employability and contributing to SME growth. Partnerships between SMEs and universities to develop curricula focused on practical skills have proven effective in countries like Germany, where dual education systems link classroom learning with on-the-job training (Thelen, 2004). Additionally, digital upskilling programs targeting both employees and entrepreneurs are essential to leverage technology in operations and marketing.

Enhancing market access is another critical priority. SMEs often lack the resources and expertise to expand into international markets. Providing training in digital marketing, participating in international trade fairs, and establishing export promotion agencies can help SMEs compete globally (Radas & Božić, 2009). Digital tools like e-commerce platforms also play a pivotal role in connecting SMEs with broader markets, as seen in the rapid adoption of platforms like Alibaba by small businesses in Asia.

To address these multifaceted challenges, a holistic policy framework is needed, integrating financial, regulatory, educational, and infrastructural solutions. Collaborative efforts involving governments, private sector stakeholders, and international organizations will be crucial to creating an enabling ecosystem for SMEs to thrive.

Conclusions

SMEs are vital to the economic development of the Tirana region and Albania as a whole. They contribute significantly to GDP, employment, and social cohesion, yet systemic challenges impede their full potential. This study underscores the critical need for coordinated efforts by policymakers, financial institutions, international organizations, and private sector stakeholders to create an enabling environment for SMEs. These entities must work together to address both structural and operational barriers that hinder SME growth.

Key recommendations emerging from this research include improving access to finance through innovative mechanisms such as crowdfunding, venture capital, and government-backed credit guarantee schemes. Simplifying and digitizing regulatory processes, such as business registration and tax compliance, can significantly reduce administrative burdens, enabling SMEs to focus on growth and innovation. Additionally, targeted investments in infrastructure, particularly in transportation, energy, and digital connectivity, are crucial for enhancing productivity and reducing operational costs for SMEs.

Bridging the skills gap is another critical area of focus. Strengthening partnerships between educational institutions and the private sector can ensure that vocational training programs align with market demands. Digital skills, in particular, are essential for SMEs to adapt to evolving technological trends and to compete in both local and global markets. Furthermore, initiatives to enhance market access, such as digital marketing training, participation in trade fairs, and the development of export promotion strategies, can open new opportunities for SMEs in international markets.

By addressing these challenges, SMEs in the Tirana region have the potential to become transformative catalysts for sustainable economic growth, innovation, and social development. Their role extends beyond mere economic contributions—they can act as engines for job creation, community empowerment, and technological advancement. Overcoming barriers such as limited access to finance, regulatory inefficiencies, skills gaps, and infrastructure deficits will not only unlock their growth potential but also ensure that they can adapt to the rapidly changing demands of a globalized and digitized economy.

This research contributes meaningfully to the ongoing discourse on SME development by offering actionable insights and practical recommendations. These findings are not merely academic; they provide policymakers, business leaders, and development practitioners with a roadmap for fostering inclusive growth in emerging economies. The study emphasizes the importance of adopting a holistic and context-specific approach that considers the unique challenges and opportunities faced by SMEs in Albania and other similar economies. Such an approach requires integrating economic, social, and environmental dimensions, ensuring that interventions address systemic issues while fostering resilience and adaptability.

The importance of digital transformation and sustainability strategies for SMEs cannot be overstated. Digitalization offers SMEs opportunities to streamline operations, improve efficiency, and access new markets, while green growth strategies align businesses with global priorities for sustainable development. Future research should delve into the long-term impacts of policy measures aimed at encouraging digital transformation and promoting green practices. For instance, studies could assess how digital tools improve SME competitiveness or examine how investments in renewable energy and eco-friendly production processes contribute to both profitability and environmental stewardship.

Moreover, future research could explore the evolving role of partnerships and collaborations in SME development. Strategic alliances between SMEs, large enterprises, educational institutions, and government agencies could provide innovative solutions to longstanding challenges. Researching the impact of such collaborative ecosystems on knowledge sharing, technology adoption, and market expansion could provide valuable insights for policymakers and practitioners. The dynamic nature of emerging economies like Albania requires SMEs to continually adapt to evolving trends and global best practices. As globalization and technological

advancements reshape industries, the ability to innovate and remain agile will determine the success of SMEs. Therefore, fostering an environment that supports research, development, and capacity building is essential for ensuring their sustained contribution to economic growth.

In conclusion, SMEs in the Tirana region and beyond are poised to play a pivotal role in shaping a more resilient, inclusive, and prosperous economic future. By addressing existing barriers and embracing forward-looking strategies, these enterprises can not only strengthen their own competitive edge but also contribute to the broader goal of sustainable and equitable development. This research serves as a foundation for continued exploration and action, inspiring stakeholders to harness the full potential of SMEs for the benefit of local communities and the global economy.

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Corporate governance, financial crisis and trades.

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Abstract

Corporate governance has at its core the entirety of the systems and the structure of the decision-making process within the company. The owners of these economic entities control directly and indirectly the progress and continuity of the company. Responsibility for governance and control is divided between the General Meeting, Board of Directors, CEO and Executive Management and is based on both external and internal regulations. The paper presented by the authors aims to create a methodology to measure the level of responsible corporate governance in an economic subject. Therefore, responsible corporate governance lies in entrepreneurial democracy, which systematically questions the organization's mission and its relation to the common good, also is presented an overview of the evolution of international trade, emphasizing its role in enabling the international division of labor and a brief examination of Albania and Western Balkan countries foreign trade.

Keywords: corporate governance, responsible corporate governance, responsible corporate governance index.

1. Introduction

Corporate Governance after the financial crisis is at the top of various studies. It is important to say that all the studies have focused on the effectiveness of corporate during and after financial analysis, both parts. The increasing interest shown by both academics and practitioners in corporate governance can be inferred from the great deal of recent research providing details about the effects of some issues of Corporate Governance. In recent years, the debate about the corporate governance has focused on the activity of the board of directors, the most outstanding governance mechanism of the internal control systems (Jensen, 1993). In fact, if other corporate governance mechanisms are weakened, the inefficiency of boards can be costly to companies and, in turn, to society as a whole (Palenzuela, 2000). In the main developed countries, board behavior codes have been written as a demonstration of the concern to have effective means of monitoring to improve companies' value creation. In the two groups (academics and practitioners) there is no doubt about the need for monitoring and control by boards of directors to improve corporate governance (Pablo de Andres, 2005).

2. Literature Review

Nowadays, there is a variety of works published by international authors regarding Corporate Governance. One of the most accepted (pioneer) definitions related to Corporate Governance is presented in the report provided by the Cadbury 1992 (Dedman, 2003), according to which corporate governance is viewed as a "detailed complex system, through which it is managed and the company is controlled" (Sobia Khan, 2017). Some adaptations of this first definition have been used later on by most of the corporate governance reports that emerged in other countries, such as the report carried out by Cardon in Belgium (Albert Corhay, 2012), or the report carried out by Preda in Italy during the year 1999 (Commission, 2002), and from other international works, as in the case of the researcher Du Plessis (Plessis, 2005) and Monks and Minow (Robert A. G. Monks, 2011). One of the fundamental purposes of Corporate Governance has to do with the latter's ability to protect the owners of this economic entity of particular importance, such as shareholders and third parties who are interested in managerial discretion. The process of dividing the rights and interests between the owners of the Corporation and the control and interests of different stakeholders make it necessary to adopt governance mechanisms to harmonize the interests of the

stakeholders (Zattoni, 2008). These mechanisms try to reduce agency costs and guarantee an efficient decision-making process that maximizes the company's wealth (Beth Ahlering, 2024). There are multiple corporate governance mechanisms recognized by research, both internal and external Fama and Jensen (Jayasuriya, 2020). Based on the various studies carried out by the international author, it is noted that the role of the Board of Shares in the Corporation, the composition of the Shareholders, the composition of the Board of Directors of this economic entity and the compensation measure of these high-level managers are among the essential mechanisms that influence for the Corporation to perform at high performance levels. In the study published by researchers, David H. Erkens, Mingyi Hung and Pedro Matos regarding corporate governance during the financial crisis of 2008 factors such as: firms with high institutional ownership assumed more risk before the crisis of 2008, these decisions brought colossal losses to shareholders during that period of time (Erkens., 2012). The paper presented by the authors has in its composition a special focus on the influence of some main indicators that operate within the company, such as the entirety of the ownership structure of the economic entity and the board of directors of the corporation, etc. In particular, these terms are widely treated in a detailed way, especially in the literature that is related to the way of corporate governance.

3. Methodology

This paper is based on data obtained from some OECD dimensions. All of the data used in this paper by the authors are descriptive data. We have used the SPSS program for analysis all the information's. The literature applied in this paper shows some possible potential benefits IFC, October 2012 (Laakso, 2012) from Corporate Governance. So that, good corporate governance practices assist companies and financial institutions to: meet the challenges of the modern business environment, enhance performance, operations, competitiveness, profitability and long-term value and attract capital, investment and business partners. The indices applied in the field of corporate governance differ significantly in relation to the dimensions of corporate governance. The first efforts related to this field for the realization of these indices were carried out by the academic research spectrum. In the following sections, we provide an overview of significant indices currently in use by academics and commercial vendors specialized rating agencies (Darko Tipurić K. D., 2014).

3.1. Quality of corporate governance.

Good and efficient corporate governance is essentially influenced by the balance between the totality of internal mechanisms in the organization and the totality of external mechanisms. The combination of these mechanisms makes it possible to increase the performance and efficiency of governance. In the application of this measure, more appropriate conditions are created in which the behavior and actions carried out by high-level managers are in line with the interests of the economic entity, especially its shareholders and other main parties that have an interest in this company. Simply put, the governance of the corporation and its policies helps to prevent and minimize possible imbalances between the third party's interests and the third party's various demands of the economic entity effects of opportunistic behaviour of important stakeholders especially the top management (Darko Tipurić K. D., 2014).

4. Discussion

4.1 Corporate Governance.

Good governance as an essential entity in economic entities of the corporate category, brings the maximization of the legal value and the value of the shareholders. Also, good management increases the level of transparency for every interested party in relation to these economic entities, the organization's employees, different current and potential investors, government and legislative bodies and vice versa of the community in which it develops its economic activity. For example, in this paper, seven segments related to the Index are taken into account, which are outlined as follows: a) Structure and Governance of Boards. b) Transparency and Disclosure of Information. c) The rights of the shareholders of the corporation. d) Social Responsibility on the part of the Corporation. e) Auditing and the process of internal control within the organization. f) The process of managing the risks that the Corporation can face. g) The totality of the forms of compensation that can be given by the corporation based on performance. According to the indicators used by OECD member countries for measuring corporate governance, the latter are presented in a summarized form as follows: Practically, with the symbol D1, we mean the majority of the rights owned by the shareholders and the fair and equal treatment between them. Practically, with the symbol D2 we understand entirety and the relationships that are created during the activity with the interested parties in connection with the corporation. Practically, with the symbol D3 we

understand, the integrity of the responsibilities that the Board of Directors has for achieving the essential objectives of the corporation. Practically, with the D4 symbol, we mean the opposite of ethical behavior within the corporation. Practically, with the symbol D5, it has to do with the opposite of the transparency that the corporation has and with the rigorous implementation of the entirety of the control system. $IC = (P_{i/d1} + P_{i/d2} + P_{i/d3} + P_{i/d4} + P_{i/d5}) / 5/100$. $P_i = 100 * (X_i - \text{Valor}_{\text{minimum}}) / (\text{Valor}_{\text{maximum}} - \text{Valor}_{\text{minimum}})$ Where: X_i =the value of the indicator to be normalized, valor maximum = maximum value, valor minimum = minimum value; Where: IC= Composite Index, $P_{i/d1,2,3,4,5}$ = points for indicator i after weighting. These segments are represented by a total set of 98 questions that must be answered in the affirmative (YES) or negative (NO), depending on the governance practices in analyzed firms. The various countries of the world that are in continuous development are characterized by many elements such as, energy and various assets. In these developing countries, all segments that include the private sector or that are part of the state sector must show the ability to respond to and adapt to the standards of corporate governance.

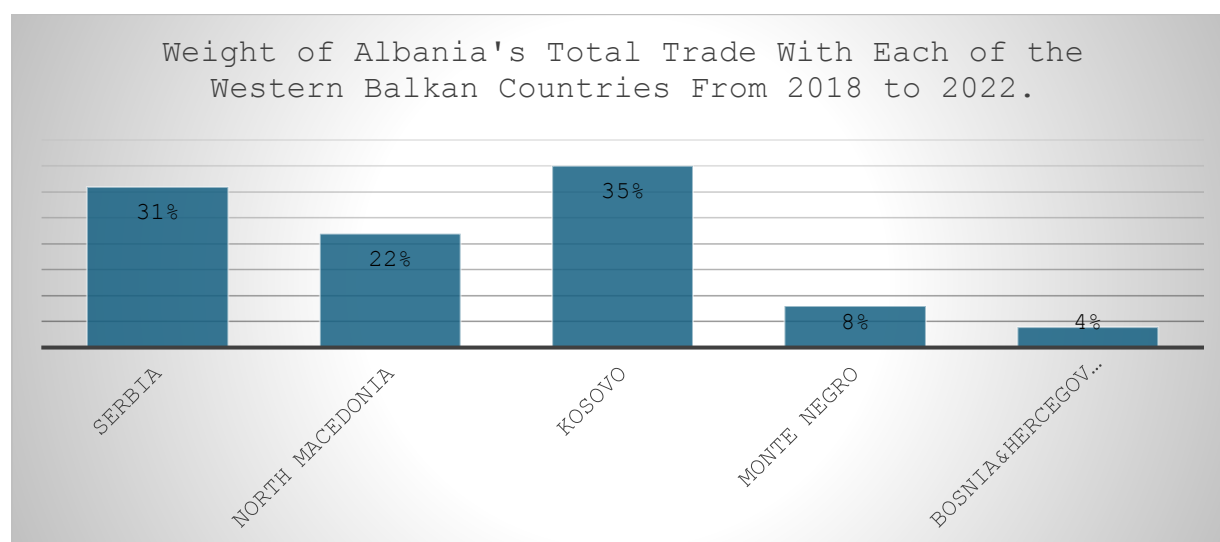
4.2 Progress of the foreign trade of Albania.

International trade is an important thing in most different countries of the world. Foreign trade is a voice that affects the domestic productivity of a country. In the case of the Albanian State as a country that is in continuous development, this indicator is of particular importance. Especially during the last 7 years, it can be seen that the foreign trade carried out by Albania has undergone significant changes, which are characterized by a shift towards liberalization. The Albanian economy, regardless of the world crisis of 2008, the period of COVID 19, has managed to keep under control the indicators related to the macroeconomic stability of the country. The increase in productivity from 2028 to the third quarter of 2024, both in the field of exports as well as in the field of imports, have played a very important role in increasing the rate of sustainable development of the Albanian economy. It should be emphasized that, this growth has influenced the improvement of the balance of the markets of our country with other countries of the world. This indicator is in most cases influenced by the International Economic Environment. As a result, even though it is a useful indicator, its validity is strongly dependent on external factors. Additionally, the countries strong trade relationships, remittances, and banking sector ties with Greece and Italy expose it to the consequences of debt crises and sluggish growth in the euro area.

4.3 The progress of international trade carried out by the Albanian State during the time interval from 2010 to 2023.

The volume of trade that has been carried out within the Balkan countries during this period has increased, especially in relation to the products of the category of goods and services. In the 12th month of 2022, Albania's trade with the five neighboring countries accounted for 10% of its total trade, up from 6.5% in 2010 (INSTAT, 2024). Albania, as one of the Western Balkan countries, has been a country with a Trade Surplus during the period from 2018 to 2023 compared to other countries in this region, with the exception of Serbia, a country with which it still has a trade balance deficit at the end of 2024. During this period of time, it can be seen that the exports made by the Albanian State have increased, especially against countries such as Kosovo, North Macedonia and Bosnia and Herzegovina. However, with Serbia, the second-largest trading partner, the trade deficit has continued to expand. Also, even though the procedures for facilitating trade between these countries have begun to be applied in various international agreements, the challenges continue, especially for the facilitation of procedures in the field of trade. The figure below shows the dynamics of foreign trade between Albania and the countries of the Western Balkans.

Figure 1: The weight of the total trade of the State of Albania with each of the countries participating in the Western Balkans during the time period from 2018 to 2022.



Source: Bank of Albania (2024).

In the five-year period from 2018 to the end of 2022, it is observed that Albania has consistently had a trade surplus with the countries that lie in the Western Balkans, excluding the case of trade with the state of Serbia with which we have a trade deficit. The graph shows the weight of Albania's total trade with each of the Western Balkan countries. We can see that during this time interval, 35% of the total trade weight, the Albanian state develops with the State of Kosovo. In second place is Serbia, with a level of 31% of the total weight of trade that Albania develops with the countries of the Western Balkans. In third place is North Macedonia, with a level of 22% of the total weight of trade that Albania develops with the Western Balkan countries and in last place is Bosnia and Herzegovina with a level of trade in the value of 4%.

5. Conclusions

The process of measuring the quality indicator in the field of corporate governance is a concept that, especially in the last 10 years, is being looked at with special attention. A review of the literature in the field of corporate governance shows that most existing studies analyse the following characteristics of corporate governance: board structure, shareholder rights, transparency of information. We must bear in mind that the focus for calculating the corporate governance index should be broader than the various periodic reports carried out by the economic entity in question. Based on various international publications, it is observed that there are several types of methods that are applied in connection with the calculation of the Corporate Governance Index. In many cases, it is due to a variety of different factors that affect corporate governance, such as the special or specific structure that the latter may have. The specific characteristics of this economic entity, and different cultural elements, etc. Also, the presence of measurement errors in the evaluation process also leads to the data heterogeneity which further promotes the importance of creating a well-accepted index regarding the level of corporate governance quality. It's important to remember that the development of the market depends on imported goods and services providing clear benefits over those made in the country. Government size is another variable positively related to trade, implying that the higher the performance in fiscal freedom and government spending, the more bilateral trade increases. Fiscal freedom is a direct measure of the extent to which the government allows individuals and businesses to keep and manage their income and wealth. A government can impose fiscal burdens on economic activity through taxation or by creating public debt which is then repaid through taxation. The better a government performs

in relation to this index, the more the level of bilateral trade between countries will increase. The series of high government expenditures, in many cases, carried a potential risk in relation to the commercial activity of a country, due to the fact that the increase in the level of public debt in many cases will lead to an increase in the level of taxes for businesses operating in that place. So the higher this variable is evaluated, the more inclined we are to evaluate commercial activity. In conclusion, international trade has been critical to the development of the world economy and civilization. Since trade balances have a significant impact on a nation's economic growth, they remain important metrics.

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The Importance and the Use of Gender Statistics in Drafting of the Public Policies in Albania

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Abstract

The Sustainable Development Goals (SDG) are a global call for progress, to end poverty, protect the Earth's environment and climate, and ensure that people, regardless of location, can enjoy peace and well-being². 19 UN agencies work together to support Albania in achieving the SDGs. The United Nations, in cooperation with the Government of Albania, are working to create a suitable environment for Albania to be able to fulfill these objectives as an important criterion for EU membership. This includes Albania's commitment to achieving the SDGs. In this article, we will briefly present the concept of gender statistics in comparison with the general ones, focusing on the way of collecting and analyzing these statistics.

In this article, we will briefly present the importance of gender statistics in comparison to the general ones, focusing on the way of collecting and analyzing these statistics, how gender statistics help in the construction of gender equality policies. The calculation and publication of gender statistics by INSTAT, highlighting the strengths and limitations of these indicators. What is the role of gender statistics in monitoring the implementation of sustainable development objectives (SDG 5). What is the actual status of gender statistics publishing from INSTAT in Albania. Concrete examples of successful policies based on gender statistics. Challenges in collecting and analyzing gender statistics. The use of gender statistics in economic decision-making.

Through the descriptive and comparatives analysis, we will present the gender statistics in Albania compare it with EU statistics as a target to be reached in the future.

² <https://albania.un.org/sq/sdgs>

The recommendations and conclusions of this paper will serve the central decision-making institutions in the drafting of suitable policies for gender equality.

Kew words: Gender Statistics, Sustainable development objectives, Gender inequality, UN, Policy makers, Gender discrimination, Empowering women.

I. Introduction

Gender statistics are fundamental for tracking and assessing progress toward the Sustainable Development Goals (SDGs). In particular, SDG 5, which aims to achieve gender equality and empower women and girls, relies on detailed gender indicators to monitor progress. Indicators such as women's representation in political decision-making, gender-based violence, and the division of unpaid care work are essential for identifying areas where improvements are necessary (United Nations, 2015).

Gender is a multidimensional construct that has gained prominence in contemporary studies due to its complexity and its impact on various spheres of life. This construct encompasses multiple dimensions, ranging from biological sex to social and cultural aspects. According to the literature, gender refers not only to the biological differences between men and women but also to the activities, interests, and personal or social attributes shaped and influenced by culture and society. Moreover, gender is reflected in social relationships, which are rooted in gender expectations and are often subject to social norms and structures that privilege one gender group over another (Ruble & Martin, 1998).

Furthermore, gender-related values and norms play a key role in shaping gender identity and the roles that individuals assume in society (Huston, 1983). These dimensions are essential for understanding the power dynamics and inequalities that exist between the sexes in areas such as the economy, education and politics.

Gender statistics play a crucial role in monitoring and addressing these inequalities. They provide detailed data on gender differences in various areas, such as participation in the labour market, access to education, health and justice, as well as representation in political and economic decision-making. These statistics are important for the design and implementation of policies that promote gender equality and women's empowerment, based on accurate and comprehensive data.

In this context, Sustainable Development Goal (SDG) 5, which aims to achieve gender equality and empower all women and girls, is a global priority. This goal highlights the importance of gender statistics to monitor progress and identify challenges. SDG 5 includes several key indicators, such as eliminating discrimination and violence against women, recognizing unpaid care work, improving access to economic and technological resources, and equal representation in decision-making processes. For example, data on the gender pay gap or on rates of violence against women are essential for understanding the nature and extent of inequalities and for determining the measures needed to address them. In this way, gender statistics not only help achieve SDG 5,

but also contribute to advancing the entire sustainable development agenda, making it more inclusive and equitable for all (United Nations, 2015).

II. Literature review on gender statistics and public policy

Gender statistics are essential in policymaking, as they facilitate the identification and addressing of disparities between women and men across multiple domains, such as the economy, education, healthcare, and political participation. The integration of gender-disaggregated data into analytical frameworks and decision-making processes supports the formulation of more equitable and context-specific policies that effectively address the needs of diverse demographic groups.

According to data from INSTAT and reports by UN Women in Albania, gender statistics provide detailed insights into issues such as women's participation in the labor market, representation in decision-making, and access to education. For instance, analyses reveal that women face greater barriers to employment and are often underrepresented in high-level political and administrative positions (UN Women, 2024).

"High-quality gender statistics are an indispensable tool for evidence-based policymaking. They enable the development of equitable policies by identifying gender disparities and guiding interventions to address them. In the absence of accurate and up-to-date data, policies often default to generalized standards that fail to consider specific gender needs" (World Bank, 2022).

Moreover, data on education and healthcare highlight disparities between women and men, particularly in rural areas. Gender statistics play a crucial role in monitoring progress toward gender equality and integrating these issues into economic and social development strategies ("Gender Perspective," INSTAT, 2014).

A practical example is the report "*Women and Men in Albania*," which provides detailed gender-specific data and is widely utilized by policymakers, researchers, and civil society to inform and advocate for positive change.

However, the literature indicates significant gaps in gender data at the global level, including the lack of regular data collection, insufficient gender disaggregation, and the poor quality of certain indicators (UN Women, 2019). These gaps directly impact policymakers' ability to identify gender-related challenges and effectively monitor progress.

Another important step is the harmonization of international gender methods and indicators. Gender statistics often vary across countries, making global comparisons challenging. To address this issue, the United Nations has developed the Guidelines for Producing Statistics on Violence against Women and has promoted the use of common indicators for monitoring the SDGs, including SDG 5, which focuses on gender equality (United Nations, 2015).

"Robust statistical systems that collect gender-disaggregated data can monitor progress and inform policies aimed at achieving gender equality. For instance, the collection of data on access to education and healthcare has contributed to improved outcomes for women in low- and middle-income countries" (Gender Data Lab, 2023).

One of the primary advantages of gender statistics is their ability to identify the most vulnerable groups and provide a clear understanding of the specific experiences and challenges faced by women and men. For instance, data on the gender gap in the labor market reveal that women often encounter discrimination, lower wages, and limited access to leadership roles. Such data enable policymakers to address these inequalities through targeted programs and interventions (World Bank, 2020).

III. Methodology

The methods employed in this study include descriptive and comparative approaches. The descriptive method is commonly used in research to provide a detailed and analytical account of phenomena as they occur in reality, offering a comprehensive understanding of their developments and characteristics.

The comparative method is a research technique used to identify similarities and differences between various phenomena, providing a deeper understanding of the factors, processes, and characteristics that are similar or shared. This method involves a systematic comparison, analyzing similar phenomena, processes, or events to identify both common features and distinctions that define them. By highlighting these similarities and differences, the comparative approach allows for a more nuanced analysis and a clearer understanding of the underlying dynamics at play.

Through a comprehensive review of the literature, this study aims to draw important conclusions regarding the significance of the preparation and dissemination of gender statistics in Albania. Utilizing descriptive analysis, we will assess selected gender statistics published by INSTAT, with a focus on identifying existing gaps and exploring how these gaps impact the formulation of policy packages to address them. Furthermore, by comparing the gender statistics currently produced and published in Albania with those provided by Eurostat, recommendations will be formulated to enhance gender statistics, thereby supporting more effective policymaking.

IV. The Role of Gender Statistics in Policymaking

Gender statistics serve as a critical foundation for effective policymaking. They provide evidence-based support for addressing complex social and economic issues related to gender inequality. The creation of policies without an accurate statistical foundation risks "reinforcing" existing inequality. In other words, the development of policies without a robust and accurate statistical base can inadvertently perpetuate and entrench existing disparities, as the lack of reliable data hinders the identification and effective addressing of the factors contributing to these inequalities.

Without a clear and up-to-date understanding of the situation, policies may be developed without a deep understanding of specific needs and differences, leading to the implementation of measures that are not appropriate for diverse population groups and fail to reduce structural inequalities.

Gender statistics provide structured data on gender disparities across various domains, assisting in the identification of inequalities, monitoring progress, and designing appropriate interventions to achieve gender equality. The link between gender statistics and policymaking manifests in three key areas: identifying challenges, designing targeted policies, and monitoring outcomes.

1. *Identifying Gender Inequalities*

Gender statistics assist in identifying systemic inequalities in economic, social, and political rights. For instance, a United Nations (UN) study highlights that the lack of gender-disaggregated data on women's employment and the distribution of economic resources limits governments' ability to address gender-based economic inequalities (UN Women, 2018). Statistical data, such as women's labor market participation rates, average wages, or access to credit, play a crucial role in uncovering structural gaps.

2. *Drafting Targeted Policies*

Evidence-based policies are more effective and goal-oriented. For example, national strategies for gender equality in many countries, including Albania, have been developed based on gender statistics related to inequalities in education, healthcare, and domestic violence (INSTAT, 2020). Empirical analysis across various countries has demonstrated that governments relying on gender-disaggregated data tend to formulate more inclusive policies that improve living conditions for women and other marginalized groups (World Bank, 2019).

3. *Monitoring and Evaluation of Progress*

A crucial role of gender statistics lies in monitoring policy impacts and tracking progress toward achieving the Sustainable Development Goals (SDGs). For example, SDG 5 on gender equality emphasizes the need to measure indicators such as women’s representation in parliament, the gender wage gap, and the prevalence of gender-based violence (UN, 2022). Gender statistics provide a foundation for analyzing data before and after policy implementation, helping to determine the effectiveness of the measures adopted.

Below are specific facts regarding the initiation of policies based on statistical data.

Table 1. Policies initiated based on evidence/statistics

N0	Gender Statistics	Policy Instrument for Improving the Situation	The result
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1	Statistics show a low percentage of women's participation in politics.	The law on gender representation in legislative and decision-making bodies.	In 2023, women made up approximately 35% of the members of parliament, an improvement compared to past decades.
2	Gender statistics disaggregated by regions and sectors.	The National Strategy for Gender Equality (2021-2030), which aims to address gender inequalities in various areas, including employment, education, healthcare, and the elimination of gender-based violence.	As part of this strategy, programs have been developed to increase women's participation in the labor market and raise awareness about gender equality in society.
3	Statistics on the increasing number of reported cases of violence.	The Law on Protection from Domestic Violence.	The establishment of helplines and shelters for victims has contributed to an increase in reports of violence cases and supported victims in rebuilding their lives.
4	The statistics show low participation of girls in scientific fields.	The implementation of the STEM program, the Digital Generation Program in Albania STEM (Science, Technology, Engineering, Mathematics).	The implementation of scholarships for female participants

V. The History and Development of Gender Statistics in Albania and the Analysis of the Gender Gap

Gender statistics in Albania have evolved within the context of historical, economic, and institutional changes. During the socialist period (1945–1990), statistical data primarily focused on economic and demographic aspects, without directly addressing gender inequalities. Following the collapse of the communist regime, the development of a democratic system, and Albania's inclusion in international processes such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and the Beijing Agenda of 1995, marked a turning point in the focus on gender equality and the need for detailed gender statistics (INSTAT, 2007; UNDP, 2023).

The establishment of the Institute of Statistics (INSTAT) in 1994 was a crucial step in improving the quality and systematization of statistical data. However, it was not until the 2000s that gender statistics began to be treated as a separate category. In 2007, INSTAT created a dedicated sector for gender statistics with the aim of producing and analyzing data that reflect the gender gap in society (INSTAT, 2007).

This sector was initially supported by international projects funded by the United Nations Development Programme (UNDP) and the European Union (EU). During this period, INSTAT published its first comprehensive report on gender statistics, titled "Women and Men in Albania," marking the beginning of an annual reporting tradition on the gender situation in the country (UNDP, 2023).

The process and frequency of statistical production.

Gender statistics in Albania are produced according to international methodologies and local adaptations, through the population and housing census, periodic labor force surveys, and administrative sources. The Population and Housing Census, conducted every 10 years, provides a detailed overview of the demographic and economic structure of women and men. In addition to censuses, important gender data is collected annually through labor force surveys and administrative reports from state institutions (INSTAT, 2023).

Key Statistics Produced by Albania

Gender statistics in Albania encompass a wide range of indicators that reflect various dimensions of social and economic life:

- **Demography:** Gender structure of the population, average life expectancy by gender, and fertility rates.
- **Education:** Enrollment rates by education level and completion rates for girls and boys.
- **Labor and Economy:** Gender participation in the labor market, average wages by gender, and unemployment rates.
- **Healthcare:** Infant mortality and data on sexual and reproductive health.
- **Participation in Governance:** Gender representation in parliament, local governance, and leadership positions (INSTAT, 2023).

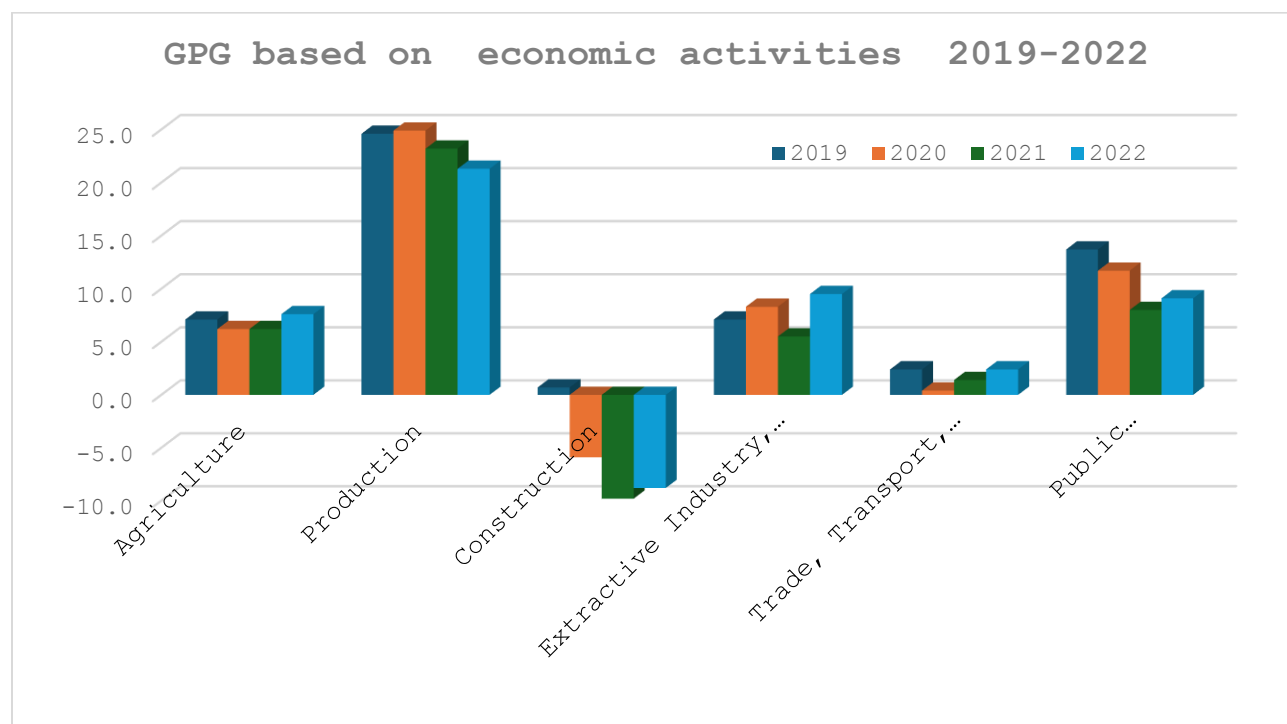
Several important gender statistics published by INSTAT.

Gender Gap

The gender pay gap reflects the difference between the gross wage earned by a man and that earned by a woman, expressed as a percentage. It is calculated as the ratio of the difference in the average wage between men and women to the wage of men, expressed as a percentage.

The graph below presents the gender pay gap based on economic activity for the period 2019-2022.

Graph 1. GPG based on economic activities

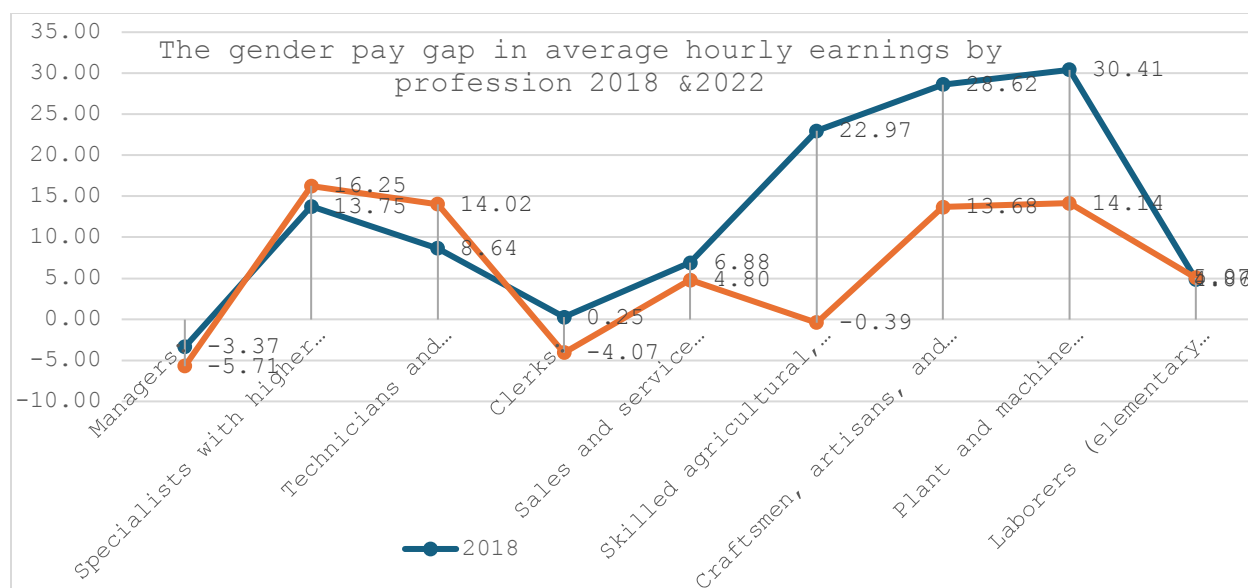


Source: INSTAT

From the graph, it can be observed that in the construction sector, the wage gap is negative, while a high wage gap is evident in the manufacturing sector, followed by the public administration sector. This serves as a signal for policymakers to promote policies aimed at reducing this gender wage gap. Improving this gap indirectly will also positively impact the improvement of social indicators.

The gender gap in average income by profession. The graph below presents the gender gap in average hourly income by profession for the years 2018 and 2022.

Graph 2. The gender gap in average hourly earnings by profession.



Source: INSTAT

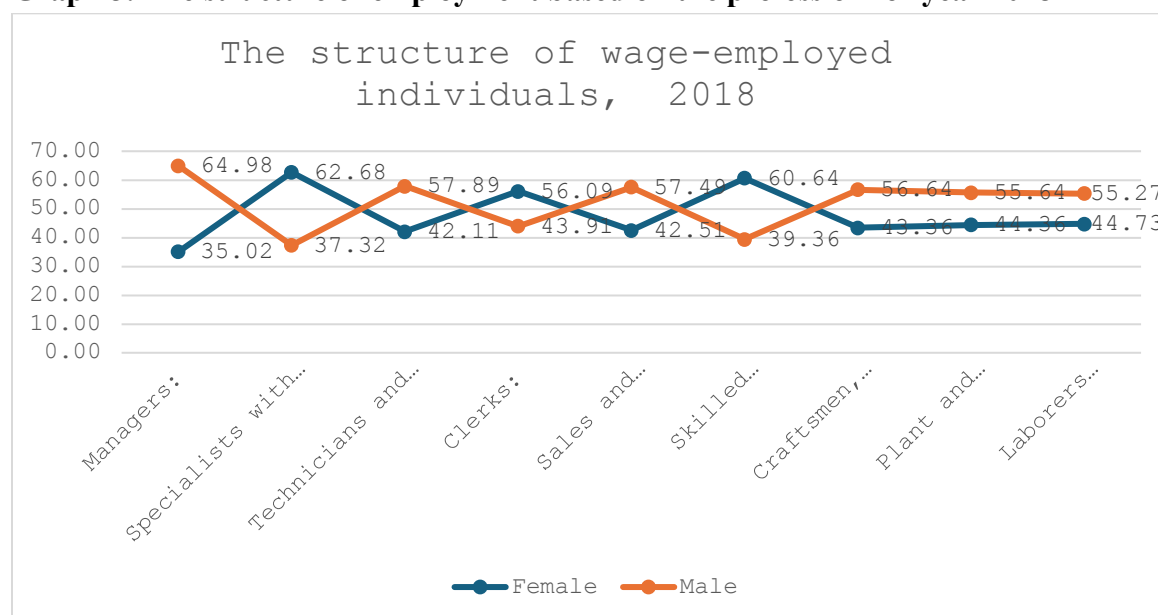
The graph concludes that the highest hourly wage gap is found in the professions "Specialists with higher education," "Craftsmen, artisans, and related trades," and "Plant and machine operators and assemblers." In 2022, compared to 2018, a noticeable reduction in the hourly wage gap is observed, except for the professions "Specialists with higher education" and "Technicians and associate professionals," where the gap has not only remained unchanged but has actually increased.

This is a point that should be in focus for policymakers' analyses to enable the identification of underlying causes and, subsequently, the implementation of necessary measures.

The structure of employed individuals by gender and profession in 2018 and 2022.

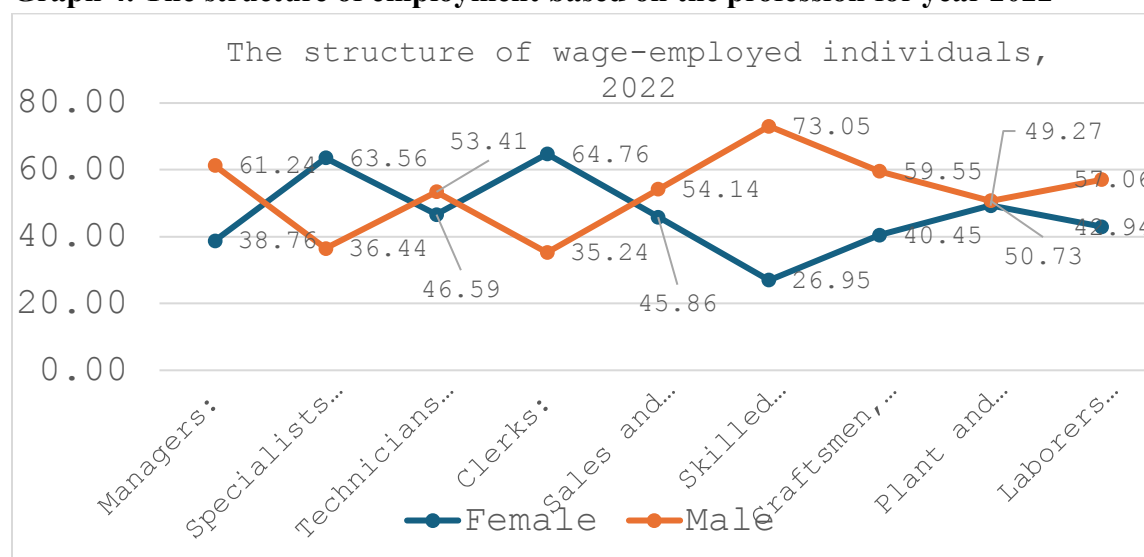
It is evident that the gender factor can be understood from the unprocessed data, which, although not fully analysed, is divided by gender.

Graph 3. The structure of employment based on the profession for year 2018



Source: INSTAT

Graph 4. The structure of employment based on the profession for year 2022



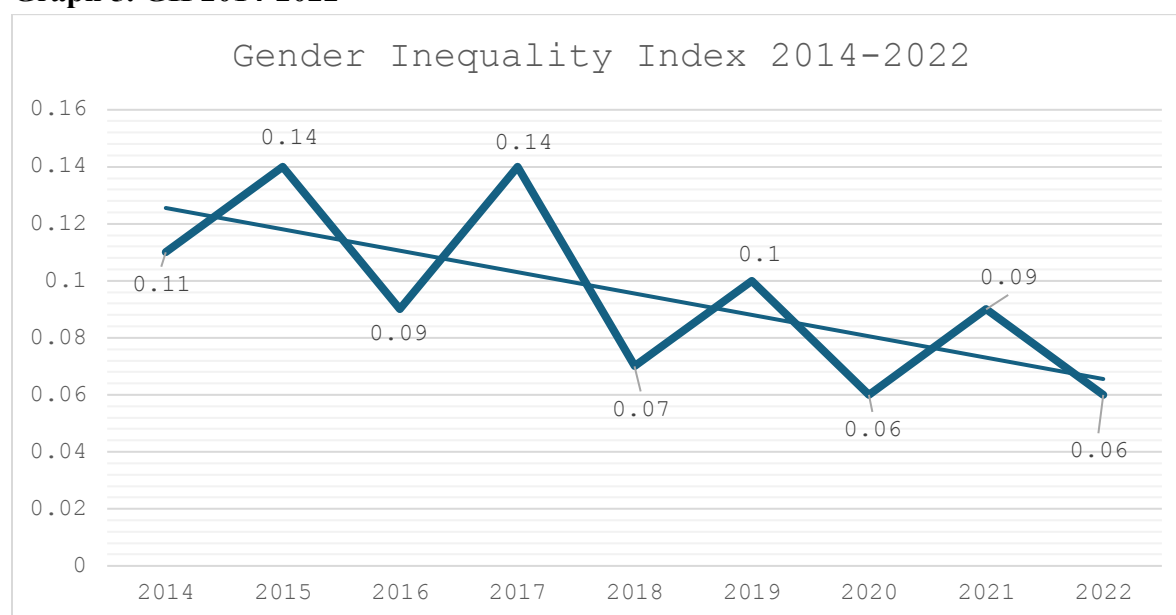
Source: INSTAT

Referring to the two graphs above, which are based on gender-disaggregated data collected by INSTAT, structural changes are identified in 2022 compared to 2018.

Gender Inequality Index (GII). The Gender Inequality Index (GII) is a composite indicator that reflects the potential loss in human development due to inequalities between the achievements of women and men in three dimensions: reproductive health, empowerment, and the labor market. The GII ranges from 0 to 1. Higher values of the GII indicate greater inequality and more significant losses in human development as a result of inequality. This index provides an empirical foundation for gender policy analysis and identifies areas where efforts should be focused to achieve gender equality (INSTAT, 2025).

Based on the data published by INSTAT, this index for the years 2014-2022 is presented as follows:

Graph 5. GII 2014-2022



Source: INSTAT

As shown in the graph, the index decreased to 0.06 in 2022, down from 0.11 in 2014. This reflects a decline in human development in 2022 relative to 2014. However, when comparing 2022 to 2021, this difference is smaller.

VI. Findings and results

Based on the review of relevant literature, analysis of strategic gender documents published by policy-making institutions, international organizations, and those released by INSTAT, as well as INSTAT's databases, the following conclusions are drawn:

In recent years, the Institute of Statistics (INSTAT) has made significant strides in enhancing the collection of gender data, including indicators related to employment, education, health, and gender-based violence. These improvements have provided a solid foundation for analysis and policy development. The regular publication of gender statistics has played a key role in raising awareness among both the public and institutions about gender inequalities, driving concrete actions to address these issues. Gender statistics have thus become an essential tool for policy-

making, supporting the formulation and monitoring of national strategies for gender equality and women's empowerment.

Despite the increasing use of gender statistics for academic studies and scientific research, certain deficiencies and limitations have been noted, particularly regarding the availability of data at the national level and the challenges in comparing gender statistics across international contexts.

Limitations at the National Level

Reports on violence against women and girls are incomplete, as many cases are either unreported or inadequately documented. There is a lack of comprehensive data on asset ownership, such as land and real estate, disaggregated by gender. Reproductive and sexual health: There are no complete statistics on women's access to healthcare services, especially in rural areas. Gender statistics over the years are fragmented, and there is a lack of data from previous years.

Gender data is often not harmonized across different institutions (e.g., INSTAT, ministries, and local institutions). Data collection methods are not always standardized, which complicates comparisons between regions and with international standards.

There is insufficient data on women and girls from marginalized groups, such as the Roma and Egyptian communities, people with disabilities, or those living in extreme poverty. Data on women's representation at the local level and across various sectors is limited.

Limitations at the International Level

Albania still faces challenges in meeting the international standards for collecting gender statistics (e.g., Eurostat methodology, EIGE's Gender Equality Index, and SDG Indicators).

The gaps in national gender data prevent Albania from fully participating in regional and international comparative analyses on gender equality.

In Albania, the high level of economic informality affects the accuracy of data on employment and income, making gender reporting more challenging.

The use of gender statistics by policymaking institutions.

As highlighted in the previous sections, gender statistics are used by institutions within the framework of successful policymaking. It is well known that the fields of policymaking are diverse, and interventions for changes vary in type and scope. In this context, the published gender statistics are insufficient, not only for the years they have been calculated for but also in terms of diversity.

If one were to analyse the factors influencing the gender gap in average hourly earnings, researchers would need primary data on variables such as education level, work experience, gender, geographical area, employment sector, gender equality policies in companies, and others like these. However, in reality, such data cannot be provided by INSTAT. The issue lies in how

capable the policymaking institutions are of conducting surveys whenever they need to analyse gender issues within their fields.

Topics for discussion:

- Should the primary data from surveys conducted by INSTAT be published, and for which fields? The question arises as to whether primary data from surveys conducted by INSTAT should be made publicly available, and if so, in which fields. Given the importance of data transparency and accessibility in evidence-based policy making, it is crucial to consider the potential benefits of publishing such data, particularly in areas that impact socio-economic development, gender equality, public health, and education. While some data may be sensitive or require specific protocols to ensure privacy and security, there is a strong argument for making certain datasets accessible to the public and relevant stakeholders, including policymakers, researchers, and civil society organizations. This could enable more informed decision-making, facilitate academic research, and support the implementation and evaluation of policies that address key challenges in Albania. It is essential to assess which fields, such as employment, education, health, and gender statistics, could benefit most from public access to primary data, as this could enhance the accuracy and depth of national and international analyses.
- How feasible is it for INSTAT to produce all the necessary statistics for gender analysis, or is there a need for the establishment of a dedicated institution to generate gender statistics across all sectors?

The ability of INSTAT to generate all the statistics required for gender analysis largely depends on its capacity to collect, process, and disseminate gender-disaggregated data across various fields, such as labor, education, health, and political participation. While INSTAT has made significant strides in improving its gender statistics over the years, challenges persist in producing comprehensive and up-to-date data in all relevant areas. Gender statistics require not only collection but also the application of methodologies that capture nuances in gender disparities, particularly in sectors that are traditionally under-represented or more difficult to measure, such as unpaid care work, informal labor, and gender-based violence. Furthermore, there is a need for more robust data collection systems that are consistent and harmonized with international standards, which would support comparative gender analysis.

In light of these challenges, the question arises as to whether INSTAT, in its current structure, can fully address the demand for gender statistics. The creation of a dedicated institution or specialized unit within INSTAT focusing solely on gender statistics could be a viable solution. Such an institution would ensure a more systematic approach to data collection, analysis, and reporting on gender across all sectors. Additionally, it could address gaps in current data, facilitate cross-sectoral integration of gender perspectives, and improve the quality of gender-related policy interventions. This would be essential for

advancing gender equality and enabling evidence-based policy development at both the national and international levels.

- How feasible is it to have gender-disaggregated statistics for previous years? The feasibility of obtaining gender-disaggregated statistics for previous years is a significant challenge, particularly in countries where historical data collection practices did not prioritize gender as a key variable. In Albania, for instance, there may be limitations due to the lack of consistent gender classification in earlier data sets, especially prior to the establishment of dedicated units within institutions like INSTAT. The absence of gender-disaggregated data in past censuses or surveys may hinder comprehensive longitudinal analysis, making it difficult to track gender-specific trends over time. Moreover, the retroactive process of segmenting historical data according to gender could be resource-intensive and require additional methodological adjustments. However, as awareness of gender equality grows and data collection frameworks evolve, it is crucial to explore the potential of reprocessing past data or creating harmonized indicators for gender analysis, particularly in areas such as employment, education, health, and violence.

VII. Conclusions

Without gender statistics, policies risk being general and not addressing existing inequalities. Therefore, the production and integration of gender statistics into policymaking processes is essential for a fairer and more equal society.

1. In Albania, one of the main issues related to the quality of gender data and the lack of harmonization, both at the national and international levels, is the absence of standardization and statistical capacities to collect and analyze accurate and complete data. Specifically:
2. Gender data is collected by several different institutions in Albania, such as INSTAT and other ministries, but these data are often not harmonized between institutions, leading to a lack of comparability. The data collected by these institutions may have different definitions and methodologies, making it difficult to analyze them consistently and use them for gender equality policies (Eurostat, 2023).
3. Some sectors and aspects of gender equality are better covered with data (e.g., women's participation in politics), while data for other areas, such as gender-based violence or the treatment of women in the labor market, remain incomplete and non-harmonized (World Bank, 2020). This leads to an inaccurate picture of the gender situation in Albania and makes it difficult to monitor and formulate appropriate policies.
4. Albanian institutions face challenges in collecting and processing data due to the lack of resources and technological capacities. This affects the quality and accuracy of gender statistics collected by INSTAT and other institutions, making it difficult to align with international policies and standards required by international organizations (UN Women, 2021).

5. Although Albania is striving to meet its commitments to harmonize gender equality data and indicators with international standards, it still faces difficulties in implementing harmonized methodologies required by international organizations such as Eurostat and the United Nations. This makes Albanian data often difficult to compare with other countries and not aligned with global gender equality indicators (UNFPA, 2020).

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SME-s Innovation and their impact on economic growth

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Abstract: The process of transforming our country's economy from a centralized one towards a market economy is accompanied by some special features of the new emerging businesses and has also faced various difficulties and problems. As the competition in the market becomes more severe within an environment that is changing rapidly, today, more than ever, there is a great need for more effectiveness in business management. In this paper, we will look at SMEs' impact on strengthening the economy. During the study, we will also examine the historical change of small and medium-sized enterprises, their commitment to innovation, and the factors hindering and motivating the development of SMEs in Albania. Albania's competitiveness is reduced by a lack of entrepreneurial and technological knowledge, significant levels of informality, unmet needs for investment in human and physical capital, and low spending on Research and Development. As a result of this reality, the future of many businesses depends upon their ability to innovate. Innovation is crucial in the current business scenario. From this point of view, the research aims to investigate the characteristics of SMEs concerning their innovation and whether they have developed effective strategies. The results of the study showed that there are some relations between some characteristics of SMEs and strategies, innovation types, and barriers.

Keywords: Entrepreneurship, business barriers, innovation, competitive strategies

1. Introduction

Businesses in Albania are increasingly investing in innovation, bringing new products, or introducing new processes into their businesses. According to data from INSTAT³, 42.9% of surveyed enterprises in Albania have carried out an innovation activity. This figure has increased by 6.3% for the period 2020-2022.

Innovation is highest in enterprises operating in the service sector, where businesses that carry out information and communication activities have been active in innovation with 67.3%, while those that carry out financial and insurance activities with 52.7%.

³ <https://www.instat.gov.al/media/6805/2022>

On the other hand, innovation activity in the industry sector results in 39.3%, where businesses that carry out activities related to electricity, gas, steam and air conditioning supply have resulted in innovation activity with 44.4%, while in the processing industry with 42%.

According to the size of enterprises, it is noted that small enterprises (10-49 employees) have experienced a significant increase in innovation activity by 7.4%. Small businesses have developed innovative products faster than medium and large enterprises.

During the period 2020-2022, 25.6% of all enterprises developed product innovations, while 36.3% developed new or improved business processes. In 2022, net sales generated by enterprises active in innovation accounted for 58.1% of the total net sales of the enterprises surveyed, while the number of employees in these enterprises was 53.5%.

1.1 Research objectives

This study aims to highlight the role of SMEs in the country's economic development and to present a profile of innovation for SMEs in Albania, exploring specifically the degree and types of innovation they use. Through empirical and qualitative analysis, this research marks the innovation types, barriers to innovation, and business strategies that were adopted. Goals and objectives of the study include:

- Identify the role of SMEs in the economic growth of Albania.
- Creating a clear picture of the development of small and medium-sized enterprises over the years.
- Investigate the innovation types SMEs in Albania have used last 5 years,
- Determine internal and external barriers which hamper innovation development for SMEs,

Analysis has been carried out using data which were obtained from the SMEs in Albania by using a questionnaire form. The respondents were chosen from the top and mid-level managers in SMEs. Questionnaires were subjected to respondents by interviewing face to face or by e-mail. Data obtained from those 260 questionnaires were analyzed through the SPSS statistical packet program and the proposed relations were tested through Fisher test and Chi-Square test.

1.2 Study limitations

The study is limited to the following aspects:

- Small sample selection. In this paper, 260 SMEs operating in Albania were randomly selected as the sample of the research. A large sample size is more representative of the population, broadening the range of possible data and forming a better picture for analysis
- The reliability of survey data may depend on different factors. Subjectivity and certainty in the response affect the final results. Respondents may not feel comfortable providing answers that unfavorably present themselves.

2. Literature review

Small and Medium-sized Enterprises (SMEs) play a crucial role in driving economic growth and fostering development (Birch D.,1989). Here are some key ways they impact economies:

- **Job Creation:** SMEs are major contributors to employment, particularly in developing and emerging economies. They often employ a significant portion of the workforce, reducing unemployment and boosting income levels.
- **Economic Diversification:** By operating across various industries, SMEs contribute to economic diversification. This reduces dependency on a single sector and creates a more resilient economy.
- **Innovation and Entrepreneurship:** SMEs are often the breeding ground for innovation and new ideas. Their flexibility allows them to adapt quickly to market needs, fostering entrepreneurial ecosystems and technological advancements.
- **Contribution to GDP:** In many countries, SMEs contribute substantially to Gross Domestic Product (GDP). Their collective impact on domestic production and services supports national economic stability.
- **Fostering Local Economies:** SMEs strengthen local economies by utilizing local resources, creating demand for local services, and contributing to community development.
- **Promoting Exports:** Many SMEs operate in niche markets and produce unique goods or services that appeal to international markets. This promotes exports and enhances foreign exchange earnings.
- **Reducing Income Inequality:** By providing opportunities in rural and underserved areas, SMEs help bridge the gap between urban and rural economies, contributing to equitable income distribution.

Despite their significance, SMEs often encounter challenges such as limited access to finance, regulatory hurdles, insufficient infrastructure, and lack of skilled labor. Addressing these issues through supportive policies, financial incentives, and capacity-building programs can enhance the role of SMEs in economic growth (Neeta Baporikar, 2018). In conclusion, supporting their expansion and resilience is essential for a robust and inclusive economy.

On the other hand, governments' R&D and technology policies that encourage and support innovation among all firms, especially small firms, can help countries remain competitive in a global market. Therefore, the government should change the perception of entrepreneurs to support their competitiveness in the global market. Public policy that encourages innovation and improves the education of the labor can enable firms to remain competitive and survive, both of which have direct implications for employment and a country's economic viability (Dilek Demirbas, 2011).

2.1 SME-s and Types of Innovation

For decades, the business and corporate world has been sold on three ideas:

One, we should analyze what is, to -shape our view of what could be.

Two, more than ever today, and even more so in the future, innovation is the key to market creation and growth.

And three, at the heart of innovation, is the lone, smart, and gut-instinct entrepreneur.

Tidd, J., Bessant, J. (2020) stated that innovative firms outperform, in both employment and sales, firms that fail to innovate. Those organizations that are consistently successful at managing innovation outperform their peers in terms of growth, financial performance and employment and that the broader social benefits of innovation are even greater. However, managing innovation is not easy or automatic. It requires skills and knowledge, that are significantly different from the standard management toolkit and experience because most management training and advice are aimed at maintaining stability. As a result, most organizations either simply do not formally manage the innovation process or manage it in an ad hoc way. Studies confirm that only around 12% of organizations successfully manage innovation, and only half of these organizations do so consistently across time.

Innovation can be classified into several types, depending on the approach and impact:⁴

1. Product Innovation: Developing new or improved products to meet consumer needs. Example: Smartphones replacing feature phones.
2. Process Innovation: Improving production or delivery methods to enhance efficiency. Example: Automation in manufacturing.
3. Business Model Innovation: Redefining how a company delivers value to customers. Example: Subscription models like Netflix.
4. Incremental Innovation. Most innovations are incremental, gradual, and continuous improvements in the existing concepts, products, or services in the existing market. Example: Regular updates to software or smartphone models.
5. Disruptive Innovation. Disruptive innovation is a concept introduced by professor, academic, and business consultant C. Christensen in his book called *Innovator's Dilemma*.⁵ Disruptive innovation is a theory that refers to a concept, product, or service that creates a new value network either by entering an existing market or by creating a completely new market. Example: Ride-sharing services like Uber.
6. Radical Innovation. As the name suggests, a radical innovation really changes the circumstances of a brand, whether in terms of market or business dynamics.⁶ It can occur due to a complete change in a company's positioning, work method, processes, services, and products offered, or how it relates to customers. An example of radical innovation would be

⁴ <https://get.agorize.com/en/resources/what-are-the-4-types-of-innovation/>

⁵ <https://www.viima.com/blog/types-of-innovation>

⁶ <https://www.sydle.com/blog/types-of-innovation-619541bf351e93287c42a7de>

Apple's iPhone. When it was released, smartphones already existed, but Apple included features that changed the market and made it more popular.

7. Open Innovation: Collaborating with external partners to develop new ideas and solutions. Example: Crowdsourcing product ideas.
8. Social Innovation: Addressing societal challenges with innovative solutions. Example: Microfinance initiatives for low-income communities.

Here's a brief overview of each:

2.2 Integration of Strategy and Innovation

Business strategy and innovation are deeply interconnected concepts that help organizations grow, stay competitive, and adapt to changes in the market. To thrive in the modern business landscape, companies often integrate innovation directly into their strategic planning. This could mean investing in research and development (R&D), adopting new technologies, or collaborating with startups to explore cutting-edge solutions (Isaksen and Tidd, J. 2006).

A strong business strategy includes fostering a culture of innovation, allowing for flexibility and creative problem-solving. Moreover, businesses that innovate effectively can adapt more easily to changing consumer preferences and technological advancements, securing long-term success.

In short, business strategy outlines the path forward, while innovation provides the tools to navigate that path more effectively. Together, they allow companies to grow, stay competitive, and deliver value to customers (Hambrick, D. C., & Fredrickson, J. W. 2005).

Organizations face the uncertainty of the environment through Strategic orientation. Strategic orientation refers to how a firm adapts to its external (industry/competitive) environment (Miles & Snow, 1978; Mintzberg, 1973). An effective strategy maximizes the efforts of people within the organization. One of the most prominent strategy typologies that describe the relationship between the strategic orientation of firms and their performance was developed by Miles and Snow (1978). According to this typology, firms follow one of the four strategic orientations (prospector, defender, analyzer, and reactor) to achieve firm performance. If management does not select one of these strategies, then the organization will be slow to respond to opportunities and probably show an ineffective performance in its sector (Hambrick, 1983: 8).

A description of these four strategic orientations is provided in Table 1.

Table1: Description of strategic orientations of Miles and Snow (1978).^{7/8}

⁷ <https://managementweekly.org/miles-and-snows-strategy-typology/>

⁸ SMEs' strategic orientation through Miles and Snow typology: a synthesis of literature and future directions

Jamil Anwar, Irfan Butt, Nisar Ahmad, Management Research Review

Strategic orientation	
Prospectors	The prospector organizations look out for new ideas. This type of organizations they have loved their strategy on developing new products. In certain business context, prospector strategy may be the best one. Most notably, these types of business strategy work best in a highly dynamic market. For example, if we consider the mobile phone industry. It's a constantly changing industry, with new models being launched every month. Moreover, the success of models cannot be predicted entirely. Therefore, companies invest a lot of money into the research and development.
Defenders	<p>The defender companies are those that also face entrepreneurial challenge, but they tackle them in a very different way. These companies tried to work with whatever technology they had. The defenders try to utilize existing technology to their advantage.</p> <p>For example, if we consider a company that makes tuxedos. They may not invest a lot of money into developing new designs. They may even sell some designs that are 20 years old quite well. The defender forms generally look for achieving cost leadership.</p>
Analyzers	This type of organization tries to find a balance between prospector and defender. There are certain advantages and disadvantages to this kind of approach. Firstly, the analyzer type of organization can work with different business contexts. Secondly, some of the industries are difficult to classify as dynamic or static. They may have some features of both. Therefore, Analyzer Forms tried to optimize the efficiencies of current products. Additionally, they also strive towards the creation of new opportunities. These organizations also look for collaborations outside their firm.
Reactors	We finally come to the least liked kind of strategy. However. This type of strategy may be a good fit depending on the situation. A reactive form is that which tries to react or adapt to the changing landscape. Although <u>being proactive can be good</u> for you, sometimes it is not. These types of form do not try to spend money on new product development. They also look for short-term opportunities rather than long-term ones. It may seem counter-intuitive, but this is quite helpful sometimes. Consider an upcoming new technology like a virtual assistant. The cost of developing new technology like this could be billions. However, it is much cheaper and efficient to adopt this technology when it has reached the market stage.

(Source: Arindra Mishra, August 31, 2020, Miles and Snow's Strategy Typology)

3. SME-s and the phases of development in Albania

Starting from the period after communism, we have a development of private business. There are many privatizations of state-owned enterprises and acquisitions of factories and state properties. In this period there was a beginning for the creation of business both small and large.

Starting from different periods we can divide it into several phases as follows:

- Transition Phase (1990-2000) Economic Liberalization:

After the fall of the communist regime in the early 1990s, Albania began the process of transition from a centralized economy to a free market economy. Opportunities for private initiative were created, and many individuals began to open small businesses in various sectors such as trade, services, and small-scale manufacturing. The privatization of public property and state-owned enterprises became one of the main processes during this period, promoting the creation of SMEs.

Initial Problems:

- Lack of experience in business management and lack of access to financing were among the main challenges for small businesses.
- Corruption and lack of legal and political stability were also major obstacles.

Financial support in this period: in addition to bank financing, the small and medium-sized business sector was also supported by many donor funds. The total financing for this period amounts to \$150 million, of which \$105 million are domestic funds and \$45 million are foreign funds. The ratio of loans by sector is as follows: 44.7% or \$67 million – in trade, 33% or \$49.3 million – in production, and 22.3% or \$33.7 million – in the service sector. Assuming that during 1992-1997 about 46,049 enterprises were financed by banks with a total of \$150 million, it can be concluded that each enterprise received an average of about \$3,200.⁹

- Consolidation Phase (2000-2010)

Strengthening the Legal Framework, where we have improved the legal and regulatory framework to support the development of SMEs and the creation of institutions to support small and medium-sized businesses, such as SME development agencies and training and development programs.

Banks began to develop specific financial products for SMEs, although access to credit remained a challenge for many small businesses. Small businesses began to understand the importance of innovation, marketing, and improving services to remain competitive in the market.

After the 1997s, the situation of small business financing corresponds to the situation that emerged after the bankruptcy of pyramid schemes and was accompanied by negative effects on the activity of SMEs, where many SMEs closed down. Moreover, the deterioration of macroeconomic indicators and especially the increase in the inflation rate caused a decrease in the granting of loans and an increase in the costs of loans.

⁹ <https://www.instat.gov.al/media/6805/results-on-sme.pdf>

- Modernization and Globalization Phase (2010-2020)

Information and communication technology began to play an important role in small business operations, helping to improve efficiency and reach new markets. International organizations and foreign donors began to invest in programs to support SMEs in Albania, providing funding, training, and technical assistance. Also in this period, we saw an increased need to globalize. Small businesses began to seek opportunities for export and international collaborations, taking advantage of new markets and trade agreements.

Consolidation and New Challenges Phase (2020 - Today)

The COVID-19 pandemic had a major impact on small businesses, bringing new challenges, but also driving innovation and adaptation in many sectors. The increasing importance of digital platforms for trade and services has encouraged many small businesses to invest in new technologies and improve their online presence.

The Albanian government has continued to provide support to SMEs through fiscal policies, subsidies, and programs to improve access to finance. Albania's integration into the European Union remains a strategic objective that could bring new opportunities for SMEs but also challenges in complying with European standards and regulations.

Overall, small businesses in Albania have made great progress over the past decades, moving from an uncertain and turbulent period to a more stable and consolidated phase. However, there are still challenges that need to be addressed to ensure a more conducive environment for the development and sustainable growth of SMEs.

3.1 Role of SMEs in Albanian Economy

It is important to emphasize the importance of small enterprises in our economy. There has been a great contribution of micro and small enterprises toward economic growth.

The Albanian Business and Investment Development Strategy recognizes and acknowledges the important contribution that SMEs and startups can make to a more innovative and knowledge-based economy, improving the economic structure. This strategy recognizes that the entrepreneurship and innovation ecosystem is in its early stages in Albania. This is also related to access to finance and markets, the impact of the pandemic and adaptation during transitions. For this, it is necessary to: Increase the activity of start-ups and innovation and strengthen specialization to achieve a "critical mass"; Increase existing financing programs and design new forms of financial support. Strengthen connections between all actors and components of the ecosystem (SZHBI, 2021).

However, with greater interest is considered the question of whether the business environment supports dynamism among SMEs, by facilitating the creation of new ones and growth of them, to contribute to economic growth.

1. **Economic Contribution:** SMEs are key drivers of Albania's GDP, particularly in sectors like trade, services, and manufacturing. They contribute significantly to job creation, especially in rural and underserved areas.
2. **Promoting Entrepreneurship:** Albania's transition to a market economy has encouraged entrepreneurship, with SMEs serving as a platform for individuals to pursue innovative business ideas.
3. **Regional Development:** SMEs are vital for reducing regional disparities, supporting local economies, and fostering community development.
4. **Exports and International Integration:** Small and medium enterprises are increasingly becoming important players in international trade, particularly as Albania looks toward greater integration with the European Union. Many SMEs are being trained and supported to become competitive in regional and European markets, enhancing the country's export capabilities.

In summary, SMEs are essential not only for generating employment and driving economic growth but also for fostering innovation and enhancing Albania's international economic connections.

3.2 Innovation in Albanian SMEs

Small and Medium-sized Enterprises (SMEs) are the backbone of Albania's economy, accounting for over 90% of active businesses and playing a critical role in employment, economic diversification, and innovation. However, their innovation capacity has room for growth, influenced by the country's unique economic and institutional environment.

Innovation is essential for SMEs to remain competitive, adapt to market demands, and expand into global markets. In Albania, SME innovation manifests in the following ways:

1. **Incremental Innovation:** Many Albanian SMEs focus on incremental improvements to their products or services, often driven by customer feedback and market trends.
2. **Digital Transformation:** With increasing digitalization, SMEs are adopting e-commerce platforms, digital payment systems, and cloud-based technologies to enhance efficiency and reach.
3. **Export-oriented Innovation:** Some SMEs are innovating to meet international standards, enabling them to compete in export markets, particularly in sectors like textiles, agriculture, and tourism.
4. **Informal Networks:** Collaboration within informal networks or family-based businesses often leads to process innovations, albeit without formal R&D structures.

3.2.1 Challenges to SME Innovation in Albania

- **Limited Access to Finance.** High-interest rates and limited funding options make it difficult for SMEs to invest in innovation.
- **Low R&D Investments.** Few SMEs allocate resources to research and development due to financial constraints or lack of awareness.
- **Regulatory Barriers.** Complex administrative procedures and insufficient legal support hinder innovation efforts.

- Skills Gap. Many SMEs lack access to skilled labor, particularly in technology and innovation management.
- Infrastructure Issues. Limited digital and physical infrastructure, particularly in rural areas, restricts the adoption of innovative practices.
- Informality. The prevalence of informal businesses limits access to formal support mechanisms, such as government grants or international funding.

3.2.2 Opportunities for Enhancing Innovation

- Government Support. Policies like tax incentives for innovation and grants for R&D can encourage SME growth and innovation. Programs such as the Albanian Investment Development Agency (AIDA) provide funding and support for SME development.
- International Collaboration. Participation in EU-funded programs like Horizon Europe or IPA (Instrument for Pre-accession Assistance) can boost innovation capacity.
- Digitalization Initiatives. Encouraging SMEs to adopt digital tools through training programs and subsidies can enhance productivity and competitiveness.
- Fostering Startups. Establishing innovation hubs and incubators can create a supportive ecosystem for startups and SMEs to innovate.
- Access to Finance. Expanding microfinance and venture capital opportunities can help SMEs invest in innovative technologies and processes.

In Summary, SMEs in Albania have immense potential to drive innovation and economic growth. While they face significant challenges, targeted investments in digital transformation, R&D, and supportive policies can unlock this potential. By fostering a culture of innovation, Albania's SMEs can become key players in regional and global markets, contributing to a more competitive and sustainable economy.¹⁰

4. Methodology

The research used for this topic is descriptive. Descriptive research is a scientific research method that aims to describe the characteristics of a phenomenon, population, or event without influencing them. This method is used to collect and analyze data that helps identify patterns, relationships, and trends. Descriptive research is an essential step in the scientific research process, as it provides a clear and detailed overview of the phenomenon being studied.

Data collection was ensured through:

- Surveys: The instrument used for this research is the questionnaire. The questions asked are related to the topic and each answer received is kept with complete confidentiality. The questionnaire is built electronically in Google Forms, but in specific cases, the face-to-face

¹⁰ <https://scantv.al/sa-inovative-jane-bizneset-ne-shqiperi-instat-rreth-42-9-e-ndermarrjeve-investuan-ne-inovacion/>

method was used. The questions are designed to obtain clear answers to achieve the objectives of the work.

- Observations: Observation of behaviors or events without intervention.
- Interviews: Structured or semi-structured questions to collect more detailed information.

The research includes these important steps:

- Identifying, evaluating, and synthesizing the existing body of completed and recorded work produced by researchers, scholars, and practitioners,
- Gathering existing information and creating a data inventory about SMEs, innovation, and business overview mainly from official web pages of INSTAT, Albanian Bank, Ministry of Innovation and ICT, etc.,
- Finding empirical data using survey technique.

In this study, SMEs operating in various sectors in Albania were chosen as the research population. Randomly selected 260 SMEs were taken as the sample of the research. Numri i There were about 141,300 active Small and Medium Enterprises (SMEs) registered in Albania during 2023. The vast majority of them, about 89.6%, are small businesses with annual revenues of up to 14 million leks. These businesses play an important role in the country's economic structure and represent the majority of economic activities in various fields such as trade and services. The rate of randomly selected sampling is 0.135%.

5. Data Analysis

Regarding gender, more than half of the respondents are female, about 62%, and the rest are male (about 38%).

The level of education is an important data point about the study conducted because to give the most valid opinion regarding SMEs and their impact on the economy, we need to have the greatest possible involvement of people who have a higher level of education. It is seen that the most respondents are those who have a master's degree in science and professional education, about 60%, we also have a bachelor's degree, about 30%, and a very low % is occupied by the doctorate and secondary education levels.

Regarding the profession of the interviewees, the most common profession is in hotel and hosting services with about 25%, followed by the profession of the economist with about 24%. Another common profession is that of IT (information technology) with about 18%, as well as real estate brokers with about 13%. Other categories found are Engineer 7%, Lawyer 5%, Teacher 6%, Doctor 2%. These are some of the most widespread categories in the SME environment in Albania.

In the selected sample, we have more small enterprises with 3-5 employees with about 34%, followed by enterprises with 1-2 employees with about 30%. Also, a considerable part is occupied by units with 5-10 employees (20%) and the remaining part with about 16% are with 10 or more employees.

Based on the activity of the year, we have 80% of respondents from 0-5 million, which is the majority of the responses. About 15% are units from 5-10 million and 5% from 10-14 million lek.

Throwing an overview of SMEs in the study, it appears that these organizations represent different characteristics in terms of type of activity. In the sample studied prevailed service businesses, 42%, followed by production businesses and businesses, 33%, and the other 25%. Regarding the age of the business, 42% of businesses in the study are aged 10 years, 27% have less than 5 years of operating in the relevant area, and the rest have an age over 10 years.

Regarding the policies that the government should follow to increase the opportunities for SMEs to strengthen and grow, the dominant response was support with various government grants, (around 35%). Increasing grants increases the number of interested parties who do not have the financial means to start a new business initiative. Also, another alternative chosen is that of directing funds to regulate the infrastructure where small businesses will operate, around 25%. The creation of infrastructure enables businesses to carry out their activities without problems in terms of providing goods and services to their clients.

Around 16% expressed their opinion regarding the creation of new opportunities by the government for the introduction of new business typologies. This option has more to do with attracting and introducing new technologies into the country, to enable the performance of some additional services. Another chosen alternative is favorable tax and monetary policies to encourage employees to choose an SME rather than a large business as an employment alternative (around 14%).

46.57% of SMEs spend 1-5% on R&D of the overall capital. 70.0% of SMEs operating in the service sector spend 1-5% of the total capital for R&D. From the above data it is concluded that SMEs operating in trade spend less for R&D compared with SMEs operating in the service sector or production.

According to the results of the study, the strategic orientations of SMEs operating in Albania are:

- Being alert to market changes (analyzers); 75% of selected SMEs responded strongly agree/agree.
- Careful analysis of the competition (analyzers); 80% of selected SMEs responded strongly agree/agree.
- Being ready to embrace market innovations (analyzers) 53, 3% of selected SMEs responded strongly agree/agree.
- To protect current market share (defenders); 55, 3% of selected SMEs responded strongly agree/agree.
- To always produce new products dictated by market needs; (prospectors) 22, 4% of selected SMEs responded strongly agree/ agree.

When asked about the type of innovation they engage in most, the interviewees answered as follows:

- We strive to be one step ahead of the competition in terms of product/service. (product innovation) 45% of selected SMEs responded yes.
- We constantly make changes to our products/services in terms of design, packaging, or changing features. (marketing innovation) 70% of selected SMEs responded yes.
- We have introduced new distribution or sales methods, such as online sales, franchise, direct sales, or distribution licenses (marketing innovation); 73,3% of selected SMEs responded yes.
- We are committed to creating reciprocal relationships with other firms, governmental or non-governmental organizations., and creating alliances or partnerships; (organizational innovation) 53, 3% of selected SMEs responded yes.

Barriers limit the desires of owners/managers for growth, they undermine growth goals, increase doubts about growth, but they also increase incentives for growth. (Anisa-Kume, 2015) When asked what barriers they think prevent them from innovating in their businesses, the answers were as follows:

- High costs for innovation (internal barrier); 57% of selected SMEs responded strongly agree/ agree.
- Instability in markets and unfair competition (external barrier); 60% of selected SMEs responded strongly agree/ agree.
- Ease of copying the innovation or fake products (external barrier); 80% of selected SMEs responded strongly agree/ agree.

6. Results And Recommendations

Based on the data analysis and the literature studied for this paper, we can draw some conclusions and recommendations:

SMEs are an important engine for the country's economic growth. Albania's future growth requires a stronger and more sustainable economic model.

Albania's economic growth model needs greater investments in human capital training, firm productivity, sustainability, and public finances to improve citizens' living standards and encourage qualified and talented people to stay in Albania.

Among the policies that the government can pursue to favor the growth of SMEs and the internationalization of small and medium-sized units are:

- Increasing financial incentives with grants and favors with other specific projects related to SMEs that are new and at the beginning of their business path.
- Introducing new technologies related to strengthening existing SMEs and favoring new ones. An example would be, enabling individuals to use solar energy and sell it on the network, using lands that may be empty.

- Improving infrastructure by enabling businesses to carry out their activities better and at lower costs.

SMEs in Albania tend to be analyzers and defenders. They study the market and competition and try to respond to market signals promptly. The innovation initiatives that Albanian businesses have been most engaged in in the last five years are marketing, service, and organizational innovation. Regarding the renewal of the production process or the launch of new products on the market, Albanian SMEs are less interested. This is also due to the high costs that would be required in this case.

The main internal/ external barriers for SMEs operating in Albania include high economic costs for innovation, market instability, unfair competition, the simplicity of copying innovation, fake products, etc. High innovation costs were among the "most important" barriers to the answers given by SMEs.

Being innovative for SMEs means a process that requires the engagement of more resources, therefore the risk associated with innovation and loss of invested resources should at least be rewarded with the guarantee and the right to exercise innovation only for firms who possess this right.

To increase the productivity of Albanian firms, it is necessary to improve the business environment, strengthen innovation, and deepen the process of integrating Albanians into the global economy.

In addition, the relevant institutions must assist businesses in protecting copyright, financing and promoting innovations, fair competition, etc.

On the other hand, corruption indirectly involves business, and frequent changes in legislation undermine investor confidence.

But for the business climate to improve, it is important to increase trust in the state, which remains the strongest indicator of their security, proportional treatment and a strong motive for applying the will of entrepreneurship, also a guarantor of the free market economy.

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Explaining the Role of Cleavages in the Political Realignment of the Electorate: A Literature Overview and Highlighting the Importance of the Contextual Factors

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Abstract: This paper provides a literature overview on the role of cleavages in the transformative dynamics of political realignments of the electorate and for (re)shaping party systems. Drawing from the key theoretical perspectives – the *bottom-up approach*, the *top-down perspective*, and the one that emphasizes the importance of *mezzo-structures* - the analysis includes the dual influence of socio-economic shifts and the strategic mobilization efforts of political actors in shaping political divisions. By integrating historical, institutional, and socio-cultural contexts, the paper highlights the conditions in which cleavages can translate into structured political alignments. The main argument here is that the interaction of diverse factors and the context (historical, social, political-institutional, economic, cultural) where different societies are located is essential to explaining the type of divisions that might emerge and evolve within their electorate. The discussion offers an interdisciplinary synthesis that underlines the importance of contextual factors in understanding the emergence and salience of certain political divisions across diverse democratic settings.

Keywords: Political cleavages, electorate realignment, the bottom-up perspective, top-down perspective, mezzo-structures, party systems, socio-political context.

I. Introduction

The changes in the social structure, together with new critical junctures created in the setting of European-Western societies during the 1960s-1970s, are taken by many authors as a basis to explain the origin of new social cleavages that have shaped the character of (new) political divisions within these societies. Thus, it has been argued that the conditions of social transformations that had taken place within European-Western societies had created new structural potentials, which were then mobilized by political actors, according to the *bottom-up perspective* that emphasizes the 'socio-centric' factors and the social structure as a source of interests, beliefs,

and values of groups for the explanation of new political divisions within the electorate and in subsequent party system change. However, regarding the explanatory potential of the cleavages (as a product of the social structure and critical junctures related to major transformations in it) for the political realignment of the electorate and the party system change, authors such as Pierre Martin (2000) can be said to see: “Political potentials resulting from a changing social structure do not translate directly into new antagonisms within the party system due to the force of existing alignments and the freezing of party systems along historical divides. The established parties will seek to avert the entry of new parties by responding to new potentials within the electorate, within the limits set by their historical position. The adaptation of the existing structure of conflicts to new potentials is the central focus of the theory of political realignments, which is situated at an intermediate level of analysis. The weakening of prevailing alignments and the emergence of conflicts cutting across a prevailing cleavage makes electoral coalitions, united by virtue of a cleavage, break apart and opens the way for the establishment of new links between social groups and political parties.” (Cited in Bornschier, 2009: pp. 4-5).

Thus, in comprehending the new political divisions (antagonisms) that appear in new realignments between social groups and political parties, an increasing focus in the literature on cleavages begins to be placed on the role of political agents and agencies as a counter-balancing force¹¹ in the formation of (or even in preventing the appearance of) new cleavages in the party systems. The debate that arose among different authors from the end of the 1960s¹² regarding the explanation of political alignments [*the establishment of new links*] between social groups and political parties basically concerns the conception of the nature of political divisions and of the forces that determine their formation in the political landscape.

II. A review of theoretical perspectives in the explanation of the formation of cleavages and political divisions of the electorate

Geoffrey Evans and Stephen Whitefield have best explained the essence of this debate in the literature regarding the explanation of political divisions within the electorate: “two sorts of questions are central to explanations of the character of political divisions. First, why do political divisions arise; who or what creates them?” (2000: 8). From a cleavage perspective, in order to comprehend their formation and the impact they have on shaping the behavior of the electorate [or in the political realignments of social groups], an important distinction must be made, on a theoretical and analytical level, between two different conceptions (social and political) of the

¹¹ But also as an independent force that can affect in itself the formation of new cleavages by politicizing policy issues/dimensions and mobilizing electoral support around them, according to the explanation of the top-down perspective (See below in the explanations by Sartori (1969), Przeworski (1985), Przeworski and Sprague (1986).

¹² Shortly after the publication of the mentioned study by Seymour Martin Lipset and Stein Rokkan (1967), “*Cleavage Structures, Party Systems and Voter Alignments: An Introduction*”.

concept in the literature. About this dual conception of the cleavage concept, Bartolini and Mair present the discussion on the issues of cleavage research in this way:

“The essential problem with the concept of cleavage lies in its intermediate location between the two main approaches to political sociology: that of social stratification and its impact on institutions and political behaviour, on the one hand, and that of political institutions and their impact on social structure and change, on the other. At the level of individual empirical research the two approaches are often mixed; at the theoretical and analytical levels, however, the synthesis is clearly difficult, and for this reason the concept of cleavage is often reduced ‘down’ to that of ‘social cleavage’ or raised ‘up’ to that of ‘political cleavage’” (1990: 215).

Thus, in their discussion, Bartolini and Mair evidence the *social conception* of the formation of cleavages [the influence of social structure and social stratification on the behavior of the electorate] and their *political conception* [when they highlight the explanatory power of political institutions and actors as factors that affect political realignment of groups]. Here, we have the “clash” between two different perspectives in explaining the formation of cleavages and their impact on the formation of political divisions in the electorate. One perspective (*the bottom-up approach*) emphasizes the social structural factors and critical junctures as the basis for the formation of cleavages and shaping of the political conflict in society. The other approach (known in the literature as the *top-down perspective*) shifts the methodological focus to the role (voluntarism) and mobilizing strategies of political actors and their strategic choices to explain the dynamics of evolution and the salience of cleavages that define political divisions within the electorate. Authors such as Evans and Whitefield (2000), in reference also to the study of Lipset and Rokkan (1967), distinguish a third (conceptual) analytical category regarding the formation of cleavages, referring to the *role of mezzo-structures* in translating social differences into structured political divisions between groups. Before explaining these perspectives or conceptual frameworks about the emphasis they place on the formation of cleavages and the character of political divisions within the electorate, it is important to highlight that they function rather as ideal types if we use Max Weber's term (model), with their lines of explanation that have mutual interaction and often overlap each other. As Evans and Whitefield point out: “though it is worth emphasising, as Bartolini and Mair do, that in practice the lines between these are blurred and many accounts are likely to be hybrid in character” (2000: 9).

The bottom-up approach, which we have already referred to in the book here, emphasizes the socio-centric factors for cleavage formation (or their social conception) and the explanation of political divisions [structuring of the vote] within the electorate. Most preferred in the analyses and explanations of sociologists and political sociologists, this approach “holds that political cleavages are shaped ‘bottom-up’; social divisions derived from different locations in occupational, religious, ethnic or linguistic structures are argued to influence political interests, values and party preferences” (Evans & De Graaf, 2013: 4). “In this view basic social identities of class, religion, gender, and ethnicity cannot be created or manipulated at the whim of politicians;

instead, these reflect deep-rooted cultural phenomena arising from enduring sociological processes” (Norris, 2004: 101). In this approach's reasoning, "sociological" factors are primary for explaining the character of political divisions. This is because it is based on the presupposition that voters' social characteristics, interests, and values that originate from their position within the social structure [or social stratification] have an independent explanatory effect on voting behavior. Its focus is on the demand side of politics, at 'the bottom', in studying voters' alignment [or realignment] to specific political parties.

On the opposite side of the above explanations is the *top-down perspective*, which is based on the general assumption that “individual voting behaviour is an effect of the activities of political parties” (Sartori, 1969; Przeworski, 1985; Przeworski and Sprague, 1986). This perspective focuses on the role of political actors, their strategic choices [*party choice thesis*¹³], and political institutions¹⁴ as essential for the emergence and salience of political cleavages that condition voters' electoral choices. According to this perspective, “the extent of social divisions in political preferences derives from political actors and their strategic positioning along dimensions of ideology or values. The focus is primarily on the extent to which parties take differing positions along these dimensions and thus shape voters’ political choices¹⁵” (Evans & De Graaf, 2013: 5). In this logic, the focus of this approach's explanation is shifted to political parties' mobilization strategies and political actors' (strategic) role in politicizing issues/cleavages, which then influences the electorate's behavior. In the article “*From the Sociology of Politics to Political Sociology*” (1969), [published two years after Lipset and Rokkan's study (1967), “*Cleavage Structures, Party Systems and Voter Alignments: An Introduction*”], Giovanni Sartori would claim that “is not so much social divisions within society that have caused the birth of certain political parties, but rather that parties have functioned as inspiration and fuel for the politicization of specific social cleavages within society. Sartori also emphasized that parties play an important role

¹³ See in Evans, Geoffrey & Nan Dirk De Graaf, “*Explaining Cleavage Strength: The Role of Party Positions*”; and Jansen, Giedo & Geoffrey Evans & Nan Dirk De Graaf (2013), “*Class voting and Left-Right party positions: A comparative study of Fifteen Western democracies 1960-2005*”. In Evans, Geoffrey & Nan Dirk De Graaf (ed.) (2013), “*Political Choice Matters Explaining the Strength of Class and Religious Cleavages in Cross-National Perspective*”.

¹⁴ Within the “*top-down*” perspective, various authors have often emphasized the role of institutions that structure/determine the rules of political competition, such as systems of government [presidential or parliamentary systems] and the electoral laws, which “generates 'hard' incentives and opportunities for particular patterns of behavior by voters and the mobilizing strategies pursued by political parties. For a elaboration of the arguments on the influence of institutions on patterns of behavior by voters and on the party electoral strategies, see also in Evans, Geoffrey & Stephen Whitefield (2000), “*Explaining the formation of political cleavages in post-communist democracies*”; Norris, Pipa (2004), “*Electoral Engineering: Voting Rules and Political Behavior*”.

¹⁵ For example regarding the explanation of class voting, from a party choice [top-down] perspective: “class voting is not only a consequence of the strength of the class divide in societies, but is also conditioned by the extent to which political parties are seen to be associated with the interests of different social classes... In this respect the strength of class voting is conditioned by the extent to which political parties present themselves as representatives of working-class interests, and the extent to which they incorporate class-related issues in their political messages”. Cited in Jansen, Giedo & Geoffrey Evans & Nan Dirk De Graaf, (2013), “*Class voting and Left-Right party positions: A comparative study of Fifteen Western democracies 1960-2005*”, pp. 49-50. For a similar argument given, see also in Kitschelt, Herbert (1994), “*The Transformation of European Social Democracy*”.

when it comes to intensifying or politicizing cleavages that from a social perspective might be in decline” (Cited in von Schultz, 2017: 33). According to Giovanni Sartori's standpoint, the role of political actors and, specifically of the parties, is essential in the process of the translation and transformation of social differences into political divisions, and in the structuring and channeling of the latter in the party system around one or several (very few) main dimensions¹⁶, such as the left-right voting, or the value-based dimension [libertarian/authoritarian]. “Something or someone must be responsible for taking differences at work or in the community and transforming them into structured divisions that unite large groups of people who are in many other ways heterogeneous on the basis of their political outlook and behavior. No idea has ever made much headway without an organization behind it...” (Sartori 1969: 85; Cited in Evans & Whitefield, 2000: 13). A similar argument regarding the role and importance of political parties in the salience of cleavages and structuring political divisions on their basis, is also advanced by Adam Przeworski in his book *“Capitalism and Social Democracy”*. Przeworski, in a straightforward way, states that:

“Class, ethnicity, religion, race or nation do not happen spontaneously, of themselves, as a reflection of the objective conditions in the psyches of individuals... People become conscious of social relations in the realm of ideology, individuals become aware of conflicts of interest at the level of ideology... Individual voting behavior is an effect of the activities of political parties. More precisely, the relative salience of class as a determinant of voting behavior is a cumulative consequence of strategies pursued by political parties of the left.” (1985: 99-101).

Thus, it is explained that it is not the social differences in themselves (determined by position within the social structure) and the conditions derived from them that shape the voting behavior and political divisions within the electorate but the politicization of social relations by the choices and strategies pursued by politicians that make the difference in the evolution and salience of cleavages. To reinforce this idea, [a year later] Przeworski and John Sprague (1986) would point out again that the basis of cleavage politics is not an inevitable sociological process: instead, political actors create, reinforce, and maintain the links between political parties and social groups, within the context of institutional arenas, social structures, and cultural histories that constrain the strategic alternatives facing politicians. Zsolt Enyedi, in the same vein, argues that “interpretative frameworks of the political elites decisively influence whether differences of interests are perceived as social conflicts” (2005: 699). Thus, the logic of these arguments presupposes that political parties not only react to or reflect the interests of the social groups they claim to represent, but they can also shape and construct the links [also with other groups] depending on the new

¹⁶ Regarding the predominantly one-dimensional structure of party systems that characterizes many democratic countries, Giovanni Sartori in a illustrious passage on his book *“Parties and Party Systems”*, states that: “When the citizen speaks, he may have many things to say. But when he is coerced into casting a ...vote, he may well have to ...vote for the party ...perceived as closest on the left-right spectrum” (1976: 338). Thus, despite the multidimensionality of issues, opinions, and interests that can characterize the preferences of citizens (voters) when they vote, in fact, the supply side or the policy alternatives offered to them by the political parties always tend to gather around a one or two-dimensional structure [quite limited], such as the left-right schema or the value-based dimension (or even from the alternatives of ethnic parties in societies that are characterized by deep ethnic divisions within them).

political potentials that may arise or the calculations they can make for their electoral success. Thereby, the authors [within top-down perspectives] take political parties as an independent variable with strong explanatory power regarding policy issue choices, electoral campaigns and political party competition” (Colomer & Puglisi, 2005: 3). The cornerstone of the explanations within this conceptual framework is the actions and strategies pursued by political parties [for the politicization of certain political issues or dimensions, the polarization around divisive issues, and the mobilization of the electorate on their basis]. The framework's focus is on the supply side of politics as an explanatory power for the electoral choices made by voters. “Elites and institutions in combination or separately from each other are sufficiently powerful – and indeed, in the absence of civil society may be thought as overweening – to be able to shape the nature of divisions within the electorate” (Evans & Whitefield, 2000: 20). In short, to summarize the idea according to this approach, the electoral salience of traditional cleavages is neither a response to changes in the supply side of party politics [that are the different party mobilizing strategies] (Sartori, 1969).

Regarding the third conceptual framework or category of factors that shape divisions within the electorate, it emphasizes the importance of organizations that stand in the intermediate space between individuals and the state for shaping political divisions within the electorate in structured ways. “A number of authors have emphasized the importance of ‘mezzo-structures’ or the character of ‘civil society’ - which we put in a third category - comprised of organizations that stand between society and the state and elites... [These] organizations are connected more or less directly to these social units - trade unions, for example, are examples of societal organizations, as are community associations, local church groups, sports groups, etc.” - (Evans & Whitefield, 2000: 10), which can translate social differences into structured political divisions between groups. According to this strand of the literature, civil society organizations [mezzo-structures] are important because by providing platforms for the protection of issues/articulation of specific interests of groups, they can mobilize electoral support and raise (collective) consciousness within the groups in question. In a particular manner has been emphasized the capacity of the trade unions which, with their organizational resources and mobilizing capacities, have been able to foster solidarity and build identities and political awareness between working-class communities, thus ensuring also [stable] political support from them. In contrast, the absence of mezzo-structures [or the weakness of these intermediate organizations in certain societies] has been argued that has inhibited the formation of social identities from which political interests and allegiances might develop in their political landscape (Smolar, 1996; Evans & Whitefield, 2000: 18). What is important to highlight for the approach that emphasizes the role of mezzo-structures for the development and the salience of cleavages is that it, in a similar manner to the top-down perspective, focuses on the “centrality of organizations and the resources required to structure difference into division, and these are likely result from the activities of groups that are already highly organized and have access to political power and resources... A number of different organizations might accomplish the task of turning social difference into structured political [cleavages] division” (Evans & Whitefield, 2000: 14).

III. The Importance of Context in Explaining the Factors that Structure Political Divisions

Regarding the explanatory power of the factors dividing the electorate and that shape the patterns of its partisanship, within the literature developed on cleavages, many authors tend to emphasize in their analysis the interactions between the various elements of the three conceptual frameworks mentioned [the *bottom-up approach*, the *top-down perspective*, and the one that emphasizes the importance of *mezzo-structures*], as well as the specific context of societies. The interaction of diverse factors and the context (historical, social, political-institutional, economic, cultural) where different societies are located is essential to explaining the type of divisions that might emerge and evolve within their electorate. Furthermore, perhaps even more important to emphasize concerning the importance of context is that it is essential to comprehend why social differences [derived from social structure], also in societies in the same conditions of social-economic development, are translated in different ways into politics in their settings. Peter Mair makes such an argument when he points out in his analysis the notable differences in class voting [cleavage] between different countries: “You simply cannot explain differences in voting preferences from a purely class point of view—or even from a purely social-structural point of view... you need to look at the political and institutional context in which this competition takes place. All of these factors will help to explain why social structure translates into politics differently from one country to another” (Cited in Evans & De Graaf, 2013: vii). Only by taking into account the context and specific conditions of each country's transformations, which often also include elements of path-dependency in the evolving of politics, we can better grasp the emergence and salience [or not] of certain cleavages, the patterns of voting behavior between social groups, and the types of linkage strategies that might develop between political parties and voters in a given society.

Such an eclectic approach in explaining and predicting the structuring of political divisions within the electorate, it can be said that Seymour Martin Lipset and Stein Rokkan also had in their study [*“Cleavage Structures, Party Systems and Voter Alignments: An Introduction” (1967)*], which served as an inspiration [or at least as an important reference] for all subsequent literature and empirical research on electoral studies. As Evans and Whitefield have pointed out: “Their explanation [from Lipset dhe Rokkan] of the character of political divisions contains a number of the elements already outlined, including elite interests, patterns of development of ‘civil society’ - though they do not use this term directly - and in particular broad patterns of social division arising from general patterns of historic development” (2000: 10). The trajectories of the historical development of countries, social-economic transformations, and specific critical junctures created as a consequence of them are important factors that influence the nature and dynamics of political processes, including the shape of political divisions that emerge in their settings. The importance of historical-sociological [or macro-sociological] factors is given in the approach of Lipset and Rokkan by emphasizing the context of each country to explain the emergence of political divisions in their setting. As they emphasize:

“Much will depend, of course, on the timing of the crucial steps in the building of the nation; territorial unification, the establishment of legitimate government and the

monopolisation of the means of violence, the take-off towards industrialism and economic growth, the development of popular education, and the entry of the lower classes into organised politics. Early democratisation will not necessarily generate clear-cut divisions on functional lines. The initial result of a widening of the suffrage will often be an accentuation of the contrasts between the countryside and the urban centers and between orthodox-fundamentalist beliefs of the peasantry and the small-town citizens and the secularism fostered in the larger cities and the metropolis” (Lipset & Rokkan, 1967: 12).

Although the emphasis in this explanation remains on sociological factors as the main forces that determine divisions within the electorate, Lipset and Rokkan continue the line of reasoning in their approach by expanding the range of factors that influence the formation of political cleavage within the electorate, by also including elements of other perspectives that emphasize the role and strategies of actors and political organizations. As such, their approach can be considered eclectic as it integrates within it “a range of considerations, reflecting also “top-down” and *mezzo*-level concerns” (Evans & Whitefield, 2000: 11) in the process of translating cleavages into political divisions and channeling them into the country's party system. In this manner, Lipset and Rokkan have argued:

“But cleavages do not translate themselves into party oppositions as a matter of course; there are considerations of organizational and electoral strategy; there is the weighing of pay-offs of alliances against losses through split-offs; and there is the successive narrowing of the 'mobilizational market' through the time sequences of organizational efforts... First, we must know about the *traditions of decision-making* in the polity... Second, we must know about the *channels for expression and mobilization of protest*.... Third, we need information about *the opportunities, the pay-offs, and the costs of alliances in the system*... Fourth, and finally, we must know about *the possibilities, the implications, and the limitations of majority rule* in the system. (1967: 26-27; See also in Evans & Whitefield, 2000: 11-12).

Thus, the approach developed by Lipset and Rokkan can be considered in general as eclectic and integrative, which is not based on a single set or particular type of factors [sociological] as causal explanations [or independent variables] for the cleavage formation and the shaping of political divisions in a particular society. Their approach, although it takes as a starting point the (historical) processes of social transformations and critical junctures for the formation of cleavages, also includes the political elites, organizational and institutional factors as important mechanisms in the structuring of interests and the salience of cleavages that determine political divisions within the electorate. To comprehend the role that these factors (in interaction with each other) play in translating social differences between social groups with certain identities and interests into specific voting behavior, the attention must be focused on the context and trajectories of each country's historical development. This because, countries' legacies and patterns of historical development, along with those that can be identified as critical junctures due to [major] social

transformations, significantly affect the dynamics and nature of the political processes that occur in their settings.

IV. Conclusion and Discussion

The concept of (social) cleavages and its relationship with policy issues and political parties has been one of the most extensively studied subjects in comparative political science since at least the 1960s (Colomer & Puglisi, 2005: 502), after the publication *Cleavage Structures, Party Systems and Voter Alignments: An Introduction*, by Seymour Martin Lipset and Stein Rokkan. In particular, different authors have highlighted the *social conception* of the formation of cleavages [the influence of social structure and social stratification on the behavior of the electorate] and the *political conception* of cleavages [when they highlight the explanatory power of political institutions and actors as factors that affect political realignment of social groups]. These also constitute the two main theoretical frameworks – the *bottom-up* and the *top-down* perspective – for the explanation of the role of cleavages in shaping political divisions of the electorate. The bottom-up perspective highlights how socio-economic transformations and critical junctures lay the groundwork for new cleavages. Conversely, the top-down approach stresses the agency of political actors and institutions in politicizing and sustaining these divisions. This paper emphasizes that the formation and salience of cleavages are neither solely determined by socio-structural conditions or by the role of political actors and institutions. Instead, these divisions emerge through a complex interaction of historical trajectories, political legacies, socio-economic transformations, and strategic actions by main political actors. The argument put forward here is that the interaction of diverse factors and the context (historical, social, political-institutional, economic, cultural) where different societies are located is essential to explaining the type of divisions that might emerge and evolve within their electorate. The variability in the translation of social differences into salient political divisions across diverse countries (even in those with a similar institutional structure for almost 5 decades during their communist period, as is the case of the Czech Republic and Slovakia¹⁷), affirms the critical role of contextual factors, such as their historical development trajectories, institutional frameworks, and socio-political legacies.

¹⁷ See in Evans, Geoffrey & Stephen Whitefield (1998), “*The Structuring of Political Cleavages in Post-Communist Societies: The Case of the Czech Republic and Slovakia*”, pp. 115-139.

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Online shopping vs. Offline shopping. A case study of *Company X*

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Abstract: This study is focused on analyzing consumer behavior in relation to online and offline purchases, with a particular emphasis on Company X. In an era where technology and e-commerce are rapidly developing, understanding the factors that influence the choice between online and offline shopping is crucial for formulating effective strategies and optimizing sales performance.

The aim of this study is to provide an in-depth overview of the factors that affect consumer behavior toward these two forms of shopping and to analyze how these influences contribute to the determination of consumer preferences. Through a detailed analysis, the study will examine the impacts of digital and traditional marketing on customer behavior, as well as identify the difficulties and challenges faced by the online sales channel.

The methodology used in this study includes a combination of data from primary sources, such as interviews and surveys with consumers, and secondary sources, such as industry reports and academic literature. Data analysis will focus on identifying the key factors that influence the choice between online and offline shopping, including the impact of technology, customer experience, and marketing practices.

The results of this study will provide a clear insight into how consumers interact with different sales platforms and will help identify new strategies to increase online sales figures for Company X. In conclusion, this study will offer valuable recommendations for improving the company's performance across both sales channels and for adapting marketing strategies to better meet consumer needs and expectations.

Kew words: Consumer behavior, Online and offline purchases, Company X, E-commerce, Marketing strategies, Data analysis

1. Introduction

The primary objective of this study is to understand how *Company X* can improve its sales strategy by focusing more on online purchases.

This study delves into a comprehensive analysis of the challenges and opportunities faced by *Company X*, a leader in the DIY (Do It Yourself) sector in Albania, as it seeks to enhance its sales strategy by shifting emphasis to the e-commerce channel. This research is set within the broader context of rapid technological and economic changes, where the swift rise of online commerce has prompted many companies to remodel their operations, including sales, marketing, and customer experience.

Founded in 2009, *Company X* is one of the leading retailers in the construction and home improvement products market in Albania. With over 15 years of experience in the market, *Company X* has continuously expanded its product and service offerings, incorporating online shopping as a key channel for further company growth. This channel was embraced by the company in recent years, in line with global trends in consumer behavior towards online shopping.

One of the main factors driving the growth of this channel was the COVID-19 pandemic, which dramatically changed consumer behavior, pushing them toward online purchases. Despite these shifts, offline shopping continues to play a crucial role, offering benefits such as direct interaction with products and the in-store shopping experience, which remains a preference for some consumers. Thus, *Company X*'s main challenge is to find the right balance between the two sales channels and optimize each of them to maximize market potential.

Commerce dates back to prehistoric times. Early humans exchanged goods and services with one another long before the concept of modern money emerged. Today, commerce is merely a subset within a complex system of companies striving to maximize profits by offering products and services in the market (which consists of both individuals and other companies) at the lowest possible production cost. This has been made possible through globalization, driven by technology and online shopping.

As the world becomes more interconnected, with raw materials for a product sourced from one continent, production taking place in another, and products available for sale globally, this model can only be realized thanks to the mass development of technology and the internet in recent decades.

Albanian society has made significant strides toward these developments, and people are now increasingly focusing on the development of online platforms for buying and selling, as well as marketing their products.

Online shopping is a form of e-commerce that allows consumers to buy goods or services directly from a seller via the internet using a web browser or mobile application.

In contrast, physical shopping is a traditional method of purchasing goods or services by visiting a store or seller in person.

The key difference between traditional (offline) shopping and online shopping is that online purchases offer greater convenience, allowing you to shop anytime and anywhere, whereas offline shopping may take more time but allows you to see and physically touch the items you are purchasing. This topic will be further discussed in the following sections, exploring the changes between these two forms of shopping and the benefits of each.

1.1 Purpose of the Study

The purpose of this thesis is to explore and analyze the key factors influencing consumer behavior during purchases at *Company X*, by comparing online and offline shopping methods. The study aims to better understand consumer preferences, their motivations, and the obstacles they encounter when choosing one channel over the other.

1.2 Objectives of the Study

The objectives of this study are formulated to provide a deeper understanding of consumer behavior dynamics in the context of online and offline shopping, as well as to analyze the factors influencing company performance in these two markets. Below are the main objectives of the study in more detail:

- **To investigate the concept of online and offline shopping in general:** This objective aims to analyze the fundamental characteristics of both shopping methods, including the advantages and disadvantages of each. Aspects such as practicality, convenience, security, and flexibility offered by online shopping, compared to the personalized experience and direct engagement with the product that occurs in offline shopping, will be examined. This inclusion will lay the foundation for a clear understanding of both markets.
- **To evaluate a clear reflection of customer preferences between online and offline shopping:** This objective focuses on analyzing consumer preferences. The study will explore the factors influencing their decisions to choose one shopping method over another. Aspects such as user experience, cost, ease of use of platforms, as well as socio-economic and demographic factors that affect these preferences will be considered.
- **To analyze how online shopping impacts physical shopping and vice versa:** This objective will examine the interactions between these two forms of commerce. In particular, phenomena such as "showrooming" (consumers viewing the product in-store and then buying it online) and "webrooming" (consumers researching online and purchasing the product in-store) will be analyzed. These phenomena will be explored to understand how they affect consumer behavior and company strategies.
- **To analyze the factors influencing the growth of online sales at *Company X*:** Focusing specifically on *Company X*, this objective aims to identify and analyze the factors that have

contributed to the growth of the company's online sales. Elements such as technological improvements in the e-commerce platform, digital marketing strategies, brand trust, as well as the effects of the pandemic and changes in consumer behavior, will be addressed.

- **To present the results and draw conclusions based on the analysis conducted:** This objective aims to summarize and analyze the data collected during the study to offer a clear conclusion about consumer trends and preferences in online and offline shopping. At the end of the study, important recommendations will be drawn for *Company X* and for the retail industry in general, including suggestions on strategic improvements that could help companies improve their services and increase both online and offline sales.

1.3 Research Question:

What are the key factors influencing consumer behavior regarding online and offline purchases at *Company X*?

Sub-research Questions

- a) How does consumer behavior influence the choice between online and offline shopping methods?

This sub-question aims to analyze which psychological, economic, and technological factors influence consumer preferences for choosing one shopping channel over another.

- b) How do digital and traditional marketing methods impact customer purchase decisions?
The aim of this sub-question is to compare the impact of digital and traditional marketing strategies on consumer behavior, to understand which promotional methods are most effective in boosting sales.
- c) What are the main challenges faced by the online sales channel, and what changes can be implemented to increase online sales compared to offline sales?
This question focuses on identifying the obstacles and difficulties in increasing online sales and suggesting concrete measures to improve the performance of the online channel in relation to physical sales.

1.4 Hypotheses

Main Hypothesis:

H₁: *Company X* consumers prefer online shopping more than offline shopping. This hypothesis aims to test whether online shopping is preferred by the company's consumers compared to physical shopping in stores.

Related Hypothesis:

H₂: The improvement in the quality of online services leads to an increase in online department sales.

1.5 Study Limitations

This study is limited to the retail *Company X*. Due to time constraints, the inability to identify all businesses, and monetary costs, this study cannot be conducted across all of Albania.

Additionally, not all companies operating in the online-offline sales market may provide access to real sales data for each form of shopping.

The limitations of a study are factors that can impact the results, accuracy, and generalization of its conclusions. Some limitations for this study are:

- a) **Generalization of Results:** If the study focuses on only one specific company, such as *Company X*, the conclusions may not be generalizable to other retail companies, especially those operating in different industries or countries. The factors influencing online sales success for *Company X* may not be the same for other companies.
- b) **Sample Size and Diversity of Respondents:** If the data is collected from a small group of consumers or a sample that does not fully represent the market's diversity, the results may not be representative of all consumer categories. Preferences for online and offline shopping may vary by age groups, economic status, culture, and geographical location.
- c) **Technological Trends and Changes in Consumer Behavior:** In online and offline commerce, technology changes rapidly, and consumer behavior may change quickly due to new technological developments, changes in commerce platforms, or external factors such as pandemics. The study's conclusions may only be valid for a specific period of time.
- d) **Difficulty in Measuring External Factors:** Factors such as marketing, social media influencers, or broader economic factors like inflation, which may influence consumer choices for shopping, can be difficult to measure accurately. These factors may create uncertainty regarding the impact of online and offline shopping.
- e) **Budgetary and Time Constraints:** The limited time available for conducting the research and possible funding for data collection may impact the depth and accuracy of the analysis, limiting the number of participants or advanced data analysis tools.

2. Literature Review

2.1 Defining the context

The growth of e-commerce has brought about profound changes in the way consumers approach the buying process. In recent years, the widespread use of smartphones and other electronic devices has made online shopping more accessible and commonplace than ever before. Consumers can now explore and purchase products from anywhere at any time, using the internet to compare prices, read reviews, and place instant orders.

However, even with the noticeable rise in online shopping, physical shopping remains a preferred option for many consumers. Physical stores continue to attract buyers who want to see and touch the products before making a purchase. This process provides consumers with an immediate and tangible sense of the product, as well as the opportunity to ask questions and receive advice from salespeople.

In Albania, while there has been a noticeable increase in the use of online platforms for shopping, in-depth studies on the changes in consumer preferences between online and offline shopping are still limited. However, it is clear that businesses in the country are experiencing significant impacts from these changes and are adjusting their strategies to take advantage of the opportunities provided by e-commerce.

This literature review aims to explore the differences between online and offline shopping and identify the factors influencing consumers' decisions to choose a particular shopping channel. It will also examine the theories and conclusions drawn from various studies conducted by authors in different parts of the world. These studies offer deeper insights into the impacts of technology, consumer preferences, and the various ways businesses are addressing the challenges and opportunities of today's market.

2.2 Concept of Online Shopping and Offline Shopping

Online shopping involves the process of purchasing and selling goods or services through the internet, a practice that has gained significant popularity in recent decades. This process is often conducted through e-commerce platforms, which can be individual online stores, trade platforms, or online marketplaces. The terms "e-commerce" and "electronic commerce" are used to describe this type of trade, and they encompass several different forms:

- **B2C (Business-to-Consumer)**: In this model, businesses offer products and services directly to individual consumers. This is the most common form of online shopping and includes everything from various retail stores to online subscription services.
- **B2B (Business-to-Business)**: This model involves transactions between businesses. Companies buy and sell products and services to other businesses, such as purchasing manufacturing materials or technology services for internal use.
- **C2C (Consumer-to-Consumer)**: In this form, individuals sell products or services to other consumers.

The growth of online shopping is closely tied to advancements in technology and increased internet access. Participants in this market have benefited from improvements in technology and infrastructure, including advancements in online security, payment systems, and transportation technologies that enable fast product delivery.

Offline shopping involves the traditional process of buying and selling that takes place through physical channels. This includes brick-and-mortar stores, trade fairs, and face-to-face interactions where consumers can engage directly with the products and services they are purchasing. This

model, also known as "traditional retail," has existed for centuries and remains a significant form of commerce.

In offline shopping, buyers have the opportunity to see, touch, and test products before making a purchase. This physical connection and direct experience often provide a sense of security and trust that can be harder to achieve in an online environment. Moreover, offline shopping can involve personalized interactions with salespeople, which can assist in consumer decision-making.

Although there has been a noticeable increase in online shopping, many businesses still rely on traditional channels to reach their customers. These channels offer unique benefits, such as the ability to create a personal connection with consumers and provide a shopping experience that may not be fully replicable in a digital environment. The influence of technology and changes in consumer behavior continue to shape and transform the commerce landscape, helping to define the balance between online and offline shopping.

2.3 The Concept of Digital Marketing and Traditional Marketing

Digital Marketing

Digital marketing involves the practices of promoting products, services, or brands through digital channels such as search engines, websites, social media, emails, and mobile apps. This approach provides businesses with the opportunity to reach and engage with consumers in a more direct and personalized manner. The goal of digital marketing is to create a strong connection with potential customers and encourage them to take desired actions, such as making a purchase, subscribing to a newsletter, or filling out a form.

In recent years, digital marketing has gained tremendous importance due to the rise in internet usage and the increased use of digital channels by consumers. This has enabled businesses to reach a broader audience, personalize their messages, and monitor and analyze consumer behavior more effectively. The use of digital technology allows marketing strategies to be adapted in real-time to maximize their impact.

Key components of digital marketing include:

- **Search Engine Optimization (SEO):** The use of techniques to improve a website's ranking on search engine results, thereby increasing visibility and organic traffic.
- **Pay-Per-Click (PPC) Advertising:** Ads where businesses pay for each click users make on their ads, such as those on Google Ads or other PPC platforms.
- **Social Media Marketing:** The use of platforms like Facebook, Instagram, and TikTok to share content and engage audiences in conversations and interactions.
- **Email Marketing:** Sending personalized messages and direct offers through email to maintain contact with customers and promote products and services.
- **Content Marketing:** Creating and distributing valuable and relevant content that attracts and

engages audiences, such as articles, blogs, videos, and infographics.

- **Mobile Marketing:** Using messages and mobile apps to reach users of mobile devices and deliver personalized, real-time experiences.

Successful digital marketing strategies require a deep understanding of consumer behavior, the use of data for results-based decision-making, and the ability to adapt quickly to changes in the digital environment.

Traditional Marketing

Traditional marketing involves the practices of promoting products and services through offline channels such as television, radio, print media, billboards, and direct mail. This approach has been the primary method of marketing for many years and has been utilized by businesses of all sizes to reach a broad audience.

In traditional marketing, the message is often uniform and designed to reach a large number of individuals simultaneously, relying on mass marketing techniques. This type of marketing depends on direct interactions and messages, as well as the dissemination of information through channels that have a broad reach.

Key components of traditional marketing include:

- **Television Advertising:** Using television channels to reach a large audience through visual and audio-visual ads broadcast at various times.
- **Radio Advertising:** Using radio stations to distribute audio messages and help build brand identity in an accessible and repetitive manner.
- **Print Media:** Ads in newspapers and magazines that reach an audience interested in the information and content they provide.
- **Billboards:** The use of advertising boards and billboards to promote products and services in high-traffic areas.
- **Direct Mail:** Sending promotional materials, brochures, and direct offers to the mailboxes of potential customers to influence purchasing decisions.
- **Sponsorships:** Financial or material support for events and activities to help build the brand image and reach specific target audiences.

While digital marketing has led to a decline in the use of some traditional channels, many businesses still rely on traditional marketing to support their strategies and reach audiences that may not be engaged on digital platforms. Both forms of marketing, digital and traditional, can be used complementarily to maximize their impact and achieve better results in promoting products and services.

2.4 Key Factors Influencing the Choice Between Online and Offline Shopping

a) Convenience and Ease

- Online Shopping: The main advantage is convenience, as consumers can shop anytime and from anywhere using mobile phones or computers. This flexibility is especially beneficial for busy individuals or those living far from shopping centers.
- Offline Shopping: Physical stores offer immediacy, as consumers can receive their product instantly, which is important for those needing a product immediately or avoiding shipping delays.

b) Interaction with the Product

- Online Shopping: A disadvantage is the inability to physically touch and test products, which is particularly important for items like clothing, furniture, or cosmetics. Consumers rely on descriptions, images, and reviews.
- Offline Shopping: In-store shopping allows direct interaction with the product, enabling customers to inspect and test items, a key factor for purchases in categories like fashion and electronics.

c) Price and Offers

- Online Shopping: Online stores often offer lower prices due to reduced operational costs. Consumers can easily compare prices across different websites and access exclusive offers, discounts, or personalized coupons.
- Offline Shopping: Physical stores may provide special in-store promotions, seasonal sales, or temporary discounts, and some products may be priced lower compared to online options.

d) Customer Experience

- Online Shopping: E-commerce platforms offer personalized recommendations and real-time assistance through chatbots, improving customer experience. However, issues with delivery, returns, or unmet expectations can affect satisfaction.
- Offline Shopping: In-store shopping provides face-to-face service, a social experience, and an immersive brand atmosphere, which enhances satisfaction for many consumers.

e) Cost and Time of Shipping

- Online Shopping: Shipping costs and delays can affect the decision to shop online, with many consumers seeking free or fast shipping.
- Offline Shopping: There are no shipping delays or extra costs, making it preferable for those wanting immediate access to products without additional charges.

f) Security and Privacy

- Online Shopping: Concerns about transaction security and personal data protection are significant, despite advances in online security.
- Offline Shopping: Consumers feel safer making in-person payments, as there is no need to share personal data online, which reduces perceived risks.

g) Social Influence and Trends

- Online Shopping: Social media and influencer marketing significantly impact online shopping, especially for younger demographics.
- Offline Shopping: The social aspect of shopping with friends or family, along with the physical store experience, enhances customer engagement and brand connection.

h) Return Options and Warranty Policies

- Online Shopping: Returns can be more complex due to logistics and the time required for processing refunds or exchanges, though many platforms offer flexible return policies.
- Offline Shopping: In-store returns are quicker and simpler, with immediate refunds or exchanges available directly at the store.
-

2.5 Impact of Digital and Traditional Marketing Strategies

Comparing the impact of digital and traditional marketing strategies on consumer behavior is crucial for understanding their effectiveness in driving sales growth. Both approaches have unique influences, with each being more effective depending on the audience and business goals.

a) Approach and Reach

- Digital Marketing: Digital strategies, such as social media ads, email marketing, SEO, and content marketing, allow businesses to reach a large global audience. Platforms like Facebook, Google, and Instagram offer precise targeting based on demographics, interests, and buyer behavior, enabling direct and personalized communication.
- Traditional Marketing: Through media like TV, radio, print, and outdoor ads, traditional marketing reaches a broader, more general audience. It is effective for large-scale national or global campaigns but lacks the personalization found in digital marketing.
- Effectiveness for Sales Growth: Digital marketing is often more effective in targeting specific audiences and measuring results, offering a higher return on investment (ROI). Traditional marketing is better for building brand awareness on a larger scale, especially for mass-market products.

b) Interactivity and Consumer Engagement

- Digital Marketing: A major advantage of digital marketing is the ability for immediate interaction with consumers. Platforms like social media, websites, and mobile apps allow customers to engage directly with the brand, ask questions, and

receive real-time responses. Digital marketing also uses advanced analytics to assess consumer preferences, enabling campaign improvements in real-time.

- Traditional Marketing: Interaction is more limited in traditional marketing, often relying on one-way communication, where consumers receive messages but cannot respond or engage instantly.
- Effectiveness for Sales Growth: Digital strategies that offer direct and personalized interaction with customers tend to foster greater brand loyalty and engagement, boosting sales. Traditional marketing excels in creating a strong brand image but lacks the same level of engagement.

c) Cost and Financial Efficiency

- Digital Marketing: Digital marketing offers flexibility in budget management, allowing campaigns to be adjusted based on real-time performance. Small businesses, for example, can start with a low budget on platforms like Google Ads or Facebook Ads and scale their efforts depending on results.
- Traditional Marketing: Traditional marketing often involves higher costs for executing and distributing campaigns. TV and print ads require substantial investments and don't offer the ability to optimize during the campaign. This makes traditional marketing less feasible for smaller businesses.
- Effectiveness for Sales Growth: Digital marketing is more cost-effective for most businesses, especially those aiming to optimize their budget and maximize impact. Traditional marketing can effectively build a strong brand image for large companies but is more expensive and harder to manage financially.

d) Performance Measurement and Results

- Digital Marketing: One of the biggest advantages of digital marketing is the ability to measure performance in detail. Tools like Google Analytics, Facebook Insights, and other platforms allow businesses to track the effectiveness of campaigns in terms of clicks, views, conversions, and sales, enabling continuous optimization and accurate ROI measurement.
- Traditional Marketing: Measuring success in traditional marketing is more challenging and often less accurate. For example, assessing the impact of a TV ad on sales typically requires expensive studies or observational analysis, which are less precise than digital tools.
- Effectiveness for Sales Growth: Digital marketing has a clear advantage in performance measurement and campaign optimization, leading to immediate sales increases if campaigns are effective. Traditional marketing struggles with accurate measurement and tracking of sales impact.

e) **Personalization and Audience Targeting**

- Digital Marketing: Digital marketing excels at personalization and precise audience targeting. Big data and advanced algorithms enable the creation of tailored content for specific audience segments, ensuring that relevant messages are delivered to each individual.
- Traditional Marketing: Targeting is broader and based mainly on general demographics. For instance, ads in industry-specific magazines or TV programs cater to specific audiences but don't offer the same level of personalization as digital marketing.
- Effectiveness for Sales Growth: Due to its ability to personalize and precisely target audiences, digital marketing is often more successful in driving sales in specific audience segments. Traditional marketing is effective for raising brand awareness among a wide audience but does not build as strong individual connections.

2.6 The Impact of Online and Physical Purchases on Each Other

The relationship between online and physical shopping is complex and intertwined, with continuous interaction between the two channels:

- a) Showrooming: Consumers often visit physical stores to see and test products but make the purchase online to benefit from better prices or special offers. This phenomenon can reduce in-store sales but increase online sales, especially when online prices are more competitive.
- b) Webrooming: On the flip side, consumers research products online to check specifications, prices, and customer reviews, but prefer to make the final purchase in physical stores. This process boosts in-store sales as shoppers prefer hands-on access to the product and immediate possession.
- c) Impact on Decision Making: Online shopping offers convenience and a broader selection, while physical stores provide a more personalized, tactile experience. These channels are not mutually exclusive; consumers often use both to make informed decisions. Online presence raises brand awareness, while physical stores serve as persuasive points to reinforce the purchasing decision.
- d) Connection Between Channels: Many companies employ hybrid strategies, where online promotions and offers drive consumers to physical stores, and vice versa. This interaction increases the chances of capturing consumers at every stage of the buying process, maximizing sales across both channels.

2.7 Main Challenges in Increasing Online Sales

- a) **Lack of Consumer Trust:** Many consumers feel insecure about purchasing online due to concerns over data security and fraud. Uncertainty about product quality and potential delivery delays make buyers more cautious.
- b) **High Shipping Costs:** Shipping costs are a significant barrier to online shopping, particularly when they increase the total cost of the order.
- c) **Lack of Personalization:** The online shopping experience is often less personalized and engaging compared to in-store shopping. This creates a sense of detachment that can turn consumers away from the platform.
- d) **Lack of Interaction with the Product:** The inability to physically see or touch the product is another challenge, making consumers more uncertain about their final purchasing decisions.
- e) **Concerns Over Delivery Time:** Consumers often fear that their delivery will be delayed or arrive late, especially if they've had negative experiences with delays in the past.

2.8 Suggestions for Improving Online Channel Performance:

- a) **Mobile Optimization:** With the increasing use of mobile devices for online shopping, it is essential to ensure that the website is fully optimized for mobile, including page loading speed, user experience, and ease of navigation.
- b) **Utilizing Data to Understand Customer Behavior:** Implement detailed analytics to understand consumer behavior, pages visited, products searched, and abandoned carts. This helps create personalized strategies to increase conversions.
- c) **Integrating E-commerce Platforms:** To provide more buying channels, businesses should integrate with platforms like Amazon, eBay, and Etsy, or create mobile apps to enhance access and the overall customer experience.
- d) **Loyalty Programs and Rewards:** Develop loyalty programs for existing customers, offering rewards, exclusive discounts, and personalized offers to encourage repeat purchases.
- e) **Improving Product Content and Marketing:** Create engaging content such as blogs, demo videos, and product guides that help consumers make informed decisions and attract more organic traffic from search engines.
- f) **Real-Time Customer Support:** Provide support through live chat to assist customers with inquiries and offer immediate solutions, enhancing the customer experience and boosting conversions.

3. Research Methodology

This research will include both primary and secondary data to better understand the situation and answer the research questions outlined above. The research method will be deductive, using surveys and interviews to test the hypothesis and draw final conclusions.

Primary data will consist of interviews and questionnaires directed to *Company X*'s customers. The surveys and interviews will be semi-structured, allowing customers the space to express their thoughts on the questions posed. The main objective of the questionnaires is to gather data comparing online and offline purchasing, exploring preferences and reasons behind them.

Additionally, the study will include sales data from *Company X* over the past 1-3 years for both online and offline sales departments. This will help compare the gathered responses with actual sales results.

Secondary data will be collected from a review of literature from other reliable sources.

Once the data is collected, it will be processed using statistical packages such as SPSS and Excel, and statistical methods such as linear regression analysis and descriptive analysis.

Data collection will take place at *Company X*, with interviews conducted on regular business days. For online customers, phone calls will be made to complete surveys or distribute Google forms via email.

The study will focus solely on *Company X* due to access to the company's data, so the results cannot be generalized to the retail industry in Albania.

The sample size consists of 100 randomly selected customers from *Company X*'s database. This sample size ensures sufficient representation of *Company X*'s customer population, making the collected data reliable and suitable for statistical analysis. It is large enough to identify general trends while minimizing statistical errors.

4. Summary of Survey Results:

a) Preference for Online Shopping:

- Increase in Usage: 60% of respondents have made online purchases from *Company X*, indicating a positive trend towards online shopping, often linked to increased trust in online purchases after the COVID-19 pandemic.
- Satisfaction with Online Shopping: 70% of respondents are satisfied with their online shopping experience, but there is still room for improvement, particularly in customer service and the platform.

b) Challenges in Online Shopping:

- Customer Service Satisfaction: 30% of respondents expressed dissatisfaction with the customer service, indicating a need for improvements in response time to customer inquiries.

- Security Concerns: 20% of respondents feel insecure about the safety of online transactions, highlighting the need to improve security measures and provide greater transparency regarding data protection.
- c) Marketing Impact:**
- Promotions and Offers: 50% of respondents are motivated to shop online due to special offers, emphasizing the importance of marketing campaigns and promotions in boosting sales.
 - Digital vs. Traditional Marketing: Digital marketing strategies, especially social media ads, are more effective in attracting online shoppers than traditional methods such as newspaper or TV ads.
- d) Interest in New Developments:**
- Increased Use of Technology: 70% of respondents expressed interest in mobile apps for shopping, suggesting that *Company X* should invest in developing such an app to enhance engagement and ease of use.
 - Personalized Recommendations: Most consumers see value in personalized recommendations, pointing to the need for integrating recommendation algorithms based on purchase history and preferences.
- e) Role of Physical Shopping:**
- Preference for Physical Shopping: 45% of respondents still prefer in-store shopping to see and touch the products, indicating that offline shopping will remain important.
 - Using Physical Stores for Online Purchases: Some consumers use physical stores to view products before purchasing them online (the "showrooming" phenomenon), showing the potential for creating a stronger connection between the two channels.

Overall, the online shopping experience at *Company X* is positive, but there are clear areas for improvement in customer service, security, and the development of new technologies like mobile apps and personalized recommendations.

4.1 Recommendations for Improvement:

- a) Strengthening Online Security: *Company X* should invest in enhancing security measures for online transactions and clearly communicate these improvements to help build trust among consumers.
- b) Improving Customer Service: Increasing the number of customer service staff and providing continuous training will help improve service quality and customer satisfaction.
- c) Enhancing Delivery Service: Increasing the number of vehicles and drivers responsible for online deliveries will ensure that there are no delays in both Tirana and other regions.
- d) Developing the Online Platform: Investment in a more advanced and user-friendly online platform will improve the user experience and contribute to increased sales.

- e) Integrating New Technologies: By utilizing technologies such as artificial intelligence for personalized recommendations, *Company X* can boost customer engagement and enhance the overall shopping experience.

4.2 Analysis of Online Sales from 2019 to June 2023

Based on the available data for *Company X*'s online sales from 2019 to June 2023, the following key conclusions can be drawn:

- a) Significant Growth in 2020:
 - Online sales showed a sharp increase from 58,971,214.84 ALL in 2019 to 218,478,792.83 ALL in 2020. This surge is likely attributed to changes in consumer behavior during the COVID-19 pandemic, where people turned to online shopping due to physical restrictions.
- b) Stabilization in Subsequent Years:
 - Post-2020, online sales stabilized, but they did not reach the extraordinary levels of 2020. Monthly sales in 2021 showed gradual growth, but overall sales were lower than in 2020.
- c) Seasonality of Sales:
 - There was an increase in sales during the last months of the year, especially in November and December, in all monitored years. This trend is likely related to the holiday season and Black Friday, when consumer spending traditionally spikes.
- d) 2023 (Up to June):
 - Data for 2023 shows a noticeable decline compared to the same periods in previous years. For instance, June 2023 recorded a lower value (11,853,111.97 ALL) compared to June 2021 and 2022, signaling potential challenges in online sales or shifts in sales strategies for 2023.
- e) Largest Sales Increase in 2022:
 - In 2022, several months showed high sales growth. For example, May 2022 saw the highest level for the year, reaching 27,298,566.24 ALL.

Conclusions

- The surge in online sales in 2020 was linked to the pandemic, after which sales stabilized at a lower level with some seasonal fluctuations.
- Sales in 2023, up to June, are lower, signaling challenges or changes in the online sales market that require ongoing monitoring.

Analysis of Physical Sales from 2019 to June 2023

From the available data for *Company X*'s physical sales from 2019 to June 2023, the following key conclusions can be drawn:

- a) Increase in Physical Sales in 2020:
 - In 2020, physical sales experienced a temporary decline due to COVID-19 restrictions. However, as measures eased, physical sales surged, particularly for products people preferred to see and touch, like furniture and large appliances.
- b) Seasonality of Physical Sales:
 - Similar to online sales, physical sales followed a seasonal pattern, peaking during the year-end holiday period (November-December) and promotional campaigns in early months (January-February).
- c) Performance Post-2020:
 - While online sales showed a decline post-2020, physical sales saw steady growth in the years following the pandemic. This was driven by an improved economy and consumer preference for in-store purchases.
- d) Expansion of Physical Sales Through a Wide Store Network:
 - With over 50 stores in cities like Tirana, Durrës, Elbasan, and Shkodra, *Company X* has a strong physical presence that allows it to dominate the physical sales market. This network enhances customer service for those preferring in-store shopping and personalized experiences.
- e) Factors Boosting Physical Sales:
 - In-Store Experience: Consumers benefit from physically inspecting products, especially large items, which influences their purchase decision.
 - In-Store Promotions: Sales are boosted by exclusive in-store promotions, attracting consumers and increasing sales volume.
 - In-Store Consultation: Trained staff providing product advice enhances the shopping experience and encourages more purchases.
- f) 2023: Challenges and Opportunities for Physical Sales:
 - Unlike the decline in online sales, physical sales have continued to grow, benefiting from the return of consumers to stores for a more personalized shopping experience. Physical stores remain a crucial pillar for *Company X*.

Conclusion:

- Physical sales at *Company X* remain higher and more stable than online sales due to the consumer preference for products that require physical inspection, in-store experience, and personalized consultation. The post-pandemic growth of physical sales indicates the return of customer loyalty to physical stores and the success of *Company X*'s extensive store network in attracting and retaining customers.

- Our main hypothesis that *Company X* customers prefer online shopping over offline is rejected.
-

5. Conclusions and final thoughts

Online and offline sales have become essential components of business strategies in the digital age. This topic is of particular importance for *Company X*, a company that has successfully balanced these two channels to enhance the customer experience and increase revenue. Our research has revealed that online sales have significantly contributed to revenue growth, while offline sales continue to be important for building customer relationships. Customers often prefer a combination of both, seeking online information and making in-store purchases to ensure product quality.

However, there are limitations to this study. The sales data collected is limited to specific periods, making it difficult to identify long-term trends. Additionally, the research does not cover all consumer groups, which would have provided a more comprehensive view of purchasing preferences.

For future research, it is suggested to focus on the impact of digital marketing on offline sales and study consumer behavior over a longer time period. A deeper evaluation of changes in technology and customer experience that affect the evolution of sales could provide valuable insights for business strategies.

The contribution to the field of studies is significant, as this research provides a practical example of integrating online and offline sales, helping to understand consumer preferences and marketing strategies that can be applied in similar industries. Practical benefits from this study include identifying effective strategies for increasing sales and improving customer experience.

Therefore, it is time for marketing professionals and sales managers to seriously consider integrating online and offline sales strategies. Investment in technology and training is essential to improve customer experience and boost sales performance.

In conclusion, this research on online and offline sales at *Company X* shows that combining these two channels is crucial for achieving good results in a competitive environment. Integrating strategies and adapting to changes in consumer behavior are the key to business success in the future.

Appendices

Survey Results

Section 1: Demographic Information

1. Age:
 - 18-24 years: 25%
 - 25-34 years: 35%
 - 35-44 years: 20%
 - 45-54 years: 10%
 - Over 55 years: 10%
2. Gender:
 - Male: 60%
 - Female: 35%
 - Other: 5%
3. Employment Status:
 - Full-time employed: 50%
 - Part-time employed: 20%
 - Student: 20%
 - Unemployed: 5%
 - Other: 5%
4. Monthly Income (in Euros):
 - Less than 300€: 15%
 - 300-700€: 40%
 - 700-1000€: 30%
 - Over 1000€: 15%
5. How often do you shop at **Company X**?
 - More than once a month: 25%
 - Once a month: 40%
 - Once every 3-6 months: 20%
 - Less than once a year: 15%

Section 2: Purchasing Behavior and Experience 6. Which channel do you prefer for shopping at **Company X**?

- Physical store: 45%
- Online (Website): 35%
- Both equally: 20%

7. Have you ever made a purchase on **Company X's** online platform?

- Yes: 60%
 - No: 40%
8. How satisfied are you with your online shopping experience?
- 1: 5%
 - 2: 10%
 - 3: 25%
 - 4: 30%
 - 5: 30%
9. What influenced your decision to shop online at **Company X**?
- Ease of using the website: 40%
 - Speed of delivery service: 25%
 - Avoiding in-store lines: 20%
 - Promotions and special offers: 50%
 - Payment security: 30%
10. Do you consider **Company X's online platform safe for financial transactions**?
- Yes: 70%
 - No: 20%
 - Not sure: 10%
11. How do you rate the quality of customer service for online purchases?
- 1: 5%
 - 2: 10%
 - 3: 20%
 - 4: 40%
 - 5: 25%

Section 3: Preferences and Purchasing Influences 12. **What are the main reasons you prefer shopping in physical stores?**

- Prefer to see the product in person: 60%
- Enjoy the experience of visiting the store: 50%
- Distrust online payment systems: 20%
- Products are easier to return: 30%
- Limited internet access: 10%

13. Would you be more likely to shop online if there were more offers and special promotions?

- Yes: 80%
- No: 10%
- Maybe: 10%

14. What improvements would you suggest for **Company X's online shopping experience?**

- "Offer more products online."
- "Provide an easier return system."
- "Increase delivery speed."

15. How do you rate the quality of delivery service?

- 1: 5%
- 2: 10%
- 3: 15%
- 4: 40%
- 5: 30%

16. Do you prefer using mobile apps for shopping?

- Yes: 50%
- No: 30%
- No preference: 20%

Section 4: Technology and Personalization 17. **How would you rate the ease of use of Company X's website?**

- 1: 5%
- 2: 10%
- 3: 15%
- 4: 30%
- 5: 40%

18. Would you like to receive personalized product recommendations?

- Yes: 70%
- No: 30%

19. Do you often use coupons or discounts offered through online channels?

- Yes: 60%
- No: 40%

20. How important is it for you to have access to a **Company X mobile app for shopping?**

- Very important: 55%
- Not very important: 30%
- Doesn't matter: 15%

Section 5: Overall Experience and Recommendations 21. **How would you rate your overall shopping experience at Company X?**

- 1: 5%
- 2: 10%
- 3: 20%
- 4: 30%
- 5: 35%

22. Would you recommend **Company X's online shopping to others?**

- Yes: 75%
- Maybe: 20%
- No: 5%

23. What suggestions do you have for improving **Company X's online platform?**

- "Offer more payment options."
- "Expand the product range."
- "Improve the delivery system."

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Corporate governance practice in some commercial companies, trends after the financial crisis

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Abstract:

The reforms that have been taken by the Directors of different Corporations at the global level during the previous three decades before the Global Economic Crisis of 2008 occurred, were mainly based on a management model that focuses on the value of common and preferred shares. The main models of the economic entities of that time period maintained a lower understanding of the corporate form as a mechanism for increasing cooperation and promoting the basic objectives in the group, but over time this model was becoming more and more unsuitable for the reality of that time period. The effects of the destabilizing movements of the interest rates of common shareholders during that period of time, included the unequal distribution of income, for which the inflation of asset prices in the American economy and in the English economy served as a partial compensation, influencing the creation of and favoring the conditions that led to the Global Financial Crisis of 2008 (Shu-Sen Chang, 2013). The failure of some Financial Institutions with scope and international activity cannot be essentially attributed to the poorly coordinated practices of governance in those economic entities, there were more immediate factors at play, including ineffective regulation. Despite the fact that, in that period of time, the general trend was focused towards the value of the shareholders, since the 1980s it was included in a wider failure of the Corporate Governance System, where during that period the Banking Crisis emerged in particular. Faced with these events and circumstances, an evaluation of the approach based on the value of the shareholders for governance and private management is urgently required when it comes to large international corporations. The paper analyses the corporate governance (CG) practices.

Key words: Corporate Governance, Global Financial Crisis, Shareholder Value etc.

1. Introduction

The corporation is the basic organisational unit of a market economy and one of its most fundamental legal institutions. It should be capable of contributing both to economic growth and, arguably, to human development in a broader sense. Behavior economics defines a sociopath as one who ‘treats others instrumentally, caring only about what he derives from the interaction, whatever the cost to the other party’. Such behavior, while regarded as universal and in some sense ‘natural’ by the axioms of neoclassical economics, is probably confined to a minority of human beings; around a quarter of participants in ultimatum game experiments display entirely self-regarding behaviors in this sense. Somehow, at the beginning of the twenty-first century, the corporation had evolved to the point of being a sociopathic institution, at odds with deep-rooted pro-social tendencies in human psychology and behavior. The point was not lost on certain commentators occupying a pivotal position in the contemporary practice of corporate governance. These included: ‘Will the [US] economy continue to produce well-paying, decent jobs in the face of international competition? Can the [American] nation afford to honour the promises made to retirees as the percentage of the population that is elderly markedly increases? How can citizens of western nations maintain their current lifestyles while reducing their disproportionate consumption of the Earth’s natural resources? Yet, according to Strine (Strine, 2007). The 2008-2009 financial crisis highlighted fault lines within corporate governance. The continued impact on the increase in the rate of common shareholders within the economic entities of the corporate category had worsened the situation in relation to asset prices in particular during the 1990s & 2000s (Boyer, 2009) and heightened the fragility of financial sector firms. The immediate reaction, especially of the spectrum of policy makers during that period, had to do with their suggestion for a strengthening of the norm of the value of the common shareholders. Another important element that they proposed had to do with strengthening the role and degree of independence of senior managers and with increasing the degree of external monitoring as potential measures that can influence to prevent the failures of economic entities in the category of corporations in the future, as the immediate crisis receded in the course of 2009-2010, (YJ Listokin, 2018)

2. Literature review

Shareholder value and shared performance: An aberration in how corporate law works?

During the first years to the beginning of the actual Century have been a time of enlightenment, reflection especially for researchers, researchers and policy makers interested in the spectrum of corporate governance. Various international researchers who have been dealing with the study of economic entities of the corporate category declared that history had ended in the ongoing debate about which systems of corporate governance produce the results at a higher level for society, especially in long-term time periods. In the last twenty years, economists, finance specialists, legal

scholars who study economic entities of the category of international corporations, with the support of policymakers, have been very interested during this time interval in relation to the way in which corporations are actually governed and how they should be governed in principle. OECD is the international standard setter in corporate governance – the principles are one of the FSB's 12 core standards (Helleiner, 2010) . The principles applied by OECD countries are often referred to as initiatives at the national level. During those years it was suggested that companies would offer safe jobs and better working conditions, they must minimize pollution and environmental damage, and that they should seek closer ties with the local communities near which they extend their activities. Shareholders were seen not just as passive, but as irrelevant to the running of the company. During the 50s of the twentieth century, the law dedicated to companies that had the scope of action in England and the United States of America had in its composition a clear element, in which it was stated that the process of corporate management was a from the most essential duties that were the exclusive responsibility of the Board of Directors. Company law and employment law both recognize the importance of indeterminate or open-ended commitments. In an economy that operates under the conditions of the free market, no economic subject and perhaps no organization is in a position to provide employment for its employees on a permanent time basis. Considering that in the current global conditions where the level of competition continues and increases day by day, the restructuring process is a potential and possible event. The traditional legal model of the company is ill designed for such an environment. Especially since the 1990s, Shareholders who are ultimately the real owners of the Corporation have gained power in the information and decision-making process within the economic entity of the corporate category.

3. Methodology

The economic entities that operate in developing countries, as in the case of Albania, have had quite a few problems during their journey in this economy. Especially in some processes, such as the post-privatization process and the political and cultural features that influenced and contributed to the creation of a current system. In their paper (Amali Çipi, 2014), among others, have pointed out that the importance of CG for economies that are in the process of development and in higher development and in the economic subjects of and post-privatized firms can be explained through its five main influences:

- a) Creation of the basic institution, a private corporation, which leads the successful economic transformation to an economy based on a free and fair market.
- b) The efficient distribution of the capital as a whole, accompanied by a stable and continuous development of financial institutions and financial markets.
- c) Adaptability at the managerial level, which helps economic entities with an underdeveloped CG structure to increase the level of capital in total value and to encourage investments from potential foreign investors.

- d) Has had a significant impact on the development process at the national level.
- e) Improvement of the level of corporate performance and efficiency. Based on various published international works, it turns out that there is a not very high level in relation to CG, especially in CEE countries, and there is a lack of knowledge and information regarding the evaluation process for the role that CG has in corporate performance.

Among the countries that are part of the CEE, the State of Albania has a level of about 30 years that has implemented the system of the free market economy, which has been accompanied in quite a few cases with problems with the institutional infrastructure at the central and local level, infrastructure of undeveloped and in many cases with a level of economic uncertainty. Absence of detailed instructions regarding the practices required by different investors operating in that country (Guga, 2018). With regard to the following economic agents, the results of the study showed that: Shareholders' rights: There was relatively strong recognition of shareholders' rights (i.e. the right to: vote, participate in the control and decision-making process, participate in meetings and raise issues, be informed, appeal and the right to dividends), although there were only rights defined in Albanian Company Law and not rights known and accepted from international standards and practices. There was some confusion and lack of knowledge of the terminology used regarding voting forms, and no knowledge on cumulative voting, which is a useful tool in protecting minority shareholders' rights found the same evidence in Nigeria (Egiyi, 2022). Shareholders had little role in the audit of companies, and the role of the external audit and judicial system in protecting shareholders' rights was not at an appropriate level. Very little importance was attached to the role of owners in general. Complexity of the rights of interested parties (except shareholders): For interested: For stakeholders (i.e. employees, creditors, suppliers) the findings demonstrated that there was strong knowledge regarding their rights (legal requirements) as important actors of the company and their participatory role in the decision-making of the company, namely in the financial sector, where employee skills are higher than in the two other groups of companies. Little attention was paid to the information given to employees regarding decision making. Creditors were regularly informed of the JSC's position and decision-making process.

4. Results

There was no agreement between JSCs' and interested institutions' opinions on the employees' rights and their implementation. There is an urgent need for improvement of the current legislation in this field, the need for better awareness of stakeholders regarding the role they can play in improving governance, strengthening JSC transparency and, in terms of their business strategies, strengthening the role of arbitration and the judicial system, etc. These results are consistent with Brotio's (Brotio, 2011) findings, which indicated the importance of employees' knowledge and skills on the governance function and long-term performance of the company in transitional economies. Transparency and disclosure: Transparency and disclosure issues in the governance of JSCs in Albania are not yet at expected levels. Companies see the issues

associated with information disclosure and transparency only in response to a specific legal obligation to comply with the requirements governing their business. Seen from the opinion of CFREP (2008), it has been pointed out that the financial spectrum information provided by SMEs in our country is not considered reliable at the appropriate level. Although the regulatory framework for the audit function has been developed in line with the former EU 8th directive, it still needs to gain more credibility. The legal framework on financial reporting is characterized by a lack of cohesiveness. In the survey, interested institutions supported the idea of the existence of a very modest scale in the application of standards on transparency and disclosure of information by the JSCs in Albania. In general, JSCs publish annual reports and financial balance sheets and information on corporate organization and business policy. They also have publications on supervisory board members, directors and statutes of the company and its subsidiaries, but information on stock transactions are at low levels. The deficiencies were attributed to reasons primarily related to the inadequacy of the legal requirements, the non-existence of a coercive legal and regulatory framework, with failures in the disclosure of information attributed to the high level of an informal market, etc. The efficiency was low mainly due to lack of knowledge of customers and stakeholders on the governance of JSCs (absence of demand), the lack of resources from JSCs, etc. Following this, much of this issue is related to information exposure and transparency. It is believed that efforts should be made to eliminate the informal market and strengthen the role of the external audit, which will bring real transparency and directly affect the disclosure of information by the JSC. An organized market would have a substantial impact on improving the practices associated with information exposure by companies. Their work is still seen as very passive, although there are adequate legal and regulatory systems in place to protect the rights and obligations of shareholders, rules and regulations for conducting business, and penalties for violations of these regulations Company Law (By James T. O'Reilly, 2009). Effective enforcement of existing laws and regulations constitutes a major challenge to the development and implementation of CG.

5. Conclusions

The company is a complex, multi-functional institution. In the fairly recent past, it has provided a basis for technological innovation and the recycling of capital, while also offering meaningful, stable employment and long-term financial security. It seems increasingly unlikely that the corporation of the near future will be able to fulfil all these goals. Contemporary economic theory tells us that the human dimension is inessential to corporations, the core of which is the control exercised by property holders over the non-human assets of the firm; and that enduring organisational identities are irrelevant in what is simply a space for contracting. The current reality in which modern modern corporations are increasingly reflecting this view in detail. Company law retains a vestigial sense of the corporation as an organisational entity which is greater than its constituent parts, but this idea is under pressure from an alternative conception of the corporate

form, which sees it as an object of financial arbitrage. The economic growth which shareholder-value based management helped to stimulate has nevertheless turned out to be fragile, and one of its principal consequences, growing inequality, threatens social cohesion. Under these circumstances, some urgent rethinking about the goals and modes of operation of corporate governance is required. For the time being, the logic of shareholder value is still playing itself out. As the global financial crisis recently demonstrated, good CG relies not only on an appropriate legal and regulatory framework, but also the “routine check” (boxchecking) of its implementation. Albanian managers and the government should also consider other factors that affect the quality of CG, such as human behavior, implementation practices, and specific features of each company. For this purpose, we recommend the development of effective tools and methodologies to thoroughly analyze and correctly measure CG practices. Our study can serve as a basis for designing appropriate methodologies for our country, according to specifications of the banking sector and the institutional and legal environment. Further efforts should be made to eliminate the informal market and strengthen the role of external audits, which would bring real transparency and directly affect the publication of information by JSCs.

More research is also needed to better understand the many aspects of the relationship between CG and firm performance in Albania, as well as the incentives that should be used in order to mitigate agency problems. In this particular context, empirical studies should be conducted on how CG internal and external mechanisms, such as ownership structure and shareholders rights, investor protections, board of directors’ size and composition, government quality and intervention, capital markets, law enforcement, property rights, and audit committee roles and function affect firm performance. Even Albanian aspirations toward European integration may pressure the improvements of the CG standards used by Albanian companies.

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How Do Albanian Enterprises Lead and Manage? Reflections from a Survey

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Abstract

This paper explores how Albanian enterprises lead and manage, with a particular focus on strategic management practices. Drawing on data collected through a structured survey conducted between April and June 2024 with 120 enterprises in Tirana across six industries, the study evaluates differences in management approaches based on firm size and sector. The findings reveal that while the majority of enterprises formulate strategic goals and perform regular updates, many lack a comprehensive or qualified strategy. Small firms demonstrate higher centralization in decision-making, whereas large firms distribute responsibility more broadly. Although SWOT analysis is commonly applied, the overall depth of strategic thinking remains limited. Moreover, external and uncontrollable factors are identified as major reasons for strategy failure, highlighting weak predictive capabilities among managers. The paper also analyzes the predictability and turbulence of the business environment in selected industries, as well as firms' attitudes toward the future. The results indicate a preference for adaptive and reactive approaches, with limited proactive or innovative outlooks. The study concludes that although strategic vocabulary is widely adopted, genuine strategic management remains underdeveloped. The paper offers insights for improving managerial education, increasing long-term orientation, and aligning strategies with the demands of a dynamic and competitive market—particularly in the context of Albania's European integration.

Keywords: Albanian enterprises, survey, business environment, management practices, firm strategy

1. Methodology

The survey of the content and methods of strategic management in Albanian enterprises is being conducted in the period of April-June 2024. The sets that are being examined consist of Albanian enterprises located in Tirana, from different industries. The data of the survey are being collected by questionnaires. Two classification criteria had been used: size of firm and type of industry. The first part of the survey examines and evaluates the level of strategic management considering the size of the firm.

The second part of the survey examines and evaluates the level of strategic management in a concrete industry.

The third part of the survey deals with experiences, knowledge, extent and intensity of competitors, predictability and variability of business environment in selected industries as well as with the firm attitudes to the future within the given industries.

2. Introduction

In centrally planned economies, enterprises operated under strict state control, with limited autonomy in decision-making and strategic direction. Concepts such as strategic management were virtually absent, replaced by long-term planning mechanisms dictated by state objectives. Pricing, competition, ownership, and market orientation were centrally regulated, rendering businesses passive executors of governmental directives.

With the transition to a market economy in the early 1990s, Albanian enterprises entered a new reality—characterized by privatization, deregulation, and exposure to competitive markets. Strategic management emerged as a critical function, enabling firms to navigate uncertainty, make independent decisions, and adapt to rapid changes in the business environment. In today's economy, marked by global competition, technological disruptions, and shifting consumer demands, traditional management tools are often insufficient. Instead, enterprises must develop forward-looking strategies that are both analytically sound and flexible in execution.

Strategic management is no longer a luxury but a necessity for firms striving to maintain competitiveness and relevance. It involves the integration of vision and mission formulation, environmental scanning, strategic analysis, and effective implementation. Managers must possess a wide range of competencies, including analytical thinking, leadership, planning, and communication, to successfully design and implement strategy. This paper investigates how Albanian enterprises—both large and small—engage in strategic management, and assesses their preparedness for operating in a volatile economic landscape.

3. Literature review

The literature on strategic management emphasizes the importance of future prediction as a process that enables businesses to adapt to environmental changes and secure a competitive advantage (Grant, 2019). According to the theory of “Environmental Scanning” (Aguilar, 1967), companies that actively monitor technological, economic, and social trends are better able to identify new opportunities and threats. This future-oriented process allows firms to plan proactively and avoid reactive responses to changes in the marketplace.

However, business attitudes toward future prediction are often ambivalent. Schoemaker (1995) found that many managers express skepticism about the reliability of long-term forecasts, often viewing them as too uncertain to be trustworthy. Furthermore, managers frequently rely on their own experience and “strategic intuition” rather than structured forecasting analysis, especially in highly volatile environments or when resources are limited (Hodgkinson & Wright, 2002).

On one hand, the literature highlights that firms integrating future prediction into their strategies tend to be more innovative and resilient to change (Rohrbeck & Kum, 2018). On the other hand, some authors point out challenges such as the difficulty of interpreting uncertain information and the risk of “over-planning,” which may lead to strategic rigidity (Mintzberg, 1994). As a result, business attitudes toward future prediction reflect a balance between the desire to be prepared and the fear of investing time and resources in a process with uncertain outcomes.

4. Research methodology

The survey of the content and methods of strategic management in Albanian enterprises had been conducted in the period of April-June 2024. Until now, the examined sets consist of 120 enterprises. The enterprises examined are located in Tirana, from which 70 small and 50 large enterprises. The data of the survey had been collected by questionnaires. Two classification criteria had been used: size of firm and type of industry. The first part of the survey examines and evaluates the level of strategic management considering the size of the firm. The findings are classified into five thematic units as follows:

- vision, mission and goals of a firm,
- use of analytical methods and the strategy formulation,
- types of business strategies and causes of their success or failure,
- responsiveness for strategic management,
- communication

The second part of the survey examines and evaluates the level of strategic management in a concrete industry. The set of 120 enterprises was divided into 6 industries: chemistry, foodstuffs industry, services, industrial, engineering and construction industry. These findings are classified into three thematic units:

- time horizons of strategic and financial goals,
- stability of business strategy,
- type of business strategies and causes of their failure

The third part of the survey deals with experiences, knowledge, extent and intensity of competitors, predictability and variability of business environment in selected industries as well as with the firm attitudes to the future within the given industries.

The findings are expressed quantitatively as percentage of frequency of examined parameters within the given size category or selected industry.

5. *Research results*

5. 1. *Evaluating the level of strategic management by size categories of enterprises*

The categories that were included in this survey were: small, medium and large enterprises. The enterprises from the examined set were small and large one. Nearly 50% of small enterprises and 75% of large enterprises formulate their vision and approximately 65% of small and 90% of large enterprises formulate their mission. The majority of the visions has only a declarative and to general content. The missions are much more meaningful than visions.

Table 1 show given types of strategic goals ordered by the highest frequency. 60% of small enterprises and 80% of large enterprises set in the first place the production quality as a strategic goal.

Table 1. Content and frequency of strategic goals

Order	Small enterprises	Large enterprises
1.	production quality	production quality
2.	top services	market share
3.	image, goodwill	penetration in different markets
4.	market share	position in industry
5.	position in industry	image, goodwill

In table 2 there are shown financial goals ordered by their most frequent occurrence in the examined set. Approximately 80% of enterprises of both sizes set sales and profits as their financial goals.

Table 2. Content and frequency of financial goals.

Order	Small enterprises	Large enterprises
1.	sales	sales
2.	profit	profit
3.	cash flow	ROI
4.	margin	cash flow
5.	ROI	margin

Some methods of strategic analyses have penetrated in Albanian business practice. At the first place there is SWOT analysis that is used in 50% small and 72% large enterprises. At the second place follow mathematical and statistical methods, than Porter Model and in the end value and costs chain.

Table 3. Strategy formulation

	Small enterprises (%)	Large enterprises (%)
a) explicitly, rational reasoning	50	88
b) explicitly, spontaneous reasoning	10	5
c) implicitly	30	7
d) none	10	-

Almost all the set examined had developed a strategy. But a great number of these enterprises had not developed a qualified strategy. As shown in table 3 the strategies had been formulated based on rational reasoning and expressed explicitly.

The strategies has been simultaneously revised and updated most frequently within one year, as shown in table 4.

Table 4. Updating and revising the strategies

	Small enterprises (%)	Large enterprises (%)
a) quarterly	20	15
b) every half-year	20	21
c) yearly	30	35
d) every two years	10	11

e) every three years	-	9
f) other interval	20	10

A part of the survey was also the question about the causes of a successful strategy(tab 5). A successful strategy is related with a strong and ambitious management as well as a deliberate and coordinated approach and co-ordination of the external and internal factors.

Table 5. Causes of a successful strategy

	Small enterprises (%)	Large enterprises (%)
a) high quality strategic analyses and synthesis	8.5	22
b) rational and at the same time flexible attitude	35	38
c) spontaneous and surprising ideas	6.5	5
d) unrivalled position of the firm	6	7
e) courageous and ambitious management with strong determination and leadership commitment	20	14
f) favorable co-ordination of both external and internal factors	9	8
g) well-thought-out implementation	13	3
h) other	2	1

Failure of the strategy is attributed to the impact of unpredictable and non-influenceable factors (tab 6).

Table 6. Causes of strategy failure

	Small enterprises (%)	Large enterprises (%)
a) superficial strategic analyses and synthesis	4.8	6.5
b) rational but inflexible attitude	4.6	8

c) spontaneous ideas but with a short viability	4.5	4
d) weak position within the industry	4.4	4.5
e) risk-averse and disengaged management	-	7
f) external unpredictable and non-influenceable factors	65	49
g) poorly executed implementation	-	9
h) other	16.7	12

As shown at table 6 the causes of strategy failure are the same but at the opposite site of the causes of strategy successful, so it is a duty to the managers to predict and plan the impact of the external and internal factors, that are the primary causes of failure and successful of a strategy, to the enterprise.

The responsibility of the strategy formulation is set to the top managers. They develop the strategy and delegate its implementation

also this activity to other departments. The strategy, what it contain, is also influenced by the groups of executive officers as shown in table 7. Small enterprises are characterized by a high centralization and by a special position of the director. In large enterprises the responsibility is shared in favor of the members of the top management. The consultancy is also wide used in small and large enterprises like a help in formulation and implementation of strategy.

Table 7. Responsibility for strategic management

	Small enterprises (%)	Large enterprises (%)
a) chief executive director	54	22
b) other top management	22	32
c) ad hoc team of executive officers	9	13
d) department of strategic management	1	19
e) middle level managers	3	9
f) consultancy firm	2	3
g) other	9	2

In our days there are two generations of managers in Albanian enterprises. The first one are those who were executive director before 1990 and the second that are much younger, with different

education, trainings and courses. In addition of this, it will be interesting a future co-operation between the two generations.

The field of strategic management requires theoretical knowledge and skills (tab 8). In large enterprises the executive officers had done more training, curses and need more experience than the executive officers in small enterprises.

Table 8. Sources of skills required for strategic management

	Small enterprises (%)	Large enterprises (%)
a) regular resident education	23	30
b) training and courses	12	18
c) training and courses in abroad	8	8
d) self-education	16	12
e) practice	40	30
f) other	1	2

A critical and basic condition of implementing the strategy is the communication between to management and the other levels of the management. It is important to point out that in this condition a crucial role has the workers; employees who carry out daily operations should have a free and fair communication. From the findings shown in table 9 results that the verbal communication prevails remarkably over the written communication. In small enterprises the information is provided in the company meetings and in large enterprises the information is provided within the organizational departments or divisions.

Table 9. Ways of providing the employees with information on the strategy

	Small enterprises (%)	Large enterprises (%)
a) verbally at company-wide meeting	50	20
b) verbally within the given departments	20	40
c) written in a company bulletin	5	10
d) written at a notice board	5	15
e) without providing information	5	5
f) other way	15	10

The companies examined pay attention to implementing the strategy (tab 10). To realize a qualitative implementation of a strategy, it is needed a complete set of measures which have to contain all the inevitable activities needed for the strategy implementation.

Table 10. Strategy implementation

	Small enterprises (%)	Large enterprises (%)
a) effective and complete set of measures	60	70
b) planned but uncompleted set of measures	20	18
c) additional set of measures	12	7
d) unclear concept	8	5
e) other	-	-

5.2 *Evaluating the level of strategic management in selected industries*

In this part of the letter will be repeated some previous questions that provide different responses from the point of view of industry in comparison with responses from the point of view of the company.

As shown in table 11, industries where the capital turnover is slow, the strategic goals are set for a longer periods than in industries with a faster capital turnover.

Table 11. Periods of setting strategic goals

	Chemistry	Foodstuffs	Services	Engineering	Construction
a) up to 1 year	2.3	16.2	31	6	18.5
b) 1-3 years	35.5	32.7	43	26.3	56.2
c) 3-5 years	35.4	48.5	20.3	50	15.8
d) 5-10 years	26.8	2.6	5.7	17.7	9.5

Setting financial goals is not as easy could it be setting the strategic goals. Setting them is mainly concentrated on the period up to 3 years (tab 12) these especially for industries like chemistry and engineering where the period is even longer than three years.

Table 12. Period of setting financial goals

	Chemistry	Foodstuffs	Services	Engineering	Construction
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	(%)	(%)	(%)	(%)	(%)
a) up to 1 year	24.4	46.2	65.7	17.5	56.1
b) 1-3 years	42	41.7	25.7	56	34.5
c) 3-5 years	20.2	9.6	2.9	24.3	9.4
d) 5-10 years	13.4	2.5	5.7	2.2	-

Like in the first part of the survey, the strategies had been also updated and revised by the industries. In these cases changing the strategy just within a year is too frequent and extended phenomenon signaling a certain non-qualification in formulating and implementing the strategies or misunderstanding of the content and purpose of the strategy.

Table 13. Updating and revising the strategy

	Chemistry (%)	Foodstuffs (%)	Services (%)	Engineering (%)	Construction (%)
a) quarterly	4.3	16.1	22.6	11.5	21.5
b) every half-year	6.8	14.1	28.8	26.5	15.9
c) yearly	55.5	53.3	37.2	47.3	40.7
d) every two years	20.1	9.3	5.7	-	6.1
e) every three years	-	-	-	2.6	3.2
f) other interval	13.3	7.2	5.7	12	12.6

From the view of the industry the external unpredictable and non-influenceable factors are considered to be the main causes of the strategy failure (tab 14).

Table 14. Causes of the strategy failure

	Chemistry (%)	Foodstuffs (%)	Services (%)	Engineering (%)	Construction (%)
a) superficial strategic analyses and synthesis	5	7.4	3.7	6.2	13.1

b) rational but inflexible attitude	-	5.1	7.4	6.3	-
c) spontaneous ideas but with a short viability	-	17.7	7.6	6.4	6.9
d) weak position within the industry	7	7.3	3.7	9.4	-
e) risk-averse and disengaged management	7	-	-	3	-
f) external unpredictable and non-influenceable factors	71	59.5	59.1	37.3	53.2
g) poorly executed implementation	10	3.5	3.9	18.9	6.7
h) other	10	14.8	14,6	12.5	20.1

5.3. *Characteristics of business environment in selected industries*

A basic assumption and condition of a successful strategy is a good orientation in the external environment of the firm. The top management which does not know the size of the market, is not capable to set limits to the industry and to assess the strength of competitors. In foodstuffs and construction industries nearly the half of the firms do not know the size of the market (see table 15) at which they operate. This ignorance usually concerns small enterprises which identify their market only after they begin to operate at.

Table 15. Knowledge of the market size

	Chemistry (%)	Foodstuffs (%)	Services (%)	Engineering (%)	Construction (%)
a) yes, it knows	82	60.5	85	91.4	59.5
b) no, it does not	18	39.5	15	8.6	40.5

Table 16. Action radius of competition

	Chemistry (%)	Foodstuffs (%)	Services (%)	Engineering (%)	Construction (%)
a) local	-	6.9	17	-	6.2
b) regional	6.5	32.4	11.5	17.5	28.3
c) national	26.6	16.5	40.2	23.7	37.3
d) international	66.9	44.2	31.3	58.8	28.2

From the results shown in table 16 we may see that Albanian enterprises are, to a high degree, exposed to the international competition. In case of chemistry and engineering the local impacts do not play any role. The Albanian firms are adopting themselves are slowly adapting to market conditions required to enter in international markets. This due to firm's attitude that are only concerned to the local and national markets.

The intensity of the business environment may also be illustrated by the intensity o competition (see tab 17), where prevails a high and extraordinary high degree. Based on this level of competition we might expect a higher quality and slower prices of production as well as strategies which should be proposed and implemented with a higher quality.

Table 17. Intensity of competition

	Chemistry (%)	Foodstuffs (%)	Services (%)	Engineering (%)	Construction (%)
a) extra high	22.1	14.2	22.7	23.5	18.6
b) high	51.1	60.3	37.2	56	50,1
c) average	11.3	20.6	34.5	14.5	28.2
d) below average	2	2.4	5.6	3	-
e) low	6.8	2.5	-	3	-
f) none	6.7	-	-	-	3.1

Table 18. Predictability of the industry development

	Chemistry (%)	Foodstuffs (%)	Services (%)	Engineering (%)	Construction (%)
a) unambiguous future	22	27.5	40.1	23.5	28

b) variant future	62.5	53.6	42.7	61.8	50.1
c) continuous future	13.1	16.4	11.6	8.7	9.6
d) unpredictable future	2.4	2.5	5.6	6	12.3

Discrete tendencies of the future development within the industry where unambiguous and variant future take a higher share in the selected industries in the total predictability of industries given in table 18. Based on this fact we may assume that predictability is good, therefore it should not cause great difficulties in these industries. This is confirmed by the findings given in table 19 which describes the turbulence level.

Table 19. Turbulence level

	Chemistry (%)	Foodstuffs (%)	Services (%)	Engineering (%)	Construction (%)
a) no change	11	27.9	8.5	2.5	9.2
b) slow incremental change	35.7	32.7	42.8	44.4	31.5
c) fast incremental change	17.5	6.9	11.5	17.8	15.4
d) predictable change	28.9	27.9	32.5	32.4	34.4
e) unpredictable change	7.9	4.6	2.9	2.9	9.5

To succeed against the influence of the external unpredictable and non-influencable factors, it is needed a fast and flexible response that at the same time guarantees a successful strategy. Table 20 shows the findings about firm's approach to future challenges. Most of the firm accepted that a fast and flexible attitude is best attitude to have to the future.

Table 20. Firm's approach to future challenges

	Chemistry (%)	Foodstuffs (%)	Services (%)	Engineering (%)	Construction (%)
a) passive	2.3	4.5	5.5	-	6.1
b) reactive	17.5	18.7	17.4	14.5	18.7
c) proactive	24.5	9.4	14.4	6.1	6.6
d) wait- and- see	11.2	16.2	8.5	8.6	21.6
e) adaptive	31.3	34.8	42.6	38.4	40.7

f) creative	13.2	16.4	11.6	32.4	6.3
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6. Discussion

The findings reveal notable disparities in how Albanian enterprises conceptualize and implement strategic management, depending on firm size and sector. While larger firms tend to adopt more structured and analytically grounded strategies, smaller enterprises rely heavily on informal decision-making and leadership centralization. The widespread reliance on SWOT analysis and ad hoc strategic revisions suggests an evolving, yet still maturing, strategic culture. Moreover, the dominance of external, uncontrollable factors as explanations for strategy failure reflects limited strategic foresight and a reactive mindset among many managers. This indicates a critical need to strengthen internal strategic competencies, including scenario planning, competitive intelligence, and risk management. As Albania prepares for deeper integration into the European market, fostering a more proactive, evidence-based approach to strategic management will be essential. Bridging the gap between strategic formulation and execution, especially through clearer delegation, training, and internal communication, could significantly enhance organizational agility and long-term competitiveness.

7. Conclusions

While the language and tools of strategic management are increasingly present in Albanian enterprises, their application often remains superficial. Strategy is frequently confused with operational or short-term planning, and many firms adopt strategic terminology without a deep understanding of its purpose or process. Rather than being institutionalized, strategic management tends to be perceived as a passing trend or external requirement.

The findings suggest a need for stronger strategic capabilities, especially in areas such as environmental forecasting, implementation planning, and cross-functional coordination. Ownership ambiguities, conflicting interests between managers and owners, and limited forecasting experience continue to hinder effective strategic thinking.

As Albania moves closer to European Union integration, enterprises must elevate their strategic readiness. The shift to a more open and competitive regional market will reduce protectionism and increase performance pressure. Firms that fail to develop robust strategies may lose autonomy or be absorbed into larger multinational systems.

To compete effectively, Albanian enterprises must cultivate adaptive thinking, invest in managerial development, and embrace long-term planning rooted in realistic analysis and innovation. In an environment marked by uncertainty and rapid change, strategic management must become a central and continuous component of enterprise leadership—not just a formality.

8. Recommendations

Based on the survey findings and subsequent analysis, the following recommendations are proposed to strengthen strategic management practices in Albanian enterprises:

1. **Invest in Managerial Education and Training.** Enterprises, particularly small and medium-sized ones—should invest in continuous professional development for managers, with a focus on strategic planning, environmental scanning, and scenario analysis. Public and private institutions can support this through certified training programs and executive workshops.
2. **Institutionalize Strategic Processes.** Firms should move beyond ad hoc strategy formulation and integrate structured strategic management systems. This includes establishing dedicated strategy departments or cross-functional teams, especially in larger organizations.
3. **Enhance Strategic Communication.** To improve strategy execution, firms must strengthen internal communication channels. Clear, consistent messaging of goals and responsibilities across all organizational levels is crucial for aligning staff and ensuring accountability.
4. **Promote Adaptive and Proactive Thinking.** Enterprises need to develop internal capabilities to anticipate market shifts and respond flexibly. Encouraging data-driven decision-making, agile planning cycles, and innovation can help firms stay competitive in an increasingly volatile business environment.
5. **Prepare for EU Market Integration.** In anticipation of Albania's deeper integration with the European Union, firms must align their strategies with EU standards in areas such as digitalization, sustainability, and compliance. This requires a shift from short-term survival tactics to long-term competitiveness planning.

9. Implications for Policy Makers

The results of this study underline several key areas where policymakers can play a transformative role in supporting the strategic development of Albanian enterprises. First, the government should incentivize investments in managerial education by subsidizing executive training programs and promoting public–private partnerships with universities and business schools. Second, national strategies for economic development should include targeted support for SMEs in building strategic planning capabilities, especially in rural and underrepresented regions.

Third, policymakers should encourage a shift from reactive to proactive enterprise behavior by integrating strategic management components into existing support schemes, such as tax reliefs, innovation grants, and export promotion programs. Creating frameworks for benchmarking and sharing best practices among industries would also enhance the learning process across sectors. Additionally, regulatory bodies should provide tools for business diagnostics and foresight training to equip companies with a better understanding of market volatility and global dynamics.

Finally, as Albania approaches deeper integration into the EU, it is essential that policy frameworks address competitiveness, technological readiness, and strategic adaptability—not only as business goals, but as national priorities. Promoting strategic thinking at the enterprise level is ultimately critical for ensuring inclusive, sustainable economic growth and resilience in an increasingly dynamic regional context.

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Panel II

Innovations in Information Technology: Driving Business and Economic Growth

Gen-AI” and Cards Payments Transformation in the Albanian Banking System

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Abstract: Artificial Intelligence (AI) has transformed products and services in the banking sector, offering fast and convenient opportunities to customers by enhancing efficiency, specifically for card payments, and has taken the organizations through several stages of digitalization. Its impact is no longer a futuristic concept, but a transformative reality, leading payment methods & processes in various aspects. Digital technology’s development in Albanian banking industry, and its deployment in improving customer experience payment’s operational process, fraud modules and cybersecurity, is drastically offering to customers a new products and services’ model. Nowadays, performing a payment with a Debit and Credit Card in Albania is easier and more convenient than a couple of years ago. Customers have embraced the new fast trends of cards payments, and following this trend, all stakeholders, including financial institutions and technology providers, have their prior interest in new payment platforms investments. This paper aims to provide through a comprehensive overview the actual and expected card payments’ landscape in Albania, highlighting AI’s innovative benefits, trying to understand customer perception while using these services, and underline the challenges of its acceptance, also underline considerations for its future growth and responsible use. Additionally, ethical considerations and regulatory implications surrounding AI adoption in Albanian Banking Industry should be discussed, emphasizing the importance of AI implementation and customers protection.

Key Words: Artificial Intelligence, Banking Industry, Products & Services, Cards Payment Industry, Debit & Credit Cards, Tech Companies.

I. Introduction

The rapid evolution of Artificial Intelligence (AI) during the latest years, a journey that started with the advent of internet, is reshaping the banking industry, with card payment sector being no

exception. Banks, acting as technology providers, are heavily focused on technological and operational developments to keep up with the rhythm of changes, guaranteeing fast and real time platforms to perform card payment and the convenience that AI-driven services bring to their clients' banking experience. As digital transactions are becoming increasingly prevalent, the integration of AI technology has brought significant enhancements to the payment process, influencing both operational efficiency and customer experience. From personalized marketing strategies to real-time fraud detection, AI is transforming how financial institutions and businesses overall interact with customers and, on the other hand, how consumers engage with payment systems.

As per the above facts, it is getting necessary to explore the multifaceted impact of AI on card payments, highlighting key areas, such as customer behavior, AI platform usage, security features for successful transactions and their efficiency, as well as to understand the impact and status of financial institutions in front of this transformation.

In the Albanian Banking System, as consumers demand more faster, safer, and personalized payment experiences, the role of AI in meeting these expectations has become critical. By analyzing current trends and applications, it is useful to provide insights into how AI is not only optimizing the card payments process but also redefining consumer behavior, in a rapidly evolving digital economy. These changes have considerable impact on all involved structures raising questions whether they are ready for this transformation, and for which are the main challenges that the banks, processors and other financial authorities should be prepared. Through this exploration, we will also consider the challenges and ethical considerations that arise from the implementation of AI in the Albanian Banking Industry products and processes, ensuring a comprehensive understanding of its implications in the card payment landscape. As we move forward in Albanian cases it is essential to recognize both the opportunities and responsibilities that come with the integration of AI in cards payment systems, paving the way for a more secure and customer-centric future.

II. Literature Review

1. Applications of AI (Gen AI) in Banking Industry

The concept of AI was first introduced during the 1950s, focused on developing machines that can simulate human intelligence, with its main use being to automate routine and administrative tasks. It would be prevalent in the early Banking System, around the 1960s, for banks to adapt computer systems to manage accounts, transactions, and customer data, laying the groundwork for future AI applications (Haenlein, M., & Kaplan 2019). Later, during the 1980 – 1990s, banks started using more sophisticated AI technologies like “expert systems”, their purpose being to emulate the decision-making abilities of a human expert. The rise of automated systems allowed banks to

process large volumes of transactions efficiently, while at the same time, AI applications started emerging in risk assessment and credit scoring, using rule-based systems to help banks make lending decisions (Waterman, D 1986). At 1990s the volume of financial transactions increased, and AI was applied to improve fraud detection, using rule-based logic to flag suspicious activities (Ng, A. Y., & Jordan 2002).

The 2000s saw a shift toward more advanced Machine Learning techniques introduced. The increased availability of big data, along with advances in statistical modeling, allowed banks to use AI for predictive analytics, risk modeling, and portfolio management. Basic AI algorithm had first been applied to enhance credit scoring models beyond traditional methods, and later to detect fraudulent transactions by identifying patterns and anomalies in transaction data (Altman 2000). The introduction of digital banking during 2010s marked a significant turning point in the way digital banking has been presented in the bank industry, with fraud prevention becoming a primary area for AI to demonstrate its strength. Banks were able to leverage vast amounts of customer data, leading to advanced predictive analytics and personalized banking services. AI-powered chatbots began to emerge, providing customers with 24/7 support, thus improving customer engagement. At this period, as AI continued to mature, natural language processing (NLP) was applied to analyze unstructured data, such as legal documents, loan agreements, and compliance reports, streamlining operations and reducing human error (Jurafsky, D., & Martin 2020).

During the 2010 – 2020s however, personalized banking services were the focus of AI (Avasarala 2020). The use of Robotic Process Automation (RPA) combined with AI was applied for automating repetitive banking tasks, improving operational efficiency, and reducing human errors in processes such as loan processing and KYC (Know Your Customers) checks. AI's role in Banking shifted toward predicting customer's needs, suggesting products and services, and delivering tailored customer experiences, such as customized financial products and services based on individual customer behavior and preferences. Banks began using AI for personalized marketing campaigns as well, with AI analyzing customer behavior in order to create targeted marketing campaigns (Dastin 2019).

Nowadays, generative AI is becoming increasingly influential in customer interactions, allowing for more dynamic and sophisticated virtual assistants that can simulate human-like conversations, respond to customer queries, and perform complex banking operations.

2. Evolution of Cards Payments Industry in Albania during Covid -19

It is safe to say that the Pandemic had quite an impact on the banking sector worldwide, as well as the whole of economy, Albania being no exception. The evolution of digital banking in Albania, during the pandemic was marked by an accelerated shift toward online and mobile banking, a rise in *digital-only* solutions, and an increased focus on financial inclusion, making banks face the

challenge of responding to the increased demand to perform the financial services online, while also managing disruptions in physical operations. During this period, the digital banking and card payment industry had the greatest boost compared to previous years.

- *Evolution of Digital Banking Platforms*

The pandemic forced many consumers and businesses in Albania to shift to digital banking platforms as physical bank branches closed or reduced their operations due to lockdown measures and social distancing requirements. Even prior to the pandemic, Albania had been gradually following the steps of other banks in Europe, moving toward digital banking, but the evolution remained evident only during this period, the pandemic smoothing the transition. According to Bank of Albania's data, the number of mobile and internet banking services increased by over 40%, during the first months of the pandemic. Particularly younger generations became more comfortable using digital platforms, the older ones being right behind them. In addition, the use of contactless payments and mobile wallets surged, as people avoided cash transactions. The adoption of mobile payment solutions like PayPal, Google Pay, or other platforms developed by local banks became more widespread, especially in urban areas (Bank of Albania 2020a).

- *FinTech solutions companies and digital -only banks (Neo banks)*

Through the years, although Albania has traditionally been dominated by a few large banks, the pandemic encouraged the growth of FinTech solutions companies and *digital-only* banks (Neo banks). The development of these institutions was a milestone in the national Financial Market, offering banking services, such as digital wallets, peer-to-peer transfers and the possibility to apply for a loan in online platforms, exclusively through digital channels, and in the meantime, enabling the demand for contactless, remote banking solutions.

- *Launch of Cashless Transactions*

Another impact of the pandemic in the Albanian Banking Industry, is that it accelerated the shift toward Cashless Transactions. The increased reliance on online banking, mobile wallet, and the contactless payment systems led to significant reductions in cash transactions, which had previously been the dominant payment method in Albania. There was a notable rise in the use of payment cards including both Debit & Credit Cards, as customers and businesses sought safer, and more convenient ways to make transactions. Cash withdrawals from ATM dropped by 30% in the early months of the pandemic, while card payments increased by 25% (AFSA 2020).

- *Innovation of Digital Banking Infrastructure*

Taking in consideration that Covid-19 enhanced Digital Banking Infrastructure and innovation, and given that several actions during this period have exposed gaps in digital banking infrastructure, Albania has taken measures to improve its digital banking ecosystem. Both local

banks and the Bank of Albania began to support this recent version of payments, and this new trend of customers behavior, investing more in digital banking technologies, including artificial intelligence (AI), blockchain, and cloud computing, to ensure that financial services could continue operating smoothly. One of the largest and innovative banks in Albania, Raiffeisen Bank with the support of Bank of Albania rolled out new innovative services, like automated customers service through chatbots, digital onboarding, and for the first time has been launch online application process for credit cards and other lending products like: Overdraft and Consumer Loans. These services, which were particularly useful during the pandemic, were the first choice of the customers, mostly the younger ones, and in the meantime helped to maintain continuity in financial services increasing operational efficiency (Raiffeisen Bank Albania 2021). After Raiffeisen Bank, this technology development trend has been followed by other banks, like: BKT, Union Bank, Tirana Bank, which have launched similar banking products and services, enriching the customer experience with digital and innovative alternative.

- *Regulatory Support of Digital Services promotion and Cybersecurity Risks in Albania*

In collaboration with the financial services institutions, the Central Bank of Albania made significant the Regulatory Support to promote digital financial services. In 2020 a National Payment Strategy was launched, which aimed at the enhancement of payment digitalization and improvement of the electronic transactions' security (Bank of Albania 2020b). With the rise in digital banking and online payments, Albania also faced an increase in Cybersecurity risks and fraudulent activities. This extremely fast trend of online transactions, coupled with an influx of new digital banking users, made the sector more vulnerable to phishing, malware, and other cybercrimes. The Albanian Ministry of the Interior reported a rise in financial fraud and online frauds particularly, as many consumers and businesses lacked experience with digital platforms. This fact puts pressure on banks to enhance cybersecurity measures, such as implementing multi-factor authentication (MFA), stronger encryption and fraud detection algorithms (Albanian Ministry of Interior 2020). In response to this statement, banks began investing heavily in cybersecurity technologies to protect both customers and their systems from these threats. The Central Bank of Albania worked closely with the local banks to implement data protection standards and anti-fraud systems.

- *Financial Inclusion in Albania*

During the Pandemic with the closure of physical bank branches, the underbanked population turned to digital banking solutions to access financial services. Digital banking played a key role in improving financial inclusion particularly in this customer segment. Digital banking played a key role in improving financial inclusion in Albania during pandemic. On the other hand, banks focused on increasing transparency and security in their digital offerings. Building customer trust through digital channels, has been a key factor in Albania's transition toward a more digitally

enable financial system. Clear instructions, guidelines on official websites, tutorials and improving customer support through direct mail and call centers, were banks' key actions.

3. Application of AI in Bankable Products and Services in Albania

The industry of card payment systems in Albania has evolved significantly over the years, particularly with the rise of digital banking and financial technology. AI adoption in this sector has seen a progressive shift from traditional banking methods to the integration of advanced technologies. Banks in Albania have increasingly turned to Artificial Intelligence (AI) to improve their products and services, streamline operations, and enhance customer experiences. In early developments, banks have shown the first steps of card presence, followed by the expanding of the card payment system, modernization, and regulations. The integration of AI into Albanian banking system follows a broader pattern of technological modernization that began in the early 2000s. After the fall of communism in 1991, Albania began to transition from a centrally-planned economy to a market-based economy. The banking sector began to develop, laying the groundwork for the payment system. In 1998 Alpha Bank disbursed its first loan to a business entity. One year later the bank's dealing room became operational and the first loans for buying houses and cars were disbursed. In 2002 Tirana Bank issued the first credit Visa Card, which was offered to individual customers with defined credit limit. The first ATM was installed from Alpha Bank in 2003, in the meantime the first debit card in the local currency was put in the market. The same year, Alpha Bank signed an agreement with the Tirana Stock Exchange on the clearing of transactions conducted on the Securities Market. Another bank in the same year, the American Bank of Albania (ABA), upon signature of the agreement with Visa Card, started to establish ATMs, and for the first time in Albania issuing Visa Cards and Mastercard brands in both currencies Lek & Euro for individuals & business customers. In 2004, Procredit Bank launched for the first time, ProPay (transfers within the network of the Procredit Banks were simplified in terms of time and costs, leading to improved international payments. In 2006 Credins Bank, launched "Credins Online" service, which enabled customers to conduct transactions on internet and via their mobile phone with their bank account. After Credins Bank, several banks in Albania began to implement an improve online banking service with safety features. In 2008, Alpha Online Banking, and Raiffeisen Direct/Internet Banking have been launched, a service which enabled internet-based access to banking services through token. In 2008, Union Bank Albania presented Maestro & Mastercard in the Albanian financial market. In 2009, Procredit bank launched for the first time in Albania the "Energy Efficiency Loan", a loan for individuals who will make home's investment to safe energy. In 2010 almost all banks offered Debit & Credit Cards, including Visa and Mastercard. In 2012 Credins Bank introduced the pre-paid Visa Card and in the same year, Union bank presented Chip Platform for both Maestro & Mastercard, and launched UB Online platform, the internet banking service which enable online transactions through domestic & international transactions through PC & Mobile (Albanian Association of Banks 2012). The first step of implementing Gen AI in digital banking was the initial journey of transforming banking products and services. Bank customers, through these features, have the possibility to access their

accounts, and make banking transactions 24/7, through their mobile phone. It was more than ever easy to be informed and get information on your own accounts, including current accounts, savings, deposit, and cards balance. Additionally, customers have access to make domestic and international transfers within accounts. The evolution of banking products had a significant impact on the activity of business customers. Business cards and online banking access have accelerated business payments, and in the meantime, has improved payments. Through predefined access rights, business customers can apply the *four eyes principle* during payments by segregating duties between originator and authorizer.

As (Drougkas. P. 2017) stressed out in his speech on the 3rd National Committee of Payment System: Albanian banking has come a long way in electronics banking in the past years: Starting from no-tech (money exchangers on the street, salaries paid in cash and almost no ATM availability) to low-tech (salaries through banks, high use of ATMs and Debit Cards), to the start of the high-tech era (digital/online banking) with almost all banks currently undertaking something in the digital transformation.

Payment systems' efficiency is important for the development of the economy. The impact of development in banking technology and processes' computerization lead the financial system and the banking sector to a new area of fundamental changes that ensure security in the banking market, efficiency, and cost reduction. The digital transformation is a strategic direction for all banks (Bank of Albania 2017).

Currently, card payments are widely accepted in Albania, with a growing number of merchants, both online and in physical stores, supporting various forms of card transactions. The country is continuing to develop its digital payment infrastructure, aiming for greater financial inclusion and efficiency in the payment system. The trajectory of cards payments in Albania reflects broader global trends towards digital and cashless economies, with increasing participation from both customers and businesses. Following above tracks, nowadays the AI applications in banking products and services are more than ever evident in each bankable product and customer transaction.

- *Customer Service and Personalization*

Nowdays, Chatbots and Virtual Assistants are applicable by almost all banks in Albania, providing 24/7 customer service, automate routine inquiries, and enhance user experience. These systems are natural language processing (NLP), which enables interaction with customers, in a conversational manner. Digital developments helped banks to design and develop more personalized products and services, by analyzing customer data and behavior patterns. Banks today have more sophisticated systems, which allow them to parameterize different product features, according to customers segment and applied these terms and conditions in the real time when the user pick up this product at the list value.

- *Direct Mails and SMS services*

Banks now can notify clients automatically through **Direct Mails and SMS** for sales and customer engagement reasons, including customer engagement, information in real time for transactions details performed with a Debit and Credit Card, or successful money transfers for amounts higher than a defined amount. Facing the increase of consumer demand for quality, banks offer services to ensure a positive customer experience. Banks aim to enrich customer experience and in the meantime to appreciate loyal customers, through fast and trusting products and services.

- *Online application for Credit products*

By visiting the website of the bank, and fulfilling the required personal information, the request procedure has been initiated. In addition almost all the banks in Albania have implemented online lending products platforms, which offers real time information about the application status, and Time of approval (TTY) and time of disbursement (TTC) reduction. The loan approval process in several banks in Albania is completely automated, reducing manual paperwork, and making faster decisions. Through AI applications the customer data can be analyzed more comprehensively and make the credit decisions quicker and more accurate. Several banks are offering online current account applications nowadays.

As internet usage grow in Albania, so did the online payments for shopping and other profiles. Following this trend all the shops today are offering “Buying Online Platforms”.

- *E-commerce and Online Payments Platforms*

Banks are developing the E-commerce and Online Payments Platforms, to offer the merchants the possibility of online payments through Debit Cards, Credit Cards, and Wallet. Later on, since the evolution in the pandemic era, contactless payments technologies began to emerge, making transactions quicker and more convenient for consumers. During latest years, the evolution of contactless payments reflects a significant shift in consumer behavior and technology development. Advantages of Tap & Pay method, such as: speed, convenience, security and perform the payment with no contact, push the Albanian customers to embrace this payment mode. This payment method has developed in the meantime security features for cards payments and tokenization, by changing forever the customer engagement. The technology used in this kind of transaction is NFC, which enables short -range communication between devices, allowing for quick data transfers and RFID, used in various contactless cards where an embedded chip communicates with a reader. Wearables and smartwatches are also a form of contactless payments, which are offered in Albania from Raiffeisen Bank. In order not to have limitation in this new Tap & Go payment mode, and concentrate this feature only in POS channel, the processors and Tech companies have gone even further. They have developed Smart ATM that offers contactless option that works the same as in POS, but the main purpose is to withdraw money fast and without need of the chip and PIN.

Digital wallets are the new trend for payments in this new area, used chiefly by youngsters, but not only. This service is their first payment choice. Since the card is registered in a wallet, the customer can perform purchases in two main methods: POS & Online. By opening wallet app and holding the phone near payment terminal that supports NFC, the payment is performed successfully. By registering the required fields in the app, the physical card is tokenized in the app, and the customer can purchase by smartphone, in the same way as the physical card is used. Advantages of using Google Pay for Card Payments is that there is no need to carry a physical card with you; your phone can serve as your wallet, and encryptions and tokenization are used to protect your card details. In the meantime, payments through wallet quick and easy, reducing the time spent at checkout, and the customer has multiplied payment cards in one place. Actually, in Albania this service is offered from Raiffeisen Bank, which has developed its own platform, and from ProCredit Bank and Union Bank, which offer Google Pay service.

- *Evolution Daily Banking Operations*

Nowadays, these services are done automatically in the system through core Banking system, and no manual documentation is required. Clients that perform these operations in the clerk, are not obligated to stay in a row.

Standing Order is a new feature of periodic payment that is offered mostly for Credit Card used balance payments, or for utility payments. In regular basis on the chosen date from the customer, automatically from the account, initiate a payment order to the other account.

E-commerce is one of the most used channels nowadays for banks and merchants. Big banks that have a considerable market share in the Albanian banking sector have developed an e-commerce platform, which provide businesses with the opportunity to sell products or services online, without the need for physical card. Through this platform banks generate incomes through commissions and cards activity, on the other hand, businesses grow even more their sales and gain new customer that shop and make purchases at any time 24/7, comparing prices, read review, and make more informed purchasing decisions from the comfort of their home.

- *Customer Experience and personalized services*

Recently, the banking sector has made substantial investments to improve customer experience through personalization, customers segmentation and targeted promotional campaigns. Through AI platforms, banks have nowadays a 360-grade customer view, regarding personal information, income information, bankable products and the customer payments spending behavior for bankable products, and their exposure in these products. Banks distinguish each customer profile and design dedicated products and personalized promotional campaigns with preferential terms and conditions. Through Gen AI analyses, regarding card transactions data, banks are oriented to rewards and cash back campaigns, based on customer profile. They create tailored customer experience and enhance loyalty programs based on customers spending behavior and their profile

in bankable products by incentivizing the card usage and improving their product portfolio. Additionally, banks promote Cash Back campaigns for segmented customers, awarding them with monetary funds based on transaction activity and promotional campaign terms and conditions. The development of AI has affected even the Fraud Detection and Prevention through sophisticated algorithms that analyze transaction patterns for anomalies, improving transaction security and fraud possibilities.

Customers relationship management (CRM) platforms are mostly used by Albanian banks today. Through Gen AI this platform helps banks track interactions with their clients, automate tasks like data entry, communicate consistently, analyzes customers segment data, and track performance. The main focus of banks using CRM is: improving marketing sales, customer service, product portfolio and manage customer relationships, in retail and business customers. One of unique challenges of banking in a digital world is understanding and fulfill expectations, In Gen AI age, this implies having in-depth knowledge of each customer, taking a tailored approach, anticipating customers' needs, and doing it all faster than competitors.

A new trend in Albanian Market that underline the Gen -AI affect is Credit Cards installment payments. Today almost all banks offer to the customers the option buy now- pay later, which means that the payment transaction amount can be spited in installments and can be paid according to customer financial ability.

4. Customer perception regarding AI developments in Financial Banking Sector

There are different banking customers' behaviors related to advanced banking products and services. While innovations platforms are seen as beneficial in many areas, customer reaction depends on their understanding of the technology, their familiarity to use online/real time services, their comfortability with automation of the services and their fear or concerns about privacy and security.

As (Meka 2019) asserted: Certainly, machines will be more and more INTELLIGENT, but people have always been SMART! So, the best reality of the future must be the synergy and co-existence between “smart” and “intelligent”, or the “SMARTELLIGENT” banking service!

In the Albanian banking industry, through fast and real time products and services, the customer perception is a mix of excitement for benefits it offers, in terms of convenience, personalization, and security, along with concerns about trust, transparency, and loss of human interaction. Banks are trying to address these concerns by educating customers, ensuring data privacy, and offering clear communication, aiming to have a fast integrated AI into their products and services.

- *Perception of convenience in Banking Products and Services*

The majority of bankable products enhance **convenience** by offering 24/7 customer support, quick responses and tailored product suggestions. The Albanian customers appreciate not having to wait on hold for a human agent or visit a branch for basic tasks. On the other hand, customers benefit from **quicker processing time** for applications, transfers, inquires, and in the meantime, they like **personalized offers**, based on their preferences and transaction history. For the customers that have a positive mindset and trust the technology, the cause that AI can monitor in the real time transaction and flag suspicious activity with greater accuracy than traditional methods, leading to higher levels of security and fewer fraudulent transactions is more than true. On the other hand these customers trust AI -based biometric security features, such as facial recognition, fingerprint scanning, considering these features as the more secure and convenient way to access their accounts and authorize transaction.

- *Managing Funds through Online Platforms*

Albanian banks even more are offering online platforms to have a clear view of own finances in real time and are offering better tools to manage funds and transactions, increasing the positive customer perception to manage their finances fast and in real time. But another point of view from skeptical customers is how their personal data is being used.

- *Data Privacy and Human Interaction*

Based on their frequently questions in Customer Services platforms, Albanian customers are often wary about data privacy, how much of their financial information is collected, stored and processes by AI systems. On the other hand, there are customers that declare the human interaction lack that comes with the standard activity during in-person banking. In Albanian Banking, affected even from the financial history milestones, many customers do not trust only the online information regarding their financial transaction, without a proof that approves their funds status. In additional many customers do not fully understand how AI works or how it benefits them, in terms of banking products and services, and in the meantime some of these customers are cautious about relying on AI for critical tasks such as loan applications or loan approval, credit assessment, transactions through online banking, or online offers through QR codes. The potential errors or misunderstandings in their financial activities through non-in-person banking, which can affect their finances, is their main concern.

- *Factors that influence Customers Perception related with Bankable Gen AI*

Customers' perception in banking is shaped by a range of factors, which encourage or hinder customers' trust in, willingness to adopt, and satisfaction with AI-powered banking products and services. The bankable products and services affected by AI features are becoming complex and even more digitally oriented.

Taking about **Age**, younger customers are more familiar with digital technology and as a generation grown up in a automation era; they are comfortable trusting AI banking products, which offer according to their perception, convenience and efficiency, appreciating features like personalized financial advice, quick loan approvals, and 24/7 access to services. On the other hand, older generations tend to be more cautious regarding these AI products, due to less familiarity with technology. This generation usually has questions about how AI makes decisions, especially in sensitive lending financial services, like loans, credit cards, or overdrafts. They often have concerns related to data privacy and security and they feel more comfortable speaking with human representatives.

Education and experience play a role in how customers understand and trust digital products and services. Customers who are educated about how AI works or have previous experience are more confident and understand the process faster and how they can benefit from these latest trends. On the other hand, customers with lower levels of education do not understand the digital products process and due to the lack of familiarity they hesitate to trust these services and prefer traditional banking services. **Education and awareness** remain key factors that influence customer behavior to access the AI-platforms and following banks' activity. Trust in technology and data privacy is one of the factors that affect customers' perception. Using digital banking services fast and online services, the fear of data privacy hacking and misuse of personal data can affect trust in AI solutions.

Another factor is familiarity with AI. Customers who have had positive experiences with AI are more likely to embrace this effect in banking operations, compared with others who are less familiar with digital interfaces, or who may have difficulty navigating complex online platforms. **Customer Support and human interaction** can affect customer perception about Gen AI impact in banking solutions. Customers who are wary of fully automated services often prefer a hybrid model, where AI handles routine tasks but for more complex or sensitive banking operations there are available human representatives. Additionally, **bank reputation** and its commitment to responsible AI use can significantly influence customer perception. Customers are more likely to trust AI in banking services launched by a reputable financial institution with a long track record of customer service and ethical behavior. **Level of Incomes** play a significant role in customer perception. Customers with a high income level may be more willing to experiment with new technologies, including AI in banking operations, while lower -income customers may be more cautious, particularly if they perceive AI as a tool for rich customers and in addition, they are concerned about specific costs of using advanced banking technology. **Urban Customers and Rural customers** have different perceptions about digital banking operations. Customers in urban areas, who are often more exposed to technology and innovation, are more open to using new technology trends in banking, while rural customers can have less access to advanced AI services and prefer more traditional banking or face -to-face banking. Internet connection and assessment of platforms and smartphones availability in rural areas can make customers' perception lower than urban zones.

III. Methodology

Debit and credit cards' activity in the Albanian economy has been growing during recent years. These instruments have become the primary choice for transactions in Albania; they are widely used for everyday transactions, as: ATM withdrawals, shopping, and bill payments. According to (Bank of Albania 2024), the number of Debit and Credit Cards issued in Albania has grown steadily during recent years. In 2024 the total cards number has increased by +37% or +387.000 more issued cards.

When divided by cards portfolio, in 2024 debit cards show an increase by +39% or 370.000 more cards, compared with 2018, while credit cards have increased by around +16% or +16.000 more than 2018. However, challenges like education and awareness regarding advantages of financial instruments, use of cash in rural areas, and the need for financial literacy about credit cards and debt management remain key factors in shaping the future of payment trends with debit and credit card.

Picture 1. No. of Issued Cards in Albania



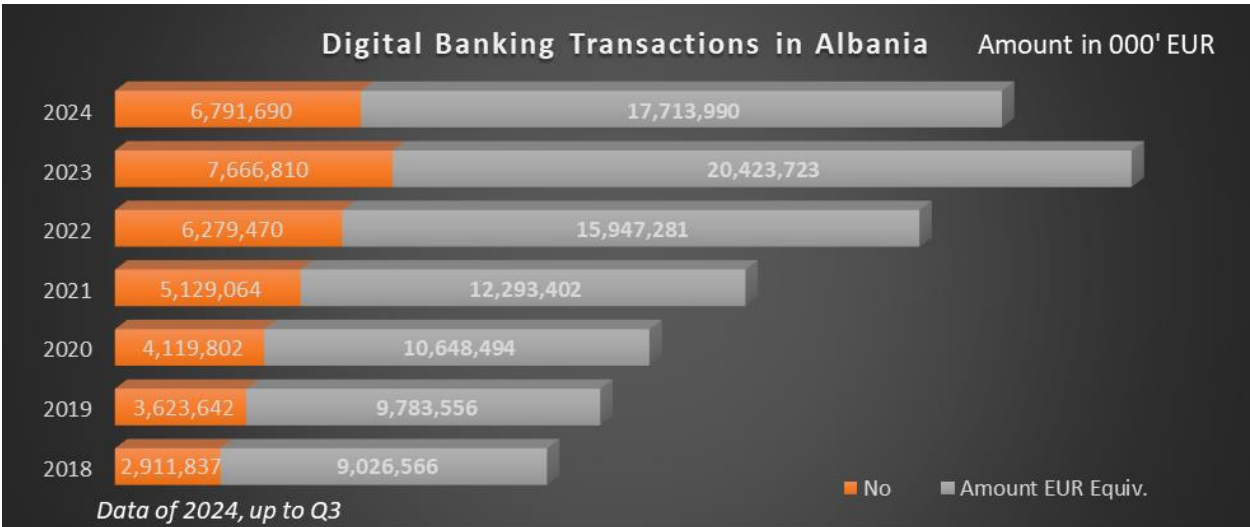
Source: Bank of Albania, Payments Instrument Report.

While digital banking was already growing with normal steps, today the development of Gen AI platforms and their use is an essential service for many consumers. Transactions that were previously done in-person have moved to digital channels, with a focus on mobile banking, online payments, and contactless transactions.

The number of Digital Banking transactions in 2020 has increased 41% or 1.4 million more than 2018. Meanwhile, in 2024 Digital Banking Transactions in Albania have increased 65% or 2.6

million more than 2020, or stated differently +133% or 3.8 Million more than 2018. This transformation is expected to be long-lasting, as customers have now become accustomed to the speed, convenience, and flexibility of the digital banking service.

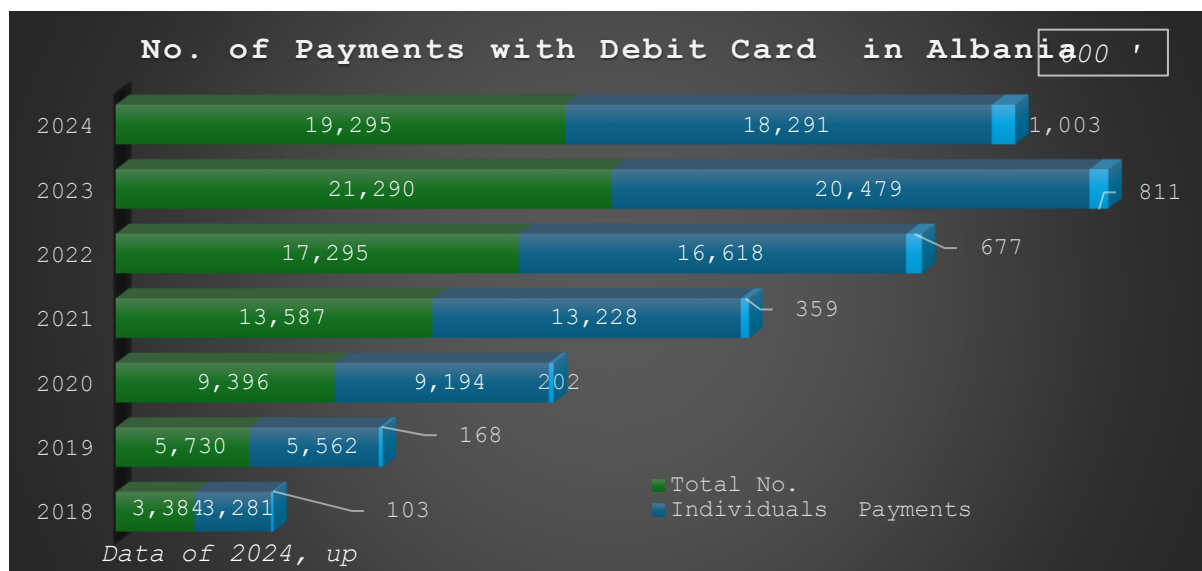
Picture 2. Digital Banking Transactions in Albania



Source: Bank of Albania, Payments Instrument Report.

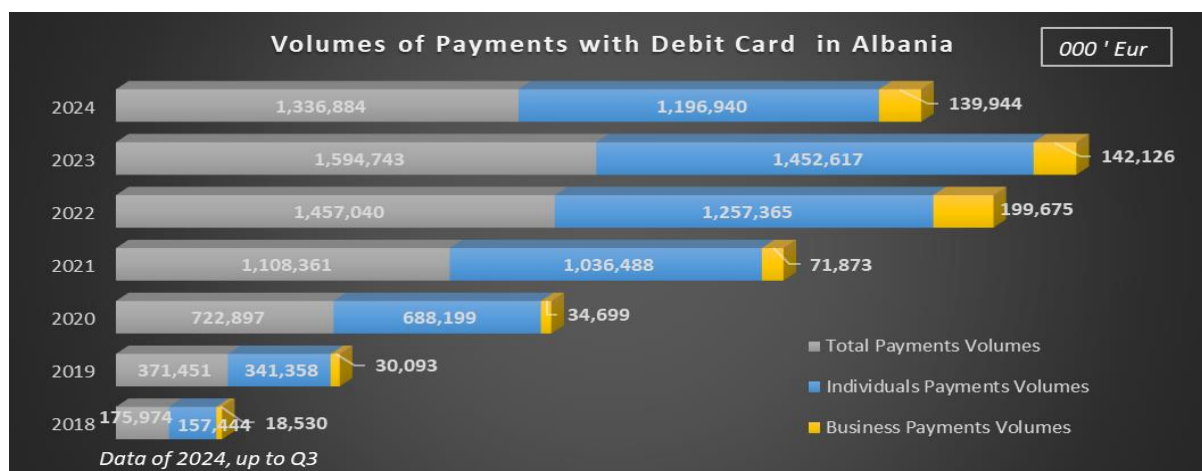
The trend with Debit Card Payments in Albania has evolved significantly in recent years, reflecting a digital customer behavior and a Gen-AI influence. The adoption of digital payments, including debit card usage for individuals and businesses in Albania has grown steadily, particularly in the wake of technological advancements, increased internet access, and the pandemic period. The total number of Debit Card transactions for Individuals has increased in 2020 by 178% or 6 million more than 2018. Meanwhile, in 2024 total number of transactions with Debit Card in Albania have increased 105% or 9.8 million more than 2020 or otherwise +469% or 15.9 million more than 2018. The same increasing trend is seen for transactions made by businesses' debit cards.

Picture 3. No of Payments with Debit Card in Albania



Source: Bank of Albania, Payments Instrument Report.

Picture 4. Volumes of payments with Debit Card in Albania

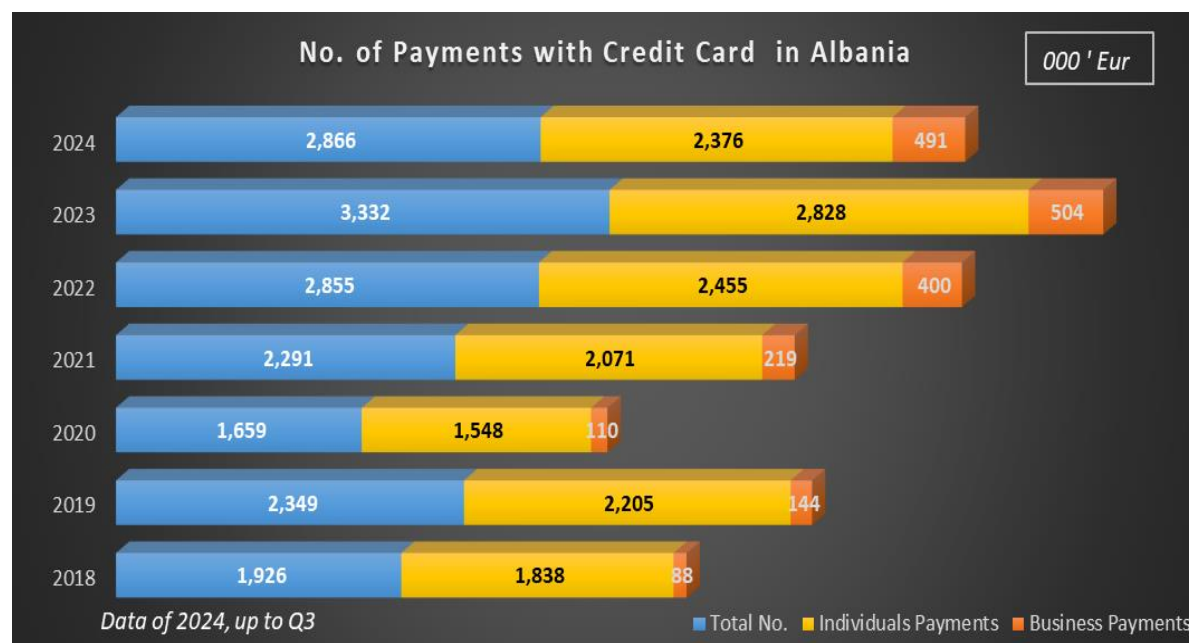


Source: Bank of Albania, Payments Instrument Report. Payments Instruments by Years,(BOA Official Exch. Rate 98.13)

In terms of volumes, the transactions volumes in 2020 are increased 310% or EUR 546 million than 2018. Meanwhile, the transaction volumes in 2024 increased by +85% or EUR 613 million, compared with the volumes performed in 2020, said otherwise +660% or EUR 1.1 billion.

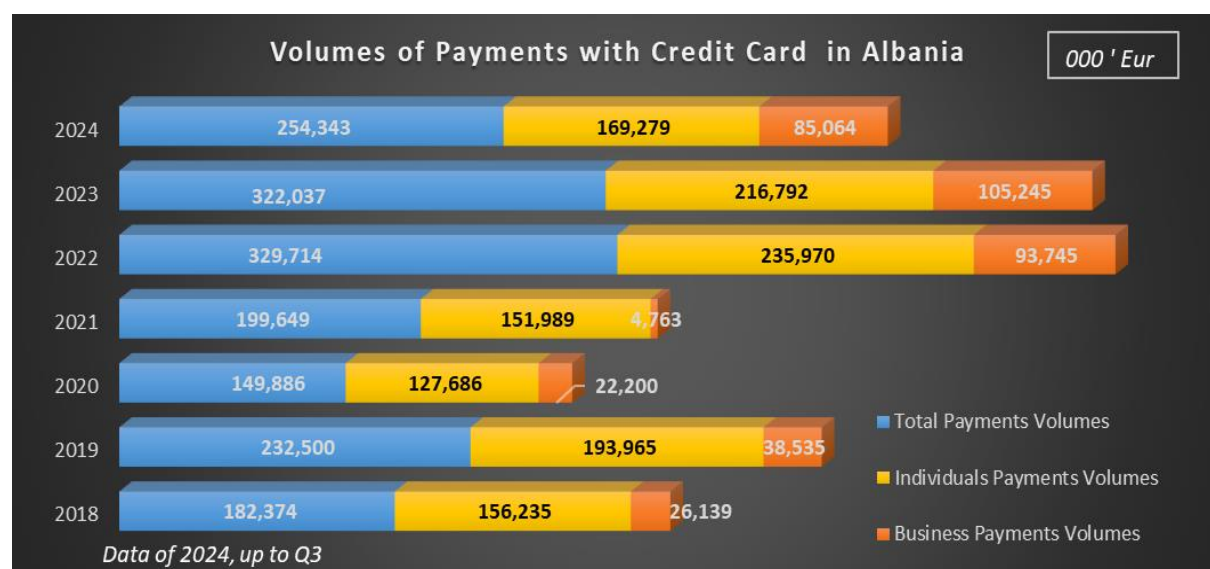
The evolution of usage of Credit Cards for payments within the country and abroad, reflects an increase through the developments in Albanian financial infrastructure, consumer behaviour, and technological adoption.

Picture 5. No. of Payments with Credit Cards in Albania



Source: Bank of Albania, Payments Instrument Report.

Picture 6. Volumes of Payments with Credit Card in Albania

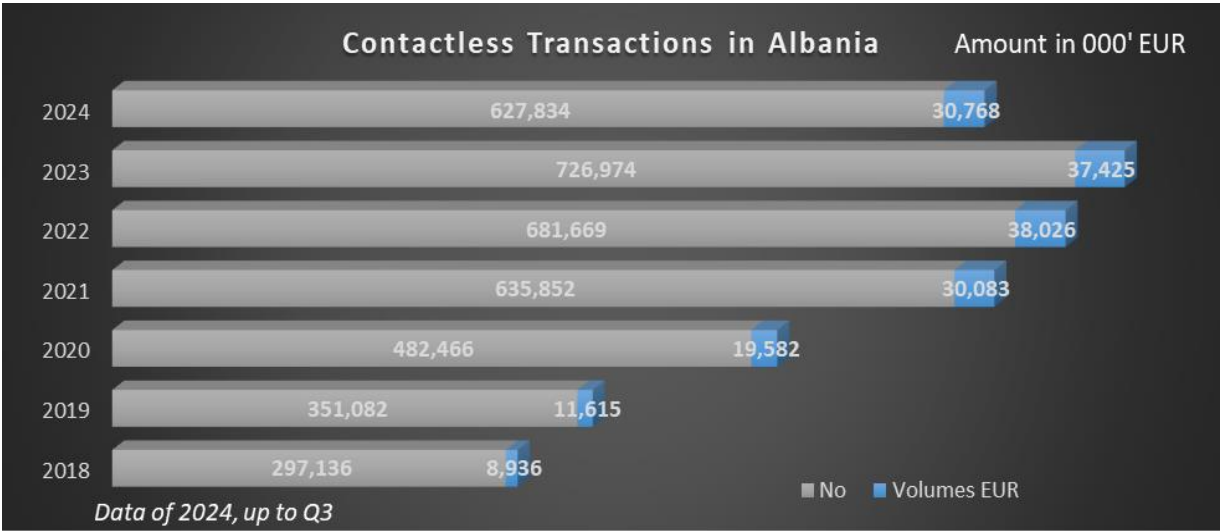


Source: Bank of Albania, Payments Instrument Report, Payments Instruments by Years, (BOA Official Exch. Rate 98.13).

In recent years, it has seen a notable increase driven by factors such as: greater financial inclusion, the rise of e-commerce, improvements in payment infrastructure and the influence of international banks and fintech innovations. The same picture appears in the transaction with credit card volumes, affected from the banks assessment politics, e-commerce growth, mobile banking and digital payments, cashless trends, and growth of fintech solutions.

Contactless payments throw debit and credit cards gained use during pandemic due to health concerns and shift toward safer, more convenient payments method.

Picture 7. Contactless Transactions in Albania



Source: Bank of Albania, Payments Instrument Report.

Today this kind of payments are a key trend in Albania, and many banks has developed this feature, allowing customers to perform quick payments without needing to enter a PIN for transactions up to a specific limit, usually low amounts.

Picture 8. No of Terminals in Albania

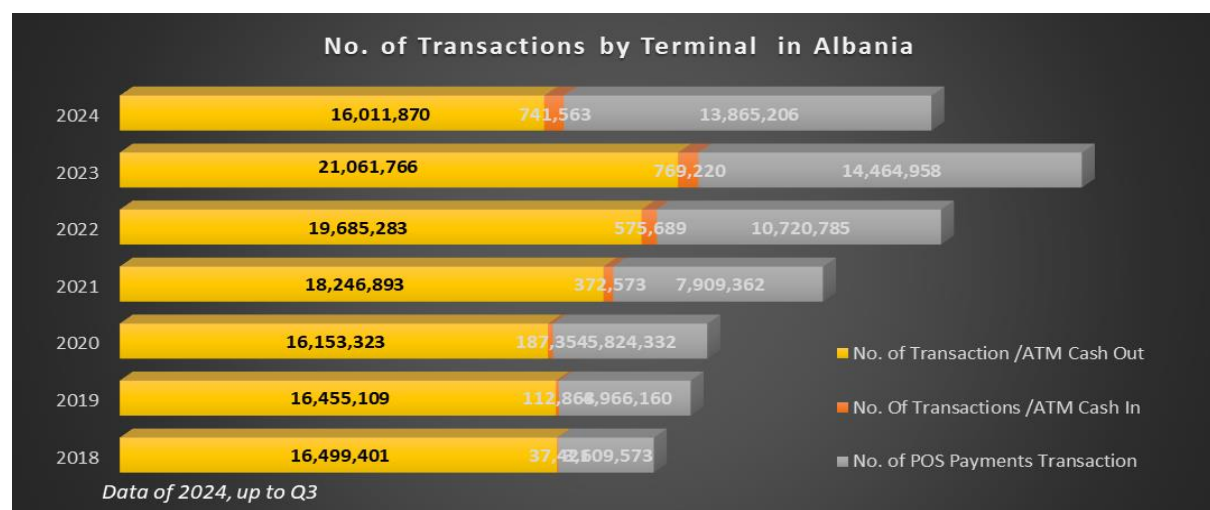


Source: Bank of Albania, Payments Instrument Report.

Contactless transaction number has shown an increase around 62% or 185.000 more transactions in 2020, compared with 2018. Meanwhile, in 2024 they increased by +111% or +330.000 more transactions than 2018.

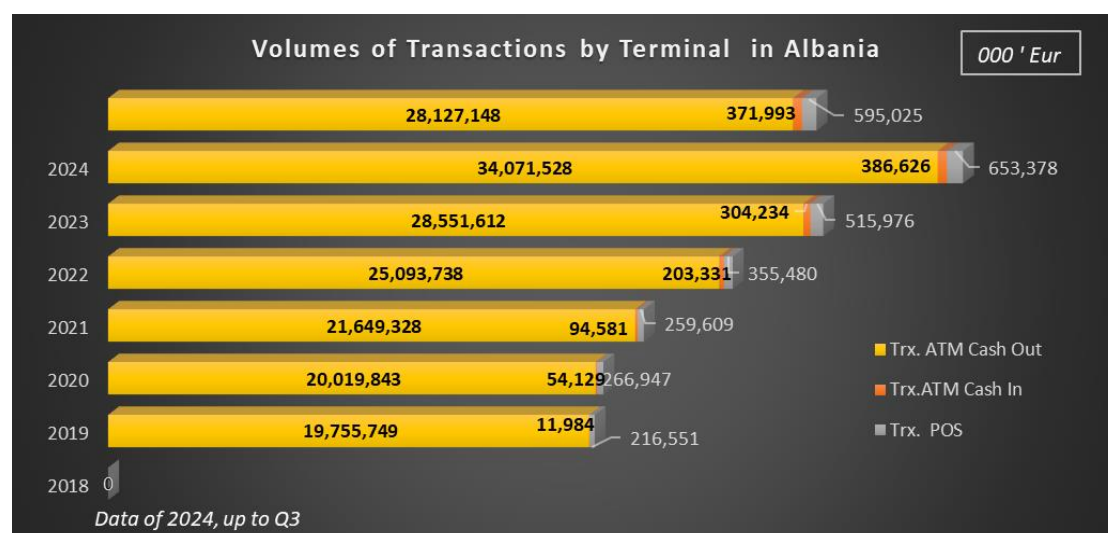
The evolution of Automated Machines (ATM), Point of Sales (POS), and e-commerce in Albania has shown a noteworthy progress, though challenges remain, particularly in rural areas where digital adoption lags behind urban centers. The total number of ATMs continued to rise in the 2020s, especially in tourist-heavy regions. Mobile banking and Cashless ATM features became more widely available, allowing users to access their funds using mobile phones or QR Codes.

Picture 9. No of Transactions by terminal in Albania



Source: Bank of Albania, Payments Instrument Report.

Picture 10. Volumes of Transactions by Terminal in Albania



Source: Bank of Albania, Payments Instrument Report, Transactions according to Terminal in Amount.

By 2020, POS terminals became more common in Albania, particularly as the younger generation as generation became a significant consumer base. Businesses in Albania began adopting more sophisticated POS systems with integrated accounting, inventory management, cash back, cash advance and sales analytics. As mobile phones became ubiquitous, mobile POS systems became increasingly popular for small business owners and merchants, offering affordable and flexible payment solutions. Meanwhile, following the e-commerce development, Cash In service in ATM was a new trend that showed an increase in transactions.

IV. Findings & results

1. The integration of AI technology has brought significant enhancements to the payment process, influencing both operational efficiency and customer experience. From personalized marketing strategies to real-time fraud detection, AI has transformed how financial institutions and businesses overall interact with customers and on the other hand how consumers engage with payment systems.
2. Payment statistics show a fast increase in issued cards, transactions number and volumes, and in the meantime an increase of terminals. The pandemic forced many consumers and

businesses in Albania to shift to digital banking platforms, due to lockdown measures and social distancing requirements. Also, it accelerated the shift toward Cashless Transactions, where the increased reliance on online banking, mobile wallet, and the contactless payment systems led to significant reductions in cash transactions, which had previously been the dominant payment method in Albania.

3. Most bankable products enhance convenience by offering 24/7 customer support, quick responses, and tailored product suggestions. Albanian customers appreciate these technology benefits but they are often wary about data privacy, how much of their financial information is collected, stored and processes by AI systems.
4. There is still a need for development of I2I financial programs, mostly in rural areas, where people are less informed, and the infrastructure of payments need more developments.

V. Discussions

1. Future AI advancements may lead to even more accurate models for predicting market trends and customer needs. Integration with Emerging Technologies: AI is likely to integrate with blockchain, quantum computing, and Internet of Things (IOT) to further transform banking operations.
2. The increase of Credit Cards usage remains a key factor in cards payment evolution in Albania. The increase in Credit Card usage is a result of multiple factors, including technological advancements, changes in consumer behavior, economic growth, and the expansion of digital payments. While this trend brings significant benefits, such as: convenience, security, and financial inclusion, it also raises challenges related to debt management, personal data protection, and financial education.
3. The rise of mobile payments presents both opportunities and challenges for the banking system and government in Albania. Regulatory framework can improve consumer protection and address new fintech innovation. Although the banking sector is moving towards digitalization, its older legacy and gaps in financial inclusion remain a hurdle for broader adoption, particularly in rural areas.
4. The development of Direct Money Transfers in Card through mobile numbers are becoming increasingly popular in the world as a fast way for customers to send money without fulfilling the required rows with sensitive financial data. Even in Albania mobile phones are more widely used than traditional banking infrastructure, there is a lack of the accuracy of mobile phone numbers and the customer consciousness to regularly update the personal data in the bank.

5. Security of Transactions and Fraud cases remain a key discussion topic. Even if some actions are implemented to avoid these challenges, the banks must invest in robust security protocols (two factors authentication, encryption, AI-driven fraud detection) to safeguard the customers.
6. Increase of using Buy Now-Pay-Later technology. Today this form of payment is developed in credit cards by paying the installment on a monthly base. Another convenience form of this payment can be that the customer can choose by himself the number and amount of the installment, and not only in regular monthly amounts.
7. Virtual cards are a new payments method for customers that are skeptical and do not want to use their card in e-commerce. This card allows them to use it only once and all details of the card are not valid after the first use.

VI. Conclusions & Recommendations

1. With the increase of products and services where AI is the main indicator, comes the need to ensure that customer data is secure and compliant with local and protection laws. In Albania, many initiatives have been done by the Bank of Albania and banks, but still there is no data Privacy and Security procedure that should protect both parties. Many banks in Albania still rely on existing legacy systems which may not easily integrate with AI solutions, and significant upgrades to IT infrastructure.
2. Developing customer digital signature for Customer onboarding. Today banks are facing issues for the Online Customer Onboarding and Opening a Current Account. There is an immediate need to develop further the electronic signature procedure and legal gaps, to implement these operations.
3. The Bank of Albania began implementing regulations to standardize card payment systems and enhance security, particularly following global standards for electronic payments (Implementation of BOA's transparency regulation about Contactless daily limits) but there are still many gaps that should be formalized in order to make card payments safer and avoid risk.
4. E-commerce sites store sensitive customer information, such as payment details and personal data. Alternatively, online transactions can also be vulnerable to fraud, such as: identity theft, payment fraud, and account hacking. Provider companies, banks with support of Bank of Albania have developed 3DSecure, and CVV2 features, but there is the need of advance security features to avoid cyberattacks and data theft. Banks and Bank of Albania should invest in customer education programs related with Gen AI platforms providing clear explanations and building trust, improving the acceptance of AI -driven services.

5. Increasing adoption among younger consumers through dedicated products and services for this new customer segment. The generational divide is the main reason to design innovative products, as young people appreciate the speed, convenience, and no contact transactions benefits of AI payment platforms, while older generations often exhibit skepticism or lack of familiarity with the technology.
6. Designing transparency and control booklets or information on the website about how AI platforms are used, what data is being collected and how decisions are made. Customers are more likely to trust AI if banks are transparent about the above topics. Giving customers control over their data and allowing them to opt in or opt out of certain AI-driven services can also improve perception.
7. Crafting clear regulatory frameworks around the use of AI in banking, which would reassure customers that AI is being used responsibly.
8. AI platforms should be combined with human support. Customers are more comfortable with AI when they know that they can easily switch to human representative if they cannot reach out to finalize the transaction.
9. Launching campaigns to inform and educate the customers about benefits of AI products and services to increase the usage of these products, and in the meantime for guidelines how to use them in a safe and secure manner.
10. Implementing product alerts to customers regarding card expiration date, loan installment, and deposit maturity date. This will help with customer satisfaction and in the meantime with product management portfolio.
11. Implementing fingerprint scanning only, for card payments and online transaction, without the need of fulfilling all necessary data in online banking page, or swiping the card in the POS.

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Student Attitudes and Perceptions Towards the Use of ChatGPT: A Study on the Ethics and Effectiveness of AI in Education

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Abstract: This study investigates first-year students' views and perspectives concerning using ChatGPT in higher education, emphasizing its ethical implications and efficacy as an auxiliary tool. A questionnaire designed for this purpose collected data on the frequency of use, objectives, and students' attitudes regarding the ethical utilization of ChatGPT. According to the data, students have a divided opinion regarding using artificial intelligence (AI) to complete assignments. While some students view AI as a valuable tool for improved understanding, others have ethical concerns about its use. This paper aims to demonstrate artificial intelligence's role in the educational system and provide students with guidelines to help them use AI responsibly.

Keywords: ChatGPT, student perceptions, AI in education, ethics.

Introduction

The emergence of artificial intelligence (AI) technologies, especially large language models such as ChatGPT, has markedly altered the educational landscape. As educational institutions integrate AI tools into their curricula, understanding student attitudes and perceptions of these technologies is essential. This study investigates the ethical implications and effectiveness of ChatGPT in educational contexts, emphasizing students' perceptions of its utility, benefits, and potential risks. The incorporation of AI in education prompts significant inquiries regarding academic integrity, learning outcomes, and the changing responsibilities of educators in assisting students during this

technological transition. Studies show that students typically demonstrate a favorable disposition towards utilizing ChatGPT in their academic activities. The potential of AI tools to enhance learning experiences, especially in writing and language acquisition, is acknowledged, with non-native English speakers indicating a greater reliance on these tools for improving grammar and coherence (Baek, 2023; Darma, 2023; Yuk Chan & Hu, 2023). Students frequently highlight the advantages of ChatGPT, whereas faculty members tend to have ambivalent views, recognizing both the benefits and the ethical issues related to its application (Hasanein, 2023; Lund et al., 2023). This dichotomy underscores the necessity for thorough discussions among stakeholders regarding the responsible application of AI in academia, as educators are responsible for promoting an environment of integrity and transparency (Dergaa et al., 2023; Perkins, 2023). The ethical considerations regarding the use of ChatGPT are significant and warrant attention. Plagiarism, academic dishonesty, and the risk of excessive dependence on AI tools present considerable challenges for educators and students (Cotton et al., 2023; Petricini et al., 2023). The evolution of AI technologies necessitates the establishment of clear guidelines and frameworks to promote ethical engagement with these tools (Michel-Villareal, 2023; Rahman & Watanobe, 2023). The ongoing discussion highlights the necessity of cultivating students' critical thinking and digital literacy skills to effectively address the complexities posed by AI in educational settings (Batra Verma, 2023). Thus, this study will contribute to the growing body of literature by examining not only the perceptions of students regarding ChatGPT but also the broader implications for teaching and learning in higher education. In conclusion, the increasing prevalence of ChatGPT and similar AI technologies in educational contexts necessitates an examination of student attitudes and perceptions regarding their utilization. This study seeks to clarify the ethical and practical aspects of incorporating AI into education, guiding effective and responsible implementation strategies.

Literature Review

Integrating artificial intelligence (AI) technologies in educational environments has received considerable attention, especially regarding student attitudes and perceptions towards tools such as ChatGPT. This literature review synthesizes current research on the effectiveness and ethical implications of AI in education, emphasizing its implementation's associated benefits and challenges. Studies demonstrate that AI tools can improve student engagement and learning outcomes. A study indicated that students utilizing AI tools exhibited a 15% enhancement in analytical and critical thinking skills relative to their peers who did not employ these tools, implying that AI can effectively promote higher-order cognitive skills ("Impact of Artificial Intelligence on Student Attitudes, Engagement, and Learning," 2024). Integrating AI in language learning, mainly through tools such as ChatGPT, personalizes educational experiences by facilitating tailored lessons that address individual student needs (M. Amin, 2023). This tailored method improves language acquisition and fosters more profound understanding and engagement in learning (M. Amin, 2023). The ethical considerations regarding AI in education are of significant importance. Concerns regarding academic integrity, specifically about plagiarism and

excessive dependence on AI tools, have been extensively examined (Benefits and Challenges in Using Ai-Powered Educational Tools, 2023; Thong, 2023). Students frequently convey optimism regarding the potential of AI while also acknowledging the associated risks of misuse, including a reduction in critical thinking skills (Thong, 2023). Ethical frameworks are crucial for guiding the responsible application of AI in educational settings, enabling students and educators to effectively manage the complexities posed by these technologies (Holmes et al., 2021; Zawacki-Richter et al., 2019). Transparent guidelines and participatory design approaches are essential for fostering trust and ethical engagement with AI tools (Akgün & Greenhow, 2021; Kumar, 2024). The literature emphasizes the need for educators to modify their teaching strategies considering AI integration. Educators should involve students in discussions regarding the ethical implications of AI to promote a culture of integrity and critical reflection (Cain, 2023). This method tackles possible ethical issues and encourages students to engage actively in their educational experiences, using AI as an aid rather than a dependency (Zawacki-Richter et al., 2019). In conclusion, AI technologies such as ChatGPT offer considerable potential for improving educational experiences, yet they also pose ethical challenges that require careful management. The current literature highlights the necessity of cultivating favorable student attitudes toward AI and developing strong ethical guidelines to promote responsible usage. Future research must further investigate these dynamics, emphasizing the changing interactions among students, educators, and AI technologies within educational contexts.

Methodology

Research Design

This study employs a mixed-methods approach, combining quantitative and qualitative analyses to evaluate the perceptions, usage patterns, and ethical considerations surrounding the use of ChatGPT among first-year university students. The research is structured to capture numerical trends and nuanced insights through survey responses and thematic analysis.

Participants

The study involved 94 first-year students from four universities: Tirana Business University College, Luarasi University, Armed Forces Academy, and Canadian Institute of Technology. Some responses from other HEIs were also grouped as “others.” These participants were selected to represent a diverse demographic and academic background. The universities included faculties in information technology, economics, and engineering.

Data Collection

A structured survey was distributed to participants across the four universities. The survey consisted of both closed-ended and open-ended questions designed to capture:

1. **Demographics:** University and faculty affiliation.
2. **Usage Patterns:** Frequency and purpose of using ChatGPT.
3. **Perceptions:** Effectiveness of ChatGPT in improving academic results and ethical concerns related to its use.
4. **Ethical Considerations:** Opinions on plagiarism and institutional mechanisms for AI-generated content control.
5. **Open-Ended Responses:** Perceived benefits and challenges of using ChatGPT in education.

Data Analysis

The analysis combined quantitative and qualitative approaches to explore ChatGPT usage. Descriptive statistics, including frequencies, percentages, and cross-tabulations, summarized the dataset. At the same time, ANOVA assessed variations in usage across universities and faculties, and Pearson correlation examined the link between usage frequency and perceived effectiveness in academic performance. Qualitative data from open-ended responses were analyzed using thematic analysis, uncovering key themes such as motivations and challenges in ChatGPT usage. A word cloud visually represented frequently mentioned terms, offering an engaging summary of the qualitative insights.

Ethical Considerations

Participation in the survey was voluntary, and all responses were anonymized to ensure privacy and confidentiality. The study adhered to ethical guidelines for research, including informed consent and data protection.

Limitations

While the study's sample size is adequate for initial insights, it may not fully represent the broader population of first-year Bachelor university students. Additionally, self-reported data are subject to biases, such as social desirability and recall bias.

Results

The dataset includes responses from students representing a diverse range of universities. Most participants are from Tirana Business University College, accounting for approximately 35% of the total sample. This is followed by the Armed Forces Academy, contributing nearly 32% of responses. Luarasi University and the Canadian Institute of Technology have comparable representation, each contributing around 11-12% of the sample. Smaller contributions are noted from the University of Tirana, Beder University, and other institutions, each constituting less than 5% of the total respondents. This distribution highlights the predominance of participants from business and defense-related academic backgrounds, potentially influencing the overall perspective on ChatGPT usage. However, including participants from various institutions ensures a broad representation of educational contexts.

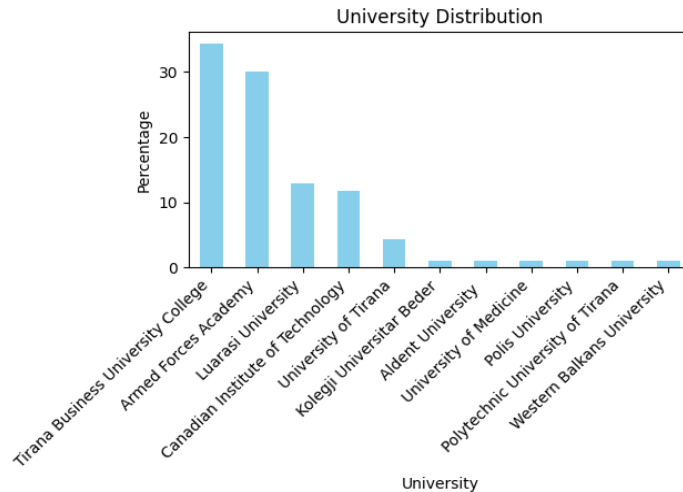


Figure 1: Responses distribution by universities

The analysis indicates that participants are intensely familiar with AI technologies, resulting in a highly positive response. Most respondents (95.7%) reported familiarity with AI, indicating a robust foundational understanding. This suggests that most participants were adequately prepared to utilize AI-based tools like ChatGPT. A minority of respondents indicated either no familiarity with AI technologies (3.2%) or uncertainty regarding their familiarity (1.1%). This suggests that although AI knowledge is prevalent, specific gaps in understanding could influence the adoption and perceptions of AI tools in education. The notable familiarity with AI indicates that most students are prepared to incorporate AI technologies into their academic practices, highlighting the growing importance of AI literacy in higher education.

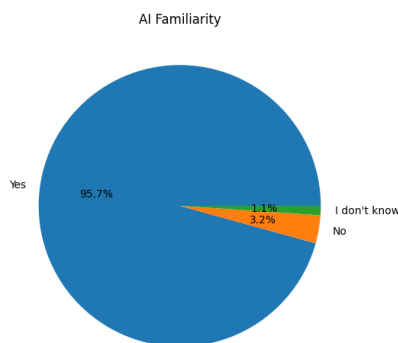


Figure 2: Familiarity with AI Technologies

The analysis of ChatGPT usage frequency for academic assignments reveals diverse engagement patterns among respondents, highlighting varying levels of integration into academic workflows. A significant portion of participants, constituting 45.16%, reported using ChatGPT less often, indicating that the tool is primarily employed for specific tasks rather than as a routine part of their

academic activities. This suggests a trend where ChatGPT functions as a supplementary aid for occasional needs rather than as a central educational resource.

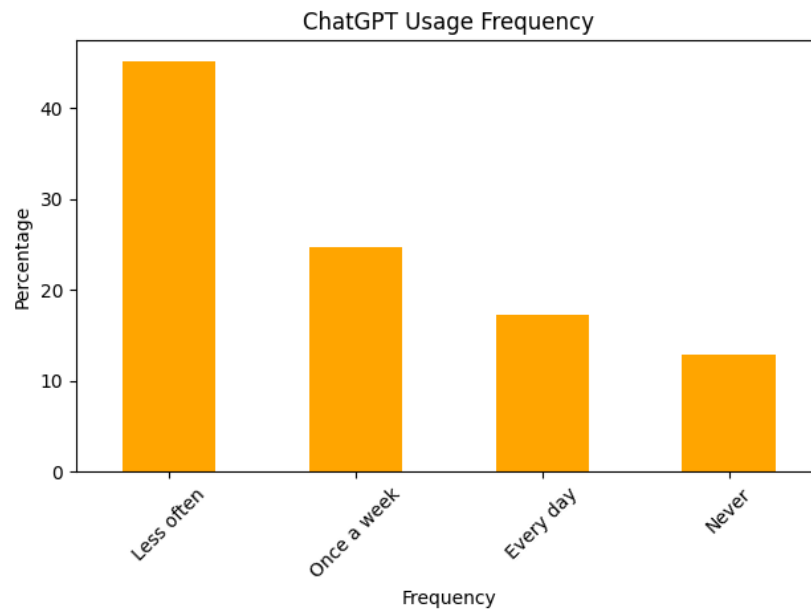


Figure 3: ChatGPT usage frequency for academic assignments

About 24.73% of respondents reported using ChatGPT weekly, indicating a moderate level of adoption and integration of the tool into their academic practices. This group exemplifies a balanced methodology, with ChatGPT maintaining a steady but non-dominant role in facilitating their educational pursuits. 17.2% of respondents indicated daily usage, reflecting significant reliance on and integration of ChatGPT into their academic activities. This suggests that ChatGPT has become a crucial resource for a segment of students managing and completing academic assignments.

Notably, 12.90% of respondents indicated they have never utilized ChatGPT for academic purposes. This segment includes students with limited access to the tool, expressing concerns about its use or favoring conventional educational support methods. This group's presence highlights the necessity to examine possible barriers to adoption, including technical accessibility, ethical issues, and insufficient awareness of ChatGPT's capabilities. The frequency of usage indicates that most students utilize ChatGPT occasionally or moderately, implying its function as a supplementary resource rather than a principal academic tool. This trend illustrates the diverse adoption patterns among students, with ChatGPT fulfilling different roles according to individual needs and preferences. The data indicates potential avenues for further investigation into the factors affecting non-usage, which may guide strategies to enhance accessibility and mitigate misconceptions or barriers related to ChatGPT.

ChatGPT Usage Across University Groups

An ANOVA analysis was conducted to compare the mean usage frequency of ChatGPT across university groups. Universities with fewer than five respondents were grouped into an "Others" category to ensure more balanced group sizes and improve statistical comparisons' reliability. The results are summarized as follows:

Table 1: Summary of ChatGPT Usage Frequency by University Group, Including Mean Usage Frequency, Standard Deviation, Sample Size, and ANOVA Results (F-Statistic and p-Value).

University Grouped	Mean Usage Frequency	Standard Deviation	Count	F-Statistic	p-Value
Armed Forces Academy	2.678571429	1.090483122	28	1.074769638	0.373912992
Canadian Institute of Technology	2	1.095445115	11	1.074769638	0.373912992
Others	2.4	1.173787791	10	1.074769638	0.373912992
Tirana Business University College	2.84375	1.297873571	32	1.074769638	0.373912992
Luarasi University	2.75	1.544785952	12	1.074769638	0.373912992

The analysis of ChatGPT usage across different university groups reveals nuanced patterns in frequency, variability, and sample sizes, providing insights into how students from various institutions engage with the tool.

Mean Usage Frequency data highlights Tirana Business University College as the leading institution regarding ChatGPT usage, with the highest mean frequency of 2.84. This suggests that students from this university integrate ChatGPT into their academic workflows more consistently than other groups. Luarasi University follows closely with a mean usage frequency of 2.75, reflecting moderate adoption. Meanwhile, the Armed Forces Academy reported a slightly lower mean of 2.68, indicating a relatively similar level of engagement. In contrast, the Canadian Institute of Technology and the "Others" group, which consolidates smaller universities, reported lower mean usage frequencies of 2.0 and 2.4, respectively, suggesting less frequent interaction with ChatGPT in these groups.

The standard deviation analysis reveals varying levels of response diversity within the groups. Luarasi University exhibited the highest variability, with a standard deviation 1.54, indicating a broad range of ChatGPT usage patterns among its participants. Tirana Business University College and the "Others" group demonstrated moderate variability, with standard deviations of 1.29 and 1.17, respectively, suggesting more consistent usage within these groups than Luarasi University. The Armed Forces Academy and the Canadian Institute of Technology had lower variability, with standard deviations of 1.09, indicating more uniform engagement levels within these institutions.

Regarding sample size, Tirana Business University College and the Armed Forces Academy represented the largest respondent groups, with 32 and 28 participants, respectively. These substantial sample sizes enhance the reliability of the results for these institutions. The "Others" group, comprising smaller universities, had a sample size of 10 participants, reflecting a more limited dataset for this category.

The results of the ANOVA test provide further statistical context to these findings. With an F-statistic of 1.075 and a p-value of 0.374, the analysis reveals no statistically significant differences in ChatGPT usage frequency across the university groups. The p-value exceeds the conventional threshold of 0.05, indicating that the observed differences in mean usage frequencies are likely attributable to random variation rather than meaningful distinctions between the institutions.

The results suggest that ChatGPT usage frequency does not significantly differ across the university groups. While slight mean variations were observed, particularly for **Tirana Business University College** and **Luarasi University**, these differences were not statistically significant. Grouping smaller universities into "Others" helped streamline the analysis while ensuring more reliable results.

Correlation Between ChatGPT Usage Frequency and Perceived Effectiveness

Table 2: Pearson Correlation Results for the Relationship Between ChatGPT Usage Frequency and Perceived Effectiveness

Metric	Value
Correlation Coefficient	-0.068778425
p-Value	0.512415683

The Pearson correlation analysis examined the relationship between students' frequency of ChatGPT usage and their perception of its effectiveness in improving academic performance. The study revealed a correlation coefficient of -0.0688, suggesting a weak negative relationship between the two variables. A value close to zero indicates the absence of a meaningful linear relationship, implying that changes in usage frequency are not consistently associated with changes

and offers efficiency and a more profound understanding of academic work. Additionally, terms like "find," "accurate," and "provide" point to its utility in retrieving precise answers and solving academic challenges. ChatGPT's practical applications were further emphasized through mentions of "exercises," "projects," and "learning," suggesting its effectiveness in aiding students with assignments and fostering engagement in their studies.

Identified Challenges highlight critical concerns about ChatGPT's use. Words such as "challenges," "thinking," and "limitations" reflect apprehensions about over-reliance on the tool, potentially diminishing students' critical thinking abilities. Ethical considerations, including "security," "ethical," and "plagiarism," were frequently raised, pointing to worries about content integrity and the potential misuse of ChatGPT in academic settings. Additionally, terms like "privacy," "risk," and "accuracy" reveal concerns regarding privacy risks and occasional inaccuracies in the information provided by ChatGPT. Other Observations provide further context for understanding ChatGPT's role in education. References to "professors" and "support" highlight the importance of collaboration between educators and students in leveraging ChatGPT effectively. The mention of terms like "practical" and "real" indicates a perception that ChatGPT provides tangible benefits and real-world value in enhancing students' learning processes.

Participants recognize ChatGPT as a valuable educational tool with practical applications in improving learning outcomes and efficiency. However, concerns about ethical issues, privacy risks, and potential impacts on critical thinking highlight the need for thoughtful integration of ChatGPT into academic workflows. Collaboration between educators and students is essential to maximize its benefits while addressing its challenges responsibly. However, the challenges mentioned underscore the need for careful and ethical use of the tool. Concerns such as the potential for misuse, over-reliance, and ethical violations suggest that educational institutions must promote responsible AI usage through training and awareness. This visualization provides valuable insights into how ChatGPT is perceived by students, making it a critical starting point for further exploration of its role in modern education.

Chi-Square Test Between University Group and Perception of ChatGPT as Cheating

The Chi-Square test examined the relationship between university group affiliation and students' perceptions of whether using ChatGPT constitutes academic cheating. The results are as follows:

Table 3: Chi-Square Test Results for ChatGPT Usage by University Groups.

METRIC	VALUE
CHI-SQUARE STATISTIC	4.68204
P-VALUE	0.79096

DEGREES OF FREEDOM	8
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The Chi-Square analysis yielded a statistic of 4.68, representing the difference between the observed and expected frequencies in the contingency table. This value provides insight into the relationship between the variables, where a higher Chi-Square statistic would suggest a stronger association. Based on the formula, the analysis's degrees of freedom (df) were calculated as 8. $df = (R - 1) \times (C - 1)$, where R represents the number of rows corresponding to university groups and C Represents the number of columns corresponding to response categories.

The analysis also produced a p-value of 0.791, substantially higher than the conventional significance threshold of $\alpha=0.05$. This indicates that the observed differences in the contingency table are not statistically significant. In other words, there is insufficient evidence to conclude that a meaningful association exists between the variables, and the differences observed are likely due to random variation rather than a systematic relationship. This finding supports the conclusion that students' views on the ethical implications of ChatGPT usage are relatively consistent across institutions, regardless of their grouping into larger or smaller universities.

Ethical Concerns Analysis

This section summarizes students' perceptions of ethical concerns surrounding ChatGPT usage, focusing on lecturers' monitoring, institutional plagiarism checks, and ethical training. Among respondents, 38.71% believe lecturers should monitor ChatGPT usage, while 47.31% disagree, reflecting concerns over autonomy and over-regulation. An additional 13.98% are unsure, suggesting uncertainty about the role of monitoring in AI-assisted education. Regarding plagiarism checks, 46.24% of students report that their institutions actively monitor for AI-generated plagiarism, 17.20% indicate no such checks, and 36.56% are uncertain, highlighting gaps in awareness of institutional policies.

Ethical training or information about AI use has been provided to 49.46% of students, suggesting that nearly half of institutions are addressing this issue. However, 40.86% report no training, and 9.68% are unsure, indicating that institutional efforts may not be adequately communicated or uniformly implemented.

The results reveal diverse perspectives on ethical concerns. Opinions on lecturer monitoring are divided, with significant portions both supporting and opposing it, pointing to a need for balanced approaches that respect autonomy while maintaining academic integrity. Similarly, gaps in awareness of plagiarism policies and inconsistent ethical training suggest that institutions must prioritize clearer communication and expand their educational efforts to ensure informed and responsible AI usage in academic settings.

Cluster Analysis

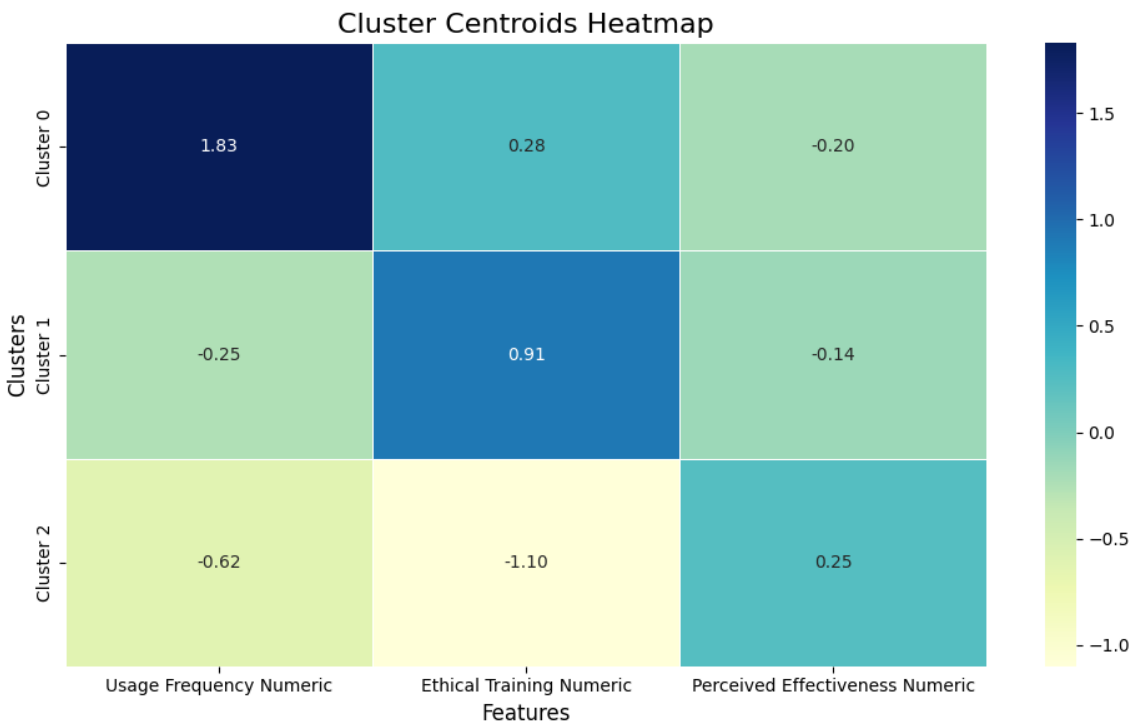


Figure 5: Cluster Centroids Heatmap for ChatGPT Usage, Ethics, and Effectiveness.

The heatmap visually represents the **centroids** of the three clusters identified in the dataset. Each value represents the standardized average for a given feature within a cluster. Here is what the heatmap reveals:

The data analysis reveals distinct patterns of ChatGPT usage, ethical training exposure, and perceived effectiveness, categorized into three clusters with unique characteristics. These clusters provide valuable insights for designing targeted interventions to enhance the practical and ethical use of ChatGPT in academic settings.

Cluster 0 is characterized by relatively frequent use of ChatGPT, as indicated by a usage frequency score of 1.83. Students in this group have moderate exposure to ethical training, with a numeric value of 0.28. Despite their higher engagement with ChatGPT, their perception of its effectiveness is slightly below neutral, with a score of -0.20. This suggests that while these students are active users, there is room for improvement in aligning their experiences with the tool's potential benefits.

Cluster 1 represents a balanced group of users with occasional interaction with ChatGPT, reflected in a usage frequency score of -0.25, close to the dataset's average. This cluster has the highest reported level of ethical training, with a numeric value of 0.91, indicating a strong institutional focus on cultivating responsible AI usage. However, like Cluster 0, their perception of ChatGPT's

effectiveness remains slightly negative at -0.14. This disconnect between high ethical training and perceived utility warrants further investigation.

Cluster 2 consists of students with the lowest engagement with ChatGPT, evidenced by a usage frequency score of -0.62. These students report minimal exposure to ethical training, with a numeric value of -1.10, highlighting a gap in their preparation for responsible AI interaction. Interestingly, this group perceives ChatGPT's effectiveness as slightly positive, with a score of 0.25. This finding suggests that despite their limited use and training, they may employ ChatGPT strategically for specific tasks where they perceive it to add value.

The patterns observed in these clusters reveal several key insights. Cluster 0, comprising high-frequency users, needs enhanced training to improve their perception of ChatGPT's effectiveness and address ethical concerns. Cluster 1 underscores the importance of bridging the gap between ethical training and practical utility, as students in this group report the highest ethical training yet perceive the tool's effectiveness as marginally negative. Cluster 2, representing low-frequency users, highlights an opportunity to increase engagement and ethical training, as these students perceive ChatGPT as effective despite minimal interaction.

Institutions can implement several actionable recommendations to address these findings. For Cluster 2, efforts should focus on increasing ethical training and providing resources to encourage more frequent and responsible use of ChatGPT. For Cluster 1, tailored training programs emphasizing practical applications and advanced features of ChatGPT may help align users' perceptions of effectiveness with their level of ethical training. Finally, for Cluster 0, advanced workshops and additional resources can support high-frequency users in maximizing the tool's potential for academic tasks while addressing their ethical concerns.

Conclusions and Recommendations

The results highlight that ChatGPT usage is widespread and consistent across universities, but usage frequency does not significantly influence perceptions of its effectiveness. Ethical concerns and institutional mechanisms vary widely, with significant gaps in awareness of plagiarism policies and inconsistency in ethical training programs.

Institutions should expand ethical training initiatives to address these challenges, making them standard for student onboarding. Training should focus on practical applications and responsible usage of ChatGPT, emphasizing its role as a learning tool rather than a shortcut.

Efforts should also be made to improve communication about institutional policies, particularly those related to plagiarism detection and monitoring. Clear, transparent guidelines will help students navigate the ethical implications of ChatGPT usage.

Lastly, further research is recommended to explore factors beyond usage frequency—such as discipline-specific needs and cultural attitudes—that may influence students' perceptions and behaviors regarding ChatGPT. This would enable the development of targeted interventions to maximize ChatGPT's educational potential while minimizing risks.

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From Traditional Procurement into E-Procurement - Challenges and Advantages from the Perspective of ONE ALBANIA Company

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Abstract: The transition from traditional procurement to e-procurement in Albania is an ever-evolving issue, especially for big international companies in Albania, as is the case of ONE Albania corporation. The traditional procurement processes often face challenges related to transparency, efficiency, and cost control. E-procurement is seen as a solution that can positively impact the management of the entire procurement process.

The study aims to analyze the advantages and challenges associated with the implementation of e-procurement process and procedure in an Albanian corporation. The hypothesis of this study is that transitioning from traditional procurement to e-procurement is essential for organizations with high workloads, as it positively affects the efficiency of the procurement process, reduces the risk of human errors, increases transparency, and improves supplier relationships. Both qualitative and quantitative methods were used to conduct this study. Semi-structured interviews and surveys were conducted with specialists and managers from the procurement department of ONE Albania.

The results confirm the main hypothesis, by showing a positive impact on increasing efficiency and transparency in procurement processes. In addition to advantages, there are also challenges to be handled related to technology, as identified by the department's employees and suppliers, and the ongoing need for training, are expected to emerge.

In conclusion, this study will contribute to the literature on procurement digitalization in Albania, by providing a comprehensive view of the advantages and challenges for a successful implementation in a large organization. Ultimately, this study will offer a complete picture of the transition from traditional procurement to e-procurement, improving all processes and serving as a foundation for further discussions on developments in this field, both in Albania and beyond.

Kew words: e-procurement, efficiency, transparency, cost control.

1. Introduction

Technology has profoundly impacted every aspect of human life, including business operations. One of the most notable transformations in recent years has been in procurement processes. This article explores the shift from traditional procurement to e-procurement, using ONE ALBANIA as a case study. ONE ALBANIA, a telecommunications company operating in Albania, offers services in internet and telephony, with a workforce of 720 employees.

Procurement is a vital function in any organization, as it ensures the timely supply of resources needed for smooth operations. Traditionally, procurement involves manual processes, including gathering technical and financial proposals, evaluating bids, and approval workflows. However, e-procurement introduces technological innovations that automate and streamline these processes, enhancing efficiency, reducing errors, and improving transparency.

1.1.Purpose of the Study

The primary goal of this study is to analyze the transition from traditional procurement to e-procurement at ONE ALBANIA. This study focuses on the impact of this transformation on procurement processes, highlighting improvements in efficiency, transparency, and the reduction of human errors. E-procurement systems are considered a promising solution for organizations with large procurement volumes.

1.2.Objectives

This research aims to:

- Examine the transformation from traditional procurement to e-procurement at ONE ALBANIA, understanding the full process from request initiation to final product delivery or service acquisition.
- Evaluate the advantages and challenges of transitioning to e-procurement.
- Identify key factors influencing successful e-procurement implementation in large organizations.
- Assess how e-procurement affects supplier relationships and procurement management.
- Contribute to the literature on e-procurement in Albania, offering insights for future implementations.

1.3.Hypothesis

The study hypothesizes that the shift from traditional procurement to e-procurement will significantly improve efficiency, transparency, and the quality of supplier relations at ONE ALBANIA. E-procurement is expected to reduce human errors and create a more sophisticated, transparent system for all parties involved.

1.4. Research Question

The central research question is: ***What are the challenges and advantages of transitioning from traditional procurement to e-procurement in Albania, and how does this impact procurement processes at ONE ALBANIA?***

2. Methodology

This study employs a combined methodology, utilizing semi-structured interviews and surveys. Interviews were conducted at two levels: managerial and specialist levels within ONE ALBANIA's procurement department. Both qualitative and quantitative methods were used to gather data and analyze the impact of the transition from traditional procurement to e-procurement.

ONE ALBANIA, with 720 employees and a procurement team consisting of 8 specialists, 2 managers, and a department director, provided a rich case for the study. Interviews focused on understanding the perceptions of staff regarding the use of e-procurement, the readiness for adopting the system, and the expected impact on procurement processes.

3. Analysis

Traditional Procurement Process at ONE ALBANIA

Traditionally, ONE ALBANIA follows a semi-automated procurement process involving three independent platforms:

1. **Internal Request Platform:** This platform manages request initiation and approval workflows, where all involved parties (requesting department, procurement specialists, legal department, and managers) track request status and approvals in real time.
2. **Purchase Order Platform:** After obtaining approvals, a purchase order is created and undergoes hierarchical approval.
3. **Contract Agreement Platform:** Following a successful tender, contract terms are agreed upon, and the internal approval process begins.

Despite these systems, there is no technical connection between the platforms, and procurement specialists manually track each process, creating inefficiencies.

E-Procurement: Benefits and Implementation

E-procurement integrates and automates the entire procurement process, reducing the need for manual intervention and significantly improving efficiency. In ONE ALBANIA's case, an integrated e-procurement system would automate the following steps:

- Request submission and supplier search.
- Document preparation, submission, and collection of offers.
- Real-time exchange of information between procurement specialists and the requesting departments.

The e-procurement system ensures real-time updates, reduces errors, and accelerates processes by eliminating redundant manual tasks. Moreover, it enhances transparency, minimizing the risk of corruption by ensuring that supplier bids are submitted electronically, with no human interference.

Traditional Procurement and the Transition to E-Procurement

The shift from traditional procurement processes to e-procurement has gained significant importance and attention. The future of procurement is digital, utilizing data and technology to promote smarter, faster, and more efficient decision-making. The theory of procurement transformation is examined through the lens of change theory, which suggests that every transition to new processes requires organizations to adapt their managerial and cultural structures (Kotter, 1996). In his work *Leading Change*, Kotter argues that for successful transformations, it is essential to create a sense of urgency and commitment at all levels of the organization. Traditional procurement has long supported manual processes of identifying requirements, analyzing bids from suppliers, and creating contractual agreements. This method often faced barriers related to transparency, prolonged procedures, and recurring human errors, which increased costs for the organization (Kotter, 1996). Kotter emphasizes that any organizational change, such as the shift from manual processes to digital ones, requires adjustments to existing structures and the development of a culture open to technological innovation, so that all stakeholders are focused on the common goal of implementation.

Recent literature also highlights that many organizations face both cultural and technological challenges when transitioning to e-procurement. A review of recent studies, such as Johnson's (2020) *The Impact of E-Procurement on Organizational Performance*, suggests that besides obvious advantages like increased efficiency and cost reduction, there is also a need for staff training and management support. In recent decades, the transformation of traditional procurement into e-procurement has become one of the most important aspects of digitizing processes within an organization. E-procurement is defined as an electronic system that allows the execution of all procurement phases, from identifying needs to distributing contracts, automatically through

information and communication technology (Frayer, 2014). This system aims to increase efficiency, transparency, and reduce operational costs within organizations.

According to a 2022 OECD report, over 70% of international organizations have adopted or are in the process of adopting e-procurement systems, including major corporations like Amazon, Siemens, and General Electric. This accelerated trend is linked to the significant benefits that e-procurement brings, including automating internal procurement processes, reducing human errors, and increasing control over suppliers (Seary, 2021). An analysis conducted by Johnson (2020) showed that companies that implemented e-procurement reduced costs by more than 15%, decreased the time spent processing bids by 20%, and improved relationships with suppliers by using a more transparent and monitored system.

Examples of best practices implemented by companies like Siemens and Toyota are well-known for successfully incorporating e-procurement into their procurement processes. Siemens, a pioneer in digitalizing procurement, has implemented an integrated e-procurement platform that connects all its global departments with suppliers through a unified and transparent system. According to a 2022 report, Siemens saw immediate positive effects, reducing operational costs by 10% and improving supplier relationships through detailed performance monitoring. Siemens is a global leader in engineering technology, with branches in over 200 countries. As a global company, Siemens manages a complex supply chain that includes thousands of suppliers from various countries and different material categories. Procurement management is crucial to optimizing costs and ensuring reliable and high-quality supplies from suppliers worldwide.

In the early 2010s, Siemens decided to transition to a full e-procurement system to improve efficiency and digitize the entire procurement cycle. Siemens developed an internal platform called "SPE" (Siemens Procurement e-Platform), which integrated all global procurement activities into a single system.

Siemens Achieved Major Results Through This Transformation:

- Reduction in Operational Costs: By using e-procurement, Siemens reduced its procurement operational costs by up to 10%, automating manual processes and minimizing workforce intervention in the procurement department.
- Increased Efficiency: The new system reduced the time taken to process bids and evaluate each proposal from suppliers by 20%.
- Transparency and Reliability: Through digital monitoring, Siemens increased transparency in the bid evaluation processes and eliminated the risk of corruption and manipulation.
- Improvement in Supplier Relationships: Siemens integrated an automated supplier performance evaluation system, helping suppliers improve their bids and build sustainable relationships. Suppliers had real-time access to track the status of their bids and contracts, which significantly improved trust and long-term cooperation between parties.

Key Success Factors for Siemens:

- Strong Management Support: The transformation was strongly supported by top management, who saw digitalization as a strategic priority to improve all aspects of the process.
- Extensive Staff Training: Siemens invested heavily in continuous staff training to ensure that all employees and suppliers fully understood how to use the system and report issues related to it.
- Integrated and Stable System: Siemens used a customized platform that integrated all phases of the procurement process, reducing complications caused by disconnected and independent systems. The initial investment in the right technology was another key success strategy.
- Another example is Toyota, which implemented an e-procurement system that automates the analysis of bids and data, resulting in significant improvements in supply management. In 2021, Toyota reported a 30% increase in procurement department efficiency due to the adoption of this technology. This is a significant percentage, considering Toyota's market power.

However, alongside successful cases, there are companies that have failed to implement e-procurement effectively, such as Vodafone in Australia. Vodafone Australia, a well-known telecommunications company, decided to implement an e-procurement system in 2015 to digitize and automate its internal procurement processes. Given that it works with many international suppliers for services and equipment, Vodafone aimed to improve transparency and reduce operational costs. Vodafone chose a ready-to-use platform called "Ariba," one of the most popular global e-procurement platforms. However, during implementation, Vodafone faced several challenges that led to the system's failure within the first two years.

Reasons for Failure:

- Staff Resistance: One of the main barriers was strong resistance from procurement staff and suppliers. Many had been using traditional methodologies for years and were not prepared for the digital changes. The lack of adequate training and insufficient system usage by staff led to interruptions and errors throughout the process.
- Platform Misalignment with Company Needs: Although the Ariba platform was advanced, it was too complex for Vodafone Australia's specific needs. The system was not designed to address the requirements of a telecommunications operator with a complex procurement structure, creating confusion and clashes with existing IT systems.
- Technological Integration Issues: Another barrier was the unsuccessful integration of Ariba with other existing systems at Vodafone, such as ERP (Enterprise Resource Planning). This integration failure led to data duplication and errors in the contract issuance process, making many processes ineffective.

- Lack of Support from Senior Management: Vodafone Australia's management did not prioritize the digital transformation and did not provide the necessary support to overcome the challenges that arose during implementation. In many cases, technological problems remained unresolved due to the lack of commitment from project leaders, negatively affecting the system's outcomes.

Furthermore, researcher Hunt (2018) emphasizes that one of the greatest challenges in this process is the resistance of employees and suppliers to technological changes. In the case of e-procurement, training and developing the technological capacities of staff are critical to ensuring the success of this transformation. According to a World Bank study (2021), the key benefits of e-procurement include improved transparency, cost control, reduced human errors, and enhanced reliability in supplier relationships. Various studies have shown that companies that have implemented e-procurement have significantly improved their operational effectiveness, increasing efficiency by up to 25% (Zhao, 2022). On the other hand, Johnson (2020) in *The Impact of E-Procurement* highlights that e-procurement adoption significantly improves organizations' overall procurement performance.

One of the most frequent criticisms of implementing e-procurement is the high initial cost of technology and investments in the digital infrastructure that an organization must consider. McCue and Pitzer (2015), in their study *Cost Challenges in Implementing E-Procurement Systems*, argue that for small and medium-sized companies, the initial technology costs and supporting systems can be too high and may not achieve a sufficient return on investment. They highlight that e-procurement implementation can be especially challenging for organizations with limited financial resources. According to this study, e-procurement implementation should align with the financial capacity of the company and the volume of work in the specific procurement department.

In addition to costs, the transition from a traditional procurement system to a digital one involves significant cultural challenges. Schapper, Veiga Malta, and Gilbert (2017), in their analysis *Cultural Barriers in Adopting E-Procurement*, argue that organizations with a long history of operating through traditional processes often face strong resistance from employees and managers. They emphasize that people tend not to accept technological changes and prefer to work with the methodologies they know. This issue was previously encountered by ONE ALBANIA during the partial digitization of its existing platforms. Schapper argues that this resistance is particularly evident in companies with rigid, non-flexible structures, where large organizational hierarchies can slow down the change process and lead to the failure of digitization projects.

Another criticism frequently raised in the debate about e-procurement is the significant reliance on technology. Bof and Previtali (2007), in *Risks of Over-Reliance on Technology in Procurement Processes*, argue that complete digitalization of procurement can create a high dependency on the

system, as the workforce takes on the role of monitoring the process, making organizations vulnerable to technological problems such as software errors, network interruptions, and cyber-attacks. They stress that if an e-procurement system fails, the organization may lose its ability to procure efficiently, leading to severe financial and operational consequences for a limited period, or the effects might stretch into the long term, potentially leading to the organization's failure.

Challenges of Implementing E-Procurement

Despite the clear advantages, the transition to e-procurement poses challenges. Key hurdles include:

- **Resistance to Change:** Employees and suppliers may resist technological changes, preferring the familiarity of traditional processes.
- **Training Requirements:** E-procurement requires employees to be well-trained in using the new system, which necessitates investment in continuous training and technical support.
- **Integration:** Integrating e-procurement with existing systems is critical to ensuring smooth functionality across platforms.

4. Findings and Results

Based on the interviews and survey data, the study concludes that the majority of respondents believe e-procurement will have a positive impact on ONE ALBANIA. They noted significant improvements in the speed, accuracy, and transparency of the procurement process. However, many also highlighted the need for continuous managerial support and technical training to ensure the system's successful implementation.

5. Conclusions and Recommendations

- The shift from traditional procurement to e-procurement presents a significant opportunity for organizations like ONE ALBANIA. While the transition poses challenges, particularly related to training and resistance to change, the benefits of increased efficiency, reduced errors, and enhanced transparency are undeniable.
- With the right approach, e-procurement can greatly improve procurement processes, fostering better supplier relationships and a more streamlined business operation.

To ensure successful implementation of e-procurement, the following recommendations are proposed:

- **Training Programs:** Develop detailed, continuous training plans to ensure all employees are equipped with the technical knowledge to use the system effectively.
- **Foster a Culture of Innovation:** Encourage acceptance of new technology by emphasizing its benefits and involving employees in the process.
- **Gradual Implementation:** Implement the e-procurement system in phases, allowing time for testing and feedback.
- **Ongoing Managerial Support:** Management should be actively involved in supporting the transition and resolving challenges as they arise.
- **Integrated E-Procurement Platform:** Develop a fully integrated platform to streamline all procurement activities and eliminate inefficiencies from multiple systems.

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The Role of Artificial Intelligence in Identifying and Preventing Corruption in Public Procurement

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Abstract: The procurement of goods and services by public institutions, commonly known as ‘public procurement,’ is an important element of the market economy (Naudé & Dimitri, 2021). In most OECD member countries, public procurement accounts for a significant percentage of Gross Domestic Product (GDP), with an average around 10-15% of GDP (OECD, 2015). In Albania’s case, based on official data from Albanian institutions such as the Ministry of Finance, INSTAT, as well as regular public procurement forecasts and the European Commission’s Progress Report, the public procurement market in Albania represented approximately 9.4% of GDP in 2022, compared to 10.7% in 2021 (EU Progress Report, 2023). Although public procurement accounts for only about 10% of GDP in Albania, it still represents a substantial part of public spending, necessitating its efficient use. Therefore, this study examines the role of artificial intelligence (AI) in enhancing transparency and efficiency in public procurement, analyzing AI’s potential to identify and prevent corruption and unethical practices. Public procurement, a key tool for innovation and meeting the needs of public administration, is an area where AI applications have considerable potential to drive positive changes (Obwegeser & Müller, 2018). However, the use of AI in these areas also faces ethical and regulatory challenges, including invasive surveillance, discrimination, and data misuse (Bostrom, 2014; Dafoe, 2018). This study will draw on literature on innovation and public procurement to address issues such as inequality and strict control in public processes, suggesting that AI can help balance efficiency and innovation to meet secondary policy goals, such as supporting SMEs and promoting sustainable public procurement.

Kew words: Public Procurement, AI, innovation, research, development, Albania.

1. Introduction

The procurement of goods and services by public institutions, commonly known as ‘public procurement,’ is an important element of the market economy (Naudé & Dimitri, 2021). It is gaining scholars and researchers attention as a powerful tool for driving innovation and stimulating economic growth (Obwegeser & Müller, 2018). Public procurement accounts for approximately 10-15% of the Gross Domestic Product (GDP) in OECD countries and represents a significant segment of national economies (OECD, 2015; Naudé & Dimitri, 2021). In Albania’s case, based on official data from Albanian institutions such as the Ministry of Finance, INSTAT, as well as regular public procurement forecasts and the European Commission’s Progress Report, the public procurement market in Albania represented approximately 9.4% of GDP in 2022, compared to 10.7% in 2021 (EU Progress Report, 2023). Although public procurement accounts for only about 10% of GDP in Albania, it still represents a substantial part of public spending, necessitating its efficient use. Therefore, this study examines the role of artificial intelligence (AI) in enhancing transparency and efficiency in public procurement, analyzing AI’s potential to identify and prevent corruption and unethical practices.

Scholars and researchers have increasingly recognized the potential of PP as a demand-side innovation policy, especially in response to the economic challenges of the post-2008 global financial crisis, where fostering aggregate demand and high-tech employment became crucial for long-term industrial growth and competitiveness (Crespi & Guarascio, 2018). In recent years, however, policymakers have increasingly turned to demand-side strategies like public procurement of innovation, which could channel public spending into innovative products and services, thereby encouraging R&D investment—especially in areas with limited private demand, such as green energy, transport, and healthcare (Edler & Georghiou, 2007; Kremer & Glennerster, 2004). This approach, appealing in times of budget constraints, aims to create significant incentives for innovation with minimal extra costs (OECD, 2016). Historically, procurement policies often hindered innovation by imposing rigid, highly specified tender requirements, preventing bids on not-yet-developed products or technologies. Recognizing these limitations, the European Union reformed its procurement directives in 2014 to support innovation through more flexible tender calls that prioritize functional specifications and life-cycle costs. This new framework, known as Public Procurement with Contracted Innovation (PPCI), allows for greater adaptability, encouraging suppliers to propose creative solutions and contributing to a more dynamic public procurement landscape (Czarnitzki, Hünermund, & Moshgbar, 2020).

In this way, through public procurement, policymakers can stimulate demand-driven innovation, enhance high-tech sector growth, and strengthen competitive ‘national champions’, all while contributing to broader social goals (Crespi & Guarascio, 2018). Moreover, public procurement has proven to be a vital policy pillar for governments aiming to shape strategic industries and address societal challenges. By selectively directing demand, governments can support the growth of sectors characterized by high technological intensity, thereby fostering industrial renewal and

strengthening national competitiveness (Crespi & Guarascio, 2018). The role of PP in driving innovation is particularly evident in the context of demand-driven policies that emphasize sustainable development and environmental responsibility, such as green energy initiatives. This targeted approach aligns well with the constraints of public budgets, as it enables policymakers to stimulate innovation without extensive new funding by encouraging private firms to invest in research and development (R&D) (Czarnitzki, Hünermund, & Moshgbar, 2020). Furthermore, the efficacy of PP as an innovation tool may vary by sector, underscoring the need for policymakers to carefully consider sector-specific dynamics and the degree of market openness in their strategies to maximize PP's innovation impact (Lenderink, Halman, & Voordijk, 2019; Crespi & Guarascio, 2018). These insights highlight PP's potential as a multi-dimensional policy instrument that not only outgrows economic activity but also supports long-term social and environmental objectives.

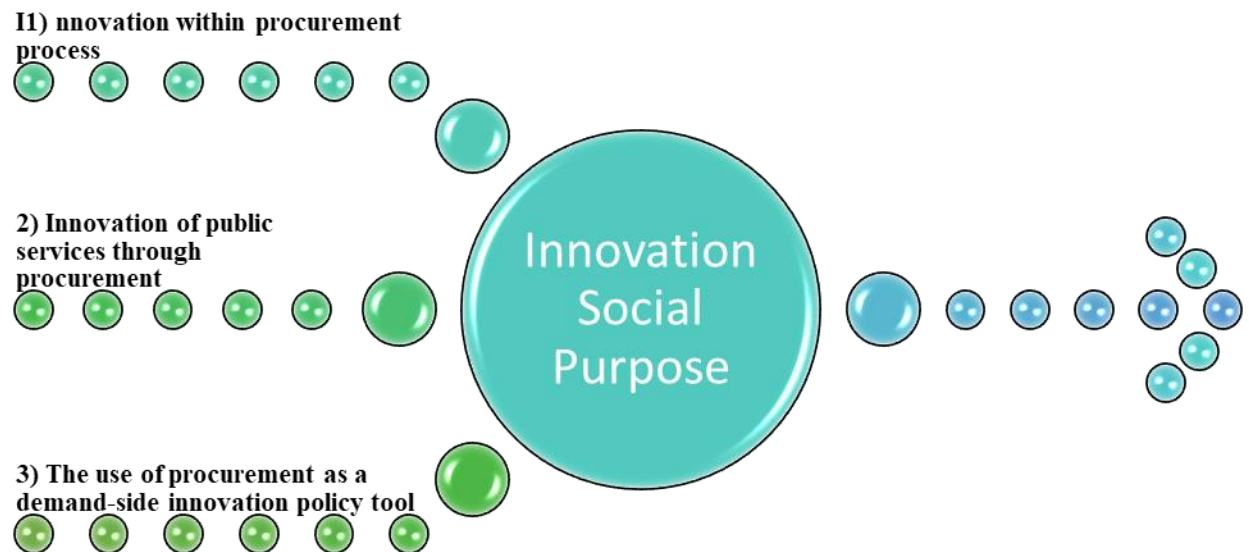
This paper is organized into several sections to provide a comprehensive exploration of public procurement as an innovation policy tool. First, the Literature Review outlines the growing importance of public procurement in fostering innovation and addresses the challenges posed by inconsistent terminology and fragmented research. This section also highlights the need for a cohesive framework to enhance PP's role in economic growth and innovation policy. Following this, the Methodology section through the comparative method will examine leading examples from Europe, where public procurement has been more strategically implemented to drive technological advancement and sectoral innovation. This section reviews policy measures adopted by advanced European countries and analyzes how their approaches to PP have supported sustainable growth, competitiveness, and industrial renewal. The Albanian Experience with Innovation and Public Procurement analyzed as a Case Study will discuss then the Albania's journey with PP as a demand-side innovation tool, identifying key challenges and opportunities specific to the country's economic context. This section considers Albania's current PP practices, regulatory environment, and the potential for adopting lessons from more advanced European counterparts. Finally, the Conclusion and Recommendations section synthesizes the findings and offers actionable recommendations for Albania to strengthen its PP framework to foster innovation, enhance sectoral competitiveness, and contribute to sustainable development.

2. Literature Review

Despite the extensive literature and research on PP, inconsistent terminology and fragmented approaches have hindered a unified understanding of its role in innovation policy (Obwegeser & Müller, 2018). A comprehensive framework developed by Obwegeser and Müller (2018) categorizes PP research into three streams: 1) innovations within the procurement process, 2) innovation of public services through procurement, and 3) the use of procurement as a demand-

side innovation policy tool. This categorization seeks to bridge terminology gaps and illuminate research and practical opportunities for PP as an innovative driver.

The literature on public procurement and innovation has increasingly focused on how procurement practices contribute to, or hinder, innovation within public sector services, especially in light of the directional shift in innovation policy that emphasizes the social purpose of innovation. This policy shift has heightened interest in how procurement may stimulate innovation indirectly, especially in innovation-dependent sectors like healthcare (Miller & Lehoux, 2020). While public procurement can foster innovation as a secondary effect of other policy goals, this link is often underexplored, particularly as research on innovation tends to focus on broader, macro-level impacts and on sectors with intense R&D activities. Less is known about the specific mechanisms through which procurement directly influences innovation at the operational level, particularly within the day-to-day practices of procurement offices (Miller & Lehoux, 2020). A significant gap in scholarship lies in the understanding of the role of procurement offices, which are traditionally perceived as intermediaries for user and vendor requirements rather than active agents shaping innovation outcomes. However, recent studies in innovation policy and the emerging field of valuation studies suggest that procurement offices might play a far more proactive role. These studies indicate that procurement officers' skills in implementing and administering purchasing processes can profoundly influence the outcomes of innovation policy (Miller & Lehoux, 2020).



The concept of using public procurement as a tool for encouraging innovation is rooted in the fact that governments are major buyers of goods and services (Czarnitzki, Hünermund , & Moshgbar , 2020). This highlights how public procurement could be a powerful lever for fostering innovation, given its scale compared to dedicated Research & Development (R&D) spending. When

governments strategically choose innovative products and services, their large-scale purchases can help drive technological advances and encourage the development of new solutions across various sectors (Czarnitzki, Hünermund, & Moshgbar, 2020). In the German public procurement, it has been studied according to Wegweiser GmbH (2009) To understand how much public procurement could drive innovation, Wegweiser GmbH (2009) studied government contracts and grouped them by product type. They found that around 10% of these contracts, worth about EUR 25 billion, involved “high-tech” products, which could be used to promote innovation. This means that the potential of using public procurement to support innovation is about ten times greater than the funding the government provides directly to businesses for R&D (Czarnitzki, Hünermund, & Moshgbar, 2020).

Figure 6: Public Procurement Impact on Innovation (Czarnitzki, Hünermund, & Moshgbar, 2020)



However, not all research agrees on these results and the full potential of public procurement to foster innovation is not fully understood (Obwegeser & Müller, 2018). Research in this field is still new and spread across different disciplines. For example, the field known as “public technology procurement,” is part of the broader set of policies aimed at encouraging innovation. Although there have been in-depth studies, researchers have noted that current approaches focus too much on high-profile examples (like the internet and semiconductors), which overlooks how public procurement can drive innovation in everyday goods and services (Obwegeser & Müller, 2018). In the EU and other regions, policies are increasingly promoting public procurement of innovation (PPI) to boost company R&D, set new standards, accelerate technology adoption, improve public services, and tackle important goals like environmental and social sustainability. Due to its economic impact and need for innovation, the healthcare sector has been a primary focus for these efforts (Miller & Lehoux, 2020). In Europe, interest in demand-side innovation began with various reports and policy documents highlighting the importance of combining demand-side tools with supply-side measures to meet socioeconomic and R&D goals. These documents from the European Commission and other organizations stressed that both approaches are essential for driving innovation and achieving (Lenderink, Halman, & Voordijk, 2019). The role of procurement in

driving demand-based innovation has become more significant with a shift in innovation policy toward purposeful goals. To tackle large-scale issues, there's now a push for “mission-oriented” or “transformative” policies that focus on societal needs and practical applications of innovation, rather than just producing more innovations. This approach centers on creating innovations that address real-world challenges and improve societal outcomes (Miller & Lehoux, 2020). Public procurement, along with regulations and standards, has become a key part of Europe's innovation policy. While much of the research and policy focus comes from Europe, other countries like Australia, Brazil, China, India, Japan, Korea, and the United States are also exploring demand-driven innovation policies through public procurement (Lenderink, Halman, & Voordijk, 2019).

Public procurement, a key tool for innovation and meeting the needs of public administration, is an area where AI applications have considerable potential to drive positive changes (Obwegeser & Müller, 2018). This technology can assist not only in identifying corrupt practices but also in developing new and improved procurement processes, including: 1) public procurement for innovation, which addresses how public procurement can foster innovation; 2) public procurement of innovation, which explores how public services can be innovated; and 3) innovative public procurement, which examines how public institutions can procure innovatively (Naudé & Dimitri, 2021). However, the use of AI in these areas also faces ethical and regulatory challenges, including invasive surveillance, discrimination, and data misuse (Bostrom, 2014; Dafoe, 2018). This study will draw on literature on innovation and public procurement to address issues such as inequality and strict control in public processes, suggesting that AI can help balance efficiency and innovation to meet secondary policy goals, such as supporting SMEs and promoting sustainable public procurement (OECD, 2019). Google CEO Sundar Pichai has called Artificial Intelligence (AI) possibly the most significant advancement humanity has ever created, even more transformative than electricity or fire (Naudé & Dimitri, 2019). AI is expected to be highly disruptive, reshaping many aspects of life. Virtual assistants like Amazon's Alexa, Apple's Siri, and Microsoft's Cortana simplify online shopping, while automated vehicles from Tesla and Uber promise safer, less congested travel. Google Duplex's ability to make calls with a human-like voice stirred controversy. AI also enhances energy efficiency in homes, improves medical diagnoses, aids in developing new drugs, and assists in surgeries, making tasks “easier, cheaper, and more abundant” (Naudé & Dimitri, 2019).

While much of the literature on public procurement of innovation (PPI) focuses on national programs, nearly half of public procurement in OECD countries is handled by local or regional governments. In highly decentralized countries like Canada, this share is even higher—87% of procurement spending is at the subnational level. In healthcare, local governments are responsible for a significant portion of spending, such as 77% in Canada, where healthcare regulation and services fall under provincial authority (Miller & Lehoux, 2020). In these local and sector-specific areas, which are often outside the control of innovation ministries, procurement may not be easily aligned with innovation goals. However, sectoral objectives sometimes naturally lead to innovative outcomes, particularly in fields with a high need for innovation. Often, these innovations are not

cutting-edge technological breakthroughs but are improvements or adaptations of existing solutions, or even non-technological changes. Furthermore, many examples of innovation resulting from procurement happen unintentionally as part of routine purchasing rather than through a deliberate effort to drive innovation (Miller & Lehoux, 2020).

3. Methodology / studying approach

In the literature, several terms are used to describe how public procurement can drive innovation in the private sector. Unlike “innovative procurement” (like e-procurement), which aims to improve the procurement process itself, these concepts focus on encouraging innovation in private companies. However, these terms vary significantly based on:

- The purpose behind using public procurement to stimulate innovation,
- What counts as innovation, and
- The approaches and methods included in each concept’s definition (Lenderink, Halman, & Voordijk, 2019).

This study employs a mixed-methods approach, combining quantitative analysis of public procurement data with qualitative insights from existing literature and policy documents. Given the varying definitions and approaches to innovation through public procurement, this methodology is designed to analyze both the economic significance of public procurement in Albania and the potential of artificial intelligence (AI) to enhance transparency and efficiency.

Data Collection

To quantify the scope of public procurement and assess its economic impact in Albania, data was collected from national sources, including the Ministry of Finance, INSTAT, and procurement forecasts, as well as European Commission Progress Reports. This data allows for a year-on-year comparison of public procurement's share of GDP in Albania, offering a baseline to evaluate the potential impact of AI-enhanced procurement processes.

Analysis Framework

A qualitative assessment of current AI applications in public procurement was conducted, examining case studies and examples from OECD countries. By focusing on sectors where AI has been deployed successfully to enhance procurement processes, this study identifies best practices and potential pitfalls. Ethical considerations are also analyzed, drawing on frameworks that balance the benefits of AI with risks related to privacy, equality, and regulatory compliance. However, it is important to assess that the scope of this study is limited to Albania, with comparisons

drawn to OECD practices to highlight generalizable insights and context-specific factors. While the quantitative analysis provides insights into economic impacts, qualitative findings rely on case studies and literature, which may limit the generalizability of the conclusions to other jurisdictions. This mixed-methods approach allows the study to provide a comprehensive view of how AI can impact public procurement in Albania, offering insights into both the benefits and ethical considerations of implementing AI-driven procurement processes to foster innovation.

4. Findings / results

Based on the OECD's guidelines for AI implementation, one key recommendation is that governments should make sustained, long-term public investments in AI research, while also encouraging private sector engagement (OECD, 2019). This dual investment approach aims to spur innovation not only in the technological aspects of AI but also in addressing the complex social, legal, and ethical challenges it presents. By promoting interdisciplinary research, these policies seek to ensure that AI advancements align with societal values and ethical considerations. In addition, there is a strong focus on creating and maintaining open science initiatives, which include accessible resources such as open-source tools and datasets. These resources are designed to encourage collaboration across sectors, making it easier for researchers and developers to build AI solutions that are transparent, interoperable, and grounded in robust ethical standards. Importantly, the findings show that such open resources should be carefully designed to avoid harmful biases, respect privacy, and improve interoperability, which are critical to establishing AI systems that are both fair and inclusive (OECD, 2019). By setting the foundation for a collaborative research environment, these policies aim to facilitate the development of standards and interoperability within the AI field, which is essential for fostering trust in AI technologies and ensuring they are adaptable to various applications and industries, including SMEs. The Albanian government, under the leadership of Prime Minister Edi Rama, has proposed the integration of artificial intelligence (AI) into the country's public procurement processes as a solution to combat the persistent issue of corruption. This initiative aligns with broader efforts to meet EU standards for governance and public administration. The findings of this study highlight both the potential advantages and the challenges specific to the Albanian context in implementing AI within public procurement.

Albania has announced plans to develop a new, AI-driven model for public procurement, which aims to be 95% automated and fully transparent. Albania's Prime Minister Edi Rama has repeatedly articulated the government's ambition to include AI in tackling corruption within public procurement (Karaj, 2024). This initiative was outlined by Prime Minister Edi Rama even during his address at the 79th session of the United Nations General Assembly. In his speech titled "Dialogue for the Digital Future," Rama emphasized the significant benefits of digital technology for developing countries, particularly in fostering greater efficiency and transparency in

governance (Kadyrzhanova, 2024). He highlighted how digital advancements, like artificial intelligence, could play a critical role in Albania's ongoing efforts to modernize its public administration and accelerate its European Union (EU) membership negotiations (Kadyrzhanova, 2024). As part of this broader digital transformation, the Albanian government transitioned most public services, including tax payments, to the e-Albania portal as of May 1, 2022. This shift to online services resulted in the closure of in-person service windows at government offices and other institutions. Rama pointed out that this transition has had a tangible impact on the public, drastically reducing long queues and improving the accessibility of government services. The move to a 95% online service model is part of the government's strategy to improve efficiency and customer service while also aligning more closely with EU standards.

The key objective is to reduce the scope for corrupt practices by automating processes, enhancing transparency, and providing real-time data analytics to monitor bids, contracts, and procurement notices (Karaj, 2024). Rama's assertion that AI could 'neutralize a lot of the infiltration' of corruption suggests the government's belief in the transformative potential of technology, although he has admitted that AI may not entirely eliminate corruption. Despite these claims, Rama has not provided detailed explanations regarding the specific mechanisms by which AI would be deployed in procurement. The lack of clarity on how AI will be integrated into the procurement process, and which areas it will target, has raised concerns among experts (Karaj, 2024). However, Rama also acknowledged the potential risks associated with the widespread use of technology. He referred to a recent cyberattack on Albania's Institute of Statistics, which occurred in February 2023 and was attributed to a hacker group allegedly supported by the Iranian government. The attack, which compromised multiple systems and affected 40 computers, raised concerns about the vulnerabilities of digital infrastructure in Albania. Despite these risks, Rama underscored the importance of harnessing the benefits of technology, stressing that with proper safeguards, such as curbing misuse and maximizing its positive potential, technology could be a force for good in creating a more transparent and efficient public sector.

In conclusion, while Rama's government is making strides in digitalizing public services and exploring AI's role in public procurement, the challenges of cybersecurity remain a significant concern. The government must strike a balance between embracing the digital future and ensuring the security and integrity of its technological infrastructure to protect both the country and its citizens from potential harm. The government's proposal to utilize AI in public procurement is situated within this broader context of anti-corruption efforts. However, the pervasive nature of corruption, combined with the lack of a comprehensive approach to addressing underlying systemic issues, raises doubts about the effectiveness of technology alone in solving the problem. The challenge for the Albanian government is not only to introduce AI but also to ensure that its implementation addresses the root causes of corruption, such as weak institutional frameworks, political influence, and insufficient oversight mechanisms (Karaj, 2024).

5. Discussions

Despite the potential benefits of AI, such as reducing manual work, improving data analysis, and enabling real-time decision-making, experts have highlighted several challenges specific to the Albanian context.

a. Data Management and Quality

Albanian local experts point out that data management remains a significant issue in Albania, especially at the local level (Karaj, 2024). Effective AI implementation depends heavily on the availability of high-quality, reliable data, which is currently lacking in many parts of the Albanian public administration. Without robust data systems, the AI tools that are supposed to analyze procurement processes could be ineffective or biased. Furthermore, the quality and accuracy of the data collected for procurement may influence AI's ability to identify fraudulent activities or inefficiencies.

b. Legal, Regulatory, and Operational Concerns

The implementation of AI in public procurement also faces legal and regulatory challenges. Experts highlight concerns around cybersecurity, data privacy, and potential biases in AI algorithms (Karaj, 2024). These issues are particularly sensitive in the context of public procurement, where transparency and fairness are essential for maintaining public trust. Legal frameworks in Albania must evolve to support AI in procurement, ensuring that privacy rights are respected, and that AI systems are not used to perpetuate existing inequalities or biases. Additionally, the lack of clear regulatory guidelines for the deployment of AI in public procurement raises questions about how to balance innovation with accountability. There is also the issue of ensuring that AI systems comply with EU regulations, which Albania is striving to align with as part of its EU accession process.

c. Institutional Capacity and Expertise

One of the most significant barriers to implementing AI in public procurement is the lack of adequately trained personnel. Both public institutions and the private sector face difficulties in recruiting skilled professionals who can manage and operate AI systems. In Albania, the public sector in particular struggles with human resource shortages and limited technical expertise, which impedes the effective implementation of AI-driven innovations. Researchers and experts suggest that addressing these gaps would require substantial investment in training programs and professional development, as well as efforts to attract talent with expertise in AI and data science. However, the shortage of skilled workers may be a persistent challenge, especially if Albania does not rapidly develop its education and training infrastructure in these fields.

d. Potential Benefits of AI for Public Procurement in Albania

Despite these challenges, there are several advantages to using AI in Albania's public procurement processes. AI can automate repetitive tasks, thus reducing manual errors and improving operational efficiency. Moreover, AI's data analytics capabilities can provide real-time insights into procurement trends, identify potential risks of fraud, and offer predictive analysis that could prevent abuses before they occur. For example, AI could be used to detect anomalies in bid submissions, flagging irregularities that might indicate corruption or fraud. By automating the monitoring of procurement activities, AI could also streamline compliance with legal and regulatory requirements, reducing the burden on human oversight.

Furthermore, AI's ability to process large datasets could make public procurement more transparent, enabling greater public access to procurement information and fostering a culture of openness in government operations. This could help restore trust in the procurement process and support efforts to align with EU standards for public administration. Given the complexities and challenges identified, it is advisable that Albania start with small-scale pilot projects to test the feasibility of AI in public procurement. These pilot initiatives could focus on specific areas where AI's impact could be most immediate, such as contract monitoring or bid analysis, before expanding to broader procurement processes. It is also essential for the Albanian government to invest in data infrastructure, ensure legal and regulatory frameworks are updated to address AI's unique challenges, and provide targeted training for public employees. Additionally, it would be prudent to involve multiple stakeholders, including international partners, technology experts, and civil society organizations, in the development and oversight of AI initiatives in public procurement. The use of AI in public procurement in Albania holds considerable promise in addressing issues of corruption and inefficiency. However, successful implementation will depend on addressing the country's data management issues, building regulatory frameworks, and overcoming the lack of skilled personnel. By taking a cautious, step-by-step approach, Albania can leverage AI to modernize its procurement processes and move closer to its EU integration goals while maintaining public trust in the system.

6. Conclusions / implications/ recommendations

In conclusion, the potential for artificial intelligence (AI) to revolutionize Albania's public procurement processes is significant, as outlined by the government's plans for a 95% AI-based model. This initiative, aimed at enhancing transparency and reducing corruption, aligns with Albania's broader digital transformation goals and its drive for European Union integration. AI promises to streamline procurement, improve efficiency, and provide real-time data analytics to monitor bids and contracts, which could help address long-standing issues of corruption and inefficiency. However, the successful implementation of AI in public procurement faces a number of challenges. These include the need for robust data management systems, addressing legal and

regulatory concerns, and overcoming the shortage of skilled personnel in both the public and private sectors. Data quality is a critical issue, as effective AI tools depend on accurate and reliable data, which remains a challenge in the Albanian public administration. Furthermore, there are concerns about the potential biases in AI algorithms, data privacy, and the need for legal frameworks that align with EU standards. Institutional capacity is another significant barrier, as Albania currently lacks the necessary expertise to manage and operate AI systems effectively. Addressing this gap will require substantial investment in training and professional development, as well as the creation of a supportive environment for AI innovation.

Despite these challenges, the potential benefits of AI for public procurement in Albania are undeniable. AI can automate routine tasks, enhance data analysis capabilities, and improve the transparency of procurement activities, which could foster greater public trust and alignment with EU standards. It is advisable for Albania to begin with pilot projects to test AI's impact on specific areas, such as contract monitoring or bid analysis, before expanding to broader procurement processes. Additionally, the government must invest in data infrastructure, update legal frameworks, and ensure that AI initiatives are developed and overseen with input from multiple stakeholders, including international partners and civil society organizations.

In sum, while the implementation of AI in Albania's public procurement system holds great promise, its success will depend on overcoming the country's existing challenges. By taking a cautious, step-by-step approach and addressing key obstacles such as data quality, regulatory frameworks, and human resource gaps, Albania can harness the transformative potential of AI to modernize its procurement processes and enhance transparency, paving the way for a more efficient and corruption-resistant public sector. Moreover, Albania's commitment to using AI in public procurement aligns with its strategic goals for digital transformation and EU integration. The introduction of AI-powered systems could foster greater accountability and promote a culture of openness within government operations. By offering real-time access to procurement data and analytics, AI can empower citizens, businesses, and civil society organizations to scrutinize government spending, thus increasing public trust in the procurement process. This transparency could be crucial in reducing the influence of political factors and vested interests that have traditionally hindered fair competition in procurement procedures. Furthermore, as Albania seeks to harmonize its public administration with EU standards, the use of AI could be a key step in demonstrating its commitment to modernization, efficiency, and good governance.

However, it is important to recognize that the road to AI integration is not without its pitfalls. In addition to addressing the technical and infrastructural challenges, the Albanian government must also work towards fostering a broader societal understanding of AI's potential benefits and risks. Public engagement and awareness campaigns could play a vital role in building trust and garnering support for AI-driven initiatives. Additionally, the government must ensure that AI systems are not only technically sound but also ethically grounded, taking into account potential biases and ensuring that the systems are fair, inclusive, and transparent. Only through a well-rounded

approach—one that integrates technology, regulation, and public participation—can Albania fully capitalize on AI's potential to revolutionize public procurement and bring about long-term positive change in governance.

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Exploring Public Sentiment Towards Agile and Digital Transformation: A Twitter Sentiment Analysis

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Abstract: In a fast-changing business environment, Agile methodologies and Digital Transformation are considered some of the key drivers for innovation, adaptability, and competitive advantage. The research into public opinion about these concepts will certainly help an organization successfully take their respective transformations in the right direction. The objective of this study is to analyze public sentiment, expressed over Twitter on Agile and Digital Transformation issues, using a sentiment analysis tool.

The VADER tool was utilized to assess sentiment polarity for 1,014 tweets using the hashtags Agile and DigitalTransformation. This tool is utilized in this study to further understand perceptions of the concepts presented through online discourse. The results of such sentiment analysis would give a comprehensive summary with public opinion, thereby highlighting emotional responses, attitudes, and perceptions surrounding Agile practices and Digital Transformation efforts in different areas.

This study offers implications for practitioners, researchers, and policy makers involved in shaping strategies for adopting Agile and Digital Transformation initiatives. The gained insights can, therefore, be used by organizations to position themselves better with the sentiments of their target audiences, hence improving the ability to reach out to them more effectively and react promptly whenever there is a shift in public opinion.

Such rich insight is provided by this research on how social media sentiment reflects greater trends in public opinion and at the same time elucidates the importance of sentiment analysis to guide decision-making processes toward successful digital transformation and Agile adoption. The results offer critical guidance to organizations navigating these complex changes, allowing them to be more responsive in the dynamic and increasingly digital global marketplace.

Kew words: Agile Methodologies, Digital Transformation, Sentiment Analysis, Public Opinion, Twitter Analysis, Public Sentiment.

Introduction

Businesses must embrace creative ways to handle the intricacies of today's dynamic environment, given the rapid speed of technological improvements and the growing necessity for firms to maintain their competitiveness. Agile methods and digital transformation are two important strategies that have been more well-known in recent years. Despite their differences, these two ideas frequently come together to promote organizational responsiveness, flexibility, and general performance enhancement. Agile methods, which were first created in the software development industry, place a strong emphasis on collaborative, iterative techniques that foster adaptability, customer focus, and ongoing progress (Westerman, Bonnet, & McAfee, 2014). Agile has shown to be a very successful framework not only in software development but also in a variety of other industries and roles by allowing teams to adjust to changing requirements and continuously incorporate feedback.

Conversely, digital transformation is a far more significant change. It entails using digital technology to improve consumer experiences, streamline corporate procedures, and spur innovation throughout an entire company (Ross, Beath, & Mocker, 2019). Digital transformation is the fundamental rethinking of how an organization functions and provides value in the digital age, not just the adoption of new technologies. A customer-centric innovation mentality, organizational reorganization, and cultural adjustments are frequently necessary for this paradigm shift. Knowing how the public feels about these two revolutionary tactics is essential as companies work to incorporate them. Organizational success may be impacted by how the public views companies' planning and execution of Agile techniques and Digital Transformation projects.

Sentiment analysis over the internet has now become an indispensable tool in this modern world for organizations, where social media sites play an unprecedented role in shaping and reflecting public opinion. Moreover, among these, sites such as Twitter represent a particularly valuable repository of real-time, unfiltered opinions, experiences, and sentiments. The nature of Twitter is fast-paced and concise; hence, it provides a very unique insight into how different individuals view various topics, business strategies, and technologies. Public sentiment herein refers to the overall attitude or opinion expressed through people towards Agile methodologies and Digital Transformation in social media. Looking at the sentiments will help an organization to understand the acceptance level, concerns, and potential barriers that come with these concepts.

Sentiment analysis on social media, especially on Twitter, could offer the possibility of capturing a wide range of opinions, from avid enthusiasts to hard-nosed skeptics. Twitter is conversational, and that allows users to speak their minds out; hence, it's a good source of data on understanding public perception. The paper, therefore, looks at the use of Twitter Sentiment Analysis in an attempt to find how the public perceives both Agile and Digital Transformation. Insights from such analyses are important to any organization seeking to execute its strategies in line with what its stakeholders want and are worried about.

In order to investigate this further, this study uses sentiment analysis on Twitter data to determine how the public feels about Agile approaches and digital transformation. Sentiment analysis is a text mining technique that labels opinions stated in tweets as positive, negative, or neutral in order to detect and measure the emotional tone within a body of text. In this study, 1,014 tweets about Agile and Digital Transformation are analyzed for sentiment using the Valence Aware Dictionary and Sentiment Reasoner (VADER) tool. Because the VADER tool is made to manage the brief, casual, and frequently emotional nature of tweets, it is ideally suited for evaluating social media data (Hutto & Gilbert, 2014).

There is a full realization that Agile methodologies and Digital Transformation meet at strategic crossroads. The implementation of these strategies, no doubt, remains fundamentally complicating and multi-layered in driving innovative flows for continuous growth in the digital-first arena. Agile brings in much-needed flexibility and responsiveness to harness the fast-evolving landscape of digital tools and technologies; Digital Transformation offers an overarching framework on how organizations can leverage those very same technologies to stay competitive.

In view of such seriousness of strategies, identifying people's sentiment becomes cardinal in that fact may influence the organizational efforts and perception interpretations. The wider diffusion of these programs may well be achieved by stronger public support, whereas negative or neutral sentiment may suggest misunderstandings or barriers to be encountered. In furtherance to examine this phenomenon, this present study seeks to find answers to two key questions:

RQ1. What is the overall sentiment expressed by the Twitter community about Agile methodologies and Digital Transformation?

RQ2. How does sentiment distribution then use strategic decisions and the communication strategy of organizations?

By this analysis, we aim to portray the dynamics of sentiment in these conversations on Twitter. The sections that follow in this paper will go into a detailed description of the methodology applied and the results obtained from sentiment analysis, including discussion to contextualize the findings. It was expected to contribute to the growing body of knowledge at the nexus between sentiment analysis, social media, and organizational transformation while providing an insight to guide practitioners, researchers, and policy thinkers for better strategies toward Agile methodologies adoption and Digital Transformation.

Literature Review

Agile Methodologies

Software development and project management have seen a revolution thanks to agile approaches, which are based on collaborative and iterative concepts. Abrahamsson, Salo, Ronkainen, and Warsta (2017) stress the value of Agile techniques in promoting flexible development procedures that conform to the ever-evolving dynamics of the market. Additionally, the study of Serrador and Pinto (2015) emphasizes how Agile techniques can improve project outcomes, foster flexibility, and strengthen team cooperation.

The advantages and difficulties of adopting Agile have been the subject of a substantial amount of research. Serrador and Pinto (2015) list the elements that affect Agile project success, emphasizing the importance of leadership and corporate culture. Ahimbisibwe, Cavana, and Daellenbach (2015) investigate the effects of Agile techniques on project success variables based on empirical data, highlighting the benefits of Agile for team communication and customer satisfaction. According to Mergel, Ganapati, and Whitford (2021), Agile cultures promote flexibility in organizational procedures by emphasizing individual and team liberty. This change has worked well in a number of contexts, such as the public sector, where effective adoption necessitates support from the leadership, empirical study, and conformity to member expectations and skills. A novel organizational agility framework with 10 pillars—innovation culture, empowerment, adaptability, vision, change management, communication, market responsiveness, operations, structural flexibility, and learning—is presented by Harraf, Wanasika, Tate, and Talbott (2015). With implementation specific to each organization's needs, each of these pillars provides a road map for enhancing organizational success and responsiveness.

Digital Transformation

Industries and organizational strategies have changed in the age of digital transformation, necessitating the integration of digital technology to improve consumer experiences and operational efficiency. Westerman, Bonnet, and McAfee (2014) stress the significance of strategic alignment and creative thinking in advancing Digital Transformation initiatives, emphasizing the role of leadership. Additionally, Ross, Beath, and Mocker (2019) stress that in order for businesses to thrive in this quickly changing world, they must adopt a digital-first mindset. Additionally, the effect of digital transformation on organizational performance has been the subject of empirical research. According to Berman, Bell et al. (2011), there is a favorable association between financial performance and digital maturity. Similar to this, AlNuaimi, Singh, Ren, Budhwar, and Vorobyev (2022) look into what makes Digital Transformation projects in the public sector successful, emphasizing the value of leadership backing, stakeholder engagement, and technological preparedness

Sentiment Analysis

In the context of digital platforms, sentiment analysis has been investigated in a number of studies as a potent tool for interpreting public sentiment and attitudes. By pointing out the difficulties in detecting sentiment in brief and informal posts and proving its use in assessing public opinion, Pak and Paroubek (2010) laid the groundwork for sentiment analysis in microblogs. From April to September 2021, Nezhad and Deihimi (2022) analyzed opinions of COVID-19 vaccines in more than 800,000 Persian tweets, with an emphasis on both domestic and international ones. Prior to worries about adverse effects, opinions toward foreign vaccines were generally favorable. Overall, there was no discernible variation in opinions, but the unfavorable feelings did occasionally increase. Taking use of Twitter's multidisciplinary character, Antonakaki, Fragopoulou, and Ioannidis (2021) use it to research a variety of subjects, including social protests, health concerns, natural disasters, and societal attitudes. The absence of consistent datasets as a result of stringent platform rules is one of the difficulties, though. In addition, Antonakaki, Fragopoulou, and Ioannidis (2021) highlight Twitter's features, social graph, sentiment analysis, spam threats, bots that propagate false information, and hate speech, emphasizing the value of well-informed fact-checking. Techniques for identifying sentiment and emotion are reviewed by Nandwani and Verma (2021). According to the study, lexicon-based approaches are effective for analyzing sentiment and mood. Dictionary-based methods are easy to use, but corpus-based methods are accurate but have limited applicability because they depend on certain domain norms for their efficacy. The combined results of these investigations highlight how flexible sentiment analysis methods are in revealing subtleties in sentiment across a range of data kinds and fields. Sentiment analysis is a powerful technique for identifying emotional undertones in digital communication, from political speech to customer reviews and multimedia material.

Methodology

The methodology we have employed to complete this research includes data collection, preprocessing, sentiment analysis, and data visualization in order to mine prevailing attitudes and emotions within the Twitter community. Further, we will explain each of them in detail.

1. Data Collection:

The actual process of collecting the data itself requires gathering tweets about agile and digital transformation using Agile and DigitalTransformation hashtags. The Twitter API, accessed through the Tweepy library, has collected 1,014 tweets that express various opinions and sentiments. The data collection period ranges from 2023-02-06 to 2023-08-18, so it is appropriate for having enough tweets to analyze.

2. Data Preprocessing

Before the sentiment analysis, the raw Twitter dataset has been preprocessed to further enhance the efficiency of the machine learning model in sentiment classification by removing noise from the text data. Following steps have been undertaken to do the pre-processing on the data using the Natural Language Toolkit NLTK library:

Text Preprocessing: Special characters, URL, hash-tags, and mentions removal

- a. Sentence Tokenization: sentences will be separated into individual words or tokens
- b. Lower casing: all tokens shall be converted into lowercase for consistency in the analysis stage
- c. Stopword Removal: filtering out the common words that do not bear meaningful content
- d. Lemmatization: this step reduces words to base form generally called lemma for consistency in the analysis stage for final processing.

Finally, the preprocessed dataset will be ready for sentiment analysis.

3. Sentiment Analysis:

Sentiment analysis has been done based on the usage of Valence Aware Dictionary and sEntiment Reasoner (VADER) sentiment analysis tool is VADER, which, unless otherwise mentioned, is from NLTK. VADER provides a sentiment polarity score for each token so that each token can be categorized into one of three categories: positive, negative, or neutral. The overall sentiment for each tweet is created summing up the polarity scores of the tokens. Tweets are labeled as positive, negative, or neutral according to threshold values set by the sentiment scores.

4. Data Interpretation:

The output of the sentiment analysis provides the distribution of sentiment in the collected tweets. The share of positive, negative, and neutral feelings provide the share of dominant sentiment dynamics in the Twitter discourse with agile methodologies and digital transformation.

In addition, sentiment patterns over time can be analyzed in order to detect any changes or sentiments which could be born in expressions.

5. Data Visualization:

The methodology of data visualisation is important in showing clearly the results of the performed sentiment analysis. The use of Matplotlib libraries allows developing different charts showing distribution of positive, negative, and neutral attitudes Tweets are used; for example, visualizations of bar charts.

6. Limitations:

Some of the limitations to this methodology include the potential bias in the data collected, since it is based on Twitter discourse subjectivity of the sentiment analysis tools and an inability to capture nuanced sentiments effectively.

7. Implications:

The methodology implies consequences for organizational decisions, communication strategies, and policy for-mulation by showing the insight of public sentiment towards

Agile methodologies and Digital Transformation.

Results

This section presents the results of sentiment analysis carried out on 1014 tweets regarding Agile methodologies and digital transformation. Sentiment analysis is done using the VADER tool, which provides the proper distribution of sentiments and dominant attitudes in the collected tweets.

Sentiment Distribution

This has shown different trends in the way sentiments were distributed for these tweets, which ranged from January 31, 2023, to August 18, 2023. From a total of 1014 tweets, the results showed that:

Positive Sentiments: 69.13% of the tweets, translating to 701, had positive sentiments. This portrayed that there was major enthusiasm and approval regarding Agile methodologies and digital transformation.

Negative Sentiments: 8.48% of the tweets, translating to 86, had negative sentiments. This is definitely some indication that some users do have critical views or are a little reserved toward these topics.

Neutral Sentiments: In fact, 22.39% of the tweets were neutral, showing that it is filled with facts or objectiveness to that extent, neither in support nor an attack on Agile and digital transformation.

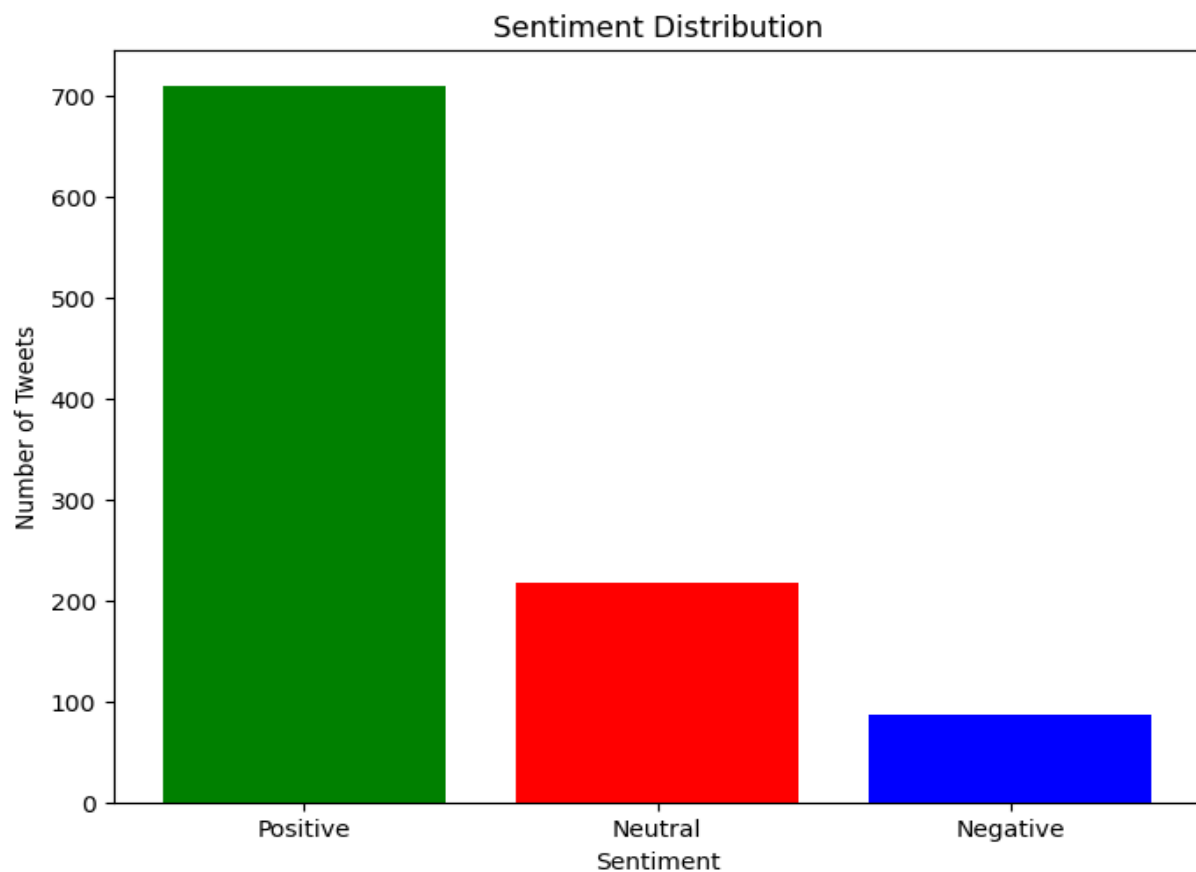


Figure 7: Sentiment Distribution

These proportions put forward the general view of the sentiment dynamics of Twitter discussions related to Agile methodologies and digital transformation. A high level of positive sentiment shows the overall favorable perception by users, which is basically in line with the optimistic and proactive ethos that characterizes Agile practices and efforts for digital transformation.

Negative sentiments, though lower in proportion, reflect critical insights about potential shortcomings or drawbacks related to the use of Agile methodologies. This may provide insight into areas needing improvement or problems which have to be addressed.

Neutral sentiments, which predominate to a large extent, show tweets that may rely on furnishing information or reporting facts without expressing opinion. This subset will contribute to a more balanced sentiment landscape and perhaps an objective look into discussions of Agile and digital transformation.

Discussion

The above dominant positive portrayal is an indication of how well public opinion is in harmony with the principles of Agile methodologies and digital transformation, and thus may have repercussions for organizational decision-making. The common benefits arising from this reception by the Twitter community included collaboration, adaptability, and the delivery of value. In that respect, it allows organizations to leverage such positive perceptions in reinforcing the principles of Agile, employee morale, and organizational change.

While less in number, negative sentiments hint at points where skepticism or critiques occur. These critical sentiments create opportunities for organizations in better addressing their concerns and adapting their Agile and digital transformation practices through becoming responsive and with full awareness.

These neutral sentiments are also used to express content that is usually objective or informative. Knowing what these neutral expressions are provides an opportunity to create clarity or a request for information that will add value to the general sentimental landscape.

Implications and Further Analysis

The distribution of sentiments in the tweets collected here speaks to an alignment between public sentiment and principles underpinning Agile and digital transformation. This alignment comes with significant implications for organizations looking to such methodologies as means toward boosting innovation, adaptability, and customer-centricity.

Further analysis could drill deeper into themes and topics that were particularly positive, negative, and neutral sentiments, thereby furnishing a more profound understanding of the topics and context driving the sentiment dynamics. Besides, time trends could show how sentiments change over time, offering insight into the shifting discourse about Agile methodologies and digital transformation.

Conclusions

The sentiment analysis results provide a window into the prevailing attitudes within the Twitter discourse surrounding Agile methodologies and Digital Transformation during the

period from January 31, 2023, to August 18, 2023. The remarkable predominance of positive sentiments reflects the resonance of these transformative concepts with the values,

aspirations, and goals of both practitioners and enthusiasts. Understanding these sentiments enriches our comprehension of the impact and implications of Agile methodologies and

Digital Transformation within contemporary organizational landscapes. In addition to providing insights into public sentiment, sentiment analysis results can be used to inform a variety of organizational decisions. The overwhelmingly positive reception aligns with the advantages of Agile methodologies and Fig. 1. Sentiment Distribution of Tweeter Data Digital Transformation, providing organizations with a strong foundation for decision-making. Additionally, addressing the smaller fraction of negative sentiments can lead to a more comprehensive understanding of potential challenges and areas for improvement. The alignment between public sentiment and the principles advocated by Agile methodologies and Digital Transformation carries substantial implications for organizations. Beyond strategic alignment and communication strategies, sentiment analysis can inform decisions related to project prioritization, resource allocation, and even stakeholder engagement. By exploring the content associated with each sentiment category and analyzing sentiment trends over time, organizations can gain deeper insights into the evolving dynamics of public sentiment, enabling them to make data-driven decisions that enhance innovation, adaptability, and customer centricity.

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Data Mining in Human Resource Management

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Abstract : Machine Learning is a branch of Artificial Intelligence that relies on algorithms and statistical methods for data analysis. As we face the daily growth of information across all sectors - economic, political, healthcare, etc. - data analysis becomes a key element in helping decision - makers effectively understand information in a short amount of time.

The use of Machine Learning techniques in the job market not only aids business leaders in decision-making but, when viewed from a Human Resources Management perspective, also simplifies the staff recruitment process.

The purpose of this paper is to study the market supply and demand in Albania and to identify the most effective Machine Learning techniques that assist the Human Resources Department in the recruitment and selection process, as well as in the proper placement of staff within organizational or business units. The application of Machine Learning techniques aims to identify methods for extracting information by referring to cover letters, recommendation letters, or CVs, which facilitate the decision-making process. Additionally, it involves applying algorithms to reduce the recruitment criteria, study labor market trends, etc. Using Machine Learning techniques, the goal is to uncover information patterns that will help decision-makers develop strategies for the future of the job market. Given the situation dictated by the COVID-19 pandemic, this study will also address its impact on the recruitment process and the improvement of results within the Human Resources Department in businesses in Albania.

This study supports the Human Resources Department in identifying the characteristic elements of the workforce for various job vacancies. It also serves as a guide for educational systems,

especially universities, to enhance curricula in a way that prepares skilled professionals in line with the demands of the job market.

I. Introduction

The rapid advancements in AI and ML technologies have revolutionized multiple industries, including human resource management. These technologies offer innovative solutions for automating tasks, optimizing processes, and enhancing decision-making. In the digital age, organizations are increasingly relying on data-driven insights to stay competitive, and the integration of ML in HR practices represents a significant step toward achieving this goal.

Albania's labor market presents unique challenges that underscore the need for such advancements. Despite improvements in education and infrastructure, the country faces high youth unemployment rates and a persistent mismatch between the skills provided by educational institutions and those demanded by employers¹⁸. For example, while there is an oversupply of graduates in fields like business and administration, industries requiring expertise in natural and exact sciences report a shortage of qualified professionals. This imbalance highlights the importance of aligning educational outcomes with market needs, a process that can be effectively supported by ML techniques.

Moreover, traditional recruitment methods in Albania often rely on subjective evaluations, which can lead to biases and inefficiencies. ML tools have the potential to transform this landscape by enabling objective, data-driven assessments of candidates. These tools not only streamline the recruitment process but also enhance the ability of HR departments to identify and retain top talent¹⁹.

The significance of this study extends beyond HR departments. By integrating ML techniques, organizations can better understand labor market trends, anticipate future workforce needs, and develop strategies that promote economic growth. This paper aims to address these issues by exploring how ML can be applied to recruitment processes in Albania, ultimately contributing to a more efficient and equitable labor market.

¹⁸ Ardian Hackaj, Tiranë, Prill 2015. *Trendet e punësimit rinor në Shqipëri: çfarë kërkon tregu?*

¹⁹ Chapman, D. S., & Webster, J. (2003). *The use of technologies in the recruiting, screening, and selection processes for job candidates*. International Journal of Selection and Assessment

II. Background and Literature Review

Albania's labor market is characterized by structural inefficiencies. According to the Institute for Cooperation and Development, the youth unemployment rate in 2019 was 21.4%, reflecting ongoing challenges in transitioning young professionals into sustainable employment²⁰. These challenges are exacerbated by a lack of coordination between educational institutions and industry,²¹ resulting in skill mismatches that hinder economic progress.

The Albanian education system produces a surplus of graduates in fields such as business and administration, while industries in natural sciences, technology, and engineering struggle to fill vacant positions. This misalignment highlights the importance of realigning academic programs with the actual demands of the labor market. Furthermore, employers frequently report difficulties in finding candidates with adequate technical skills, work experience, or familiarity with modern technologies, which further complicates the recruitment landscape.

Machine Learning offers significant promise in addressing these issues. Globally, ML techniques have been applied in various HR functions, including talent acquisition, performance management, and workforce planning. For instance, Natural Language Processing (NLP) enables automated analysis of unstructured text, such as resumes and cover letters, extracting critical information like qualifications, skills, and professional experiences. Decision Trees and Support Vector Machines (SVM) have been used to rank candidates based on their suitability for specific roles²².

Another critical application of ML in HR is predictive analytics. This approach involves using historical data to forecast trends, such as identifying future staffing needs or predicting employee turnover rates. Such insights allow organizations to make proactive decisions and develop long-term strategies that align with their workforce goals.

Despite its potential, the adoption of ML in HRM remains limited in Albania. Traditional recruitment methods, which often rely on personal networks and manual processes, continue to dominate. These methods are not only time-consuming but also prone to biases that can affect hiring quality. By contrast, ML algorithms offer the ability to make objective, data-driven decisions that improve fairness and efficiency in the recruitment process.

Moreover, studies have shown that integrating ML into HR practices can lead to substantial cost savings. Automating tasks such as resume screening and interview scheduling reduces administrative workloads, allowing HR professionals to focus on strategic initiatives. Additionally,

²⁰ Ardian Hackaj, Tiranë, Prill 2015. *Trendet e punësimit rinor në Shqipëri: çfarë kërkon tregu?*

²¹ Batt, R., & Colvin, A. J. (2011). *An employment systems approach to turnover: Human resources practices, quits, dismissals, and performance*. Academy of Management Journal. <https://journals.aom.org/doi/abs/10.5465/amj.2011.64869448>

²² Chapman, D. S., & Webster, J. (2003). *The use of technologies in the recruiting, screening, and selection processes for job candidates*. International Journal of Selection and Assessment.

ML models can identify patterns and trends in employment data, providing valuable insights into workforce dynamics and enabling better alignment between supply and demand.

In conclusion, while Albania's labor market faces significant challenges, the application of ML techniques offers a pathway to more effective and equitable HR practices. By leveraging these technologies, organizations can address skill mismatches, reduce unemployment, and build a workforce that meets the demands of a rapidly evolving economy. This section highlights the critical need for further research and investment in ML to drive innovation in Albania's HR sector.

III. Methodology This study employed a mixed-methods approach:

- **Data Collection:** Surveys were conducted with HR professionals in private and public organizations. Data from the National Employment Service, social media, and employment websites were also analyzed.
- **Algorithms Used:** ML algorithms, including NLP for text analysis and clustering methods for trend identification, were applied to the collected data.
- **Analysis Tools:** Tools like Python's Scikit-learn and TensorFlow were utilized for implementing and refining ML models.
- **Evaluation Metrics:** Accuracy, precision, and recall metrics were used to evaluate the performance of the ML models.

IV. Findings and Discussion

4.1 ML Techniques in Recruitment ML techniques such as classification and clustering proved effective in analyzing CVs and identifying candidate-job fit. NLP models analyzed textual data to evaluate skills, experience, and competencies, while clustering algorithms identified emerging labor market trends. These techniques also provided insights into the qualities most valued by employers, allowing HR departments to align their recruitment strategies with industry requirements. By using predictive modeling, HR teams could anticipate future staffing needs and address potential gaps in their workforce planning²³.

4.2 Impact of the COVID-19 Pandemic The pandemic accelerated the adoption of digital recruitment processes. ML tools facilitated remote candidate evaluations, ensuring continuity in hiring practices. Video interviews, combined with sentiment analysis and facial expression

²³ Rodney, H., Valaskova, K., & Durana, P. (2019). *The artificial intelligence recruitment process: How technological advancements have reshaped job application and selection practices*.

recognition algorithms, enabled more nuanced assessments of candidate suitability. Additionally, organizations increasingly turned to automated tools for shortlisting candidates, reducing the time and resources required for initial screenings. This period also highlighted disparities in digital readiness among companies, with larger enterprises adopting ML solutions more readily than smaller businesses.

4.3 Improving Recruitment Fairness and Efficiency One notable advantage of ML is its ability to reduce biases in recruitment. Traditional methods often suffer from unconscious bias, whether related to gender, age, or ethnicity. ML algorithms, trained on diverse datasets, can ensure more objective assessments by focusing solely on skills, qualifications, and experience. Moreover, automating repetitive tasks, such as scanning CVs or scheduling interviews, allows HR professionals to concentrate on strategic decision-making.

4.4 Challenges in Implementation Despite the potential benefits, Albanian organizations face hurdles in adopting ML technologies. Limited technical expertise, lack of investment in advanced tools, and resistance to change are significant barriers. Many HR departments rely on legacy systems that are incompatible with modern ML solutions. Addressing these issues requires targeted training programs, government incentives for technology adoption, and collaboration between academic institutions and industry stakeholders to develop tailored solutions.

4.5 Potential for Future Applications Beyond recruitment, ML has applications in employee performance monitoring, training needs analysis, and retention strategies. For example, predictive analytics can identify employees at risk of leaving, allowing HR departments to implement proactive retention measures²⁴. Similarly, analyzing employee feedback through sentiment analysis can provide actionable insights into workplace satisfaction and areas for improvement. In the Albanian context, these applications could help organizations build more resilient and engaged workforces, contributing to overall economic development.

V. Conclusion and Recommendations

This study underscores the transformative role of ML in HRM, particularly in Albania's labor market. Key recommendations include:

- For HR Departments: Invest in ML tools to automate recruitment processes and reduce biases.
- For Educational Institutions: Align curricula with industry demands to prepare graduates with relevant skills.

²⁴ Stone, D. L., Deadrick, D. L., Lukaszewski, K. M., & Johnson, R. (2015). *The influence of technology on the future of human resource management*.

- For Policymakers: Facilitate collaborations between academia and industry to address skill mismatches.

Future research should explore the long-term impacts of ML adoption in HRM and its role in fostering economic growth.

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Remaining future - proof throughout the ai revolution: how is ai reshaping the financial industry and its workforce?

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Abstract

Over the last years, the revolution of Artificial Intelligence has had a large impact at an unprecedented pace on the financial industry. As we try to understand the reasons why AI is being embraced by the financial sector at a faster rate compared to other industries, two important questions arise. How can the current and future workforce remain future proof in a time of massive technological change? Over time, millions of employees around the world will require upskilling and reskilling, to be able to keep up with the rapid changes in the workplace. In addition, in any era of change, what opportunities come with AI? Particularly, for emerging markets, integrating AI in their financial sectors is not only a measure of keeping up with advanced economies, but a golden opportunity to leapfrog conventional development stages, leading to exponential benefits. Certainly, the aim of the research is to present a clear image on the impact of AI, across the financial sector - by analyzing the influence on the skillset on the current and future workforce, as well as by shedding light into the market opportunities that come with this technology.

Kew words: Artificial intelligence, financial industry, AI reskilling, workforce, soft skills.

1. Introduction

Artificial Intelligence – Rapidly reshaping the financial industry

Financial services represent one of the most traditional industries, strongly preserving their conventional practices throughout the years. Nonetheless, Artificial Intelligence is being embraced by this sector at a faster rate than many other industries. The reason for that should not come as a surprise. The banking sector's high volume of data and operations convey the perfect landscape for AI technologies.

Indeed, the adoption of AI is driven by the institution's necessities for greater efficiency, round-the-clock customer experience, as well as risk management techniques. Through raising the bar for innovation and customer satisfaction, AI transformative technologies create competitive advantages in the financial sector. (S&P Global, 2024) In addition, as Large Language Models (LLM) continue to advance and the implementation of AI increases, banks are now witnessing new levels of efficacy, personalization, and security.

Moreover, machine learning algorithms can now examine immense amounts of data, providing deeper insights on the financial markets, clients behavior and security measures. AI technologies in banking have enhanced decision-making, streamlined customer service and overall lead to increased effectiveness. (Roose, 2022) But how does AI technology look like in banking and what are its main ranges?

One of the primary areas of AI implementation in the financial sector, for most institutions, would be customer service. The reasons for that are quite simple. First, customer operations consist of voluminous inquiries through large client bases. Most people can recall institutions where they experienced good versus bad customer service and from that, decide their future inquiries. Therefore, many financial institutions aim to convey high quality customer experience. Through AI tools, such as virtual assistants, financial institutions can now provide personalized, round-the-clock customer service. (WB Research, 2024)

Certainly, the financial sector has been reaping the benefits of AI-powered personalized finance. By going through vast datasets, AI tools can offer hyper-personalized experiences for each client. That supports a large customer base that may not be financial literate and is now able to navigate products and services, previously unknown to them. Presently, banks that do obtain such AI powered systems, allow their customers to look at a variety of metrics including - saving habits, expenditures, life events – to entail personalized suggestions and tailored support.

On the other hand, operations represent one of the most significant areas on the competitiveness of financial institutions. By using AI technologies, companies are streamlining operations and automating routine tasks, reducing human error, and optimizing various processes. Most commonly, AI provides support with tasks that tend to require manual effort and therefore, prone

to human mistakes. Examples of such tasks would be data processing, reporting and evidence entries. Through the implementation of AI on their repetitive operations, financial institutions are gaining a competitive edge, allowing employees to focus on higher value tasks and strategic deeds.

Furthermore, AI supports the decision-making process within the financial industry. Through processing higher volumes of data at a greater speed, AI is providing bankers with thorough insights and analysis, to help them in making informed decisions. Certainly, AI assistants can analyze vast amounts of data in real time, supporting banking strategies in seconds. Many areas of banking profit exponentially from such tools, more precisely investment banking where time and information are crucial, especially in the trading desks.

Undeniably, AI tools are good for the banking front-business, but that does not stop there. An integral part of finance, also quite costly to maintain, is risk management. Through risk management, financial institutions safeguard capital and assets, granting financial stability at a micro and macro level. Fundamentally, financial institutions dedicate departments and many professionals to manage risks. However, through AI tools, many related tasks within risk management are being vastly automated. By employing quantum algorithms, the assessment of risks, financial or non-financial, becomes highly accelerated. In addition, AI supports by simulating various dimensions, less restrictive than the Monte Carlo model, used so-far. Professionals then use the AI-powered results to steer better their decision making and risk-management strategies.

Lastly, AI is becoming a crucial instrument in the detection and prevention of financial crime. Indeed, AI-powered tools, through the availability of vast amounts of data, manage to discern patterns related to money laundering, fraud or sanctions. In doing so, AI improves the capabilities of financial institutions in capturing criminal or counterfeit transactions. The implementation of AI in such sectors within the financial industry results in higher protection for their capital, as well as their customers; and less operational risks.

As we document the uses of AI implementation across the financial industry, it is important to understand that its integration comes with a wide range of responsibilities and implications. Financial institutions must establish governance groups and create vigilance on the regulatory and ethical considerations regarding AI practices. It is important to develop a hybrid analytic setting that ensures compliance, as well as eliminates biases from data, used in large language models.

Finally, while the world transitions into the future of technology, incorporating AI technologies is no longer voluntary but necessary. Through transformative initiatives across the financial industry, AI technologies are pioneering new standards of efficiency, safety and innovation. Yet, while AI is taking over various sectors and functions, one important question remains unanswered. How will AI reshape the demand for the current and future workforce? In simpler words, now that AI is taking over various work functions, what skills should humans be developing?

2. Artificial Intelligence and the workforce: The Return of Soft skills

The rapid wave of AI in various sectors raises many important questions on the skillset needed for the current and future workforce. We are in a point in history where education is no longer future proof, as AI has disrupted traditional industries and created new ones at an unprecedented pace. What kind of jobs should the next generation be trained to do? What kind of skills should the current workforce be focused on improving? In other words, the aim would be to understand the sort of competencies such fundamentally human, that in one way or another could never be replaced by an algorithm.

In the age AI, with routine tasks being automated, soft skills not only remain essential but matter now more than ever. But what do we understand with the term soft skills? Indeed, such term was created by the US Army to distinguish interpersonal and machinery competencies. Soft skills refer to attributes that enable individuals to interact effectively with others, such as adaptability and problem-solving capabilities. (Herrity, 2023) They are referred to as crucial for building strong teams, strategies and fostering a positive environment. Intrapersonal skills have continuously been essential in the workforce, but in our automated future, being a uniquely human strength, they hold a more significant value. (Westfall, 2023)

Indeed, the AI revolution is estimated to impact nearly 400 million jobs globally, performing computation, data analysis and logic-driven tasks, with a higher efficiency than human ever could. Such technologies can not only manage the variety of repetitive tasks but also perform increasingly sophisticated responsibilities —such as coding, writing and research —areas once considered safe from the disruptive AI waves. (Kersting, 2018) 45% of such tasks will be automated in the next 5-10 years. Soft skills such as communication, emotional intelligence, and empathy will continue to exponentially grow in value, as humans work in synergy with AI. These skills are universally pertinent and allow humans to engage in social complexities, not fit for AI.

Therefore, research suggests that as organizations increasingly leverage AI technologies, soft skills become even more important for employees to stay relevant and valuable in the workplace. (Marr, 2020) People need to maximize their creativity, improve critical thinking and collaboration with others. These soft-skills have been put on the back burner over the past few decades as the “hard skills” of math, science, physics, biology, and engineering-related skills took center stage.

Let’s try and dive deep to understand the reasons why soft skills will be the rising star in this new era of technology. Indeed, AI capabilities are quite constrained in terms of social and emotional interactions that require an intrapersonal perspective, such as judgement and empathy. Therefore, for the good amount of business interactions that involve negotiation, conflict resolution and critical thinking, human skills remain irreplaceable – adjacent to World Forum surveys, based on latest AI developments.

In addition, AI technologies have been generally developed to enhance existing human capabilities, through providing insights and automating repetitive tasks. (Marr, 2023) Therefore, the judgement and final decision making are projected to be handled by human professionals. That allows professionals to focus on tasks that require critical thinking, problem solving and relationship management. By further developing and obtaining soft skills, employees work more effectively and get the most value from AI technologies.

Furthermore, AI poses ever-changing working environments, through evolving technologies. Intrapersonal skills such as aptitude for learning, critical thinking and emotional intelligence – allow people to adapt to the new AI technologies, as well as everchanging role requirements or transfers to other roles. Indeed, for professionals that do not obtain such intrapersonal capabilities, it may be more difficult to learn new skills or take on new assignments, as the transformation waves of AI seamlessly strike.

Finally, regardless of AI developments, companies will always need leadership and visionaries, to assess the bigger picture. Certainly, middle management roles are most probable to diminish, in the light of automation. However, strategic leadership, the genuine one, that requires vision, empathy and inspirational communication; remains an inherently human skill. As backed by World Economic Forum (2023), soft skills remain significant in leadership roles – where using AI, human professionals would successfully envision and deliver business strategies.

Therefore, all these compelling reasons built the obvious narrative that AI will indeed raise the need for a workforce that harnesses soft skills. Only through that can organizations maximize the benefits of their AI investments. Soft skills are becoming a new form of currency that grants not only job security in an ever-changing AI environment but conveys competitive edge for both the workforce and organizations. Hitherto, what are the measures that the current and future workforce could take to strengthen their soft skills? Is there more that needs to be done in terms of reskilling and upskilling?

3. AI and future workforce: Remaining future proof throughout the AI revolution

As a scholar, how can you remain future proof in a time when the workforce is being rebranded? Indeed, according to research, students are encouraged to choose certain academic areas and most importantly, obtain real world experiences through internships. Certainly, that is a measure that adds to the development of soft skills and critical thinking. Experts advise the students to embrace interdisciplinary studies as a foundation of their education. (Joshi et al, 2021) How would that look like?

Indeed, being a specialist in only one academic area may not be enough to approach the complexity of challenges of the AI ever-changing work environment. Students ought to try and be more

adaptable, through acquiring a versatile skillset that combines various disciplines – STEM and social sciences – as a way of developing both soft and hard skills. (Nietzel, 2024) Such cross-disciplinary programs have been exhibited in educational institutions, where science students are encouraged to take courses in humanity, environment; to address the complexity of social challenges globally – preparing a multidimensional workforce. Such programs further develop inherently human skills such as creativity and problem-solving capabilities, that are now more valued than ever.

Additionally, through engaging in internships, students are encouraged to pursue real life experiences. That would help them only in building their intrapersonal skills but also understand their strengths and what sets them apart in such ever-changing tech-environment. Indeed, in a tech-driven world, it is the real-life perspective that increases in value and makes a difference. Through internships, students can assess their capabilities, desires as well as address knowledge gaps, or areas that may need further improvement. (Esaki-Smith, 2024)

Furthermore, considering the adaptability factor, it is important that professionals never stop learning. For some people, this sort of aptitude is innate – some others need to proactively work on it, as the work market is evolving more than ever in a rapid pace. It is not only a personal responsibility, but a collective responsibility as well, for organizations, to establish measures for their employees or students, in terms of continuous reskilling and upskilling. That way, people are equipped with the right skillset to navigate the job market or create value in their AI-assisted roles.

Are we forgetting something? The once-in-a-lifetime opportunities that come with a rapidly changing tech-environment. In the current landscape, both students and professionals lie in a vast potential of developing new technologies or start-ups. Therefore, entrepreneurial skills are to be seriously considered and extended, as part of the educators' responsibilities which now go beyond job placement. In addition, going a step further may create the need of such curriculums for saturated professionals, who are adapting to these technologies through innovative ideas and efforts.

Surely, the role of higher education would entail not only guiding scholars through the previous confined study-years, but also throughout their careers - ensuring ongoing adaptability. In contrast to AI, humans are creative, take risks and convey knowledge into deeds in the interest of better society and humankind.

4. AI and current workforce: Organizations and AI Reskilling

Indeed, it has been AI innovators themselves that have initiated a new wave of AI uses in building human interpersonal skills. Companies such as Talespin and Embodied Labs are deploying engaging language models, to support healthcare workers to develop emotional intelligence,

empathy, and communication skills with the patients. Through Virtual Reality experiences, these companies enable caretakers to embody the perspective and conditions of the patients, gaining deeper and more empathetic understanding.

Employers, too, should recognize the value of professional social capital where intrapersonal skills are further developed through relationships, networking and mentoring as an accelerant to workforce success and preventing occupational segregation to marginalized groups. It is important that both the educational and workforce systems are structured in a way that allows the development of both skills, soft and hard and not emphasize the efforts only on harnessing the latter. Some could argue that soft skills such as critical thinking, emotional intelligence and communication are innate. While there may be a genetic factor to such qualities being more prominent to some people, rather than others – through an engaging environment, such skills can be developed and mastered with time. (Davenport & Westerman, 2023)

Surely, in the age of AI, the competitive advantage has shifted to a workforce that above anything displays strong intrapersonal skills, critical thinking and problem solving – and that can easily adapt and have an innovative mindset to an everchanging environment. And at the end, the competitive edge will go to those educators and employers that value and cultivate such skills, as an exhibition of mastery for the new age worker or student. Indeed, in this light, prominent financial institutions have accorded supplementary training programs for relationship managers to further develop soft skills such communication and critical thinking. For instance, JPMorgan Chase runs coaching programs to help advisors seamlessly recognize customer holistic needs and provide advisory services for more complex financial products – an area where AI cannot diligently deliver.

Other than investing in upgrading and developing the soft skills of their workforce, companies are now taking reskilling as a wider-level challenge. According to recent research from Harvard Business, most of the companies interviewed admitted that reskilling is a process affected by a number of factors and players. Therefore, when thinking about reskilling, financial institutions shall harness the harmony of various players, part of the AI revolution.

As mentioned in the above analysis on the return on soft skills, one method on reskilling, yet not limited to intrapersonal skills, would be the partnership programs between industries and academia. Such collaborations would not be restricted only with the upcoming workforce but also for the existing workforce that needs to adjust their skillset with AI integration. Certainly, these sorts of collaborations with educational institutions entail great benefits for companies, in terms of their reskilling efforts. Indeed, organizations such as Amazon and PWC are largely investing in developing AI capabilities for their employees, through cooperation with educational institutions. Amazon has already launched its own Amazon Machine Learning University, which trains its employees on machine learning skills, regardless of their background.

On the other hand, governmental administration must support AI reskilling through various measures. One way could be through the launch of AI literacy programs, a public investment in reskilling the workforce according to the market demands. Such initiatives would require adequate funding and outreach to the public, as well as concrete measures of success. Another aspect from the public governments could be the establishment of policies that regulate the reskilling requirements that companies need to provide to their workforce, upon AI integration. In the same manner, governments and community-based organizations should work in connecting company needs, not only within certain academic or professional outreaches, but also throughout marginalized talent groups.

Certainly, some researchers believe that industry-wide reskilling programs may seem to be more efficient and homogenous than individual ones. Therefore, instead of surfing the waves of AI on a competitive lens, companies could cooperate by creating joint training for their workforce. Such efforts would not only support seamless industry-wide infrastructure but also be less costly than tailored courses. In addition, the AI reskilling on industry-wide level, could also support companies pool the knowledge and resources – which are so new that individual companies may not have yet the knowledge or capacity. Another aspect would be the interchangeable talent pool among their participants, bringing strategic value to each other.

Indeed, efforts in retraining are still under the making. Many companies have already developed a proactive approach on reskilling, considering the fast and transformative impact of AI on their book of work and human resources. Yet, as the AI practices across industries are still new at large, there are limitations which encumber even the most proactive of endeavors. There is still uncertainty in terms of what is considered a successful reskilling outcome and how it could be respectively measured.

In addition, there may be reluctance in pioneering such programs or coalitions, mostly related to costs and conservative management cultures. Yet, AI is an inevitable truth which sooner or later will have to be embraced by institutions to stay relevant and competitive. Therefore, to adapt to such technological changes, companies will be obliged, along these lines, to establish reorientating programs. Such initiatives may be first in experimental and then move towards a more sustainable, long-term ways. Nonetheless, as history has taught us, the pioneers of this technological revolution will be the ones remembered and rewarded.

5. AI and an era of opportunities for the workforce in the emerging markets

Certainly, as we analyze the enormous impact of AI, it becomes obvious that this technological revolution entails a golden era of opportunities for the emerging markets. Indeed, emerging markets must adapt to AI technologies to prevent being left behind by developed economies, which would then further deepen the gap in skills and wealth. (Google Research, 2024) However,

integrating AI is not only a measure of keeping up with advanced economies, but a golden opportunity for them to leapfrog conventional development stages, leading to exponential financial progress.

Undoubtedly, AI presents numerous opportunities for emerging markets in various sectors. The countries part of this group is represented by a much younger population, keen on technology and innovation. Through initiatives from government, academia and relevant industries, AI reskilling creates an untapped workforce market. The AI reskilled workforce can revolutionize emerging economies and create a competitive and innovative edge to themselves. On the other hand, AI tools can greatly empower private sector initiatives, establishing a vibrant start-up scene for young entrepreneurs.

Indeed, AI systems can significantly decrease entry hurdles and operating costs for entrepreneurs, enabling them to develop innovative and scalable business models that can catapult traditional and costly approaches. That being said, tangible initiatives with potential would first be applied in the financial services, allowing access to credit and financial products to a broader part of the population. On top of that, AI would be improving educational functions through personalized learning, optimize medical care through disease detection – leading to a wider economic and social development in emerging markets.

Furthermore, through its fraud detection capabilities, AI technologies would support in increasing transparency within governments, improving controls on corruption and theft and greater awareness among the citizens. In other prominent sectors, common for emerging markets, such as tourism, the application of AI can enhance customer experience through personalized recommendations and efficient service delivery.

Indeed, this assessment is such a scratch on the surface to depict the opportunities that AI practices could offer to emerging markets. These opportunities, however, will not materialize involuntarily. Harnessing the power of AI requires proactive cooperation among institutions, and strong initiatives in reskilling, from various players.

6. Conclusions

- Artificial Intelligence is conquering the financial industry on a faster rate, than many other industries. Indeed, it is the large volume of data and operation that conveys a perfect landscape for the use of AI.

- AI systems provide deeper insights on the financial markets, clients behavior and security measures, as well as offer round-the-clock customer experience, entailing greater efficiencies for financial institutions. However, these rapid changes impact thoroughly the workforce and raise many important questions on the skillset needed for the current and future workforce.
- In the age of AI, with routine tasks being rapidly automated, soft skills become even more important for employees to stay relevant and valuable in the workplace. Indeed, AI capabilities are quite constrained in terms of judgement and empathy, as they have been merely developed to enhance human scientific capabilities. Therefore, people need to maximize their creativity, critical thinking and collaboration with others. For the future workforce, remaining future proof at a time where businesses are being rebranded is a process that requires the development of versatile skillset, combining various disciplines including STEM and social sciences. Such cross-disciplinary programs cultivate both soft and hard skills, preparing a multidimensional workforce.
- For the existing workforce, reskilling is a process affected by several factors and players. As the competitive advantage has shifted to a workforce that above anything displays strong intrapersonal skills, critical thinking and problem solving - the competitive edge will go to those educators and employers that value and cultivate such skills.
- Prominent financial institutions have accorded supplementary training programs, in cooperation with academia, government and industry-wide establishments. Finally, as we have analyzed the impact of AI in the workforce, other important features are the prospects that come with such technology, especially for the emerging markets. Indeed, integrating AI is not only a measure of keeping up with advanced economies, but a golden opportunity for them to leapfrog conventional development stages and exponentially grow.
- Countries, part of this group, are represented by a much younger population, keen on technology and innovation where AI reskilling could create an untapped workforce market. Such workforce can revolutionize emerging economies and greatly empower private sector initiatives, establishing a vibrant start-up scene for young entrepreneurs. At the end, this is a time of change and opportunities that both economies and people should steadily embrace, no matter how overwhelming it may seem due to its haste. As the philosopher Heraclitus once said: “There is nothing permanent, except change”!

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Cybersecurity and International Partnerships: The Case of Israel in Albania

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Abstract

The State of Israel has emerged as a global leader in cybersecurity, driven by a unique combination of military expertise, innovation, and a rich startup ecosystem. This research paper aims to explore Israel's progress in cybersecurity technologies and their multifaceted implications for national security, economic development and international partnerships, through the constructivism theoretical approach. The paper will examine the strategic role of cybersecurity in the national defense sector of Israel, highlighting how military intelligence and research have fostered cutting-edge technologies that protect critical infrastructure and enhance the national resilience against cyber threats. The scope of the research will delve into the impact of these innovations in the private sector, where Israeli startups are providing pioneering solutions that ensure operational continuity. Ultimately, the paper will examine and discuss the significance of international partnerships, focusing on the collaboration of the State of Israel with Albania into developing joint cybersecurity frameworks and sharing best practices. Ultimately, the paper aims to provide a comprehensive understanding of how the progress of Israel in the field of cybersecurity does not only fortify its defense sector but also contributes to global security dynamics and economic stability. Through the constructivist theoretical approach, the ultimate goal of the paper is the acknowledgment of the broader implications of cybersecurity as a critical component of modern statecraft and international cooperation.

Keywords: Israel, Albania, technology, cybersecurity, constructivism.

I. Introduction

In the modern era, cybersecurity has become a key component of the national defense sector, specifically in technologically advanced states like Israel. Also known as “The Start-up Nation”, the State of Israel has positioned itself as a global leader in cybersecurity innovation, driven by the need to defend its critical infrastructure and national security against multitudinous cyber threats. Israel's unique security challenges, such as regional conflicts and the ongoing threat of terrorism, provide a high demand for a proactive cybersecurity strategy.

The cybersecurity strategy that the State of Israel implements correlates with the protection of critical infrastructure, which comprises sectors such as energy, transportation, finance, and public services. As cyber threats become more frequent, Israel has adopted a bold approach to strengthen its cyber resilience. This includes the development of sophisticated defense systems and comprehensive policies or frameworks aimed at fostering collaboration between government, military, and the private sector (Shay, 2018). By leveraging the expertise of its military and intelligence communities, Israel has established protocols that prioritize threat detection, incident response, and recovery, which lowers the impact of potential cyber incidents.

The strategic significance of cybersecurity in the national defense of the State of Israel is underscored by its proactive stance on international cooperation. Israel has actively engaged in partnerships with many nations and organizations to share knowledge, best practices, and technological advancements in cybersecurity. This collaborative approach strengthens Israel's capacity and reinforces its position as a key player in the global cybersecurity arena (Zuckerman, 2020). By fostering international alliances, Israel aims to address relevant threats, recognizing that effective defense requires a collective effort.

To sum up, the strategic role of cybersecurity in Israel's national defense is characterized by a multifaceted approach that integrates military intelligence, technological innovation, and collaboration in various sectors. As cyber threats continue to evolve, the commitment of Israel to strengthen its cybersecurity capacity remains bold, driven by the imperative to protect its national interests and ensure resilience in the face of emerging challenges. This paper will delve deeper into the intricacies of the cybersecurity strategies of Israel, and their implications for national defense, setting the stage for a comprehensive exploration of the literature surrounding this critical topic.

II. Literature Review

The Israeli expertise on a national level

The earliest traces of activity in Israel in terms of cybersecurity are observed since the creation of Unit 8200, the military intelligence branch that is part of the Israel Defense Forces. This unit gains

significant importance in integrating innovation within the cybersecurity domain (Hoffman, 2015). This relationship between military intelligence and technological advancement has created a strong ecosystem that fuses both offensive and defensive capacity. The government of Israel has recognized the importance of cyber defense, formalizing it as a national priority and investing in it, to create an environment conducive to innovation (Nissenbaum, 2017).

On a national level, cybersecurity is a cornerstone of the economic and security strategy of Israel. The Israeli government, recognizing the growing threat of cyberattacks, established the National Cyber Directorate in 2011 as part of its broader national security framework. This Directorate is competent for overseeing and coordinating Israel's cybersecurity policy, including the protection of critical national infrastructure, public-private partnerships, and national cyber defense efforts (Frei, 2020). The approach of Israel to cybersecurity, including investments in both defensive and offensive cyber capabilities, strives to safeguard the nation from a wide range of cyber threats, from state-sponsored espionage to cybercrime.

High technology plays a key role also in the economic development of Israel. Based on reports from the Israel Innovation Authority, this industry has become a major driver of economic growth, contributing up to eighteen percent of Israel's Gross Domestic Product (Israel Innovation Authority, 2023). This sector, including both government and private, generates billions of dollars in revenue annually. In 2022, Israeli cybersecurity exports reached approximately seven billion dollars, demonstrating the sector's global competitiveness and its important role in Israel's high-tech economy (Start-Up Nation Central, 2024). On another note, cybersecurity is rather a strategic national asset that strengthens Israel's position in the global tech landscape. Cybersecurity companies, often spin-offs from military and intelligence units such as Unit 8200, offer solutions in critical infrastructure protection, data security, and threat intelligence. This unit has contributed to Israel's capacity to reverse threats from other actors.

Additionally, the ability of Israel to defend its energy, telecommunications, and financial sectors from large-scale cyber-attacks, such as the 2007 Stuxnet attack, displays the progressed capacity of the country's cyber defense infrastructure (Zohar, 2021). Such occurrences highlight the high capacity of Israel's cybersecurity infrastructure, where military and civilian sectors are closely integrated to ensure national security.

The economic expenses of cyberattacks are also significant for Israel. A report by the Bank of Israel suggested that cyberattacks may cost the Israeli economy up to one percent of the national Gross Domestic Product annually, including both direct financial losses from cybercrime and indirect costs connected to recovery and reputational damage (Bank of Israel, 2021). Despite these challenges, Israel's prominent cybersecurity position has permitted the country to mitigate the damage from these threats and protect critical infrastructure.

The Israeli expertise on an international level

On an international scale, the cybersecurity sector of Israel plays a leading role in shaping global cybersecurity policy, industry standards, and new technologies. The reputation of Israel as a cybersecurity know-how is evidenced by its success in producing a vast array of cybersecurity startups that have become leading actors in the global market. Companies such as Check Point Software Technologies, CyberArk, and NSO Group are well known for their innovative solutions in network security, identity management, and security surveillance. These companies not only contribute to the economy of Israel but have also had an impact on the global cybersecurity landscape by putting up certain standards for cybersecurity products and services used worldwide (Start-Up Nation Central, 2024). The government of Israel is significantly engaged in the export of its cybersecurity expertise via the fusion of commercial partnerships, training programs, and collaboration with foreign governments. Israel has established cybersecurity centers and training programs in countries across the world, including the United States, the United Kingdom, and many Latin American and African nations. The Cybersecurity Capacity Building Centre, established by the Ministry of Foreign Affairs of the State of Israel, is one example of how Israel has operated to develop global cyber resilience by providing training, policy advice, and technical expertise to nations seeking to strengthen their cybersecurity capabilities (Start-Up Nation Central, 2024).

One of the most significant ways in which Israel has influenced global cybersecurity practices is via its cooperation with other states on cybersecurity defense and cyber intelligence. The cooperation of the State of Israel with the United States, specifically via the US-Israel Cybersecurity Cooperation Program, permits both countries to share intelligence on emerging cyber threats, collaborate on cybersecurity research, and enhance each other's defensive capabilities. Such bilateral agreements not only increase the cyber defense capacity of both states, but also promote the development of international norms and standards for cybersecurity (Bendiksen, 2020). The engagement of the State of Israel with global cybersecurity organizations, including the European Union Agency for Cybersecurity and the Global Forum on Cyber Expertise, highlights its role as a leader in the international cyber domain.

The influence of the State of Israel extends to its role in developing cybersecurity solutions for critical infrastructure protection. The experience of the state in protecting sectors like energy, banking, and telecommunications has made it a preferred partner for many nations seeking to protect their critical infrastructure from cyber threats. In one example, Israel played a key role in helping secure the financial systems of countries like India and the United Arab Emirates, offering expertise in risk management, threat detection, and response strategies (Bendiksen, 2020).

Despite several controversies concerning specific Israeli cybersecurity companies, such as the NSO Group and its alleged involvement in government surveillance and human rights abuses, the overall contribution of the State of Israel to worldwide cybersecurity is widely acknowledged. The expertise of the State of Israel in defending against state-sponsored cyberattacks and cyberterrorism has made it a key player in global cybersecurity discussions.

III. Methodology

The research question that will guide this case study is: *To what extent has the Israeli cybersecurity expertise impacted international cooperation with Albania?* The data collected to support this case study will be mainly based on secondary data, such as journal articles, newspaper articles, books, but also on primary data, such as interviews. In addition, the theoretical approach that will frame the case study is the political theory of constructivism. The idea that technology influences not just capabilities but also the perceptions and identities of states is a central theme in constructivism. This framework suggests that technological developments do not merely enhance the military or economic power of a country, but they also shape how states perceive themselves and others within the international system. Constructivist scholars, such as Alexander Wendt, emphasize the role of social structures, including technology, in forming state identities and interests.

IV. Findings and Results

MASHAV and Cybersecurity

According to Wendt (1999, p. 1), the theoretical approach of constructivism foresees that “*the structures of human association are determined primarily by shared ideas rather than material forces*”. One of the Israeli leading entities that is based on such a functioning mindset is MASHAV, the Agency for International Development Cooperation, which is a structure within the Ministry of Foreign Affairs of Israel. Although MASHAV was founded in 1958, it only started operating in Albania in 1993, following the agreement between the governments of the states of both Albania and Israel for cooperation in culture, education, and science (Embassy of Israel in Tirana, n.d.). Similar data retrieved by the database of the Embassy of Israel in Tirana show that more than forty-five Alumna have participated in MASHAV courses, with many of them focusing on technology and cybersecurity.

An interview was conducted with Ms. Denisa Kele, a graduate of MASHAV, expert and lecturer of cybersecurity. According to Kele (2024), the cybersecurity course at MASHAV enabled her to build a thorough and consistent perspective on the defense mechanisms and technologies that are needed to address various cyber threats. As a university lecturer, this expertise was also reflected in the quality and the content of her teaching. In addition, the Israeli expertise and the involvement of Kele as a lecturer in one of the private universities of Albania further led to the cooperation of the university with the Israeli cybersecurity sector. Following the graduation of Kele from MASHAV, in 2020, her employment educational institution “Luarasi” signed an agreement with Elta Group, one of the leading Israeli companies in national security. This agreement led to not only the curriculum of “Luarasi” being based on Elta’s program, but it also established the first Academy of Cyber Security on a national level.

Furthermore, Kele (2024) explains how her gained expertise in MASHAV permitted her to provide training for teachers and students on the best practices for cyber security, the use of protective systems, and embracing more responsible cyberculture. Also, she has collaborated with the private sector to develop cybersecurity policies, data protection, crisis management, and attack defense planning. Kele has surpassed the national level, mounting up to the international arena with her very active membership in the World Changers Summit, where she frequently attends conferences, workshops, and sessions in the Pontifical Academy of Sciences in Vatican City.

The case of Denisa Kele is considered a successful example of how technological advancements, when applied both on a national and international level can improve the development of a state. The contribution of the individual, that derives from their overseas education, reflects the application of new knowledge and skills to solve domestic challenges and engage with the global community. This shows an example of how technological progress can foster both national and international improvements, particularly concerning the theory of constructivism. In addition, the involvement of Israeli expertise through ELTA in the educational system introduced a new development in the industry, which is very prominent in improving the economic sector, but also innovation. This case aligns with the theory of constructivism, which determines that identities shape state behavior and international outcomes. Thus, in the case of Denisa Kele, following the MASHAV course, a new identity with a more empowered individual in cybersecurity knowledge was created. Her contribution exemplified how ideas and knowledge can influence the development of both the state and the broader international system.

Another case of MASHAV involvement was the recent special course dedicated to the staff of the Ministry of Economy, Culture and Innovation of Albania, and the Agency of Innovation and Excellence of Albania. Both staff members participated in a tailor-made course that was focused on innovation strategies, which also integrated parts of cybersecurity into it. From a constructivist point of view, training of government staff is very important. According to Wendt (1999), the identity of a state plays a key role in its actions. An identity is constructed through the interactions of a state with others and its self-perception. By training government officials in cybersecurity, Albania is reinforcing an identity as a responsible and modern actor in the international arena. If a government prioritizes cybersecurity training for its officials, it is a sign that the state sees itself as part of the global digital economy and recognizes the importance of cybersecurity in its national security strategy. This can contribute to a national identity that values security, technological resilience, and cooperation in the global digital ecosystem. Following the MASHAV graduation, all Alumni are entitled to a special microfinancing scheme, which provides them with a grant to contribute to a relevant project in Albania.

Bilateral government relations on cybersecurity

In 2023, both Israel and Albania signed a Memorandum of Cooperation in the field of cybersecurity, through the National Cyber Directorate of the State of Israel and the National Authority of Electronic Certification and Cyber Security of Albania. From a constructivist point of view, such agreements play an important role because they formalize the norms and shared understandings between states. By signing such documents, states determine their commitment to a common vision or identity, which can evolve into a long-term cooperative relationship. Similar agreements assist in solidifying mutual recognition, influence the development of shared norms, and shape future interactions. From the perspective of Wendt (1999), states can perceive each other as friends. In this case, a Memorandum of Agreement confirms that Israel and Albania have a positive relationship, which in this case, is regulated by the cybersecurity sector. However, rather than a bilateral standard procedure, the signature of this Memorandum of Agreement was a necessity.

In 2022, Albania interrupted its diplomatic ties with Iran over a cyberattack that was carried out by Tehran on Albanian government websites (Sinoruka & Isufi, 2022). Similar attacks occurred also in the two following years. Throughout these attacks, the State of Israel was a close ally to Albania and provided thorough assistance through its expertise to strengthen its national security (The Times of Israel). According to Wendt (1999), the regulation of violence is one of the key issues of order in social life, due to the nature of violence technology, the one who applies it, and how it affects various relations. In this case, we observe this through the three actors: Israel, Iran, and Albania. Iran causes an offensive to the Albanian government websites, which breaches and harms national security, while on the other hand we have the Israeli expertise that assists Albania as a counterattack or defensive action towards Iran.

VI. Discussions

To answer the research question of this research work, Israeli cybersecurity expertise has impacted international cooperation with Albania to a significant extent. However, this type of expertise has not only impacted the bilateral relations between both states, but it has also given Albania a new perspective on developing in the international arena. The findings presented in this study amplify the role that MASHAV plays in fostering bilateral relationships, advancing technological expertise, and shaping national identity through the constructivist theory. MASHAV's engagement in Albania, specifically in the field of cybersecurity, serves as a case study for how shared knowledge and expertise can enhance both national and international relations.

The case of Denisa Kele shows how individual experiences and education in technology can influence not only the professional scope of an individual but also the wider society. Through the

MASHAV course and further access to cybersecurity expertise, Kele contributed to her country's technological development and enhanced its cybersecurity infrastructure. From a constructivist perspective, her transformation, from a student to a national and international cybersecurity expert, illustrates how the knowledge and skills gained through such experience can shape an individual's identity. This identity, in turn, reflects a broader shift in the national identity of Albania, which is evolving from a post-communist, technologically underdeveloped state to one that is integrating itself into the global digital economy, with models as Kele. This further confirms the theory of constructivism. Her case illustrates the transformative power of ideas, learning, and innovation on state and societal development. The role of the Israeli entity in supporting the cultivation of a new generation of cybersecurity experts who are actively shaping the national and international posture of Albania, reaffirms the constructivist notion that states are not static entities but are continually redefined through interactions, shared knowledge, and the adoption of new norms.

The broader efforts of MASHAV's training programs surpass the individual level. As demonstrated in the recent collaboration between the Albanian Ministry of Economy, Culture, and Innovation and Israeli cybersecurity experts, the training of government officials in cybersecurity consolidates Albania's identity as a responsible global actor. In the perspective of the constructivist theory, Wendt (1999) also emphasizes that state identity is shaped via both external interactions and internal self-perception. Albania's decision to prioritize cybersecurity training for its government officials signals its recognition of the importance of technological resilience and positions it as an active participant in the global digital ecosystem. By fostering this kind of knowledge exchange, MASHAV's initiatives contribute to the creation of shared norms between Albania and Israel, as well as a broader international understanding of cybersecurity as a mutual responsibility. The bilateral Memorandum of Cooperation in Cybersecurity between Israel and Albania further supports this notion. From a constructivist perspective, this agreement formalizes the mutual recognition between Israel and Albania, and empowers their commitment to a shared vision of cybersecurity as a strategic priority. By aligning themselves in the fight against cyber threats, both states are shaping a new identity as allies in the international arena. The Memorandum signifies a mutual acknowledgment of the importance of security and technological cooperation, further strengthening their relationship and ensuring a collaborative approach to emerging digital threats.

The significance of this bilateral cooperation is underscored by Albania's 2022 diplomatic break with Iran following a cyberattack on government websites. This incident points out the vulnerability of both countries against similar threats and the importance of alliances like the one between Israel and Albania. Israel's assistance to Albania in strengthening its cybersecurity measures depicts the value of international cooperation in minimizing cyber risks. From a constructivist point of view, this cooperation surpasses technical support and creates a mutual security identity. This partnership also mirrors the broader trends of global connections and the growing significance of cybersecurity in national and international security strategies.

In conclusion, the findings from this study illustrate how the engagement of MASHAV with Albania in the field of cybersecurity exemplifies the constructivist theory of international relations. By focusing on education, knowledge exchange, and collaborative security efforts, MASHAV helps to shape Albania's national identity and its position within the global community. The case of Denisa Kele and the formalization of cybersecurity cooperation between Israel and Albania highlight the transformative power of ideas, technological expertise, and international partnerships. These findings suggest that through such collaborations, states can enhance their resilience, foster innovation, and build stronger identities in the ever-evolving digital age.

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Leveraging Technology in Albanian Gyms: Client Insights and Economic Outcomes

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Abstract

This paper explores the integration of fitness technology in Albanian gyms, focusing on client engagement and economic outcomes. The adoption of fitness technology has become a global trend, with significant implications for both gym operations and client satisfaction. A literature review highlights the role of wearable devices, mobile applications, and real-time data in fostering long-term client commitment and enhancing workout outcomes. Research has shown that these technologies can improve client motivation, accountability, and behavioral consistency, key factors for achieving fitness goals. Furthermore, fitness technology offers substantial economic advantages, such as improved client retention and the introduction of premium service tiers that can boost profitability.

However, the adoption of fitness technology faces several barriers, particularly in emerging markets like Albania. Factors such as high costs, limited infrastructure, and low digital literacy pose challenges to widespread adoption. Despite these barriers, the potential for growth is significant, as rising client expectations and integration with global markets could drive future technology adoption in Albanian gyms.

This study examines these themes through a quantitative approach, utilizing a structured questionnaire distributed to 295 gym clients across Albania. The survey investigates clients'

awareness, usage, and perceptions of fitness technology, as well as their willingness to adopt advanced technological solutions. The results reveal that while most respondents acknowledge the potential benefits of fitness technology, actual usage remains inconsistent, and the willingness to pay extra for advanced devices is relatively low.

The findings suggest a gap between the perceived value of fitness technology and its actual adoption. To bridge this gap, gyms must focus on cost-effective solutions, targeted education campaigns, and ongoing support for clients and staff. By addressing these challenges, Albanian gyms can enhance client satisfaction, improve operational efficiency, and capitalize on the economic potential of fitness technology.

I. Literature Review

The integration of fitness technology is revolutionizing how gyms operate and how clients engage with their fitness journeys. Across the globe, researchers have examined the impacts of such technologies, providing insights into client perceptions, business outcomes, and barriers to adoption. This review synthesizes findings from the existing literature to provide a framework for understanding fitness technology adoption in Albanian gyms.

Fitness Technology and Client Engagement

The role of fitness technology in enhancing client engagement has been extensively studied. Johnson and Smith (2023) argue that wearable devices, mobile applications, and other fitness technologies provide personalized feedback and gamification, fostering long-term client commitment. Similarly, Chen, Smith, and Martinez (2021) highlight the increasing reliance on real-time data, which helps users monitor progress and tailor their workouts effectively. Such technologies encourage behavioral consistency, a critical factor in achieving fitness goals.

Singh and Verma (2023) delve into client perceptions, revealing that global markets see wearable technology as essential for fostering motivation and accountability. The study also notes that wearable devices are increasingly popular in local markets, though the pace of adoption varies by region.

Economic Impacts of Fitness Technology

Fitness technology also offers significant economic advantages for gyms. Carter and Zhou (2022) emphasize that implementing fitness technology can boost profitability through increased client

retention and the introduction of premium service tiers. Clients' willingness to pay for advanced technologies, as evidenced by our study, aligns with findings from Nguyen and Lee (2023), who identify price elasticity and cultural preferences as determinants of economic outcomes in fitness environments.

Thompson (2021) explores the broader economic implications, showing that fitness technologies not only enhance gym profitability but also contribute to operational efficiency. This is corroborated by Miller and Thompson (2020), who highlight how digital tools streamline gym management by automating processes such as membership tracking and scheduling. While Albania's fitness industry may face initial barriers to widespread adoption, the economic potential for both gym owners and clients is substantial.

Barriers to Fitness Technology Adoption

Despite its benefits, fitness technology adoption is hindered by various challenges. Williams and Patel (2021) analyze technological barriers in developing fitness markets, including Eastern Europe, noting issues such as high costs, limited infrastructure, and low digital literacy. These findings parallel the Albanian context, where we identify cost and user knowledge as primary barriers.

Smith (2022) further explores these barriers, particularly focusing on the knowledge gap among clients and staff. Without adequate training, the use of sophisticated fitness technologies can be limited to basic features, diminishing their overall value. Brown and Taylor (2020) similarly highlight the role of education in overcoming resistance to technology. They advocate for targeted training programs to improve adoption rates in underdeveloped markets.

Fitness Technology in Emerging Economies

In emerging markets, the adoption of smart fitness technologies is shaped by unique socio-economic and cultural factors. Dimitrov and Ivanov (2022) emphasize that gyms in such regions often operate under tighter budgets, making it challenging to invest in cutting-edge technologies. Nevertheless, the researchers argue that incremental investments in affordable and scalable solutions can yield long-term benefits.

Williams and Patel (2021) present a case study on Eastern Europe, identifying parallels with Albania. They note that while fitness technology adoption remains low, rising client expectations and regional integration with global markets could drive future growth. Similarly, Deloitte (2023) identifies technology integration as a global trend, urging gyms in emerging economies to explore

cost-effective options such as cloud-based management systems and app-based client engagement tools.

Enhancing Client Satisfaction Through Technology

Client satisfaction is a critical metric for gym success, and technology plays a pivotal role in achieving it. Hernandez and Cooper (2021) found that fitness apps significantly enhance client satisfaction by offering convenience and personalization. Their findings are echoed by Nguyen and Lee (2023), who emphasize that satisfaction often translates to a willingness to pay more for premium services.

Kirk and Rhodes (2022) focus on the experiential benefits of digital fitness tools, such as virtual reality workouts and AI-driven coaching. These technologies create immersive experiences that redefine how clients perceive value in gym memberships. While such advanced technologies may not yet be widely accessible in Albania, their potential to reshape client expectations is noteworthy.

II. Methods

The methodology section outlines the design, participant recruitment, data collection, and analytical processes. The goal of the research was to explore gym clients' awareness, usage, and perceptions of fitness technology and its impact on their fitness experience, as well as their willingness to adopt advanced technological solutions.

Research Design

This study utilized a quantitative descriptive research design. A structured questionnaire was distributed to 295 gym clients in Albania to collect primary data. The survey instrument comprised 18 questions categorized into five sections: demographic information, fitness habits, awareness and usage of fitness technology, perceptions and preferences, and future intentions. The structured design enabled the collection of standardized responses, facilitating statistical analysis to identify trends and correlations.

Sample and Participants

The target population consisted of adult gym and non-gym clients across Albania who actively engage in fitness activities. A non-probability convenience sampling method was employed due to its practicality and ease of access to respondents within gym environments. Gym managers were contacted to distribute the questionnaire to their clients, either through email or in person.

The final sample size comprised 295 respondents, consistent with the scope of the study and reflective of the emerging stage of technology adoption in Albanian gyms. The demographic section of the questionnaire collected detailed information on respondents' age, gender, occupation, and monthly income to analyze variations in responses based on these factors.

Instrumentation

The primary data collection instrument was a self-administered questionnaire. The survey instrument was designed to capture comprehensive insights into fitness technology adoption, based on existing literature and localized considerations. Questions were grouped into the following sections:

1. *Demographic Information:*

Four questions captured the respondents' age, gender, occupation, and income levels, which were critical for identifying patterns across different demographic segments.

2. *Fitness Habits:*

This section consisted of three questions addressing respondents' exercise frequency, preferred workout settings (e.g., gym, home, outdoors), and workout types (e.g., cardio, strength training, yoga). These variables provided contextual data on fitness behavior.

3. *Awareness and Usage of Fitness Technology:*

Five questions investigated participants' familiarity with fitness technology, their use of specific devices or apps, frequency of use, satisfaction levels, and awareness of technological options available in their gyms.

4. *Perceptions and Preferences:*

This section included four questions exploring the perceived benefits and challenges of fitness technology. Respondents were also asked about their interest in emerging technologies, such as VR personal training, and their preferences for future technological advancements.

5. *Future Intentions:*

Three questions evaluated the likelihood of continued usage of fitness technology, perceived benefits for overall health, and willingness to pay for advanced technologies.

Data Collection

Data collection occurred over four weeks in October 2024. Gym managers from various cities in Albania facilitated the distribution of the survey. Clients completed the questionnaire electronically via Google Forms or on paper at designated gym locations.

To ensure informed consent, respondents were briefed on the study's objectives and assured anonymity. Participation was voluntary, and no identifying information was collected to protect participants' privacy.

Data Analysis

Quantitative data collected through the survey were processed and analyzed using IBM SPSS Statistics. Descriptive statistics (e.g., frequencies, percentages, means) were employed to summarize demographic data, fitness habits, and technology usage patterns.

The following analyses were conducted to address the research questions:

1. Chi-Square Tests: These were applied to explore associations between categorical variables, such as the relationship between income levels and willingness to pay for advanced technologies.
2. Cross-tabulations: These were used to identify patterns among demographic segments, such as variations in technology awareness across age groups.
3. Descriptive Ratings: Satisfaction levels and likelihood of continued use were evaluated on a Likert scale (1 to 5), providing insight into participants' perceptions.
4. Open-Ended Responses: Qualitative feedback on preferred future fitness technologies was coded thematically to highlight emerging trends and client expectations.

Reliability and Validity

To ensure reliability, the questionnaire was pretested with a pilot group of 20 gym clients. Feedback was used to refine question clarity and response options, ensuring the instrument effectively captured the intended data. Internal consistency was assessed using Cronbach's Alpha, with a threshold of 0.70 considered acceptable for multi-item scales (e.g., satisfaction ratings).

Content validity was established by aligning survey questions with existing literature on fitness technology adoption, ensuring the instrument captured relevant variables.

Ethical Considerations

This study adhered to ethical guidelines in research. Participants provided informed consent before completing the survey. They were assured that participation was voluntary and that their responses would remain anonymous and confidential.

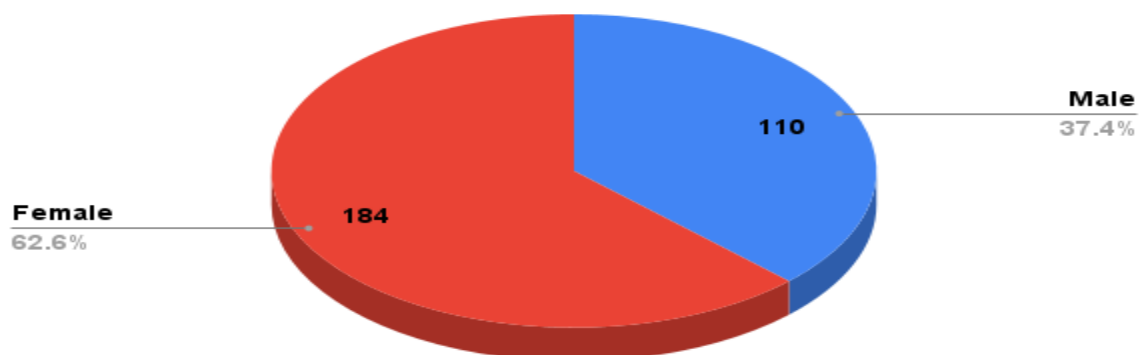
Limitations

The study faced several limitations:

1. **Sampling Bias:** The convenience sampling method may limit generalizability, as respondents were drawn primarily from gyms willing to participate.
2. **Sample Size:** A relatively small sample size (295 respondents) might not fully represent the broader population of gym clients in Albania.
3. **Self-Reported Data:** Reliance on self-reported responses introduces potential bias, such as over- or under-reporting of fitness habits or technology usage.

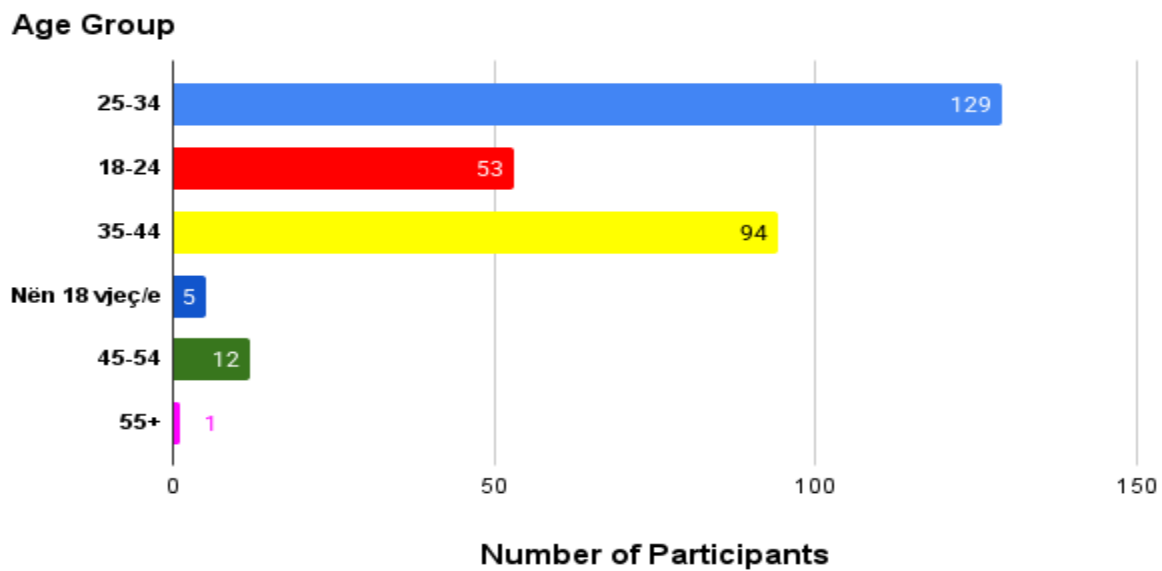
III. Results

Gender



Graph 1

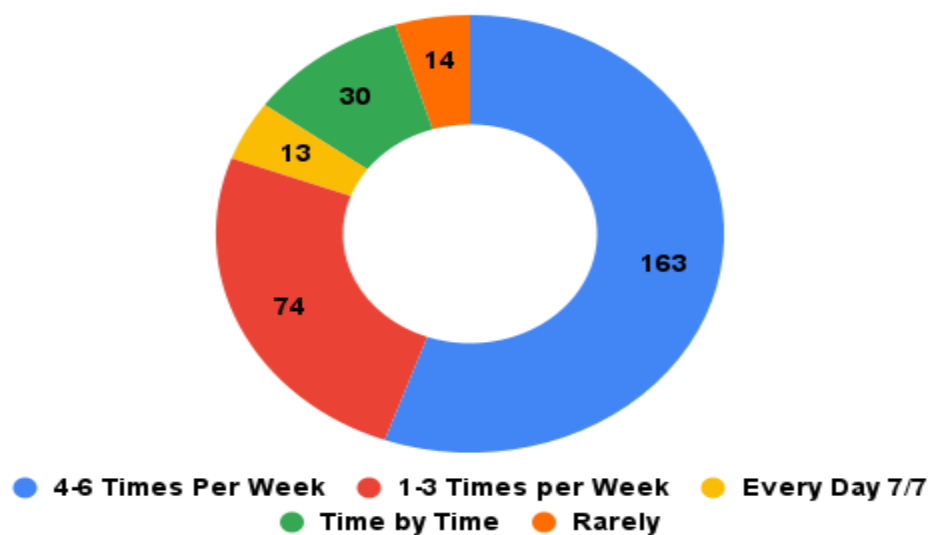
The survey revealed that out of 295 respondents, 62.6% were female (184 participants), while 37.4% were male (110 participants). The gender distribution results, with 62.6% female and 37.4% male respondents, indicate a greater interest or willingness among female gym clients to participate in fitness-related surveys.



Graph 2

The chart shows that the age group 25-34 constitutes the largest proportion of participants, followed by those aged 35-44, indicating a strong representation from young to middle-aged adults. The least represented age groups are under 18 and over 55, suggesting lower engagement among younger adolescents and older adults. This distribution may reflect the demographic most likely to be involved in fitness activities or gym memberships in Albania.

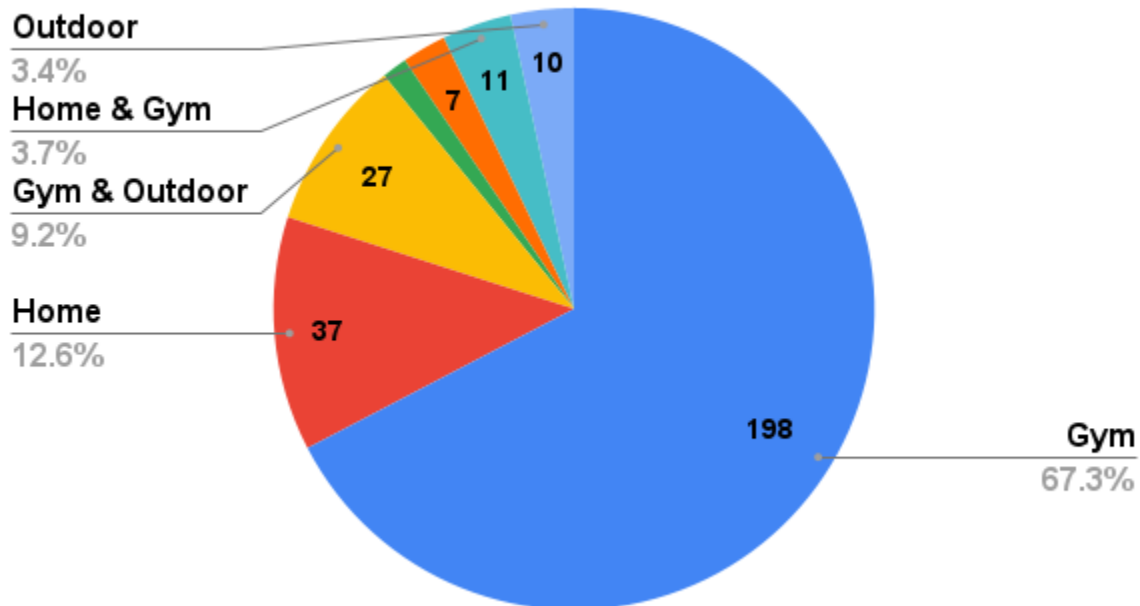
How often do you train?



Graph 3

The pie chart shows that the majority of respondents train 4-6 times per week, followed by those who train 1-3 times per week. A smaller proportion trains every day or only rarely. This suggests a strong emphasis on regular training among the respondents.

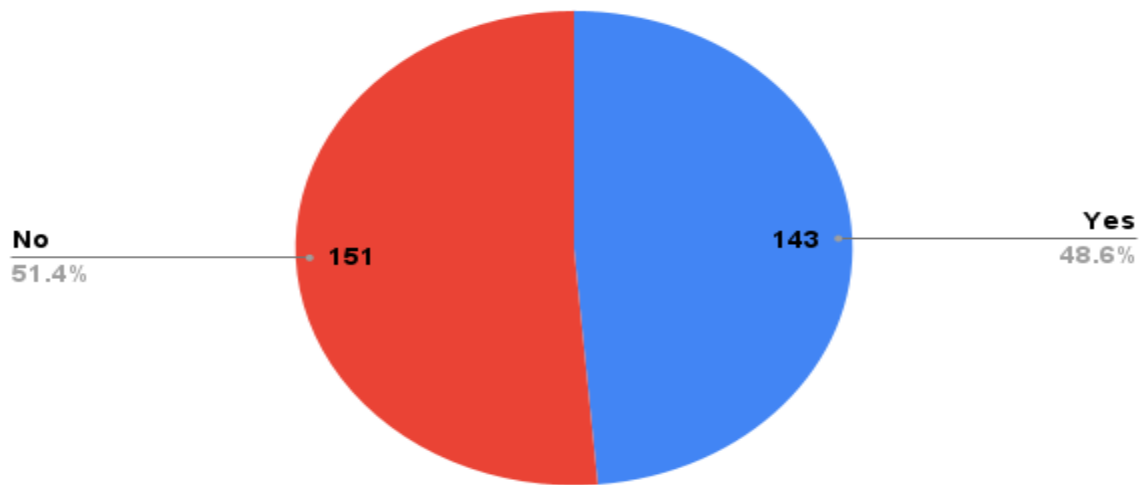
Where do you train?



Graph 4

The pie chart shows that the majority of respondents train at the gym (67.3%), followed by those who train at home (12.6%). A smaller proportion train outdoors (3.4%), at home and gym (3.7%), or at gym and outdoors (9.2%). This suggests that gyms are the most popular training location for the respondents.

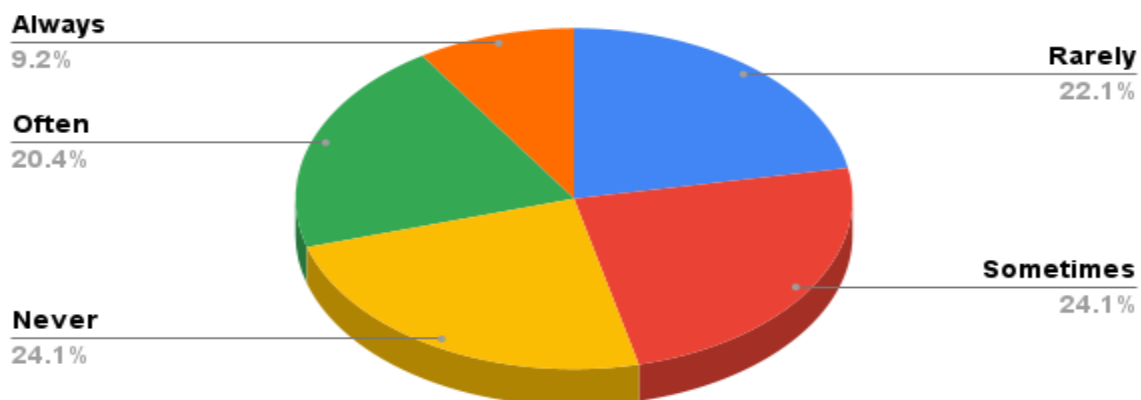
In your opinion, are there any fitness technology devices used in the gym where you train?



Graph 5

The pie chart shows that a slight majority of respondents (51.4%) believe there are no fitness technology devices used in the gym where they train, while 48.6% believe there are. This suggests that the use of fitness technology in gyms is not widespread among the respondents.

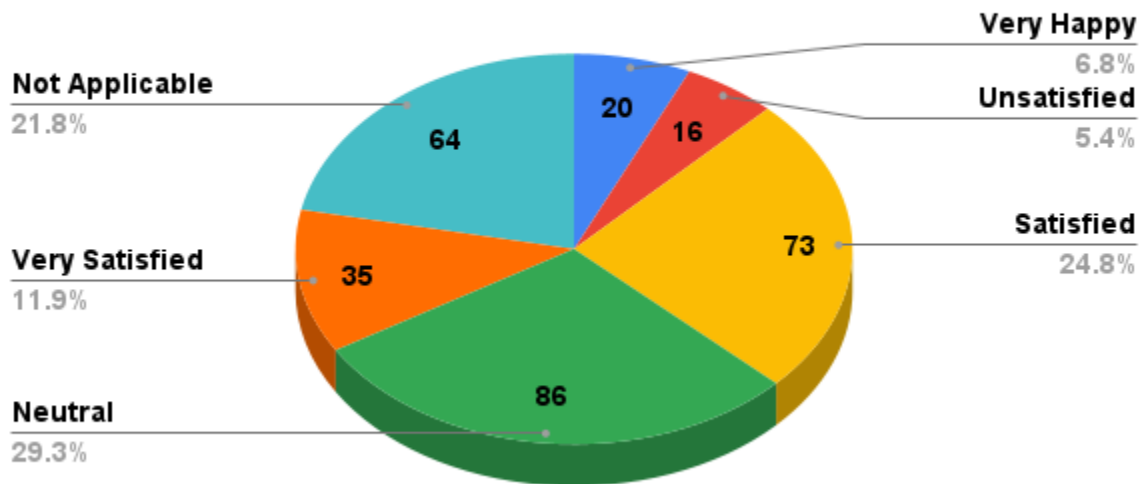
How often do you use these technology devices during your workouts?



Graph 6

The pie chart shows that the majority of respondents use fitness technology devices "Sometimes" (24.1%), followed by those who "Never" use them (24.1%). A smaller proportion use them "Often" (20.4%), "Rarely" (22.1%), or "Always" (9.2%). This suggests that while fitness technology devices are available in some gyms, their use is not widespread or consistent among the respondents.

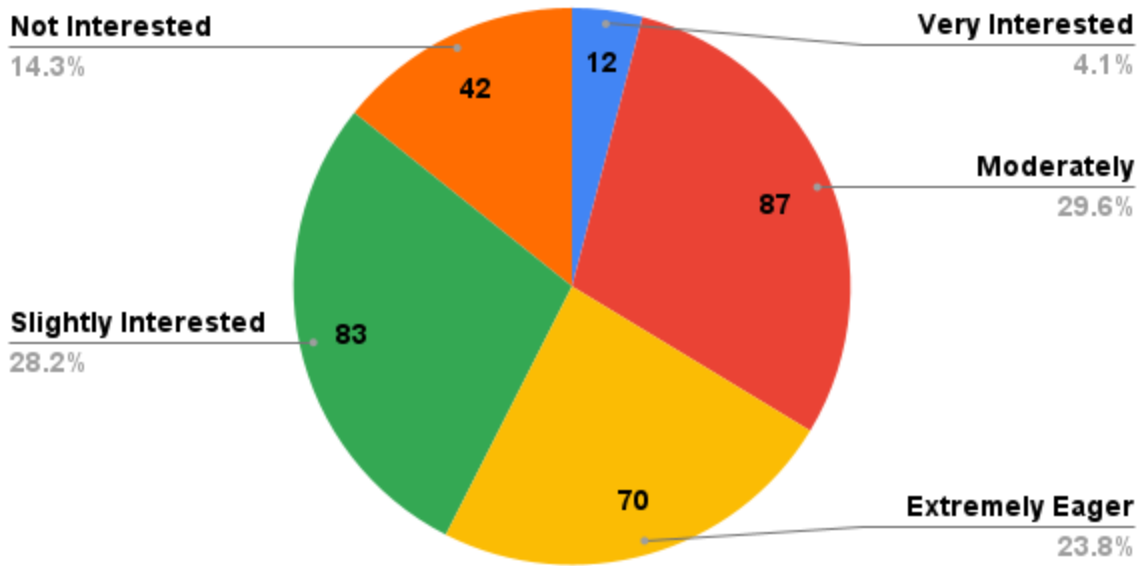
How satisfied are you with the technological devices available in your gym? (Rate on a scale of 1-5)



Graph 7

The pie chart shows that the majority of respondents are satisfied with the technological devices available in their gym (24.8%), followed by those who are neutral (29.3%). A smaller proportion are very satisfied (11.9%), dissatisfied (5.4%), or very happy (6.8%). This suggests that overall, respondents are somewhat satisfied with the availability of fitness technology in their gyms, but there is room for improvement.

How eager are you to use technological devices in your workouts in the future? (Rate on a scale of 1-5)



Graph 8

Not Interested – I have no desire to use technology in my workouts.

Slightly Interested – I might consider using some technology, but it's not a priority.

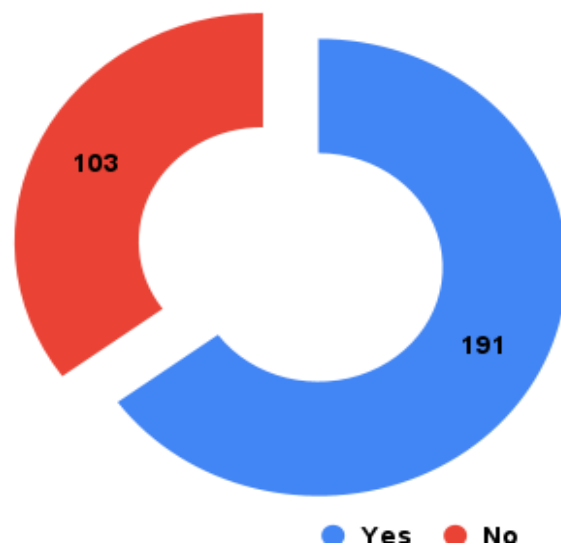
Moderately Interested – I'm open to using technology in my workouts if it's helpful.

Very Interested – I would actively seek out technology to enhance my workouts.

Extremely Eager – I'm excited about integrating advanced technology into every aspect of my workouts.

The pie chart shows that the majority of respondents are moderately interested in using technological devices in their workouts in the future (29.6%), followed by those who are extremely eager (23.8%). A smaller proportion are slightly interested (28.2%), not interested (14.3%), or very interested (4.1%). This suggests that while respondents are open to using technology in their workouts, their enthusiasm is moderate and there is still some apprehension about integrating technology into their fitness routines.

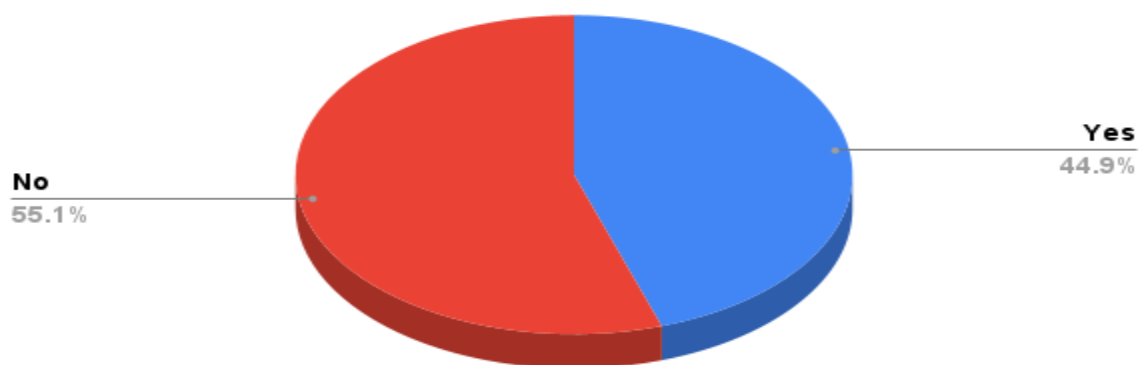
Do you think technology in fitness can significantly help improve your workout results?



Graph 9

The pie chart shows that the majority of respondents (191) believe that technology in fitness can significantly help improve workout results, while 103 respondents do not believe so. This suggests a positive outlook on the potential benefits of technology in fitness among the respondents.

Would you be willing to pay extra for access to advanced fitness technologies in your gym?



Graph 10

The pie chart shows that a slight majority of respondents (55.1%) are not willing to pay extra for access to advanced fitness technologies in their gym, while 44.9% are willing to pay extra. This suggests that while there is interest in using fitness technology, respondents are not willing to pay a premium for it.

IV. Discussion

The findings of this study provide valuable insights into the current state of fitness technology adoption in Albanian gyms. While a positive perception exists regarding the potential benefits of technology in enhancing workout outcomes, the actual usage and willingness to pay for advanced solutions remain relatively low. This suggests a gap between perceived value and actual adoption, highlighting the need for targeted strategies to bridge this divide.

The majority of respondents express interest in using fitness technology in the future, indicating a willingness to explore and integrate technology into their fitness routines. However, the level of interest varies, with a significant proportion expressing only moderate interest. This suggests that while there is openness to technology, it may not be a top priority for many gym-goers.

The finding that a majority of respondents are not willing to pay extra for advanced fitness technologies presents a significant challenge for gym owners. To encourage adoption, gyms must explore cost-effective solutions that provide value without breaking the bank. This could involve partnering with technology providers to offer bundled packages or introducing tiered membership options that include access to premium features.

Furthermore, the study highlights the importance of addressing knowledge gaps among clients and staff. Providing clear instructions, training sessions, and ongoing support can help users maximize the benefits of available technology. This could involve creating educational materials, organizing workshops, and providing personalized guidance from gym staff.

Overall, the results suggest that while fitness technology holds significant potential for enhancing gym experiences in Albania, a multi-pronged approach is needed to drive adoption. This approach should focus on increasing awareness, addressing cost concerns, providing adequate training and support, and showcasing the tangible benefits of technology in achieving fitness goals.

The findings of this research provide a valuable foundation for understanding the current landscape of fitness technology in Albania. By addressing the identified challenges and leveraging the opportunities presented by technology, gyms can enhance client experiences, improve operational efficiency, and ultimately contribute to a more vibrant and dynamic fitness industry in the country.

V. Recommendations

1. **Targeted Education Campaigns:** Implement targeted education campaigns to increase client awareness and knowledge about fitness technology. This could involve workshops, in-gym displays, and online resources explaining the benefits and features of different technologies.
2. **Cost-Effective Solutions:** Explore and promote cost-effective fitness technology solutions, such as affordable wearables, group fitness apps, and basic in-gym tech like interactive screens.
3. **Staff Training:** Invest in staff training to ensure they are knowledgeable about available technologies and can effectively guide clients on their use.
4. **Premium Tier Options:** Introduce tiered membership options that offer access to advanced technologies as a premium feature, allowing clients to choose the level of tech integration that suits their budget and preferences.
5. **Data-Driven Approach:** Encourage gym owners to leverage data analytics to understand client usage patterns and preferences. This data can inform future technology investments and service offerings.

By implementing these recommendations, gyms can bridge the gap between perceived value and actual adoption of fitness technology, ultimately enhancing client experiences and driving business growth in the Albanian market.

VI. Conclusions

The integration of fitness technology offers significant opportunities for enhancing client engagement, increasing gym profitability, and addressing evolving market demands. While Albania's fitness industry is still at an early stage of technology adoption, the findings from this review underscore its potential to overcome barriers and leverage global best practices. By investing in user-friendly solutions and addressing knowledge gaps, Albanian gyms can meet client expectations and achieve sustainable growth.

This review highlights the need for further research on localized strategies for technology adoption in fitness environments. As the global fitness industry continues to evolve, understanding regional dynamics will be crucial for maximizing the benefits of digital transformation.

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