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The contribution of University in developing Entrepreneurial potential of the SMEs sector in Albania.

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Abstract

The SME sector has unquestionably progressed in the years since the collapse of Communism and central planning. The initial surge of new entrants in the period 1990-1993 – overwhelmingly in the trading, importing and petty services sectors – has now subsided. The early and easy opportunities for high profits have now effectively all been found, exploited and competed away. Many prospective entrepreneurs are now setting up in more sophisticated ventures involving high levels of capital investment, technology and skills. This is a positive development for the future of Central and Eastern Europe. At the same time, new strategic policies are increasingly coming into view.

But in spite of improved environment for SMEs, and the successes in SME development so far, there remains an enormous challenge for Eastern European governments to grasp. This is to use SME development not simply as a peripheral economic policy, but to base their development strategy far more around the potential offered up by SME development. There is much evidence that other countries, in similar circumstances to those which still prevail in Central and Eastern Europe, have been able to promote rapid economic development through a very strong focus upon SME development.

The Albanian private sector during the last years is demonstrating itself as the most dynamic part of the economy. Small and medium sized enterprises in construction, production, services, trade, and transport prevailing in private sector are continuously generating new opportunities for employment, around 215,000 new jobs. There are around 62,000 active enterprise that operate in Albanian economy. Almost all enterprises in Albania can be defined as SMEs (only 0.2% of companies have more than 100 employers). About 48% of companies of the country have an annual turnover of \$ 50,000 and 38% make \$ 125,000 annually.

The government policy toward development of the private sector is by definition SME policy. SMEs give a considerable contribution in GDP. About 79% of them have sufficiently qualified management, but they still feel they need managerial qualification, considering the technical and economic qualification as sufficient. 74 % of them are ready to pay for this. It is more difficult to find qualified persons mainly in construction and production, and less in transport and trade. 61% of SMEs use second hand machinery but in good condition. In the service sector 31% of the machinery is new, while in production only 16% of it is new. They have a permanent and systematic quality control that covers 93% of activities in construction, and 94.8 % in production sector. In average, 85% of all SMEs have a permanent quality control. But, Albanian SME's product still cannot be competitive with the imported goods. Quality remains Akilee's heel, that doesn't give a real competing power to the SMEs even in comparison with big companies that operate in the country. About 44.6 % of them perform activity to protect environment. About 87 % make use of electric energy, while none of them knows the solar energy. 65% of the construction SMEs, 62 % of production, 86 % of transport buy in the national market, and at least 80 % of "product" of every sector is sold nationally. 78 % of them are national.

Considering all their possibilities, still 94% of SMEs feel to constraints to competitiveness. These come mainly from: unequal enforcement of laws and regulations; unfavorable business legislation and regulations; corruption; unfair

competition; unequal infrastructure conditions; unequal security in the region; unequal access to market information; uneasy international movement.

All these figures and other characteristics of Albanian SMEs, but at the same time they represent problems that are not new to other ex-communist countries in transition. Exchange of goods and raw materials with these countries, at the same time represents possibilities for exchange of culture and experience. Basically, these latter happen mostly spontaneously. Under the Stability Pact and other foreign aid, new opportunities and new challenges stand in front of the small and medium sized businesses in Albania.

Without continuous impulse, the entrepreneurship remains only a business with unclear future. It is the new impulse from new and unknown the risk taking that gives the potential "breath of prosperity and growth" to the small business. This opportunity becomes a reality only in favorable economic, social, political, cultural, legal environment. Does this environment in Albania support growth or fosters stagnation? What is the profile of the Albanian entrepreneur and is that "the proper" one?

University is a missing link in developing entrepreneurial potential of the SMEs sector in Albania. In this paper should be emphasized the role of our universities in developing entrepreneurial potential as well as the absence of university - business link. The university is not immune on the inertia and conformism but it is reasonable to assume that university has the potential to give important inputs in developing entrepreneurial knowledge skills and behavior as needed prerequisites for SMEs as growing sector of Albanian economy. Our universities has opportunities to respond on the challenge of demand for new know ledges about SMEs (undergraduate and graduate programs, certificate programs for entrepreneurs), to develop new programs for SMEs jointly with Business Centers, as well research activities needed to support the development of SMEs.

Methodology and criteria: A specific questionnaire was drafted and tested during summer 2002. The majority of business interviewers belong to the manufacturing area. This, not only in conjunction with opportunities to create working places, but also with the fact that a lot of manufacturing industries contribute to the import substitution, use of the countries raw materials and have export capabilities. All the countries districts were interviewed. In the same time, I am based in different programs for the different universities in Albania to develop my ideas how can contribute the university to SMEs sector.

1. The contribution of university in developing entrepreneurial potential of SMEs sector and local development in Albania

1.1. SMEs in transition economies

An strong indicator of increasing interest on entrepreneurship is provided by enormous growth in recent years of SMEs and establishing of new businesses. In the last decade the number of the new business is doubled. For example, in USA the creation rate in increased from 300,000 to over 600,000 new businesses per year. In 1994, there were more than 1 million registered enterprises in Hungary, from which more than 90% were micro enterprises. In Poland, starting from 1993, more than 2.5 million persons (approx. 9% of the total population) were employed in more than 1.5 small enterprises. By the end of 1991, in the Czech Republic there were about 900,000 small registered firms. While in Rumania, where the business conditions were less favorable, there were more than 400,000 small registered firms (March 1993). In Albania for 1992, the registered SMEs were less than 2000, in 1993 the number increased in more than 9000; in 1994 they were 16,400, while in 1997 there was a sharp decrease in less than 3000 due to the crisis of that year. In 1998 the registered enterprises increased in 4800 and in 1999 this figure was approximately 6500.

1.2. The contribution of university

University is a strong point to develop entrepreneurial skills. Based on empirical research of entrepreneurial potential of Albanian SMEs sector, the demand for new knowledge has been recognized. What is supply of entrepreneurship education and training in Albania? Are universities demand driven or supply driven institutions? The university is not immunity on the inertia and conformism, but it is reasonable to assume that the university has the potential to give important inputs in developing entrepreneurial knowledge, skills and behaviors as need prerequisites for the SMEs as a growing segment of Albanian economy.

There are many discussion about transition problems. One of the most discussed topics is Entrepreneurship and SMEs. In many academic conferences, some of the participants strongly support the idea of education in entrepreneurship, as a crucial issues for now and in the future. In different discussions, some of them are of the opinion that entrepreneurs are born not made, therefore it is not necessary the education in this field. We know, all the people has potential to became entrepreneur, regardless of education, race, religions, or political choice. The successful entrepreneurs are just ordinary people with extraordinary determination.

The research interest on the entrepreneurship issues has been increasing in the last decade. The business world is considering as very important the studying of the courses on entrepreneurship. Several economists have collected and elaborated various data and have researched the contribution of entrepreneurial activities on the economy. Of special interest is the

contribution of small and medium sized enterprises in creating new jobs and increasing employment.

In the recent years, it is has been evident the phenomena the incorporation of the entrepreneurship in the university's curricula. The number of entrepreneurship courses is increased, while their content is continuously improved. At the same time, many experts of university education agree about conformism and inertia of universities in changing the content of their activities, for example in my faculty of Economy at Tirana University. Analyzing university education in Albania related to business and economics, except my university, there are some other universities in main areas such as Shkadra, Elbasani, Korça, Gjikastria and Vlora. What is more important is that education on business is still dominated by general know ledges, there are almost no educational programs oriented toward the needs of the SMEs. All the Albanian Faculties of Economy has developed entrepreneurship program but it is important to continuously improve it, towards the SMEs needs. Experience of developing country show than business schools has begun to see their role no simple to prepare general manager but also to prepare and provide basic skills for the people want to start up their own businesses.

2. Is there the demand for Entrepreneurship education in Albania

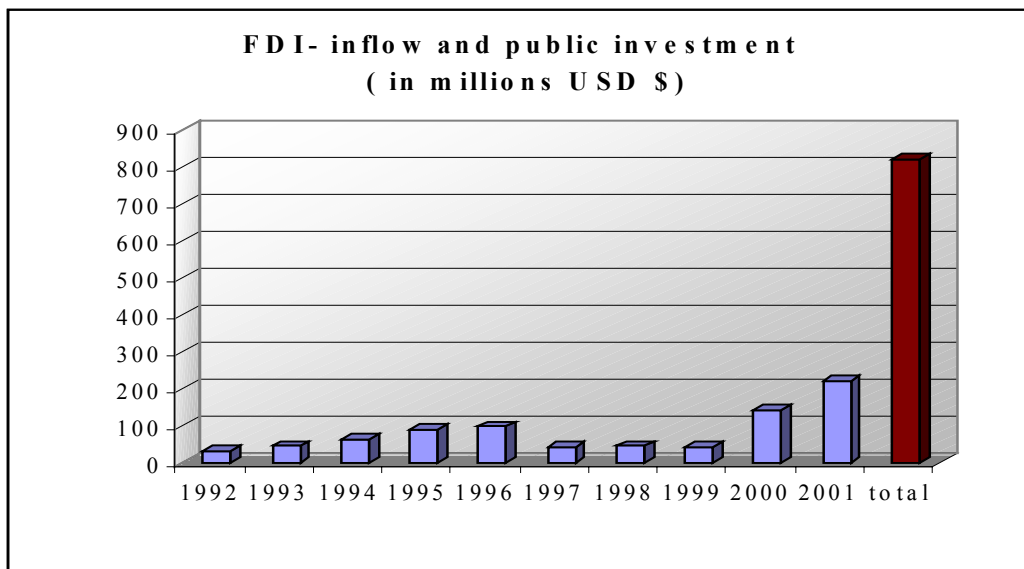
Yes, of course. Such answer is clearly confirmed by hard data on changing structure of the economy as well as by empirical research of the entrepreneurial potential of Albanian SMEs sector.

2.1. Changes in structure of our economy

The process of restructuring of Albanian economy is affecting on extensive enlarging of SMEs number. In this period around 62,000 SMEs are operating with an employment figure of 241,000. The hasty privatization process in early 1990s was the only outlet for the state to turn negative GDP growth upwards and regain a considerable number of small and medium enterprises to the economy. But the privatization process had its major shortcomings with low interest of investment from the emerging entrepreneurs, and innovation process could hardly be initiated. Since much of the investors in the state owned SMEs did not market economy knowledge, they could hardly manage to upgrade the enterprises and import technologies. The new generation of entrepreneurs did have a little idea on what to produce, from whom to produce and by what means to produce. there is acute need for improving the environment for investments, in production sector and naturally upgrade the technology infrastructure of the country. In the following tables the author represent some statistical information on number of active enterprises and employment on it and foreign direct investment from 1992 to 2001, as well.

Table 1: FDI -inflow and public investment in millions USA \$

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total
FDI	32.0	45.0	65.0	89.0	97.0	42.0	45.0	43.0	143.0	220.0	821.0

Figure 1: FDI -inflow and public investment in millions USA \$*Table 2: Enterprise according to economic activities -2001*

Economic Activities	Albanian Enterprises	Joint-ventures	Foreign firms	Total
Agriculture	964	38	14	1016
Industry	5226	431	266	5923
Construction	1838	118	93	2049
Transport	10038	93	63	10194
Trade	30597	1341	900	32838
Service	11032	143	173	11348
Total	59697	2164	1509	63368

Figure 2: Enterprise according to economic activities -2001

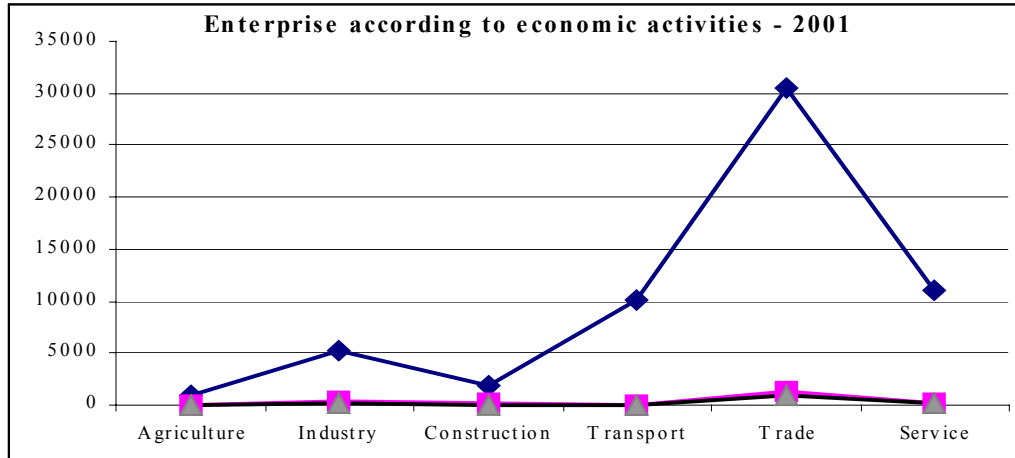


Table 3: Number of enterprises according to establishment year

	<i>Albanian enterprises</i>	<i>Joint-ventures</i>	<i>Foreign firms</i>	<i>Total</i>
	420	19	22	461
1993	12660	622	331	13613
1994	13161	440	332	13933
1995	6463	333	254	7050
1996	5664	279	237	6180
1997	2533	128	98	2759
1998	4919	196	125	5240
1999	6657	75	67	6799
2000	7218	72	43	7333
2001	59695	2164	1509	63368

Figure 3: Number of enterprises according to establishment year

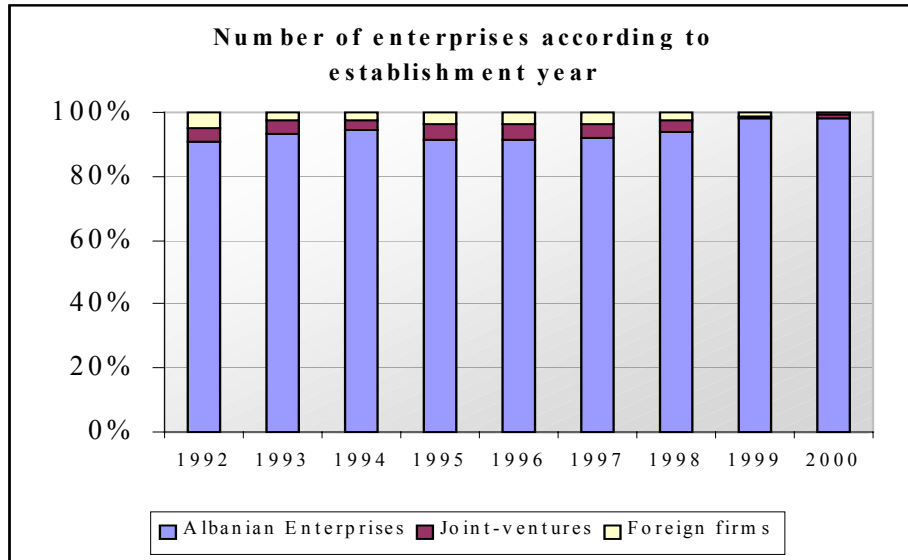
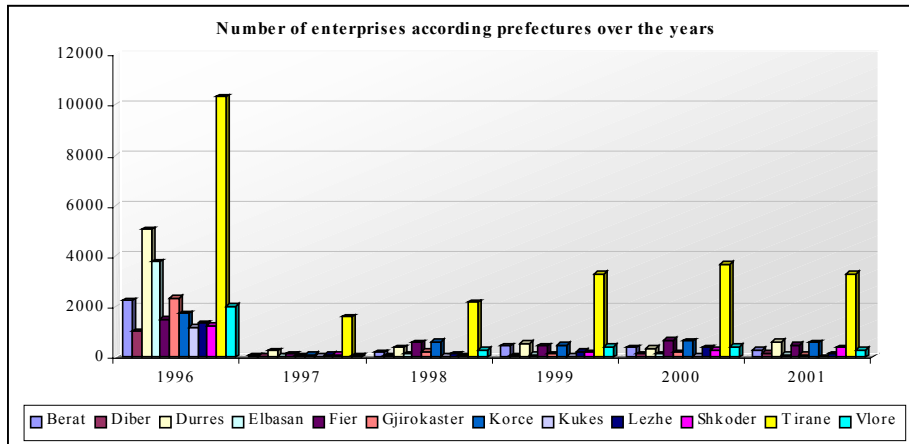
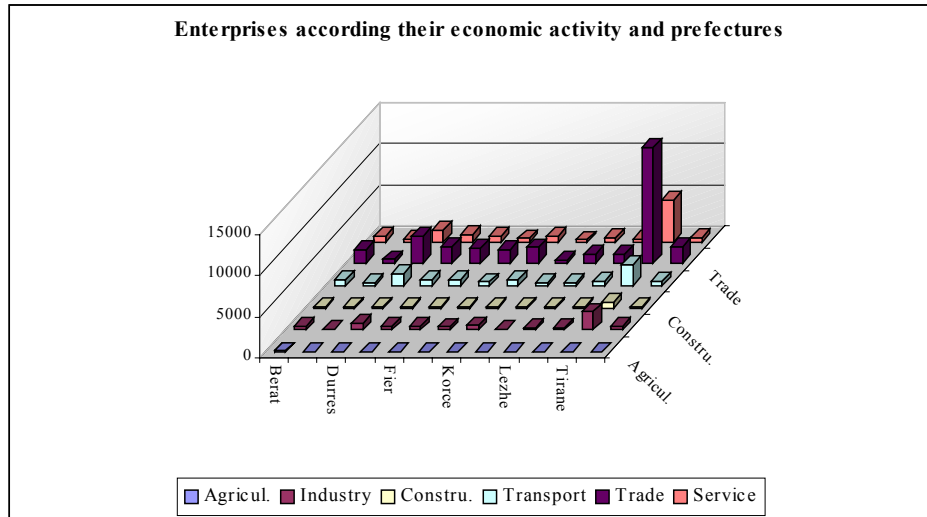


Table 4: Number of enterprises according prefectures over the years

Prefectures	Establishment year						Total
	Deri 1996	1997	1998	1999	2000	2001	
Berat	2264	67	199	464	397	312	3703
Diber	1049	41	74	58	136	155	1513
Durres	5083	254	402	540	355	606	7240
Elbasan	3781	54	132	105	147	102	4321
Fier	1520	144	585	461	667	487	3864
Gjirokaster	2358	71	230	135	194	92	3080
Korce	1728	94	614	481	641	579	4137
Kukes	1185	42	55	28	25	14	1349
Lezhe	1358	100	145	241	390	149	2383
Shkoder	1262	89	87	192	298	401	2329
Tirane	10333	1595	2182	3324	3693	3296	24423
Vlore	2040	66	281	388	439	303	3517
Total	33961	2617	4986	6417	7382	6496	61859

Figure 4: Number of enterprises according prefectures over the years**Table 5: Enterprises according to the economic activity and prefectures, 2001.**

Prefectures	Economic Activity						Total
	Agricul.	Industry	Constru.	Transport	Trade	Service	
Berat	118	432	96	661	1700	696	3703
Diber	33	139	77	422	529	313	1513
Durres	63	750	181	1485	3395	1366	7240
Elbasan	68	391	121	749	2118	874	4321
Fier	33	390	110	744	1853	734	3864
Gjirokaster	95	348	121	458	1660	398	3080
Korce	74	530	103	741	1965	724	4137
Kukes	39	134	98	344	510	224	1349
Lezhe	41	212	106	398	1149	477	2383
Shkoder	49	194	135	486	1106	359	2329
Tirane	77	2162	759	2499	13940	4986	24423
Vlore	45	391	104	507	2022	448	3517
Total	735	6073	2011	9494	31947	11599	61859

Figure 5: Enterprises according to the economic activity and prefectures, 2001.**Table 6: Enterprises according to size and prefectures -2001.**

Prefecture	Enterprises according employees number			
	1 Employee	2-10 Employees	over 10 Employees	Total
Berat	3130	490	83	3703
Diber	1195	281	37	1513
Durrës	5941	1183	116	7240
Elbasan	3431	783	107	4321
Fier	3264	506	95	3864
Gjirokaster	2510	514	56	3080
Korce	3507	539	91	4137
Kukes	982	333	34	1349
Lezhe	1983	355	45	2383
Shkoder	1821	456	52	2329
Tirane	20332	3793	298	24423
Vlore	2944	536	37	3517
Total	51040	9768	1051	61859

Source: INSTAT 1992-2001

Referring our in formations can comment that number of SMEs is increased, especially after 1999 until now. FDI flow into the country has been slow and low compared to other countries. Changes in the structure of our economy affect to SMEs favoring them. This lead to changed demand on labor market. They help local development through policies, strategies and activities undertaken by both local government and businesses. To face the challenges that market economy and SMEs sector offer, we must prepare our students with new skills, for new jobs with new know ledges through new programs and improving those existing.

2.2. Distribution of SMEs by key regions, according to INSTAT data is:

Geografic Zone	Before 1995s	Start-up 1995	Start-up 1996	Start-up 1997	Start-up 1998	Start-up 1999	Start-up 2000	Start-up 2001	Total
Nord-Alb	3629	919	842	326	424	649	1003	883	8675
Central-Alb	12079	4402	3767	1951	2498	3691	4378	3853	36619
South-Alb	4903	1805	1615	340	2064	2077	2001	1760	16565
Total	20611	7126	6224	2617	4986	6417	7382	6496	61859

The trend of new business established and expanding of existing one has been dynamic. There are around 62,000 businesses in Albania, today. However, it is important to emphasize this phenomena go along with both failure and shut down of one part of them, which amount for 15% to 17% of all activities. From 1991 to 1996 the economic situation can be illustrated as an economy where private businesses flourished mainly in outbound production sector, “kiosks” and retailers activities increased, trade deficit was in constant increase and export potential of state enterprises was in sharp decline. The reason for this situation can best be explained that the state owned enterprises lost their competitiveness mainly because of the old technology, and foreign investors accelerated private production mainly in garments and footwear for exports, the people started to consume more and more import products. In March 1997, civil ferocity had a dynamite effect on overall achievements. The country was stripped of a major part of its physical and human capital besides the money lost in the pyramid investment schemes. According INSTAT publications, around half of total businesses operate in Central Albania, 36619 of 61859 SMEs. From this total, 99% are private enterprises and only 15% of them are state enterprise, which cover 41% of employment of national level.

2.3. Some major inhibitors surveyed in Albania SMEs

The most of interviewed entrepreneurs has no tradition in their business, only some of them has worked in state enterprises and use their experience in their businesses. A part of them run family business. Interviewed entrepreneurs face a lot of barriers to realize their activities. I am avoiding some promoters of Albanian entrepreneurship, my attention is focused to *some major inhibitors surveyed in business reality*. The ese are:

- High tax burden 21%
- Lack of favorable credit lines 19%
- Inefficient bureaucracy 17 %
- Lessened tax burden 13%
- Unfair competition 9%
- Business criminal 5%
- Weak buying power of population 4%
- Privatization problems 2%

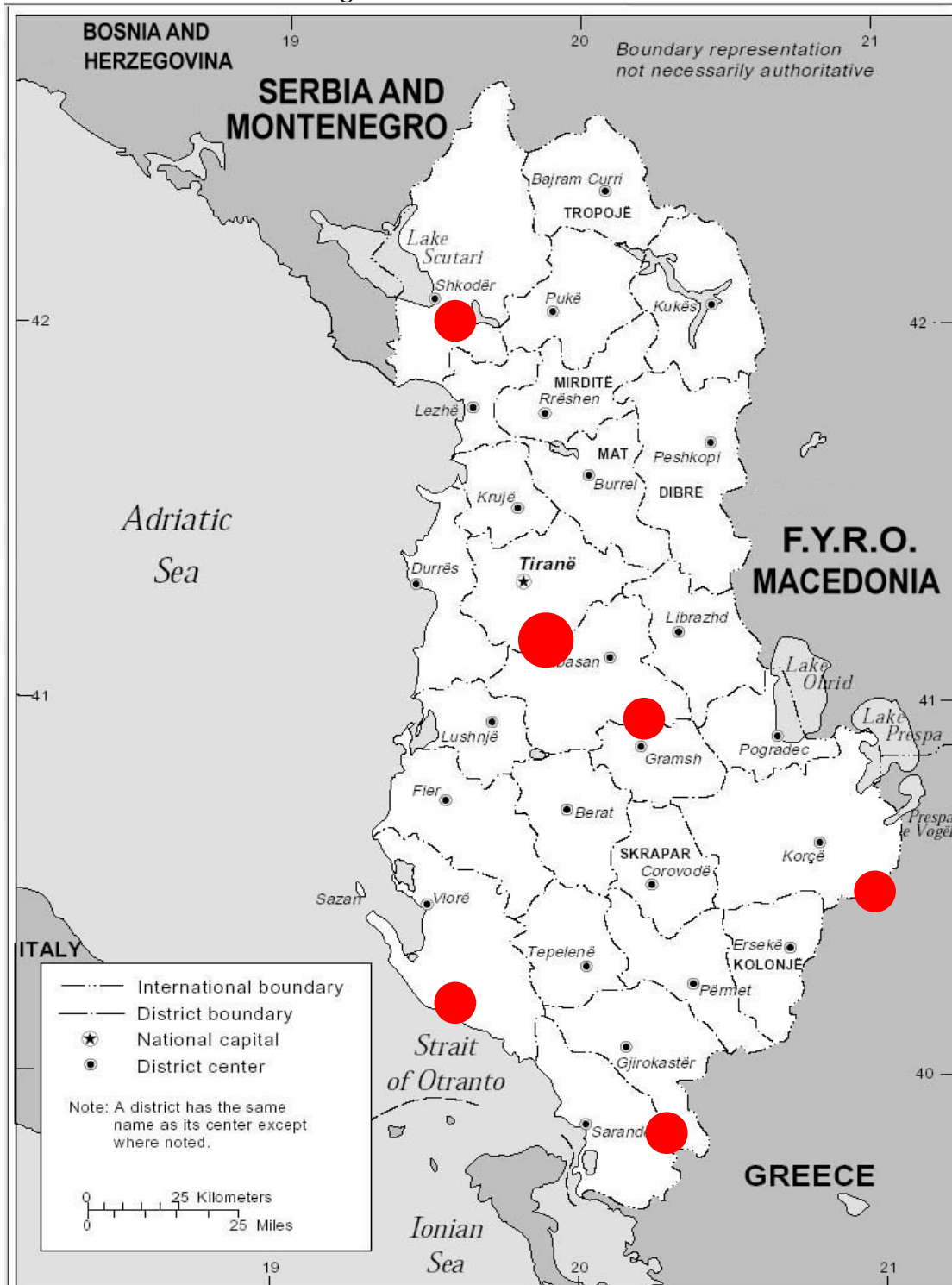
– Other 10%

But the education has not been mentioned as a part of solution. Does it mean that there is no demand for training on entrepreneurship? No, because they are great risk -taking without knowing it. They have not proper skills and knowledge to managing their businesses, there is no tradition to start-up and growing their businesses, ect.

2.4. Are Albanian Economic faculties oriented by demand or supply?

As mentioned above, there are six universities in Albania: Shkodra, Tirana, Elbasani, Korça, Gjirokastra and Vlora. These universities cover the needs of some main regions in different areas. Their contribution to fulfill the SMEs needs is not so good. All these faculties has developed entrepreneurship program, but this program is needed to improving time by time, orienting by SMEs need. Small and Medium business Management. It is a big demand to study in this faculties. But our universities are driven by supply. Until now, we can not offer education for all the people that want to educate. For example, in 2002, the students demand to Economic faculty in **Tirana** was around 2600 persons and only 1080 of them registered in it; last year was 2500 and only around 800 registered in it. In **Vlora**, in 2002, the demand was 390 persons and supply was only 290, while last time (2001) the demand was 300 and the supply was 160 of them, (according competition sistem). In **Elbasan** this year, the demand was 300 and supply was 190, last year 350 /110. In Agriculture University demand this year was 400 and supply 200, while last year was 250 /130.

Figure 6: Universities in Albania



Our universities offer general educational programs on business functions, such as management, finance and accounting, marketing, tourism, business informatics ect. But in manager profile we have a undergraduate program on Entrepreneurship and SME Management. Being our faculties are supply driven, it is difficult to meet local demand. All Economic Faculties has begun to collaborate with businesses, Chamber of Commerce, central and local government, training centers, ect. As professors and trainers we offer different courses according to SMEs needs, advising and consulting, ect. We meet their needs for new managers with new skills, new know ledges oriented by client.

In this terms, universities and faculties can directly influence the local development creating under graduation courses tailored to fulfill the real needs of local enterprises and not only, aimed to create the necessary staff background and skills that match the real challenges of what the tendency of this development will place upon this staff.

The influence of our institutions can be wider if we se our selves as a active part of the local development planning. Thus, the experience and know ledges of our staff can be a milestone in creating local development strategies, in helping local planners to understand the real needs of their community, to translate those needs in figures and to help them find the best way of orientation and operation in order to fill the gap of this needs and to create the bases for future developments.

In doing that, our universities will help to create a real and functional linkage between what are the community's needs and how we can be a contributing part of it.

In order to take part in regional efforts, we should closely co-operate with the regional and international efforts aiming at promoting entrepreneurship, business incubation, technology promotion and know-how dissemination. In this respect, Albania is encouraged, together with other countries in concern to purpose the formation of institutional infrastructure with for instance, neighbors countries and Balkan countries, universities and different initiatives, ect. Also, it is necessary to create the good network beetwen SMEs, local government and universities, as a strong edge in success of businesses.

3. Conclusins

- The Albanian private sector during the last years is demonstrating itself as the most dynamic part of the economy. Small and medium sized enterprises in construction, production, services, trade, and transport prevailing in private sector are continuously generating new opportunities for employment, around 215,000 new jobs. There are around 62,000 active enterprise that operate in Albanian economy.
- All these figures and other characteristics of Albanian SMEs, but at the same time they represent problems that are not new to other ex-communist countries in transition. Exchange of goods and raw materials with these countries, at the same time represents possibilities for exchange of culture and experience.

- University is a missing link in developing entrepreneurial potential of the SMEs sector in Albania. The role of our universities in developing entrepreneurial potential should be emphasized as well as the absence of university - business link.
- Our universities has opportunities to respond on the challenge of demand for new know ledges about SMEs (undergraduate and graduate programs, certificate programs for entrepreneurs), to develop new programs for SMEs jointly with Business Centers, as well research activities needed to support the development of SMEs.
- An strong indicator of increasing interest on entrepreneurship is provided by enormous growth in recent years of SMEs and establishing of new businesses. In the last decade the number of the new business is doubled.
- In the recent years, it is has been evident the phenomena the incorporation of the entrepreneurship in the university's curricula. The number of entrepreneurship courses is increased, while their content is continuously improved. Business schools has begun to see their role no simple to prepare general manager but also to prepare and provide basic skills for the people want to start up their own businesses.
- Albania should closely co-operate with the regional and international efforts aiming at promoting entrepreneurship, business incubation, technology promotion and know-how dissemination. It is necessary to create the good network between SMEs, local government and universities, as a strong edge in success of businesses.
- Their contribution to fulfill the SMEs needs is not so good. All these faculties has developed entrepreneurship program, but this program is needed to improving time by time, orienting by SMEs need. Small and Medium business Management. It is a big demand to study in this faculties. But our universities are driven by supply.
- Universities and faculties can directly influence the local development creating under graduation courses tailored to fulfill the real needs of local enterprises and not only, aimed to create the necessary staff background and skills that match the real challenges of what the tendency of this development will place upon this staff.
- The influence of our institutions can be wider if we se our selves as a active part of the local development planning. Thus, the experience and know ledges of our staff can be a milestone in creating local development strategies, in helping local planners to understand the real needs of their community, to translate those needs in figures and to help them find the best way of orientation and operation in order to fill the gap of this needs and to create the bases for future developments.
- Our universities will help to create a real and functional linkage between what are the community's needs and how we can be a contributing part of it.
- Due to the entrance of new foreign businesses in Albania, there is also evolving a new business and behavioral culture. However, there is a training need and universities should help to overcome the cultural barriers by organizing training program on human relations, organizational behavior, etc.

- Our universities has opportunities to respond on the challenge of the demand for new knowledge about SME-s (undergraduate and graduate programs, certificate programs for entrepreneurs), to develop outreach programs for SME-s jointly with the center for entrepreneurship, as well research activities on general conditions needed to support the local development.

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