

The Importance of Information Technology Use in Business Management

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Abstract

With this paper are examines the main characteristics of Albanian business and their readiness to support this new way of management. Efforts were made to give answer to the question: "Can IT be used by businesses in Albania? Are businesses in Albania ready and convenient for the advantages of IT use? In order to examine the IT and importance to use it not only like hardware but and with information systems we try to present this between an Albanian information system as personal experience. We try to demonstrate that IT is so necessary and can create advantages for businesses. A recent survey of the Approved Accountants Association showed that a very large number of businesses in Albania hesitate to use computer technology. Most believe it's either a non-necessary expense or it's too early to start using it. The following arguments should give business owners and managers some insight on what Information Technology could do for them. The conclusion is that the trend of the Albanian business is to get all benefits out of IT.

Keywords: *Information technology, Business management, Information systems, financial reports, profit*

1. Importance of Using Information Technology

The role of IT now is so evident. Every day more businesses are investing in information technology. Competitive advantages already made reality, many businesses are pushing towards investments on IT. These investments now are concentrated not only in hardware but increasingly in terms of information systems. This after have become aware of in terms of management support provided by these systems and also of benefits from their use. A concrete example of design information systems suitable for Albanian businesses is IMB with its software.

2. What Features it Offers it

- *Get help and control error avoidance* by letting the system automatically fill in the item name, description, unit, price etc.
- *Get full results fast and right* with computerized information which will allow you to pull results and financial reports in a matter of seconds.
- *Reduce "leaks"* resulting from inside thefts, damages and losses. Statistics show that the use of information technology, on average, would increase revenues by 3%, by controlling losses and leaks.
- *Get a better studied Inventory*
- *Improve customer Service*
- *Increase profit*
- How much would it cost to switch to Information Technology?
...a quick math work to add the components going into the system.

A recent survey of the Approved Accountants Association showed that a very large number of businesses in

Albania (approx. 53%)¹ hesitate to use computer technology. Most believe it's either a non-necessary expense or it's too early to start using it. The following arguments should give business owners and managers some insight on what Information Technology could do for them.

Make work easier

The most time-consuming process in Business Management is the invoice entry. Invoices are made of items which are stored in the warehouse and that will be sold. A business may deal with tens, hundreds and even thousands of items. Once these items have been entered in the software system, all you need to do is pull them up by using a unique ID given to each item at the time of entry.

The use of a computer for the entry of documents such as bills, invoices, collections etc. visibly reduces the work load. A common sense question to this statement could be: Why bother using a computer when the same information that is entered via handwriting will be entered via typing on a computer? Furthermore, everybody knows how to write, but not everyone can type easily.

The answer to this question will be visiting two aspects:

- 1) Cut Entry
- 2) Help And Control In Error Avoidance

2.1 Cut Entry

A great work load during the document entry is that of invoice entries. Invoices are composed of items that are bought, stored and sold. These items can be tens, hundreds and thousands in many cases. During the business daily activity they tend to be repeated very frequently. New items are rare for established business.

Once all items have been entered in the computer system, you can easily pull them up using the item identification code or select them from a list when you want to use them again. (if the list is long, which typically they are, then you may simply start typing the items first letters and you will be given a shortened version of the list where selecting the desired item will be a matter of a quick eye scan). After selecting the item, the computer system will automatically fill in the item's full name, its description, unit, price etc.

Besides the above, specialized systems have customized windows that would match the document's form. In these systems, the windows would resemble respectively the Sales Invoice, the Collection Mandate and so on. The systems resemblance with these documents makes it feel more familiar to the users. Most of each document's information is pulled in automatically from the system. For instance, when entering a Sales Invoice, if the user enters the "Client ID" or its abbreviated name, the client's Full Name, Address, Tax ID etc will be filled in automatically in the document.

When entering an item's quantity, the system will automatically calculate and display its Total without VAT and the Total VAT included.

2.2 Help And Control In Error Avoidance

The possible inaccuracies in item names, descriptions and prices could be avoided by simply using the item's ID code. Professional computer systems can also check for logical inconsistencies such as those between warehouse entries and withdrawals, those between collections and payments with the respective invoices and bills etc. This control over error avoidance makes workers and users feel more comfortable and self assured, facilitating them in more efficient work.

Accounting systems can also do the automatic posting of all the accounting documents. For instance, these systems do the automatic posting of all entries in the Sales Record Book, Purchase Record Book, Collection Record Book etc. into the General Ledger; they automatically calculate the exchange rate effects in the registration of payments, invoices etc.

Furthermore, these systems have built-in manuals and online-help that guide the user thru every activity and window in the system. A simple mouse-click will display illustrated instructions for every field.

All the above can notably increase worker productivity in most case by 20-50%.

¹ Study from IMB

3. Get Full Results Fast And Right

Handwritten information entry in the Record Book allows managers to pull information on daily sales and collections. However, this way of getting information on daily activities gets harder and more time-consuming when the number of invoices increases to hundreds of invoices involving several items.

To achieve better administration, managers also need:

- inventory of goods in the store
- inventory of each item in the warehouse
- number of sales are made for each item in different periods of time.
- the net profit in total and for each item
- items that are low in stock and need re-ordering.

Considering for a moment having to pull all this information by browsing record books will make it obvious that it is more time-consuming and counter-productive than it is worth it, especially for business with a large number of invoices. For those businesses, pulling information this way is practically impossible.

The answer to improving reporting and managerial efficiency can only be Computerized Record Keeping.

4. Reduce "Leaks"

"Leaks" (differences or reductions in inventory) are quite often and serious problem. Thefts, damages and losses are hidden in the leaks.

Observations in the Western World businesses have demonstrated that computerized record keeping has, on average, increases revenue by 3% by keeping thefts at a minimum. An explanation for this could be the fact that workers mind ethics more when they know that all items are at check at any given moment.

Even physical checking of stock inventory becomes easier and guided thru the Inventory statements generated by the system within seconds. Workers become more conscientious towards the inventory, they are more careful with the excessive stock items, item damages and checking the situation during deliveries. The same observations have shown that, computerizing the system results in damage reduction with an effect of about 4% for the business.

In Albania, loss statistics for businesses are not available, but common sense dictates that the leaks would be greater than in the Western businesses. During Client Assistance at IMB, it has been noticed that after computerizing the system, the Inventory Statement checked against the physical inventory has shown discrepancies of 8-15%.

5. Get A Better Studied Inventory And Ordering

In businesses with large warehouses and number of items, checking the stock inventory for reordering is very tedious and tiresome. The availability of generating Sales Statements for any periods of time, facilitates in the forecasting of the business needs for certain items, without the need of keeping excessive stock.

On the other hand, every time an item is withdrawn from the warehouse, the system notifies the user if that item has reached or gone under its minimum stock amount. Likewise, every time an item is entered in the ware house after a delivery, the system will notify the user if this item has reached or surpassed its maximum value amount, avoiding this way excessive stock. The system can also automatically generate a Purchase Order based on the minimum and maximum values of items. If the business managers prefer, they could connect directly via the system to suppliers and clients in order to make ordering more dynamic and the business better administered.

6. Improve Customer Service

A computerized system can increase efficiency in Customer Service. The use of code bar scanners can help businesses service their customers in a fraction of the time that would take manual entry of each item. Even if the scanners aren't used, the service will still be faster because the user can simply enter the Item's ID in the system and its price, description and total will automatically be calculated by the system. Another improvement over handwritten entries is the printing of the receipt, which is more accurate and much more comfortable to deal with.

It is in a business' best interest to keep customers coming back. An updated list of customers can help managers and owners notify their clientele periodically for upcoming specials and offers in the store. It is common knowledge that keeping customers well informed is advertising at its best.

Of course, businesses will not be asking everyone coming thru the doors for their names and addresses, but keeping up with regular clients is more than acceptable, it is necessary.

7. Increase Profit

Business managers can easily notice items that bring more profit and sales than others. All it takes them to do is look at statements generated by the system. Profit comparison guides managers to keep more stock of those items that have bigger margins of profits and less stock of the items with smaller margins of profit.

Furthermore, the use of a computerized system can give managers more information to help them with better managing their business activities. The system can automatically generate managerial reports, Cost Analysis reports, General Ledger Reports, Profit And Loss Reports and many more.

8. How Much Would It Cost to Switch to Information Technology?

In closing, let's do the math and find out how much worth it will be to switch to Information technology.

A computerized system involves a Personal Computer (70000 ALL), a printer (25000 ALL) bar code scanner (20000 ALL) and the computer system (25000 ALL). In total the system costs approximately 140000 ALL. System lifespan will be at least 3 years. This means the system will cost approximately 46000 ALL per year. Just to be on the safe side, let's take into account maintenance costs, which average about 14000 ALL/year. So now the system will cost approx. 60000ALL/year, or 164ALL/day.

On the other hand, according to the above calculations (just by considering the leaks from a business with daily turnover of 10,000 ALL) the system will increase profit by 700 ALL per day. The return on investment is quite admirable.

9. Conclusions

A computerized system can help businesses in everyday activities by alleviating the operators/users work load, therefore increasing worker efficiency.

Receiving automated help in error avoidance and leak check increases productivity and business revenue.

Managers can spend more time analyzing business reports and driving the business for more profit rather than browsing hand written record books.

By doing simple math, it's noticeable that profit can increase by a minimum of 700 Leke per day for the smallest business in Albania.

Investing in a computerized management system can be one of today's Business Best Practices.

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