

Start-ups in Albania

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Startups in Albania: *a baseline study conducted in the framework of "EU for Innovation" project*
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The base line study is conducted in the framework of the “EU for Innovation” project.

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About the donor/project:

The European Commission Instrument for Pre-Accession (IPA II) 2014-2020, through its Action Programme 2017 supports growth and competitiveness with the aim to facilitate Albania in its accession process. Such support includes improving the innovative eco-system and boosting start-ups creation in Albania.

Funded by the European Union, and with additional support from the German Federal Ministry for Economic Cooperation and Development (BMZ) as well as the Swedish International Development Cooperation Agency (Sida), the “EU for Innovation” project supports the capacity for innovation among the innovation ecosystem actors (start-ups, innovation support providers and policy-makers), builds linkages within the Albanian innovation ecosystem and internationally and funds innovative start-ups and innovation support providers. The project runs until September 2021 and is implemented by GIZ and the Swedish Embassy Tirana.

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Implemented by



EXECUTIVE SUMMARY

In recent years, the role of innovative start-ups has steadily gained importance as a driving force for economic and social development towards a knowledge-based society. Moreover, Startups, are an integral part of the entrepreneurship ecosystem and as such play a critical role in the success of emerging markets.

Start-ups bring new interventions and adapt existing technologies to the market and therefore create possibilities for the commercialization of scientific research outputs. With their focus on innovative business ideas and services, start-ups represent a specific segment of the economy which has the potential to determine the success and wellbeing of the economy in the long run.

Start-ups create jobs in future-oriented sectors of the economy and bring a pro-active impulse to the economy through their competitive and dynamic way of operating. In a concluding note, the perceptions about start-ups widely shared across Europe and in Albania are about their importance for economic growth and their ability to deliver innovative ideas, products, and services.

This report presents the results of a baseline study based on a tracer-like survey with start-ups in Albania. The main results are presented in line with the objectives of the baseline study and cover topics regarding the Start-up Profile including Founder Characteristics (gender ect), Industry Sector of operation of start-up, number of employees, type of investment, stage of growth, Level of Scaling, innovation degree, main challenges, top needs, future vision, geographic distribution etc.

¹ Prashantham, Shameen & Yip, G.S.. (2017). *Engaging with Startups in emerging markets. MIT Sloan Management Review*. 58. 51-56.

Objective of the baseline study



The overall purpose of conducting this baseline study has been to define an estimation on the number of start-ups in Albania.

The findings of the baseline study would serve to:

- Reach an estimation of the number of start-ups operating in Albania the last 3 years
- Provide more context on the categorisation of the start-ups based on size, industry or sector, years active and stage of development
- Based on the master database developed for this exercise we can establish an interactive dashboard which can be further enriched and programmed to provide a monitoring system of the start-ups ecosystem in the country

The main questions answered by the baseline study are the following:

- What are the official and informal sources of information with regards to the new enterprises emerging in Albania the last 3 years?
- Can we identify (isolate) start-ups using the secondary data ?
- What is the best methodology to trace start-ups and develop a register like database?
- What is the number of actual established start-ups in Albania based on a qualified estimation?

Number of start-ups operating in Albania

Following a careful validation and categorisation of the total number of startups resulting from various sources we have a baseline of 257 startups in Albania. In total were collected a large data set of 550+ potential start-ups, from those 310 resulted from the administration of the Online Survey and 270 likely to be startups resulting from the existing lists and networks of the Startup Community.

The collected database (550+) has been further validated, categorised and cleaned to make sure we didn't double count any of them. Further quantitative analyses and data evaluation was conducted to make sure that the final list would be consisted of the startups that fit our definition.

Defining Startups

According to the EU Startup Monitor (2019) , there is not an official recognised definition for start-ups. However, based on three main criteria one can define if a business can be classified as a start-up. The three criteria are: 1) a newly established business (less than ten years); 2) innovative product, service or business model; 3) intention to grow number of employees and markets where it operates

3.1 Definition of a start-up in the Albanian context

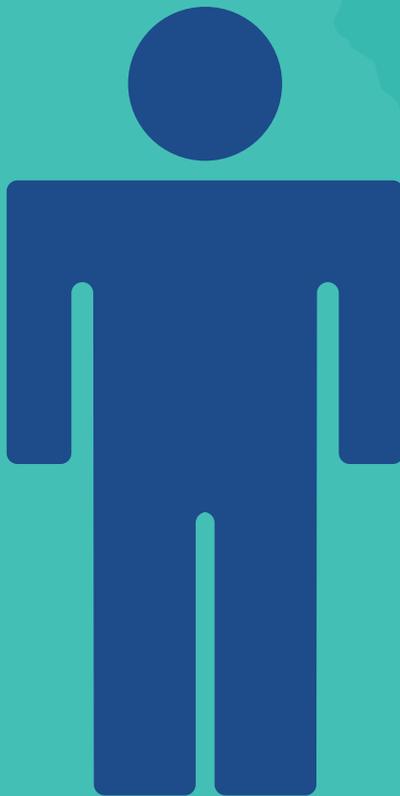
In the Albanian context; if we look at the three abovementioned mayor criteria (age, innovation and intention to grow) that could describe the start-up, it would be the following: 1. Age – the start-up has been working for less than 5 years [up to 8 years in some exceptions] on providing a new solution to any current challenge the industry / society has; applying any new technology or new operation processes; and setting up / making up a business out of it with the potential to have e large impact in people's lives.

However, when it comes to 2. Level of innovation and 3. Aim to scale, it is difficult to measure the degree of innovation and the scaling potential of a start-up in Albania.

To conclude, following a careful validation and categorisation of the total number of startups resulting from various sources we reached to the number of 257 confirmed startups.

³ file:///C:/Users/Erka%20Caro/Downloads/EU-Startup-Monitor-2018-Report-WEB%20(1).pdf

ALBANIAN STARTUP PROFILE



66%

are founded by only **ONE FOUNDER**

65%

men

35%

women

Relatively young.

61%

of them belong
to the age group **25-34 years old**

89%

are registered at
national agencies

72%

are founded during the last
2 years while the rest **3 to 5 years** ago

² For instance, data from the Institute of Statistics and QKB

SECTORS

IT/Software development **(18%)**

and education **(14%)**

and ecommerce **(10%)**

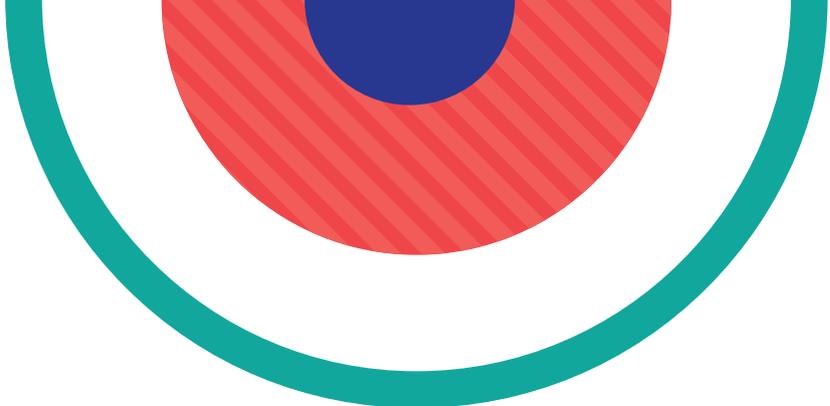
represent the main industries
where start-ups in Albania explore.

The **biggest Albania
start-up hub** is Tirana.

Lack of financing

mechanisms is the major concern,
followed by **lack of talents**
and Market not ready yet for their products.

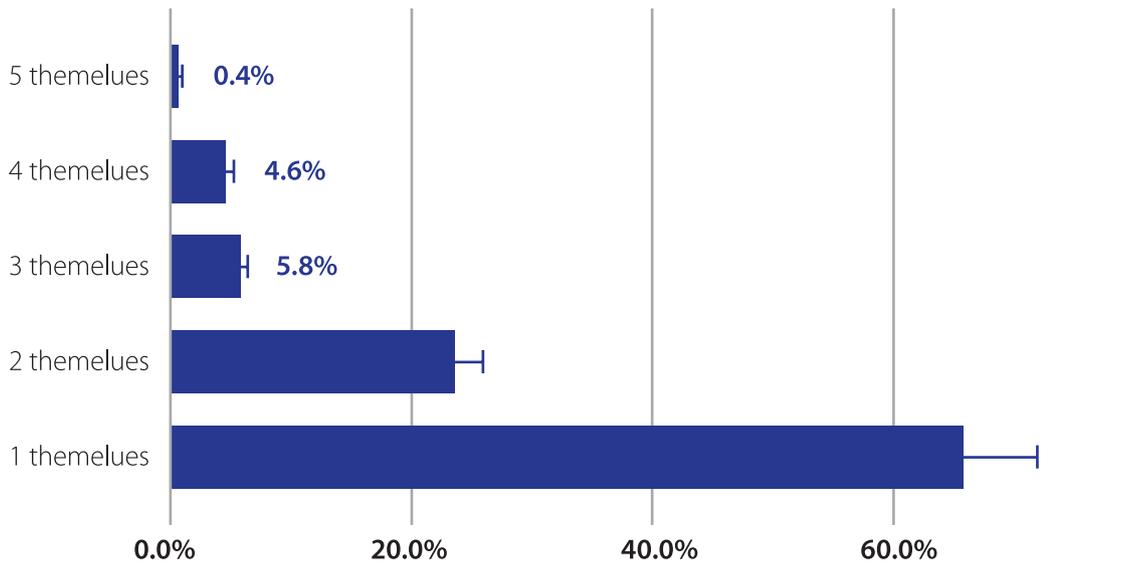
(83%) are self-funded
and only **17%** have received grants.



7.3 Categorization of Start-ups

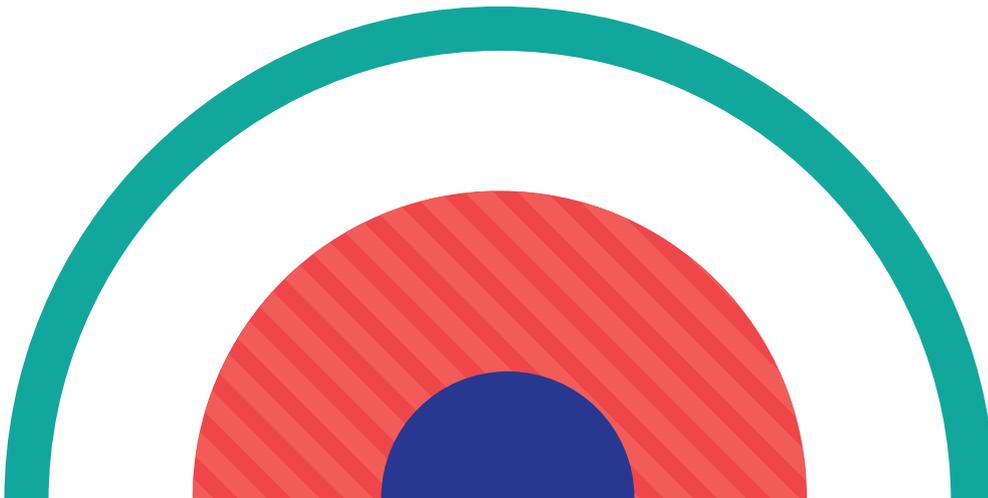
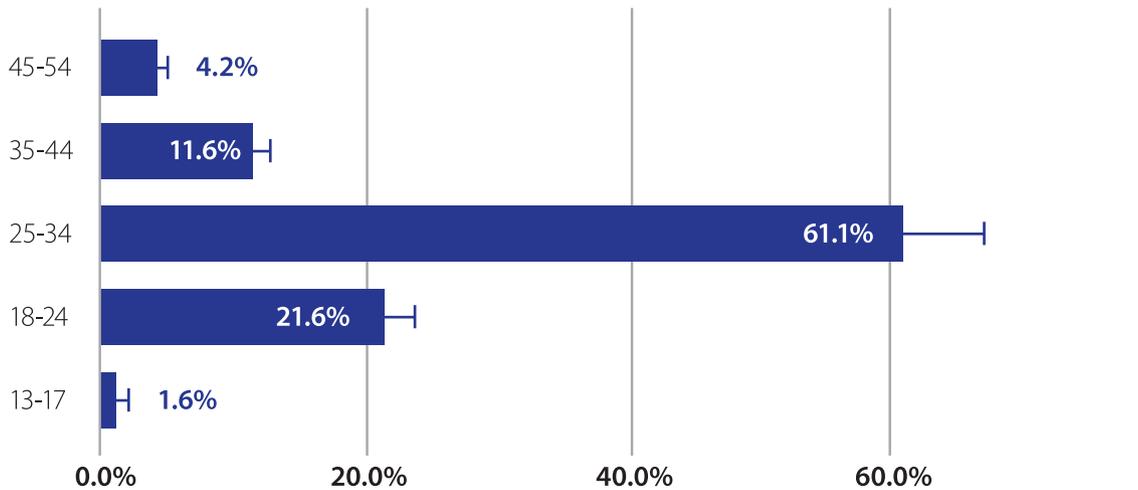
Regarding the categorisation of start-ups, in figure 2 we can see that the majority of start-ups, around 66% are founded by only one founder, around 24% of startups are founded by by two founders, 6% by three founders and only 5% by four or more founders.

Figure1 Number of founders



In the figure 3, we can notice that the majority of start-up founders are relatively young. Around 61% of them belong to the age group 25-34 years old and around 23% of startup founders are younger than 24 years old. Only 16% of startup founders are older than the 25-34 cohort.

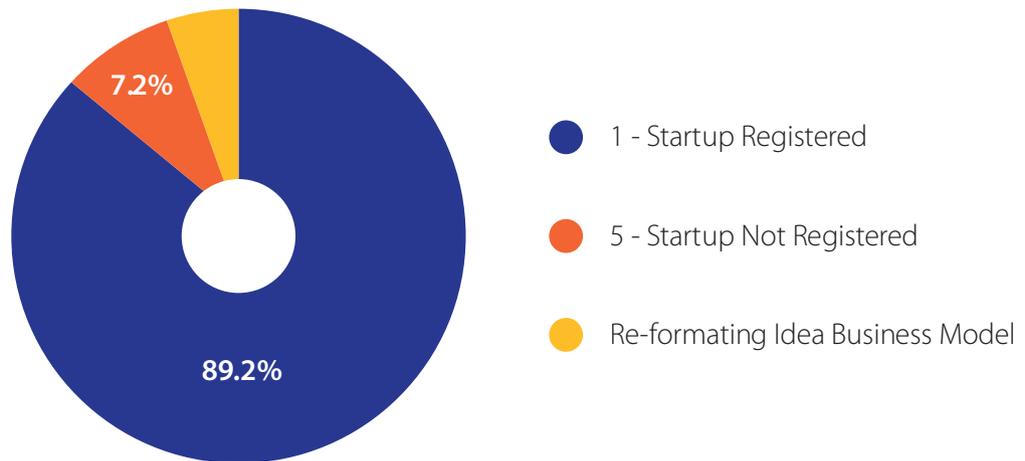
Figure 2 age of start up founders



In figure 3 we can see that the majority of the start-ups in our study (89%) have been already registered at national agencies while 22,4 % are not registered and the rest of the startups claimed that they are reformatting their business idea.

Moreover, we see that utmost of the start-ups surveyed have been founded during the last 2 years (72%) while the rest 3 to 5 years ago.

Figure 3 Legal Status of startups



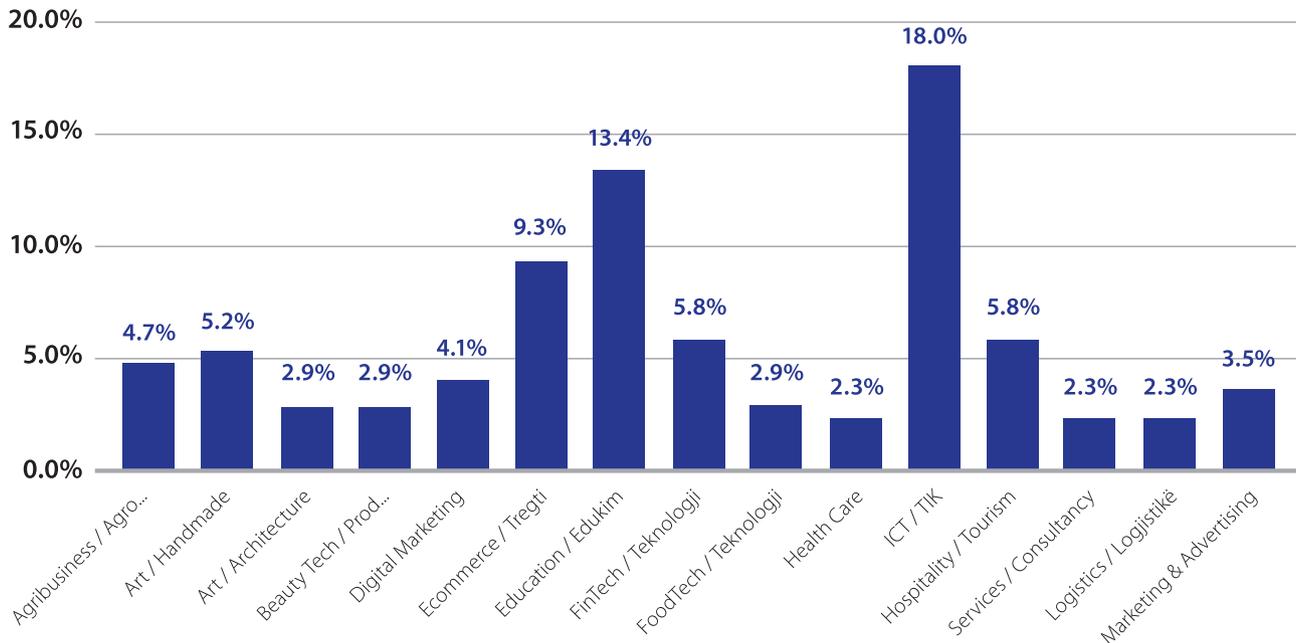
In the figure 4 below, is visualised the categorisation of startups by sectors/industry.

Sectors such as IT/Software development (18%) and education (14%) and ecommerce (10%) represent the main industries where start-ups in Albania explore.

However, the Fin-Tech sector (6%), hospitality and tourism (6%), handmade art (5%) agribusiness (5%) and digital marketing (4%) seem to be emerging trends.

Startups by Industry

Figure 4 Startup by industry

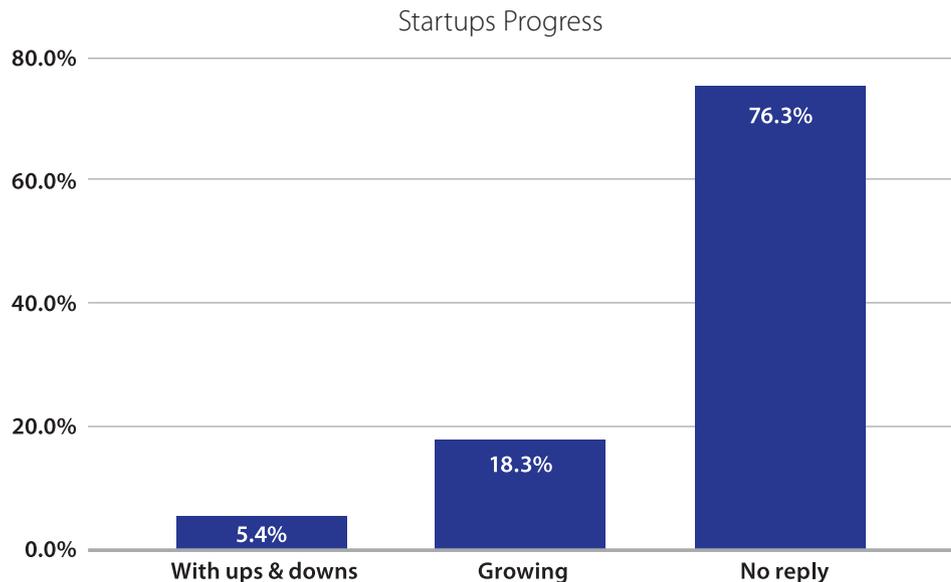


As expected, geographically, the biggest Albania start-up hub is established in Tirana.

One of the questions we asked startups in our survey was “How do you evaluate the progress of your startup up to now?” Through this question we wanted to understand more on their confidence level through this venture and is completely based on their perceptions. As this was not an obligatory question the response rate was very low, only 24% of respondents gave an answer to this question and the rest of 76% chose not to respond. From the 24% who responded, 18% of start-ups declared to be growing and 5.4% replied “with ups and downs”. This is a dimension which needs further exploration for an in depth understanding and uncover of the dynamics in order to set up their development stage. However, such in depth analysis is not possible with the actual data.

In the survey, we asked the start-ups to articulate their major issues impeding sustainability and growth. In figure 6 there we have categorised startups based on the perceived main challenges they face. As such, we see from the data that a major concern, as expected, is the lack of financing mechanisms and bodies. However, concerns are related also to the lack of talents and trained staff as well as to market not yet ready for the product/innovation the startup brought or aims to bring upon.

Figure 5 Progress of the Startup



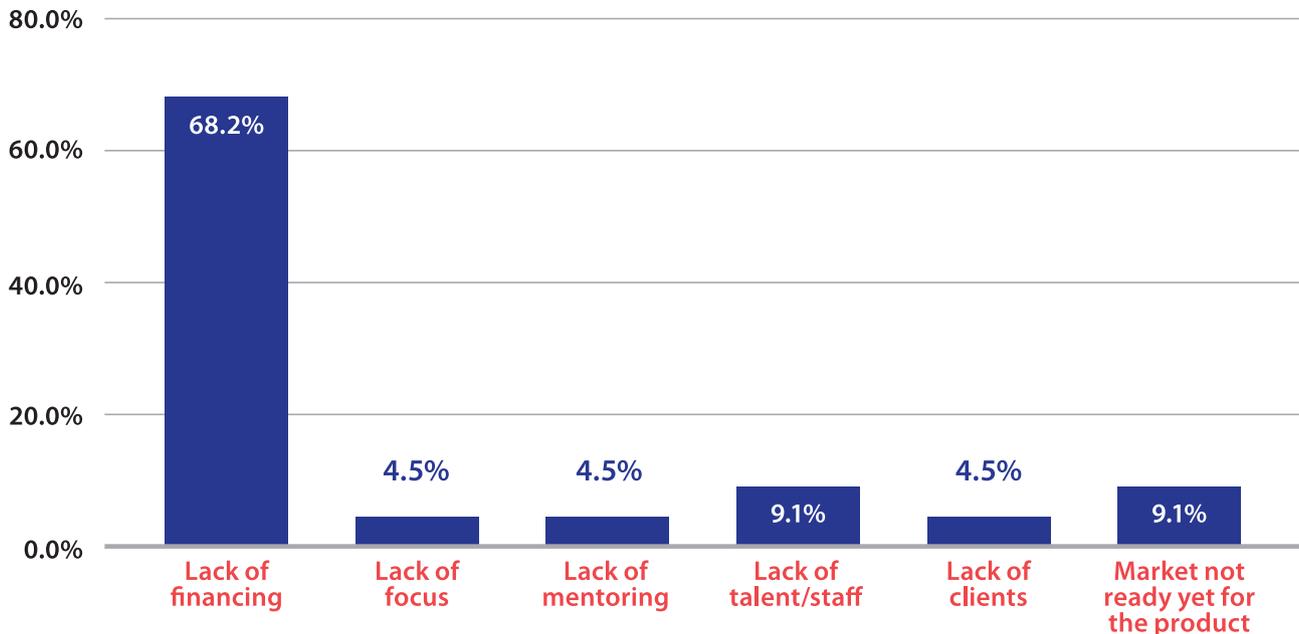
Related to these concerns we see that the majority of the start-ups are self-funded (83%) and only 17% have received grants, won competitions or got investments from investors. Despite the difficulties and challenges the start-ups demonstrate high expectations to succeed in the future

With regards to the innovations start-ups bring upon, around 50% of them believe that they are bringing innovation be it in services, business models or products. The other 50% did not respond to this open question.

Another interesting fact is that we could encounter that one founder was contributing in more than 1 company. That means some entrepreneurs are experimenting different ideas in their attempts to trying to succeed on their new ventures.

Figure 6 Major Issues startups face

Major Issues

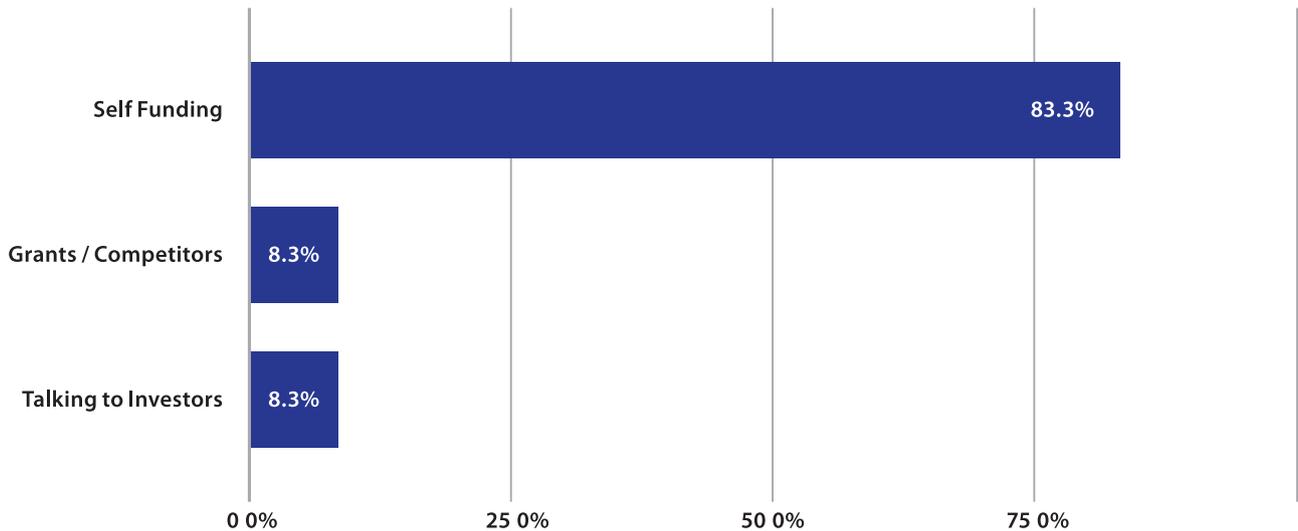


Start-ups outcomes and perceptions appear to differ with respect to gender. There were 65% men and 35% women start-up founders. We noticed that start-ups with female founders were more likely to be one-founder start-up; meanwhile men were teaming up more often in building up their idea / start-up.



Funding Sources

Figure 7 Major Funding Sources





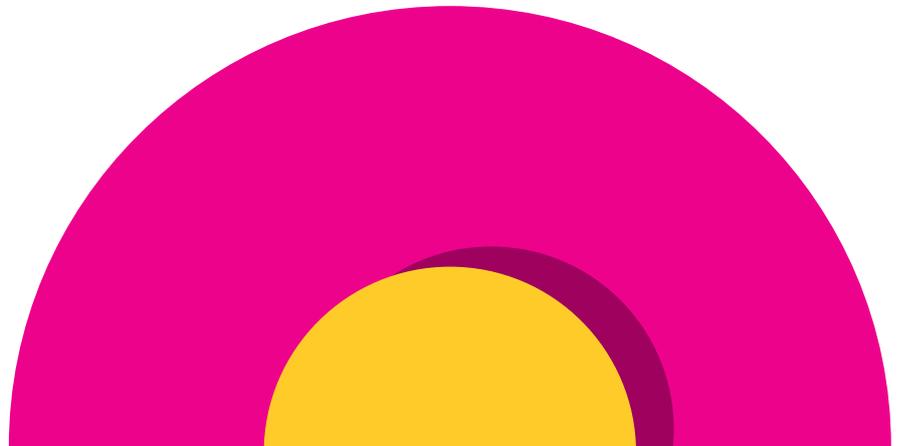
Sources of information

In order to come to an estimation of the number of startups it was required to apply a combination of several methods and make use of multiple sources of information. Initially, we aimed, through an extensive desktop research, to identify the available sources of information on the startup ecosystem and / or the number of startups. Eventually, two main sources were identified:

1. Official institutions such as:
 - Institute of Statistics in Albania (INSTAT),
 - National Business Center (NBC) – which serves as the main registry of businesses in the country,
 - The Albanian Directorate of Industrial Property – an institution providing grant and protection for Patents for Inventions and Utility Models and the General Tax Directory.

2. The startup community representatives in Albania were another important source of information in assessing and evaluating the number of active start-ups. Through the organisation of various activities and events, the startup community in Albania, has been an important actor in promoting and supporting the improvement of the startup & innovation environment in Albania. As such, many representatives of this community has been approached and included in this research as key informants and gate keepers of the Albanian ecosystem of startups.

However, apart the main sources of information, in our study we consulted also previously conducted research such as GAP analysis “Entrepreneurial Ecosystem in Albania with Focus on Tirana” and retrieved valuable information from the current startup community support organizations.



1.2 *Limitation of the available official data*

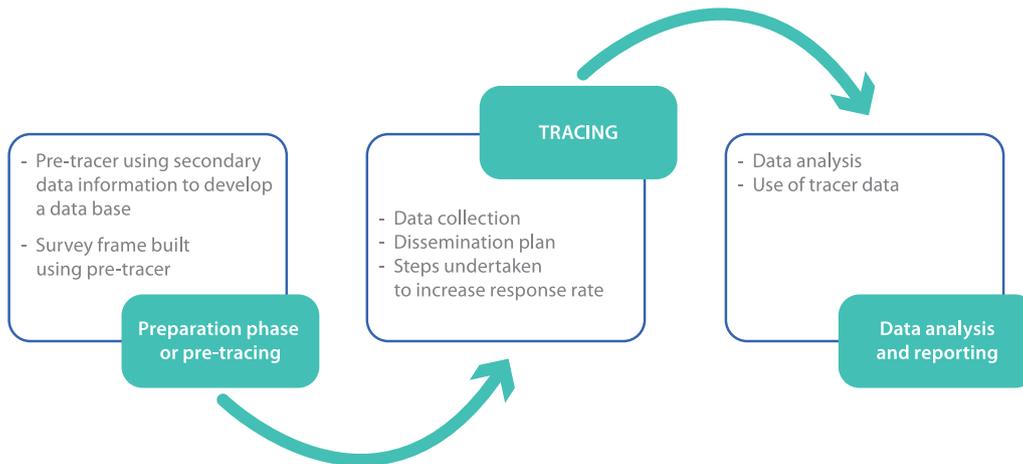
While scrutinizing the available official data sources of information on start-up companies we came across several limitations. Data is scattered across several institutions and not synchronised.

- There are no dedicated sources of information for start-ups or official registries.
- Some Start-ups might not be registered as businesses; this makes the mapping a necessity.
- There is no dedicated listing or categorisation for start-ups in any of the sources of information consulted.
- There is no agreed definition (official) for start-ups; at country there is ambiguity with regards to what the characteristics of a start-up company are
- While consulting different sources of information where the most complete was NBC, we were unable to find any listing / categorisation of businesses based on the agreed definition of a start-up (as above). This was mainly due to the lack of data disaggregation and missing some of the start-up characteristics as agreed per the working definition such as: a) aim to scale and b) innovation. Consequently, NBC has registered businesses but we cannot tell from their data how many of them we can define as start-ups.
- The sectors / fields of operations of businesses at the NBC are “too inclusive, too general” and sometimes do not correspond with their real field of activity.
- Contact details provided from the business owners usually are not correct ones (email, address, phone) for several reasons.
- Aim to grow – It is not easy to define from the data there how many of them expanded internationally.
- The number of employees is not included in the dataset of the National Business Registry at the time the research was conducted even though lately there is a cooperation agreement between General Tax Directory and NBC about using an improved protocol of data exchange between 2 organizations in real time, which might address this issue.

Based on the information collected from the desktop research and the limitation of such sources of information, a tracer survey to map the Startup community in Albania became a necessity.

2. *Baseline - Tracer design and methodology*

The tracing of the start-ups adopted a cross-sectional research design and employed a quantitative approach using a standardized questionnaire survey. Given that the target population size was unknown, it was opted for a census rather than a sample survey. The implementation of each tracer study cycle entails two basic phases. During the first phase or the preparation phase, the target population is determined; next, a preliminary database is developed. The key objective of the pre-tracer is to collect baseline data and contact information. The main purpose of this phase is to develop and update the contact information.

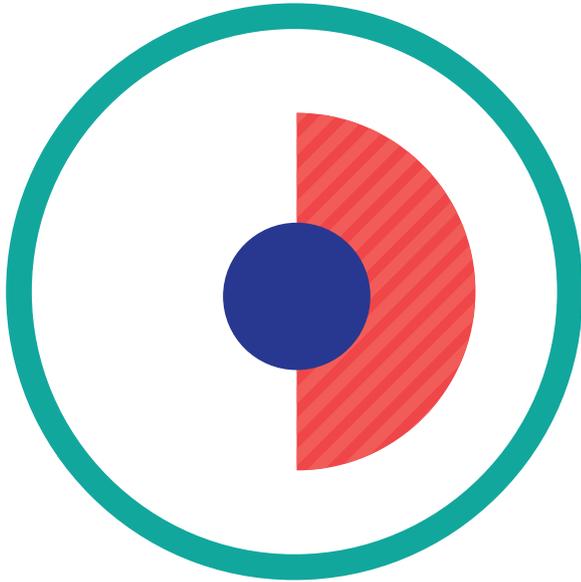


In the tracer phase, tracing data are collected. The tracer system is based on mapping of the start-ups established the last 3 years in Albania by relying on an online CASI method.

The objectives of the tracer system were:

- Reach an estimation of the number of start-ups (defined by certain criteria) operating in Albania the last 3 years
- Provide more context on the categorisation of start-ups based on size, industry or sector, years active, stage of development

Google form is the data collection tool used. It is implemented through Computer-Assisted Self-Interviewing (CASI).



Data Analysis

Following the data collection phase, quantitative data are analysed in Microsoft Excel.

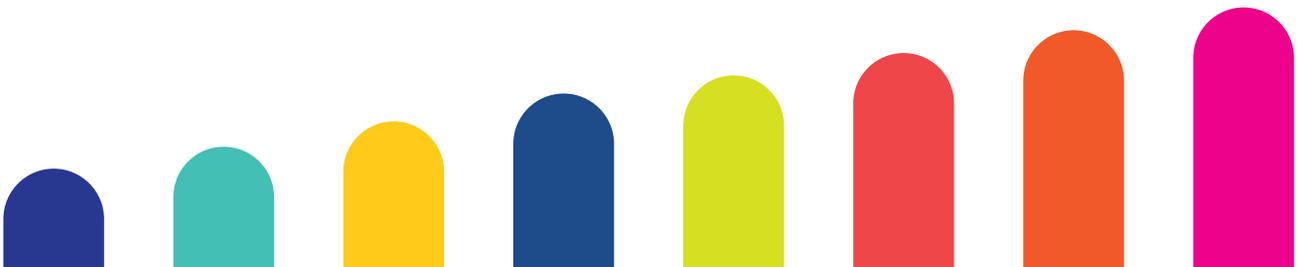
Data processing includes descriptive findings along with relational statistics. Nearly all questions in the questionnaire included response items that already are coded, i.e. codes (figures) are assigned to each of them. This step helped for the later data analysis, as items were added directly.

To code open responses, we developed a code list. For this was important to define head-categories, under which several individual responses can be subsumed. The meaning of such statements can be presumed to be the same even when different expressions are used.

In our case, only few interviewees answered open questions and it was not worthwhile to plan a quantitative data analysis, but the responses were captured as texts and, for the formulation of the summary of results, they were taken into consideration.

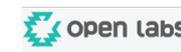
To respond to the objectives of this study the simple frequency counting ('frequencies'), statistical descriptive and the table volume containing a breakdown of the results for important survey groups (such as gender, year established, working industry) provide answers to most survey questions.

Hence, for these simple frequency counts, aggregate and descriptive statistics (such as arithmetic mean) of all variables we used Excel. However, for few questions (open ended) we did do more qualitative analysis based on text analysis and text coding.

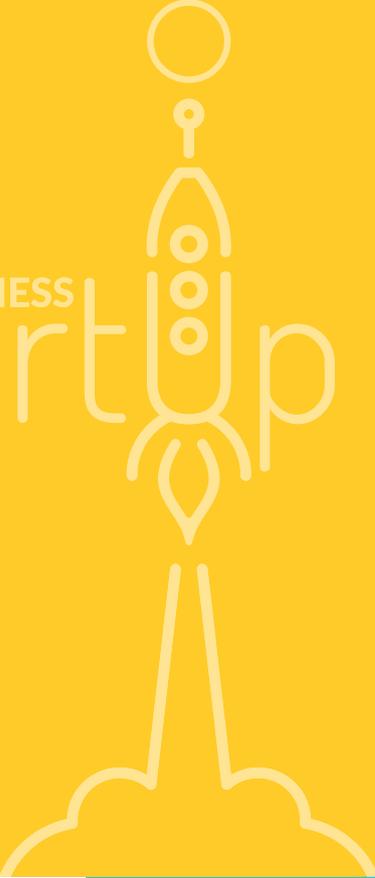


SUPPORTERS

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