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Challenges and Opportunities for Startup Innovation and Entrepreneurship as tools towards a knowledge-based economy: The Case of Kosovo

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Challenges and Opportunities for Startup Innovation and Entrepreneurship as tools towards a knowledge-based economy: The Case of Kosovo

An honors Society Project

by

Xheneta Sopjani

In Partial Fulfillment of the Requirements for Membership in the Honors Society of RIT Kosovo

Supervisor Venera Demukaj, Ph.D

August, 2019
Table of Content

Abstract ........................................................................................................................................5
List of Abbreviations ................................................................................................................6
List of Figures ............................................................................................................................7
1. Part 1 .......................................................................................................................................8
   1.1. Introduction ....................................................................................................................8
      1.1.1. Broad concept of innovation and Startups ................................................. 8
   1.2. Review of Literature ....................................................................................................10
      1.2.1. Overview on Social Innovation and Societal Transformation ................. 10
      1.2.2. Knowledge-Based Economy and Innovation Activities: An approach to Definitions and Measurements .................................................. 11
   1.3. Challenges in innovation efforts in the economic, political and social context .......12
      1.3.1 An overview of economic profile in Kosovo – economic conditions ..........12
      1.3.2 The research and innovation system – governance and actors ................. 15
         i. Need for a systemic view .................................................................................. 15
         ii. Needs for good governance ....................................................................... 16
      1.3.3 Institutional and Strategic Framework for Innovation - Role of institutions in startup innovation and entrepreneurship development ....... 16
         i. Institutional Setup ......................................................................................... 17
         ii. Innovation Infrastructure ............................................................................. 18
   1.4 Social conditions and emergence of innovative firms .............................................. 23
2. Part 2 .....................................................................................................................................28
   2.1. Methodology and Data ...............................................................................................28
      2.1.1 Limitations of the study ................................................................................. 29
   2.2. Analysis of Results .....................................................................................................29
      2.2.1 Current Situation, central barriers and challenges ........................................ 30
      2.2.2 Primary Data Collection .................................................................................. 32
         1. Startup Characteristics .................................................................................... 32
         2. Startup Setup ..................................................................................................... 36
         3. Startup Barriers ................................................................................................. 40
Part 3 ......................................................................................................................... 48

3.1 Opportunities: International best practices in start-up policy and support structures .... 48

Recommendation...................................................................................................... 50

Conclusion ............................................................................................................. 51

References ............................................................................................................ 53

Appendices ........................................................................................................... 58
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Abstract

There is a global drive to accelerate the growth and development of nations through innovation and technology. Supporting new businesses has become a priority on the global agenda and their critical role as key drivers of growth and development is beginning to be recognized in developing countries. It is crucial to distinguish and place at the heart of any strategy the significant impact of establishing new and relevant companies which will design, develop and support products and services that meet the needs of the society and are valuable for developing the economy in Kosovo.

This research study, analyzes the entrepreneurship environment through specifically focusing on startups and innovation infrastructure in Kosovo. It will try to investigate the main challenges that startups and entrepreneurs face while trying to assess innovative technological advancements in order to build a prosperous society. By the same token, while trying to analyze the current pace of change that startups and entrepreneurs bring on an economic, political and social landscape, this study will also try to identify the waves of opportunities that come along with startups towards the goals of resolving critical issues in any field.

To conclude, creating an ecosystem of innovation to provide solutions to meet the needs and demands of our society will foster a startup culture that is inclusive, efficient and valuable for the whole society.
List of Abbreviations

AP-PRM - Agency for Employment and Agency for Entrepreneurship Promotion
BAC – Business Advisory Centre
BEEP – Business Energy Efficiency Program
BI – Business Incubator
BSCK – Business Support Centre Kosovo
BSO – Business Support Organization
CEED – Centre for Entrepreneurship and Executive Development
CRANE – Croatian Business Angel Network
EAR – European Agency for Reconstruction
EBRD – European Bank for Reconstruction and Development
EURED - EU Regional Economic Development
EYE – Encouraging Young Entrepreneurs
ICK – Innovation Centre Kosovo
IPAK – Investment Promotion Agency in Kosovo
JIC – Jakova Innovation Centre
MDA – Managing Development Associates
MEC – Ministry of Entrepreneurship and Crafts
MFK – Millennium Foundation Kosovo
MIE – Ministry of Innovation and Entrepreneurship
MSMEs – Micro, Small and Medium Enterprises
MTI – Ministry of Trade and Innovation
REA – Regional Enterprise Agencies
SBA – Small Business Act
SME – Small and Medium Enterprises
SMESA – SME Support Agency
STIKK – Kosovo Association of Information and Communications Technology
YEP – Young Entrepreneurs Program
List of Figures

Figure 1. Organizational chart of MTI support schemes
Figure 2. Business Incubator in Gjilan
Figure 3. Business Incubator in Decan
Figure 4. Source of finance from investment purposes in Kosovo and comparator countries
Figure 5. Interest rate spreads (lending minus deposit rate) 2009-2012
Figure 6. Sample Gender Demographics on Startups in Kosovo
Figure 7. Sample Age Demographics on Startups in Kosovo
Figure 8. Characteristics of the sample founders
Figure 9. Highest degree of level of school of the sample startup founders
Figure 10. Purpose of setting upon an innovative enterprise
Figure 11. Survey question: Does your innovation/company benefit the society or development of Kosovo in any aspect? Does it contribute into bringing any social change?
Figure 12. Financial resource availability based on respondents’ perspective
Figure 13. Level of difficulty in accessing financial resources in Kosovo
Figure 14. Type of financing startup samples have received since (and including) startup establishment
Figure 15. Seek of loans from banks or other financial institutions from the startup founders
Figure 16. Accessibility of information on innovation policies, public funds and other government programs (1- infers that information is easily accessed or found; 5 – infers that information is hard to find or accessed)
Figure 17. Level of the red tape burden based on funders perspectives
Figure 18. Level of satisfaction with the current national policy measures in Kosovo
PART I

1.1. Introduction

1.1.1. Broad Concept of Innovation and Startups

In the contemporary landscape of global business, defining innovation is rather ambiguous. Framing the society needs accurately, and critically assessing them is integral when it comes to defining innovation. Being able to generate and apply new useful ideas to specific issues through transforming them into solutions that add value to the society is critical for the development of a country. One way through which innovative ideas can positively impact societies is through newly emerged business ventures known as startups. Startup innovation epitomizes the idea of taking risks and responsibilities with the aim of developing viable business models to meet market needs. It also includes thoroughly assessing the potential development of an enterprise as well as uncovering opportunities that others cannot foresee. Considering the fast pace of disruptive technological innovation, conveying new ideas and bringing them to life has become challenging and competitive. The geography of startup activity and venture capital investment is experiencing a rapid period of globalization, thus making communities more interactive with one another in terms of exchange of ideas and design for solutions.

A startup, as such, represents a newly emerged business venture that has the intention of developing a feasible business model in order to meet the needs of a society by creating a virtuous cycle that derives constant improvement through innovative solutions\(^1\). A startup therefore, fits best in developing economies whose main objective is to reduce poverty and generate sustainable wealth through innovative solutions that are able to solve industry-wide problems\(^2\). Considering the way social, political, commercial and legal aspects shape a country’s economy, startups create models designed to enhance the wellness and performance of the country based specifically on those aspects as the critical determinants to drive change. Creating an ecosystem of innovation to provide solutions to meet the needs and demands of individuals will foster a startup culture that is inclusive, efficient and valuable for everyone.

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As the youngest country in Europe, Kosovo is faced with a variety of economic problems such as unemployment, poverty and corruption. Being that Kosovo’s growth is mainly based on public investment and remittances, creation of a vibrant private sector is important to boost growth in order to reduce poverty and generate jobs. Therefore it is crucial to nurture an entrepreneurship ecosystem as an economic imperative to restructure the way of doing business in Kosovo in order to revolutionize and build sustainable solutions for various sectors such as healthcare, education, tourism, clean energy, poverty, financial services, security, agriculture and so forth. Each of these sectors present numerous problems from which entrepreneurs and startups can take advantage of, not only to make profits, but also to make a positive impact in our society through driving positive change based on emerging and disruptive technology innovation. It is therefore crucial to recognize and place at the heart of any strategy the significant impact of establishing new and relevant companies which will design, develop and support products and services that meet the needs of the society and are valuable for our developing economy.

Therefore, through this study I will analyze the entrepreneurship environment existing in Kosovo in order to understand the challenges that startups, incubators and entrepreneurs face when trying to assess innovative technological advancements in order to build a prosperous society. By the same token, while trying to analyze the current pace of change that startups and entrepreneurs bring on different sectors, it is equally important to spot the waves of opportunities and developments these startups and entrepreneurs can bring, considering that countries with the greatest needs provide the greatest opportunities.

In other words, the purpose of this research study is to deliberately assess the influence of economic, social and political conditions in Kosovo’s startup innovation and entrepreneurship ecosystem by firstly identifying the main challenges in all three aspects and secondly investigating how well are innovation efforts supported and the barriers startups face as a result of the economic, political and social systems. While there are numerous research studies that investigate innovative activities and their benefits in the overall economies, this study focuses on the conditions that enterprises and startups operate in, as variables shaped by various institutions.

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1.2. Review of Literature

1.2.1. Overview on Social Innovation and Societal Transformation

The process of interacting among businesses and other organizations has emerged as a complex phenomenon worldwide. People have become more cautious in terms of solving issues in a collaborative manner in order to live more socially cohesive and sustainable lives. This type of synergistic behavior, driven by social, political and economic factors, is based on a technological pre-condition, that of diffusion of technologies that pave the way for meaningful activism and effective collaboration. The correlation of such active behaviors and new technologies is stimulating unprecedented organization patterns in the field of economics, politics and daily life. As a result, a deep wave of social innovation is emerging since current economic, environmental and societal challenges prove that systematic reforms are necessary to generate smart, sustainable and inclusive growth. There is also a greater tendency of scholars and practitioners to promote the concept and practices of social innovation as a way of effective use of resources that generate greater social values.

The conventional theory that innovation is synonymous with new technological products needs fundamental restructuring since technology-oriented innovation, as a result of industrial society, has been continuously losing its explanatory and illustrative function. The shift from an industrial to a knowledge-based economy relates to a paradigm transition of the innovation system that indicates the growing significance of social innovation as compared to technological innovation. As a result, innovation is not necessarily about introducing new products and services, it is about the fundamental beliefs and relationships that structure the world. Furthermore, in contrast to the technology based innovation, the framework of social innovation implies new approaches and outcomes, namely combination of economic and social aspects of innovation while creating profit opportunities and also generating social value. Therefore new solutions are produced through encouraging active participation of citizens in innovation processes and outcomes. Moreover, a literature review explains that the concept of social innovation refers to innovative ways of solving

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6 Ibid.
7 Ibid.

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social problems\textsuperscript{8}. According to the Webster’s Dictionary, “social” means “pertaining to the life, welfare and relations of human beings in a community” whereas the \textit{Stanford Social Innovation Review} defines the concept of social innovation as “a novel solution to a social problem that is more effective, efficient, and sustainable than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals”\textsuperscript{9}.

\subsection{1.2.2. Knowledge-Based Economy and Innovation Activities: An approach to Definitions and Measurements}

The last decades of the 20\textsuperscript{th} century have presented a turning point in the process of global development\textsuperscript{10}. Knowledge has turned into an engine of social, economic and political development in the contemporary world.\textsuperscript{11} Developing countries are diverting from the old paradigms and shifting towards new economic models of strategic development through the use of information and knowledge in order to generate opportunities for business creation and thus gain competitive advantage in the world market\textsuperscript{12}. Transformation towards a knowledge-based economy in which production and dissemination of knowledge leads to economic benefits, augments all fields of human endeavor\textsuperscript{13}. It is seen as a roadmap towards shaping economic development as a modern economy based on knowledge

A knowledge-based economy is a quite complex and broad phenomenon. It is not just a digital economy including equipment of computers and telecommunication, and also it is not a networked economy that implies networking growth and telecommunication and their impact on human progress\textsuperscript{14}. Its definition includes various dimensions and aspects when analyzed in detail and as such it incorporates a powerful technological driving force namely rapid growth of information and telecommunication technologies (ICT)\textsuperscript{15}. Knowledge has therefore turned into a powerful indicator and an independent force through becoming the most critical decisive factor of social, economic,

\begin{thebibliography}{99}
\footnotesize
\setlength\itemindent{0cm}
\item \textsuperscript{8} Ibid
\item \textsuperscript{11} Ibid.
\item \textsuperscript{12} Shukran, Khaled & Sultana, Rebeka & Rahman, Farhana. (2011). Moving towards the knowledge-based economy: A comparative study between Malaysia and South Korea. 1-6. 10.1109/ICRIIS.2011.6125722.
\item \textsuperscript{13} Innovation towards A Knowledge-Based Economy: Ten-Year Plan For South Africa. Department Of Science And Technology, 2008, pp. 5-20,
\item \textsuperscript{15} Ibid.
\end{thebibliography}
technological and cultural transformation\textsuperscript{16}. As a result it has become the engine of progress in any country.

The need to accelerate and sustain economic growth is primarily built on the national system of innovation. Furthermore, various research studies indicate that businesses can gain external knowledge through three means of obtainment namely through flows of local knowledge or information transmitted through social contacts or market linkages, creating partnerships to engage in deliberate share of ideas as well as knowledge through other external sources i.e. export etc.

Transforming into a knowledge-based economy, therefore will be driven by four key elements:

- Human Capital Development
- Knowledge Generation and Exploitation (R&D)
- Knowledge Infrastructure
- Enablers to address the “innovation chasm” between search results and socioeconomic outcomes\textsuperscript{17}.

However, such transformation brings forward numerous new challenges to the contemporary economic situation of Kosovo’s development. These challenges, in return, address the social, economic, political, scientific and technological benefits that are designed to spur multidisciplinary thinking and challenge the current country’s researchers to define existing issues and questions, create new useful disciplines as well as develop new strategies.

1.3. Challenges in innovation efforts in the economic, political and social context

1.3.1 An overview of economic profile in Kosovo – economic conditions

The economy of Kosovo is a transition economy. The closing down of institutions during 1990s, followed by poor economic structure, international sanctions, little access to external trade and finance and the ethnic conflict severely damaged the already-weak economy of Kosovo. Despite growth rates that have been positive and among the highest in the region, the country still faces high unemployment, which is disproportionately high for women and youth and reversed large-scale outmigration\textsuperscript{18}.

\textsuperscript{16} Ibid.

\url{kosovo.rit.edu}
Despite the global financial crisis, Kosovo’s economy maintained macroeconomic stability that is reflected in the real GDP growth rate of 5.2% during the period of 2006-2011\textsuperscript{19}. In spite of such advancement, Kosovo continuously struggles with high levels of poverty, wide-spread unemployment and over-dependence on imports\textsuperscript{20}. Nevertheless, the economy is characterized by high dependence on inflows of remittances and donor activities, 13% and 11% of the total GDP respectively\textsuperscript{21}. Additionally, its labor market also uncovers one of the main challenges in Kosovo’s economy, the unemployment rates in specific, at around 30%\textsuperscript{22} - the highest unemployment rate in Europe\textsuperscript{23}; and 17% of the population live below the poverty line with less than EUR 1.42 per day\textsuperscript{24}. When looking at the rate of exports in Kosovo, a figure of only 10% in the overall external trade is revealed, thus showing the non-competitiveness of business firms in Kosovo (OECD, 16)\textsuperscript{25}. Thereafter, private sector innovation and increased competitiveness is essential if businesses want to satisfy domestic market needs. This in return will have a positive effect on increased volume of exports and job creation.

Besides these challenges, Kosovo has made progress to gradually developing the overall conditions and policies regarding innovation. The major policies and laws to support the economic development already exist, however Kosovo’s weak administrative capacity has hindered their implementation\textsuperscript{26}. During 2013, Kosovo was ranked 98\textsuperscript{th} in the World Bank Doing Business Index out of 185 economies. Despite having improved its ranking by 28 places since 2012, construction permits, starting a business and protecting investors rights is still quite challenging. In addition, external finance for entrepreneurs and startup innovators are very scarce\textsuperscript{27}.

Further, Kosovo has been facing limited capabilities in terms of human capital and R&D investment, continuous emigration of highly-skilled workers, under-developed capabilities in technology transfer

\textsuperscript{19} OECD. “PRIVATE SECTOR DEVELOPMENT PROJECT INSIGHTS - Assessment Of The Kosovo* Innovation System”. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, 2013, pp. 7-71.


\textsuperscript{22} “ASK: Shkalla e papunësisë në Kosovë 28.7 për qind. Ekonomia Online. Prishtine 2019.”

\textsuperscript{23} Ibid.


\textsuperscript{25} OECD. “PRIVATE SECTOR DEVELOPMENT PROJECT INSIGHTS - Assessment Of The Kosovo* Innovation System”. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, 2013, pp. 7-71

\textsuperscript{26} Ibid.

\textsuperscript{27} Ibid.

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and knowledge absorption, and more broadly, insufficient investment science and technology, which are all crucial factors to developing private sector innovation and competitiveness\textsuperscript{28}.

In order to create a solid base for economic development, the government of Kosovo needs to increase its investment and strongly support development of the private sector, (especially small and medium enterprises and startups) and support programs and initiatives in the field of entrepreneurship and innovation\textsuperscript{29}. Innovation in products, services, management systems, production processes, corporate values as well as other characteristics of an organization is a key component of change in the pace of economic development in Kosovo\textsuperscript{30}. Establishment of facilitating methods and larger political discussions towards promotion of innovation, through monetary and non-monetary stimulus as well as access to credits for startups is critical and necessary with regards to fostering investments in innovation\textsuperscript{31}. Therefore, institutional support and government engagement is necessary in this regard and they are also crucial for business development in Kosovo.

Startup companies support economic development through growing on the market and thus generating economic growth and employment opportunities for the country, however in Kosovo, start-ups appear to achieve a certain point of early development and then stagnate in the later ‘phases’ and thus stagnate in growth\textsuperscript{32}. As a result they are not generating more sales and employing more workers. The reasons behind such phenomena include the limited business knowledge and experience, management style conducive to micro operations only, underdeveloped human resource development, the unfavorable disposition to learning, and the overall “me-too” business model etc.\textsuperscript{33}. Furthermore, a small and limited market negatively impacts the overall demand.

Despite startups stagnation at a certain stage, these companies do not close showing thus the discrepancies in numbers among Business registry equal to 99,000 micros and Tax Department equal to 16,000 micros\textsuperscript{34}. Reasons behind this lie on the culture itself as a critical determinant factor.

\textsuperscript{28} Ibid.
\textsuperscript{31} Ibid.
\textsuperscript{33} Ibid.
\textsuperscript{34} Ibid.
technicalities, complications and time-consumption in closing the business etc. Moreover, financial support from families plays also a critical role when trying to answer the question of why these companies do not close down. The main weaknesses of enterprises in Kosovo, independent of their size and maturity, involve the predominant management style, which is suitable only for small business operations due to lack of understanding of business owners about the importance and benefits that professional human resource development and management can bring to the firm.\textsuperscript{35}

1.3.2. The research and innovation system – governance and actors

This section provides an overview of Kosovo’s innovation system by looking at the role played by institutions and their guiding strategies. Research indicates that the core components necessary for a modern innovation system are at the very initial stage.\textsuperscript{36} Development of a precise national strategy and the components needed to construct it such as cross-sector dialogue, inter-agency policy coordination, an education and technology roadmap have only recently begun to be addressed.\textsuperscript{37} Institutional competencies and funding for research and innovation policies are still very weak and lack assessment.

i. Need for a systemic view

Given the cross-sector nature of knowledge and innovation, research and policy innovation governance encompasses a range of mechanisms and actors, instruments and institutions related to the field of education, technology and specialized services, and entrepreneurship; thus the need for coordination across various ministries and agencies. When properly functioning, research and development transforms into innovation and thus leads to new products and services that strengthen the economic environment, technological sophistication, comparative advantage and business investments.\textsuperscript{38} Performance of the national innovation system is highly dependent on the abilities of the main actors such as the science sector, private sector, policy institutions, financial institutions and market intermediaries, society and the tight correlations among them.\textsuperscript{39} Therefore, in the context of developing countries such as Kosovo, a properly functioning innovation system supports technological improvements through researchers’ collaboration, training and extension services,

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{35} Ibid.
\item \textsuperscript{36} WESTERN BALKANS REGIONAL R&D STRATEGY FOR INNOVATION. World Bank Technical Assistance Project, 2013, pp. 7-41.
\item \textsuperscript{37} Ibid.
\item \textsuperscript{38} Ibid.
\item \textsuperscript{39} Ibid.
\end{itemize}
\end{footnotesize}
qualified science and technology personnel, engineering services, ability to access and utilize global technology developments\textsuperscript{40}. However, improving the innovation system in Kosovo does not solely lie in the engagement of government, it also requires active participation of all entrepreneurs. Considering the multiplicity of players, challenges in aligning incentives, legal framework, government policies, and private sector engagement, it has become quite challenging to promote innovation and growth of startups in Kosovo.

ii. Need for good governance

It is essential to have quality-driven innovation systems with efficient procedures that effectively serve the purpose of institutional missions. Better governance of the quality-driven innovation systems and public laboratories can be maintained through new mechanisms namely greater use of project funding, numerous grants awarded through competition, and selective increases in funding for innovative ideas and startups that are tightly correlated to social and economic needs. Reforms in management strategies and funding will help strengthen the contribution of public investment to development and innovation\textsuperscript{41}. Good governance with regards to innovation indicates transparency in grant funding, accountability, evaluation and monitoring practices, and performance evaluation to measure contributions to knowledge as well as local, economic and social needs\textsuperscript{42}. Good governance for innovation policies in general imply having an integrated and comprehensible policy-making process with stable institutions that perform based on clear policy objectives and well-defines implementation procedures\textsuperscript{43}.

1.3.3. Institutional and Strategic Framework for Innovation - Role of institutions in startup innovation and entrepreneurship development

Despite still being at an embryonic stage, innovation system in Kosovo is gradually progressing and thus establishing the ground for a knowledge-based economic development\textsuperscript{44}. Even though the critical role of innovation in numerous fields, especially in the economic realm, has not yet been fully recognized in Kosovo, government and business structures increasingly reflect upon the

\textsuperscript{40} Ibid.
\textsuperscript{41} Ibid.
\textsuperscript{42} OECD. "PRIVATE SECTOR DEVELOPMENT PROJECT INSIGHTS - Assessment Of The Kosovo* Innovation System". ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, 2013, pp. 7-71.
\textsuperscript{43} WESTERN BALKANS REGIONAL R&D STRATEGY FOR INNOVATION. World Bank Technical Assistance Project, 2013, pp. 7-41.
\textsuperscript{44} OECD. "PRIVATE SECTOR DEVELOPMENT PROJECT INSIGHTS - Assessment Of The Kosovo* Innovation System". ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, 2013, pp. 7-71.
importance of innovation and start-ups as main pillars toward economic growth. The Ministry of Innovation and Entrepreneurship, the Ministry of Education, Science and Technology, and the Ministry of Trade and Industry are the main institutions responsible for creation of policy framework and environment conducive to innovation, whereas the Ministry of Economic Development is gradually increasing its role and impact in the innovation system. In spite of the progress that has been made towards developing institutional frameworks to support innovation through creation of National Economic Development council in the field of policy advice, there are still many other areas that need improvement. A critical component that requires attention is the improved capacity needed to overcome system deficiencies such as lack of implementation and monitoring mechanisms, insufficient amount of data available, inter-institutional co-operation and policy design – especially in relation to public debate. In general, innovation infrastructure is insufficient when it comes to equipment and human resources for facilitating innovation opportunities and fostering start-up activities characterized by years of neglect of activities in the education area in Kosovo.

Although there are institutions that have been created with the sole purpose of supporting technology and innovation of businesses, which are mostly concerned with educating and consulting entrepreneurs in terms of services/products they provide, their efforts and performance however remains unnoticed or unknown due to lack of performance reviews and audits.

i. Institutional setup

The main mission of the Ministry of Innovation and Entrepreneurship and the Ministry of Trade and Industry (MTI) is to advocate industry and economic growth in Kosovo through overseeing development and implementation of policy regulations, European directives, and administrative orders related to private sector development. Within MTI, there are five agencies focused on business support, namely SME Support Agency (SMESA), Business Registry, Investment Promotion Agency (IPAK) and Accreditation Directory. IPAK helps on actively promoting investments in Kosovo internationally through numerous conferences, whereas SMESA’ role is to inform and advise all companies regarding the business market. In addition it aims to decrease the barriers for

45 Ibid.
46 Ibid.
47 Ibid.
48 Ibid.
49 Ibid.
51 Ibid.
business growth and development and implement various incentive programs to facilitate SMEs development in Kosovo. SME Support Agency implements the SME Development Strategy (or at least is responsible for its implementation). Additionally, implementation of government and donor funded support programs are done through numerous business support organizations i.e. business centers, business incubators, technology transfer centers, innovation centers which will elaborated in the further sections of this study

ii. Innovation infrastructure

Nearly every business support organization (BSO) established in Kosovo is a result of donor funded projects. Only few startups and new businesses have survived beyond the duration of various projects. The reasons behind a high rate of failure lie on unsustainable exit strategies, limited local authority ownership, limited scope and inadequate business models. Only through transforming into “for-profit” or “cost-recovery” organizations and focusing on clients who have the ability to pay for particular services, a few number of such organizations have managed to survive. This means, in reality, working for other donor funded projects and grant schemes as well as conscripting business plans for private companies applying for bank loans. Such ‘survival mode’ of business organizations has left many startups without financial support, thus leaving development schemes to be viewed as break-downs in public policy implementation.

52 Ibid.
53 Ibid.
54 Ibid.
55 Ibid.

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A great number of business support structures were established since 2000, however only a few of them exist in the market offering their support to startups and MSMEs. During 2001, the European Agency for Reconstruction (EAR) created five Regional Enterprise Agencies (REAs) in Pristina, Mitrovica, Gjilan, Prizren and Peja. However, only REA Pristina remained active as a private counselling agency targeting mostly donor funded projects and grant schemes. Recently, there have been efforts to creating Business Incubators (BIs) in Gjilan, Shtime and Decan which are funded and managed by the municipality. However, the municipalities do not have financial and human resources to continue to operate and support these business incubators. Nothing remains of the original purpose of business incubation, whose initial objective is to foster entrepreneurs and startups through training, consulting, and technical support, since according to managers of the BIs, MIT has only offered ad hoc support to the BIs in Kosovo over the years. As a result, there is no formal relationship between the Ministry and these business structures as much as there isn’t a platform for horizontal exchange of experiences among the BIs.

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57 Ibid.
58 Ibid.
59 Ibid.
Figure 2. Business Incubator in Gjilan

Figure 3. Business Incubator in Decan

The business incubators in Gjilan, Shtime and Decan did operate initially, whereas the business incubators in Drenas Business Park never functioned. The World Bank’s project about Business Environment Technical Assistance consisting of 28 Municipal Business Centers had been created in 2004/07/09 and 2010 to assist the business incubators. However, despite the World Bank’s efforts, these business centers do not function properly. Instead they are Business Registration service points with the aim of implementing reforms, modernizing business registration as well as speeding up the process of creating a business.

The need for improvement and capacity building within the framework of the innovation infrastructure is evident. Public and private institutions are constantly working towards development of basic infrastructure for conducting and promoting technology, start-up culture and innovation activities. Such institutions can be categorized into three main groups: business support centers and innovation centers, economic zones and clusters, each of which will be further elaborated.

Business support centers and innovation centers

There are now several support structures emerging in the startup and MSME support market, which are local in terms of funding and management. Therefore the number of institutions supporting and promoting business, technology and innovation has constantly grown over the past few years, introducing new means of support to new and existing start-ups, businesses and entrepreneurs in

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60 Ibid.
Kosovo. These new structures incorporate MTI’s and MII’s incubation initiatives, the Innovation Center in Gjakova, the ICK business incubator for ICT startups in Prishtina, the business angles ventures represented by Encouraging Young Entrepreneurs (EYE), the MDA Foundation as well as the Business Support Centre Kosovo which builds on the SPARK methodology for startup and MSMEs support. However, the general impact these centers have on such actors is ambiguous as a result of inability of concise data gathering and monitoring abilities. Besides the small progressive steps, there is still the need to create an evaluation culture of innovation in start-ups and businesses as an institutional priority.

A great number of donor agencies, projects and organizations are active (and have been) in the field of supporting a start-up culture in Kosovo. As presented in the Table below (table 1) there are numerous projects offering technical as well as financial support to the Kosovar young entrepreneurs.

<table>
<thead>
<tr>
<th>Centre</th>
<th>Principal Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation Centre Kosovo (ICK)</td>
<td>ICK is a center that aims to connect research and development component of scientific fields with the business sector through focusing on job opportunities. It was founded with the initial aim to support entrepreneurship, innovation and commercially based business development and to support both start-ups and existing companies with the potential for growth.</td>
</tr>
<tr>
<td>Innovation Lab Kosovo</td>
<td>Innovation Lab Kosovo offers numerous projects which empower the youth to lead the design, development and implementation of youth-led social change projects by adapting the hands-on, learn-while-doing elements that lead to products, services or public advocacy campaigns. The Lab offers funding, guidance and equipment to turn their social impact ideas into reality.</td>
</tr>
<tr>
<td>Kosovo Association of Information and STIKK acts as a catalyst to the dynamic technology industry acting as a leading driver of the ICT industry and ICT community</td>
<td></td>
</tr>
</tbody>
</table>

63 Ibid.
64 "About ICK”. ICK, 2019, [https://ickosovo.com/about](https://ickosovo.com/about).
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<tr>
<th>Communications Technology (STIKK)</th>
<th>in Kosovo(^{66}). STIKK aims to promote the ICT sector in Kosovo through improving its regularity framework, implementing research and industry specific analysis and facilitating professional development of sector’s constituents(^{67}).</th>
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<tr>
<td>Jakova Innovation Centre (JIC)</td>
<td>JIC was established by the Ministry of Trade and Industry. It serves as a business incubator with the mission of promoting and supporting young entrepreneurs throughout their development of new companies(^{68}).</td>
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<td>Genesis Technology Centre</td>
<td>Aims to foster economic development in Kosovo through practical training in electronics and manufacturing, applied technology research, and technology business incubation(^{69}).</td>
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<td>Business Support Centre (BSCK)</td>
<td>BSCK assists graduate students and young graduates of all universities in Kosovo in establishing SMEs through providing practical training courses and consultancy as well as accessible micro-credits for the most promising business ideas(^{70}).</td>
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<tr>
<td>Business Advisory Centre (BAC) Zvecan and Mitrovica</td>
<td>The main objectives of BAC Zvecan are to support business start-ups through offering adequate training in business development in order to reduce unemployment, increase the numbers of SMEs and to contribute to a sustainable economic development of the municipality of Zvecan(^{71}).</td>
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<td>Young Entrepreneurs Program (YEP) / USAID</td>
<td>YEP is a program designed to develop new businesses through encouraging their innovative and entrepreneurial spirit through financial and technical assistance(^{72}). In addition it offers on-going support and networking for its graduates.</td>
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<tr>
<td>Centre for Entrepreneurship and</td>
<td>CEED Kosovo is part of an international network operating in South-East Europe to provide entrepreneurs and their executive</td>
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\(^{67}\)Ibid.


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Executive Development (CEED) teams with the know-how and networks they need to accelerate the growth of their businesses and to promote entrepreneurial culture in the broader society\textsuperscript{73}.

TAM / BAS (EBRD) BAS Program assists SMEs to develop and grow by enhancing their competitiveness, marketing and financial management, quality management systems and strategic business planning\textsuperscript{74}. BAS works directly with SMEs utilizing the skills of local professional consultants to provide specific and clearly defined, practical business advice to enterprises, assisting them to improve their business performance\textsuperscript{75}.

EU Regional Economic Development (EURED) grant scheme receivers It includes selection of grant scheme receivers whose projects involves training of start-ups and entrepreneurship, and also some business support structures establishment\textsuperscript{76}.

| Table 1 |

1.4. Social conditions and emergence of innovative firms

Social conditions represent a critical factor when it comes to influencing firm’s abilities to innovate. Businesses function in a particular social context that is constructed by national economic institutions which highly affect the social conditions of innovative activities. Internal factors such as policies, management practices, financial resources, investment opportunities etc. that characterize the environment in which businesses in Kosovo operate, can facilitate or discourage innovation capabilities and efforts. Social conditions therefore play a significant role in determining innovation capacities, however, critically analyzing which social conditions encourage or hamper innovative ideas remains still a challenge. Based on existing evidence, Kosovo’s economy provides a poor social environment in which firms can innovate\textsuperscript{77}. Numerous factors that are related to social conditions are critical for emergence of businesses and startups in general. Lazonick identifies three social conditions of any innovative enterprise expressed through strategy, organization and finance\textsuperscript{78}.

\textsuperscript{73} Ibid.
\textsuperscript{74} Ibid.
\textsuperscript{75} Ibid.
\textsuperscript{76} Ibid.
These social conditions namely strategic control, organizational integration and financial commitment enable the firm to deal with uncertain, collective and cumulative characteristics of the innovation process. The correlation of the three defines and determines the business performance of an enterprise. The theory in addition relates governance institutions with strategic control, national employment institutions with organizational integration, and investment institutions with financial commitment. Having analyzed the institutional framework, in this section I will elaborate on the second element of the social conditions namely employment institutions at the national level which represent an analytical framework with regards to how society provides the population with education, training and access to research.

The education system in Kosovo is composed of nine years of compulsory basic education and three to four other years of non-compulsory upper secondary education; divided into general education and vocational schools. When analyzing the statistics, around 43% of students enrolled in vocational schools during the period of 2009-2010, which is quite low when compared to Croatia’s 71% and Macedonia’s 61% education enrollment levels. During 2011, approximately 8% of the overall population had a university degree in comparison to the EU countries with an average of 34%, Croatia 23% and Macedonia 17%. Despite the fact that the rate of enrollment in higher education. When looked from the businesses perspective, there is the general view that despite university enrollments, students lack practical skill sets. This comes as a result of the education system that is entirely based on theoretical approaches only, with little or no incentives for applied skills to be displayed or taught, with a negative effect on students’ ideas and skills. With limited or no opportunities for development of a professional career, due to the lack of applied skills and soft skills gained through work experience while studying, entry of students in the labor market and incentives to create their own businesses becomes more ambiguous and harder. According to European Commission, more than 70% of the population is represented by people under their 30s.

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79 Ibid.
83 Ibid.
85 Ibid.

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whereas youth unemployment rate is above 50% the highest in South East Europe\textsuperscript{86}. According to the Organization for Economic Co-operation and Development, the share of employees with university degrees or other higher degrees in Kosovo is 7%, two times lower than in South-Eastern European (SEE) region 15% and three time lower than Europe and Central Asia (ECA) 24% (64). In addition, the EC report also shows that training activities for employees supported by firms is 25% when compared to the 32% in SEE and 35% in the ECA region, whereas the training participation rates of employees in the production segment are even lower with 9% in contrast to SEE and ECA with 46% and 36% participation rates respectively\textsuperscript{87}. Further, the number of research and innovation institutions in Kosovo is rather low. Even the current institutions in place right now, with regards to such fields are either limited, not very active, suffer from lack of research capacity or the research techniques are under-developed. Figure 9 shows that Kosovo has the lowest expenditures on R&D as percentage of GDP.

\begin{figure}[h!]
\centering
\includegraphics[width=\textwidth]{fig4.png}
\caption{Gross expenditure on R&D (2010)}
\end{figure}

\textsuperscript{86} Ibid.
\textsuperscript{87} Ibid.
The last element of the innovative enterprises with focus on social conditions in Kosovo is linked with the investment institutions and sources of finance. This social feature investigates the way financial resources are incorporated within our society and how they are mobilized in the economy in the form of investments in productive resources. An enterprise survey conducted by World Bank BEEPS shows how businesses finance their operational activities and the figure below shows that approximately 73% of business activities are financed through internal funds; 17% come from bank finances; 5% through equity and sale of stocks, and the rest comes through other sources. Based on the figure, firms in Kosovo finance their investments through using more internal sources than ECA region and less than other low income countries.

Due to the fact that there is no equity market in the country, financial resources circulate only through banking and non-banking institutions. Despite having adopted a modernized legal framework that focuses on investment institutions, findings indicate that businesses in Kosovo,

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*Figure 5. Source of finance from investment purposes in Kosovo and comparator countries*

*Figure 6. Interest rate spreads (lending minus deposit rate) 2009-2012*

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89 Ibid.

especially small firms, face difficulties in gaining loans from financial institutions. The loan costs are high when compared to other regions. Figure 6 shows a representation of interest rates in Kosovo as the widest spread in the region. This wide spread of interest rates comes as a result of bank inefficiencies e.g. high transaction costs and asymmetry of information, thus inferring that higher bank inefficiencies result in higher interest spread.

In sum, Kosovo lacks qualitative education programs, training experience and research access. As the BEEP’s survey further suggests that around 80% of the companies in Kosovo consider the skills of workers and their level of education a crucial problem and drawback when it comes to establishing new innovative firms. Although the financial system seems reliable and well-organized, in contrast to countries in the region, the financial costs are much higher.

As per social conditions that characterize firms individually, on a survey conducted in Kosovo which incorporated 500 business firms it was concluded that the number of firms with innovation ideas and/or capabilities, and the necessary social conditions to bolster innovation is expressively low namely -5.9%. The results also indicate that better conditions through strategic control provides businesses higher abilities to innovate. Organizational integration displayed through business plan possession, market adaptation strategies, risk-taking, foreign business partners etc. strongly impact the firms’ ability to transform resource inputs into innovation outputs.

Kosovo remains to be a country that lacks the ability to provide the necessary tools to encourage more innovative ideas and solutions regarding product/service development. This in return has resulted in rather low initiatives in startups and innovation in entrepreneurship with regards to particular fields. Taking into consideration the demographic factors of Kosovo, which clearly indicate a majority of the young population, as well as its potential for economic development through bringing innovative ideas to be implemented from our youth, the questions: what are the struggles and challenges innovators and entrepreneurs in Kosovo face and how are there any opportunities for further economic development and social impact, are raised.

PART II

92 Ibid.
2.1. Methodology and Data

The research in this study goes through three stages and the results are presented and analyzed in three sections accordingly. In the first section, a descriptive analysis of information and data is used through secondary data collection. The aim was to examine the startup innovation and entrepreneurship environment at a national level in Kosovo through looking at the economic profile of Kosovo, analyzing the social conditions and their effect in emergence of startups and new firms, and institutional framework for innovation. Through looking at the economic, social and political context, the study shows an analysis of the current situation of startup innovation and entrepreneurship in Kosovo. The analysis is carried out using information reports by national and international institutions such as World Bank, OECD, UNESCO, AMCHAM, USAID as well as the official institutions in Kosovo.

The second section takes the form of an exploratory analysis where it includes investigation of the above mentioned conditions at a micro level. The study is be conducted using both qualitative and quantitative research methods, namely focus is primarily be given to qualitative data by trying to understand the problem, identifying variables and formulating a hypothesis based upon research on business incubator hubs in Kosovo, and a sample of the most successful startup entrepreneurs through convenience sampling. The study then analyzes results generated from quantitative research through firm-level surveys and interview results. The aim of this section is to identify economic, social and political conditions at a firm level and their influence in the capabilities of individuals and firms to innovate. The survey was composed of 23 questions, the questionnaire aimed to pinpoint the founder’s obstacles encountered while establishing the business. The sample consisted of 30 startups with various backgrounds and objectives, chosen through random and/or convenient sampling. The sample included startups from ICK, as well as startups operating independently outside of ICK, either through grants/funds from other organizations/ institutions or through bootstrapping.

Interviews were conducted to further emphasize the importance of startups through bringing to fore their positive contribution in the society. Due to difficulties in arranging meetings with representatives from successful start-ups, only two interviews have been conducted with them. The criteria for the selection of these startups was based upon their product/service and the need/issue their product or service addressed done through convenience sampling. A consent form was provided at the beginning of each interview (see Appendix C). In addition every interview had the same set of questions (see Appendix B), however each interview varied as they followed the flow of
a conversation and additional questions were asked based on the information the startups founders shared.

The third section of the study is a comparative analysis on opportunities for start-ups. After having identified the current situation in Kosovo in terms of the innovation system and efforts, as well as having analyzed the potential of startups and entrepreneurs to innovate in order to generate solutions to various issues, this research study is then focused on the opportunities that can be brought about to fill in the gaps created by these issues. The opportunities are analyzed through a comparative analysis with other developed knowledge-based countries and their ecosystem of innovation and entrepreneurship.

2.2.1. The limitations of the study

It is critical to note that there are several limitations that come along with this study analysis. Initially it is important to mention that little online data with regards to startups and innovation system in Kosovo was available. Lack of reports, articles and various other documents that provide data on the startup culture in Kosovo in general hampered the conduct of the study. The Ministry of Innovation and Entrepreneurship, which was expected to be used as the initial window for research, had only a few reports published and they were not related to startups. Also, finding updated empirical evidence with regards to startup ecosystem was also challenging. Furthermore, the startup sample does not stand as a representative of the whole population as it is firstly limited to startups in Prishtina only, and secondly even the sample based in Prishtina does not include startups from all incubators. This was as a result of the lack of a list that shows all startups currently incubated in these business hubs or due to lack of interest from these hubs to share any information, despite the numerous persistent emails and calls. Therefore, a majority of startups and surveys were chosen on a convenience sampling basis through own research from online data as well as information gathered from family and friends. In addition only a part of the sample (10 startups) from ICK, were chosen trough random sampling where every second startup at ICK was given the questionnaire.

2.2. Analysis of Results

The main objective of this research study is to primarily focus on startups and business environment in Kosovo, as a developing country, while identifying the critical barriers that hinder the successful growth of startups and new businesses. In the first part, we identified the political, social and economic aspects in relation to the startup environment in Kosovo; now through this section I will
analyze the correlation of such findings with the actual results based on surveys and interviews conducted.

2.2.1. Current Situation, Central Barriers and Challenges in the Startup Ecosystem in Kosovo

This section focuses on the ICT sector, since most of the business incubators are focused on such area in Kosovo.

The ICT sector in Kosovo is characterized by an abundant number of small and medium enterprises with limited capacities to develop great projects and initiatives. Because of the relatively small Kosovo market, the companies that have grown beyond their competition had to part some of their activities in new businesses in order to maintain market leadership. This type of market structure makes it quite favorable for new businesses to enter the market.

The process of registering a business and the already-in-place licensing procedure, as delineated by the corresponding laws, do not present any impediments with regards to entering the market as a new business, no matter the sector in which the company wants to operate. The process of registering a new business takes only one working day and it does not impose any cost while doing so. There isn’t any systematic or regulative barrier except those that are directly related to a more efficient implementation of personal intellectual property rights, which are not identified throughout this study. Taking into consideration the nature of the ICT sector and the relatively low initial costs of investment for new businesses of such sector, focus should be placed on ensuring a systematic and ‘ad-hoc’ support, as the key component that needs more attention.

While there are only two functional organizations and one program that offer support in various aspects for ICT sector startups, there are various programs that are being developed as well as numerous initiatives from donor organizations with the purpose of supporting Kosovo’s startup culture, as also discussed in the first part of the study. These programs and initiatives are critical for new businesses as they provide funds to bring their ideas into and training for the fundamental skills needed to manage these startups/businesses. However the ‘life-span’ of these programs is limited and such limitation represents one of the main obstacles that has faded the success of the program/organization in successfully reaching their objectives. Although there are incubators

94 Ibid.
95 Ibid.
96 Ibid.

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(physical and virtual), training sites, professional support services etc. the time of financing, which is
dependent on the time of the program, represents the main impediment for a properly functioning
startup ecosystem. In addition, lack of permanent funds for research and innovation is identified to
be a serious obstacle in such aspect. The current situation of the business ecosystem is presented
below.

Coordination among the various actors for an adequate functioning of the startup ecosystem is one of
top priorities that needs to be resolved in order to create and maintain a well-functioning
environment for startups and new businesses. Until recently there was no relevant institution
(ministry) fully dedicated to innovation and entrepreneurship that would be entirely responsible for
regulating such ecosystem and bridging actors towards an effective synergy. Other organizations had
to intensively engage in coordinating close cooperation among the actors, since the Ministry of
Innovation and Entrepreneurship has been recently established.

Continuous financial support for the fundamental startup activities also represents one of the main
challenges for a stable and sustainable ecosystem for the newly emerged businesses in Kosovo.
STIKK as the only sectorial association, and ICK as one of the best incubator models for ICT greatly
depend on international donator fund availability, which makes long-term planning very difficult.

Lack of funds is another challenge for startups in the field of ICT in Kosovo, since there are no
commercial or public channels that would allow and provide an easier access to finance for
investment in their startup business ideas. While several programs and projects funded by donor
organizations have provided periodical initial funds, lack of permanent financing programs is also a
major challenge that requires immediate addressing. Shortfall of such programs has made
development of research activities more difficult while they play the role of the critical catalysts of
innovation and development of new products and services. This as a result discourages creation of
startups ideas and new businesses. Relevant academic research is critical in encouraging startup
engagement, and such research is unfortunately rare in Kosovo. Even those that are actually
available are limited to a particular audience or startups have no access in them at all.

2.2.2. Primary Data Collection

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97 Ibid.
99 Ibid.
100 Ibid.
Survey Results: Start-up Barriers

Numerous startup characteristics and barriers have been identified through an analysis of responses from the questionnaire, each of which will be discussed in the further sections of the study.

1. Startup characteristics

Although the startup sample used for the survey is not a concise representation of the whole startup population in Kosovo, as it includes only startups located in the region of Prishtina, a lot of data that was revealed through interviews and discussions with various individuals (with expertise on such field) bolsters the survey results (as we will see further below). From a sample of 30 startups, 80.6% of them included male (co)founders, while only 19.4% were female (co)founders. Such result represents an evident issue of gender discrepancies in Kosovo. According to Hana Bacaj’s study in a research analysis “The Role of Women in the Economy of Kosovo,” the issue of differences in wages and representation of women in employment still remains prevalent in all aspects. This as a result negatively influences women’s ‘self-perception ability’ and makes them more risk averse and less willing to take initiatives and try challenging tasks, for instance starting a startup – as indicated by the low percentage rate of women startup founders.

![Figure 7. Sample Gender Demographics on Startups in Kosovo](image)

According to an article “Gender and Social Equality is at the heart of MFK projects” conducted by the Millenium Foundation Kosovo, participation of women in the labor market in Kosovo is the

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102 ibid.

[kosovo.rit.edu](http://kosovo.rit.edu)
lowest in the region and among the lowest in the world\textsuperscript{103}. As seen from the figure provided, we can relate such data with the first part of this study that aims to put emphasis on the improvement of social conditions through emergence of new innovative firms. Through encouraging women to engage more in the labor market, especially through heartening them in opening new businesses or starting their own startups by introducing various programs and undertaking numerous activities, it will help to reduce the issue of social inclusion and gender discrepancies in Kosovo. In addition, a study conducted by the Boston Consulting Group recently addressed such issue through an analysis of five years detailed data provided from the global network of enterprise accelerators, MassChallenge\textsuperscript{104}. The study claims that startups founded by women, although given less investment, they generate more revenue than men; for every dollar of funding, startups founded by women generate 78cents, while for men this number is only 31cents\textsuperscript{105}. The sample this study used consisted of 350 companies, in which 258 were founded by men, while only 92 were (co)founded by women\textsuperscript{106}. When turned into percentage rates, it is seen that 73.4\% were companies founded by men, and 26.6\% were founded by women – similar rates were also generated from my survey study. Additionally, the Boston Consulting Group study shows that investment in enterprises founded by men averaged at around more than twice than investment in enterprises founded by women, $2.1 million and $935,000 respectively\textsuperscript{107}. Nevertheless, despite such investment gap, startups (co)founded by women end up performing better through time, generating 10\% more revenue in a five-year period\textsuperscript{108}.

Considering such data, in terms of the Kosovo’s situation, by increasing the participation rate of women and encouraging them into founding new companies will be beneficial not only in the social aspect – decreasing gender discrepancies and enhancing the neglected role of women – but also in the economic aspect – generating more revenues and employment opportunities.

\textsuperscript{105} Ibid.
\textsuperscript{106} Ibid.
\textsuperscript{107} Ibid.
\textsuperscript{108} Ibid.
Despite the gender discrepancies, being a country with the youngest population represents a great advantage for Kosovo. As a country, being gradually shaped by its youth, 53% of the median age of Kosovars is under 30 years\(^\text{109}\). According to an article in Forbes, being a young entrepreneur has greater advantages in comparison to older entrepreneurs\(^\text{110}\). The article states that younger entrepreneurs are (1) already fairly poorly (a reality already existing in Kosovo considering the high poverty rates), (2) energy and motivation levels are at peak while at a younger age, (3) youngsters are more willing to take risks and (4) they have less responsibilities (family, children, bills, maintenance etc.)\(^\text{111}\). In an interview, the executive director of ICK, Uranik Begu, stated that what makes Kosovo attractive for startups is the fact that “Kosovo has the youngest population in Europe and possesses a great potential for anyone that would like to start a business, especially in tech. Youngsters are motivated, skilled, multilingual and eager to learn”\(^\text{112}\). Similar results can also be observed and interpreted through the data provided by the figure below.

![Figure 8. Sample Age Demographics on Startups in Kosovo](image)

As seen from the figure, 96.8% of the entire sample were founders under the age of 35 and above the age of 18. Such data supports the studies provided in the section above as well as the data introduced in the initial parts of this study.

Known as the Young Europeans, Kosovo’s youth is considered as Kosovo’s greatest treasure, however the high unemployment rates and the overall unemployment issues presented in the


\(^{111}\) Ibid.

beginning of this study, make it difficult to make a good use of our youth potential. Providing more opportunities for our youngsters to develop through facilitating a startup culture and creation of new businesses would have a tremendous impact in the economic development of the country. Ritchie and Swisher from the University of Notre Dame note that startups drive the creation of new jobs. In addition, Vivek Wadhwa, a distinguished fellow at Harvard, further continues stating that without startups there would be no net job growth in the United States economy. To bolster such view, a report by the Progressive Policy Institute recognized the imperative role of startups through indicating that startups are not only responsible for most net job growth, but job growth in private sectors i.e. new businesses, is much higher in economic regions where startup activity is high.

Taking into consideration these findings, fully utilizing the advantage of the young society into capacity building and job generation through startups and new business initiatives will contribute in generating employment and increasing revenues.

Further information regarding demographics will be provided in the Appendix D.

2. Startup Setup

When considering the positive potential of startups, it should be recognized that about 90% of the new startups fail in general. There are numerous significant reasons that explain why startups fail. These typically include: lack of initial experience, poor management team, market problems, business model failure, running out of cash (finances), poor marketing, no investor interest, legal challenges etc. When survey respondents were asked to identify their own characteristics with regards to their personal professional and academic experience, 61.3% of the startup founders stated they had professional experience prior to the launch of their startups. Such percentage indicates that the startup founders are already familiarized with the Kosovo market and can identify their strengths

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115 Ibid.

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and weaknesses, which in addition help them reduce the probability of the startup failures. In addition, almost 30% of the respondents had experience in starting-up an enterprise before they had launched or started their current startup. Consequently, this shows that most of the founders already know the critical barriers they will be faced with, and as such, it is easier to overcome such barriers when having prior knowledge and experience. Only 10% of the respondents had undergone own firm bankruptcy before initiating their current startup and only one respondent out of a 30 in total, had no experience in running a business, as could be further noted in the figure below. Moreover, from the same figure, it can be also inferred that almost 40% of the respondents have had/attended entrepreneurship classes in their universities and 23% have followed formal business training prior to the initiation of their startup. Additionally, besides their expertise, in the next figure it can be interpreted that the respondents were quite informed and had knowledge regarding the startup culture.
and entrepreneurship scene in Kosovo since 77.4% had a bachelor’s degree, 13% had finished their master studies and there was one respondent (3.2%) who had finished doctorate studies.

Given the data above, respondents were then asked about the main purpose behind establishing their companies. In order to support the statements in the first part of the study, regarding the fact that startups can generate effective solutions to various issues in support of social progress (social innovation), it is crucial to know the main objective and purpose of the startup and whether there is any relation between startups driving positive social change and their objectives while developing.

The reason behind startup establishments are listed in the figure below. Through analyzing the respondents’ responses, we see that almost 67.7% have founded a startup to generate high profits and 77.4% have done so in order to provide new innovative products/service within the society of Kosovo. This in turn can be highly related the contribution these startups make in the development of Kosovo. Depending on the innovation type which will be further elaborated in the next sections.
Kosovo can benefit either economically, socially or politically. In addition, almost 60% of the respondents stated that one of the reasons of creating their startup is because they want to drive social change throughout making use of the opportunities in Kosovo in terms of underdevelopment.

Being present while many of the startup founders filled in the questionnaire, I witnessed many comments which gave my research more insights into the topic. In this question in particular, many who ticked the last option, stated that underdevelopment in Kosovo should be seen from a rather positive perspective meaning that the country reveals itself as a ‘land of opportunities’ since there is so much potential to develop through bringing innovative solutions in the country with the purpose of fulfilling a need or resolving an issue.

![Figure 11. Purpose of setting upon an innovative enterprise](image)

Generally startups and new companies genuinely interested into solving real world problems have a very promising long-term profitability[^119]. In order to positively develop overtime, every business should not only deliver financial performance, but also demonstrate how they make a positive contribution to the society and thus revolutionize the idea of what ‘good business’ mean[^120]. This type of ‘recent phenomena’ is beneficial to both sides. Startups looking for funding want to promote their social impact idea in order to attract investors and customers[^121]; in this way they are generating funds to bring their ideas to life as well as making a positive contribution to their societies. In addition, according to an article by EtonDigital, a company based in London, brings to fore the essence and the shape it has been given recently through emphasizing that the rapid technology

[^120]: Ibid.
[^121]: Ibid.
development leads to a growing number of ambitious tech entrepreneurs whose main interest is to tackle upon social and environmental problems. We are already witnessing the revolution that software technology and 3D printing are bringing especially in the healthcare industry. When it comes to solving social challenges, ‘socially good’ businesses are scaling up in order to answer and address some of the burning problems in our society. In addition to the purpose of their startups, the respondents were asked whether they lived up to such purpose and thus provided any benefits to the society or the development of Kosovo in any aspect. That is through such question, I would be able to analyze the contribution rates towards improving Kosovo conditions in terms of the social changes that these startups bring. As indicated in the figure, 51.6% were affirmative that their startup does benefit the society through bringing or aiming to bring social change in Kosovo. Furthermore, approximately 23% stated that their startup benefits the society to some extent, whereas around 13% were not sure whether it benefits the society in any aspect or how it does so, meaning that there is the probability that the company might positively influence our society, however they are not sure or aware of such effect.

![Figure 12](image_url)

**Figure 12. Survey question: Does your innovation/company benefit the society or development of Kosovo in any aspect? Does it contribute into bringing any social change?**

If answered yes or to some extent, the respondents, in addition, were asked to specify the area in which their startup benefits the society or how such startup brings any positive change in any of the aspects. The answers of the respondents will be shown below for illustrative purposes of the impact startups (may) have in positively shaping the society. 66.6% of the founders answered the question:

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123 Ibid.
through indicating the impact of the product/service they provide. I will show two of the answers startup founders gave to illustrate the positive impact they have or in Kosovo.

“By providing employment opportunities, training, internships and partnership opportunities with other companies to reach common goals”

“The biz provided exporting opportunities for specialty wild and farmed ingredients foraged or farmed by local farmers. It certainly brings job creation, international outreach, personal and financial development etc.”

Although small scale, the survey results suggest that majority of the start-ups (66%) engage in improving the society or aim in doing so in a wide range of aspects namely through employment opportunities, training services, agriculture development, digital marketing, technological advancement, tackling environmental issues, market research strategies, economic knowledge, electronics, health sector and so forth.

3. Startup Barriers

This quantitative analysis of this study – based on survey results – examines Kosovo’s startup and entrepreneurship environment in terms of two integral factors, namely (1) access to finance and (2) institutional policy measures.

- **Startup Financial Resources**

For startups, funding is like a fuel. Getting the needed resources in order to develop an innovative idea and turn it into a successful business is challenging. According to the Business Climate in Kosovo Report “financial barriers are perceived to be among the most pressing issues by the

![Figure 13. Financial resource availability based on respondents’ perspective](image-url)
interviewed businesses”\textsuperscript{124}. They are among the key components of indicating whether a startup will succeed or fail. Based on the survey results, 34.4\% of the startup founders stated that financial resources available in Kosovo are insufficient. Due to lack of various programs and grants that generate financial capital for startups, the 34\% of startup founders classified the current financial resources as scarce. Whereas, the majority of the founders (62.5\%) indicated that financial resources are partially sufficient, and only one startup founder considered that such resources are sufficiently available in Kosovo. Moreover, despite the majority stating that financial resources are partially sufficient, access to these resources was considered difficult no matter the amount at which they are/were provided. 68.8\% considered access to financing in various institutions and organizations difficult and 31.3\% considered such process as normal, while in addition there wasn’t any founder that believed access to financing can be considered easy. Access to financing, as such, can be defined as a critical challenge or barrier towards development. Such issue showcases a situation where the startup founder applies for external financing (for instance a loan) and he/she is not granted such financing due to various reasons. Considering the proportion of startup failure discussed in the previous paragraphs (90\% of startups fail), startups struggle to find financial resources to create their firm because they are perceived as high-risk businesses. 16\% of the startuppers sought loans through banks, however they were never granted such loans and as a result, the

\textsuperscript{124}Nixha et. al., “Business Climate in Kosovo – A cross regional perspective” 2014. Riinvest Institute

\url{kosovo.rit.edu}
The majority of the founders had never sought bank loans due to these factors (the loan aspect will be further discussed in the upcoming paragraphs).

Under those circumstances, when asked about the type of equity financing startups have received since their business establishment, most of the startup founders (20 startups - 62.5%) were/are financed through their own funds, 12 (37.5%) had received government funds, 10 (33.3%) had received funds from NGOs, ICK and other companies. In relation to the difficulties in accessing financial resources from government institutions and different types of organizations, most of the founders in the startup sample financed their business through their own means and funds. Such data can be illustrated in the graphs below.

One interesting observation from being present while conducting the surveys as well as from the survey results was related to the banking sector. Most of the start-uppers that filled in the
questionnaire gave negative comments when it came to taking any loans from banks. One specific comment one of the founders gave was: “...as far away as possible from banks.” Almost 70% of the founders never sought any loans from any type of bank in Kosovo, while 15.6% who had actually sought loans from the bank were never granted such loans. One determinant factor of such phenomena can be the cost of financing imposed on startups as a result of high interest rates, which have made it too costly for founders to establish their startups or support the development of their firms\textsuperscript{125}. That is, high interest rates restrain firms from successfully developing their businesses and thus creating new job opportunities and increasing unemployment\textsuperscript{126}. According to the Business Climate in Kosovo Report, the high cost of financing is considered to be one of the largest obstacles with regards to the business environment in Kosovo\textsuperscript{127}. The figure supports these data, as it shows the majority not seeking any loans due to either high costs or difficult access to their resources.

![Figure 16. Seek of loans from banks or other financial institutions from the startup founders](image)

**Political Framework**

The effect of government, its institutions and the way they operate has been broadly noted in the first chapter of this study. The role of government and the political measures it takes with regards to developing the startup culture has a huge impact on startups’ and new businesses’ capacities towards improving the society and resolving country’s issues. The founders were firstly asked to rank from 1 to 5 whether information on innovation policies, public funds and government programs (beneficial for the startup) was easily accessed or found. 68.8% answered with 3 and 4, indicating that

\textsuperscript{125} Hasanaj, Petrit et al. “Banking system and its role in Kosovo’s economic development” *ILIRIA International Review* – Vol 7, No 1 (2017). PDF File


information on such categories was easy to access or find. In addition, almost 10% answered with 1,
showing that information was rather difficult to be accessed. In addition, the founders were also

![Bar chart showing accessibility of information](image)

*Figure 17. Accessibility of information on innovation policies, public funds and other government programs (1 - infers that information is easily accessed or found; 5 – infers that information is hard to find or accessed)*

asked to identify the ‘level of red tape’ imposed on their startups through regulations, rigid rules etc. The majority of the founders (62.5%) consider red tape to be at a normal level in Kosovo, 18.8% consider the ‘burden’ to be at a low level, whereas the other 18.8% consider such ‘burden’ to be at a high level. Here we can include the fast and easy business registration procedures, which can be considered as low-burden business regulation. However, if we consider taxes, startups in Kosovo have to pay the same amount of taxes as small businesses, which in this case can be considered a regulation burden (red-tape) imposed upon startups.

Lastly, governments establish policies and regulation that guide businesses. The strength or effectiveness of such policies will in return create the startup ecosystem. In addition, governments in startup economies have essentially played a critical role in developing a startup culture through
formulating better policies, reducing the tax burden, having developed infrastructure etc.\footnote{StartupBlink. “How Are Governments Influencing the Success of Their Startup Ecosystem?” StartUpBlink Blog, 7 Jan. 2019, www.startupblink.com/blog/how-are-governments-influencing-the-success-of-their-startup-ecosystem/}. They encourage a culture of innovation and research through programs and educational institutions, which result in increased standard of living and economies of their countries\footnote{Ibid.}.

When the founders were asked whether they were satisfied with the current national policy measures with regards to innovation and startups. From the results, it is seen that half of the founders from the sample are partially satisfied, 46.9% were not satisfied and only one indicated he/she is satisfied with government’s policy design and implementation. Such results indicate that the government is not encouraging a startup culture, instead it is discouraging one. As previously mentioned, although Kosovo may have good policies and regulations in place, it has weak implementation methods.

\begin{center}
\begin{tikzpicture}
    \fill[blue!20, fill opacity=0.5] (0,0) circle (2cm);
    \fill[red!20, fill opacity=0.5] (2,0) circle (2cm);
    \fill[yellow!20, fill opacity=0.5] (4,0) circle (2cm);
    \fill[orange!20, fill opacity=0.5] (6,0) circle (2cm);
    \node at (0,2) {46.9\%};
    \node at (2,2) {50\%};
    \node at (4,2) {\textbf{Not Satisfied}};
    \node at (6,2) {\textbf{Satisfied}};
    \node at (5,0) {\textbf{Partially Satisfied}};
\end{tikzpicture}
\end{center}

\textbf{Figure 18. Level of satisfaction with the current national policy measures in Kosovo}

\textit{Interview Results}

The interviews conducted with two successful startups that had gone through various challenges while developing in the Kosovo’s market provided quite interesting insights. One of the startups interviewed gave information which supported the literature review and survey results provided in this study, while the other conveyed some interesting barriers that were not mentioned or discussed throughout the study. The startups chosen had different backgrounds and introduced disruptive ideas through the innovation that they offer. They were tech companies whose impact of the product/service is significant with regards to Kosovo’s development. The idea behind the chosen startups to be interviewed is their success and the impact they have brought or might bring in Kosovo. By providing great examples on how startups have brought to the fore a very innovative
product/service in the society and how such product/service has greatly contributed in development in any of the fields.

One of the startups introduced an idea that is revolutionary in the field of higher education in Kosovo. As many of the other start-uppers, the Interviewee A had a bachelor’s degree as well as prior professional experience. The interviewee had a very small circle and knew only few people related to the industry he wanted to work on, but as he states “I was very determined”. During his journey he identified many ‘unknowns’ with regards to the industry, and as a result he joined an apprenticeship program in one of the private education institutions (not offered by the government) before he dedicated fully to establishing and developing the startup. The idea his startup introduced was building a plagiarism detection software in Albanian language. Despite him having no knowledge in software engineering and no idea on how to make profits out of such product, the only thing he had in mind was “…we need this in Kosovo and we must have it”. Although, he initially met with the Minster of Education (MEST) to discuss on potential opportunities to develop and engage this idea in the education system of universities, he turned down the ministry’s offer due to various reasons, however as the interviewee stated:

“…months later (after the meeting) the MEST developed a Strategic Plan for Education 2017-2022 in which there was a specific action devoted for preventing plagiarism. For the first time ever in Government related documents we could find plagiarism as a word but more importantly they took and integrated most of our comments in how they thought this problem should be solved”

Being an edtech (education and technology) company, the startup is entirely focused on the education system. The product mainly focuses in solving the wide spread plagiarism among higher educations and academia in general. However, the founder further stated that within their product they offer different features that try to improve student-professor interactivity, quality assurance within institutions and auditing qualitative information within an institution.

When discussing about the main challenges the interviewee and his startup team encountered, he answered that every startup faces hundreds of challenges on hourly, daily and weekly basis. However, he stated that the Kosovo market, more specifically the higher education market was “something we were not prepared for mentally, to be honest”. The startup got rejections of all sorts and had zero amount of money as a company, however according to him, the main challenge was not access to financing or design of policies, but instead culture and mentality. He bolsters such argument based on the fact that, as he states, most of the decision makers in the industry were raised
and educated under the communistic regime. As a result, the startup was faced with skepticism from the first day of the operations through constantly receiving negative feedback that the software was not accurate, lacked flexibility but most frequently they got the comment that the software did not have the ability to check documents for potential similarities from other languages. In addition, prejudice was evidently seen in the comments he provided:

1. “Young kids building complex things - impossible to happen in Kosovo”
2. “Paying young kids for an intangible thing - impossible”
3. “Software as a Service (SaaS) model is bad and this should be a national thing not in the hands of some hipsters”

Such aspect, which has not been discussed throughout the study, brings to light an interesting and crucial component in shaping Kosovo’s startup culture. Many young innovators and entrepreneurs might actually get discouraged when such a culture is setup. However, the startup I interviewed did not get discouraged at all, instead they wanted to prove themselves and build something unique. They worked intensively for almost a year until they launched the first version of the cross-language comparison feature. Additionally, while doing so they had unknowingly launched the second cross-language similarity algorithm globally, which was a game-changer not just for the startup but for the whole country as well.

The interviewee also did not neglect the lack of finances, applying for funds and other business-related challenges, but he also added that these problems are quite common in other countries as well, where startups have a high rate of failure and as a result is quite difficult to prove worthy of investment.

The other startup interviewed is also another startup that contributes in social change through providing a more convenient way of online shopping. Viewed from the innovative edge, such startup is very groundbreaking and one of its kind in the Balkan region, since it solves a problem that is quite new in this region but known already in European market. The startup offers virtual fit service to online shoe retailers so that customers get the right number and model of shoes while purchasing shoes online. The technology behind this service is new and early stage which ranks the startups among top 5 startups that offer this kind of service.

Additionally, the challenges that interviewee B unveiled were similar to the challenges provided in the previous sections. The main obstacle she identified is with regards to accessing financial means. As she stated “…for us also was hard applying for grants, finding the right mentorship and getting legal advices”. Specifically she addressed the issue of accessing grants from the government and
how hard is to get them. Moreover, she stated that they don’t even tell you the reasons why your application gets rejected (for the grant) in the first place. On the other hand, grants from embassies, agencies and NGO’s represent an easier and more convenient way to access financial resources she further noted.

PART III

3.1. International best practices in start-up policy and support structures

Having identified the main challenges in the startup ecosystem through the previous chapters, the study will now focus on the opportunities Kosovo can create while developing its startup culture through looking at the international actors. By looking at various countries’ progress in terms of their startup environment, Kosovo can grab new opportunities by imitating best practices in innovation and entrepreneurship. Instead of looking at various prevalent issues in Kosovo as only issues, one can instead see them as opportunities that provide room for innovation and improvement while simultaneously driving social change within the country. Transforming these issues into opportunities will not only allow startups and new businesses a wide range of prospects upon which they can thrive, but will also benefit the society in all three aspects namely economic, political and social. Therefore, this paper will briefly analyze the startup culture in Macedonia (as a neighbor country with a similar startup situation), Croatia (medium development of the startup culture) and Germany (with a more advanced startup and innovation setting).

Macedonia

Macedonia’s government has its own “Self-Employment Program” which it funds and manages through the Agency for Employment and Agency for Entrepreneurship Promotion (AP-PRM)\textsuperscript{130}. The program began in 2007, where on an annual basis approximately 500 unemployed individuals register their own startups\textsuperscript{131}. When an unemployed individual joins APPRM through the voucher scheme they provide, the individual can receive 100% free of charge consultancy services that will help develop a business plan and support in registering the startup, therefore all the costs with regards to the consultants are paid by the APPRM. Business training, free of charge business plan, and a grant of 3000 euros to start up the business are all services provided by the APPRM for the

\textsuperscript{130} Ministry of Trade and Industry. “Start-Up Businesses and Business Support Services for Start-Ups In Kosovo.”
\textsuperscript{131} Ibid.

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young entrepreneurs. The consultants used for training modules and services are deliberately selected from APPRM database of internally certified experts\textsuperscript{132}.

\textit{Croatia}

In Croatia, the business environment is characterized by the Ministry of Entrepreneurship and Crafts (MEC) and BICRO agency that constantly provide support to startups. Ministry of Entrepreneurship and Crafts has one governmental program that financially supports startup projects and various other undertakings through an annual budget of 0.77 million. The Ministry in addition is responsible for supporting new businesses and young companies with at least 2-3 years of existence, through a budget of 2 million. On the other hand, BICRO has some additional characteristics of supporting innovative undertakings of businesses and startups, however financial resources provided are scarce. Furthermore, the RAZUM program ensures initial funding of newly established knowledge based companies, as well as funding research and development of new products for services in the contemporary businesses. The Croatian Business Angel Network (CRANE) represents a network of members (private investors) who support startups through equity investments with focus being specifically innovative projects and new business ideas.

\textit{Germany}

The Federal Ministry of Economics and Technology has established the EXIST program which is a university-based business startup support program, whose objective is to improve the entrepreneurial environment at universities and research centers. The program aims to increase the number of technology and knowledge based business startups. This program is part of the German government “High-Tech Strategy for Germany” and is co-financed by the European Social Fund.

The EXIST business startup grant supports the preparation of innovative business start-up projects in universities and research institutions. This type of grant aims to help scientists, university graduates and students to develop their business ideas into business plans and to advance their ideas into profitable products and services. In addition, to cover their living expenses, the grantees receive grants between 800 euros to 2500 euros per month, depending on their degree (for a maximum period of 12 months). Through this program, startups receive materials and equipment (with a value of 10000 euros for solo startups and 17000 euros for team startups), funding for trainings (around 5000 euros), and if necessary child benefits of 100 euros on a monthly basis. The university and non-

\textsuperscript{132} Ibid.

\url{kosovo.rit.edu}
university research centers offers startups and new businesses access to infrastructure during their pre-startup stage as well as provides technical and startup related assistance.

Recommendations

In summary, key recommendations for government policy in fostering entrepreneurial ecosystems are:

1. Making entrepreneurial activity one of the most important government priorities. Developing effective policies for entrepreneurial ecosystems needs active involvement of Government Ministers and cooperation with senior public servants who will help in shaping and empowering policies and programs.

2. Make sure that government policy is broadly focused – policy should be developed in such way that in encompasses all entrepreneurial components of the ecosystem rather than seeking to ‘cherry pick’ areas of special interest.

3. Giving more focus on human and intellectual capital – education, formal training and other support structures to provide high skilled workers and thus more chances for successful entrepreneurial activities. Incorporating entrepreneurship and innovation classes from early stages of education is critical in establishing a startup culture. Improving skills is also one of the most important ways to increase the level of innovation, productivity and economic growth.

4. Reactivating Business Incubators and initiating and establishing Innovation and Entrepreneurship Centers in the main regions in Kosovo (not only in Prishtina) in order to further contribute on preparing startups from the initial incubation phase until the operating in the market phase.

5. Provide space for natural growth not only top-down solutions – build and innovate from existing industries which have formed naturally within the region or country rather than seeking to create new industries for which it is difficult to adapt to.

6. Innovation policy should support all types and stages of innovation in order to become more effective. Facilitating post-graduated start-ups is critical since at the moment the institutional landscape in support of start-ups and MSMEs in Kosovo is quite empty. Creating university programs that support their graduates through helping them establish their startups and provide mentorship programs that facilitate every stage of the startup.
Conclusion

The aim of this research study was to investigate the startup ecosystem and entrepreneurship environment in Kosovo through analyzing their situation and the conditions in which they operate. The project addressed challenges and opportunities of startups and new businesses in Kosovo and how they could be seen as one of the main tools to drive economic, political and social change through benefiting the society in various aspects. The study aims to emphasize the imperative role of startups and instead of viewing startups and issues as two different aspects, we can correlate the two, and ‘use’ startups to overcome these issues, namely innovate in areas where the most critical issues are prevalent in our society. The first objective of this study was to pinpoint the current economic, political and social situation and conditions in Kosovo while introducing the main issues that come along with such aspects. The second objective was to relate such issues to startups and introduce the idea of startups contributing into overcoming such issues mostly through providing evidence from research and various types of data. And lastly the third objective of this study was to provide examples from other countries through providing insights about their innovation and startups environment.

The study therefore is composed of three main chapters, where each address and analyze various segments of innovation, startup and business culture in Kosovo. The first part namely overview of literature presents a critical assessment towards current knowledge on entrepreneurship through incorporating substantive findings as well as theoretical and methodological contributions related to this particular topic. It introduced and explained the main concepts that would be later used or implied throughout the whole project. The second part is a combination of both primary and secondary data used to bolster the points and ideas presented in each section. They all accentuate the importance of nurturing an entrepreneurship ecosystem as an economic imperative to restructure the way of doing business in Kosovo in order to revolutionize and build sustainable solutions for various sectors. From the findings, it can be concluded that although there are numerous policies in place and objectives to be achieved by the government, such terms remain only on paper as they are nowhere to be implemented. Even the small percentage of successful policies or any undertaken activity for the benefit of the startup is not recognized or analyzed due to lack of monitoring mechanisms. In addition there are numerous issues with regards to startups such as gender discrepancies, youth potential, level of education, lack of incentive and training programs, access to finance and political framework. The last two were discussed in more details through the quantitative information generated from the survey questions. It was concluded that access to
financing is categorized as being partially difficult and that policy measures are not sufficient or do not function in the favor of the startups. Such issue could be resolved through encouraging and fostering a more active startup environment.

Lastly, an analysis of three different states was provided, all of which had better performing entrepreneurial ecosystems. Through the form of a short comparative study, this part aimed to broaden our thinking about startup functionality. Through answering questions “How have others dealt with this kind of challenge/issue complexity? What is a good way to promote startup culture” How are different use cases accounted for?” etc. this showcased how real life examples handled the same situation.

Altogether, the immense capacity that startups have into alleviating numerous issues should be greatly recognized and addressed. While it is difficult to completely revolutionize the startup culture and immediately encourage government action, there are certain actions that can be taken to increase the importance of startups and their impact on the society. As a result, in addressing this issue, I will provide some recommendation on some certain action that help improve the innovation landscape in Kosovo.
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**Appendices**

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Appendix A - Interview Questions

1. What is your gender?
   a. Male
   b. Female
   c. Other
   d. Prefer not to say

2. What is your age?
   a. Under 18
   b. 18 to 24 years old
   c. 25 to 34 years old
   d. 35 to 44 years old
   e. Over 45 years old

3. What is the highest degree or level of school you have completed?
   a. Less than a high school diploma
   b. High school degree or equivalent
   c. Bachelor’s degree (e.g. BA, BS)
   d. Master’s degree (e.g. MA, MS, Med)
   e. Doctorate (e.g. PhD, EdD)
   f. Other (please specify)

4. What is your current employment status?
   a. Employed full-time (40+ hours a week)
   b. Employed part-time (less than 40 hours a week)
   c. Unemployed (currently looking for work)
   d. Unemployed (not currently looking for work)
   e. Student

5. Characteristics of the founder – please tick all applicable
   □ I had professional experience prior to the launch of my start-up
   □ I had experience in the economic activity before starting my enterprise
   □ I had experience starting-up an enterprise before starting the current one
   □ I had undergone own firm bankruptcy before starting the current enterprise
   □ I have followed formal business training
   □ I have had university entrepreneurship classes

6. What is the current ownership/equity situation:
   a) sole proprietorship
   b) partnership with few other individuals
   c) limited liability company, not publicly traded
   d) limited liability company, publicly traded
   e) other
7. What drove you to set upon an innovative enterprise (purpose)?
   a) Creating a successful business with high profitability
   b) Creation of innovative products/services
   c) Putting university research into practice
   d) Finding employment
   e) Driving social change in Kosovo – opportunities to develop in Kosovo

8. What did you find difficult when starting up your enterprise (multiple answers possible)?
   a) To get financing
   b) To establish contacts with customers
   c) To price my goods/services
   d) To find suitable premises
   e) To use information technology effectively
   f) To deal with legal/governmental/administrative matters (registration, taxes etc.)
   g) Other entry barriers (Please Specify)

9. What type of equity financing has your enterprise received since (and including) start-up (tick all applicable):
   a) only founder’s own funds
   b) funds from spouses or life partners
   c) funds from other family members
   d) funds from other individuals excluding business angels
   e) other companies
   f) government funds
   g) Programs of public financing
   h) venture capitalists
   i) business angels
   j) other

10. Did the enterprise since its start use any of the following debt financing options (tick all applicable):
    a. credit cards issued in the name of the enterprise
    b. business loans from a commercial bank
    c. business loans from a non-bank financial institution
    d. business loans from family or friends of the owner
    e. business loans from an owner or a life partner of them
    f. loans from employees that are not owners
    g. loans from government agencies
    h. loans from other businesses
    i. business loans from other persons not associated with the enterprise’s management
    j. other sources
    k. no it did not use any debt financing option

11. Access to financing for firms in your situation is considered:
    a) easy       b) normal       c) difficult
12. After firm start-up until now, have you sought (tick all applicable):
   □ Personal loans from family and friends successfully
   □ Personal loans from family and friends unsuccessfully
   □ Personal loans from other individuals outside the firm successfully
   □ Personal loans from other individuals outside the firm unsuccessfully
   □ Personal loans from banks or other finance institutions successfully
   □ Personal loans from banks or other financial institutions unsuccessfully
   □ Other financing sources

13. Loans from banks or other financial institutions (debt) was:
   a) never sought
   b) sought but not granted once
   c) sought and not granted more than once
   d) sought and granted once without guarantee by others
   e) sought and granted once with a guarantee by others
   f) sought and granted more than once without a guarantee
   g) sought and granted more than once with a guarantee

14. Loans from banks or other financial institutions were:
   a) never sought
   b) granted and considered cheap
   c) granted and considered adequate
   d) granted and considered expensive
   e) never granted although sought

15. During the next 3 years, the enterprise will:
   a) need no financing – able to perform on its own through revenues
   b) seek mainly loans from owners, employees, friends or family
   c) seek mainly loans from banks or other financial institutions
   d) seek mainly financing from owners, employees, friends or family against equity given to them
   e) seek mainly financing from others against equity
   f) prepare or execute an initial public offering on the stock market

16. What percentage of gross sales income of the enterprise is likely needed in the next 3 years to service the debt (interest plus repayment):
   a) none  b) 1 to 5%  c) 5 to 10%  d) 10 to 30%  e) more

17. With easier and/or cheaper access to finance, would your enterprise, during the next 3 years, grow:
   a) as it will anyway
   b) faster
   c) much faster
   d) survive, which under present conditions most likely will not
18. The “red tape” (burden imposed upon your enterprise; excessive regulation or rigid conformity to formal rules that hinders or prevents action or decision-making) is considered:
   a) little     b) normal     c) high

19. Financial resources available are:
   a) sufficient     b) partial     c) insufficient

20. Do you consider your enterprise to be innovative with respect to any of the following categories?
   a) A new good or service introduced to the market (product innovation)
   b) A new production process or method (process innovation)
   c) A new organisation of management (organisational innovation)
   d) A new way of selling your goods or services (marketing innovation)

21. What problem does your product solve/market need does it fill?

22. Is your startup actually solving a problem (social, political, economic) or creating a gain?

23. Does your innovation/company benefit our society or development of Kosovo in any aspect? Does is contribute to bringing any social change?

24. How are you satisfied with the current national policy measures regarding innovation and start-ups in Kosovo and its promotion?
   a) Satisfied     b) Partially satisfied     c) Not satisfied

Appendix B – Interview Questions

“Challenges and Opportunities in Startup Innovation and Entrepreneurship as tools towards a Knowledge Based Economy: The Case of Kosovo”

- **Brief Description**: This project has the intention to emphasize the critical importance that startups and new innovative businesses have in Kosovo (as they mostly receive little
attention). Through analyzing some startups that managed to successfully bring a new products/services in Kosovo, I will be able to emphasize their imperative role in our society and how through startups/businesses we can overcome numerous societal issues in various fields.

Interview Questions

1. What is your educational background and professional experience prior to your startup (High School Diploma, Bachelor, Master etc)?

2. When did you start your startup and what drove you to set upon an innovative enterprise (purpose) – e.g. to make profits, you saw an opportunity to develop in a particular field, fulfill a need etc.?

3. Does your startup bring any innovative or positive change in Kosovo and if yes what field?

4. What were the main challenges you encountered before initiating your startup (for example finding funds or applying for grants or any other challenge) and what are some of the challenges you faced in the first steps or any challenge you are facing now?

5. What type of financing has your enterprise received since (and including) start-up and how hard was to access such funds (e.g. founder’s own funds, funds from spouses or life partners, funds from other family members, funds from other individuals, other companies, government funds, programs of public financing etc.)?

6. What problem does your product solve/market need does it fill (if it does so)?

7. Was access to financing easy – being informed about grants from ministries or other institutions?

8. How are you satisfied with the current national policy measures regarding innovation and start-ups in Kosovo and its promotion? To your knowledge, are various organizations and political institutions actively involved in helping out start-ups to develop to successful businesses?

If you have any additional concern, idea or anything else you want to share for your startup/business or the conditions in which startups/business operate in Kosovo in general (that is not mentioned
through the questions) please feel free to add anything, as any additional information with regard to such topic is helpful for my project.

Appendix C – Informed Consent Form

RIT Kosovo

Title of Project: Challenges and Opportunities in Startup Innovation and Entrepreneurship as tools towards a knowledge-based economy: The Case of Kosovo

Principal Investigator: Xheneta Sopjani, RIT Kosovo Student

Rruga Leka I Madh
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1. Purpose of the Study: The purpose of this research project is to identify the main obstacles which prohibit the growth of startups and development of entrepreneurship in Kosovo as well as identify the social change driven by the startup

2. Procedures to be followed: You will be asked to answer 8 questions during this interview.

3. Duration: It will take 20-30 minutes to complete the interview.

4. Statement of Confidentiality: Your participation in this research is confidential. The data will be used only for a research project as part of a course.

5. Voluntary Participation: Your decision to be in this research is voluntary. You can stop at any time. You do not have to answer any questions you do not want to answer.

You must be 18 years of age or older to take part in this research study. If you agree to take part in this research study and the information outlined above, please sign your name and indicate the date below.

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You will be given a copy of this form for your records.

______________________________  _______________________
Participant Signature           Date
Appendix D – Other Survey Results

**Question 4: What is your current employment status?**

- Employed full-time (40+ hours a week) – 46.9%
- Employed part-time (less than 40 hours a week) – 43.8%
- Unemployed (currently looking for work) – 0%
- Unemployed (not currently looking for work) – 0%
- Self-Employed – 0%
- Student – 0%

**Question 6: What is current ownership/equity situation of the startup?**

- Sole proprietorship – 37.5%
- Partnership with few other individuals – 0%
- Limited liability company, not publicly traded – 12.5%
- Limited liability company, publicly traded – 46.9%
Question 13: Loans from banks or other financial institutions (debt) was:

- 55.6% Never sought
- 12.5% Sought but not granted once
- 15.8% Sought and not granted more than once
- 9.4% Sought and granted once
- 9.4% Sought and granted more than once

Question 14: During the next three years, the enterprise will:

- 46.9% Need no financing – able to perform on its own through revenue
- 25% Seek mainly loans from owners, employees, friends or family
- 9.4% Seek mainly loans from banks or other financial institutions
- 9.4% Seek mainly financing from owners, employees, friends or family against equity
- 9.4% Seek mainly financing from others against equity

Question 17: With easier and/or cheaper access to finance, would your enterprise, during the next 3 years, grow:

- 40.6% as it will anyway
- 34.4% faster
- 21.9% much faster
- 0% survive, which under present conditions most likely will not
Question 20: Do you consider your enterprise to be innovative with respect to any of the following categories?

Appendix E

Startup founders’ answers regarding their startup impact in Kosovo

“Employment, awareness of marketing and related concepts and more”

“It aims to alleviate the financing aspect of new enterprises”

“Lowering unemployment rate, increasing standard living life, improve life”

“We are bringing a new way of online entertainment, in the era of fake news, we show just the positive sides of the world. Our goal is to entertain our viewers as much as we can, we create content that people want to see after a long and tired day at work.”

“We use Augmented Reality technology to develop our products and hence we think that it will help or contribute mostly in tourism”

“Increase awareness about air pollution and filter the air”

“Simplicity”

“Young people”

“New way of market research”
“The impact of real estates for developing the economy of Kosovo”

“Better economic knowledge of the state! To be put in map and competition with international products and goods”

“Hopefully an example for others to pursue building companies in the hardware and consumer electronics industry”

“We hire and train young people so that gives a small help to our big unemployment problem”

“It increases and improves the overall lifestyle of the society by introducing an innovative way of digital marketing”

“It makes it easier to access medical data”

“The products that are created by us are used every day for different purposes by several age groups, which makes the everyday life of humans much easier and cooler”

“Make online shopping easier”

“The process of cultivating agricultural products.”