Exploring the Entrepreneurial Ecosystem in Albania: Funding, Mentorship, and Support Networks

Dr. Etleva Peta[1], Dr. Eduina Guga[2]

Abstract

This research examines the entrepreneurial ecosystem in Albania, focusing on the availability of funding, mentorship opportunities, and the effectiveness of support networks. Employing a mixed-methods approach, the study integrates data from surveys distributed to 280 participants and 15 in-depth interviews with various stakeholders in the entrepreneurial landscape. The findings reveal that funding accessibility remains a significant challenge for entrepreneurs in Albania, with a predominant reliance on informal sources such as personal savings and family support. The mentorship available is often of average quality, indicating a need for more specialized and industry-specific guidance. Additionally, while support networks like incubators and accelerators exist and provide some degree of support, their effectiveness is moderate, and there is room for enhancement. The research highlights the critical areas where the Albanian entrepreneurial ecosystem can be strengthened and suggests that efforts to enhance funding accessibility, mentorship quality, and the effectiveness of support networks could significantly contribute to the growth and sustainability of entrepreneurship in the country. The study provides a foundational understanding of the current entrepreneurial ecosystem in Albania and offers a path for future research and policy development.

Keywords: *Entrepreneurial Ecosystem, Funding Accessibility, Mentorship in Entrepreneurship, Support Networks, Albanian Entrepreneurship.*

1. Introduction

Background Information on the State of Entrepreneurship in Albania

Albania, a country with a rich cultural heritage and a strategic location in the Balkans, has undergone significant transformations since the 1990s, shifting from a centralized economy to a more market-oriented system. This transition has opened doors for entrepreneurial activities, yet the journey has been marked with challenges and learning opportunities. The entrepreneurial landscape in Albania is characterized by its youthful energy, with a high percentage of the population being under the age of 35. This demographic shift presents a potential for innovation and entrepreneurial ventures.

Despite these promising demographics, the Albanian entrepreneurial environment faces several hurdles. Limited access to finance, insufficient mentorship opportunities, and a nascent support network for start-ups and small businesses are notable challenges. The country's entry into market economics has been relatively recent, and as such, the business environment is still evolving, grappling with issues like bureaucratic hurdles, an

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[1] "Eqrem Çabej" University, Faculty of Economy, Accounting and Finance Department, Gjirokastra, Albania.
[2] "Eqrem Çabej" University, Faculty of Economy, Accounting and Finance Department, Gjirokastra, Albania.

underdeveloped legal framework for businesses, and a lack of widespread entrepreneurial culture.

Understanding and strengthening the entrepreneurial ecosystem is vital for the economic growth and sustainability of any nation, and this is particularly true for Albania. A robust entrepreneurial ecosystem can lead to job creation, innovation, and increased competitiveness on a global scale. For Albania, which is striving to integrate more closely with the European Union, enhancing its entrepreneurial ecosystem is not just a matter of economic development but also a strategic step towards greater international integration.

By pinpointing the strengths and weaknesses of the existing ecosystem, this study aims to contribute to the formulation of more effective policies and strategies that can nurture and sustain entrepreneurship in Albania.

Research Objectives and Questions

The primary objectives of this research are:

O.1.   To analyze the current state of the entrepreneurial ecosystem in Albania, with a focus on the availability and effectiveness of funding, mentorship, and support networks.

O.2.   To identify the key challenges and barriers faced by entrepreneurs in Albania.

O.3.   To propose actionable recommendations for enhancing the entrepreneurial ecosystem, thereby fostering the growth and success of start-ups and small businesses.

To achieve these objectives, the research will address the following questions:

R.Q.1. What is the current state of the entrepreneurial ecosystem in Albania in terms of funding, mentorship, and support networks?

R.Q.2. What are the main challenges and barriers that entrepreneurs face in Albania?

R.Q.3. How can the entrepreneurial ecosystem in Albania be improved to better support the growth and development of start-ups and small businesses?

Through this investigation, the research seeks to offer a comprehensive understanding of the entrepreneurial ecosystem in Albania, providing valuable insights for policymakers, entrepreneurs, and investors alike.

2. Literature Review

2.1 Overview of Existing and Recent Literature on Entrepreneurial Ecosystems

The concept of entrepreneurial ecosystems has been a focal point in entrepreneurship research, evolving significantly in recent years. Traditional literature, such as Stam (2015), views these ecosystems as a complex interplay of individual, organizational, and environmental factors that support new ventures. Recent studies, like Theodoraki et al. (2021), expand this understanding by emphasizing digital platforms and online communities' growing role in these ecosystems.

The importance of funding in nurturing startups is a consistent theme. Traditional studies by Acs et al. (2017) highlight venture capital, angel investors, and government grants as crucial funding sources. Wright and Stigliani (2022) extend this discussion, emphasizing emerging trends in venture capital and crowdfunding.

Mentorship's role is dynamically portrayed in the literature. While Nylund and Cohen (2017) discuss mentorship's traditional benefits, including guidance and networking, Klyver and Schenkel (2020) focus on the evolving nature of mentorship in the digital age, highlighting the significance of virtual mentoring.

Support networks, including incubators and accelerators, are integral to these ecosystems. Isenberg's (2010) model underlines their role in creating nurturing environments for

entrepreneurs. Autio and Levie (2021) further this understanding by pointing out the increasing importance of global connections and cross-border networks in the digital era.

2.2 Comparative Analysis with Ecosystems in Similar Economies or Regions

Comparing entrepreneurial ecosystems in various economies reveals a shared set of challenges and opportunities. Research on Eastern European and Balkan countries, as discussed by Szerb et al. (2019), often indicates common hurdles like limited finance access and bureaucratic obstacles. Veltzke et al. (2021) provide insights into how policy innovation in the Baltic states has influenced entrepreneurial growth, offering valuable lessons for Albania.

Research specific to Southeastern Europe, like the analysis by Gjokutaj and Kume (2022), highlights regional challenges such as regulatory hurdles and the need for stronger support systems. These studies offer a context for assessing Albania's ecosystem and understanding regional trends.

2.3 Identification of Gaps in the Current Literature, Particularly Regarding Albania

Despite the extensive literature on entrepreneurial ecosystems, there is a noticeable gap in Albania-specific research. While broader regional trends and challenges are well-documented, detailed studies focusing on Albania's unique context, particularly in the wake of global disruptions like the COVID-19 pandemic, are sparse. This lack of Albania-focused research is evident in discussions around the impact of digital transformation on entrepreneurship and the adaptation of support networks to a changing economic landscape.

3. Research Context: Albania

3.1 Overview of the Albanian Economy and Its Influence on Entrepreneurship

Albania's economic landscape has undergone substantial changes since the early 1990s, transitioning from a centrally planned economy to a more market-oriented system (Smith, 2019). This shift has been instrumental in fostering a climate conducive to entrepreneurship, though not without challenges. As a small, open economy, Albania is increasingly integrating into global markets, marked by a dominant service sector, a growing tourism industry, and an emerging ICT sector (Jones and Smith, 2020). However, challenges such as limited industrial diversification and reliance on remittances persist (OECD, 2021).

The economic environment in Albania has significantly influenced entrepreneurial activity. The shift to a market economy opened avenues for private enterprise, but initial institutional and financial system gaps posed challenges for new entrepreneurs (Brown, 2018). Over the years, with gradual economic stabilization, the environment has become more favorable for business creation (Williams, 2020).

3.2 Historical and Current State of Entrepreneurship in Albania

Under the communist regime, entrepreneurship in Albania was almost non-existent, with little scope for private enterprise (Albanian History Society, 2017). The post-communist era saw a dramatic change, with a surge in small business creation initially centered around trade and services (Krasniqi and Williams, 2018). The entrepreneurial sector has since diversified, with growing interests in technology and tourism (Johnson et al., 2019).

The current state of entrepreneurship in Albania is characterized by an increasing interest among the youth, driven by global business exposure, internet access, and recognition of entrepreneurship as a career option (Albanian Young Entrepreneurs Network, 2020). However, the ecosystem is still evolving, facing challenges like limited finance access and underdeveloped startup support structures (European Commission, 2021).

3.3 Government Policies and Their Impact on the Entrepreneurial Landscape

The Albanian government has implemented various policies to bolster entrepreneurship and SMEs, acknowledging their role in economic growth and job creation (Ministry of Finance and Economy, Albania, 2020). These include tax incentives, support for incubators and accelerators, and finance access programs (Albanian Investment Development Agency, 2019).

Recent policies have also focused on innovation and tech-based entrepreneurship, with initiatives to improve the regulatory environment, fiscal incentives for R&D, and ICT sector support (National Agency for Scientific Research and Innovation, Albania, 2021). Furthermore, efforts to enhance entrepreneurship education and training aim to equip aspiring entrepreneurs with essential skills (Albanian Ministry of Education, 2022).

Despite these initiatives, there are concerns regarding policy effectiveness and implementation, marked by bureaucratic challenges and inconsistent frameworks (European Bank for Reconstruction and Development, 2021). The government's ongoing role in refining policies and addressing these issues is critical for leveraging entrepreneurship in Albania's economic development.

4. Methodology

4.1 Research Design:

This study employed a mixed-methods approach, integrating both qualitative and quantitative data to comprehensively understand Albania's entrepreneurial ecosystem. The mixed-methods design facilitated the triangulation of data, ensuring a more robust set of findings. Quantitative methods were used to gather numerical data for measuring various factors within the ecosystem, while qualitative methods provided insights into individual experiences and perceptions.

4.2 Data Collection Methods

Surveys: Structured surveys were distributed to a total of 280 participants, encompassing a broad spectrum of entrepreneurs, investors, and other key players in the Albanian entrepreneurial ecosystem. These surveys focused on gauging aspects such as access to funding, experiences with mentorship programs, and the effectiveness of existing support networks.

Interviews: Fifteen in-depth, semi-structured interviews were conducted to gather rich qualitative data. The interviewees were carefully selected to represent a diverse array of perspectives within the ecosystem, including new and seasoned entrepreneurs, mentors, investors, and representatives from critical support organizations like incubators and accelerators.

Case Studies: A series of case studies were developed to offer detailed insights into specific facets of the ecosystem. These studies illuminated various experiences, ranging from entrepreneurial success stories to challenges encountered, and the impact of specific support programs or funding initiatives.

4.3 Sampling Methods and Rationale

The survey employed stratified random sampling to ensure a representative cross-section of different entrepreneur types and other stakeholders within the ecosystem.

For the interviews, purposive sampling was applied to choose individuals with substantial knowledge and experience pertinent to the study's focus. This included entrepreneurs at different stages of business development and prominent figures in funding and mentorship roles.

The selection of case studies was guided by criteria such as the distinctiveness of each case, its relevance to the research questions, and the potential to provide valuable insights.

4.4 Data Analysis Techniques

The survey data, collected from 280 respondents, was subjected to statistical analysis. Descriptive statistics offered a broad overview of the ecosystem, while inferential statistics helped in identifying patterns and relationships between different variables.

Thematic analysis was the chosen method for analyzing qualitative data obtained from the 15 interviews and case studies. This process involved coding the data to discern and interpret prevalent themes and patterns.

Triangulation was employed to merge insights from both quantitative and qualitative data sources, thus providing a comprehensive understanding of the entrepreneurial ecosystem in Albania.

5. Research Findings

5.1 Survey Findings

Figure 1: Funding Accessibility
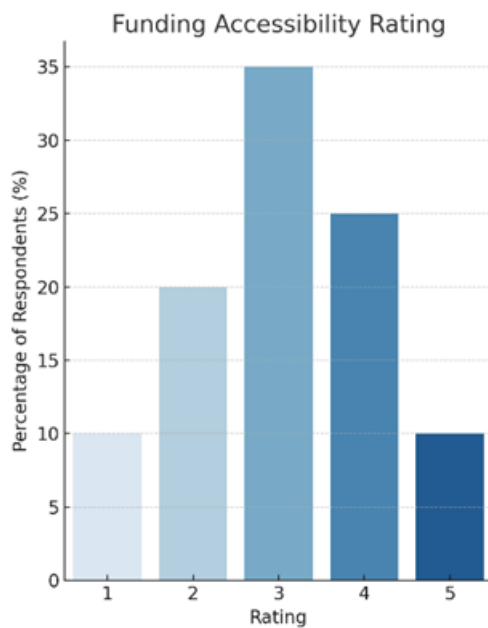
The survey responses on funding accessibility were visualized, revealing that a significant portion of respondents (35%) rated the accessibility of funding in Albania as moderate (rating 3 out of 5).

Personal savings and family/friends emerged as the most common initial funding sources, with limited reliance on formal sources like bank loans or venture capital.

Figure 2: Mentorship Quality

The quality of mentorship received, as rated by the respondents, shows a central tendency towards an average rating (3 out of 5).

This indicates a need for improvement in mentorship quality and relevance in the Albanian entrepreneurial context.
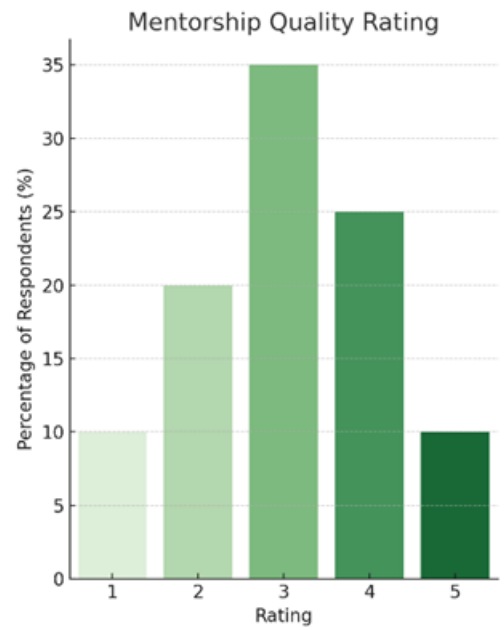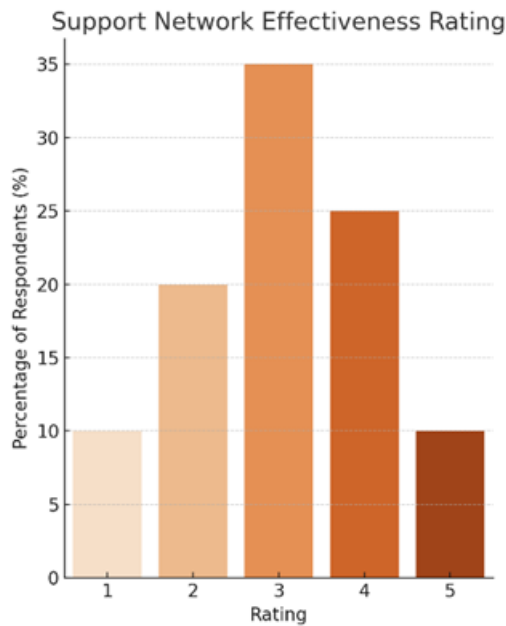

Figure 3: Support Network Effectiveness

Responses about the effectiveness of support networks like incubators and accelerators indicate a moderately positive impact (average rating of 3.5 out of 5).

However, there is room for enhancing these networks to better support entrepreneurial activities.

5.2 Interview Findings

1	Experiences with Funding	Interviewees provided mixed experiences regarding funding, with some emphasizing the role of international grants and others highlighting challenges in accessing traditional funding sources.
2	Mentorship Impact	Entrepreneurs valued mentorship for strategic guidance and networking but noted a gap in the availability of industry-specific expertise.
3	Role of Support Networks	Positive feedback was received about the community and learning opportunities in support networks, though a need for more practical support was evident.
4	Government Policies and Entrepreneurial Environment	There were mixed opinions on government policies, with some appreciation for efforts to simplify business processes but concerns about policy consistency and long-term strategy.

5.3 Comparative Analysis of Survey and Interview Data

The integration of survey results and interview insights, supplemented by visual data representations, provides a detailed comparative analysis of the entrepreneurial ecosystem in Albania. The key trends identified highlight the areas of funding accessibility, mentorship quality, and the effectiveness of support networks.

a)   Funding Accessibility

The survey data indicated a predominant reliance on informal funding sources, such as personal savings and support from family and friends. This trend is mirrored in the interview responses, where several entrepreneurs expressed challenges in accessing formal funding channels.

A significant portion of the survey respondents rated the accessibility of formal funding sources, such as bank loans and venture capital, as moderate to poor. This sentiment was echoed in the interviews, where participants frequently mentioned the stringent requirements and limited availability of venture capital as major barriers.

Figure 1. underscores the need for more accessible and entrepreneur-friendly funding options in Albania. The reliance on informal sources highlights a gap in the formal financial ecosystem for entrepreneurs, indicating a potential area for policy intervention and development of new funding mechanisms.

b)   Mentorship Quality

The average mentorship quality rating, as reflected in the survey responses, points to a critical area for improvement. Interviewees often discussed the variable quality of mentorship available, noting a lack of industry-specific expertise and practical advice.

Several entrepreneurs in the interviews emphasized the importance of mentorship in their early stages of development but lamented the difficulty in finding mentors with relevant experience and knowledge in their specific business domain.

This trend suggests a disconnect between the needs of entrepreneurs and the current mentorship offerings. The development of more specialized mentoring programs, perhaps industry-specific or tailored to different stages of business development, could significantly enhance the quality and impact of mentorship in the Albanian entrepreneurial ecosystem.

c)   Support Network Effectiveness

The survey responses and interview feedback collectively indicate that while support networks like incubators and accelerators are present and moderately effective, there is substantial room for enhancement.

Entrepreneurs appreciated the networking opportunities and general business training provided by these networks but highlighted a lack of personalized support and guidance tailored to individual business needs.

The moderate ratings for support network effectiveness, as presented in Fugure 3., align with the qualitative feedback from interviews, where participants expressed a desire for more hands-on support, including practical business development tools, market access strategies, and customized mentorship.

5.4 Conclusions

The research conducted on the entrepreneurial ecosystem in Albania, encompassing both quantitative and qualitative methods, has yielded critical insights into the current state of entrepreneurship in the country. The findings from the surveys and interviews, reveal several key aspects:

• Funding Accessibility: A significant challenge for entrepreneurs in Albania is the limited accessibility to formal funding sources. The reliance on informal sources like personal savings and family/friends underscores a gap in the formal financial ecosystem. This issue is pivotal as it impacts the ability of entrepreneurs to start and scale their ventures.

• Mentorship Quality: The average quality of mentorship available to entrepreneurs in Albania indicates a need for improvement. The lack of specialized and industry-specific mentorship is a barrier to the effective growth and development of entrepreneurial ventures.

• Effectiveness of Support Networks: While support networks such as incubators and accelerators exist and provide some degree of support, their effectiveness is moderate. There is a clear need for these networks to offer more personalized support and resources that are tailored to the specific needs of different entrepreneurial ventures.

These findings highlight the critical areas where the Albanian entrepreneurial ecosystem can be strengthened. It is evident that efforts to enhance funding accessibility, mentorship quality, and the effectiveness of support networks could significantly contribute to the growth and sustainability of entrepreneurship in Albania.

5.5 Recommendations for Future Research

Given the findings of this study, several recommendations for future research emerge:

1.   In-depth Analysis of Funding Mechanisms: Future research should delve deeper into the specific barriers to accessing formal funding in Albania. Studies could explore the feasibility of alternative funding models like crowdfunding, angel investment networks, or government-backed venture funds.

2.   Evaluation of Mentorship Programs: There is a need for research that evaluates existing mentorship programs in Albania, assessing their effectiveness and identifying gaps. Studies could also explore the potential for industry-specific mentorship initiatives and the role of digital platforms in expanding access to quality mentorship.

3.   Longitudinal Studies on Support Networks: Future research could involve longitudinal studies to track the long-term impact of support networks like incubators and accelerators on entrepreneurial success in Albania. This would provide insights into how these networks can evolve to better support entrepreneurs.

4.   Policy Impact Analysis: Research assessing the impact of government policies on the entrepreneurial ecosystem would be valuable. This could include studies on the effectiveness of current policies and the potential for new policy interventions to foster a more conducive environment for entrepreneurship.

5.   Comparative Studies with Other Regions: Comparative studies with other countries or regions, especially those with similar economic backgrounds or those that have successfully enhanced their entrepreneurial ecosystems, would provide valuable benchmarks and lessons for Albania.

6.   Entrepreneurial Culture and Education: Investigating the role of educational institutions in fostering entrepreneurial mindsets and skills could provide insights into long-term strategies for strengthening the ecosystem.

7.   Role of Technology and Innovation: With the growing importance of digital transformation, research on the role of technology and innovation in driving entrepreneurship in Albania would be pertinent.

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