

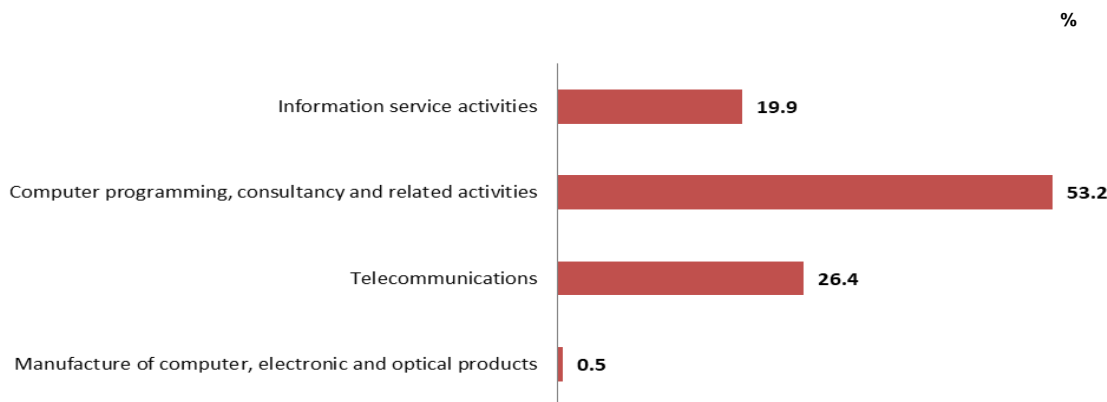
# Innovation in Small and Medium Enterprises

## Years 2016-2018

**Tiranë, October 17, 2019:** INSTAT in collaboration with other countries in the region carried out the survey on "Innovation in Small and Medium Enterprises". According to the Nomenclature of Economic Activities (NACE), the survey covers the activities of Manufacture of computer, electronic and optical products, Telecommunications, Computer programming, consultancy, and related activities and Information service activities (for further information see page 4, Methodology).

According to the data collected, 46.9 % of enterprises resulted innovative during the three-year reference period, 2016-2018. Enterprises providing computer programming, consultancy and related activities (NACE 62), including computer programming activities, computer consultancy activities, computer facilities management activities, other information technology and computer service activities are the most active innovators with 53.2 %.

**Fig. 1: Innovation active enterprises, 2016 – 2018**

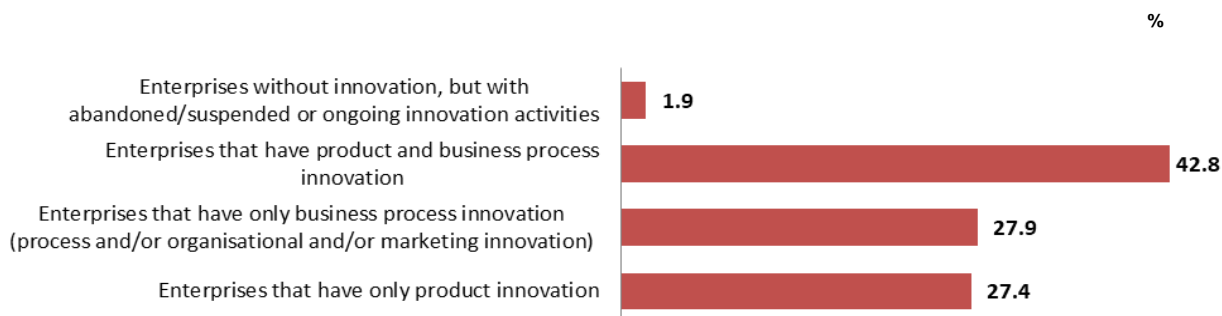


Source: Institute of Statistics, INSTAT

Innovation activity in enterprises results in disproportion with their size. The percentage of enterprises with **0 to 9 employees engaged in innovation activity was 95.6 %**, for enterprises with 10 to 49 employees this percentage was 4.0% and for enterprises with 50-249 employees was 0.4 %.

For the three-year reference period 2016-2018, 42.8 % of enterprises resulted innovators of products or processes, while 1.9 % of them were enterprises that did not innovate but undertook innovation activities that were abandoned or suspended before completion or still ongoing at the end of 2018.

**Fig. 2: Types of Innovation activities developed by enterprises, 2016 – 2018**

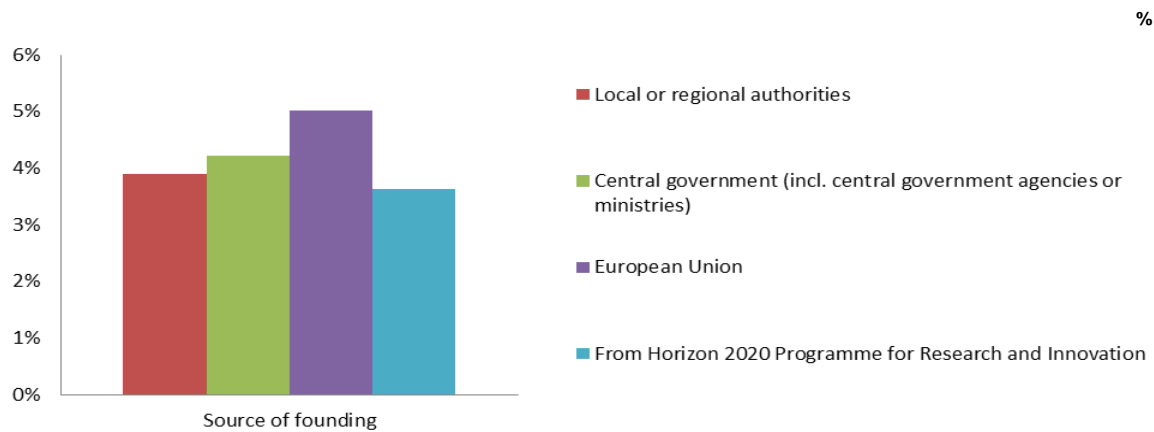


Source: Institute of Statistics, INSTAT

On average, 8.7 % of the interviewed enterprises that carried out innovative activities in the period 2016-2018 were **part of enterprise groups** and 40.3 % of them have headquarters abroad. In terms of geographical market sales, 87.7 % of innovative enterprises sell their products (goods and services) in the national market, while 18.6 % of sales were in the regional market (Balkan-Mediterranean) - Bulgaria, Cyprus, Northern Macedonia and Greece. At the same time, 20.9 % of the enterprises sell their products on the markets of other European Union and EFTA countries (Iceland, Norway, Liechtenstein and Switzerland), while 7.1% on the markets of other countries.

Co-operation in innovation is modest; **most enterprises do not involve** with enterprises, institutions and other universities for the realization of innovation activities. The survey results show that only 19.9 % of innovative enterprises had co-operation in 2016-2018. Co-operation with government or public research institutes, universities or other higher education institutions and clients or customers from the public sector were rated as the most frequent collaborations, while in terms of co-operation partners in the first place stand co-operation with national partners by 89.4 %.

The survey results show that 5.9 % of enterprises that reports innovation activities **have received public funding** during 2016-2018. The most common funding institution was the European Union with 84.7 %, while 71.3 % of enterprises with innovation activities received funding from the central government (including central government agencies or ministries).

**Fig. 3: Public financial support for innovation activities by source of founding, 2016 – 2018**

Source: Institute of Statistics, INSTAT

The factors that prevent the development of innovation activity in SMEs are high costs and market competition. In 73.5% of enterprises, the most important factor in preventing innovation is the **high cost of innovation activity**. Another financial barrier reported by enterprises is the high competition in the market with 72.9%.

# Methodology

Within the project "SME Innovation Capacity Boost" №: BMP1/1.2/2481/2017 Transnational Cooperation Programme Interreg V-B "Balkan-Mediterranean 2014-2020", funded by the European Union and the Government of Albania was conducted by INSTAT the survey on Innovation Activity in Small and Medium Enterprises.

The objective of the project is to boost transnational innovation capacity of SMEs and support them to make sustainable network formations, including innovation clusters with other SMEs from the BM(Balkan-Mediterranean) region in order to share know how and develop innovations, through bringing together tripple helix partners and equipping SMEs with relevant data, tools and systems.

The object of this survey are the enterprises that have conducted economic activity during the three years for which the survey is conducted, the years preceding the current calendar year (in 2018 information on innovative activity or not, conducted during 2016, 2017, 2018).

The survey requested by INSTAT involved private enterprises according to activities in NACE Rev. 2 respectively in the divisions: NACE 26 (Manufacture of computer, electronic and optical products), NACE 61 (Telecommunications), NACE 62 (Computer programming, consultancy, and related activities), NACE 63 (Information service activities), with the number of employees from 0 to 249, regardless of the legal form and distributed throughout the Albanian territory.

The data collection was conducted by direct Interview of enterprise with enumerator. The field phase was conducted in December 2018 and lasted two weeks.

## Definitions

An **innovation** is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations.

A **product innovation** is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics.

A **process innovation** is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software.

An **organisational innovation** is the implementation of a new organisational method in the firm's business practices, workplace organisation or external relations.

A **marketing innovation** is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing

**Innovation activities** include all developmental, financial and commercial activities undertaken by a firm that are intended to result in an innovation for the firm.