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Fostering Entrepreneurship and Economic Growth: Pathways to Economic Resilience in Kosovo

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Abstract

This study examines economic resilience in the new born state of Kosovo. Resilience is an emerging concept, which has been employed to examine economic performance and responsiveness to exogenous shocks. Drawing on interviews with stakeholders in Kosovo, this paper contributes to the emergent literature on economic resilience by examining how policy seeks to improve resilience through entrepreneurial activity. The paper finds that entrepreneurship in Kosovo is integral to promoting the diversification and capacity building, by developing institutional arrangements to harness productive entrepreneurship and reduce informal economic activity. The paper concludes that restructuring in a post-war context is extremely challenging and requires long-term joined-up approaches, before drawing a series of recommendations concerning the wider policy implications of the study.

Key words: Economic Resilience, Entrepreneurship, Competitiveness, Post-conflict, Kosovo

Fostering Entrepreneurship and Economic Growth: Pathways to Economic Resilience in Kosovo

1. Introduction

The concept of resilience has emerged relatively recently in the social sciences (Martin, 2012), and has become a popular concept for illuminating economic change and adaptation. Yet as a nascent concept it is an understandably fuzzy (Pendall et al, 2010). As Bristow (2010) notes, resilience is attracting increasing interest from academics and policymakers alike. In particular, the concept has advanced regional development debates beyond what Dawley et al (2010) describe as the hitherto relatively narrow focus on economic growth. As such resilience offers an alternative concept framework for illuminating economic change, analysing the causes and effects of uneven development, and understanding growth pathways of economies (Simmie and Martin, 2009, Martin, 2012).

Parallel to this growing interest in resilience, another strand of academic and political debate has come to emphasise the importance of entrepreneurship as a catalyst of economic development and competitiveness (Huggins and Williams, 2011; Wilton and Toh, 2012). With entrepreneurship regarded as critical to sustaining vibrant and diverse economies (Desrochers and Sautet, 2008; Hospers et al, 2008), policymakers and many scholars view entrepreneurship as a key factor underpinning future trajectories of (regional) economic development (Reynolds et al. 2002; Porter, 2003; Fritsch and Mueller 2004; Huggins and Williams, 2009; Wilton and Toh, 2012). In order for regions and locations to foster entrepreneurship, they must also harness competition, as there is an intrinsic link between entrepreneurship and competition (Kirzner, 1973; Sautet and Kirzner, 2006). Indeed “entrepreneurship and competition are two sides of the same coin” (Sautet and Kirzner, 2006, p. 10).

The empirical focus of this paper is Kosovo, which, having declared independence in 2008, is a new born country (Hoxha, 2008; Judah, 2008; Yannis, 2009; Ramadani et al, 2015a; Ramadani et al, 2015b). Prior to independence, Kosovo was part of the former Yugoslavia and then Serbia, and suffered heavily during the Kosovo War of the late 1990s (Judah, 2008; Dana, 2010; Peci et al, 2012). The country therefore faces the challenge of developing institutions which support resilience, entrepreneurship and competitiveness. Economic resilience research is an emergent field of research, with a lack of research examining new born, transitional and post-war contexts. Accordingly, this paper contributes to the emergent literature on economic resilience by examining the role of entrepreneurship and competitiveness as integral aspects in making localities (more) resilient.

To this end, the remainder of this paper is structured as follows. Section 2 outlines the literature on the emergent field of economic resilience, and unpacks what is meant by the concept and how it relates to cognate debates on entrepreneurship. Section 3 begins with an overview of Kosovo before setting out the methodological approach of the empirical study. Section 4 analyses the findings to understand resilience within Kosovo. Finally, the paper concludes by reflecting upon the wider implications of viewing entrepreneurship as a dimension of resilience in terms of the implications for policymaking and academic research.

2. Unpacking Economic Resilience

The concept of resilience has been applied in a wide range of disciplines from ecology to strategic management, focusing on different geographical and organisational scales, from countries and regions to firms and individuals. While there is no universally agreed definition

of what constitutes resilience (Pendall et al, 2010), however, upon reviewing the literature shows there is an emerging consensus. Indeed the appropriation of the resilience concept within the social sciences, and in terms of regional economic development and competitiveness in particular, has emphasised the cyclical nature of resilience and the capacity to withstand, adapt and respond to exogenous disruptions and crises. For example, Simmie and Martin (2009) discuss resilience in terms of a regions capacity to resist an economic shock, while Christopherson et al (2010) refer to the ‘inevitable adaptation’ required in order to be resilient. When a region has been affected, Dawley et al (2010) refer to resilience in terms of a region’s ability to ‘bounce-back’ or ‘comeback’ from an economic crisis.

These definitions highlight that resilience is a dynamic concept, and therefore emphasise the evolutionary dynamics and trajectories of regional economies and their differential capacity to adapt over time (Martin, 2012). Indeed, resilience has been argued to provide a mechanism to evaluate the vulnerability of regional economies to exogenous shocks, disturbances and stresses in addition to their capacity to creatively and flexibly respond (Pendall et al, 2010; Simmie and Martin, 2009). Therefore, as a conceptual approach to study the economic performance of regions, in simplest terms, resilience provides a lens to understand different responses to exogenous changes and shocks (Bhamra et al, 2011; Sullivan-Taylor and Branicki, 2011; Martin, 2012).

Dawley et al (2010) contend resilience offers an alternative perspective to the relentless preoccupation with growth, competitiveness and uneven development, whereby the focus is the ability of a region to resist and recover from the impacts of external shocks and maintain success over the long(er) term. It is the devolved autonomy of regions which allows them to be dynamic and respond most appropriately to any exogenous (economic) change. Without this dynamism, Simmie and Martin (2009) assert, there arises a reduction in responsiveness with regional economies being more exposed to and less able to adapt to the threat of shocks.

Outlining the conceptual foundations of resilience at the regional scale is an important precursor to uncovering and understanding the linkages between resilience and entrepreneurship and the role that entrepreneurship can play in making regions (more) resilient. Much of the literature on regional economic resilience is conceptual and the exogenous shock relates to the recent financial crisis (Fingleton et al, 2012; Giacosa and Mazzoleni, 2013), yet despite this unprecedented crisis there is a dearth of primary research on the resilience of regions. The empirical focus of this paper addresses this void by examining the institutional arrangements of Kosovo as a means to analyse economic resilience.

The unevenness of economic development can be explained according to locations’ differential capabilities and institutional characteristics, and it is these same capabilities and characteristics that affect the economic resilience of a region. Pendall et al (2010) finds such factors include the presence of a highly skilled and mobile labour force, formal and informal business (support) associations, and local inter-firm networks and knowledge spillovers as critical to the resilience of regions. Yet while such factors have long since been lauded as the cornerstone of what Jones and MacLeod (2004) refer to as the ‘regional economic renaissance’, in practice the realities of economic resilience, like economic development, remain shrouded in confusion.

In the same sense that regional economic debates have emphasised the importance of the private sector for competitiveness and growth, so the resilience of a region has come to be regarded as dependent upon its firms (Ponomarov and Holcomb, 2009; Demmer et al, 2011; Sullivan-Taylor and Branicki, 2011). Consequently when a region experiences an exogenous shock that threatens economic development firms may close or move out of a region, which

thereby undermines regional resilience. This clearly highlights the importance of enterprise for the resilience (and competitiveness) of regional economies, and by extension this can be applied to entrepreneurship. Indeed as a part of what Audretsch (2009) refers to as an 'entrepreneurial society', it is the enterprising and strategic acumen of economic agents (i.e. firms and individuals), which affects the dynamism, responsiveness and ultimately resilience of regional economies.

The notion of firms being affected by exogenous shocks is not new, and is commonly linked to other traditional challenges facing firms such as resource scarcity, cash flow and dependence on infrastructure (Storey, 1994; Sutcliffe and Vogus, 2003). By explicitly recognising the innate link between regional resilience and organisational resilience, raises the question as to how resilient these firms are and how adapt in order to remain competitive and (Starr et al, 2003; Burnard and Bhamra, 2011). By definition is a firm's profitability is threatened it has implications for macroeconomic growth. Barnett and Pratt (2000) found that firms have the dynamism to process environmental feedback and respond to any prevailing shock or crisis are better placed to overcome it, whereas more rigidly organized firms were found to more exposed. To this end, Weick and Sutcliffe (2001) identify four aspects of resilient behaviour by firms, as shown in Table 1, and how different responses of firms to these different areas affect their resilience.

Insert Table 1 about here

While the literature has tended to focus and explain competitiveness, and more recently the resilience of firms, has tended to explain resilience according to institutional structure, institutional history, and institutional culture (Hill et al, 2008). Such evolutionary interpretations can offer comprehensive historical accounts about the performance of firms and regions (Boschma and Martin, 2010; Simmie and Martin, 2009; Martin 2012), although further analysis shows that it is the more entrepreneurial and innovative firms that are typically more resilient. As Simmie and Martin (2009) suggest, it is the innovative and entrepreneurial capacity of firms which determines how flexible and creative the firms can be in their response.

Beyond the firm, another important aspect is resistance of the population and the speed at which they respond to a given shock or crisis. In particular entrepreneurial individuals have been identified as being apt at responding to exogenous factors, with their core qualities including flexibility, motivation, perseverance and optimism (Cooper et al, 2004; de Vries and Shields, 2005). The diversity and flexibility of entrepreneurs represents an integral source of resilience to exogenous shocks, but is also critical to an economy's competitiveness and growth more generally. This is one reason why resilience resonates with the entrepreneurship literature, not just in terms of the adaptive capacity of entrepreneurs, but in terms of the wider significance of entrepreneurialism to the economy.

This brief review has sought to introduce the concept of resilience, and consider its relevance in a lens to understand the performance of regional economies. In so doing this section has sought to highlight the importance of enterprising firms and entrepreneurial individuals for creating more resilient economies as well as providing the basis of future competitiveness and growth. Enterprise and entrepreneurship, therefore, provide an alternative perspective from which to understand the resilience of regional economies. The remainder of this paper argues the need for entrepreneurship to be understood as a central facet of creating more resilient economies in the context of Kosovo.

3. Empirical Focus and Methodology

Kosovo: Challenges of a new born state

As noted above, while much of the (economic) resilience literature has been conceptually led in its approach, this paper seeks to advance an empirically-led but conceptually grounded assessment as to the resilience of Kosovo. The purpose of this section is twofold. First, we introduce Kosovo as the empirical focus of the paper and provide some contextual background to the case study. Second, we outline the methodological approach, which is a case study based upon both in-depth interviews with key stakeholders and a review of economic policy literature.

The breakdown of the communist regime in the early 1990s was the beginning of the end of “old Yugoslavia” (Glenny, 1996; Judah, 2008) and led to significant economic and political change across the Balkans (Dana, 1994). Serbian political leader Slobodan Milosevic’s several unsuccessful military campaigns to unite Serbs in neighbouring republics into a “Greater Serbia” resulted in wars within the territory of former Yugoslavia (Glenny, 1996; Judah, 2008). Thousands were killed and many more became refugees. In Kosovo, some 800,000 people out of a population of 1.8 million were forced to flee the country, another 400,000 were forced to flee their homes and hide within Kosovo, 10,000 people were killed, and 3,000 were abducted (O’Neill, 2002; Kellezi et al, 2009). Following NATO intervention and the conclusion of the wars, the former Yugoslavia was split into different nations, including Serbia which contained the formerly autonomous province of Kosovo. However, following the continuation of political and ethnic tensions, Kosovo unilaterally declared its independence in 2008 (Judah, 2008; Yannis, 2009).

Kosovo is thus a new born state, with under-developed institutions of government, and with a legacy of conflict and continued tensions in parts of the country. Kosovo faces numerous development obstacles, many of which are a consequence of the previous socialist system and the legacy of war (Peci et al, 2012). Kosovo remains characterised by high levels of insecurity and political marginalisation (Hoxha, 2009). The wars of the 1990s disrupted the value-adding entrepreneurial capacity within Kosovo (Dana, 2010), and the economic challenges faced in the post-conflict period are considerable, with high unemployment, low levels of growth, poor infrastructure and high levels of poverty (Solymossy, 2005; Hoxha, 2009). More than half of the population lives in poverty, with 16% living in extreme poverty (Solymossy, 2005). Economic growth compared with other countries in the region is low and income per capita is among the lowest in the Balkans (World Bank, 2008; IMF, 2011a, 2012), and the unemployment rate in has grown to around 45% (IMF, 2012). Issues such as political instability, legal uncertainty and poor infrastructure have impacted on the economy and have not only limiting investment but also in making the economy dependent on the international aid, service sector and remittances from the Kosovan diaspora (Loxha, 2012; UNDP, 2010). It is estimated that 1 in 5 households are dependent on remittances from abroad (UNDP, 2010). International emigration, initiated by the conflict of the 1990s and lack of economic opportunities, is among the largest flows in the world (World Bank, 2011a) and has a negative impact on the level of skilled workers remaining in the country (World Bank, 2004, 2008; IMF, 2004; UNDP, 2010).

There are numerous institutional challenges in the country, including deficiencies in infrastructure, the legal and regulatory framework, financial support, and social systems (Solymossy, 2005). Infrastructure is a significant problem, with Solymossy (2005) reporting that while \$1.96 billion of donor funds has been invested, communication and transport is poor, with regular water and power cuts. Furthermore, access to finance is a very real issue, with commercial banks offering terms of three months to two years at rates between 15% and 22%, and micro finance institutions offering terms of six months to two years at an average rate of 32% (Solymossy, 2005).

Harnessing economic growth is clearly imperative for Kosovo and the national government, along with international development agencies are seeking to identify and analyse policy interventions that are needed for a higher and sustained economic growth trajectory (Sen and Kirkpatrick, 2009). Economic development strategies are particularly focused on job creation and growth, and aims to involve public and private stakeholders in designing and implementing strategy, developing infrastructure, and providing employment schemes and social services. Specific objectives of the project is to develop strategies in five economic regions in Kosovo - Pristina, Prizren, Mitrovica, Peja and Gjilan - in order to facilitate local economic development and employment, to strengthen economic areas and expand regional development practices, develop institutional capability and support the economic regeneration for growth and employment (European Commission, 2010).

A further important element of economic development policy in Kosovo is the encouragement of entrepreneurship, a key element of competitiveness (Huggins and Williams, 2011; Ramadani et al, 2015a, Ramadani et al, 2015b). Entrepreneurial activity in Kosovo is mainly concentrated in family businesses in agriculture, crafts and basic services (Solymossy, 2005) yet they represent a source of future entrepreneurial potential (Gashi and Ramadani, 2013; Ramadani et al, 2015c). To further encourage entrepreneurship, the government has aimed to improve its ranking in the World Bank's 'Doing Business' survey. Kosovo currently ranks 66th out of 183 economies measured (World Bank, 2015). Figure 2 plots the number of procedures and number of days required to start in Kosovo and other economies in the region.

Insert Figure 1 About Here

Figure 1 shows that it takes 5 procedures and 11 days to comply with the necessary regulation, and Kosovo has made a number of institutional improvements in recent years (World Bank, 2015). Of the comparable economies, Kosovo's neighbour Albania is the easiest place to start a business, taking 6 procedures and 6 days (World Bank, 2015). As part of the institutional improvements in Kosovo, a package of twelve laws were developed to reduce the costs of setting up a business, simplify business registration and licensing, reporting and auditing, improve property rights, control and management of state borders, external trade and privatization (World Bank, 2011b; IMF, 2011, 2012). In addition, there have been a number of public policy programmes aimed at stimulating entrepreneurs to create new businesses and new start-ups such as USAID Young Entrepreneurs Program, MASHT programs, CEED Kosovo, SPARK, and BSCK (MTI, 2011; Government of Kosovo, 2006; USAID, 2010; Ramadani et al, 2015). To exemplify entrepreneurial motivations, it has been noted that over 1,500 young people applied for enterprise training and education in 2009 (BSC Kosovo, 2011). Such programmes will take time to impact on entrepreneurial activity and for now the country remains heavily dependent on small scale trade in low value added services like restaurants, clothing and food, which have minimal contribution on job creation and economic growth (Krasniqi, 2012; Mairing, 2009). Structural transformation of economy is needed to encourage growth in new sectors and to move from lower value added and traditional sectors like agriculture towards higher value added service and industrial sectors (Mairing, 2009).

In under-developed and uncertain institutional environments creates significant barriers to entrepreneurial activity (Panda and Dash, 2014), and this is the case in Kosovo (Solymossy, 2005; Peci, et al, 2012). Barriers include difficulties in accessing finance, poor regulation, weakly defined property rights, poor education, lack of experience, corruption and bribery, and obstacles to internationalization caused by the political marginalisation of Kosovo (Krasniqi, 2003; Hoxha, 2009). Solymossy (2005) states that barriers to

entrepreneurship has meant that action has been concentrated not on wealth creating activities but in construction activities which have not contributed to growth but merely created a short-lived bubble. Such barriers will clearly have a negative impact on the development of entrepreneurship and will hamper economic growth (Baumol, 1990; Sautet, 2011).

Method

This paper seeks to advance an empirically-led but conceptually grounded assessment as to the resilience of Kosovo. We employ a qualitative methodology, comprising of a review of relevant policy documents and in-depth interviews with key stakeholders.

Having reviewed the literature on resilience and established a profile of Kosovo, the first phase of the research involved reviewing policy documents and reports relating to economic development. The review focused on those documents relating to economic development, and identified those themes relating to economic resilience and competitiveness. The review also captured secondary data to provide a comprehensive portrait of the economic structure of Kosovo. The themes identified from the literature and policy review served as the basis of the interview schedule for the twenty-two semi-structured interviews that were conducted with key stakeholders in Kosovo, and allowed us to develop an in-depth, comprehensive approach to the research and which enables us to refine interrelated concepts and theories (Dana and Dumez, 2015). The stakeholders included representatives from a range of public institutions and are listed in Table 2.

Insert Table 2 about here

The use of in-depth qualitative research is particularly applicable to understanding the role of entrepreneurship since it provides rich data that addresses how this can be achieved in policy and in practice (Dana and Dana, 2005). The semi-structured interviews meant that a number of issues not on the interview schedule were raised by some respondents, which where relevant were subsequently explored further. Martin (2012) states that understanding the perceptions of public and private sector actors is central to explaining why some regional economies are more resilient than others. This research, therefore, contributes to developing explanations through examining the responses of regional policy stakeholders and experience of entrepreneurs and business owners. Given the political sensitivity of the research and the position of many participants in public office, it was a stipulation of the research that the participants remained anonymous. The interviews provided a comprehensive overview of the institutional arrangements of Kosovo as well as providing deep insights into the role of individuals as a part of the entrepreneurial ecosystem. The interviews were transcribed and the analysis of the data explored themes, which emerged from the interviews and policy review, so rather than themes simply being imposed by the review analytic induction was used to identify emerging themes (Bryman, 1998; Silverman, 2000). As our in-depth approach allows us to highlight attitudes, beliefs, thoughts, intentions and experiences (Dana and Dana, 2005), we utilise quotes from the interviews to add insight to the discussion.

4. Findings

The literature review demonstrates that in developing, transition and post-conflict countries, the institutional environment can hamper resilience, entrepreneurship and competitiveness and that improving the business environment should be a key aim for policy makers (Solymossy, 2005; Acs et al, 2008; Hoxha, 2008, 2009). This section therefore examines how

elements of economic resilience are being considered by policy makers in Kosovo. The findings are presented in two sections which represent key themes necessary for harnessing economic resilience: economic structure, and entrepreneurship and competitiveness.

Economic Structure

A key component in understanding the ability of a locality to be resilient involves an examination of the economic structure of the area, as this will play a key role in determining development paths. In considering the economic structure of Kosovo, the stakeholders stated that the country faced numerous challenges, including (1) high levels of unemployment; (2) a small, uncompetitive private sector; (3) underdeveloped manufacturing and service sectors; (4) dependency on imports; (5) low labour productivity; and (6) poor infrastructure. Clearly, these issues will have a significant impact on developing a resilient and dynamic economy. The stakeholders made clear that these issues were historical and were a legacy from the pre-war years, for example:

“Kosovo is a new state and we are left with the structures we had when the war ended. It will take time to improve this situation and we can’t expect it to happen overnight.” (INT4)

“[We] have inherited a broken economy and inefficient economic system from the past. The main challenges still remain improving the economic structure and encourage private investment... There is also a need to change perceptions and not rely on the public sector.” (INT2)

In order to improve this situation, the stakeholders stated that policy makers needed to place an emphasis on fostering indigenous entrepreneurship and foreign investment. In doing so, the stakeholders stated that the economic structure would become more dynamic and responsive to change, including external shocks. This is important as localities that are tightly bound in their structures may not be able to move to alternative development paths, so when hit by exogenous shocks they will be unable to escape from a declining competitiveness spiral.

As Dawley et al (2010) state, notions of path dependency, how the past shapes the future, are seen to either enable or constrain economic development in response to a shock. Furthermore, the evolution of the economic structure will influence the ‘response’ of a locality as it develops over time (Martin and Sunley, 2006; Hassink, 2010). As such, policy responses are required in Kosovo in the country is to improve its competitiveness and thus its ability respond positively to shocks. The respondents stated that since declaring independence, Kosovo has introduced a number of policies which aimed to improve the structure of the economy. Some of the respondents stated that the key policy had been expanding the size and scope of the public sector with the aim being to stimulate growth. However, these respondents stated such a policy had been misguided as it has not increased the entrepreneurial capacity of Kosovo. Other programmes have been launched to support the development and diversification of the manufacturing and agricultural sectors, as well as significant investment in infrastructure, the promotion of the consumption of Kosovar products and support for high growth potential firms.

Taken together, these policy activities appear to represent significant activity with regards to harnessing improved resilience. However, a common criticism among the respondents was the lack of joined-up thinking between policy areas, which is important for

developing long-term policy impacts (Huggins and Williams, 2011). As one respondent stated:

“Kosovo lacks an appropriate strategy for economic development which brings together the private and public sectors. The private sector would welcome clear strategic priorities of economic development policy over the medium and long term.” (INT11)

Many of the respondents stated a lack of joined-up strategy meant that the real potential strengths of the economy had not been identified and instead a scatter gun approach to policy making was being used, which prioritised old sectors such as manufacturing and agriculture rather than services. In order to foster greater resilience, strengths (or weaknesses) based on the pre-existing resources, competences, skills and experiences inherited from previous patterns of economic development need to be identified (Simmie and Martin, 2010). Such approaches are not about picking winners but rather creating conditions which allow entrepreneurship to nurture a diverse economy, which is less likely to see severe economic downturns compared to regional economies which are highly specialised (Desrochers and Sautet, 2008). Over-reliance on manufacturing and agriculture, and a lack of entrepreneurial development in other sectors such as services, will mean that the economic resilience of Kosovo will be hampered.

Despite the structural challenges facing Kosovo, the stakeholders stated that the country possesses a number of assets which can be utilised to enhance economic resilience. Key assets identified by the stakeholders were abundant natural resources which can be harnessed to increase manufacturing and exports, the human capital endowment and ambition of a young population, and an abundance of small-scale enterprises which are seen to exemplify the entrepreneurial spirit of the Kosovar population. Developing these assets implies long-term investments and policy commitment, particularly with regards to natural resource exploitation and improving the entrepreneurial capacity of the population through education. In addition, developing the capacity of SMEs should be a policy priority as entrepreneurship regarded as critical to sustaining vibrant and diverse economies (Desrochers and Sautet, 2008; Hospers et al, 2008).

Harnessing entrepreneurship and competitiveness

While Kosovo has a large number of small and medium sized enterprises, many are limited in scope. The respondents stated that this was caused by two main reasons: (1) political marginalisation of Kosovo; and (2) a lack of managerial expertise among entrepreneurs. The scope of entrepreneurial activity is limited by the problems of political marginalisation as trading across borders is difficult or simply prohibited. The stakeholders stated that it was difficult for entrepreneurs to trade over the country's borders because of customs restrictions put in place by their neighbours. Three neighbouring states recognise Kosovo as an independent country: Albania, Montenegro and Macedonia. Yet the refusal of neighbouring Serbia, as well as other countries with potentially large markets, to recognise Kosovo and refusal to accept trade severely restricts economic development in the region (Ramadani et al, 2015a). The respondents commented:

“Kosovar businesses can't easily grow in certain markets because we aren't recognized ... We are being prevented from trading effectively.” (INT6)

“It is difficult because the marginalization is not going to change soon, so trade will go on being severely restricted.” (INT14)

This description of the restriction on entrepreneurial activities is akin to Sautet’s (2011) concept of ‘local entrepreneurship’, in that entrepreneurship is taking place within a limited context, with only local opportunities and never extending beyond the limits of a small geographical area. This situation is not easy to solve for Kosovo, given the political sensitivities in the region. However, improving customs and relations with other states will clearly be important over the long term, as limitations to the size of the market will hamper economic resilience as it naturally reduces trading opportunities.

In addition, many of the respondents stated that there was little innovation among entrepreneurs. Rather, the focus of many new enterprises has been on imitating ventures launched elsewhere. Being alert to opportunity does not necessarily require innovation, as entrepreneurship can also be imitative (Baumol, 1968; Kirzner, 1997), and despite the Schumpeterian emphasis on creative destruction (Schumpeter, 1942), not every individual can be an innovator. Yet, with a prevalence of imitative compared innovative activities, entrepreneurial capacity and its contribution to economic resilience will be limited.

The resilience of an economy will be limited by low levels of entrepreneurial skills. While the respondents stated that many people in Kosovo were entrepreneurial in their ability to start ventures, this was often because they had little alternative options available. As such, necessity entrepreneurship, i.e. individuals engaging in entrepreneurial activity when they have no better option for employment, may be prevalent in such contexts (Tipu, 2012). The respondents also stated that they lacked the skills to grow these enterprises. A typical comment was:

“People here are entrepreneurial. They can start businesses because they don’t have many other options, but they lack the knowledge to make them grow.” (INT13)

As these quotes demonstrate, a lack of managerial skills can limit the scope of entrepreneurial activity. The stakeholders stated that improving skills required significant investment in education, and that with a young population such investment should be prioritised so that a more resilient, dynamic economy could be developed:

“Young people can be influenced to see entrepreneurship as a positive option. They need to feel that they have the skills to start a business and they should be receiving that type of education in school and University.” (INT10)

“If we have more entrepreneurship education young people will be more confident about starting a good business and there will be more knowledge transfer and innovation.” (INT2)

Enterprise education has the potential to increase the quantity and quality of entrepreneurs of the future (Kyrgidou et al, 2013). The respondents stated that the quality of school and University education in Kosovo needed to be improved in general, and that in particular more entrepreneurship and practical work-based education was required. As part of this strategy, the respondents stated that Universities need to develop better links with the private sector. Currently, links are perceived to be weak in Kosovo and by fostering collaboration the respondents stated that specific curricula could be designed to meet the economic needs of the country and that the private sector can benefit from knowledge spillovers. By investing in education and fostering collaboration, the up-skilling of the population was seen to be a key

strategy for developing a more resilient economy as people will be more dynamic, responsive to change and able to take advantage of opportunities. In turn, this will improve the enterprise culture of Kosovo as entrepreneurship is self-reinforcing in nature and concentrates geographically because of the social environment as individuals follow societal clues and are influenced by what others have chosen to do (Feldman, 2001; Minniti, 2005). Entrepreneurial activity can create its own feedback cycle, slowly moving society to a more entrepreneurial culture and in regions and locations with a high density of entrepreneurial activity examples of successful new venture creation offer role models people can conform to (Huggins and Williams, 2009). Consequently, through effective investments in the education system a self-reinforcing, more positive culture can be created.

The role of policy making

If policy makers are to ensure that entrepreneurship contributes to economic growth, they must act to reduce barriers to productive activities (Baumol, 1990). A significant barrier to productive entrepreneurship is regulatory burdens (Huggins and Williams, 2009). The World Bank (2011b) reports that it takes 10 procedures and 58 days to start a business in Kosovo, yet the respondents reported that in reality things could take a lot longer, with several stating that to get licenses to operate in certain sectors such as food or construction can take “months”. The key issue was seen to be the length of time taken by the authorities to process forms submitted by businesses:

“It takes a long time to register and get started... Entrepreneurs need quick approval to take advantage of opportunities, and when you don’t get that it can really damage chances of success.” (INT5)

“Getting things approved takes a long time ... so a lot of time people will avoid regulation.” (INT9)

Many of the respondents stated that regulations raise the transaction costs of their business due to the resources which are required to comply. However, the respondents agreed that regulations were necessary for the business environment to become more productive, but at present it is overly bureaucratic and consequently unhelpful. In order to improve regulations, the entrepreneurs stated that compliance needed to become simpler and quicker, and this meant investment in government departments which deal with businesses so that capacity for approving activities is increased.

A further challenge facing Kosovo is the extent of informal and criminal entrepreneurship. Engaging in informal (or criminal) activities will benefit the individual entrepreneur yet harm society at large by reducing or destroying economic capacity (Baumol, 1990; Solymossy, 2005). Informal economic activity and corruption are common problems in transition and post-war countries, and there is a need for policy to redirect informal and illegal entrepreneurship into legal and productive sectors of the economy. The respondents stated that tackling these issues was of paramount importance:

“The size of the informal economy is a real problem ... this is a key challenge for Kosovo, we need to get businesses to engage in formal activities.” (INT20)

“Avoiding tax is the norm. Every business does it or tries to do it ... We need to change that mindset.” (INT18)

In order to tackle these issues, the respondents stated that compliance with regulations needed to be made simpler. Many of the respondents reported that the complexities of compliance were a barrier to legitimate and productive entrepreneurship. Clearly, for any country taxes are essential as they fund public amenities, infrastructure and services that are crucial for a properly functioning economy (World Bank, 2011b) and as such, the respondents stated that the requirements of the tax authorities needed to be simplified.

5. Conclusions

Theoretical implications

Within the social sciences, the concept of resilience has emerged relatively recently and is consequently fuzzy (Martin, 2012; Pendall et al, 2010). However, the concept has become a fashionable lens for illuminating regional and local economic change, representing a 'highly relevant' framework to analyse the causes and effects of uneven development in regional and local economies (Simmie and Martin, 2009, Martin, 2012). While there have been attempts to conceptualise a framework of economic resilience, these have failed to account for and explain the 'role' of entrepreneurship. According to Dawley et al (2010) the resilience of a region requires long term policy objectives and strategies, of which we contend that entrepreneurship is a central tenet. Entrepreneurship and competitiveness have come to be viewed as integral to sustaining a dynamic and diverse economy, by stimulating competition, driving innovation, creating employment and increasing productivity. As such this paper argues that entrepreneurship should be fore fronted in economic resilience debates as engine of competitiveness and economic growth. Indeed the framework of regional economic resilience presented here supports the prevailing view that economic resilience needs to be understood is an on-going process in a geographically situated context. To this end, three broad lessons can be distilled.

Kosovo faces numerous challenges for harnessing economic resilience, many of which are associated with its new born, post-conflict status. Some of the challenges are internal and can be improved through effective policy making, while others are external and require an improvement in the political marginalisation of Kosovo so that the scope entrepreneurial activity can be expanded. As Kosovo seeks to develop its economy and improve entrepreneurial capacity and competitiveness, the paper provides a number of useful lessons for transition and post-conflict institution building.

Managerial implications

Our findings suggest that the under-developed institutional environment in Kosovo has undermined the country's entrepreneurial capacity. This has meant that entrepreneurial activity has not contributed to economic growth as much as it should, as much of the activity is unproductive and/or local, and that it will be further hampered in future unless there are institutional improvements. This situation can in part be attributed to being a new country which has not yet had time to develop sound institutions and an effective business environment. The environment for doing business can be hostile in transition and post-war contexts, characterised by weak institutions and poor enforcement of laws, regulations and property rights (Hoxha, 2009). Developing strong institutions is therefore a key challenge for policy makers in Kosovo as the country strives to generate a productive, competitive economy.

The literature review demonstrated that transition economies often face similar institutional challenges, particular in terms of creating a stable macroeconomic environment,

developing an appropriate legal and regulatory framework, reducing the size of the informal economy, improving access to finance and easing the tax burden on businesses. It is in these areas that resilience, entrepreneurship and competitive gains can be made in Kosovo. Policy makers in Kosovo should prioritise improvement of the regulations required to set up a business. The number of days and procedures required to start a venture needs to be reduced as currently delays act as a real barrier on business start-ups, and reduces competitiveness. Similarly, compliance with the regulatory framework with regards to licenses and tax need to be improved as they are currently leading to circumvention of the rules due to their complexity. In this sense, being an entrepreneur may be too expensive for people to engage in it legally (De Soto, 2002; Sautet, 2011) and this can lead to informal or illicit activities to flourish and tackling this is a real challenge for transition and post-conflict countries and severely impedes productive entrepreneurship (Smallbone and Welter, 2001). If institutions direct entrepreneurs towards destructive activities, the economic capacity of a country is undermined, and where there is an absence of productive entrepreneurship, individuals have found better ways of utilising their time and resources.

Policy makers in Kosovo also need to invest in more entrepreneurship and work-based education in order to drive up competitiveness. Equipping with the skills, knowledge and confidence to start their own business, or to work as a dynamic and responsive employee, will contribute to the overall resilience of the country. To do this, policy makers should seek to foster greater collaboration between educational institutions and the private sector, so that beneficial knowledge transfer is promoted. Such approaches will require long-term policy commitment as fostering a more entrepreneurial culture is very much a long-term process (Huggins and Williams, 2009).

While the challenges facing transition and post-conflict countries are large, they are not impossible to tackle. Baumol (1990) explains that the task facing policy makers who wish to harness entrepreneurship and competitiveness may be formidable, but that the challenges are not insurmountable. The prevailing rules that affect the allocation of entrepreneurial activity can be observed, described, modified and improved so that a more dynamic, productive economy can be harnessed.

Suggestions for future research

Finally, while this paper has drawn lessons from Kosovo it has also sought to develop the concept of economic resilience by linking it with entrepreneurship and competitiveness. Further research is required to supplement and expand understanding in this emerging field. If this paper encourages such wider research to be conducted, and therefore a further development of the nature of economic resilience and entrepreneurship both in other socio-spatial contexts, then it will have achieved its wider objective.

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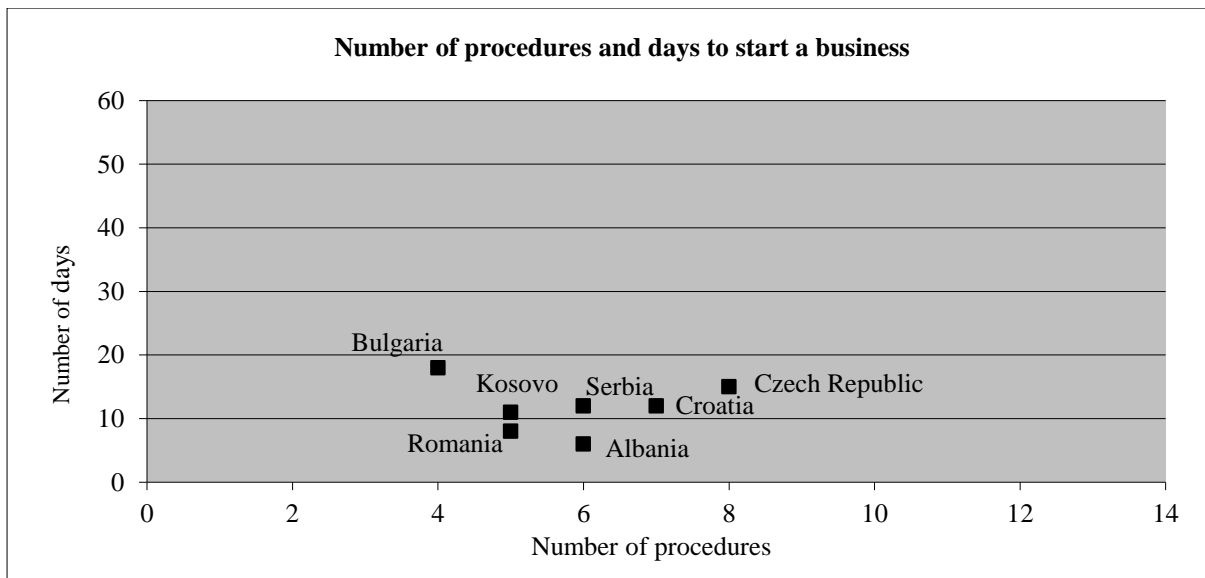
Table 1: The four dimensions of resilience (adapted from Weick and Sutcliffe, 2001)

Resourcefulness:	the capacity of managers to identify potential problems, establish priorities and mobilise resources to avoid damage or disruption
Technical Systems:	the ability of managers to ensure that organisational systems perform to high levels when subject to extreme stress
Organisational:	the preparedness of managers to make decisions (however counterintuitive these might sound initially) and to take actions to reduce disaster vulnerability and impacts
Rapidity:	the capacity of managers to make decisions on threats without undue delay

Table 2: Profile of respondents

Respondent	Organisation
INT1	Vice-Presidents Office
INT2	Municipality of Pristina
INT3	Kosovo Chamber of Commerce
INT4	Kosovo Chamber of Commerce
INT5	Kosovo Chamber of Commerce
INT6	Kosovo Chamber of Commerce
INT7	Municipality of Pristina
INT8	Customs Department
INT9	Customs Department
INT10	Economics Department, University of Pristina
INT11	Ministry of Trade and Industry
INT12	Ministry of Trade and Industry
INT13	Regional Development Agency
INT14	Regional Development Agency
INT15	Business Support Centre, Pristina
INT16	Public Procurement Office
INT17	Department of Economics, Fama College
INT18	Kosovo Chamber of Commerce
INT19	Regional Development Agency
INT20	Public Procurement Office
INT21	Kosovo Chamber of Commerce
INT22	Business Support Centre, Pristina

Figure 1: Ease of starting a business in Kosovo



Source: World Bank (2015)