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# **Fostering productive entrepreneurship in post-conflict economies: The importance of institutional alignment**

## **Abstract**

The aim of this article is to examine the impact of institutional development on entrepreneurship in post-conflict environments. Drawing on in-depth interviews with Kosovar entrepreneurs the article highlights how the experience of fostering entrepreneurship in a post-conflict, new born state is distinct from transition economies. The article finds that Kosovo has not encountered the same institutional challenges which have stymied entrepreneurship in transition economies which have been hampered by 'path extension' of institutions. Instead there has been a 'path break' resulting in a reshaping of formal and informal institutions as supportive of entrepreneurship. However, while positive, the prevailing nature of much entrepreneurial activity is localised with only a limited impact on economic growth. The article concludes by making a number of contributions to institutional theory and policy.

Key words: Entrepreneurship, institutions, post conflict countries

Word count: 8862

## **Introduction**

Returns to different forms of entrepreneurship are sensitive to institutional contexts (Estrin et al, 2016), and the interaction of formal and informal institutions is crucial in fostering entrepreneurial activity (Acs et al, 2008; Williams and Vorley, 2015a; Williams and Shahid, 2016). Where the formal and informal complement each other entrepreneurial activity will be fostered; conversely where there is asymmetry or a lack of complementarity between the two, entrepreneurial activity will be stymied (Williams and Vorley, 2015a). This presents a key challenge for policy makers seeking to foster entrepreneurship by changing the 'rules of the game' (Baumol, 1990).

While the literature on institutions and entrepreneurship in transition economies is well-established, institutional development in new born and post-conflict states is under-researched. This paper contributes to the emergent literature on new born and post-conflict institutional arrangements through a study of Kosovo. Prior to unilaterally declaring

independence in 2008, Kosovo was part of former socialist Yugoslavia and then Serbia, and suffered heavily during the war of the late 1990s (Judah, 2008; Yannis, 2009; Ramandani, 2015). It was formerly the poorest province of Yugoslavia and the war served to further damage its already fragile economy (Peci et al, 2012). At first glance Kosovo appears to face similar challenges to transition economies, as it has moved from a centrally planned economic system under the former Yugoslavia to a market based economy, which has meant a changing environment for entrepreneurs. In post-conflict economies, it is acknowledged that the environment for doing business can be adverse and is typically characterised by weak formal institutions and poor enforcement of laws, regulations and property rights (Hoxha, 2009; Estrin and Prevezer, 2011; Welter and Smallbone, 2011). Yet as a new born post-conflict state creating institutions which did not exist at a national level in Kosovo prior to independence represents an opportunity to develop an economic system which fosters entrepreneurship and growth as much as it poses a challenge. Akin to Acemoglu and Robinson's (2012) definition of critical junctures, Kosovo has experienced major disruption to its political and economic landscape, but this has also created the opportunity for positive reforms. Ensuring the rule of law, which is a key element of institutions (Estrin et al, 2016), as well as the expectations that institutions are stable to ensure legitimacy and compliance (Crawford and Ostrom, 1995), is of critical importance to reforms.

The aim of the paper is to examine lessons from Kosovo and draw distinctions with other transition economies, but also to draw out broader implications for other new born and post-conflict states seeking to develop institutions which foster entrepreneurship and growth. As such, the central question addressed by this article is 'how do institutional arrangements evolve in new born post-conflict states and what are the implications for entrepreneurship?' In addressing this question, the article demonstrates that as well as developing formal institutions that foster and support entrepreneurship, there has also been a reshaping of

informal institutions in Kosovo. This has seen the Kosovar population come to reject informal institutions associated with former socialist legacies in favour of norms, values and cultures more akin to those of Western economies, particularly the United States as a result of its post-conflict influence in Kosovo. Whereas reforming and/or developing formal institutions can occur comparatively quickly, informal institutional change is evolutionary in nature with change often occurring slowly. However, in Kosovo the evolution of informal institutions has been quicker, more akin to a step change, as the Kosovar population have sought to break from informal institutions associated with previous regimes. This in turn has had a positive impact on the alignment between formal and informal institutions, which reduced the asymmetry that can stymie entrepreneurship (Williams and Vorley, 2015a). Despite the emergence of a pro-entrepreneurial institutional environment the propensity is towards localised and small scale entrepreneurial activity. Such local entrepreneurship is limited in scope and as such will not have a significant impact on economic growth (Sautet, 2011). A key contribution of the paper is therefore to show that even with positive reforms to formal institutions and evolution of informal institutions occurring more quickly in Kosovo than in other transition economies, this may not be sufficient in enhancing the impact of entrepreneurship significantly. As such a contribution of this paper is to demonstrate that whilst post-conflict, new born environments can be nimble in terms of institutional change, due consideration needs to be given to promoting productive, systemic and ambitious entrepreneurship.

The remainder of the article is structured as follows. Section 2 frames the study in terms of academic debates on formal and informal institutions and their impact on entrepreneurship in transition, post-conflict and new born economies. Section 3 sets out the empirical focus and methodological approach of the research. Section 4 discusses the findings, highlighting the impacts of formal institutional reform and informal institutional

change. Lastly, the article concludes by reflecting on the findings, by distinguishing Kosovo from other transition economies and considering the wider implications for strengthening the entrepreneurial environment of post-conflict economies.

## **Literature Review**

The extent to which entrepreneurial activities are socially and economically productive depends on the institutional environment (Baumol, 1990; Acs et al., 2008; Williams and Vorley, 2015b). The prevailing arrangement of formal and informal institutions influences entrepreneurial behaviour by shaping the rules, norms and values within a society to which individuals relate and by which they operate (Ahlstrom and Bruton, 2002; Tonoyan et al, 2010). This section introduces the concept of formal institutions as the rules and regulations which provide the economic and legal framework of societies (Tonoyan et al, 2010). By contrast, informal institutions are the often unwritten codes of conduct, conventions, norms, and culture that define societies (Baumol, 1990; North, 1990).

Reforming formal institutions and changing informal institutions are of critical importance for fostering productive entrepreneurship, yet change takes time (Winiiecki, 2001; Estrin and Mickiewicz, 2011). Policy makers often favour formal institutional change as it is simpler to affect (Williamson, 2000), and tend to neglect informal institutions. However, it is critically important that institutions are understood in relation to each other. Indeed, it is the relationship between formal and informal institutions which is important for growth, as opposed to their development in isolation. As Winiiecki (2001) states, new formal rules are mediated by the interaction with informal norms, and as such the interplay between the two will determine outcomes. The dominant view suggests that formal and informal institutions interact in two key ways. Institutional arrangements are complementary where formal institutions both reinforce and are reinforced by informal institutions thereby enhancing their

mutual efficiency or effectiveness (Williams and Vorley, 2015a). Conversely, institutional arrangements are substitutive where informal institutions compete with and undermine weak formal institutions (i.e. not embedded or enforced) or prevail where there is a void in formal institutions (North, 1990; Tonoyan et al, 2010; Estrin and Prevezer, 2011). This section examines the development of formal and informal institutions, and reflects on how the alignment of institutions impacts the level of productive entrepreneurship, and with it entrepreneurial-led growth. In advancing institutional debates in entrepreneurship research the section draws on a case study of Kosovo to examine how informal institutional change in this post-conflict environment has served to reduce institutional asymmetries, although the future of entrepreneurship is contingent on sustaining pro-entrepreneurship institutions and fostering greater ambition among Kosovo's entrepreneurs.

### **Formal institutions**

In countries where there have been uncertainties and instability in the institutional environment, there is "little incentive for entrepreneurs to commit themselves to long term projects forcing them instead to concentrate on the task of surviving" (Smallbone and Welter, 2001, p. 260). Indeed, where entrepreneurs are subject to uncertainty, in the form of changing regulations, bureaucracy, and the cost of compliance associated with it, can impose increased operational and transaction costs (Tonoyan et al, 2010) and does not enhance the legitimacy of rules (Crawford and Ostrom, 1995). While many former centrally planned economies have appropriated legal frameworks relating to property, bankruptcy, contracts and taxes akin to those of western economies, Aidis et al (2008) find that implementing and enforcing these frameworks is often the primary challenge. Moreover, there is also a need to support the formation of new institutions. This is exemplified in terms of accessing finance, where

markets are not attuned to lending to entrepreneurs for start-up and early stage growth (Bratkowski et al, 2000; Smallbone and Welter, 2001; Acs et al, 2008).

Failure to appreciate and account for the ways in which formal institutions affect entrepreneurship and business performance can result in interventions that are likely to produce unintended and unwanted consequences (Kitching, 2006). Indeed, in many transition economies, formal institutions have not been effective in fostering productive entrepreneurship. In those transition economies which have become more supportive of entrepreneurship, Futo et al (1997) assert it is the freedom of business entry and start-up that have contributed to the improved the overall climate for entrepreneurship. There is a need, therefore, to reform formal institutions that impede productive entrepreneurship. Where formal institutions are not reformed entrepreneurs may turn to substitutive and informal practices, such as leveraging connections or engaging in corrupt activity, to overcome barriers and circumvent the rules of the game (Aidis and Adachi, 2007).

### **Informal institutions**

As noted above, informal institutions can either substitute for or complement formal institutions (Guseva, 2007; Estrin and Prevezer, 2011). Ahlstrom and Bruton (2002) suggest that entrepreneurial activity becomes guided and governed by codes of conduct, norms and values associated with the prevailing informal institutions. Extant research has shown the influence of informal institutions to be dominant over formal institutions in transition economies, serving to stymie institutional reforms intended to promote and foster entrepreneurship (Puffer et al, 2010; Tonoyan et al, 2010).

Saar and Unt (2008) describe how the liberalisation of former socialist economies was anticipated to create new opportunities for entrepreneurship. Yet because entrepreneurship, like other socio-economic practices, is reinforced by social norms, values and culture it was

not consistent and compatible with the prevailing informal institutions in many instances. Informal institutions are therefore a key factor in determining the nature of entrepreneurial activity (Hayton et al., 2002), but also the extent to which entrepreneurship is accepted and how entrepreneurs are perceived (Puffer et al., 2010). This is consistent with Estrin et al (2005), who assert that informal institutions in many transition economies are largely opposed to entrepreneurship, with little if any distinction made between entrepreneurs and criminals. Indeed, in many centrally planned Central and Eastern Countries entrepreneurship was illegal, which in part explains the continued scepticism toward entrepreneurs (Vorley and Williams, 2015). It is important to note, however, that there are some examples of successful changes to informal institutions. For example, Georgia's institutions have changed leading to improvements in their World Doing Business rankings (World Bank, 2015), while at the same time perceptions of opportunity have improved with social values towards entrepreneurship higher than in many EU and Non-EU countries (Global Entrepreneurship Monitor, 2015). Where they are slow to change, informal institutions can serve to stymie entrepreneurship and thus economic growth. In order to overcome this, Verheul et al (2002) note the importance positively reinforcing and recognising the achievements of entrepreneurs within society. Moreover, McMullen (2011) emphasise the need for entrepreneurs themselves serving as catalysts to change informal institutions and fostering a pro-entrepreneurship culture, which can be affected through, for example, 'social norms marketing campaigns' (Valdez and Richardson, 2013), as well as education and positive role models (Hindle and Klyver, 2007; Williams and Vorley, 2015a). However, it is argued that changing this negative perception of entrepreneurs is likely to be a slow process since the norms and values passed from one generation to the next are often resistant to change (Estrin and Mickiewicz, 2011; Welter and Smallbone, 2011). Dallago (2005) explains the persistence of informal institutions associated with previous regimes in terms of path-dependence, which highlights the importance of



changing informal institutions to be as, if not more, important than reforming formal institutions. In contrast to the prevailing perspective towards informal institutions in the context of transition economies, the empirical case of Kosovo presented in this paper serves to challenge what has almost become an almost uncontested view, that informal institutions are slow to reform. It is necessary to develop a more nuanced understanding of informal institutions in transition economies, as transition economies are heterogeneous and as Frederking (2004) asserts that informal institutions vary widely across different countries. It is only in this way that we will develop a more in-depth understanding of entrepreneurship in transition economies, and the nature of institutional reforms required to not just foster entrepreneurship but more productive, ambitious and systemic entrepreneurial activity (Williams and McGuire, 2010; Stam et al, 2012).

### **Researching institutional dynamics**

While formal and informal institutions are often examined separately it is the interaction between the two which is crucial for economic development. Williamson (2000) demonstrates how institutions operate at different levels and influence each other, with informal institutions often emerging spontaneously but influenced by the calculative construction of formal rules. Formal rules are mediated by interaction with informal norms, and the economic outcomes of these interactions change over time (Winiecki, 2001), with norms affecting how rules are designed and implemented and whether they are followed. As noted above, this has been reduced to two key interaction dynamics, the complementary and the substitutionary.

The concept of institutional asymmetry has been used to describe the interaction between formal and informal institutions (Williams and Vorley, 2015a). Ensuring the complementarity, or alignment, of formal and informal institutions has been identified in the literature as important in promoting entrepreneurship. Transition economies have generally

experienced path extension with respect to their institutions (Hashi and Krasniqi, 2011). This has seen previous institutional arrangements adapted with varying degrees of success, while informal institutions have been slow to change (Manolova and Yan, 2002; Tonoyan et al, 2010; Estrin and Mickiewicz, 2011). However, the institutional environment of Kosovo can be understood as having experienced ‘path break’ and subsequently new ‘path creation’ as a result of the formation of the new born state in the aftermath of the conflict with Serbia. While other former Yugoslav republics are forging their own institutional paths (Xheneti and Kitching, 2011; Efendic et al, 2015), we contend that the case of Kosovo is distinct given its emergence as a new born state and the implications for institutional arrangements.

Creating institutions which can foster entrepreneurship, and with it deliver socio-economic development and transformation in post-conflict environments, represents a particular challenge. There are immediate issues associated with embedding and enforcing newly established formal institutions, while in path dependence terms the extension of prevailing informal institutions simultaneously serves to undermine these reforms due to the substitutive effect. For entrepreneurs in post-conflict environments, navigating new formal institutional frameworks can be challenging, and this can be exacerbated where there is a resistance to entrepreneurial activity which is viewed as individualistic and contrary to socialist norms. Efendic et al (2015) also note that where the social fabric has been damaged, the level of trust is low and people are unwilling to share knowledge which can further stymie entrepreneurial endeavours. Moreover, internal conflicts can undermine the rule of law which is a critical element of institutions as weak rules increase the risk of expropriation of entrepreneurial returns (Estrin et al, 2016), with it being replaced by local informal structures of power such as criminal groups (Armakolas, 2011), which are likely to leave a legacy of institutional asymmetries after the conflict has ceased (Efendic et al, 2015). In transition economies, such as those following the break-up of the USSR, many of the informal

institutions continued to persist in keeping with socialist ideologies and exert influence in the newly liberalised transition economies (Williams and Vorley, 2015a). Consequently, any effort to develop formal institutions were undermined by the persistence of informal institutions (i.e. the substitutionary effect). Again, this emphasises the need not just to examine formal and informal institutions but also the interaction of them if the implications for entrepreneurship are to be understood.

However, as a post-conflict new born state, we assert that Kosovo faces different institutional challenges to other post-socialist transition economies in Europe. As the creation of a new state arising from the conflict has provided the foundations to create new formal institutions, but has also been a catalyst to an ideological shift in informal institutions away from those norms and values of the former Serbian regime and towards those associated with Western democracies (notably the United States). This break and reorientation of informal institutions is born from the support of the United States during the conflict as well as their presence in rebuilding Kosovo, and it is this formation of new institutions that Efendic et al (2015) found to provide a significant opportunity growth.

The case of Kosovo offers insights about how informal institutions have served as a catalyst to promoting entrepreneurship and entrepreneurial-led growth as opposed to representing a barrier. This change is driven by the desire and determination of Kosovars to 'break' from those informal institutions perceived as associated with the former Serbian regime. The quest for independence from Greater Serbia and the ensuing support from the United Nations, and the United States in particular, has been instrumental to the break and shift in informal institutions away socialist ideologies akin towards more free market ideologies associated with the West. The remainder of this paper focuses on how institutions and the institutional arrangements have shaped entrepreneurial activity in Kosovo, and the ambition of entrepreneurs, thereby challenging assumptions about the pace of institutional

reforms and reflecting on the distinct opportunities and challenges that this has come to present.

## **Empirical Focus and Method**

The breakdown of the communist regime in the early 1990s was the beginning of the end of ‘old Yugoslavia’, despite several unsuccessful military campaigns to unite Serbia with neighbouring republics into a “Greater Serbia” (Glenny, 1996; Judah, 2008). Following NATO intervention and the conclusion of the wars, the former Yugoslavia was split into different nations, including Serbia, which included the formerly autonomous province of Kosovo. However, following the continuation of political and ethnic tensions, Kosovo unilaterally declared its independence as a new born state in 2008, albeit with continued tensions in parts of the country (Yannis, 2009; Ramadani et al, 2015a; Ramadani et al, 2015b).

Following the war in the 1990s the objective of the UN Interim Administration Mission in Kosovo (UNMIK) under UN Resolution 1244 was to develop institutions for the self-administration of Kosovo. The mandate of UNMIK expanded the administrative function of the provisional institutions, and saw a Constitutional Framework developed with a remit that included economic and budgetary affairs. Following independence, Kosovo has faced the challenge of building on the partial institutional development begun by UNMIK to create an institutional environment which can create economic opportunity and growth.

Kosovo, typical of other post-conflict environments, faces numerous obstacles to economic and social development. In the aftermath of the war Kosovo became partially dependent on the international aid and remittances from the Kosovar diaspora (Loxha, 2012; Peci et al, 2012). Hoxha (2009) describes the new born state as characterised by high levels of insecurity and, in line with Collier’s (2007) identification of a development trap being

‘landlocked with bad neighbours’, it suffers from political marginalisation given that it is not recognised by some other countries including neighbouring Serbia. In addition, Kosovo has been plagued by high unemployment, low levels of growth, high levels of poverty, and poor infrastructure (Krasniqi, 2007; Hoxha, 2009). The extent of the economic challenges facing Kosovo are also reflected in economic growth and income per capita figures which are among the lowest in the Balkans (IMF, 2011, 2012).

Harnessing economic growth is clearly imperative for the national government of Kosovo, who along with international development agencies are seeking to identify 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 aim to involve public and private stakeholders in designing and implementing strategy, developing infrastructure, and providing employment schemes and social services. Specific objectives are to develop economic development strategies in five economic regions in Kosovo, based around the urban centres of Pristina, Prizren, Mitrovica, Peja and Gjilan. The intention is to stimulate 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). However, while much of the economic development strategy has focused on urban centres, rural areas have been overlooked in policy terms as the government has sought to modernise the economy and move away from more traditional rural industries (Solymossy, 2005; Gashi and Ramadani, 2013; Ramadani et al, 2015b).

In order to stimulate entrepreneurship, and with it higher growth, the government has focused on improving its ranking in the World Bank’s ‘Doing Business’ survey, which has moved from 100<sup>th</sup> out of 183 in 2014 to 42<sup>nd</sup> in 2015 in terms of the ease of starting a business (World Bank, 2015). It takes 5 procedures and 11 days to comply with the necessary

regulation to start a business, which compares favourably to the European average of 5 procedures and 12 days (World Bank, 2015). Much of this improvement has been brought about through twelve laws which aimed to reduce the costs of setting up a business, simplify business registration and licensing, reporting and auditing, improve property rights, control and smooth the management of state borders, promote external trade and privatization (IMF, 2011, 2012 World Bank, 2015).

In addition, there have been a number of programmes aimed at stimulating and supporting new business start-ups (see MTI, 2011; Government of Kosovo, 2006; USAID, 2010). However, in contrast to the policy transfer approach in neighbouring Albania, which has been influenced by the prospect of EU membership to implement wide-ranging external institutional rules (Xheneti and Kitching, 2011), such programmes have been limited in scope in Kosovo. In the absence of such policies, and despite institutional reforms to make it easier to start a business, the country remains heavily dependent on small scale trade in low value added sectors which make limited contributions to job creation and economic growth (Krasniqi, 2012). The key challenge is therefore to increase entrepreneurial productivity in Kosovo, so that it can contribute effectively to securing future economic growth. More structural transformations are required if Kosovo is to move from traditional sectors, such as agriculture, crafts and basic services (Solymossy, 2005; Gashi and Ramadani, 2013; Ramadani et al, 2015b) towards higher value added service and industrial sectors and encourage growth in new sectors (Mauring, 2009). While it is easier to start a business in Kosovo, there are still numerous barriers to growth, including access to finance and obstacles to internationalisation caused by the political marginalisation of Kosovo (Solymossy, 2005; Peci, et al, 2012).

The remainder of this section outlines the methodological approach used to examine the institutional challenges associated with harnessing entrepreneurship in a post-conflict,

new born state. The methods adopted in this study were qualitative, which are appropriate as they capture context richness and diversity (Dana and Dana, 2009; Hlady-Rispal and Jouison-Laffitte, 2014) and are useful in understanding participants' points of view and explore behaviour, attitudes, needs and aspirations by examining actions, intentions and interactions (Arshed et al, 2014; Dana and Dumez, 2015). Moreover, although entrepreneurship research has been dominated by quantitative approaches, there is growing body of qualitative research that provides deep insights into the entrepreneur and the entrepreneurial environment (Hindle, 2004; Dana and Dana, 2005; Drakopoulou-Dodd et al, 2014). Qualitative approaches seek to examine players or agents as they act (Dana and Dumez, 2015) and thus allows the context of entrepreneurial activity to be examined, enabling researchers to move away from the 'dead end' of studying entrepreneurs simply as individuals by considering the environment in which they operate (Dana and Dana, 2005). Furthermore, qualitative research in transition and challenging environments has the potential to improve understanding of entrepreneurs' experiences and provide rich data which quantitative survey-based approaches cannot provide (Doern, 2009).

In this study national policy documents and reports relating to the economic development context in Kosovo were reviewed to identify key policies and interventions relating to entrepreneurship. This review also captured secondary data thus providing a comprehensive portrait of the institutional environment in Kosovo. Secondly, all businesses in the capital city of Pristina, that were listed in the Kosovo Chamber of Commerce with a registered email addresses, were contacted and invited them to take part in the research. From this list of 400 businesses, twenty-six semi-structured in-depth qualitative interviews with businesses from a wide range of sectors and sizes were conducted between September and November 2013. A low response rate is not uncommon when conducting qualitative research (Herbane, 2010), although the number of interviews serves to provide considerable insight.

Table 1 provides a profile of the participants in terms of the sector of their business operations, the size of the business and its age, as well as details of whether they trade outside of Kosovo and for those that do, the size of that external trade as a percentage of their annual turnover. As can be seen, the majority of the business representatives who were interviewed were small-scale and their trade was limited to within Kosovo and predominantly within the capital of Pristina. While the empirical study is not intended to be representative of entrepreneurs in Pristina or Kosovo, the perceptions and experiences of the entrepreneurs provide in-depth insights into both the formal and informal institutional environments. Therefore while Jack and Anderson (2002) assert that such research can lack generalisability, its value is in generating questions for further research hypotheses.

**INSERT TABLE 1 ABOUT HERE**

The interviews were semi-structured and followed the interview schedule set out in Table 2. In qualitative research the questions asked can be modified (Frank and Landstrom, 2016), and the nature of semi-structured interviews meant that a number of issues that were not included in the interview schedule and yet were raised by respondents were subsequently explored further. The interviews were recorded with the respondent's consent and transcribed, before assuming a grounded approach towards thematically analysing and coding the data to explore emergent themes. It was important, in keeping with Bryman, (2012), that the reliability of coding was consistent and structured in order to prevent coder bias. Therefore, the coding process was conducted independently by the authors, with overarching thematic categories identified to develop a coding scheme based on key themes so that intra-coder reliability could be consistent. This coding scheme was applied by both authors, and the results of it were then compared to ensure inter-coder reliability by identifying any discrepancies between the coders so that they could be revisited and agreed. This constant comparative method involves continually identifying emergent themes against the interview



data, and employing analytic induction whereby the researcher identifies the nature of a relationship and develops the narrative (Silverman, 2000). The qualitative approach was particularly appropriate to enable entrepreneurs to articulate how they perceive the institutional environment, and quotes from the interviews are used to provide enhancement and to add voice to the study. As well as setting out the interview schedule, Table 2 presents a summary of the responses to the key issues emerging from the entrepreneurs and illustrative quotes. In many cases, consensus was found regarding the key areas of exploration and these responses can therefore be considered to be representative of the views of the majority of the respondents. The remainder of this article considers what Steyaert and Bouwen (1997) refer to as the ‘story of entrepreneurship’, by exploring how both the informal and formal institutions have shaped entrepreneurial activity and the ambition of entrepreneurs in Kosovo.

**INSERT TABLE 2 ABOUT HERE**

## **Analysis and Discussion**

In researching entrepreneurial activity and the ambition of entrepreneurs in Kosovo as a post-conflict economy, this section analyses how institutions and institutional arrangements have served to both support and hinder entrepreneurship. Much of the existing literature asserts that formal institutions are comparatively quick to reform although their capacity to drive change are questioned, while informal institutions are regarded as slow to evolve (Estrin and Mickiewicz, 2011; Williams and Vorley, 2015a). The empirical study challenges these assumptions which have become received wisdom, by examining how the institutions and institutional arrangements in a post-conflict environment interact and shape entrepreneurial activity. This section begins by considering how formal institutions have developed in the context of a post-conflict, new born state, then examines how informal institutions have

changed, before focusing on the importance of institutional alignment for developing productive entrepreneurial activity.

### **Formal institutions and entrepreneurship in Kosovo**

In keeping with the existing literature our analysis highlights the importance of formal institutions in determining what Baumol (1990) refers to as the ‘rules of the game’. In some ways, Kosovo displays many of the characteristics associated with other post-socialist transition economies as it seeks to reform formal institutions to support entrepreneurship. However, at the same time, there is a notable difference in the formal institutional arrangements in Kosovo, namely they were not associated with the institutions of a previous regime but rather established as part of the post-conflict new born status of the country. As opposed to the formal institutions in other transition economies which have risen from their centrally planned predecessors, this has not been the case in Kosovo. In the wake of the conflict a number of entrepreneurs referred to the importance of UNMIK administration in economy building and establishing formal institutions. UNMIK served to bridge the institutional vacuum created in the wake of the conflict, and played a role in ‘breaking’ the path-dependence associated with the market transition of former socialist economies. Indeed the strong presence and influence of UNMIK and latterly United States government intervention is reflected in the formal institutions created, if not in their operation.

While the World Bank (2015) data on starting a business in Kosovo shows an improving picture, the entrepreneurs interviewed reported that in reality things could take a lot longer. Several interviewees described how the bureaucracy has evolved since independence. Excessive paperwork or ‘form filling’ relating to permits, licenses and registrations, were viewed by many interviewees as “getting in the way” (INT16) and “making it difficult to do business” (INT26). This is not to say that the entrepreneurs did not

recognise the importance of regulations, but were concerned that much of it increased their transaction costs and/or compromised competitiveness. Several interviewees suggested that adhering to the rules and regulations was unnecessarily onerous, and under such circumstances not complying with regulations was regarded as necessary to run the business in an efficient way.

With the evolution of formal institutions following independence, the interviews found that it is repeated changes to the rules and regulations which has the most significant impact on entrepreneurs. The entrepreneurs interviewed stated how the speed of reforms to the rules and regulations was creating a problem of compliance. As one entrepreneur explained: “We have had to apply for new licenses and constantly calculate new tax rates ... It makes it difficult for us to plan” (INT12). In some ways, the lack of regulatory stability in Kosovo is unsurprising given the country’s need to create new institutions following independence. Over time, greater stability and continuity is required to enable entrepreneurs to plan for medium-long term growth, otherwise businesses resources are expended on trying “to predict how rules and regulations will change” (INT10). The complexity of the taxation system can see businesses make 33 tax payments a year and spend 164 hours a year filing, preparing and paying taxes, which coupled with weak collection systems and enforcement mechanisms undermining the development and competitiveness of the Kosovar Economy. That said, the ease of paying taxes and doing business in Kosovo still compares favourably with other economies across the Balkans (World Bank, 2015).

The overarching view of formal institutions held by the respondents was that they are unnecessarily bureaucratic and prevent them from growing. However, the perception of the entrepreneurs was that the situation has improved since Kosovo had become independent. In particular the entrepreneurs were positive about the influence of the US on the formation and development of rules and regulations in Kosovo, which they perceived as important for the

future of Kosovo as an open, market economy. There was, however, a consensus among the entrepreneurs interviewed that not enough had been done to support entrepreneurs financially. This echoes the findings of Hoxha (2009) who suggests that the nascent banking sector in transition economies tends to favour larger businesses due to their ability to provide collateral.

While none of the entrepreneurs cited the challenge of accessing finance as a barrier to starting a business, it was highlighted as a barrier to survival and growth. Many entrepreneurs stated that more needed to be done to provide access to finance for businesses with the potential to grow, and bridging the equity gap is a problem that has plagued other transition economies (Bratkowski et al, 2000; Krasniqi, 2007; Szerb et al, 2007). One entrepreneur explained that this was due to the small size of their ventures, meaning that attracting commercial finance was difficult: “banks won’t lend to me because I don’t have any collateral” (INT13). Accessing investment is also a challenge as the banking sector in Kosovo is in its infancy, which has meant it is particularly risk adverse. Where entrepreneurs were able to obtain credit the interest rates were prohibitively expensive (up to 40% was cited by many respondents), and therefore not an economical viable option to finance growth. As a result many of the entrepreneurs had utilised friends and family to generate funding because they couldn’t attract commercial funding, and this in turn meant that most entrepreneurs could only borrow comparatively small amounts.

Since independence, a priority of public policy has been to attract Foreign Direct Investment as a mechanism to generate jobs and drive economic growth. The consequence of prioritising inward investment has detracted from support for entrepreneurial activity, the consequence of which contributes to the proliferation of what Sautet (2011) describes as ‘local’ entrepreneurship which does not contribute to growth. The ‘rules of the game’ have meant that many entrepreneurs have been disaffected, whether that is in terms of stifling

growth (ambition), engaging in ‘off-the-books’ activities or becoming embroiled in corrupt and illegal activities. The implication is that entrepreneurial-led growth has been stymied in Kosovo, and there is a need to reappraise how the institutional environment supports entrepreneurs. Getting the rules of the game right in post-conflict new born states is not straightforward and clearly it will take time, especially in an environment such as Kosovo where the institutional environment are established on the back of UN administration. However, as the remainder of this section emphasises, fostering entrepreneurship is also impacted by the prevailing informal institutions as well as the need to ensure that formal and informal are complimentary.

### **Informal institutions and entrepreneurship in Kosovo**

The majority of reforms intended to foster entrepreneurship in transition, as well as post-conflict, new born economies have centred on formal institutions (Williams and Vorley, 2015a), with informal institutions often overlooked when designing policies (Welter and Smallbone, 2011). Our research builds on previous studies in highlighting the importance of informal institutions (Peng and Heath, 1996; Williams and Vorley, 2015a), and particularly in a changing environment such as Kosovo. While the emergent formal institutions in Kosovo are like many other post-conflict and transition economies, the informal institutions are distinct from other transition economies. Whereas Estrin et al (2005) find there is a cultural resistance, if not opposition, to entrepreneurship in many post-socialist countries, our findings suggest this is not the case in Kosovo. Indeed entrepreneurship is generally accepted and entrepreneurs are regarded in a positive manner, unlike in other transition economies (Welter and Smallbone, 2011).

In the same way that the conflict created a break in the formal institutions, so the same is true of informal institutions. In contrast with many other transition economies which

are characterised by the historic path dependency of informal institutions, Kosovo has demonstrated a change in norms and values. The respondents explained that this is in part motivated an intrinsic desire to differentiate themselves as Kosovars from Serbian culture, and in so doing has served as an important accelerant to achieving a break and creation of a new institutional path. As one respondent stated: “We want to prove we can make it as independent country” (INT4). The strong political relationship between Kosovo and the US that developed as a result of the conflict has provided an important impetus in developing informal institutions that are pro-entrepreneurship. When probed about the entrepreneurial culture in Kosovo one entrepreneur said “we need to be more like the US, where being an entrepreneur is seen as being successful” (INT12). Despite the differences in culture, history and politics the close relationship with the US meant that for many respondents it was upheld as the exemplar of an entrepreneurial economy.

Unlike research on other transition economies (Smallbone and Welter, 2001; Puffer et al, 2010; Tonoyan et al, 2010) we find that there is a cultural acceptance of entrepreneurship in Kosovo, although the informal institutions are not entirely unproblematic. Most notably the scale and ambition of entrepreneurial activity is generally limited locally, with little impact on economic growth. While productivity of entrepreneurial activity is widely attributed to the rules of the game as defined by the formal institutional arrangements, our findings emphasise the impact of informal institutions on low growth limited and localised entrepreneurship. Indeed, among those interviewed pursuing entrepreneurial activity was often perceived as preferential to seeking employment, for example one interviewee stated “at least if I work for myself the harder I work the more money I make” (INT13), while another interviewee described that given the high levels of unemployment “there aren’t many jobs so many people want to create one for themselves” (INT19). Such examples serve to explain the

localised nature entrepreneurial activity, a characteristic that is compounded by the necessity-driven nature of entrepreneurship in Kosovo.

Testament to this, and despite the pro-entrepreneurship climate, there is little evidence of high growth or systemic entrepreneurial activity (Sautet, 2011), and therefore the contribution to economic growth is limited. In describing the entrepreneurial activity, one respondent said “being an entrepreneur is a way to build a better life it is not just about the business... I get to work for myself” (INT17). While this is not to presume all entrepreneurship is lifestyle entrepreneurship, this view, which was reflected by a number of entrepreneurs interviewed, highlights that growth is often not a primary driver. Indeed a number of the entrepreneurs interviewed described their entrepreneurial endeavours as a collection of different (and often not related) business activities. This is similar to the notion of portfolio entrepreneurship, the major distinction being that none of the activities alone are the basis of a business in their own right. Many of the entrepreneurs interviewed were engaged in imitative entrepreneurship, a la Kirzner (1973), acting as arbitrageurs as opposed to innovators. In keeping with Thompson (2009), several entrepreneurs also explained their lack of growth as due to not having the requisite business skills, although this was generally associated with a lack of growth ambition with little interest in developing these skills. Consequently it is raising the ambition of Kosovar entrepreneurs, especially necessity entrepreneurs, to develop businesses that will ultimately drive economic growth that remains a challenge, as it is in many other transition economies..

Another challenge facing entrepreneurship in Kosovo is that of corruption. The impacts of corruption on entrepreneurial activity on transition economies are well documented (see, for example, Manolova et al, 2008; Tonoyan et al, 2010; Aidis et al, 2012; Budak and Rajh, 2014). As discussed above corruption poses a problem for formal institutions. In other transition economies which have seen the privatisation of former state

industries, corruption is prevalent, although our interviews found less of a sense of endemic corruption as a norm in Kosovo. The main form of corruption concerned “off-the-books” activities in order to avoid taxation and/or regulations. Entrepreneurs generally viewed working off the books as the norm, and as one interviewee said “everybody does it” (INT12). Several entrepreneurs stated that the Kosovar Government had sought to invoke measures intended to make informal economic activity more difficult, mainly through systems of fines. However, as Williams (2006) notes, such a penal approach is unlikely to change informal institutions. This is particularly important in Kosovo where Demekas et al (2002) note that these cultural norms developed in response to the desire to avoid paying taxes to fund the Milosevic regime. Consequently changing these norms is therefore contingent on the formal institutions being seen to work for and behalf of the people more.

During the interviews there were also numerous examples of entrepreneurs illicitly leveraging political and professional connections, with petty bureaucracy and corruption of low level political administrators and border/customs officials is commonplace. Again, this was described by many to be a cultural norm, and often not regarded as corruption by as benefitting from a favour. As one interviewee explained, in the Yugoslav years entrepreneurs had to engage in bribery to get products traded outside of Kosovo: “if you didn’t do that you had no chance to survive” (INT9). Such activity can lead to nepotism and reduced professional capacity, the consequence of which sees the productivity of entrepreneurial activity being undermined as costs increase as a result of corruption (Peci et al, 2012). While there have only been a small number of high profile corruption cases in Kosovo involving political and elite figures, this represents a more substantive concern as institutional corruption and organised crime are commonly regarded as mutually constitutive.

In contrast to the extant literature on transition economies (Smallbone and Welter, 2001; Estrin and Mickiewicz, 2011), societal attitudes are generally pro-entrepreneurship in



Kosovo. That said, the findings highlight that despite being pro-entrepreneurship that the informal institutions in Kosovo still serve to constrain entrepreneurs, as the culture means that many entrepreneurs are not growth orientated. Instead many entrepreneurs are simply looking to survive, with many having turned to entrepreneurship out of necessity due to a lack of other employment opportunities. This presents a challenge to policymakers who can reform formal institutions relatively quickly, however, it is the informal institutions that represent a central challenge in fostering entrepreneurial-led growth. In contrast with other transition economies which are characterised by a negative perception of entrepreneurship, in Kosovo, while the perception is positive, it is not ambitious or growth orientated. Consequently, the challenge to reform informal institutions is similar yet distinct to other transition economies. However, affecting informal institutions is not easy and will only occur over time (Winiecki, 2001; Estrin and Mickiewicz, 2011; Williams and Vorley, 2015a).

### **Institutional alignment**

The preceding discussion has shown how formal and informal institutions have shaped entrepreneurial activity in Kosovo. However, more than the nature of institutions, it is also important to consider the institutional arrangements and how formal and informal institutions both align and relate (Winiecki, 2001; Williams and Vorley, 2015a; Williams and Shahid, 2016).

In Kosovo the prevailing institutional arrangements can be viewed as broadly complementary, with the newly created (paths of) formal institutions and informal institutions generally supportive of entrepreneurship. As a new born state, it is understandable that formal and informal institutions still need to become more established within society as institutional arrangements are developed. That said, there is a congruence of formal and informal institutions in this post-conflict environment that does not exist to the same extent in

transition economies. This is in part due to the way in which the new institutions have (rapidly) evolved, with new formal arrangements establish and the informal institutions recast in the context of an independent post-conflict Kosovo.

Although there have been challenges in implementing and enforcing formal institutions, the impact of this is somewhat reduced as a result of the informal institutions. As described above several of the interviewees commented on Kosovo as ‘pro-entrepreneurship’, although as one interviewee stated “more than being pro-entrepreneurship we are pro-Kosovo, and part of Kosovo succeeding as a country is its economy” (INT17). It is arguably this culture of national pride which underpins the institutional complementarity described by Helmke and Levitsky (2003), both with respect to entrepreneurship but also more generally with respect to the overarching institutional environment in Kosovo. We assert that the informal institutions serve to bridge the formal institutional voids and reduce institutional asymmetries.

However, despite this complementarity, there are still issues around the productivity of entrepreneurship in Kosovo, which tends to be local rather than systemic and as such is less than optimally economically productive. In order to increase the level of productive entrepreneurship, and with it entrepreneurship economic growth, it about more than institutional reform. In Kosovo the complementarity of institutions can in part be attributed to the ideological alignment of Kosovar people to the new born state. However, sustaining and embedding the institutional arrangements is contingent on demonstrating them to make a difference in the socio-economic development of Kosovo. In this respect Kosovo is at a critical juncture, which as Acemoglu and Robinson (2012) define as a major event which disrupts existing economic and political but can provide an impetus for reform. Where institutional reforms are not regarded to improve, or worse stymie, entrepreneurial activity, the outcome is likely to see an increase in working off the books and petty corruption. This is

evidence of the asymmetry between formal and informal institutions, with the substitutionary dynamic seeing informal institutions undermine formal institutions and result in the proliferation of unproductive entrepreneurship.

Beyond the question of endogenous institutional arrangements in Kosovo, another pressing challenge are exogenous factors relating to the political marginalisation of Kosovo. (Re)building Kosovar society post-conflict and fostering a more entrepreneurial economy is contingent beyond Kosovo's borders, and since Kosovo is not recognised by many countries, including those within the region, this has adverse consequences for productive entrepreneurship. In contrast to Lee and Peterson (2001) who contend that the global economy typically diminishes many national barriers to entrepreneurship, the political marginalisation of Kosovo is having the opposite effect. This means that even where there is institutional alignment within Kosovo, the political marginalisation serves to reduce the scale and ambition of potential entrepreneurial opportunities as a result of limiting external markets. As one entrepreneur explained: "We can't sell our goods into Serbia because they do not recognise us and it is also difficult to sell elsewhere because of problems associated with our declaration independence, so key neighbouring markets are cut off" (INT4). Despite this though, economic success can be fostered within a context of a lack of international recognition. For example, Taiwan is not recognised as independent by many states yet experienced significant and sustained growth as one of the 'Asian Tiger' economies (Caspersen, 2013).

Unlike other transition economies, such as Bulgaria and Romania, Kosovo has not have benefited from EU membership opening up large markets which has stymied entrepreneurial opportunity. As well as limitations on exports, political marginalisation also limited the inflow of finance and investment. One interviewee raised concerns that as a result of the political marginalisation ambitious entrepreneurs were looking to leave Kosovo,

explaining that “if we can’t make a living as entrepreneurs here then we will be entrepreneurs elsewhere” (INT18).

The discussion has shown that fostering entrepreneurship is about more than formal and informal institutions, it is about institutional arrangements. The alignment and asymmetry of institutions are critical to the future of Kosovo as an entrepreneurial economy. It is not enough for formal and or informal institutions to be pro-entrepreneurial, the litmus test is increasingly the extent to which institutional arrangements foster more productive and more ambitious entrepreneurial activity. Unless there is evidence that institutional reforms are making a difference there is a reality that the pro-entrepreneurial institutions that Kosovo might regress, and instead become defined by unproductive and ultimately destructive forms of entrepreneurship.

## **Conclusions**

While the literature on institutions and entrepreneurship in transition economies is well-established, both the institutional development in new born and post-conflict states and the implications of a ‘break’ in institutional arrangements are under-researched. We contribute to this field of research through an empirical study of Kosovo, showing that while formal and informal institutions matter, it is the alignment of institutional arrangements that define the extent to which entrepreneurial activity is productive. Given that the returns to different forms of entrepreneurship are sensitive to institutional contexts (Estrin et al, 2016), it is only when the prevailing institutions can foster more systemic, productive and ambitious entrepreneurial activity will they be regarded to have been a success.

In contrast to transition economies which have experienced path extension as existing institutions prevail (Hashi and Krasniqi, 2011), the institutional environment in Kosovo can be characterised as experiencing path break. Following the conflict and independence,

Kosovo forged new formal institutions, while informal institutions were reshaped in a fashion akin to those of Western economies, particularly the US who had a key influence post-conflict, and changed quickly compared to transition economies. This explains the pro-entrepreneurial institutional environment in Kosovo, although as the empirical study highlights this positive development is not assured *ad finitum*. Unless the entrepreneurs see and experience the benefits of institutional reforms in the short to medium-term asymmetries are likely to reduce the levels of productive entrepreneurship.

The perception of entrepreneurship in Kosovo is positive, yet the scale of entrepreneurial activity is limited and born from necessity given high levels of unemployment in Kosovo. Sustaining and developing the complementarity of formal and informal institutions is critical to the future of entrepreneurship in Kosovo. However, independence has not seen Kosovo experience the economic development it was aspiring for, and unless the institutions and institutional arrangements in Kosovo are seen to promote growth there is a danger that informal institutions will become less productive and ultimately unproductive. Such a shift would serve to further undermine the prospect of entrepreneurial-led growth in Kosovo, and with it compound the country's political marginalisation and economic stability.

The paper serves to highlight the importance of managing institutions, with institutional arrangements critical to the future of entrepreneurship and economic development in Kosovo. Ensuring that informal institutions in Kosovo remain pro-entrepreneurship will be determined, in part, by the extent to which formal institutions are perceived to support and enable entrepreneurship. Perceptions of institutions are important, as expectations are self-fulfilling. Where expectations are of a stable environment, institutions will gain legitimacy and enhance compliance (Crawford and Ostrom, 1995). On the other hand, where expectations are of a changing environment which lacks stability, individuals can seek to circumvent rules or not risk undertaking entrepreneurial activity (Williams and

Vorley, 2015a). In economies with weak or negative perceptions and expectations, informal institutions will take time to change (Winiecki, 2001; Estrin and Mickiewicz, 2011) but can be targeted through media campaigns, education and utilisation of role models (Hindle and Klyver, 2007; Williams and Vorley, 2015a). Analogous to this there is a need to develop the ambition and capabilities of entrepreneurs in order to foster more productive and systemic entrepreneurship, which will in turn increase the complementarity of formal and informal institutions. This focus on developing and embedding institutions is particularly critical given the geo-political challenges facing Kosovo, as further political marginalisation will undoubtedly constrain opportunities for entrepreneurial-led growth.

Finally, we acknowledge the limitations of a case study focused on a relatively small number of in-depth interviews with entrepreneurs in the Kosovar capital is not generalizable. However, the research serves to challenge theory about the nature of institutions and highlights the importance of managing institutional asymmetries and fostering greater institutional alignment. Further research is required to more fully understand the nature and nuances of institutions and entrepreneurship in post conflict economies, and specifically how institutional asymmetries and alignment affect economic growth. Given that reforms in transition, emerging and new born economies have been multifaceted, cross-country comparisons would provide useful insights into the paths of institutional development and whether the gap between formal and informal institutions has widened or narrowed. Furthermore, we have focused on the capital city of Pristina in our study as much of the economic development strategy in Kosovo has focused on urban areas. However, while rural areas have been somewhat overlooked there is value in examining their contribution to growth, as policy focused on the rural economy has succeeded elsewhere (Coase and Wang, 2012). As such, future research could examine economic development in rural, less developed areas and what role they can play in growth at the national level.

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**Table 1: Profile of participants**

<b>Respondent</b>	<b>Sector</b>	<b>Size of business (number of employees)</b>	<b>Age of business</b>	<b>Trade outside Kosovo</b>	<b>% of trade outside Kosovo</b>
INT1	Construction	1-10	10+ years	No	-
INT2	Media	1-10	6-10 years	No	-
INT3	Food and drink	11-50	1-5 years	Yes	25%
INT4	Electronics	1-10	1-5 years	Yes	50%
INT5	Pharmaceutical	11-50	1-5 years	Yes	50%
INT6	IT	1-10	6-10 years	No	-
INT7	Electronics	1-10	1-5 years	Yes	25%
INT8	Food and drink	1-10	Less than a year	No	-
INT9	Food and drink	11-50	6-10 years	Yes	75%
INT10	Construction	51-250	10+ years	No	-
INT11	Financial services	11-50	1-5 years	No	-
INT12	Real estate	11-50	6-10 years	No	-
INT13	Tourism	1-10	Less than a year	Yes	25%
INT14	Food and drink	11-50	1-5 years	No	-
INT15	Retail	11-50	1-5 years	No	-
INT16	Tourism	1-10	Less than a year	No	-
INT17	Media	11-50	6-10 years	No	-
INT18	Retail	11-50	1-5 years	No	-
INT19	IT	1-10	Less than a year	Yes	10%
INT20	Financial services	51-250	10+ years	Yes	25%
INT21	IT	1-10	Less than a year	No	-
INT22	Food and drink	1-10	1-5 years	No	-
INT23	Medical services	11-50	1-5 years	Yes	25%
INT24	Real estate	11-50	6-10 years	No	-
INT25	IT	1-10	Less than a year	No	-
INT26	Food and drink	11-50	1-5 years	No	-

**Table 2: Interview questionnaire and summary responses**

THEMATIC AREA	INDICATIVE QUESTIONS	SUMMARY OF KEY RESPONSES	ILLUSTRATIVE QUOTES
Profile and motivation of entrepreneur and entrepreneurial experience	<ul style="list-style-type: none"> <li>• Business profile, including trade outside Kosovo</li> <li>• What have been the main challenges in establishing your business?</li> </ul>	Majority of interviewees are small in scale; 9 out of 26 trade outside Kosovo; Start-up challenges associated with bureaucracy and gaining licenses to operate	“It takes time to get started ... Sometimes it can take months to get a license. Things are improving but it still takes too much time.” (INT8)
Growth plans	<ul style="list-style-type: none"> <li>• What plans do you have for your business to grow?</li> <li>• What barriers to growth do you face?</li> </ul>	Majority of businesses emphasised survival as opposed to growth; Lack of opportunity, lack of finance, weak skills and political marginalisation cited as main barriers to growth; Regulation changes regularly meaning it is difficult to plan effectively.	<p>“We just want to keep going as we are, we don’t have the finance to grow.” (INT16)</p> <p>“We are cut off from many important markets, like Serbia, so it limits our growth ... We can’t have a ‘Made in Kosovo’ stamp on our products and sell them into Serbia.” (INT22)</p> <p>“Rules have changed and tax levels have changed so we constantly have to adjust our plans.” (INT7)</p>
Government policy, support and intervention	<ul style="list-style-type: none"> <li>• How actively is the Kosovar Government involved in supporting entrepreneurship?</li> <li>• To what extent is the regulatory landscape conducive to entrepreneurial activity in Kosovo?</li> <li>• How has Government policy sought to support entrepreneurship?</li> <li>• How does regulation impact on entrepreneurial activity?</li> </ul>	Support for entrepreneurs limited and slow to develop; Regulatory landscape has become more bureaucratic since independence; Some policies have been introduced, mainly associated with hubs providing support; Has become harder and takes longer to gain licenses which stymies growth plans.	<p>“There is little policy to help entrepreneurs directly ... There needs to be more funding and support to help businesses grow.” (INT15)</p> <p>“Because of the bureaucracy it is normal to avoid some regulations if you can. Many businesses employ people informally and work for cash to avoid taxation.” (INT6)</p> <p>“Policy makers need to learn more from entrepreneurs so barriers can be reduced and help to grow can be improved.” (INT18)</p>
Education, Skills and Training	<ul style="list-style-type: none"> <li>• Have you been engaged in any formal enterprise/entrepreneurial learning? If so</li> </ul>	Entrepreneurship training/education is limited but is being introduced into	“Policy makers are starting to think about education for entrepreneurship

	<p>when i.e. school, university or other</p> <ul style="list-style-type: none"> <li>• Are you currently receiving any on-going advice, mentoring, consultancy related to developing your enterprise?</li> </ul>	<p>Universities. None of the entrepreneurs had taken part in any formal entrepreneurial learning; Some entrepreneurs have received informal advice from friends/family.</p>	<p>so hopefully the young people can learn the right skills.” (INT13)          “We have drawn on friends we know who have set up businesses but they only know what they know ... They were useful to help us start but can’t help us grow.” (INT21)</p>
Networking and Capacity Building	<ul style="list-style-type: none"> <li>• Are you a member of any entrepreneurship bodies/trade bodies?</li> <li>• Are your networking activities primarily face-to-face or online?</li> <li>• Have you operated abroad as part of the Kosovar Diaspora?</li> <li>• How could further networking enhance your business?</li> </ul>	<p>All interviewees were members of Chamber of Commerce;          Most networking/capacity building takes place informally;          11 interviewees had operated abroad but moved back after independence;          Better communication channels and knowledge sharing with policy makers and more formal networking would add value to businesses</p>	<p>“The Chamber has been useful but most of our networking takes place with people we already know. Unfortunately it limits the knowledge we can gain.” (INT15)          “I operated a business in Germany and that provided me with a lot of experience. When I came back to Kosovo the knowledge allowed me to expand into European markets.” (INT9)</p>
Culture, Society and Environment	<ul style="list-style-type: none"> <li>• How do you believe entrepreneurship is viewed in Kosovo?</li> <li>• What are the primary cultural barriers to entrepreneurship in Kosovo?</li> <li>• To what extent is the culture conducive to entrepreneurial activity in Kosovo?</li> <li>• Is entrepreneurship viewed as a valid career choice in Kosovo?</li> </ul>	<p>Entrepreneurs generally viewed positively by society;          Lack of ambition and skills among entrepreneurs;          People willing to start businesses, but growth desires are limited;          Many see entrepreneurship as a choice for them, but often this is linked to limited wage employment opportunities</p>	<p>“Some large entrepreneurs with links to government are viewed with scepticism, but small-scale entrepreneurs are seen positively.” (INT26)          “Many people have the skills to start a small business but not enough have the skills to grow.” (INT2)          “We have lots of entrepreneurs but many people start because they have few options for employment.” (INT14)</p>