

# GEOGRAPHY OF INNOVATION –CASE OF ALBANIA

Ilir Aliaj\*

## Abstract

The geography of economic activity has resurged and now it is becoming a very important factor of studying different new fields of human activity. One of the cases is the geography of innovation, which is linked with knowledge, skills, institutions and structure of organizing.

In Albania, the discussion on the topic is vague and they are not other papers or works on it, this way I believe that my presentation will bring a new moment in human geography in country and will open the discussion on what has been done and what needs to be done. This is the reason why, I believe that the document will be a possibility for discussion not only for academics but also for policy makers.

The purpose of the paper I am presenting to the conference has to do first with the debate of the role of geography in the new trends such as innovation, and further more with what is innovation. Secondly, it will be focused on the case of Albania, actual situation and what needs to be done to improve the position of the country in innovation.

**Key Words:** Innovation Geography, Information Technology, Strategy, Localization

## INTRODUCTION

Technological developments during the last years of 80' till now often have created discussion among academics around the world, on the role of geography as a topic. Many had argued that with the development of technologies the geography is dead. For sure these are not true and now we have a rebirth of geography and importance of it is growing every day.

Globalization and development of technologies brought two new phenomena, first is raise of importance of regions and geographic localization as an important unit for economic activities. What is important to be underlined is that innovation is not owned by bit multinational corporations, but is located in medium-small size companies in regional clusters of high- tech, such is Silicon Valley, research Triangle and Route 128. Years ago almost everybody was saying that globalization would cancel the role of regions as important units of economic activities. However, now days we face a big competition among policymakers to create examples such Silicon Valley, which in itself shows the importance of localization and clusters.

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\*Ilir Aliaj is a Ph.D student at the University of Tirana, Faculty of Human Geography.

Address: Myslym Shyri, Pall. 8/1, kati 4; Tirana, Albania; Tel/fax + 355 4 22 48 519; E-mail: Ilir\_aliaj@hotmail.com or natolin02@yahoo.co.uk

Another interesting development which is going along globalization is development of telecommunications and raise of role of medium and small size firms in innovation activities, creation of jobs, international competitiveness and economic development.

## **WHAT IS INNOVATION?**

Innovation is an activity which at the end gives us the idea, which will help us to improve technology, services and products, with a great impact in society. Keeping in mind this we can say that not all patents is an innovation (Guellec and van Pottelsberghe, 1999).

(Cainelli et al. 2005, pg 437) underlined that we cannot make a sign of equality between innovation and invention. He consider invention as scientific and technologic research, meanwhile innovation is implementation of that brilliant idea in practice.

Innovation is a new idea and implementation of it in everyday life. Ideas for reorganization, decrease costs of production, use of new systems forms for budgeting, improvement of communication and assembling are innovation. Innovation is generation, acceptance and implementation of new ideas, processes, products and services. Acceptation and implementation are important in that definition and it includes also the capacity to adopt. (Kanter 1983, pg 20)

Since innovation is consider as a generator for economic development, especially with competitive advantage and raise of production, many governments are adjusting their policies to grow the interest at national level. Research institutions are working for new ideas; meanwhile private companies are implementing them and bringing those new ideas in a final product. Are those actors which are playing a decisive role in a country for innovation, of course is important to mention the incentives from policymakers and whole society.

## **INNOVATION AND GEOGRAPHY**

Importance of networks for innovation within a specific zone has been made public by Saxenian (1990) for Silicon Valley and Powell (1990) for biotechnology industries. That's why location close to the technologic source allows firms to get information, by creating a premise to be localized near source of information. When technology is standard and stable, exchange of information can be made through standard codes and broadcasting in large distances can be made with few costs. However, when technology is complex and is developed every day, then large distances cannot allow standard broadcasting. (Markusen, Hall and Glasmeier, 1986). Those three authors underline the fact that new firms in a strategic way are located within a close geographic area with the source of information.

Is a little understanding of how time and space has a big role in technologic progress and innovation? In recent academic literature we can find a big attention to localization and diversity of nature that sets economic activity. Localization concept is defined as a geography unit under which can act and communicate. Furthermore, knowledge is not so easy to be earned, and again geography helps us by defining effects of knowledge. This why, generation of knowledge can

have more boosts in a place and as result this region can profit a high economic growth and technologic advancements. Now is widely admitted by academics that innovation has a strong geographic component. Concept of knowledge effects is very important in geography of innovation, which includes the dynamic of localization and the impact on the process of localization of innovation activities. Lately, growth theories have discovered a rapid raise of interest in geographic dimension for the knowledge. (Maryann. P. Feldman, Nadine Massard, 2010).

A geographic localization of competitive firms make more easy the network and solution of problems. These networks are highly profitable for small innovative firms. (Porter, 1990).

If the knowledge can be easily transmitted, accumulation of them is a totally diverse activity and profitable from the exchange of it face to face. An example from the exchange of knowledge face to face come from a survey made from biotechnology researchers Grefsheim, Franklin dhe Cunningham (1991). The survey found that the most important information and in proper time comes from personal communication, because it transmit more advanced information than the one which has been published. All persons interviewed (researchers) were feeling that they limited stylistic publication limited use of knowledge. No one can say the scientific conferences, consultations in large distances are not essential for dissemination of information, but they are not happening so often, are expensive and differ from their quality.

However, there are some that predicts fall of innovation geography due to decrease of marginal costs of knowledge. To illustrate it and to give a more comprehensive idea for the importance of geography in innovation, I took two examples, Rashid (inventor of telescope from Fez, Morocco) as barrier for his invention were geographical distances, reducing, thus, the use of it as a public good. At that time, knowledge dissemination was difficult, not only because it was losing from transmission orally and was damaging the knowledge.

At the time of Joe (student at Stanford who made public in web how to make a robo), physical distance does not play a big role to transmit its knowledge. (Maryann. P. Feldman, Nadine Massard, 2010). As (Mulligan 1994) says "every day 20000 electronic messages with paper abstracts of scientific researches are sent in more than 60 countries and all people interested can read them". That means that now new generations can transmit from large distances much faster and better compare to before. However, above mentioned cases are only talking for transmission of knowledge and not innovation, always making those differences we can continue to underline big role of geography of innovation.

For more than a century, geographers and economists have developed a theory which is linked with clusters and why they are established in those spaces, to answer to 3 empiric observations: 1) a big part of world production is made in small number of countries which have a big concentrations industries in regions; 2) firms from the same industry try to be localized in the same space; 3) above mentioned observations are stable for a long term (Malmberg 1997).

“In a time when cost of transmission of information is very low compare with the distance... cost of transmitting knowledge is becoming very high with the distance” (Feldman and Audretsch 1999, 411). Based in a survey in USA (Maggioni, 2000) states which has a qualified working force, best infrastructure and big population are states which are preferred for high tech firms to be established.

Peter Maskell (Copenhagen Business School, 2012, pg 2) has prescribed globalization as a process or a number of processes which is embodying a transformation of space organization of transactions and society relations – assessed based on intensity, impact, speed and extensity – which generate a interregional or transcontinental activities, interactions and exercises power.

As conclusion, we can say that innovation is a process which has to do with afflux of innovation and knowledge and which is made easy from geographic approximativity (localization).

## **INNOVATION IN ALBANIA**

The fall of regime in 90’ brought a number of changes not only in Albanian politics, but also in its economy and society. The new economic developments brought the need to use of new technologies and later to the innovations. As Serenela Ngjela, Software Manager at InfoSoft, “we started selling computers in 91’ and then we saw that the price of brand names is 50-60 percent more than a computer which we could assemble”.

However, the difficult period of transition in Albanian economy ended by 2005 and since then we can see new efforts from to boost innovation. Example is the raise in internet penetration from 5.4 by the end of 2005 to 60 percent in 2012 (UNDP report, 2012). Now the question we have to raise is not the use of ICT but does innovation has a future in Albania and if yes what kind of incentives has to be used to push for more new developments, which can create more benefits for Albanian economy and its citizens and make the country more competitive

Although that we have explained above that patents are not innovation, in my paper I used them as a starting point.

Year	Number of applications	Registered patents
2006	5	1
2007	6	5
2008	1	0
2009	0	0
2010	1	1
2011	3	2

2012	2	1
2013	4	Still in verification process
Total	22	10

*Table. 1. Data provided by general Directory of Patents and Marks in Tirana, Albania, April 2013*

As you can see from the table 1, within those 7 years are registered and protected only 10 patents in Albania. As Safet Sula says, Director at Patents and Marks in Ministry of Economy, Trade and Energy, none of those patents has get the status of innovation or none of those has been bought by companies in Albania or abroad. However, Sula, say that Albania is the third country in Balkan Peninsula and ranked 28<sup>th</sup> in the world for registered patents. One other fact which, Sula, provide is that none of 10 patents registered are coming from academic institutions.

Is to be underlined that Albania is a country, which from 2000- 2013 are under protection 2001 patents, coming from people, institutions from allover Europe. For, Sula, this is a result of progress of the country toward EU integration, very good legislation and low fee required for protection of patents.

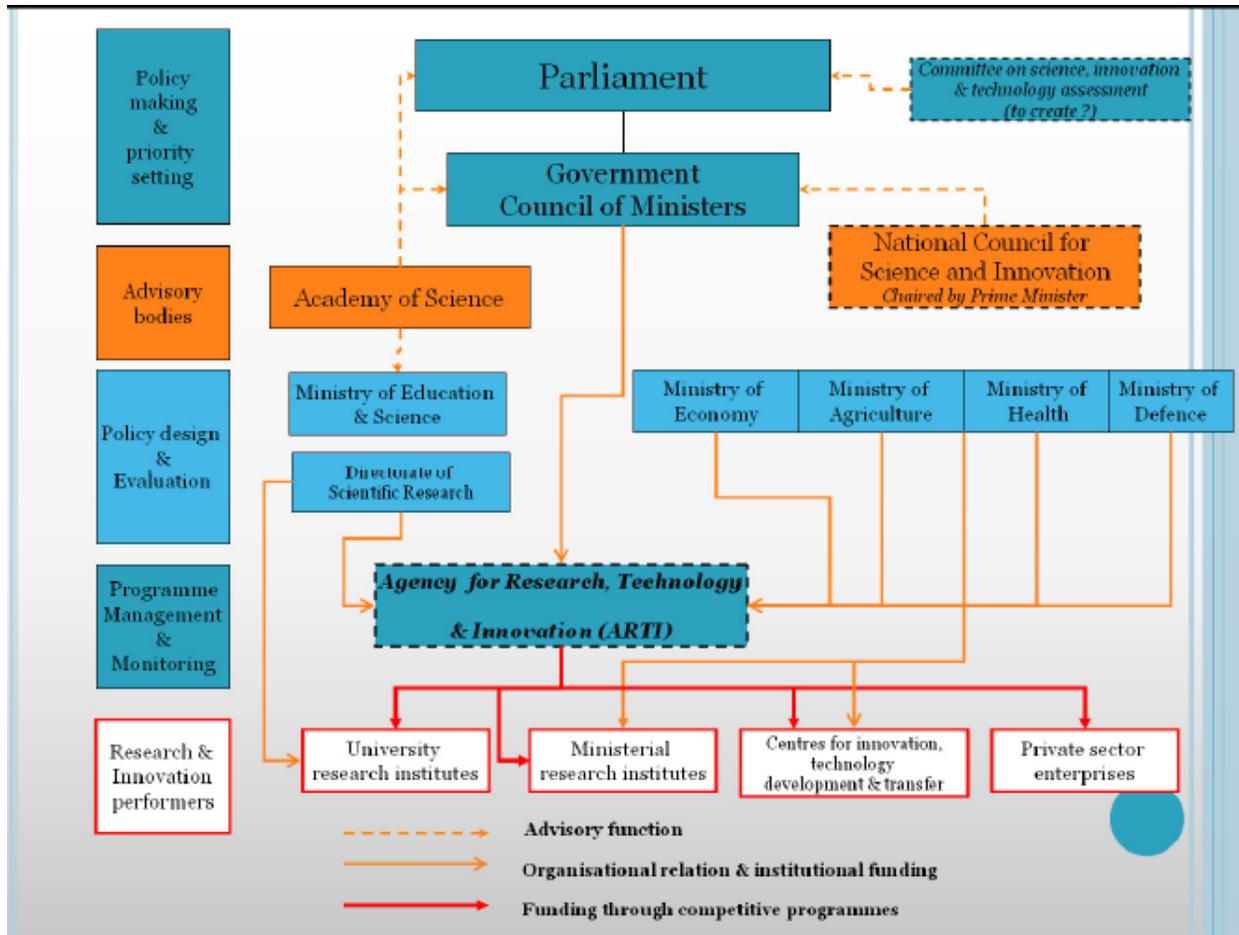
Although, those incentives for innovation are rising, as penetration of internet economic opens and progress towards EU integration, we have to say that innovation in Albania is minimal. “Is the economic structure of the country which, determines the need for innovation, in Albania we do not have a real production, are companies which has to feel the need for increase of efectivity, low cost and improve conditions of work”-adds Sula.

What is the reason of it? For Sula, in Albania cooperation between academic institutions, companies, and public institutions is missing at all in this field. Idea shared also by Sidrit Malevi, Director of Digital Albania at Ministry of Innovation and Information and Communication Technology. For Malevi, “universities are completely disconnected from the production and far from academic institutions are also companies. Therefor, he suggests a better policy of cooperation among public and private and better legal regulatory framework, which will allow universities to have more financial autonomy”. To complete the frame of persons whom are interested on the issue, I asked Andonaq Londo, Dean at Faculty of Mechanical Engeneering at Politechnique University of Tirana regarding the role of academic institutions in Albania. For him innovation is a big possibility for the country, but he is critique on the legal framework “academic institutions have to be completely financiary independent and to give them more voice as opponent for big project of Albanian government in defence, infrastructure, urban management, energy etc. Londo says that University is already part of European projects which are promoting innovation in Albania.

But do we have any example of innovation through those 23 years in Albania or not?

The answer of this question has been given by Serenela Ngjela, software manager at Infosoft. For her their product Agis, a computer which is in Albanian market since 1997, is an innovation which has been registered as a patent and mark in Albania and also has got certificate Communitate European (CE). As part of their work to promote their product company has got whole rights from Microsoft office, which can not be permitted to a product which is not registered as patent and mark. Why Agis is an innovation and not a simple asamble of items, which everybody can do? “Well is easy to asamble items, but they can last your data, your computer can be blocked and a lot of other problems, our product has a full harmonization of datas and has proven records as a brand name” say Ngjela. We have sold a lot of our product in Albania and also in regionale market such as in Kosovo and Macedonia, although that she admit that the request for their product has dropen a lot last years and it is due to decrease of prices of important brand names such Dell, HP etc. Other products which are innovation from Infosoft are ISG, which is a soft used by Albanian helth system and other private companies. Ngjela, say that company has not only the aim to sell computers but also it is concentrated in research and development, for that it has a special unit, which has around 30 engineers whom works in research and development.

As mentioned above the process of EU integration is increasing the chances for Albania to be more attractive and competitive. This way, Albanian governments has taken steps toward improving the environment for innovation as an important element for economic growth. Therefore, a number of programs and instruments are created and supported in the field of innovation. Below is submitted the scheme of innovation in Albania and all institutions which are involved on it. As, easely you can see academic institutions and companies are in the same line, but still, as mentioned above, they cooperation is missing. Personally, I think that is still missing a link between those very important elements, which can push innovation and more cooperation between public and private sector.



National system of innovation (Ajazi/Stefani 2010)

As the process of EU integration for Albania is going on, a number of projects financed by EU Commission have been profited in the field of innovation, such as “Strategic program for innovation and technologic development of small and medium enterprises (2011-2016) IPA 2007”. As objective of this project is to support Albanian SME’s to become competitive in European market. Through this project are financed four projects:

**FUND OF INNOVATION:**

Through this direct financial mean to support Albanian SME’s to identify their needs for new technologies and to develop human capacities for innovation (METE 2011:8).

**Innovation Services For Companies:**

This project has four priorities: to offer to the Albanian SME’s information related to new technologies; establishment of a system how to develop a business; creation of human capacities for use/management of new technologies and development of innovation and the last easing financial access for Albania SME’s (METE 2011:8).

### **Set up of business incubators:**

The aim of this project is to help small Albanian business with infrastructure to start their innovation activities. We have to mention that with the financement of World Bank have been established two business incubators in Tirana and Shkodra but unfurtunately in 15 years of their activity they were not successful. (Innovation Infrastructure in Albania, 2011, fq 42)

### **Albanian program for business clusters:**

This project aim to promote establishment of clusters, which will help Albanian economy to develop its potentials (METE 2011: 9).

### **Conclusions:**

-Now no one has doubts that localization is a very important element for all companies which are working in innovation.

-Although that projects financed by EU are not missing, still innovation in Albania does not have big developments, this because a number of legal regulations has to be changed. Therefore, Albania is becamng an important country for registering new patents. In a period of 12 years are registered 2001 patents for persons who arer originally from EU countries and this due to good legislation and small costs.

- The role of academic institutions is still weak and they are discontected with private companies.

-A private company has already made its first innovations such as softs and computers, which has resulted successful not only in Albanian market.

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