STIKK

SHOQATA PËR TEKNOLOGJI TË INFORMACIONIT DHE TË KOMUNIKIMIT TË KOSOVËS

KOSOVO ASSOCIATION OF INFORMATION AND COMMUNICATION TECHNOLOGY

KOSOVO IT BAROMETER 2017

NOVEMBER 2017

Promoting the Kosovo ICT sector as driver for economic growth, employment and innovation project is supported by:

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KOSOVO IT BAROMETER 2017

FINAL REPORT

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ANKETACO

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ABBREVIATIONS

BPO - Business Process Outsourcing

ESI - Center Eastern Europe

EU - European Union

ICT - Information Communication Technology

IDC - International Data Corporation

IT - Information Technology

PCT - Patent Cooperation Treaty

PMP - Project Management Professional Certification

SEE ITIB - South East Europe IT Industry Barometer

SME - Small Medium Enterprises

STIKK - Kosovo Association of Information and Communication Technology

WB countries - Western Balkan countries

WBDB – World Bank Doing Business Report

WEF - World Economic Forum

EXECUTIVE SUMMARY

Kosovo ICT companies have become more effective in retaining their staff, and report less fluctuations as compared to previous year. They also require less time to fill out vacancies for staff that leaves. This implies higher sustainability of companies in terms of human resources, and also improved supply of skilled labor in the market for ICT professions.

The First IT Industry Barometer in South East Europe SEE ITIB 2014 was realized with the main purpose to provide information and in-depth analysis of internal resources, capacities as well as, external market analysis between six Western Balkan countries and their IT associations. The research aims to collect information from ICT companies in terms of export value, export potential, HR needs, key issues of the sector, and develop a forecast for the next years which will provide an insight into the value of the national ICT mark.

2017 edition of SEE ITIB for Kosovo has been implemented by the Kosovo ICT association and AnketaCo. The backbone of the ITIB report has been the survey with ICT companies, the instrument for which has been altered to include new variables, and provide an up-to-date market image. The survey was successfully completed by 26 companies most of which in majority ownership of Kosovar nationals.

The ICT market in Kosovo is new and most of the entities present

Kosovar ICT companies consider quality and technical know-how to be their competitive advantages in the local market, while consider themselves as being competitive with prices in the international markets. Consequently, companies that could capitalize on quality domestically, compete in international markets with prices little over those they could charge in Kosovo.

have been established from year 2000 and onwards. With only a handful of companies growing beyond fifty employees (primarily outsourcing companies and call centers), the local market represents higher volatility of existing companies and fewer barriers to startups in the sector. The limited local demand derived from small market size (which has increased in past year) paired with their inward oriented outlook in terms of markets are believed to be the primary reasons for ICT companies not being able to grow in size.

The scores of the Kosovo ITIB 2017 differ little from the scores of the previous survey, indicating a rather stable market situation in the sector. Kosovo ICT Market is maturing by the year. Even the inclusion of 'younger' companies in the ITIB survey, has not produced adverse effects with regards to scores and performance of companies.

The establishment of Ministry of Innovation and Entrepreneurship and allocation of EUR 10 Mil. budget[1] for this sector is expected to make significant impact in the sector in the next year and thus could have potentially influenced the outlook of the respondents for the future. This development is also considered to have had an influence on the outlook of the respondents for the coming periods.

Export markets are also increasingly becoming the orientation of Kosovo IT companies. However, the increased local demand has divided the attention of local ICT companies between satisfying/focusing on the local market or the export ones. In 2017 ITIB, around 70% of companies interviewed report being oriented towards foreign markets, while around 30% restrict all of their activity within Kosovo borders.

In terms of HR, the situation in Kosovo ICT companies has also improved as compared to 2016 ITIB scores. The positive staff outlook in terms of total number of employees expected for the coming year indicates significant satisfaction with current trends in the market on the part of ICT companies. It also indicates an anticipated increase in the work/activities they will perform in the next period. Local ICT companies have also become much more effective in retaining staff and more efficient in replacing them when they leave as compared to 2016 ITIB survey scores.

1 The Draft Budget of Ministry of Innovation and Entrepreneurship. Available at: https://mf.rks-gov.net/page.aspx?id=1,16

1. BACKGROUND

1.1 SEE ITIB HISTORY

The First IT Industry Barometer in South East Europe SEE ITIB 2014 was realized with the main purpose to provide information and in-depth analysis of internal resources, capacities as well as, external market analysis between six Western Balkan countries and their IT associations. A uniform questionnaire was developed for this purpose enabling horizontal comparison of data between countries where it is implemented. In its fourth year, SEE ITIB Kosovo, comes with an addition to previous years' analyses, on local markets and conditions therein.

The SEE IT Industry Barometer represents the annual project realized since 2014, and its main goals are to support the export capacity of ICT companies. The research aims to collect information from ICT companies in terms of export value, export potential, HR needs, key issues of the sector, and develop a forecast for the next years which will provide an insight into the value of the national ICT mark.

This annual publication also aims to becoming a blueprint for local companies and equip them with a strategic vision and consequent positioning in the EU integration process and utilizing the process to advance the skill-development agenda. Consequently, the survey expectations are also linked to providing information and recommendations that respond to the specific needs of the target groups, and guidelines that address issues of high priority in promoting favorable conditions for sector development[2]. The SEE ITIB is broadly defined into the following themes/topics:

- General state overview on IT development in Kosovo (local market);
- Recent export trends for companies in Kosovo (export potential, export activities, international cooperation, export barriers);
- Analysis of Human Resources;
- Qualitative analysis on recent trends in IT industry with recommendations.

2 The Draft Budget of Ministry of Innovation and Entrepreneurship. Available at: https://mf.rks-gov.net/page.aspx?id=1,16

1.2 SECTOR BACKGROUND

Kosovo ICT sector began emerging immediately in the aftermath of the 1999 conflict, as one of the most rapid to develop and grow. The vast presence of international organization was one of the key drivers of rapid growth of the ICT sector, initially through the increased demand for hardware, which in later years increasingly shifted towards software and services. ISP services were also among the first services to emerge, leading to one of the most developed fiber optic networks in the whole of Balkan region. Similar to global trends, today, the market is dominated by services, with hardware market consisting of several larger companies accounting for most of the market supply.

Legal and regulatory framework for business registration and licensing are not inhibiting factor for companies in the ICT sector. In 2017, Kosovo ranked in the 40th place in the World Bank Doing Business Report out of 137 economies covered[3]. While improvements can be made with regards to the quality of service of public institutions (i.e. Business Registry Agency), Patenting and Copyrights Agency, etc. general procedures are easily completed and business registration is free. Intellectual property rights, their effective enforcement, and increased awareness on the part of businesses to register and protect their intellectual property is needed to ensure continued growth of the sector. IPR is essential for long-term capitalization on original design and creative solutions, hence improvement of enforcement of IPR should be considered with outmost priority.

Given the relatively young age even of market leaders, their positions are yet to be consolidated and long-term sustainability ensured. Unlike in developed countries, where market leaders have had several decades to consolidate their positions and ensure perspective, Kosovo market leaders are in much more volatile position. Most of the companies in the market are small, with the vast majority of them employing less than 50 employees. In such environment, the gap between existing companies and startups in the market becomes insignificant. The major difference between the two groups of businesses relates to market information, and diversification of revenue streams/clients, and the ability to compensate staff/expertise at market rates, all of which favor the existing companies in the market.

3 World Bank Doing Business Report 2017. Available at:
http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf

2. METHODOLOGY

2.1 SAMPLE AND INSTRUMENT

The standardized questionnaire utilized to complete the SEE ITIB in consecutive years was added a section that inquires information on behavior and perceptions in the local market[4]. The draft instrument was approved by STIKK and was uploaded in an online survey platform and the link distributed to potential respondents. Secondary data available through synthesized reports and analyses, as well as, review of primary data sources, have also been utilized for the completion of the Barometer. The findings were discussed with Key Stakeholders in individual meetings/in-depth interviews, and their input was used to finalize the report. The entire process entailed close cooperation and collaboration with STIKK, as the primary beneficiary of this document.

The survey was completed successfully by 26 companies, while 7 companies have only provided partial information, thus were not included in the analyses. In terms of ownership composition, the research sample is comprised of predominantly companies in Kosovar majority ownership (21 companies), four are branches of companies from outside and 1 company is in majority ownership of foreign nationals. Most of them (25 companies) report Kosovo to be their headquarters, while 1 company reports having their main offices elsewhere.

As compared to 2016 ITIB, where the sample was constructed exclusively from companies in local ownership. Most of the companies in the sample report being involved in software products and services, while hardware companies represent smaller percentages in the sample. As compared to 2016, sample, the relative representation of service companies has decreased by around 20%). The Figure 1 below, provides for visual illustration of the company types included in the survey.

4 See Annex 2: SEE ITIB Questionnaire Kosovo 2017

WHAT TYPE OF PRODUCTS AND/OR SERVICES YOUR COMPANY PROVIDES?

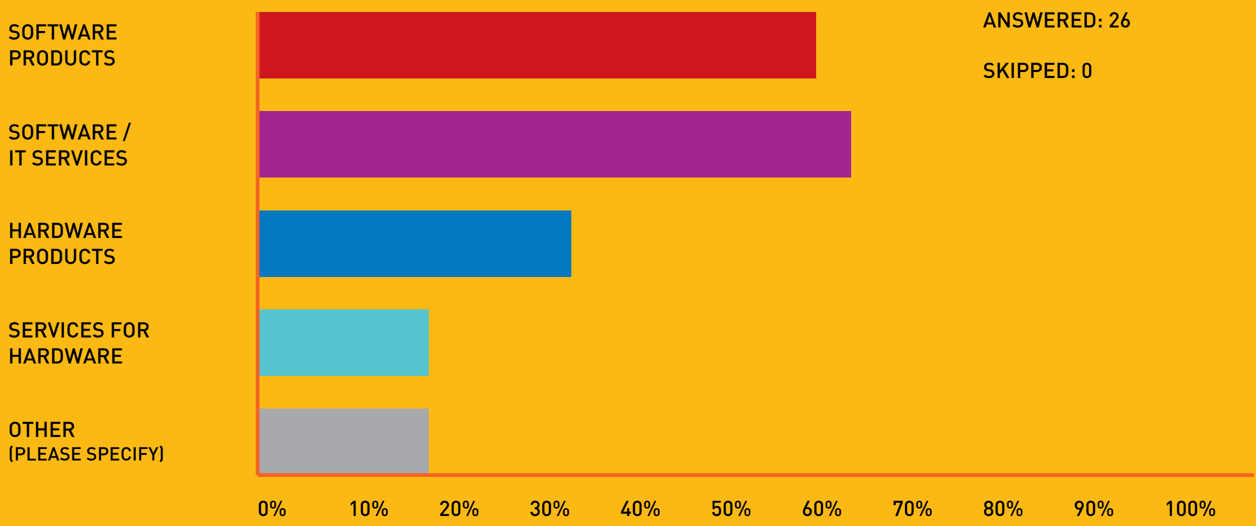

FIGURE 1. PRODUCTS /SERVICES OFFERED BY THE COMPANIES

In terms of association membership, 14 companies are members of STIKK, 10 companies are not associated in any national sectoral association, while 2 other companies report membership in other national associations in the region. As compared to 2016 ITIB, the sample of companies interviewed represents more diverse composition of respondents whereby the STIKK non-members' representation in the sample has increased by around 17%. In terms of age of businesses, 62% of businesses in the sample have been registered/incorporated after 2011, half of which in the last two years. As compared to last year, there is an increase of around 4% of businesses registered in the last five years. The inclusion of successful/active startups in the ITIB survey is particularly important for also including the perspective of startups in the analyses.

3. FINDINGS SEE ITIB KOSOVO 2017

The scores of the Kosovo ITIB 2017 differ little from the scores of the previous survey, indicating a rather stable market situation in the sector. Kosovo ICT Market is maturing by the year. Even the inclusion of younger companies in the ITIB survey, has not produced adverse effects with regards to scores and performance of companies.

The establishment of Ministry of Innovation and Entrepreneurship and allocation of EUR 10 Mil. budget[5] for this sector is expected to make significant impact in the sector in the next year and thus could have potentially influenced the outlook of the respondents for the future.

Export markets are also increasingly becoming the orientation of Kosovo IT companies. But the increased local demand has divided the attention of local ICT companies between satisfying the local demand or the one from exports. In 2017 ITIB, around 70% of companies interviewed report being oriented towards foreign markets, while around 30% constrain their activity within Kosovo borders.

In terms of HR, the situation in Kosovo ICT companies has also improved as compared to 2016 ITIB. The positive staff outlook in terms of total number of employees expected for the coming year indicates significant satisfaction with current trends in the market on the part of ICT companies. It also indicates an anticipated increase in the work/activities they will offer in the next period. Local ICT companies have also become much more effective in retaining staff and more efficient in replacing them when they leave as compared to 2016 ITIB survey scores.

5 The Draft Budget of Ministry of Innovation and Entrepreneurship. Available at: https://mf.rks-gov.net/page.aspx?id=1,16

3.1 LOCAL MARKET

3.1.1 TECHNOLOGY USED

In terms of technology used, the companies report a diverse se of platforms and programing languages. Most of the companies included in the ITIB survey report Windows as the primary system used in their work/programming/service delivery reported by over 90% of respondents, while Android and iOS are also reported by almost 70% of companies each. As compared to 2016 ITIB, Windows as the leading platform has experienced a 4% decrease. Linux with almost 60% and MAC-OS with almost 50% of companies reporting to use them, also represent significant part of responses obtained by companies. UNIX, Windows Mobile and Realtime Systems are also reported to be used but each of them has been reported by less than 20% of respondents. Figure 2, presents a visual overview of responses obtained through the survey.

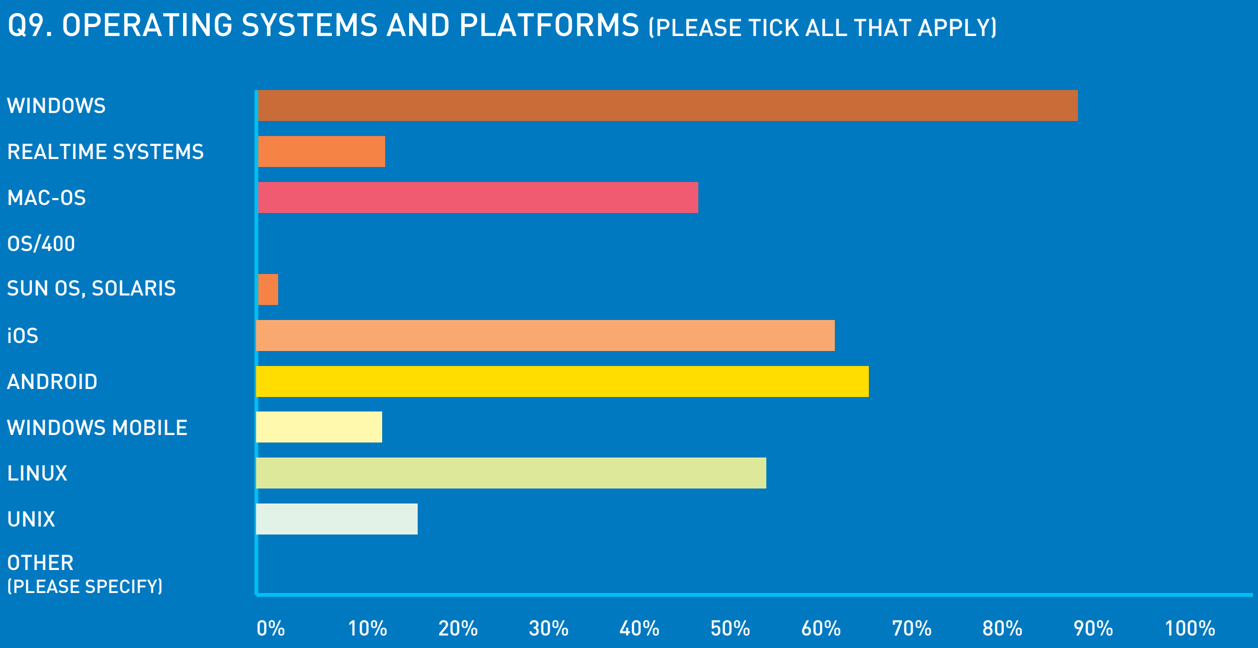

FIGURE 2. OPERATING SYSTEMS AND PLATFORMS

In terms of technologies used to deliver services or develop products, almost half of the companies in the survey report not to use any particular technology for this purpose. Virtual Reality and Augmented Reality technologies have been reported to be used in service delivery/product development by almost 20% of respondents, while Block Chain technologies by almost 10% of respondents. As this question has been introduced for the first time in the ITIB, no changes/shifts in technologies used to deliver products/services is possible. In succeeding issues of ITIB, this variable will be particularly interesting to monitor as it will identify possible technology shifts in the markets.

Q10. TECHNOLOGIES USED TO DELIVER SERVICES/DEVELOP PRODUCTS?
(PLEASE TICK ALL THAT APPLY)

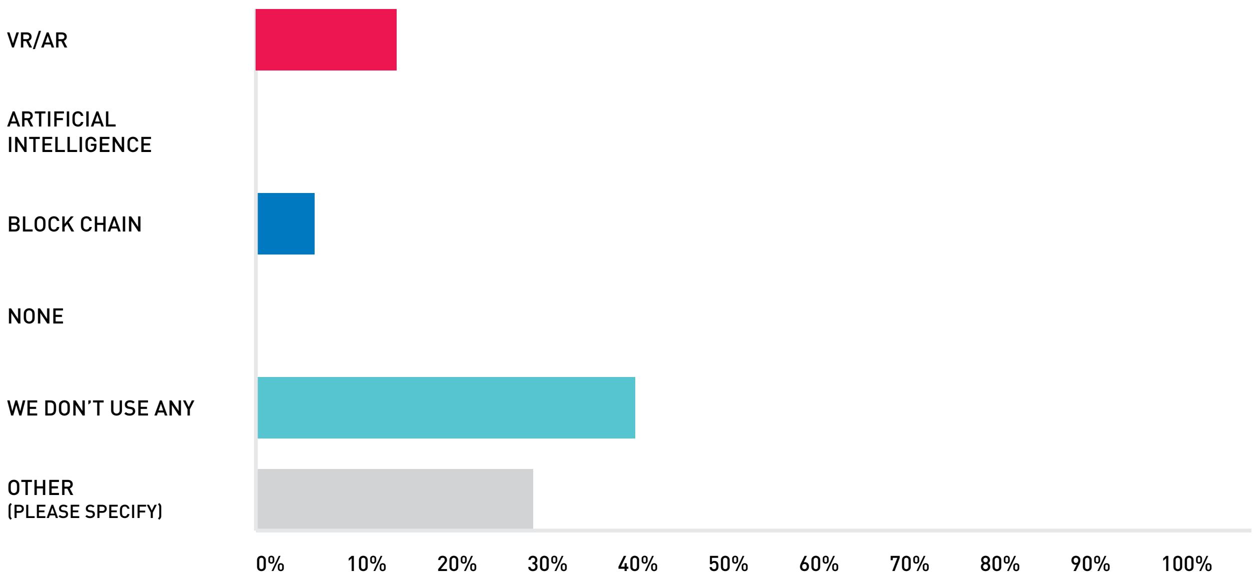

FIGURE 3. TECHNOLOGIES USED TO DELIVER SERVICES/DEVELOP PRODUCTS

HTML and XML are by far the most popular programming languages and tools with over 70% of companies reporting to use them in their work. Java and Java Script are also very widespread with over 60% of respondents reporting to program in them. C++, and Basic (visual basic, etc) are also reported by companies in the survey, but at much lower frequency, each representing less than 30% of responses. As compared to ITIB 2016, the reported usage of HTML and XML represents a 7% decrease, from 63.16% as it was reported in the previous year's publication.

Q11. PROGRAMMING LANGUAGES AND DEVELOPMENT TOOLS?
(PLEASE TICK ALL THAT APPLY)

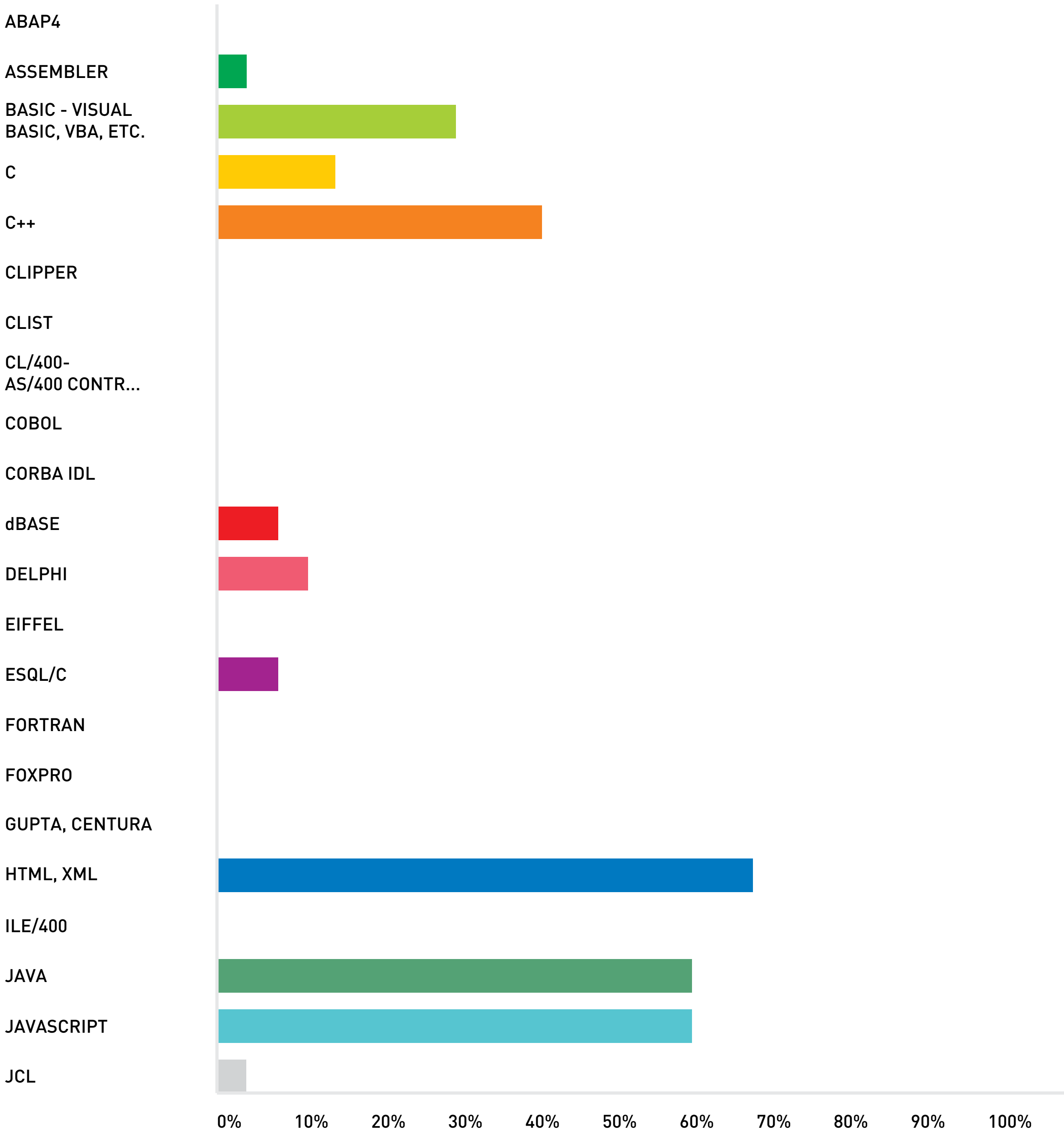

FIGURE 4. PROGRAMING LANGUAGES AND TOOLS

MySQL /M SQL is the most popular database platform in the local market with over 70% of respondents selecting it for this purpose. Second to it ranks MS SQL Server with over 60% of respondents reporting using it for database platforms. Oracle is third-ranked by usage with almost 30% of companies in the survey using it for databases, followed by Access with less than 20%. Other database technologies are also identified to be present in the market, but they are reported by one-two companies each. As compared to ITIB 2016, this represents a significant change in database platform usage, as the leading platforms of this year, did were not reported by any companies in the previous year.

Q12. DATABASE TECHNOLOGIES?
(PLEASE TICK ALL THAT APPLY)

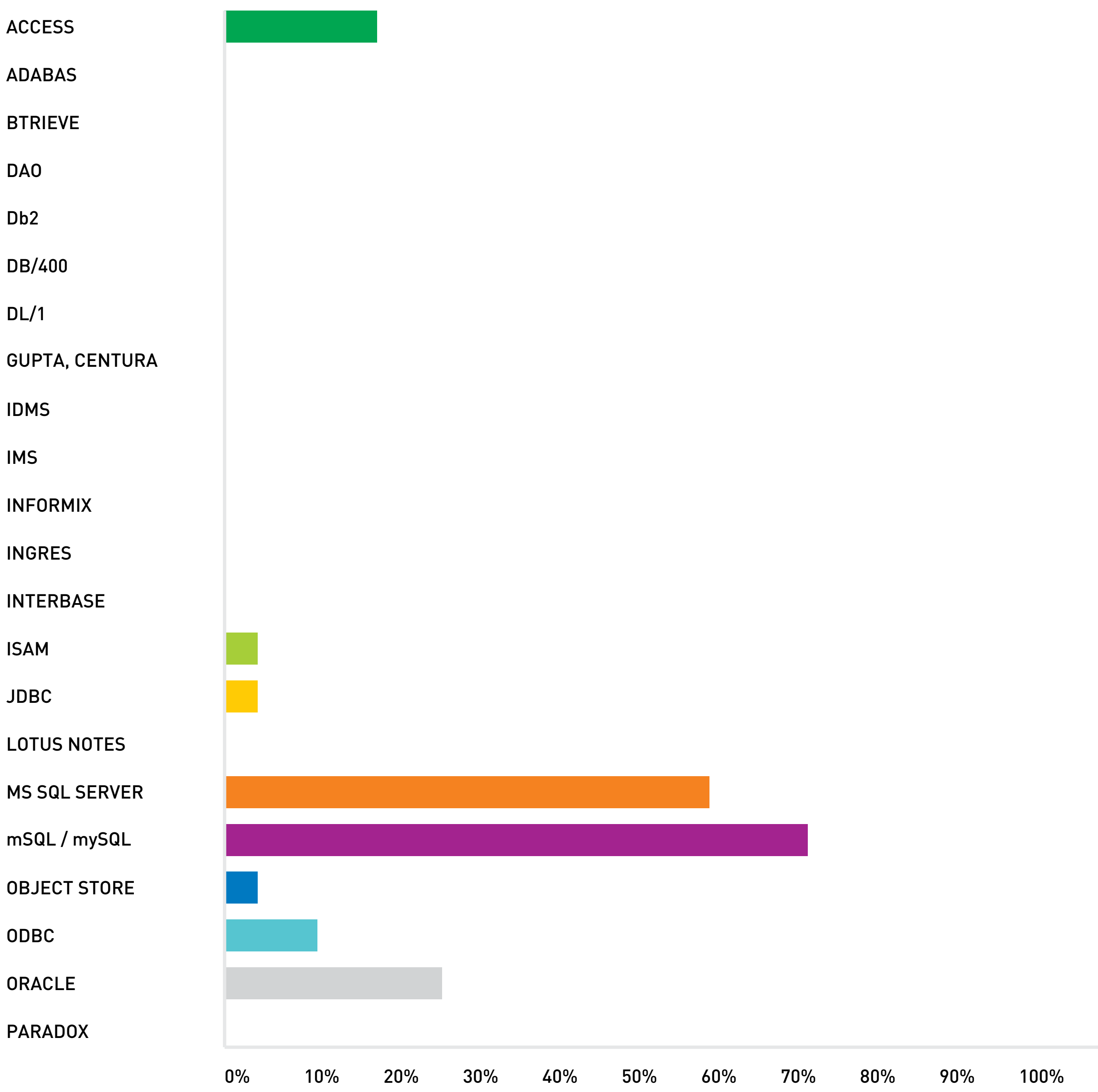

FIGURE 5. DATABASE TECHNOLOGIES

Another dimension that ITIB has focused on regards, the strategic market orientation of companies. The responses obtained regarding their strategic orientation in terms of local vs. international markets, the largest part of responses (40%) indicates both equally important. Around 30% of companies in the sample report to be each exclusively oriented either towards export or local market. Given such orientation, over 50% of companies in the sample report never to have been required to present/enforce the internationally recognized quality standards. Of those reporting to have been asked to implement quality standards, the most frequently reported ones are ISO 9001 (40%) and ISO 27001 (17%). As compared to ITIB 2016, this represents a drop in possession of ISO quality standards, where over 68% had reported some sort of ISO certification. Furthermore, the percentage of those reporting not to have any formal quality standards certification has increased from the initial 31% to over 50%. This can be attributed to the higher number of startups included in the sample, which in general, lack formal certifications.

Q13. HAVE YOU BEEN ASKED BEFORE TO HAVE ONE OF THE FOLLOWING QUALITY STANDARDS? (PLEASE TICK ALL THAT APPLY)

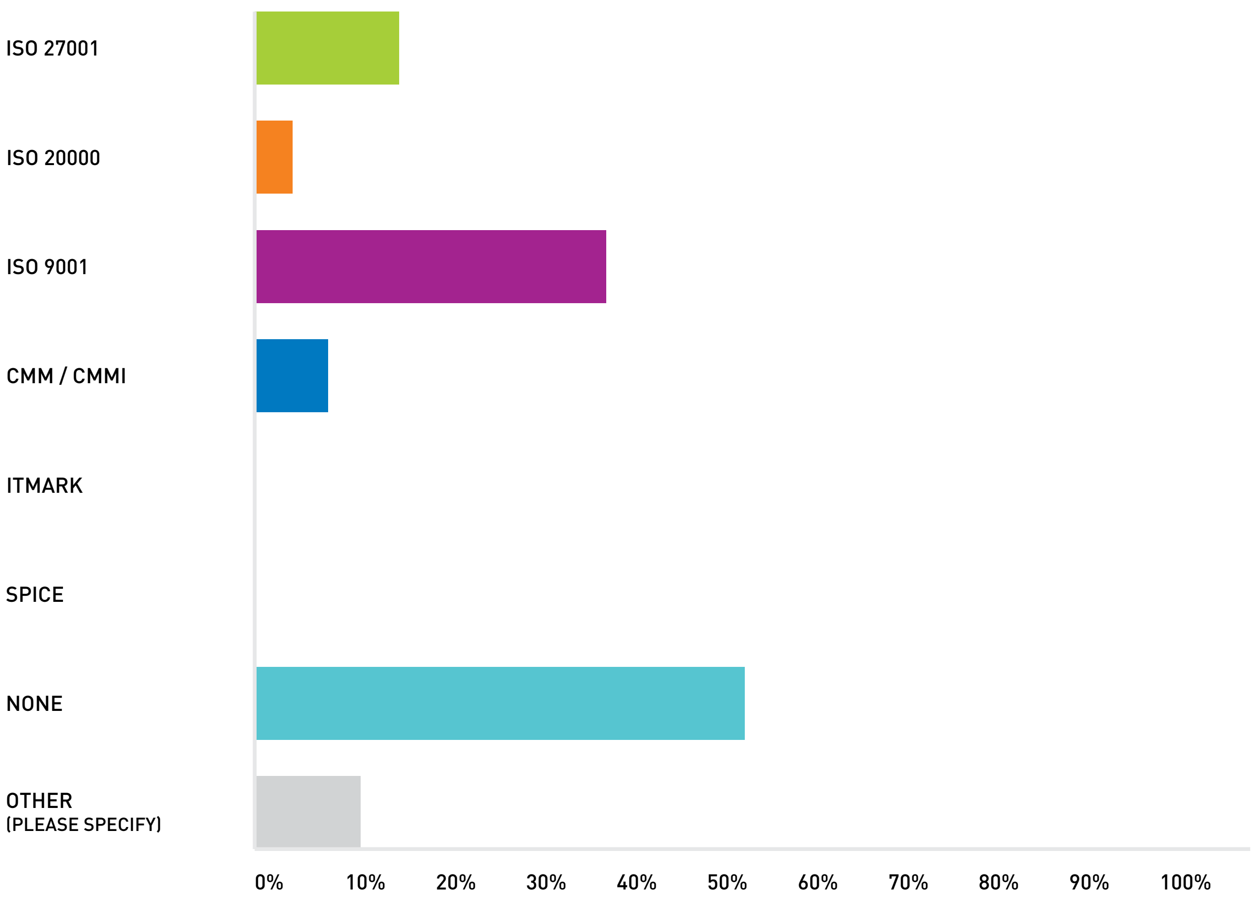

FIGURE 6. REQUIREMENT OF STANDARDS

Nevertheless, when asked for the primary reason for implementing quality standards, the majority of those reporting to have them, indicate own initiative for process improvement as the top reason (32%) and less than 20% state to have introduced them because of client requirements.

3.1.2 MARKET COMPETITIVENESS

Quality (80%), technical know-how (70%) and sector know-how (60%) are listed as three top competitive advantages that the respondents in ITIB report to have in the local market. Price is the fourth ranked attribute that the companies list as their competitive advantage with slightly over 50% of companies reporting it. Cultural knowledge, languages, and horizontal know-how have been less frequently noted to be competitive advantages of companies in the local market despite the fact that almost 70% of companies report to work with international companies present in the local market. This is a significant change from 2016 survey when 100% of companies being engaged with international clients in the local market. The shift of attention from international clients to local ones, also comes due to the increased local demand, which is primarily covered by local companies. Key competitive advantages reported by companies are presented visually in Figure 7.

Q17. WHAT ARE YOUR CORE COMPETITIVE ADVANTAGES IN THE KOSOVO MARKET?

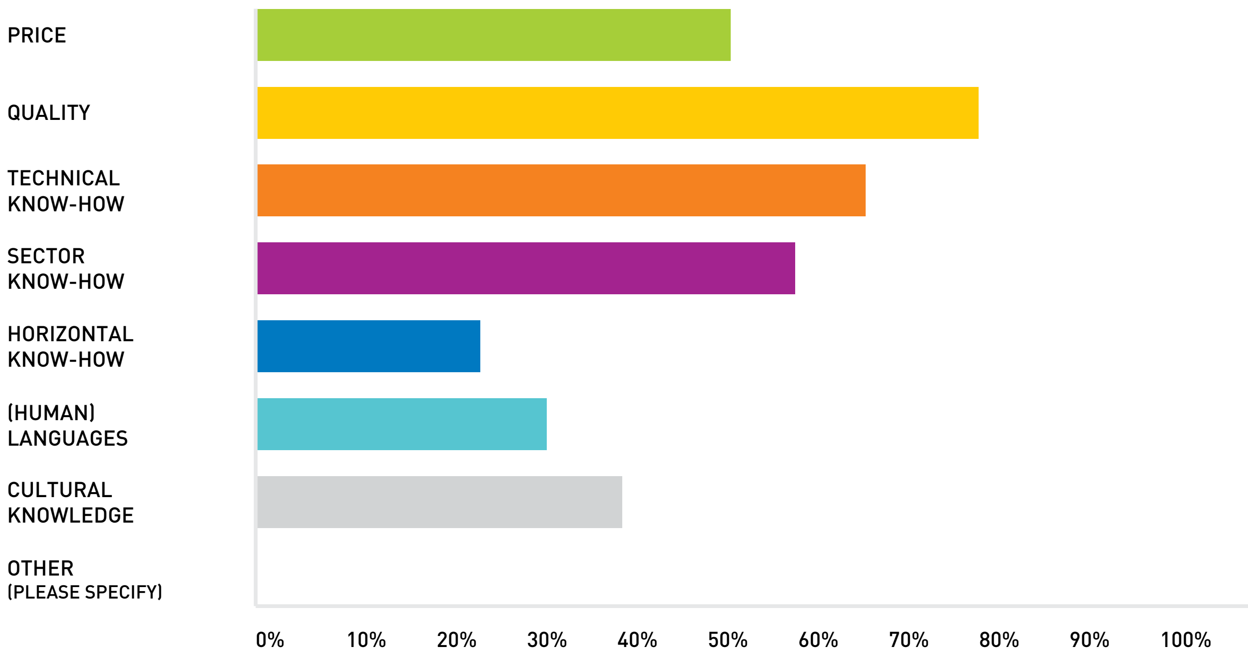

FIGURE 7. COMPETITIVE ADVANTAGES IN THE KOSOVO MARKET

When asked to report sectors/industries in the local market where they offer services/ products, companies report linear distribution across sectors. Such composition of answers indicates low level of industry specialization on the part of local companies, and rather generic set of knowledge/expertise/ skill-sets that can be uniformly applied across sectors.

3.2 EXPORT MARKETS

Almost 60% of respondent companies in the ITIB report to export in markets outside Kosovo. As compared to ITIB 2016, this represents a 17% decrease, from 77% as it was reported in the previous year's publication. The change is primarily attributed to the change in sample composition, but also due to the increased demand in the local market. Given the relatively young age of companies in the sample, such results change is understandable.

Q20. DOES YOUR COMPANY CONDUCT EXPORT ACTIVITIES?

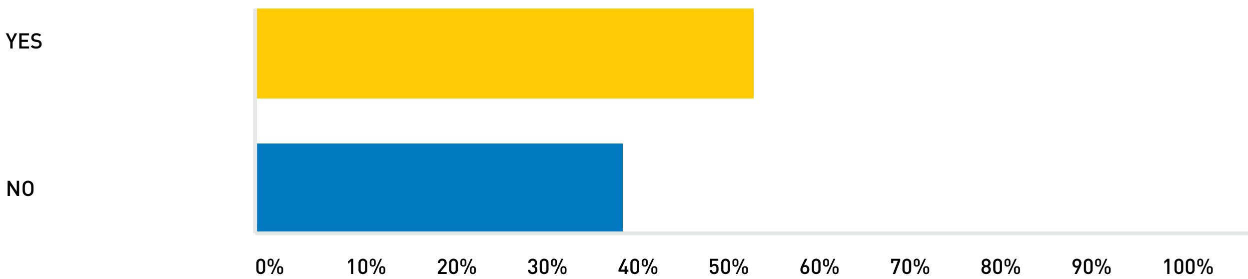

FIGURE 8. PRESENCE IN EXPORT MARKETS

When asked about the type of clients serviced in international markets, over 40% of respondents in the survey report to catering both local businesses and international companies in export markets. Around 30% of companies report to service primarily international clients, while around 15% report to focus on local businesses in export markets. Being a new variable that was included for the first time in 2017, the comparison with previous years is not possible.

Q21. DOES YOUR COMPANY DO BUSINESS WITH INTERNATIONAL CORPORATIONS OR LOCAL BUSINESSES/CLIENTS IN EXPORT MARKETS?

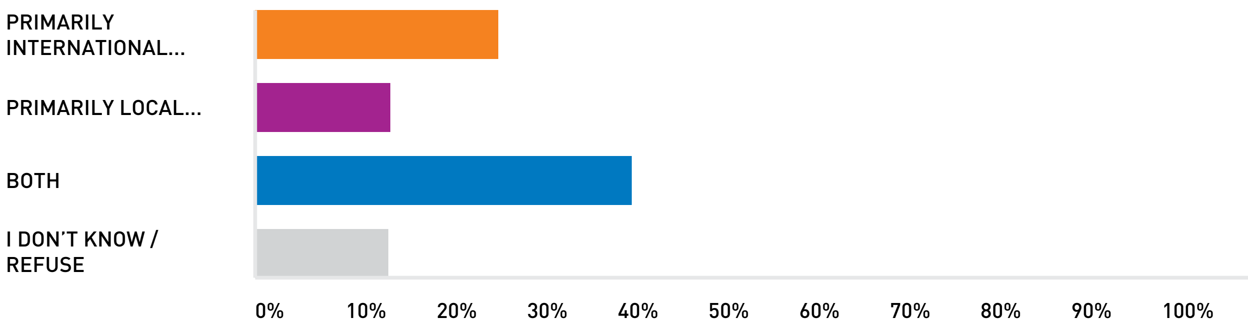

FIGURE 9. TYPE OF CLIENTS IN EXPORT MARKETS

When asked to list their competitive advantages in the international markets, aside from quality, which was ranked as top competitive characteristic, also list price as equally important edge. Technical and sectoral know-how follow the ranking with 40% and 30% respectively. The change in perception between their competitiveness in the local and export markets, is believed to come from their awareness on global market prices and their experience in servicing those markets. The mix of quality and price is particularly important, as they represent two key factors in competitiveness of companies. As compared to ITIB 2016, both the confidence in Price and Quality have dropped for about 10%, also testifying to the increased awareness of competitiveness in export markets. Technical know-how has remained at similar levels with previous year, similar to other competitive advantages listed.

Q23. WHAT ARE YOUR CORE COMPETITIVE ADVANTAGES IN THE INTERNATIONAL MARKET?

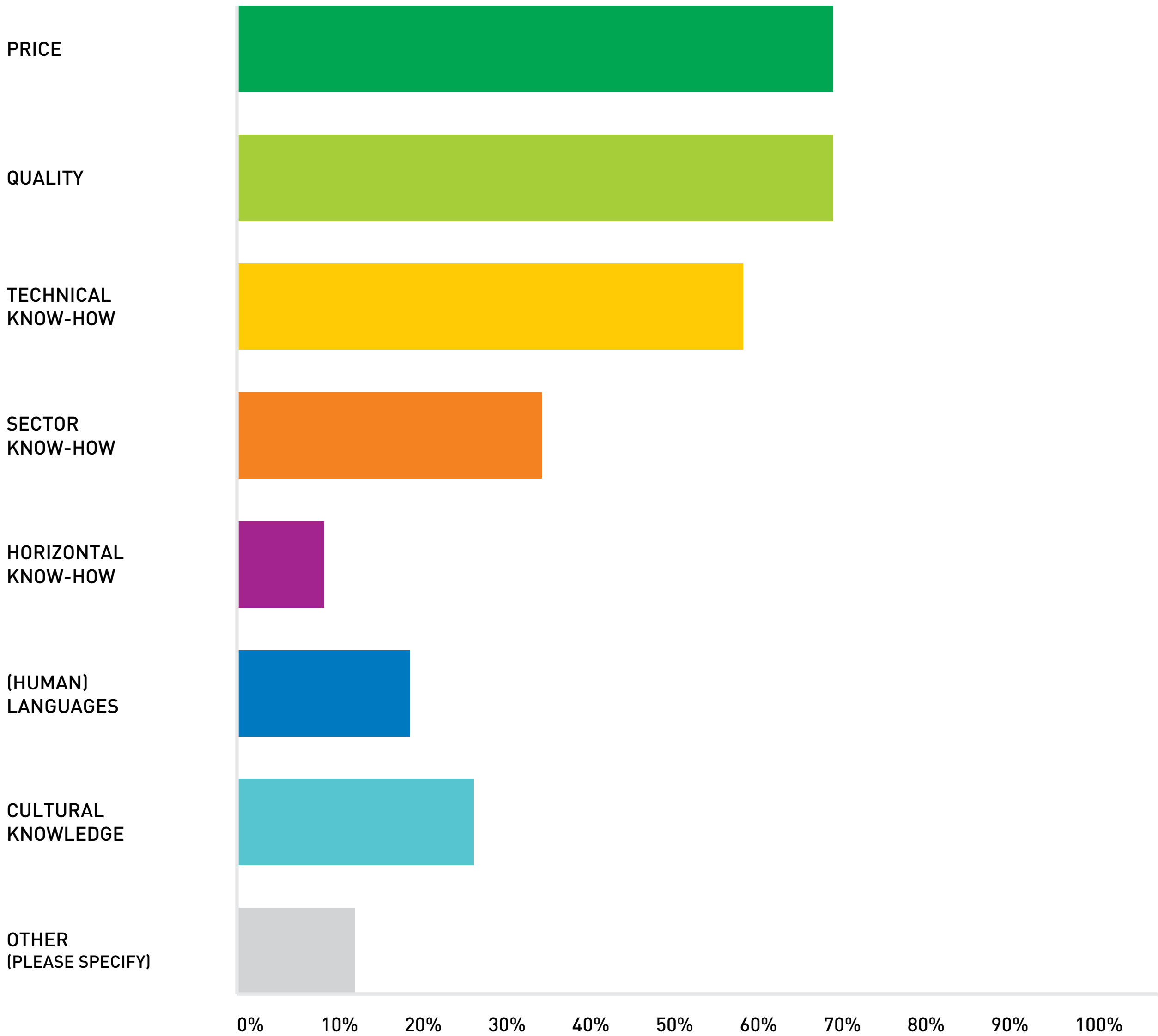

FIGURE 10. COMPETITIVE ADVANTAGES IN EXPORT MARKETS

The availability of language skills to the companies interviewed is another aspect that was covered in the ITIB. This key precondition for exporting products/services also determines the type and range of export markets where companies can compete. The availability of English language skills is the most abundant with almost all companies reporting to have them in their companies. German language skills rank second with almost 60% of companies reporting to have them available followed by Turkish (around 35%). Other languages are also reported, but with a lesser frequency. This composition of responses on language availability indicates that Kosovo ICT companies can effectively compete in high-end EU markets, where English and German speaking markets, represent a significant portion of market share. As compared to ITIB 2016, English language skills availability has remained the same, German availability has increased for 21%, signifying increased attention towards German-speaking markets.

Q24. WHICH FOREIGN LANGUAGE SKILLS ARE AVAILABLE IN YOUR COUNTRY?

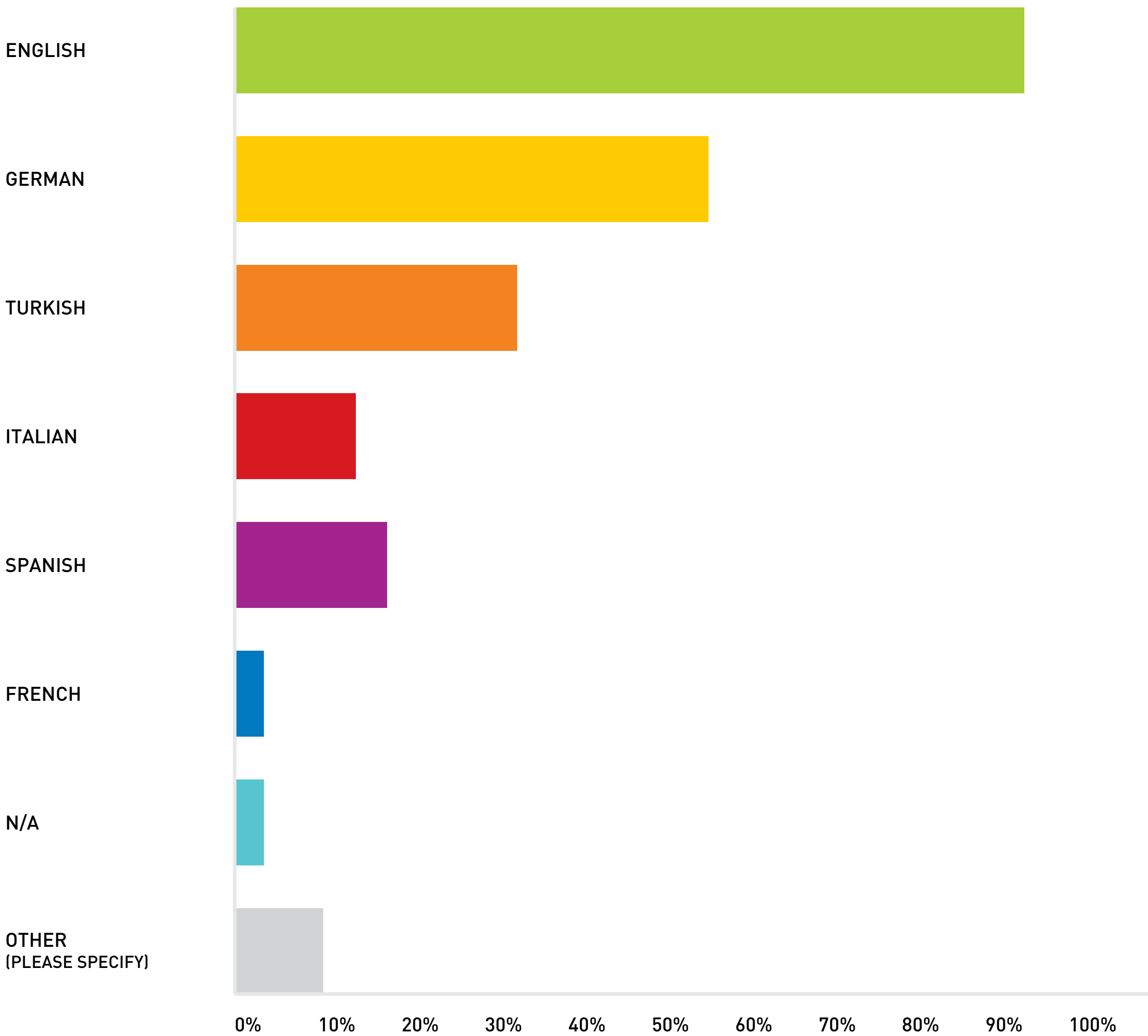

FIGURE 11. LANGUAGE SKILLS AVAILABILITY

When asked to report the most effective distribution/sales channels, the vast majority of respondents indicate direct exports from their offices/headquarters (almost 60%). Almost 40% of respondents in the ITIB survey report internet sales as their sales channel, followed by sales through distribution partners, which are applied by less than 30% of companies. As compared to ITIB 2016, this represents a significant shift to lower-cost sales, primarily enabled through various online e-commerce platforms. In absolute terms, the percentage of businesses reporting direct sales has dropped from 92.86% to slightly over 60%. This trend is an indication that Kosovar companies are increasingly exploring other more non-traditional forms of sales and distribution channels.

Q25. HOW DO YOU CONDUCT YOUR EXPORTS? (PLEASE INDICATE YOUR EXPORT CHANNELS)

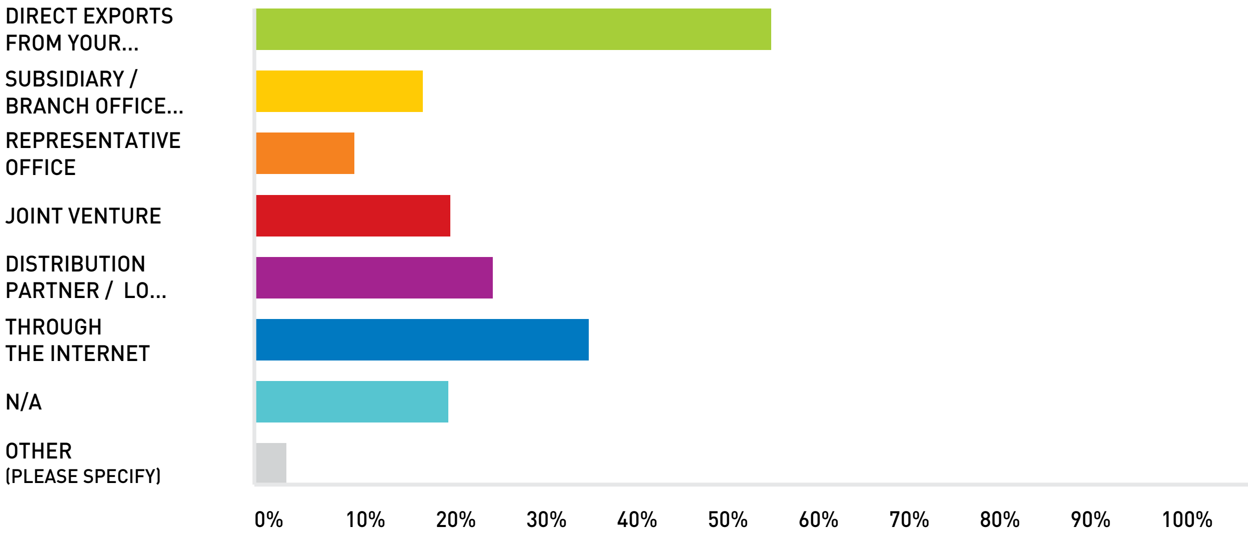

FIGURE 12. SALES/DISTRIBUTION CHANNELS FOR EXPORTS

Similar to local markets, respondents in the survey also report low level of industry specialization in the export markets. It seems that Kosovo companies have developed an exports-approach focusing on high-quality service provision and service affordability through developing generic expertise and technical know-how, through which they can service a broad range of sectors and clients.

In terms of horizontal markets presence, companies in ITIB report to have rather similar distribution/ focus both in the local and export markets. Corporate security is the only sub-market, where export market activity is reported, but no local presence of such activities is indicated by respondents. Business Intelligence, Business Process Outsourcing, and Tools/COTS, are also horizontal markets with significant difference in presence between local and export markets. Higher presence of companies in some of the horizontal export markets as compared to their presence in the same local markets indicates the low local demand for these services, which is a key market constraint that is directly related to the size of the market and its current development stage. As compared to ITIB 2016, this represents a significant change in nature and type of exports, in 2016 ITIB, the majority of ICT companies in the survey reported providing Custom Development / Outsourcing (62.11%), and IT Project Management (42.11%) to local market, while international/export markets have been mainly serviced with Custom Development / Outsourcing (42.11%) as well as IT Project Management (42.11%).

Q35. IN WHICH HORIZONTAL MARKETS DO YOU PROVIDE PRODUCTS AND/OR IT SERVICES TO YOUR CLIENTS? (SELECT THREE MOST IMPORTANT/BIGGEST ONES)

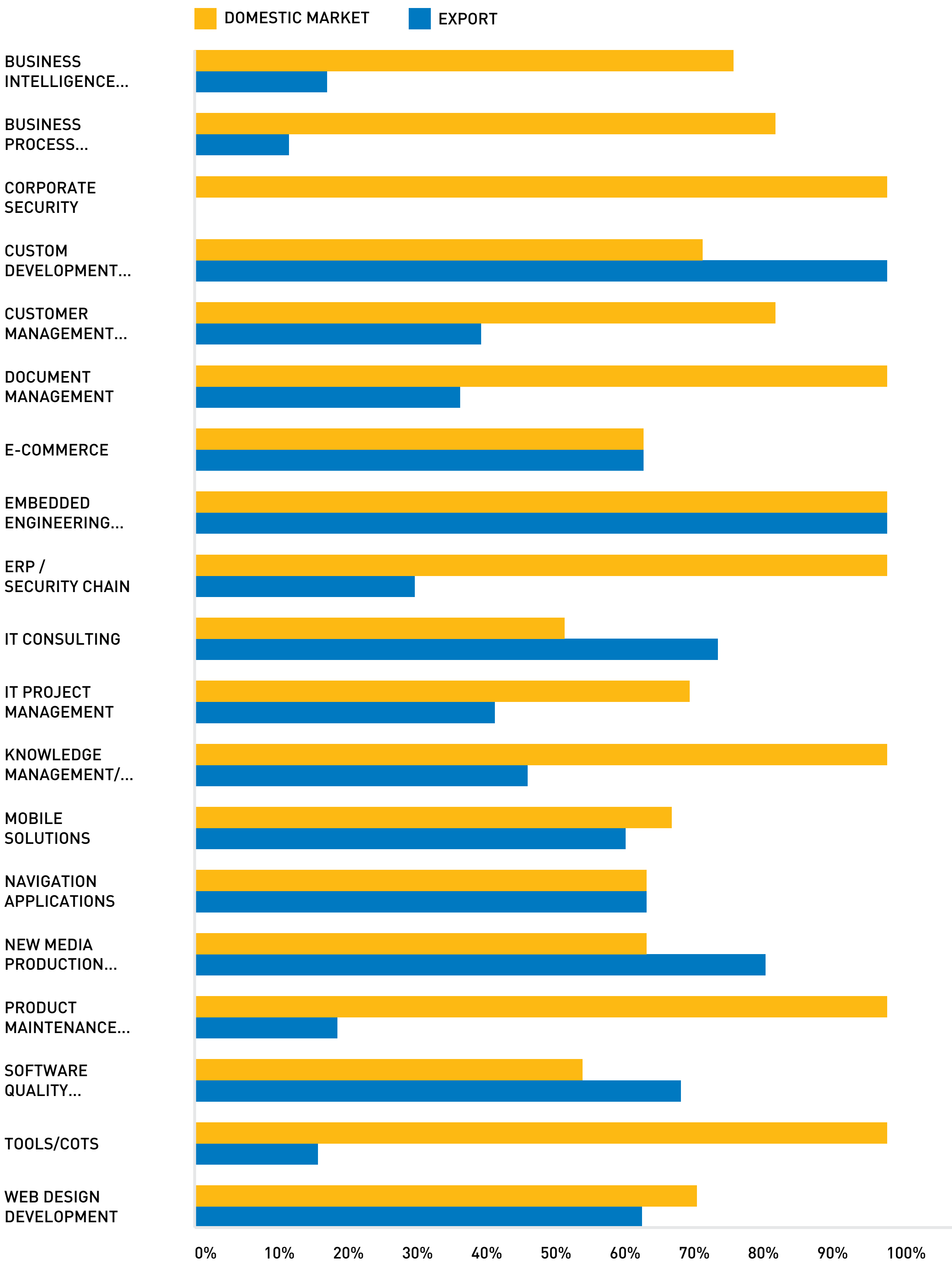

FIGURE 13. PRESENCE IN HORIZONTAL MARKETS

3.3 EXPECTATIONS FOR THE FUTURE

In order to accurately assess their understanding of market situation, and key constraints and opportunities in the market, the survey also inquired about the perceptions of businesses about most important business environment factors. To this end, businesses were required to assess the influence of these factors on their business as either positive, neutral, or negative influence affecting the development and growth. To this end, global economic situation is perceived to be rather stable, with biggest part of respondents reporting not to be affected by the general economic situation in global markets. In addition, around 10% more businesses perceive to be positively affected than those reporting to be adversely affected by the same (over 30% positively affected as compared to 20% negatively affected).

The situation in national market has been a negative influence for over 60% of respondent businesses, while the local environment has not affected in any way slightly over 20% of businesses in the sample. Those positively affected by the situation in the local market represent little over 15% of businesses in the sample.

HR market and increased market competition are reported to influence businesses in similar manner. While for the majority of businesses in the sample (over 50%), they have not impact, they make a positive effect on over 15% of businesses, while causing negative ones with over 25% of them. Such perceptions represent key finding, as it also supports the evidence on increased exports orientation in the ICT market.

Government policies are considered to be a positive influence for over 50% of the respondents in the policy. The recent establishment of Ministry of Innovation and the proposed increased public budged investment in innovation and entrepreneurship, has been identified to be one of primary causes behind the high percentage of respondents acknowledging government policy and regulation as a positive influence on their businesses. 35% of respondents consider that government policies have not made an impact /affected their businesses, while 15% of them, state to have been adversely affected by the same. The figure below, presents the market forces influence over respondent businesses, as perceived by them.

Q13. HAVE YOU BEEN ASKED BEFORE TO HAVE ONE OF THE FOLLOWING QUALITY STANDARDS? (PLEASE TICK ALL THAT APPLY)

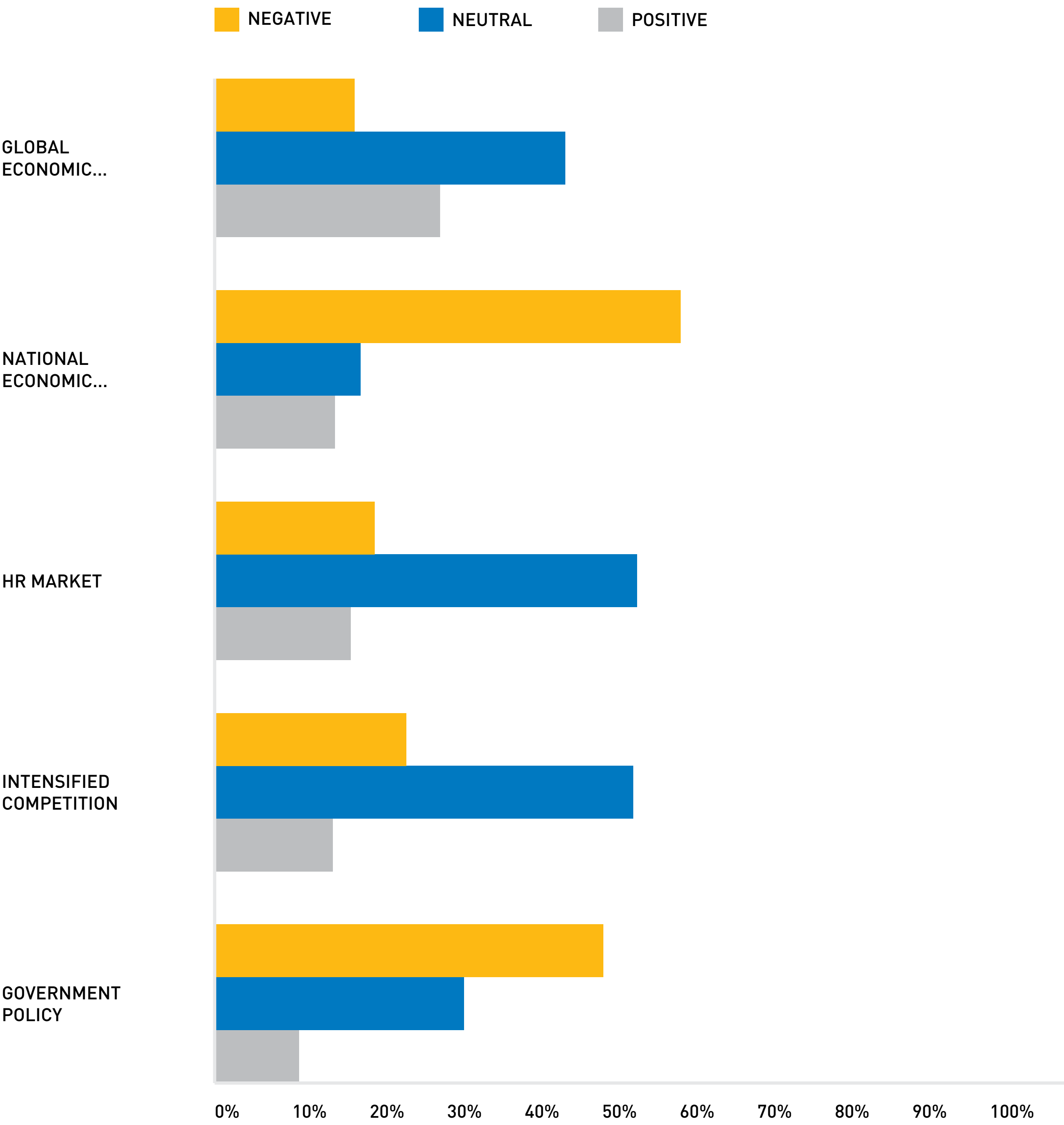

FIGURE 14. FACTORS AFFECTING BUSINESS

3.4 HUMAN RESOURCES

Human Resources represent a key aspect of business operations, particularly for more competitive export markets. The responses presented in Figure 14, represent the underlying perception that the HR market in Kosovo provides for limited supply of qualified labor for the ICT sector. Unlike company level certifications and quality standards, most companies report some type of certification of their staff. The biggest percentage of businesses surveyed report having staff certified with Mirosoft certifications (over 40%), closely followed by those reporting certifications with PMP and Agile/Scrum. 20% of respondents report their staff having other certifications, with only 35% of companies reporting not to have any certified staff. This represents similar levels with those reported in ITIB for Micrososft (2016: 42%), and is lower for PMP (2016: 26%) and Agile/Scrum (2016: 37%). Increase in the number of recently registered companies in the ITIB 2017 is considered to be the primary cause for the change in scores, while no other indications can be observed that could explain a potential shift in perception about the importance/ necessity of staff certifications.

Q15. DO ANY OF YOUR EMPLOYEES HAVE THE FOLLOWING TECHNICAL CERTIFICATES ?

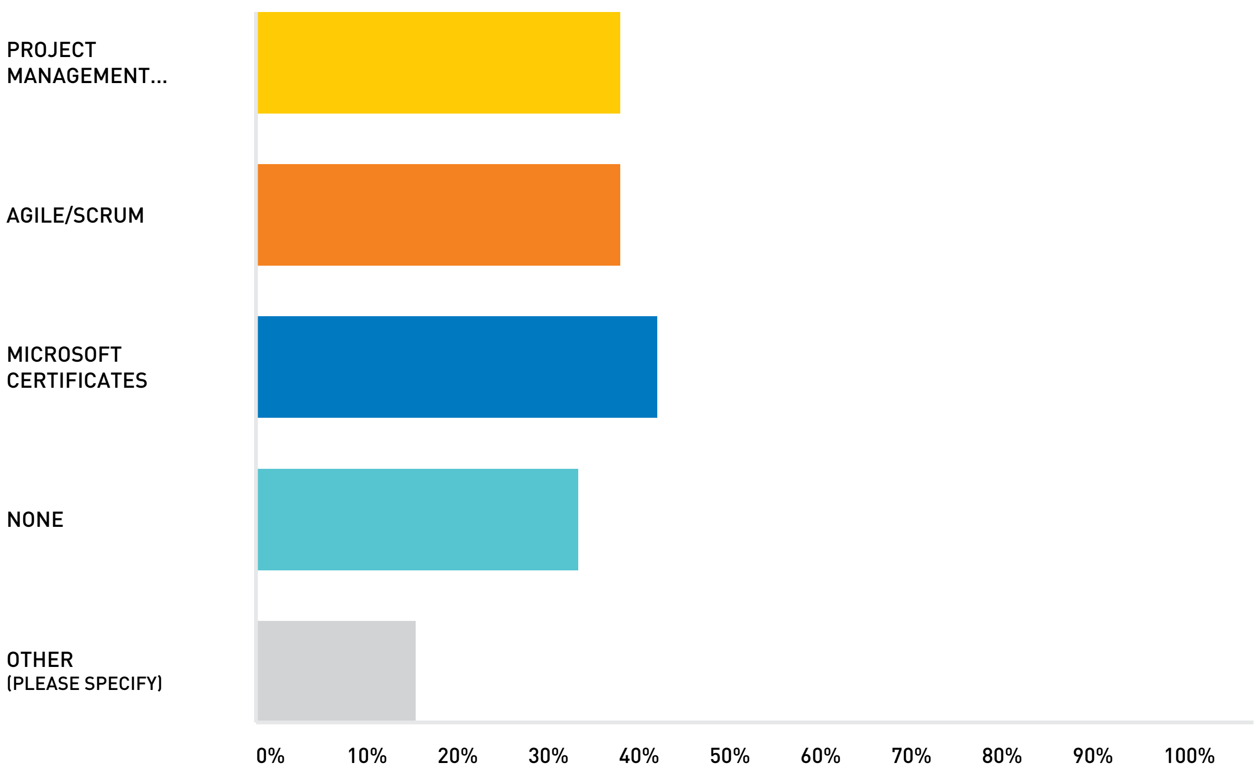

FIGURE 15. EMPLOYEE CERTIFICATIONS

Employee turnover is one of the key indicators of company sustainability and potential for further development. Almost 80% of companies in the ITIB report to have had a rather low turnover of employees with less than 10% of their staff changing in the last year. This is a considerable improvement as compared to the number of employees who left the companies during 2016, which was reported to be between 10%-25%.

Q37. PLEASE PROVIDE THE NUMBER OF EMPLOYEES THAT LEAVE THE COMPANY ON YEARLY BASIS

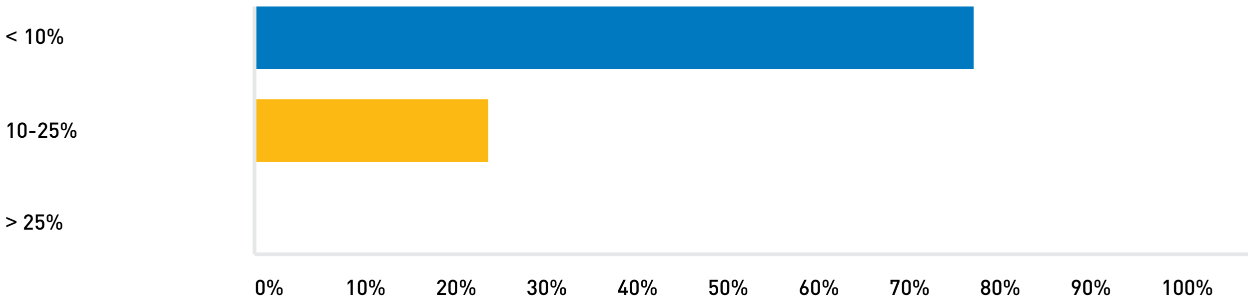

FIGURE 16. ANNUAL STAFF TURNOVER

Employee replacement time is another aspect that ITIB survey inquired about. Almost 60% of companies in the sample report to be able to fill out vacancies within less than three months. Over 20% of respondents report to need between three and six months while less than 10% of companies' report needing more than six months to fill-out staff vacancies. As compared to ITIB 2016, this represents a significantly more efficient staffing capabilities of respondent companies and shortened period of vacancy completion. In 2016, all respondents in the sample reported needing between three and six months to replace leaving employees.

Q38. WHAT IS THE AVERAGE TIME NEEDED TO REPLACE THE EMPLOYEES THAT LEAVE THE COMPANY?

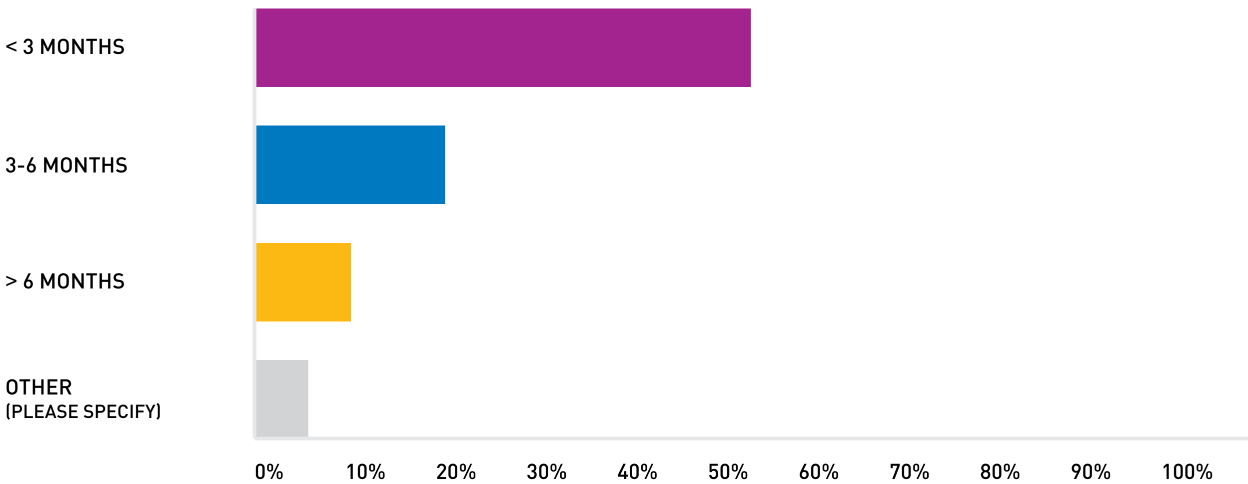

FIGURE 17. STAFF REPLACEMENT TIME

Another aspect that the ITIB survey covered relates to anticipated HR needs of the sector. To this end, the majority of the companies in the sample report optimistic outlook and increased number of employees. Almost 20% of respondents anticipate staff increases of 50% of their current staff number. Over 40% of respondents in the sample anticipate increase of 25% in their staffing needs, while over 20% of companies forecast 10% increase in the total number of staff. Less than 10% of businesses anticipate same employment/staff levels in their companies while less than 10% anticipate reduction in staff numbers. The generally positive outlook for upcoming periods is important to note as it indicates general positive current performance of companies or expected opportunities to be capitalized upon as perceived by respondents. The responses obtained are more optimistic than in ITIB 2016 where, 16% reported an anticipated increase of 50%, with an additional 33% of respondents reporting staff increase of 25%.

Q43. DO YOU EXPECT THE TOTAL NUMBER OF EMPLOYEES IN YOUR COMPANY IN NEXT 12 MONTHS TO:

(PLEASE, INCLUDE FULL-TIME AND PART-TIME/FREE-LANCE EMPLOYEES IN YOUR CALCULATION)

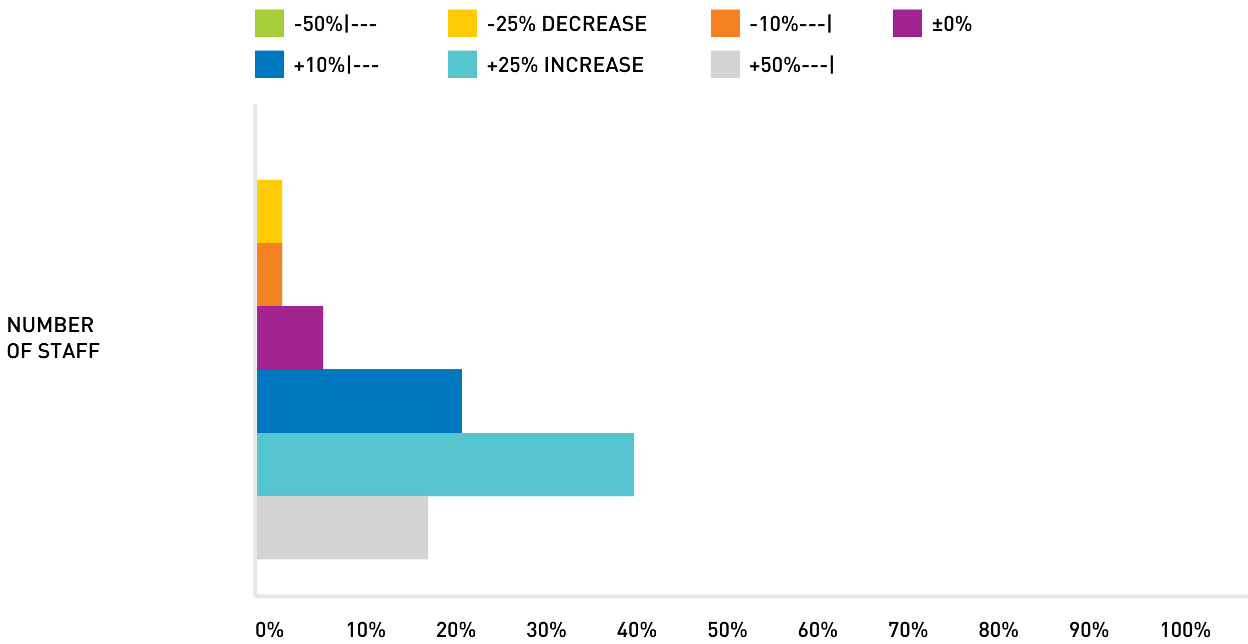

FIGURE 18. STAFF EXPECTATIONS FOR NEXT YEAR

With increased staff also come increased pressure from staff costs in the companies' budgets. In the ICT sector in particular, the pressure from staff costs is a key challenge to overcome for companies, particularly in their early phases of development. To this end, respondents were asked to provide their anticipated salary levels in their companies. The responses obtained represent a diverse range of perceptions and this directly relates to the diversity of professions, and company types in the ICT sector. When it comes to ICT professionals /specialists, most companies in the survey believe will become costlier. Only 10% of respondents anticipate that compensation levels for ICT specialists will remain the same in the coming twelve months. Of those anticipating an increase of salary levels for ICT specialists, an equal percentage of 30% has anticipated increases of 10%, 25% and 50% respectively.

Regarding other employees (non-IT), the situation is different. While the diversity in opinion about staff salary levels is still present, in general less increase in these costs is anticipated for general/support staff. An equal percentage of respondents of 23.5% of total respondents in the sample anticipate increases of 10%, 25% and 50%. This indicates that over 70% of respondents anticipate that their staff costs will increase in the coming year. 23% of respondents believe that their costs / salaries for general staff will remain the same, while 6% of companies expect these levels to decrease.

As compared to ITIB 2016, the 50% increase in cost is anticipated by 16% more companies than in previous year (2016: 6.3%), while 25% increase anticipation is at similar levels.

Q44. DO YOU EXPECT THAT THE SALARY IN YOUR COMPANY IN THE NEXT 12 MONTHS TO:

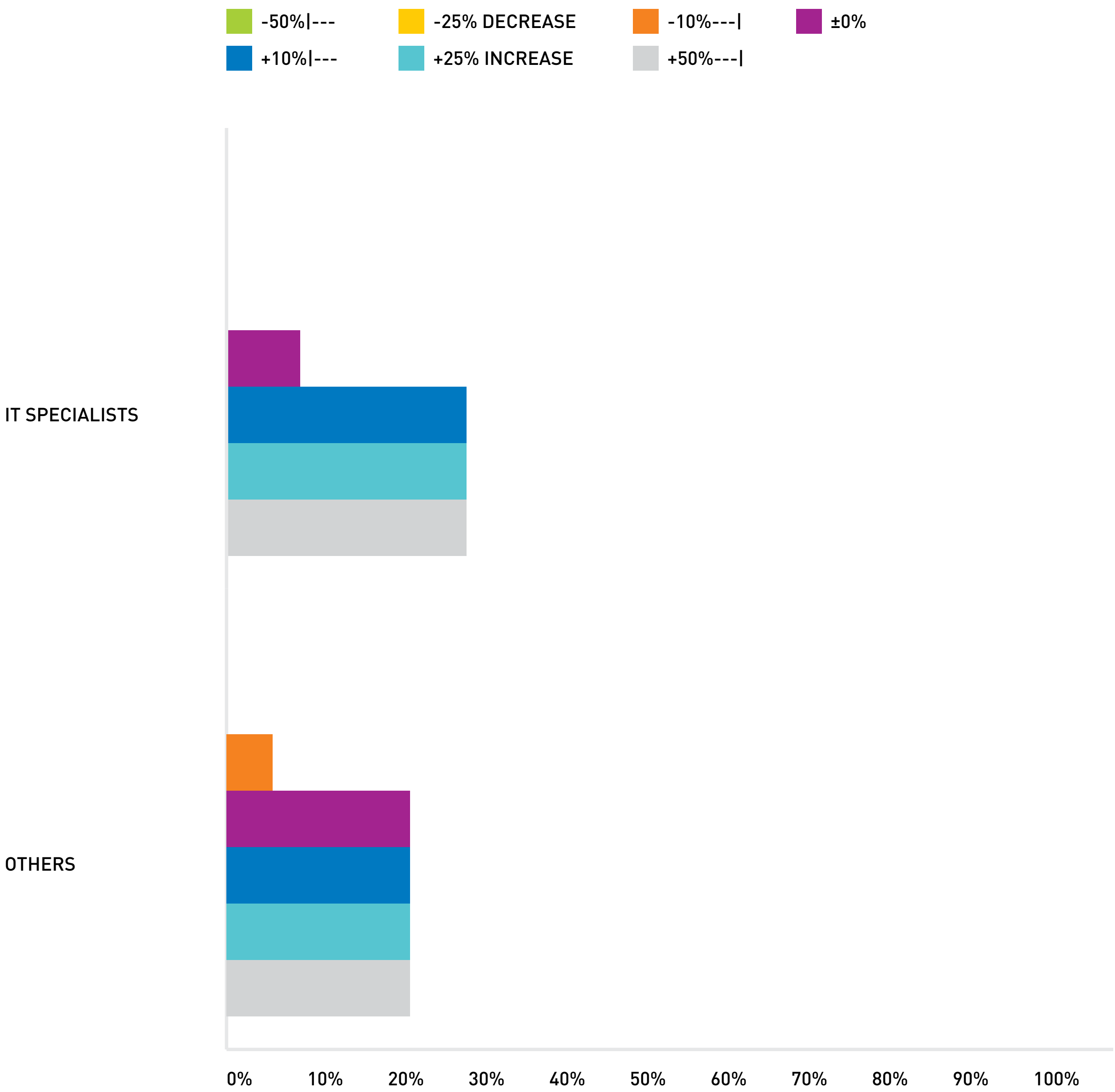

FIGURE 19. EXPECTATIONS ON SALARY LEVELS IN THE NEXT YEAR

The perceived availability of skilled/qualified labor force in the ICT sector is one of the key aspects that should be considered by ITIB. The responses obtained on the question whether businesses perceive a deficit of skilled /qualified labor in the sector, a staggering 80% of companies in the sample responded positively. Nevertheless, the scores for this year represent an improvement in perception of businesses for around 15%, from the 2016's 94% of respondents confirming it.

Q47. DO YOU THINK THERE IS A DEFICIT OF SKILLED/QUALIFIED WORKSPACE IN YOUR COUNTRY?

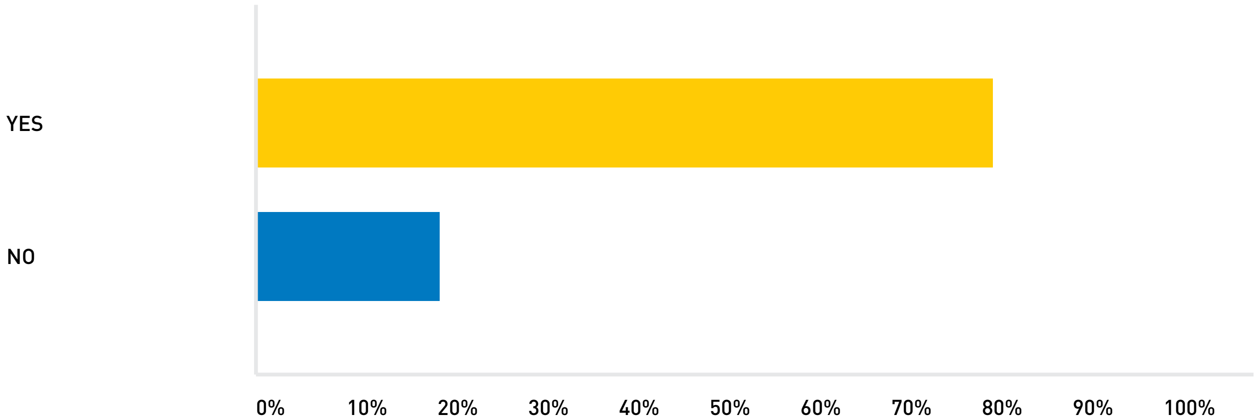

FIGURE 20. AVAILABILITY OF SKILLED WORKFORCE

When asked to comment on how the so-called brain-drain phenomenon and how it affects them and their activity, around 55% of respondents confirm perceived negative impact. As compared to 2016 ITIB scores, when 73.7% of companies considered that brain drain has negative influence on their business activities, this represents a significant drop in percentage.

Q46. IS BRAIN DRAIN INFLUENCING NEGATIVELY YOUR BUSINESS?

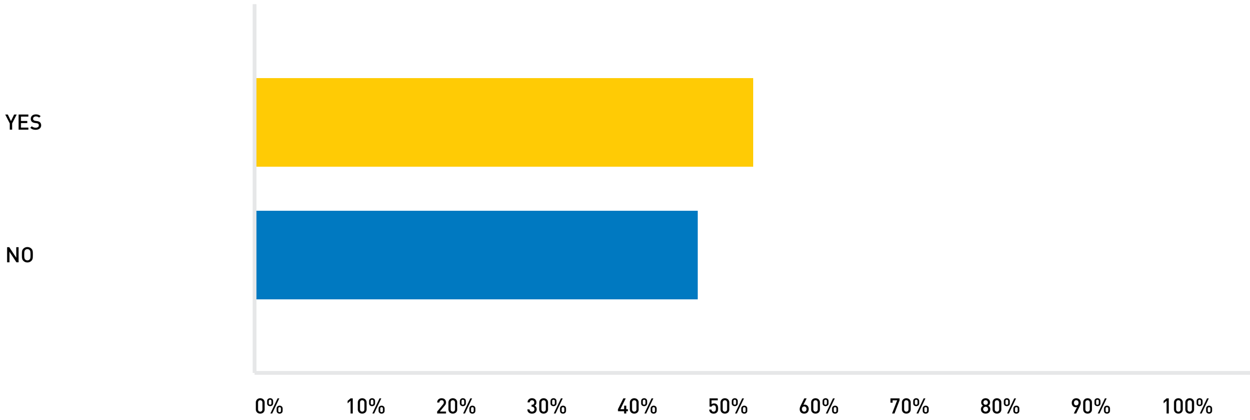

FIGURE 21. INFLUENCE OF BRAIN-DRAIN

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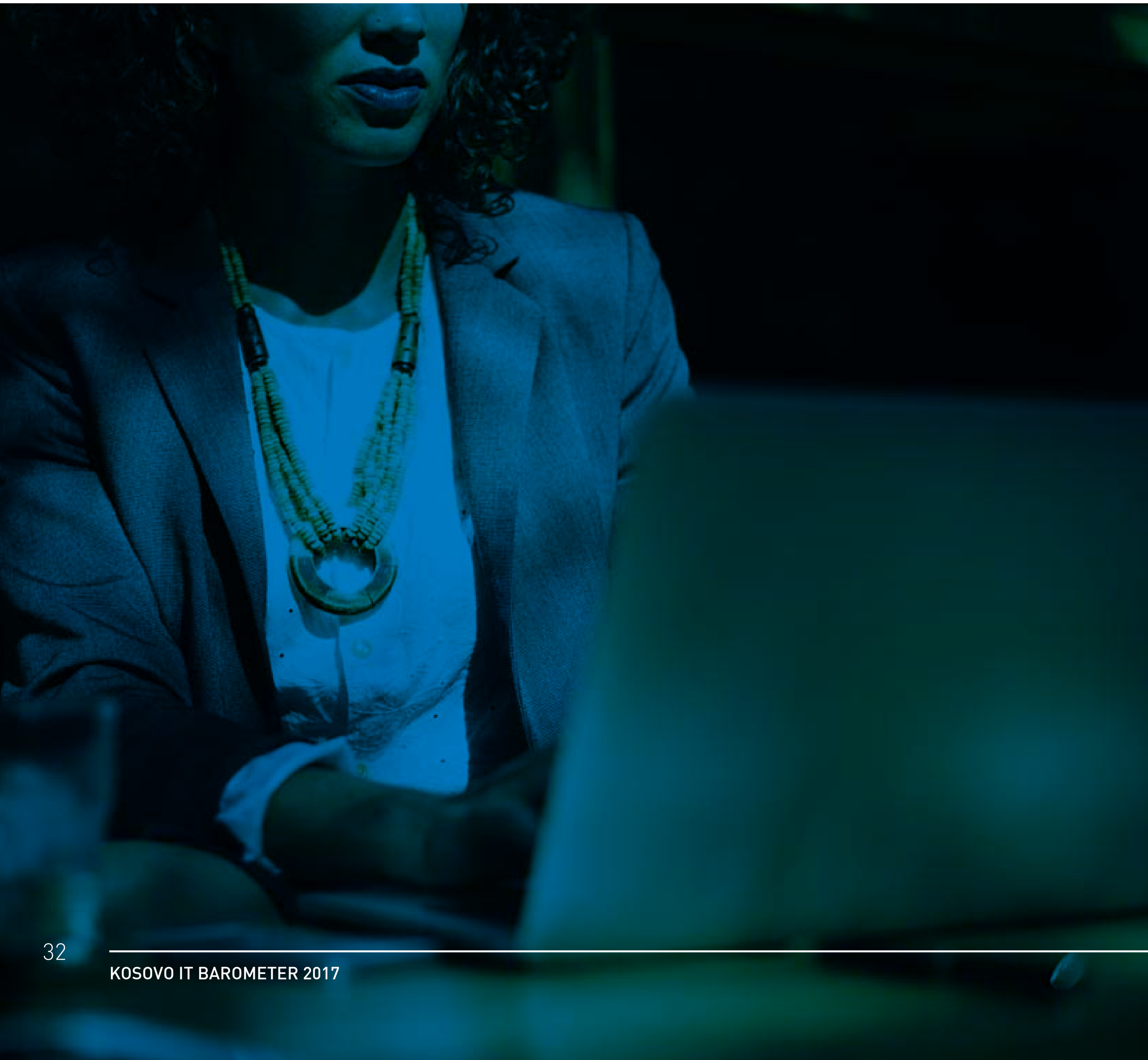
ANNEX 1: ITIB KOSOVO 2017 QUESTIONNAIRE



GENERAL INFORMATION

1. IN WHICH COUNTRY IS YOUR COMPANY LOCATED?
(If in many, which is the main location in the listed countries.)

- ☐ Albania
- ☐ Bosnia-Herzegovina
- ☐ Kosovo
- ☐ Macedonia
- ☐ Montenegro
- ☐ Serbia
- ☐ Other (please specify)

2. DO YOU WANT TO PROVIDE YOUR COMPANY NAME AND CONTACT INFORMATION FOR STIKK STAKEHOLDER'S DATABASE AND RECEIVE INFORMATION ABOUT ACTIVITIES ORGANIZED BY THE ICT ASSOCIATION?

- ☐ Yes, I will provide company name and contact information.
- ☐ No, I want to answer the questionnaire anonymously.

COMPANY CONTACT INFORMATION

3. COMPANY

Name	
URL	

4. CONTACT PERSON

Name	
Function / Position	
Direct Email	

TYPE OF COMPANY

5. WHAT IS THE OWNERSHIP STRUCTURE OF THE COMPANY?

- ☐ > 50% national ownership
- ☐ > 50% foreign ownership
- ☐ Branch of a foreign company (If the company works only for the parent company or for other companies belonging to the group)

6. WHAT TYPE OF PRODUCTS AND/OR SERVICES YOUR COMPANY PROVIDES?

- ☐ Software products
- ☐ Software / IT services
- ☐ Hardware products
- ☐ Services for hardware products
- ☐ Other (please specify)

7. YOUR COMPANY IS A MEMBER OF:

- ☐ Albania: AITA
- ☐ Bosnia-Herzegovina: BIT Alliance
- ☐ Kosovo: STIKK
- ☐ Macedonia: MASIT
- ☐ Montenegro: IT Cluster
- ☐ Serbia: ICT Network
- ☐ No ICT association membership
- ☐ Other (please specify)

8. WHICH WAS THE YEAR OF FOUNDATION OF THE COMPANY IN THE COUNTRY?

TECHNICAL PROFILE OF THE COMPANY

Please provide us with information on your company's technical expertise/offering concerning. Operating Systems and Platforms, Programming Languages and Development Tools, technologies used, as well as Database Technologies.

9. OPERATING SYSTEMS AND PLATFORMS (Please tick all that apply.)

- [ ] Windows
- [ ] Realtime Systems
- [ ] MAC-OS
- [ ] OS/400
- [ ] SUN OS, Solaris
- [ ] iOS
- [ ] Android
- [ ] Windows Mobile
- [ ] Linux
- [ ] UNIX
- [ ] Other (please specify)

10. TECHNOLOGIES USED TO DELIVER SERVICES/DEVELOP PRODUCTS? (Please tick all that apply.)

- [ ] VR/AR
- [ ] Artificial Intelligence
- [ ] Block Chain
- [ ] We don't use any
- [ ] Other (please specify)

11. PROGRAMMING LANGUAGES AND DEVELOPMENT TOOLS (Please tick all that apply.)

- ☐ ABAP4
- ☐ Assembler
- ☐ Basic - Visual Basic, VBA etc.
- ☐ C
- ☐ C++
- ☐ Clipper
- ☐ CList
- ☐ CL/400 - AS/400 Control Language
- ☐ Cobol
- ☐ CORBA IDL
- ☐ dBase
- ☐ Delphi
- ☐ Eiffel
- ☐ ESQL/C
- ☐ Fortran
- ☐ Foxpro
- ☐ Gupta, Centura
- ☐ HTML, XML
- ☐ ILE/400
- ☐ Java
- ☐ JavaScript
- ☐ JCL
- ☐ Lisp
- ☐ Lotus Notes Script
- ☐ Macro Languages– others
- ☐ Natural
- ☐ .NET
- ☐ Objective C
- ☐ Pascal
- ☐ Perl
- ☐ PHP
- ☐ PL/SQL
- ☐ PL/1
- ☐ Powerbuilder
- ☐ Python
- ☐ QMF
- ☐ Rexx
- ☐ RPG
- ☐ SAS
- ☐ Script Languages – others
- ☐ Shell - C-Shell, K-Shell, Bourne-Shell
- ☐ Smalltalk
- ☐ Tcl/Tk
- ☐ Visual Objects
- ☐ VRML
- ☐ Xt, Motif
- ☐ yacc/lex
- ☐ 4gl
- ☐ We don't use any
- ☐ Other (please specify)

12. DATABASE TECHNOLOGIES
(Please tick all that apply.)

- ☐ Access
- ☐ Adabas
- ☐ BTrieve
- ☐ DAO
- ☐ DB2
- ☐ DB/400
- ☐ DL/1
- ☐ Gupta, Centura
- ☐ IDMS
- ☐ IMS
- ☐ Informix
- ☐ Ingres
- ☐ Interbase
- ☐ ISAM
- ☐ JDBC
- ☐ Lotus Notes
- ☐ MS SQL Server
- ☐ mSQL / mySQL
- ☐ Object Store
- ☐ ODBC
- ☐ Oracle
- ☐ Paradox
- ☐ POET
- ☐ Progress
- ☐ RDB
- ☐ SAS
- ☐ SESAM
- ☐ SQL
- ☐ Sybase
- ☐ UDS/IDMS
- ☐ VSAM
- ☐ xBase - dBase, FoxPro, Clipper...
- ☐ 4th Dimension
- ☐ We don't use any
- ☐ Other (please specify)

13. HAVE YOU BEEN ASKED TO HAVE ONE OF THE FOLLOWING QUALITY STANDARDS? (multiple answers permitted)

- ☐ ISO 27001
- ☐ ISO 20000
- ☐ ISO 9001
- ☐ CMM / CMMI
- ☐ ITMark
- ☐ SPICE
- ☐ None
- ☐ Other (please specify)

14. WHAT IS THE PRIMARY REASON THAT YOUR COMPANY OBTAINED QUALITY STANDARD CERTIFICATION?

- ☐ We have been required by clients, potential clients
- ☐ We wanted to improve processes in the company
- ☐ We wanted to improve the image and reputation of the compannny
- ☐ We have not optioned any quality standard certification
- ☐ Other (please specify)

15. DO ANY OF YOUR EMPLOYEES HAVE THE FOLLOWING TECHNICAL CERTIFICATIONS?

- ☐ Project management professional certification (PMP)
- ☐ Agile/Scrum
- ☐ Microsoft certificates
- ☐ None
- ☐ Other (please specify)

EXPORT RELATED QUESTIONS

16. WHAT IS YOUR COMPANY'S PRIMARY MARKET?

- ☐ Kosovo
- ☐ Export Markets
- ☐ Both, equal of similar importance

17. WHAT ARE YOUR CORE COMPETITIVE ADVANTAGES IN THE KOSOVO MARKET?

- ☐ Price
- ☐ Quality
- ☐ Technical know-how
- ☐ Sector know-how
- ☐ Horizontal know-how
- ☐ (human) Languages
- ☐ Cultural knowledge
- ☐ Other (please specify)

18. DOES YOUR COMPANY WORK FOR INTERNATIONAL CLIENTS IN KOSOVO?

- ☐ Yes
- ☐ No
- ☐ I don't know / Refuse

19. IN WHICH SECTOR DO YOU CURRENTLY OPERATE IN THE KOSOVO MARKET (Please tick three top industries)

	Tick
Aerospace	☐
Automotive	☐
Defence	☐
Education (E-Learning)	☐
Financial Services	☐
Gaming and Entertainment	☐
Healthcare Services	☐
Home Automation	☐
Industry Application and Automation	☐
IT Services and Outsourcing	☐
Manufacturing, Distribution, Retail	☐
Marketing and Communications	☐
Media and Publishing	☐
Non-profit organizations	☐
Public sector (E-Government)	☐
Real Estate	☐
Services (HR, Accounting, Legal)	☐
Technology	☐
Telecommunications (Wireless and Mobile)	☐
Telematics	☐
Tourism and Hospitality	☐
Trade, Transportation and Logistics	☐
Utilities	☐
Other (please specify)	

20. DOES YOUR COMPANY CONDUCT EXPORT ACTIVITIES?

☐ Yes

☐ No

21. DOES YOUR COMPANY DO BUSINESS WITH INTERNATIONAL CORPORATIONS OR LOCAL BUSINESSES/CLIENTS IN EXPORT MARKETS?

☐ Primarily international businesses

☐ Primarily local businesses

☐ Both

☐ I don't know / Refuse

EXPORT MARKET POTENTIAL

22. HOW WOULD YOU EVALUATE THE POTENTIAL OF THE FOLLOWING MARKETS FOR YOUR COMPANY'S EXPORT ACTIVITIES?

(Please evaluate the export potential of each market even though you might currently not be exporting to that country/market)

	No Potential (-3)	Very low Potential (-2)	Low Potential (-1)	Potential (+1)	High Potential (+2)	Very high Potential (+3)
Germany	☐	☐	☐	☐	☐	☐
Austria	☐	☐	☐	☐	☐	☐
Switzerland	☐	☐	☐	☐	☐	☐
United Kingdom	☐	☐	☐	☐	☐	☐
France	☐	☐	☐	☐	☐	☐
BeNeLux (Belgium, The Netherlands, Luxemburg)	☐	☐	☐	☐	☐	☐
Scandinavian countries	☐	☐	☐	☐	☐	☐
Southern Europe (Italy, Spain, Portugal)	☐	☐	☐	☐	☐	☐
Regional (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Kosovo, Montenegro, Romania, Serbia, Slovenia)	☐	☐	☐	☐	☐	☐
Central and Eastern Europe	☐	☐	☐	☐	☐	☐
North America (USA, Canada)	☐	☐	☐	☐	☐	☐
Middle East and Africa	☐	☐	☐	☐	☐	☐
East Asia	☐	☐	☐	☐	☐	☐
Other (please specify)						

COMPETITIVE ADVANTAGES

23. WHAT ARE YOUR CORE COMPETITIVE ADVANTAGES IN THE INTERNATIONAL MARKETS?

- [ ] Price
- [ ] Quality
- [ ] Technical know-how
- [ ] Sector Know-how
- [ ] Horizontal know-how
- [ ] (human) Languages
- [ ] Cultural closeness
- [ ] Other (please specify)

24. WHICH FOREIGN LANGUAGE SKILLS ARE AVAILABLE IN YOUR COMPANY?

- [ ] English
- [ ] German
- [ ] Turkish
- [ ] Italian
- [ ] Spanish
- [ ] French
- [ ] N/A
- [ ] Other (please specify)

25. HOW DO YOU CONDUCT YOUR EXPORTS? (Please indicate your export channels)

- [ ] Direct exports from your country to the client abroad
- [ ] Subsidiary / branch office in the target market
- [ ] Representative office
- [ ] Joint venture
- [ ] Distribution partner / Local Partner (sales agent, sales representative, sole distributor, etc.)
- [ ] Through the Internet
- [ ] N/A
- [ ] Other (please specify)

26. WHERE DO YOU SEE THE BIGGEST EXPORT OBSTACLES? PLEASE RATE THE DIFFERENT EXPORT OBSTACLES.

	Not Problematic (+1)	Somehow Problematic (+2)	Little Problematic (+3)	Problematic (+4)	Very Problematic (+5)	Highly Problematic (+6)
Market information (lack of suitable information on export markets)	☐		☐	☐	☐	☐
Costs of exporting	☐		☐	☐	☐	☐
Finding the right business partner	☐		☐	☐	☐	☐
Lack of interest/awareness among foreign companies	☐		☐	☐	☐	☐
Lack of technical skills	☐		☐	☐	☐	☐
Lack of export marketing skills & knowhow	☐		☐	☐	☐	☐
Lack of branding of the local IT industry abroad	☐		☐	☐	☐	☐
Culture & language barriers	☐		☐	☐	☐	☐
Lack of support by government institution (export financing schemes, etc.)	☐		☐	☐	☐	☐
Lack of export-oriented trainings and business development / consulting services	☐		☐	☐	☐	☐
Technical standards and requirements (ISO, CMMI, specific technologies, etc.)	☐		☐	☐	☐	☐
Legal aspects (contract law in other countries, legal requirements, etc.)	☐		☐	☐	☐	☐
Visa requirements	☐		☐	☐	☐	☐
Lack of qualified staff to conduct export activities	☐		☐	☐	☐	☐
Lack of business contacts in target markets	☐		☐	☐	☐	☐
Other (please specify)						

STATISTICS

27. WHAT WAS YOUR ANNUAL REVENUE IN EUR? PLEASE PROVIDE A FORECAST FOR 2017. IF NOT APPLICABLE WRITE NA

(The answers for these, and all questions will stay confidential)

2013	
2014	
2015	
2016	
2017 (forecast)	

28. WHAT WAS THE EXPORT FOR THE YEAR 2013?

(express in percentage or amount)

Total export (% or amount)	
% of export in EU	

29. WHAT WAS THE EXPORT FOR THE YEAR 2014?

(express in percentage or amount)

Total export (% or amount)	
% of export in EU	

30. WHAT WAS THE EXPORT FOR THE YEAR 2015?

(express in percentage or amount)

Total export (% or amount)	
% of export in EU	

31. WHAT WAS THE EXPORT FOR THE YEAR 2016?

(express in percentage or amount)

Total export (% or amount)	
% of export in EU	

32. PLEASE PROVIDE A FORECAST FOR THE EXPORT FOR THE YEAR 2017

(express in percentage or amount)

Total export (% or amount)	
% of export in EU	

33. WHAT WAS THE PERCENTAGE OF YOUR EXPORTS BETWEEN PRODUCTS AND IT SERVICES? If you did not have exports in a certain year please enter 0 for both columns in "Not Applicable" (N/A). (Sum of each line/year must be 100)

	IT services	Products
2013	☐	☐
2014	☐	☐
2015	☐	☐
2016	☐	☐
2017 (forecast)	☐	☐

34. IN WHICH SECTOR DO YOU CURRENTLY ENGAGE IN EXPORT MARKETS? (Select three most important/biggest ones)

	Tick
Aerospace	☐
Automotive	☐
Defence	☐
Education (E-Learning)	☐
Financial Services	☐
Gaming and Entertainment	☐
Healthcare Services	☐
Home Automation	☐
Industry Application and Automation	☐
IT Services and Outsourcing	☐
Manufacturing, Distribution, Retail	☐
Marketing and Communications	☐
Media and Publishing	☐
Non-profit organizations	☐
Public sector (E-Government)	☐
Real Estate	☐
Services (HR, Accounting, Legal)	☐
Technology	☐
Telecommunications (Wireless and Mobile)	☐
Telematics	☐
Tourism and Hospitality	☐
Trade, Transportation and Logistics	☐
Utilities	☐
Other (please specify)	

CLIENTS

SECTOR
HORIZONTAL

35. IN WHICH HORIZONTAL MARKETS DO YOU PROVIDE PRODUCTS AND / OR IT SERVICES TO YOUR CLIENTS? (Select three most important/biggest ones)

	Domestic Market	Export
Business Intelligence / Data Warehousing	☐	☐
Business Process Optimization	☐	☐
Corporate Security	☐	☐
Custom Development / Outsourcing	☐	☐
Customer Management (CRM)	☐	☐
Document Management	☐	☐
E-commerce	☐	☐
Embedded Engineering and Development	☐	☐
ERP / Supply Chain	☐	☐
IT Consulting	☐	☐
IT Project Management	☐	☐
Knowledge Management / Operations	☐	☐
Mobile Solutions	☐	☐
Navigation Applications	☐	☐
New Media Production (Multimedia/Web animations)	☐	☐
Product maintenance, Support and Customization	☐	☐
Software Quality Assurance	☐	☐
Tools/COTS	☐	☐
Web design; development	☐	☐

Other (please specify) ____________________

HUMAN RESOURCES

EMPLOYEES

36. WHAT IS THE TOTAL NUMBER OF YOUR EMPLOYEES AND ASSOCIATES?

2014	
2015	
2016	
2017 (forecast)	

37. PLEASE PROVIDE THE NUMBER OF EMPLOYEES THAT LEAVE THE COMPANY ON YEARLY BASIS.

- ☐ < 10%
- ☐ 10-25%
- ☐ > 25%

38. WHAT IS THE AVERAGE TIME NEEDED TO REPLACE THE EMPLOYEES THAT LEAVE THE COMPANY?

- ☐ < 3 months
- ☐ 3 months
- ☐ > 6 mounths
- ☐ Other (please specify)

SALARIES

39. WHAT HAVE BEEN THE AVERAGE MONTHLY SALARIES FOR THE YEAR 2016 (AS PER LABOUR CONTRACT) FOR THE FOLLOWING POSITIONS? If you do not have information regarding any of the following positions, please enter "NA".

Developers	
Graphic Designers	
Database Administrators	
System administrator	
Business Developer	
Management	
Project Managers	
Marketing / Sales	
Administration	
Others	

40. WHAT ARE THE AVERAGE MONTHLY SALARIES FOR THE YEAR 2017 (AS PER LABOUR CONTRACT) FOR THE FOLLOWING POSITIONS? If you do not have information regarding any of the following positions, please enter “NA”.

Developers	
Graphic Designers	
Database Administrators	
System administrator	
Business Developer	
Management	
Project Managers	
Marketing / Sales	
Administration	
Others	

RATES

41. WHAT IS THE AVERAGE BILLABLE RATE FOR THE FOLLOWING STAFF CATEGORIES? Please provide rates per person in your local currency per hour (VAT excluded). (If you don’t have the rates, just leave zero.)

Developers	
Graphic Designers	
Database Administrators	
System administrator	
Business Developer Management	
Project Managers	

42. BLENDED RATE
(Blended Rate is the rate that you would quote your services to a client, should you have to provide one number for that.)

FORECAST

EMPLOYEES

43. DO YOU EXPECT THE TOTAL NUMBER OF EMPLOYEES IN YOUR COMPANY IN THE NEXT 12 MONTHS TO:

(Please, include full-time and part-time/free-lance employees in your calculation.)

	-50%|-------	25% Decrease	-10%-------|	±0%	+10%|-------	+25% Increase	+50%-------|
Number of Staff	☐	☐	☐	☐	☐	☐	☐

44. DO YOU EXPECT THE SALARY LEVELS IN YOUR COMPANY IN THE CNEXT 12 MONTHS TO:

	-50%|-------	25% Decrease	-10%-------|	±0%	+10%|-------	+25% Increase	+50%-------|
IT Specialists	☐	☐	☐	☐	☐	☐	☐
Others	☐	☐	☐	☐	☐	☐	☐

CURRENT ISSUES AND REMARKS, COMMENTS

IMPACT OF EXTERNAL FACTORS

45. CONSIDERING THE CURRENT SITUATION OF YOUR BUSINESS, HOW DO YOU EVALUATE THE INFLUENCE OF THE FOLLOWING FACTORS ON THE DEVELOPMENT OF YOUR BUSINESS?

	Negative	Neutral	Positive
Global Economic situation	☐	☐	☐
National Economic situation	☐	☐	☐
HR Market	☐	☐	☐
Intensified Competition	☐	☐	☐
Government policy	☐	☐	☐

CURRENT ISSUE

46. IS BRAIN DRAIN INFLUENCING NEGATIVELY YOUR BUSINESS?

☐ Yes

☐ No

47. DO YOU THINK THERE IS A DEFICIT OF SKILLED/QUALIFIED WORKFORCE IN YOUR COUNTRY?

☐ Yes

☐ No

Comment:

48. REMARKS, SUGGESTIONS

Use the space below to give your comments and suggestions on the subjects that you evaluate as important for your company. Consider the work being performed in the IT sector, the supporters, the associations, the government etc. Comments, remarks, suggestions are also welcome.

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