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Raporti i Studimit

Entrepreneurship and Philanthropy Survey Report

Entrepreneurship and Philanthropy

Survey Report

**Prepared by Partners Albania,
Center for Change and Conflict Management**

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Summary

During the period February-April 2011, Partners-Albania Center for Change and Conflict Management, conducted a study to analyze the philanthropic activities of enterprises in Albania.

The main purpose of the study was to collect data and assess the level and directions of philanthropic activity of the business sector in Albania, as well as steps to be taken to advance it.

Some key findings of this survey are:

- More than half of the enterprises surveyed (55%) believe that philanthropic activity makes their business more successful.
- Philanthropic activity depends on the main economic activity and average annual turnover. Percentage of enterprises that carry out philanthropic activity is higher in the finance sector, transport and communications (over 90%) and in enterprises with an average annual turnover venture with over 250 million ALL (over 71%).
- Average annual turnover and the period of establishment of enterprises cannot be considered as an obstacle to carrying out philanthropic activity.
- Number of supported activities is greater for enterprises with high average annual turnover. Enterprises with average annual turnover over 1 billion (21% of them) have supported over 15 activities.
- Out of the surveyed enterprises, 62% perform philanthropic activities. Enterprises perform philanthropic activities mainly because they consider it a moral obligation (74%) and because it meets human needs (70%).
- The main reason considered as an obstacle by enterprises in conducting philanthropic activities is the lack of budget (67%), lack of financial incentives (26%) and lack of appreciation for philanthropic activity (24%).
- Enterprises perform philanthropic activities mainly in two forms: financial support through donation (78%) and in kind products and services (62%).
- Philanthropic activity is conducted mainly through humanitarian aid, support in cases of natural disasters and health improvement.
- Philanthropic activity of the enterprises is influenced on a large scale by the owners (77%) and administrators (74%).
- The number of enterprises that carry out philanthropic activity has increased over the years. The increase is with 62% from 2006 to 2010.
- There is a growing trend in donations over 5000 Euro from 2006 (33%) in 2010 (45%).
- Enterprises with average annual turnover over 1 billion ALL (76% of them) have donated over 5000 Euro for philanthropic activities.

- Out of 87 companies that carry out philanthropic activity only 18% have a strategic document on the corporate social responsibility. Of these, 80% are large enterprises with annual turnover about 250 million ALL.
- Large and medium enterprises plan better the support for philanthropic activities, while small enterprises perform more spontaneously.
- Only 28% of enterprises surveyed have plans for philanthropic activities in the future, while 47% review the situation.
- The main support enterprises require in undertaking philanthropic activities are (i) tax incentives; (ii) information about programs on which can contribute with limited budgets (iii) friendlier reimbursement procedures.

Methodology

Objectives of the survey:

- Creating a general overview about the philanthropic activities of enterprises in Albania (the main areas in which this activity is concentrated, the main forms of its development, etc).
- Identification of supportive and obstructive factors in the development of philanthropic activity, in order to create a basis for awareness on philanthropic activity and further development of its future.

Study on philanthropy is conducted through direct interviews with 141 enterprises in 10 prefectures of Albania. The survey instrument was a standard questionnaire. Questions address the actual experience of enterprises in the field of philanthropy, forms and types of activities that they supported, the reasons why donate and support needed to undertake philanthropic activities. The survey was conducted between February and April 2011.

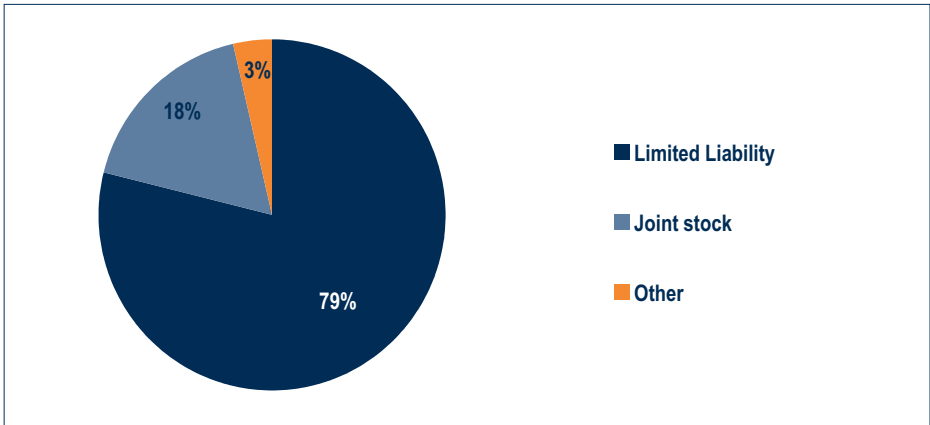
To generate the sample was used the list of active enterprises by prefecture and economic activity, in 2009. The list was cleared of all individuals, nonprofit organizations and public companies.

The remaining data served to draw a representative sample of 150 enterprises distributed in proportion to the number of enterprises located in each of the ten prefectures and the specific weight of different sectors of the economy that they belonged. For this were used data published by INSTAT in the book Register of Enterprises 2009. A reserve list was prepared as well, to replace the enterprises that could refuse to participate in the survey, or who can not be found. The total number of interviews conducted was 141 or 94% of the targeted sample.

Results presented in this report are in the form of frequencies and values intersection. Key variables used for the intersection of values are: (a) *Average annual turnover* - businesses are divided into five groups, (b) *by economic activity* and (c) *by year of creation*. In each graph is shown the total number of responses. Percentages are rounded to whole closest number. For some questions, the sample size is small (as is also shown). Because of the number of responses, some answer categories are grouped together.

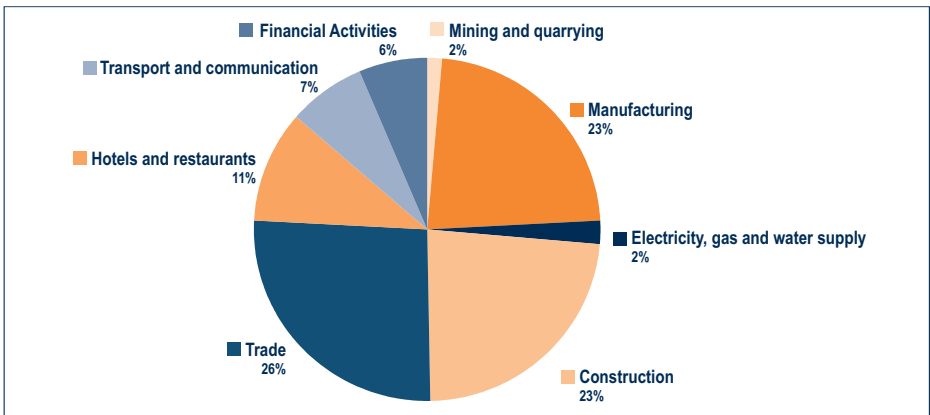
Survey findings

Chart 1: Sample by form of organization (n = 141)



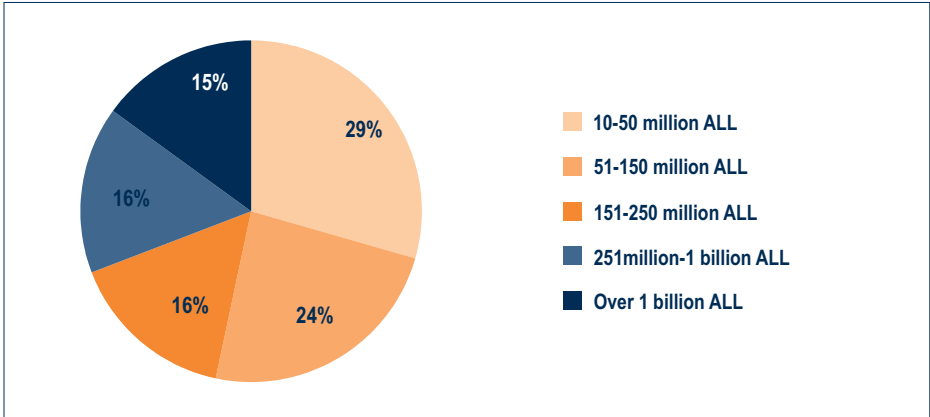
In response to the question on the form of business organization, 111 by 141 enterprises or 79% of the sample are organized as Limited Liability Companies, while 18% are organized as Joint Stock Companies.

Chart 2: Sample according to the economic activity (n = 141)



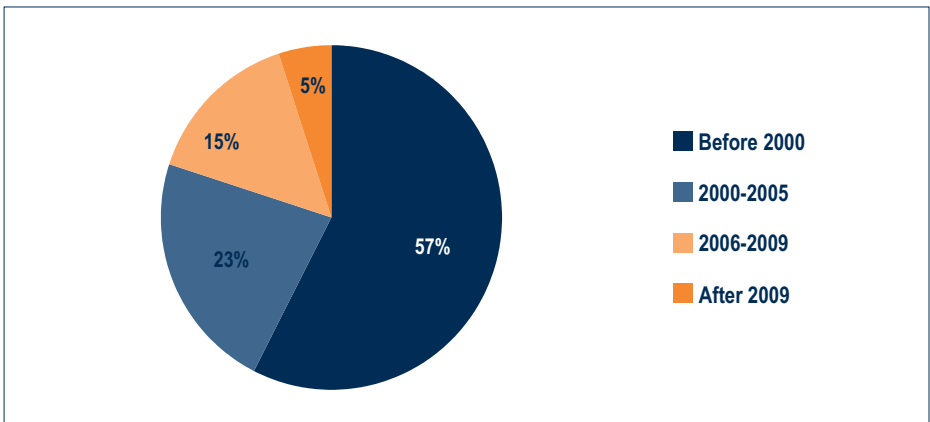
The sample has a diverse distribution based on primary economic activity sector of enterprises. Sectors are represented on trade with 26%, construction sector with 23% and manufacturing industry with 23%. Meanwhile in the sample are included other sectors as well, like hotels and restaurants (11%), transport and communication (7%) and financial activities (6%).

Chart 3: Sample according the average annual turnover (n = 133)



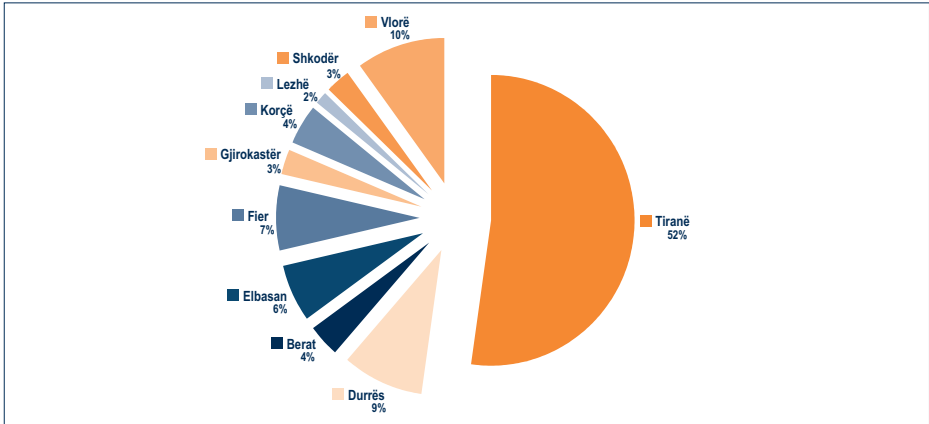
The sample includes a full representation of enterprises in terms of average annual turnover. 29% of entrepreneurs who have answered the question on the average annual turnover, have it between 10-50 million ALL, 24% have average annual turnover between 51-150 million ALL, and only 15% have average annual turnover over 1 billion ALL.

Chart 4: Sample by year of registration (n = 141)



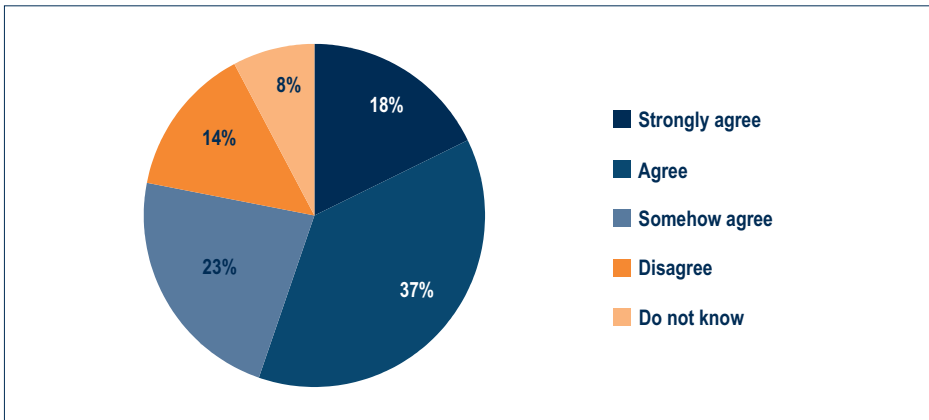
Most of the enterprises surveyed (57%) were established before 2000, while 23% were created in the period 2000-2005 and 15% in the period 2006-2009.

Chart 5: Sample by location of enterprise (n = 141)



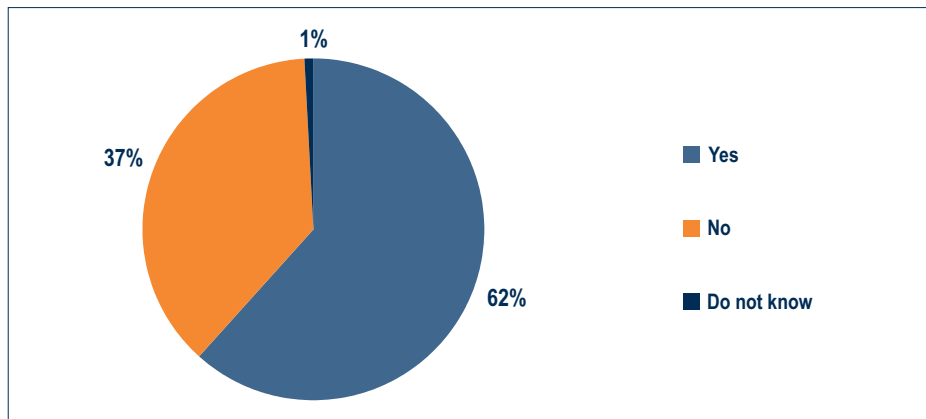
Almost half of the enterprises surveyed (52%) carry out their activity in the prefecture of Tirana. This is linked to the number of enterprises that perform their activity in this prefecture. Prefecture as Vlorë, Durrësi, Fieri and Elbasani are represented in this sample respectively with 10%, 9%, 7% and 6%.

Chart 6: Philanthropy makes the business more successful (n = 141)



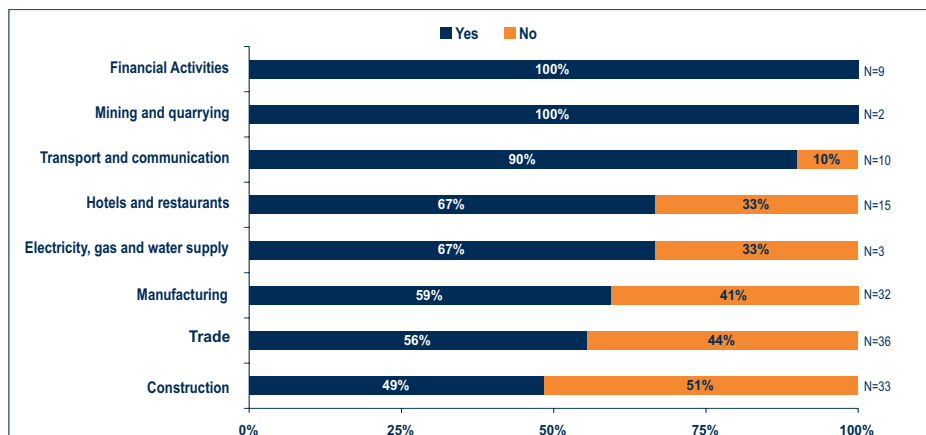
55% of enterprises indicated that strongly agreed or agreed with the statement that philanthropy makes the business more successful. Only 14% of respondents disagree with this statement.

Chart 7: Enterprises carrying out philanthropy activities (n = 141)



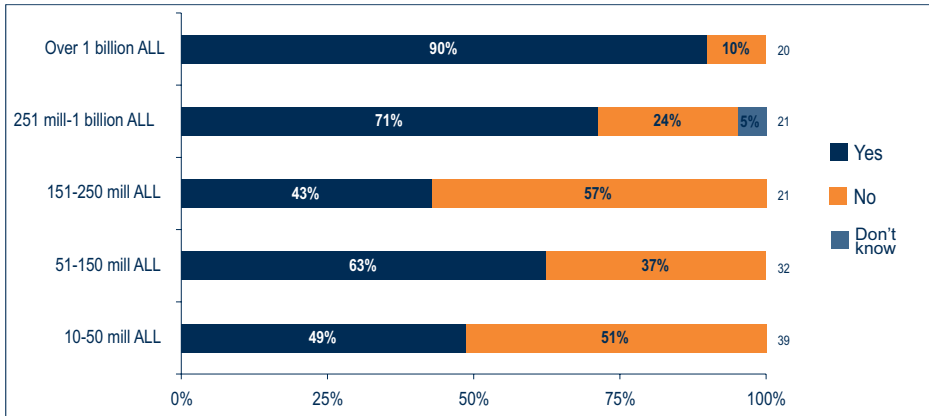
Asked if they carry out philanthropic activity, 62% of enterprises surveyed responded yes, they do carry out such activity, while 37% of respondents answered they do not.

Chart 8: Philanthropic activity according to the economic activity sector



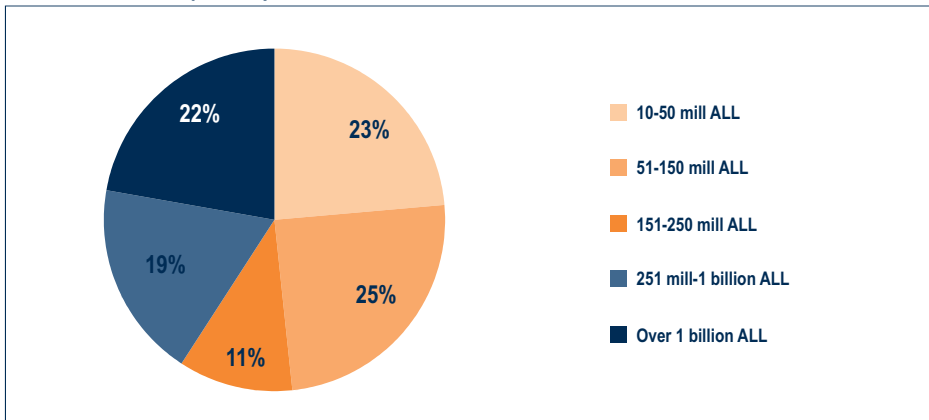
Percentage of entrepreneurs who carry out philanthropic activity varies according to economic activity they perform. Approximately 50-60% of enterprises whose main economic activity is construction, trade and manufacturing industry carry out philanthropic activity. This percentage increases for enterprises operating in transport and communications sector and those who perform financial activity.

Chart 9: Philanthropic activities according to the average annual turnover



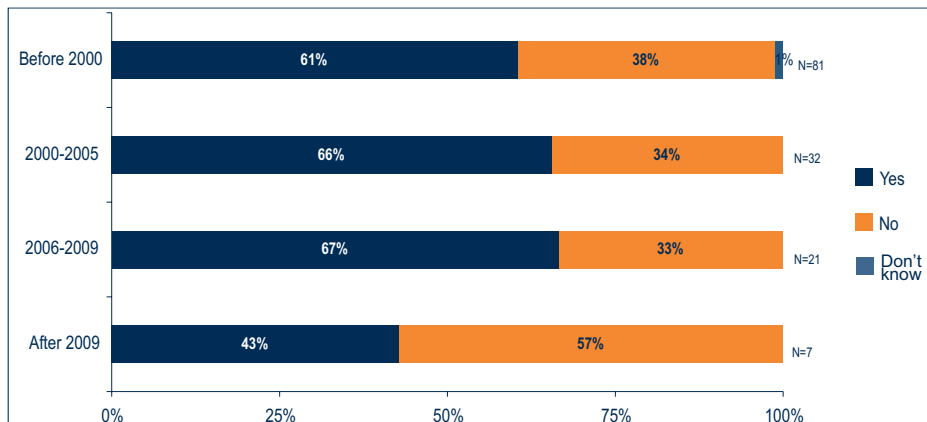
The average annual turnover of enterprises is an important factor for the business philanthropic activity. Philanthropic activity is higher for enterprises with average annual turnover over 250 million ALL. 90% of enterprises with average annual turnover over 1 billion ALL carry philanthropic activities. Also the vast majority (71%) of enterprises with average annual turnover 251 million-1 billion ALL carry out philanthropic activities. Over 50% of enterprises surveyed, with an average annual turnover of 10-50 million and 151-250 million ALL, do not carry out philanthropic activities.

Chart 10: Enterprises that carry out philanthropic activities according to the average annual turnover (n = 81)



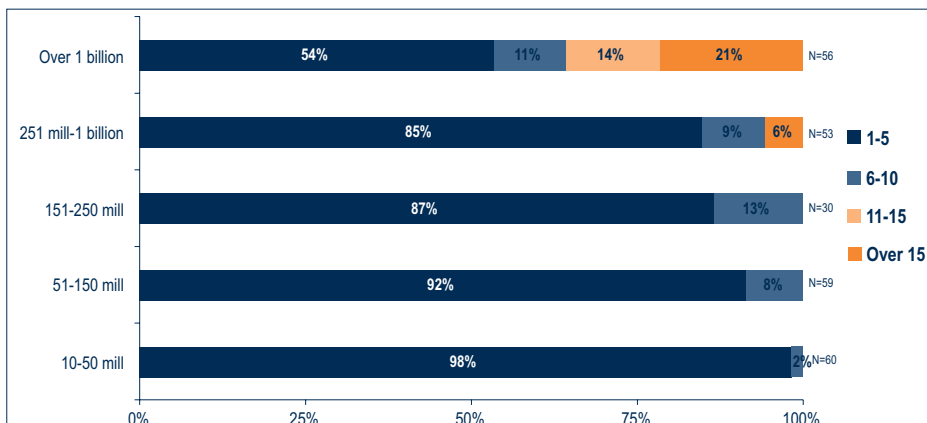
25% of the enterprises that carry out philanthropic activity have an average annual turnover between 51 to 150 million ALL, 23% have an average annual turnover between 10 to 50 million ALL, and 22% over 1 billion ALL. Average annual turnover is not considered an obstacle for the companies to carry out philanthropic activities.

Chart 11: Philanthropic activity by year of creation of the enterprise



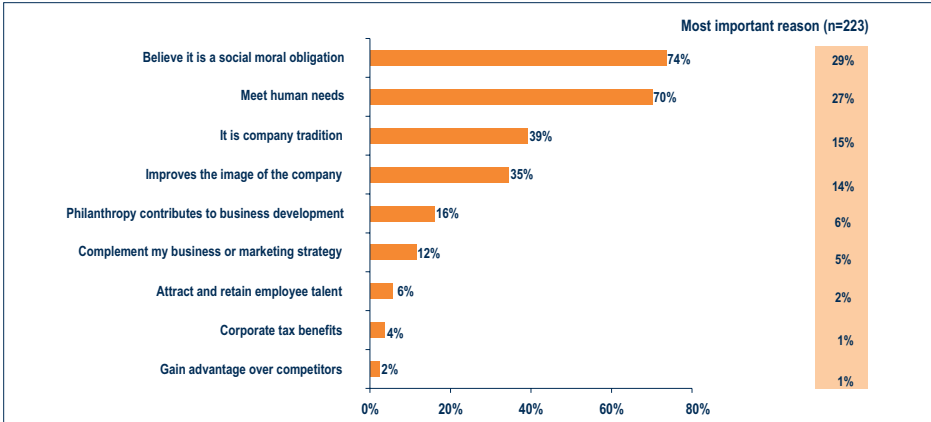
Despite period of creation over 60% of companies created till 2009 perform philanthropic activities.

Chart 12: Number of philanthropic activities by the average annual turnover



Enterprises with higher average annual turnover support a greater number of activities. Enterprises with an average annual turnover up to 50 million ALL, support 1-5 philanthropic activities. 21% of enterprises with an average annual turnover over 1 billion ALL have supported over 15 activities for the period 2006-2010.

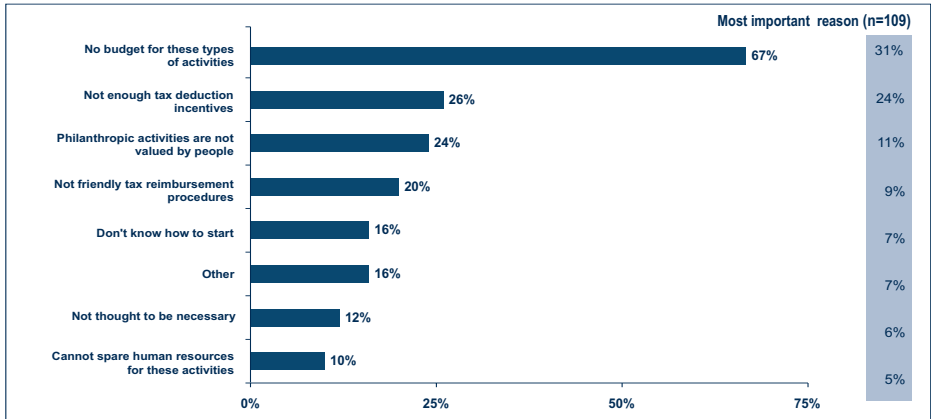
Chart 13: Reasons why enterprises undertake philanthropic activities



Enterprises were asked about the reasons why they donate. Reasons listed were nine and they have to choose up to three. The most important reasons in relation to the total number of responses received (n = 223) are: giving is a moral obligation (29%), and the donation meets human needs (27%).

67 of 87 enterprises (or 74%) believe that the donation is social and moral obligation and 70% believe that donation meets human needs. Meanwhile there are other reasons that influence this activity such as company tradition and image.

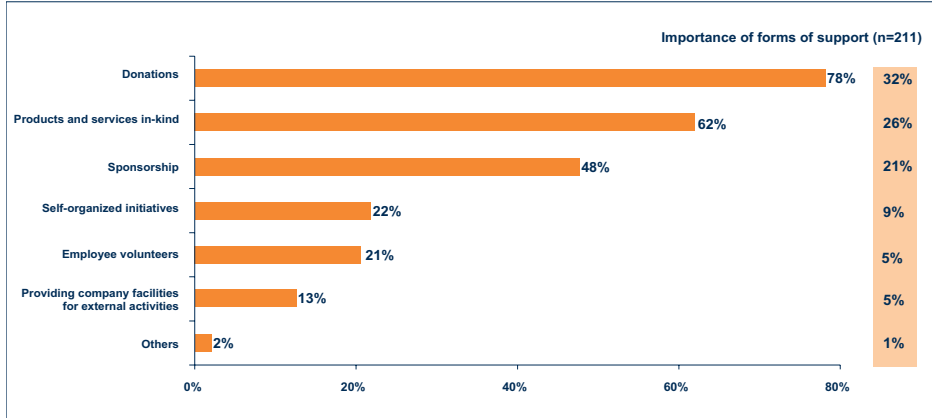
Chart 14: Reasons why enterprises do not undertake philanthropic activities



For the multiple-choice question “What are the reasons for not undertaking philanthropic activities” were received 109 responses (respondents could choose up to three alternatives). Most important reasons are ranked taking into account the total number of responses (n = 109) and the number of responses for each reason, in order to list the reasons according to the importance.

The most important reason why enterprises do not undertake philanthropic activity is the lack of budget (67%). 34 of 51 enterprises of this group, qualify this as the main reason. Another reason mentioned is the lack of incentives to reduce taxes (26%) and low appreciation for philanthropic activities (24%).

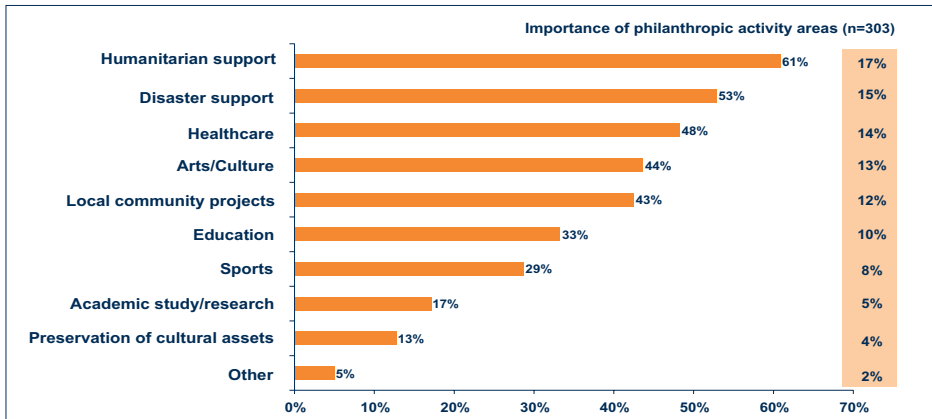
Chart 15: Forms of philanthropic activities



To the question “What are the forms of philanthropic activities undertaken by your enterprise” were received 211 responses (respondents could choose up to three alternatives). Forms of support are listed according to the importance, taking into account the total number of responses (n = 211) and the number of responses for each form of philanthropy undertaken.

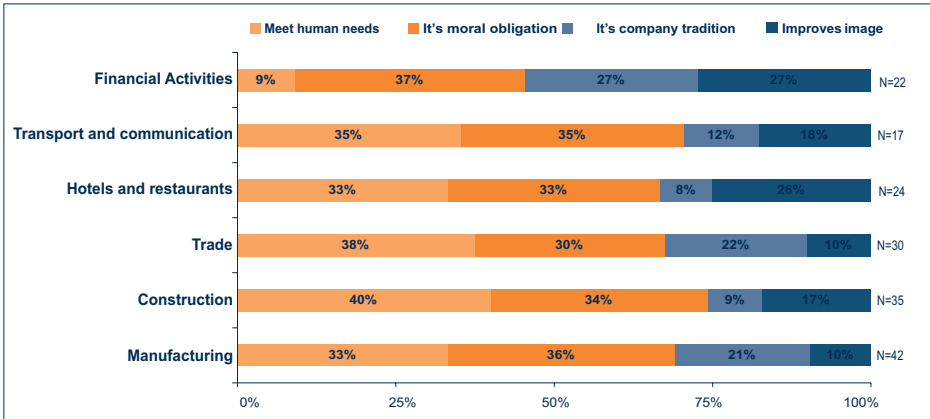
The main forms of the philanthropic activities undertaken are the financial support through donations (78%) and in kind products and services (62%). Also sponsorship (48%) is used as a form of support from the enterprises.

Chart 16: Philanthropic activity areas



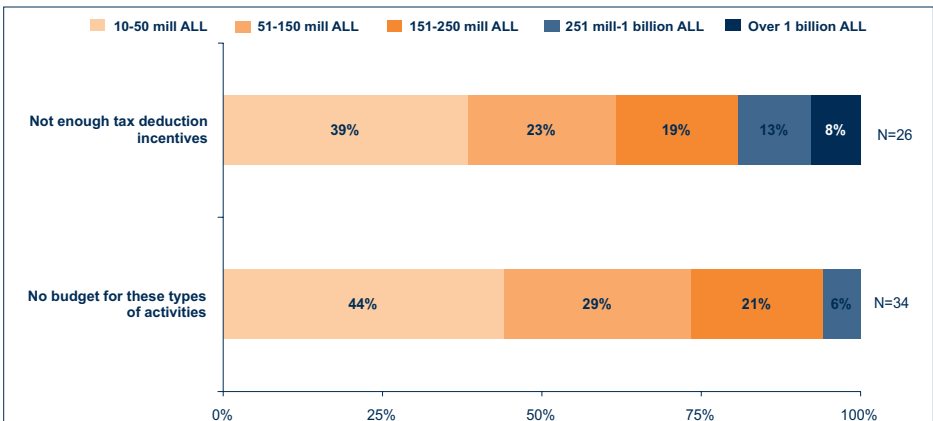
For multiple-choice question “In what areas your company carries out philanthropic activities” were received 303 responses. Areas are listed in Chart 16 according to the importance they have (number of responses for each area according to the total number of responses expressed in percentage). From the responses it results that enterprises carry out philanthropic activities in various fields. Most important areas are humanitarian aid (61%), natural disasters (53%), health (48%) and art / culture (44%).

Chart 17: Reasons for carrying out philanthropic activities according to the economic activity



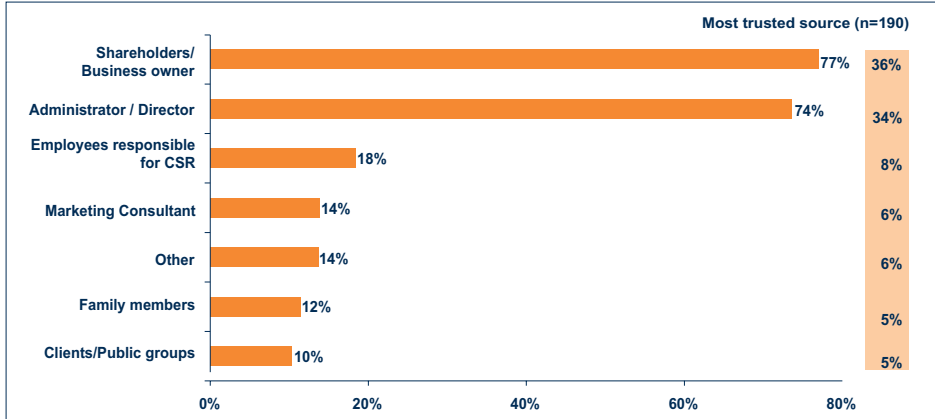
Enterprises carry out philanthropic activities because they believe that philanthropy is a social moral obligation and help less fortunate people to meet human needs. These reasons have almost the same weight on the survey, despite the main economic activity of the enterprises. While enterprises that operate in the financial area and hotel–tourism area undertake philanthropic activities also to improve their image, so mostly for marketing reasons.

Chart 18: Reasons for not carrying out philanthropic activities by the average annual turnover



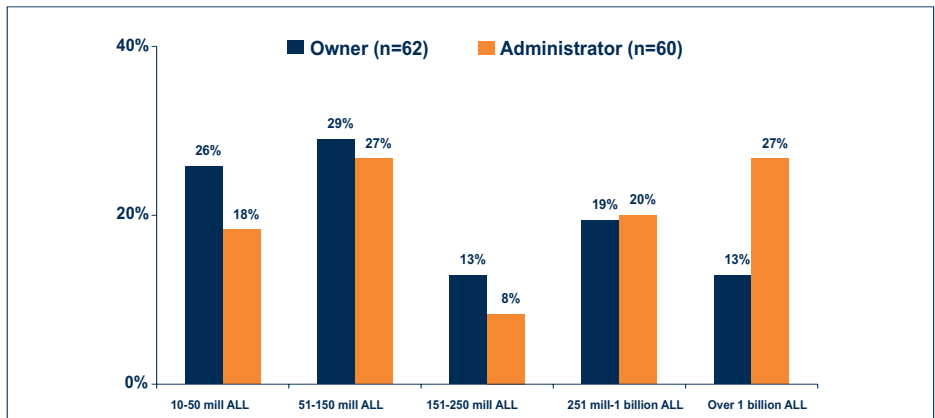
It is noted that lower the average annual turnover is, the more sensitive is the enterprise to the cash available that can be mobilized to undertake philanthropic activity. For enterprises with annual turnover between 10 and 150 million ALL, the lack of funds is identified as a prior reason for not carrying out philanthropic activity. Meanwhile with the increase of circulation, the main problem has to do with the lack of financial incentives. Other reasons but in a smaller percentage is the lack of appreciation for philanthropic activities, complicated reimbursement procedures, the inability to engage human resources etc.

Chart 19: Advise in carrying out philanthropic activities



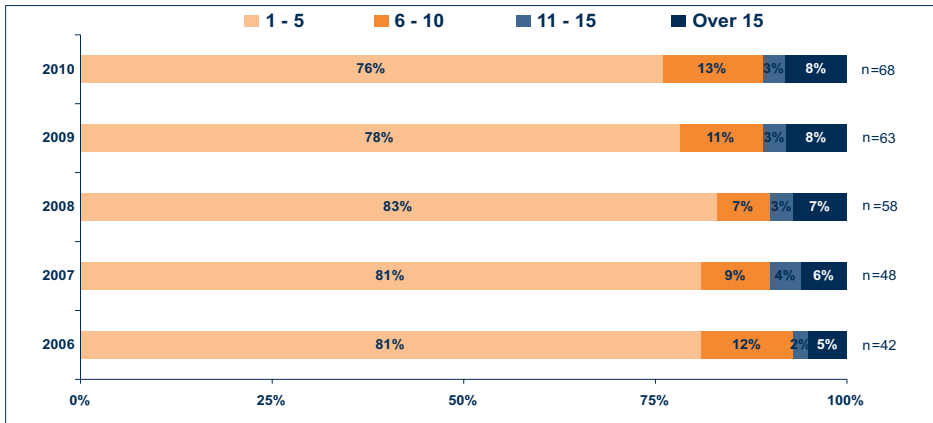
To the question “Who advises you/your company when carrying out philanthropic activities” were received 190 responses (respondents could choose up to three alternatives). Sources of advice are listed in order of importance taking into account the total number of responses (n = 190) and the number of responses for each form of advice. Most important sources, more trusted ones, are the owners and administrators.

Chart 20: Advice in carrying out philanthropic activities according to the average annual turnover



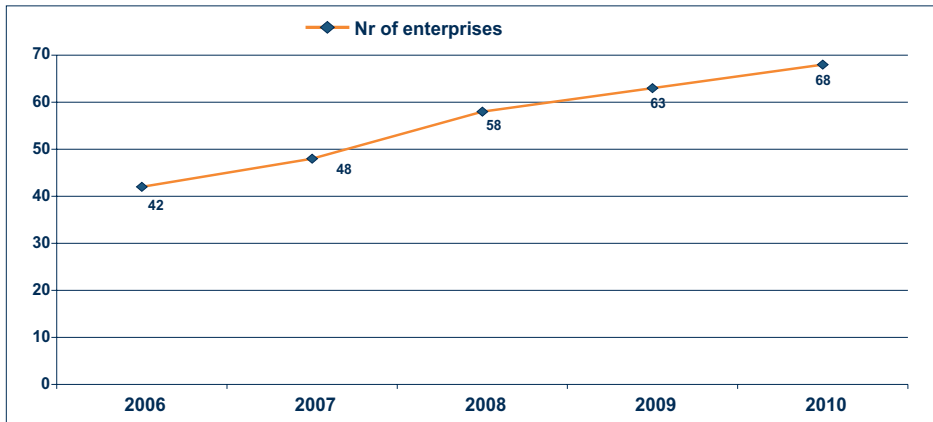
In small and medium enterprises, are the owners who make decisions about philanthropic activities, while in bigger enterprises the decisions are made by administrators of companies.

Chart 21: Philanthropic activity in years



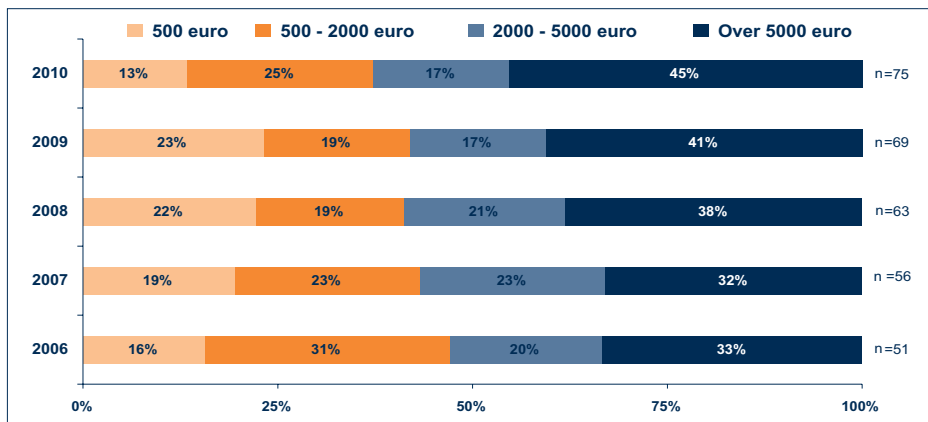
The majority of enterprises (over 76%) have supported 1-5 activities each year for the period 2006-2010.

Chart 22: Number of enterprises that have carried out philanthropic activity in years



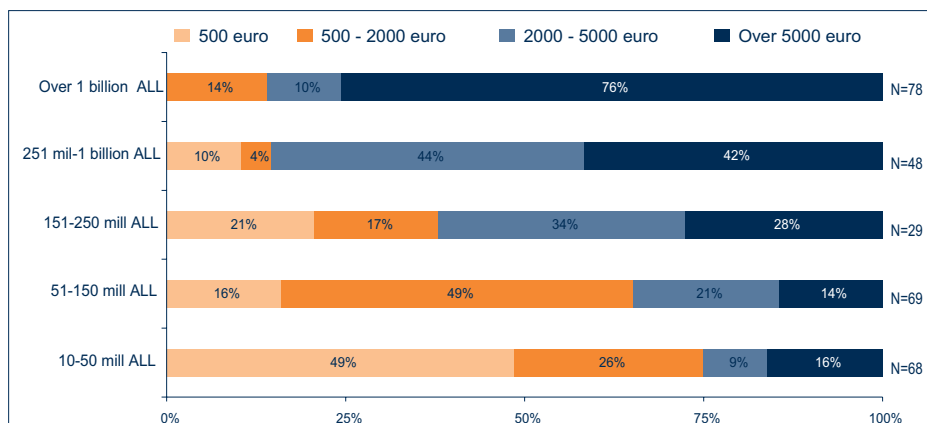
The number of enterprises that carry out philanthropic activity in years is increased. The increase is by 62% from 2006 in 2010.

Chart 23: The amounts contributed for philanthropic activities in years



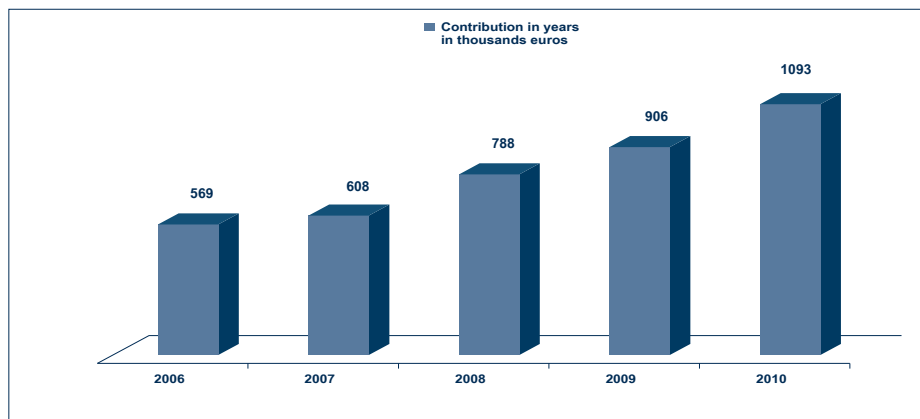
Less than half of the donated budgets for philanthropic activities are between 500 Euro and 2000 Euro. There is an increased trend of the donations over 5000 Euro from 33% in 2006 to 45% in 2010.

Chart 24: The amounts contributed for philanthropic activities according to the average annual turnover



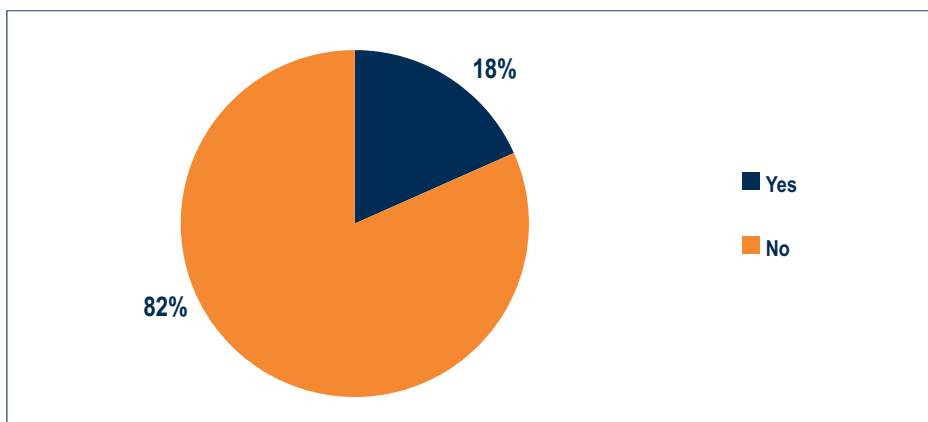
Most of the enterprises with an average annual turnover over 1 billion ALL, support in a high range (76%) philanthropic activities with amounts over 5000 Euro, while small enterprises, according to most of the respondents, contribute amounts up to 500 Euro and 500-2000 Euro.

Chart 25: Contribution in years



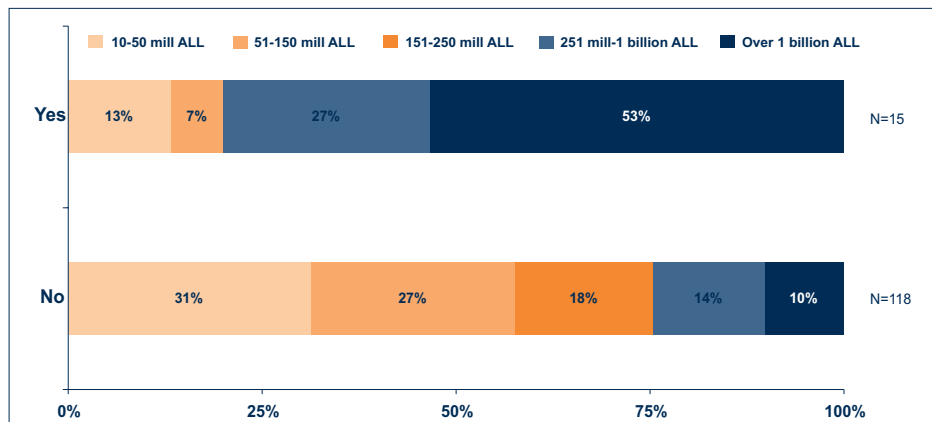
The amounts contributed in 2008 are 22% larger than those in 2007, while in 2009 they are only 11.6% higher than in 2008. This can be explained with the financial difficulties reflected in Albania as result of the economic crisis, while there is a 19% increase in the amount of funds contributed in 2010 compared to the amount contributed in 2009.

Chart 26: Strategic document on corporate social responsibility (n=87)



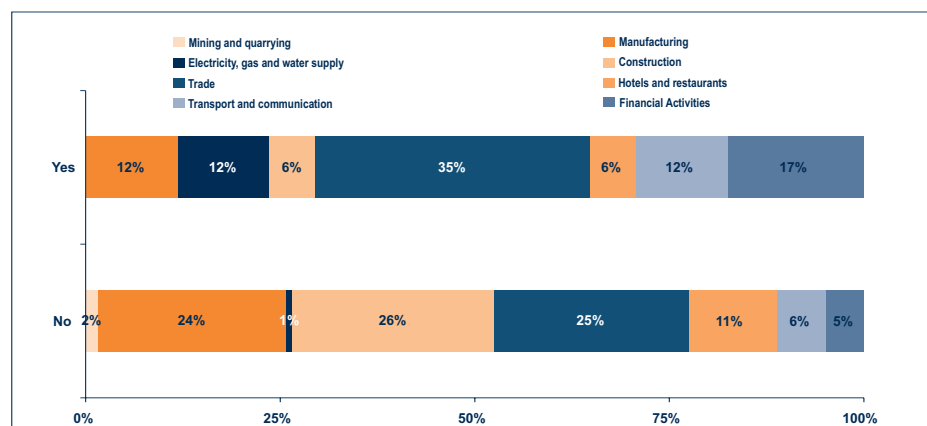
Out of 87 companies that carry out philanthropic activity only 18% have a strategic document on corporate social responsibility.

Chart 27: Strategic document on corporate social responsibility according to the average annual turnover



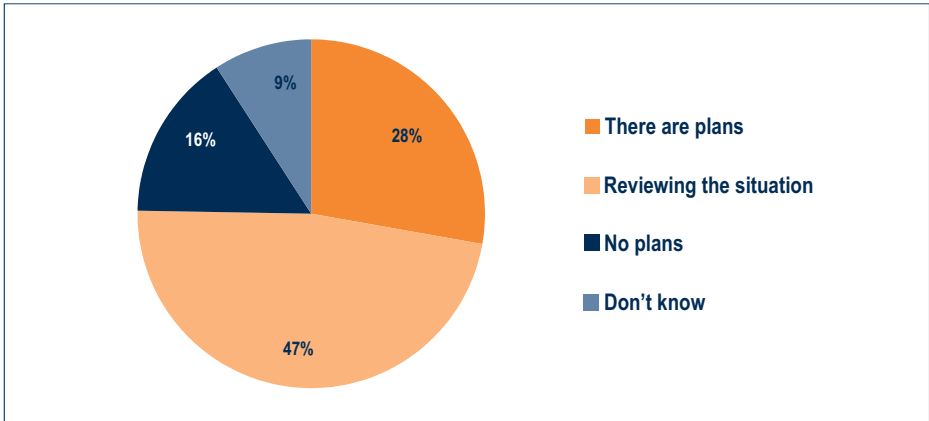
53% of enterprises that have strategic document have an average annual turnover of 1 billion ALL. 80% of enterprises that have strategic document are large enterprises.

Chart 28: Strategic document on corporate social responsibility according to the economic activity



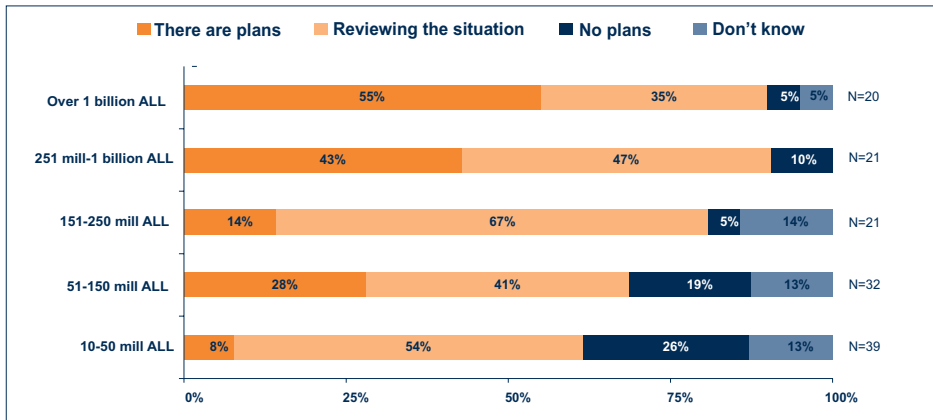
17 enterprises out of 141 interviewed, have strategic document on social responsibility. 35% of enterprises that have strategic document carry out their activity in trade sector and 17% in financial activity sector.

Chart 29: Plans for carrying out philanthropic activities in the future (n=141)



Only 28% of enterprises have plans for philanthropic activities in the future, while 47% review the situation.

Chart 30: Plans for carrying out philanthropic activities in the future according to the average annual turnover



Large and medium enterprises plan better the support for philanthropic activities, while small enterprises perform more spontaneously. 55% of enterprises with average annual turnover over 1 billion ALL and 43% of enterprises with average annual turnover 251 million-1 billion ALL have plans for future investment in philanthropy. 67% of enterprises with 151-250 million average annual turnover and 54% of enterprises with an annual average turnover of 10-50 million see investment in philanthropy dependent on the situation.

Table 1: Support needed to carry out philanthropic activities (n=141)

Forms of support	Priority
Better tax deduction incentives	1
Information about programs in which participation is possible with a limited budget	2
Friendlier reimbursement procedures	3
Information regarding NPOs which activity matches corporation philanthropic interest	4
Examples of activities of other companies engaged in philanthropic activities	5
Information sharing/knowledge sharing with other companies	6
Support in publicizing philanthropic activities	7
Support in identifying and organizing philanthropic activities	8
Assistance for personnel in charge of philanthropic activities, e.g., Consulting	9

The main support enterprises require in undertaking philanthropic activities are incentives that would lower the tax burden for enterprises which carry out philanthropic activities. Meanwhile other forms of support, considered as priority are information of enterprises about programs on which they can contribute with limited budgets, and friendlier reimbursement procedures.

Recommendations

The following recommendations stem from the findings of the survey. They aim to provide ideas and suggestions for necessary areas of intervention, in order to create a supportive environment for philanthropic activity.

- **Increase fiscal incentives that encourage the development of philanthropic activity.** As shown in the survey, enterprises that carry out philanthropic activity have ranked first in importance, the creation of incentives that will lower the tax burden for enterprises to carry out philanthropic activities. This requires a revision of the law on sponsorship, but not only.
- **Improving and facilitating the procedures for reimbursement.** Enterprises that do not perform philanthropic activities have identified the difficult procedure of reimbursement as one of the main reasons for not carrying out philanthropic activity. While those who perform this activity has ranked as the third area that needs to be improved, with a view to developing further their philanthropic activity. It would be useful that the Ministry of Finance, Ministry of Economy, Trade and Energy and business associations make a series of consultations to discuss the facilities required and the necessary improvements to be made to simplify procedures for reimbursement.
- **Public recognition for philanthropic activity.** The study shows that among the first three reasons (the other two are both monetary) why enterprises do not perform philanthropic activities, has to do with lack of recognition. It seems that this is an important aspect missing at the moment, which will support and encourage philanthropic activity. This is a recommendation that goes mainly to media and community organizations that serve communities in need and are the main beneficiaries of philanthropic activity.
- **Increase public knowledge about corporate social responsibility.** Enterprises and Chambers of Commerce and Industry are the main sources of information on corporate social responsibility. Better coordination and cooperation among them may help better distribution of information on corporate social responsibility, appropriate for all groups of interests (NPOs, local government, educational and cultural institutions, etc.)
- **Comprehensive information distributed in a proactive way regarding initiatives to be supported.** More thorough and specific information to this regard will help enterprises to develop concrete plans of support in their areas of interest. This will require commitment and coordination by the non for profit sector, to build an open collaborative relationship with the business sector.
- **Development of corporate social responsibility strategic documents.** Only 18% of enterprises interviewed had a strategic document on corporate social responsibility. To increase this percentage it is required a greater effort from business associations and entrepreneurs themselves. Sharing of best practices and capacity building training on development of strategic documents may serve as a way to increase the number of enterprises that work with a clear vision and plans in conducting philanthropic activity.

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