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# Hidden Champions of Albania

Vasilika Kume and Anisa Kume

## Overview

Official name:	Republic of Albania
Type of government:	Parliamentary Democratic Republic
Population in 2011:	3.2 million habitants
Land area:	27,400 km <sup>2</sup>

## History

- 1913 Treaty of London of May 1913, mentions Albania as an independent state.
- 1941 Albania is occupied by Nazi Germany and Italy during World War II.
- 1944 At the end of the war, Albania becomes a Socialist Republic.
- 1990 The demise of communism. The country sets out on the road to a market economy.
- 1992 After the sweeping electoral victory of the Democratic Party, Sali Berisha becomes the first democratically elected president of Albania.
- 1997 The fall of pyramidal schemes causes a political and economic crisis.
- 2006 A Stabilization and Association Agreement (SAA) is signed with the EU in June.
- 2006 Albania joins other countries in the region and signs the Central European Free Trade Agreement (CEFTA).
- 2009 Albania becomes a NATO member country and applies for EU membership.

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## 1 Introduction: Context and History

Some 20 years after the demise of communism, Albania is finally on a solid road to economic development and economic integration. Situated in the south-western region of the Balkan Peninsula, Albania is predominantly mountainous but flat along its coastline with the Adriatic Sea. Geographically the country is at an advantage; it provides a bridge to Italy via the Adriatic Sea while being land-linked to Serbia, Montenegro, Macedonia and Greece.

When Dustin Hoffman, playing the part of Hollywood producer Stanley Moss, was asked in David Mamet's satirical movie "Wag the Dog" to create a media diversion for U.S. international problems, his first choice was to fabricate a fictional war in a country nobody knew anything about—Albania. When the film came out in 1997, the plot choice was effective, as indeed 40 years of dictatorial isolation under Enver Hoxha had made the southwest Balkan nation the most mysterious piece of land on the earth.

That veil of secrecy has been lifted since 1991 when a transition from restrictive communism to free market capitalism was set in motion. Slowly but surely Albania is beginning to project itself as a land of possibilities, opening its doors to foreign investments.

In November 1912, after 500 years under Turkish occupation, Albania was declared an independent country. Extraordinarily undeveloped, the Albania that emerged after World War I was home to less than a million people divided into two distinct classes: those who owned land and claimed semi feudal privileges, and those who did not. Through all the turmoil of the interwar years, Albania remained Europe's most economically backward nation without any serious industry. Oil represented the country's main extractable resource.

In the twentieth century, the main exports were petroleum, animal skins, cheese, livestock, and eggs. The prime imports included grain and other foodstuffs, metal products, and machinery.

The communist government that came into power after the Second World War took major steps to introduce a centrally planned economy. It nationalized all industries, transformed foreign trade into a government monopoly, brought almost all domestic trade under state control, and banned land sales and transfers. During this period, all kinds of industries and services were developed, mainly to preserve self-sufficiency. Bio-products, minerals and hand-made products were the core of Albanian international competitiveness and thus the country's main exports.

In the early 1990s, Albania ended communist rule and its centrally planned economy, and established a multiparty democracy set upon a market-driven economy. Over the last 2 decades Albania has experienced many of the problems of a transitioning economy trying to take off from a sticky ground, consisting of a poor population, predominantly engaged in small-scale agricultural activities and outdated production methods. Intensive macroeconomic restructuring with the IMF and The World Bank has tried to make Albania a more open economy.

For the time being, the take-off has been successful in relative terms. The Albanian economy is now growing at an annual rate of over 3 %. However, despite

**Exhibit 1** Core economic indicators for Albania

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP per capita (current US\$)	1,118	1,200	1,329	1,440	1,819	2,389	2,666	2,893	3,377	4,076	3,796	3,701	4,030
GDP per capita growth (annual %)	10.33	7.33	6.81	2.49	5.12	5.28	4.93	4.51	5.46	7.30	2.93	3.13	2.63
Long-term unemployment (% of total unemployment)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Foreign direct investment, net inflows (% of GDP)	1.20	3.88	5.07	3.03	3.15	4.57	3.13	3.56	6.09	9.57	11.08	9.19	10.57
GDP (current \$US m)	3,434	3,687	4,091	4,449	5,652	7,464	8,376	9,133	10,705	12,969	12,119	11,858	12,960
Exports of goods and services (current \$US m)	594	705	839	909	1,165	1,608	1,866	2,291	3,080	3,827	3,443	3,845	4,380
Exports of goods and services (% of GDP)	17.29	19.14	20.52	20.42	20.62	21.54	22.27	25.09	28.78	29.51	28.41	32.43	33.80
Merchandise exports (current \$US m)	351.12	257.93	307.19	339.55	447.95	605.40	658.00	798.00	1,077.58	1,354.83	1,090.60	1,544.61	1,956.38
Merchandise exports to high-income economies (% of total merchandise exports)	96.59	96.04	93.28	94.76	94.73	91.21	93.67	93.99	87.28	86.99	87.51	81.89	n/a
Merchandise exports to developing economies in Europe and Central Asia (% of total merchandise exports)	3.32	3.87	6.49	4.77	4.48	8.58	5.40	4.65	6.99	9.85	6.30	10.67	n/a
Ores and metals exports (% of merchandise exports)	3.92	3.71	2.91	3.43	4.10	5.52	24.14	37.86	13.56	32.63	9.56	12.83	11.90
Agricultural raw materials exports (% of merchandise exports)	4.47	5.91	5.52	6.51	5.13	4.46	13.89	13.08	3.38	7.65	2.98	2.39	2.57
Food exports (% of merchandise exports)	5.53	6.62	5.75	3.46	5.62	5.67	9.34	7.70	5.23	4.31	5.62	4.47	4.11
Fuel exports (% of merchandise exports)	1.98	1.85	1.45	2.01	0.94	2.63	8.66	13.69	7.45	21.81	11.60	17.97	21.19
	84.09	81.66	84.18	84.43	84.19	81.51	43.47	27.00	70.23	33.41	70.15	62.05	60.08

(continued)

**Exhibit 1** (continued)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Manufactures exports (% of merchandise exports)													
High-technology exports (% of manufactured exports)	1.74	0.70	0.72	0.70	0.96	0.99	4.22	6.17	1.31	3.47	0.76	0.89	n/a

Source: World Bank (2013), <http://data.worldbank.org/country>

the wide range of institutional reforms, Albanian exports remain small, narrow, and undiversified. The main part of the exports consists of minerals, agricultural products, products based on bio raw materials, and bacon. The Albanian economy still suffers from a trade deficit, albeit a declining one. The country's main trading partners are Italy, Greece, Turkey, China, and Russia. More information about the Albanian economy is available in Exhibit 1.

The growth of the economy is induced mainly by Albanians working abroad and bringing money and experience back home. Many of the identified Albanian HC founders in fact started their careers abroad, and once they acquired sufficient finances, knowledge, and skills, they set up businesses at home. Albania's economic growth is also fuelled by some indigenous companies emerging from the agricultural field. Though none of them resembles the kind of companies to which a HC label might be attached, all of them are highly competitive internationally. Their competitive strengths have been developed internally solely by their founders. A quick summary of these companies can be found in Exhibit 2. All HCs from Albania can be categorized as regional leaders, and hence potential global HCs.

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## 2 Four Case Studies

### 2.1 Venice Art Masks

#### Overview

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#### Company Information

Industry:	Carnival masks
Year of establishment:	1998
Sales revenue in 2010:	€1.55 million
Sales revenue in 2000:	€86,835
Average number of employees in 2010:	70
Brain(s) behind the company:	CEO and founder Edmond Angoni

#### 2.1.1 Nature of Market Leadership

Venice Art Masks prepares carnival masks, according to the Venetian tradition. Its core market is Venice, from which it receives large orders for carnival celebrations. The company's masks are also sold at other traditional carnivals worldwide.

**Exhibit 2** Hidden champions from Albania

Name	Short market leadership	Revenues 2010	Revenues 2000	Employees 2010
Venice Art	Venice Art Masks prepares carnival masks, according to venetian tradition. Venice Art Masks is the largest provider of traditional artistic masks. These venetian masks are characterized by high quality and above all are intended for a select clientele. Seventy per cent of production goes to venetia and 30 % is split between Las Vegas and Australia	1.3	0.9	70
Amla	AMLA is the unique formal company dealing with chestnuts in Albania. Company “AMLA” produces and exports 600 tons of chestnut per year, while the demand from international markets is up to 2,000 tons chestnuts per year. The company’s products are exported to Italy, France and Switzerland, and there are requests by England and other countries of Western Europe	0.9	0.2	30
Xherdo	Essential oils (80 % of domestic market) and medicinal plants processing (20 % of domestic market). Germany, France, Italy, United States, and Greece are the main buyers. BIO products	3.1	0.3	120
Mare Adriatica	Refining, conservation and import–export of salted anchovy fillets. The largest producer of salted anchovies (BIO products) in Eastern Europe. Powerful competitors are Morocco and Southern Italy	1.8	0.3	150

Source: Authors of the chapter

### 2.1.2 Nature of Competitive Advantage

An advantage lies in the attractive price/value ratio: customers get a high-quality mask at a price lower than that of high-end competitors. The quality has been achieved through years of experience in producing masks, which has many production secrets. As a result, it is difficult for new entrants to be competitive in the market. A wide variety of products are hand-made, with low-cost labour. As it is very difficult for new entrants to create such a rich catalogue of high-quality hand-made models, the company has erected an effective barrier.

### 2.1.3 Core Lessons Learned on the Path to Business Success

1. Try to create entry barriers for imitators, leveraging your years of experience and superior knowledge of the business relative to that of the newcomers.
2. Apply a wide range of innovative solutions to meet client expectations, particularly when it comes to design features—an extremely important factor of competitive advantage in the mask-making business.
3. Employees are the main assets. Invest in them, with an emphasis on training, trust, and respect.

### 2.1.4 Venice Art Masks: A Hidden Champion

Every year Shkodra (a city in the north of Albania) supplies the Venice carnival with 30,000 masks. Venice Art Masks is the largest provider of traditional artistic masks that accord with Venetian tradition. These are otherwise called Venetian masks, and are characterized by high quality, being intended for a select clientele.

The masks are not only popular at the Venice carnival celebrations, but are also exported to France, Greece, Japan, Canada and the USA. However, the company's main market is still Venice. Seventy per cent of the production goes to Venice and 25 % is split between Las Vegas and Australia. Though owning five shops in Venice, the company sells its products mainly through Venetian mask wholesalers, who cover not only the whole domestic market but also distribute worldwide.

The brain behind the company is Edmond Angoni, who emigrated to Italy in 1991. He was 34 years old and wandered between Pescara, Genoa and Padua working as a mason, dishwasher, and cook in restaurants for 10,000 liras per hour. In 1996 he had an opportunity to work in a factory in Venice producing carnival masks. At that point he had the idea to undertake the masks adventure. A self-taught artist in painting, he designed masks according to the orders of all the models and characters of "Comedia del Arte". He gathered people who gradually became professionals and created a laboratory, named after Arlecchino, 'the hero of carnivals'. "I did not have anything to loose when I entered this adventure. Investment was minimal and the only machinery, if we can call it that, was the casting mould," says Angoni.

Initially the company produced only the basis of masks (papier mâché), delivered to wholesalers in Venice. "We prepared only four or five models. The Italians were sceptical, but I was involved only in the first phase, producing the papier mâché and adding some simple decorations. The fine quality convinced the sceptics and the company started producing whole masks. The business grew. Today we prepare carnival masks according to the Venetian tradition. Everything is produced according to the typology of the Venetian mask. I am the largest provider of traditional artistic masks. The company counts 70 employers and produces 30,000 models. I am an important factor in the market of Venetian masks. There I have five specialized shops," says Angoni.

Since 1998, a lot of improvements have been achieved in mask production. As a result of experience and improved equipment, production time of a mask has been cut. Since a mask's uniqueness stems from handwork, we cannot talk about research and development as usual. Still the mask patterns keep changing. Each model differs from its predecessors. The way a mask looks also depends on customer requirements.

Over the years, Venice Arts has built a reputation for quality products and efficient response to client needs. It has adopted the mission statement: "Quality is our standard". The factory uses the labour-intensive mask production method (the papier mâché technique, with glue-moistened sheets of paper providing the mask's structure and its relief). The models range from simple, covering just the eyes, to the most extravagant full-face masks that are true works of art, incorporating various types of decoration, including painted scenes. "Everyone who knows something

about masks, will notice that ours are pretty refined, containing all the details that the market requires”.

In general, the masks market has been growing over the last 2 decades, but now the growth has stopped and the market has consolidated. Lately, Angoni has tried to “open the door” to carnivals in Shkodra, in order to revive this tradition in Albania. However, this carnival initiative has not evolved yet to full fruition. “It is too early to have a carnival market in Albania”, Angoni says.

The competition in Venice is very strong. The market is filled with plastic masks made in China, sold in mixed shops. Slowly but steadily, Venice is losing the tradition of craft masks, therefore a Trust for the Production and Marketing of Carnival Masks in Venice has been established and Angoni is one of its most zealous associates.

The company’s advantages lie in the experience gained from many years of production, as well as in trade secrets that every serious mask-maker has. As a result, it is difficult for new entrants to be competitive in the high-end of the mask market. Hand-made products are considered “luxury” goods—masks are sold at prices ranging from 20 to 150 euros. Besides, the company offers a rich catalogue of models, which is also very difficult for a new entrant in the market to create. Last but not least, the workshop has some famous customers from Hollywood. The company has provided masks for Stanley Kubrick’s film *Eyes Wide Shut*. And many customers have told Mr. Angoni personally that Venice is the only place where they have seen what he makes with his hands. Hence, 2 decades of experience, trade secrets, hand-made production, and diversity of products, position the company above the emerging competition. Still, the main challenge the company faces is imitation of its masks by individual artisans who sell the hand-made copies at half price.

Angoni sees leadership as unique for each company. He says: “We just have to keep up the practical magic. I just want to be part of a group of people that work hard to make my ideas reality. At the same time they must be creative. If you are not, then you get neither art nor commerce.” His uniqueness lies in the way he has brought his personal beliefs and philosophy into his management. Angoni’s experiences of overcoming various difficulties, first as a refugee and later as an entrepreneur, formed the basis of some of the tenets of his personal philosophy—that people are the core of any success. “We consider each other family. The company’s employees are one of the basic factors of success. It is their professionalism that makes my product unique. In 15 years no worker has left the workplace. They have grown together with the business.”

Asked about expanding in the market, Mr. Angoni says: “We are advised to grow our market share and introduce the masks at low prices. But we would like to serve exclusively our customers. For that purpose, we have to be differentiated with focused products for a special segment of the market.” And financing the business is not a problem anymore. “In the beginning, when we needed investors, we couldn’t find any. Now we could get a lot, but we don’t want to,” he says.

The Venice Art factory teaches us that success has multi-faceted drivers, or as Mr. Angoni puts it: “Treating people with kindness and learning from them humbly



are the most valuable human qualities, as well as being loyal to products and markets. Less is better if it does not undermine the standards”.

## 2.2 AMLA

### Overview

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### Company Information

Industry:	Chestnuts processing and exporting
Year of establishment:	2006
Sales revenue in 2010:	€940,000
Sales revenue in 2006:	€220,000
Average number of employees in 2010:	30
Brain(s) behind the company:	CEO and founder Ramiz Jahaj

#### 2.2.1 Nature of Market Leadership

European leader in the production and supply of chestnuts. The market is now expanding. The company is also building up a European market leadership position in half-processed chestnuts. The main competitors in the midterm are likely to be Greece and Turkey.

#### 2.2.2 Nature of Competitive Advantage

The nature of the company’s competitive advantage rests on the scarcity of chestnut forests relative to demand, on the quality of the product (chestnuts from Albania are considered of the highest quality), lower labour costs, and efficient organizational solutions for gathering and processing chestnuts.

#### 2.2.3 Core Lessons Learned on the Path to Business Success

1. If you are in a labour intensive industry, such as harvesting chestnuts, make sure you create conditions for a good life for our fellow citizens, especially in disadvantaged areas. This will help create a climate of peace, security, and commitment.
2. In a country like Albania, which is under-developed in terms of services and product quality, there are many business opportunities but you need to have a

clear vision and the courage to pursue ambitious goals. Above all, you must offer something unique to all stakeholders, including your chestnut suppliers.

#### **2.2.4 AMLA: Hidden Champion**

AMLA is a unique 30-employee company dealing in chestnuts. Small businessmen bring the chestnuts into the factory directly from families. After a first manual selection, chestnuts are put into fresh water. They go through a calibration machine and then into a spin-drying and cleaning machine. They are finally dried with ventilators and put into bags. Chestnuts are sent to Italy in refrigerated trucks, and from there distributed to other global markets.

The Company was conceived in 1997, when Ramizi Jahaj decided to deal with trade, but it was only in 2006, after he connected with his son-in-law Ermali, that the chestnut business started. Both saw the opportunity in chestnuts, not only because of the vast chestnut forest in Tropoja, but also due to a large unemployed workforce there. In particular, in the early 2000s chestnut forests were transferred from state ownership to communal property. However, the communes let traditional owners take care of the forest and harvest them; communes are supposed to take care of the forest and control illegal cutting.

In Albania, chestnut trees are seen as having God-given qualities. In the view of most peasants, God planted the trees, around which different stories, myths and symbols have been created. Chestnuts from Tropoja are characterized by the highest secrecy and highest quality.

Enthusiastically, Ramizi and Ermali formulated the mission statement for their business: “Based on the natural opportunities offered by Tropoja chestnut forests, we will trade by mobilizing the free capacities of Tropoja human resources for the collection of chestnuts”. Soon, they needed to resolve two major problems: (1) how much processing to perform after the chestnuts had been picked up, and (2), how and where to sell them.

Initially they agreed to sell only fresh chestnuts to Italy. Since the results of the first season were very encouraging, they decided to invest further into the processing of dried chestnuts and established a calibration, sterilization, and selection line.

This development of the company contributed largely to the increased exploitation of chestnuts in Albania. It made the sector better organized, and enabled value-adding activities. Nowadays, AMLA holds a market-leading position in Eastern Europe. It exports 600 tons of chestnuts per year to Italy, France and Switzerland, while the estimated demand is up to 2,000 tons. A new stream of requests is coming from England, Germany and other countries in Western Europe. The chestnut market is increasing at about 8 % a year. In short, the company’s supply does not meet the demand for its products.

Domestically AMLA has no competition; however it faces some competition from other countries endowed with chestnut forests (Greece, Turkey, Kosovo, Serbia and Hungary). Nevertheless, due to increasing demand battles with competitors are not fierce. Moreover, the small distances between Albania and international markets gives the company an obvious advantage.

The production capacity of the chestnut forests in Albania is 10,000 tons per year, while the world's total annual production is about 1 million tons. The challenge of the company is to organize the chestnut gathering and production capacities well so as to better meet the rising demand. In 2007, the company certified 1,800 ha of chestnut forest with the European Office.<sup>1</sup> This was an important milestone for the company.

Over the last few years the production capacity of AMLA has been increasing by more than 50 % annually. Its main customers are European chestnut processing companies, which perform “deep” processing of fresh and dry chestnuts. AMLA is developing close cooperative relationships with them all. The high quality of the Tropoja chestnuts, on which the company's competitive advantage is built, can be sustained by improving the conservation methods. Chestnut quality depends a lot on their physical characteristics.

Lately, the technology for chestnut production has evolved considerably in three areas: forest management, harvesting, and processing. One of the main objectives of the owners is technological innovation and improvement of the manufacturing process in order to increase the economic efficiency of the company. Though the company currently employs only 30 full-time employees, there are about 2,000 other seasonal workers engaged in gathering chestnuts.

Mr. Jahaj takes a wide view on AMLA's business activities regarding sustainable rural development. He is aware that more than a third of Tropoja's population lives below the poverty line. The environmental conditions are particularly difficult, the climate is severe, and infrastructure is weak. Some villages are inaccessible for months during winter. Hence, Mr. Jahaj feels he needs to help the community: “Poor families are especially dependent on chestnuts. It is our duty as businessmen to contribute somehow to the development of our area. Ermali and I do not see the company just as a source of profit. I was born and raised in Tropoja. This city has always been one of the poorest and forgotten areas of Albania. These people have spent most of their lives tending the chestnut forests, and now they are their main source of income”.

Mr. Jahaj has a high commitment to the sustainable management of the forests, as well as to raising the standards of living in this local community. Accordingly, he plans to invest in a chestnut processing factory in Tropoja, which will mark a turning point from chestnut gathering to chestnut processing, creating employment and income for the region. Next, he sees an opportunity to increase the forest area by 300 ha. A major constraint is the financing of these investments, specifically because Tropoja is considered a high risk area by the banking sector, which is not willing to provide favourable loans for AMLA's growth opportunities.

The main lesson from AMLA's success story is the possibility to establish synergies between business and society, because it is “important to create better conditions of life for our fellow citizens, especially in disadvantaged areas. This

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<sup>1</sup> Bio Inspectia AG Bio Suisse Council Regulation EEC 2092/91.

will help create a climate of peace and security and will discourage emigration”, Mr. Jahaj says. The developed world can learn a lot from companies like AMLA.

## 2.3 Xherdo

### Overview

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### Company Information

Industry:	Essential oils and medicinal plants processing
Year of establishment:	1991
Sales revenue in 2010:	€3 million
Sales revenue in 2000:	€940,000
Average number of employees in 2010:	120
Brain(s) behind the company:	CEO and founder Xhevit Hysenaj

#### 2.3.1 Nature of Market Leadership

A leading provider of essential oils and processed medicinal plants in Albania, with 80 % of market share in essential oils, and 20 % in processed medicinal plants. Germany, France, Italy, United States, and Greece are the main export countries in an ever-growing market.

#### 2.3.2 Nature of Competitive Advantage

The company's competitive advantage is built on:

- Tradition: In this market, tradition is an important factor.
- Quality: The demand for quality products, satisfying global market requirements, is growing.
- Quantity: Currently, demand exceeds supply. Therefore, expanding capacity should be seen as an opportunity.
- Exclusive focus on bio products.

#### 2.3.3 Core Lessons Learned on the Path to Business Success

1. Always look at the bright side and turn problems into motives to achieve goals.
2. The leadership must be authoritarian in principle, but flexible in the details.

### 2.3.4 XHERDO: Hidden Champion

Xherdo has been in the business of collecting and marketing medicinal herbs since 1991. In 1993, the first exports of medicinal plants to Germany were made. The venture was incorporated in 1995, and an investment was made in a steam distillery for essential oils for export to Austria. In 2007, Xherdo invested 1.5 million Euros in a 4,500 m<sup>2</sup> factory of medicinal herbs and essences (essential oils).

In parallel with that investment, a 2.5 ton order came from the United States, requesting thyme, oregano, and juniper essential oils. Nowadays, XHERDO's processing capacity is 3,000 tons of medicinal plants, of which around 1,500 tons are used for the production of natural oils and essences. The company employs 300–400 seasonal workers in summer and has sales over the four continents, in Austria, the United States, Canada, Italy, Germany, Spain, Switzerland, UK, Holland, Belgium, Morocco, and Malaysia. With an increase in the number of big clients, the company became less dependent on single customers. More precisely, 50 % of its revenues are now created by three big clients. Relations with clients are harmonious and very professional, just as the company enjoys very loyal customers.

Though the company prospers, the nature of the business is anything but easy according to Mr. Hysenaj, "To meet market demands we must have standards, to meet standards we should have the appropriate technology, to have the appropriate technology we need financing. As long as we lack expertise and knowledge, we cannot achieve competitive costs. Yet knowledge cannot be gained without experience and experience cannot be accumulated in just 20 years".

Albania was exporting herbs and essence seven in communist times. The country's nature is characterized by high biodiversity in terms of species, ecosystems, and habitats. About 30 % of all known European plant species are found in Albania, whereas 27 species and 150 subspecies are endemic. However, there has been considerable degradation of the environment and loss of biodiversity. After 1990, the production of medicinal plants and their essences declined, and so did exports. This was mainly the outcome of the urbanization process. Since 1995 there has been a resurgence of the market due to better organization of herb collection activities within the industry. Traders and processors began to oversee the whole production, from collection of plants to extraction of essences. Nowadays, the industry of aromatic and medical plants occupies the most important place in Albanian agriculture and food exports, accounting for 40–45 % of the volume of agricultural exports. The industry is developing and growing slowly, yet steadily. In the past 4 years, many Albanian companies have invested several million euros in this sector in advanced processing technology, storage, and marketing.

Xherdo is the strongest domestic company in the area of production of herbal essences, and the most advanced in terms of experience, technology, and marketing. However, competition, though scattered, cannot be underestimated. Currently Xherdo covers 20 % of the domestic market for medicinal plants and 80 % of the market for essences. Regional competition is tougher because it has longer experience in herb processing and extraction. In order to differentiate itself from the competition, the company is deliberately focused on bio-products. Mr. Hysenaj says: "Our products are very difficult to replace since they are 100 % natural unlike

most of those sold across the world. China and India produce artificial essences and they are not competitive with natural products. In general, the industry of medicinal and aromatic plants must find again its place and be treated as an essential branch of the food industry. It must also meet world market standards. This is an exciting time for Xherdo”.

To meet these world standards, the company and the owner-founder invested in organic products certification. In addition to four ordinary distilleries, Xherdo set up a new distillery solely for the production of aromatic essences. Mr. Hysenaj emphasizes that the processing of medicinal herbs and the export of products with added value require a work algorithm and a legitimate technological process. Unfamiliarity with these two points explains why many small businesses in Albania have launched themselves into this field but have run aground because they have not been able to obtain certification and have not reached the required standards.

Both the company and the owner-founder are heavily involved in many associations and fairs. First, Mr. Hysenaj is the chairman of the EPCA (Essence Production and Cultivators Association) for medical plants in Europe. In 2010 he won the International Quality Summit Awards in the platinum category in New York. The company is a member of IFEAT (International Federation of Trade of the Essences and Aromatics), IFOAM (International Federation of Organic Agricultural Movement) and AMAPSEEC (Association of Medical-Aromatic Herbs of Eastern European Countries). Savvy investments in attainment of certifications for bio-products, participation in international associations, trade fairs and conferences, have opened many lucrative business opportunities.

Currently, the company aims to expand into the processing of tea and spices, and processing (recycling) of technological wastes into shampoo and organic fertilizers. In particular, the company’s goal is to distil aromatic waters (herbal distillates) for producing shampoos and bio-lotions, as well as to make full use of the wastes of processing. Not satisfied with the current achievements, Hysenaj sees the possibility of opening a cosmetics line.

Hysenaj is more than a businessman; he is an innovator. While developing his business, he realized that larger essential oil distilling facilities were needed to increase production, improve quality, and make the process more efficient and cost-effective. At the time, affordable distillers were of unacceptably low quality. Sustainability, efficiency, and economics made it clear to Hysenaj that the best thing to do was to adapt the technology himself in a way that would fit his company’s needs as well as further empower Albania’s agro-processing industry.

Xhevit Hysenaj was born in Tropoja, a district in the very north of Albania, in 1960. Once he completed his higher education in finance at the University of Tirana, Hysenaj began fighting a battle to secure the job he thought he deserved. He was always convinced that he had all the necessary skills to have a management position in public administration or an enterprise. “I always believed,” says Hysenaj, “I had much more skills than those who commanded me. In addition, I have always liked to be my own boss”.

Mr. Hysenaj is a risk-taker, but firm in his vision. Although he is in a simple business, it could not possibly have grown so quickly without technology. He shares

this viewpoint: “I don’t know any other way to lead than the way I do. Of course, I’ve never really thought about it as leadership. I just want to be part of a great group of people that work hard and are contented”. Hysenaj acts quickly in his day-to-day management and decision making. He typically responds very fast to new items and requests because, as he says, “I know something else will happen and call for my attention”. Next, Hysenaj believes members of a small organization must have a sense of identity, ownership, and purpose. In turn, these feelings foster commitment, conviction, innovation, and interest in long-term success. Last but not least, Hysenaj is very worried about the preservation of Albania’s biodiversity. Due to industrialization, over-exploitation, inappropriate harvesting, grazing, and fire, the existence of many of the wild plants is threatened.

## 2.4 Mare Adriatic

### Overview

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### Company Information

Industry:	Fish processing
Year of establishment:	1995
Sales revenue in 2010:	€1.08 million
Sales revenue in 2000:	€260,000
Average number of employees in 2010:	150
Brain(s) behind the company:	CEO and founder Mark Babani

#### 2.4.1 Nature of Market Leadership

Mare Adriatic is one of the largest Albanian companies that processes anchovies and sardines from the Adriatic Sea and exports them throughout Eastern Europe.

#### 2.4.2 Nature of Competitive Advantage

Years of experience in the industry, low labour costs in Albania, and potentially an array of international clients for salted anchovy fillets are the main advantages of the company.

### 2.4.3 Core Lessons Learned on the Path to Business Success

1. If you are in the food-processing business, focus on the quality of the product and invest in processes that will allow you to certify your product as BIO-products.
2. Rely on self-financing.
3. Add value to your product along the industry value chain; appropriate a greater portion of the pie for yourself.

### 2.4.4 Mare Adriatic: A Hidden Champion

Mare Adriatic is the largest Albanian company processing anchovies and sardines from the Adriatic Sea; whose quality is gaining a reputation over the border and thus resulting in rising exports. Mare Adriatic was conceived in 1995 as a family business by Mark Babani after he had established a partnership with a Greek company in the business of refining and conserving different kinds of fish. Mr. Babani first acquired experience in importing and exporting conserved salt fish in nearby countries, and then tapped into the Albanian sea-food potential. Albania, with 362 km of coastline along the Adriatic and Ionian Sea, has a well-established fishing and sea-food processing industry. With increasing standards of living in Albania, the demand for more “luxury” sea-products has been increasing steadily and helped the company attain enough resources to start expanding into international markets. Small salted anchovy fillets are usually used in restaurants and at home as a principal plate or a starter. After building up a distribution network in international markets, the company re-oriented its sales from domestic to foreign markets where the prices, and hence the profit margins, are higher.

Nowadays, Mare Adriatic is the largest producer of salted anchovies in Eastern Europe. It processes (complying with all EU food-processing standards<sup>2</sup>) over 8 tons of anchovies per day and employs on average 140 people. They are hired from the region. It should be noted that the region in question is very poor and there are scarce employment opportunities. Workers hired by Mr. Babani are very grateful to him, and at the same time very faithful and diligent at work.

Powerful competitors are companies in Morocco and Southern Italy; however, Mare Adriatic is beating them with relatively better cost positions due to lower labour costs, and 20 years of experience in the business. Because the fish processing business is labour intensive, lower labour costs are a strong competitive strength. However, the barriers of entry remain relatively low, and thus the threat of novel rivalry is high. The company aims to position itself in the eyes of the customers as a bio company. Babani says, “We are very careful to maintain quality. Our products are 100 % bio.”

Though in a labour intensive business, Mr. Babani has invested a lot in technological updates. Next, he is aware that processing the product increases its value

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<sup>2</sup>The company has acquired the License of European Community 30/AL CEE to be allowed to export its products into these markets. It has also acquired the Certificate ISO 9001:2000 and HACCP.



about four times, compared with raw materials. The company is now building a new plant for vacuum-salted anchovy fillets, where the market demand is growing. Innovation is mainly focused on the more efficient technologies of fish-processing as well as in branding and novel ways of delivering value to customers. The company is in close relations with core wholesalers to better tap into their needs and interests.

The leadership story of Mark Babani is similar to personal success stories of other Albanian HCs. In 1991 he migrated to Sicily where he worked in a processing plant of anchovies and learnt the business. He then came back to his homeland in 1994 to open such a factory with the help of the owner of the Sicily plant. After 2 years, the Italian co-owner died, and Mark was left alone wondering what to do. "I felt thrown in the murky sea, where I had to swim".

Mark Babani is a sole shareholder. The finances of the company are firm, decision-making is highly centralized, the leadership style is democratic, and he treats his employees as company clients.

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### Conclusion

Almost all enterprises in Albania can be defined as micro and small. Most enterprises are in trade because barriers to entry are low. Only 20 % of enterprises are in industry, and more than half of all enterprises are concentrated in Tirana.

The adverse environment for small to medium enterprises is due in part to a series of crises which affected the country, starting with the collapse of pyramidal schemes in 1997. The biggest constraints to growth and formalization of SMEs are the failure to implement laws in a consistent and reliable manner, an undeveloped capital market, poor infrastructure, unresolved property rights, and an underdeveloped judiciary system.

In these conditions, it was difficult to identify the real HCs that fulfil the conditions of Simon's methodology. The examples mentioned above and a lot of other businesses operating in Albania, can be considered potential HCs.

Potential HCs in Albania started as micro or very small firms. They started with little capital, mostly from family savings. In the early stages they had problems with credit from banks; today they are self-financed companies and are even more aggressive about increasing their business.

So, the above mentioned companies are only potential HCs—they may become HCs if they strategically move into industry value chains where value-adding increases.

Most of the HCs have not taken very long to achieve the growth they have, although the paths they have taken are not all the same. For the four companies, it was their participation in international trade shows that opened the road for their products. Based on the opportunity they saw, they had very ambitious goals from the beginning.

All companies in the study chose to invest their energy in a business or sector where they felt they would have a comparative advantage (bio-products or artisanal work). They are all distinctive in their fields.

Up to this point the companies have been competing mainly on their cheap workforce; the way ahead seems to be integration into industry value chains. Currently all Albanian companies seem to be experimenting with industry value chains; most have considered moving into higher value luxury consumer goods (masks, fish, chestnuts, etc., where price mark-ups are high).

Another key success factor of these entrepreneurs has been their commitment to continuously update their technology. They consider the competitive advantages of their products to be quality, their bio origin, and competitive prices based on low-cost labour.

Other common features of these Hidden Champions are their close links with clients (they generally work with one to three major customers). They have a commitment to growth and continuously update their managerial knowledge. They are people-oriented and place an emphasis on teamwork.

In conclusion, we hope the above case studies will motivate other entrepreneurs with growth-potential enterprises to take courage and action for continuing their growth.

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## Reference

World Bank. (2013). *Data; countries and economies*. <http://data.worldbank.org/country>