

# Connecting Macedonian Startup Ecosystem 2021

Identifying opportunities for better collaboration between startups and key ecosystem stakeholders.

# Table of content

- **Intro**

- About the research
- About Startup Macedonia
- About FITD
- Introduction to the Startup Development Phases Framework
- Standardization of services

- **Let's meet the startups:**

- Healthcare is an emerging industry
- Startups are led by seasoned professionals
- Towards a more inclusive ecosystem
- Founders are becoming more business focused
- More startups are generating revenue
- Sales skills can be a game-changer
- Is the local market now more attractive?
- Startup map

- **Investors and funding**

- Seed capital is still essential
- Unrealistic funding expectations
- FITD's role as a leading seed investor
- Where can startups improve?
- Investor map

- **Meet the support organizations**

- As startups mature, so do support organizations
- The collaboration has improved
- Corporate innovation is still lacking
- Support orgs have their own challenges
- Support organizations map

- **The effects of COVID-19 on the startup ecosystem**

- **Conclusion**

- **Ethical considerations**

# Thank you for building an ecosystem with us!

We all want a better ecosystem. The purpose of the research is to map out the current state of the ecosystem, while highlighting the challenges and opportunities where startups and support organizations can improve and thrive through more open and transparent collaboration. The research is authored by Startup Macedonia, supported by the Fund of Innovation and Technical Development. It is tailored and designed according to the Startup Commons' Startup Development Phases framework which has been used as an ecosystem building framework in the USA, EU and Asia. The ecosystem data is collected in two questionnaires: a) questionnaire for support organizations, including investors, that are providing services to startups; and b) startups in various development stages. The data was collected via 1-on-1 interviews.

## We talked to 80+ startups

EmbedSocial

AirCare

Cognism

Vidict

Fueloyal

UpShift

Claxi

Adeva

and many more

## and 28 support organizations and investors

FITD

SEEU Tech Park

CEED Macedonia

Seavus Accelerator

MASIT

Swiss EP

X Factor

SCV

and many more

# About Startup Macedonia

Startup Macedonia is a grassroots umbrella association created in 2016 by a group of Macedonian startup enthusiasts, founders, experts, investors, who have one common goal: to connect the Macedonian startup community through a data - driven approach and encourage and help create favorable work environment for startups and scale ups in North Macedonia.

## Recent activities

- Organized and co-organized multiple events, including local startup meetups and workshops, like Startup Europe Week, Product Hunt Meetup, TechCrunch Meetup, Global Entrepreneurship Week since 2018, Womenpreneurs Balkans Bootcamp...
- Published a guidebook to incentivise and support international entrepreneurs to start their business in North Macedonia - Soft Landing as a service;
- Build and launch the first national data driven startup ecosystem platform;
- Opened the 1st Entrepreneurial Community Center in Skopje - the #MKstartups Space in collaboration with the Fund of Innovation and Technological Development (FITD)
- Launched the KREATON project with FITD, which provided essential tools from local startups for the traditional SMEs via the MK Tech-pack platform.
- Developing the mentoring platform.



# About FITD

Established in December 2013, North Macedonia's Fund for Innovations and Technology Development is a government agency, focusing on the development of the Macedonian startup ecosystem. In the past five years, the Fund's portfolio has grown 1500% with 559 users and over 75 million EUR of joint investments. Startups make up over 50% of the Fund's portfolio and the Fund is also co-investor in the country's three leading startup accelerators.

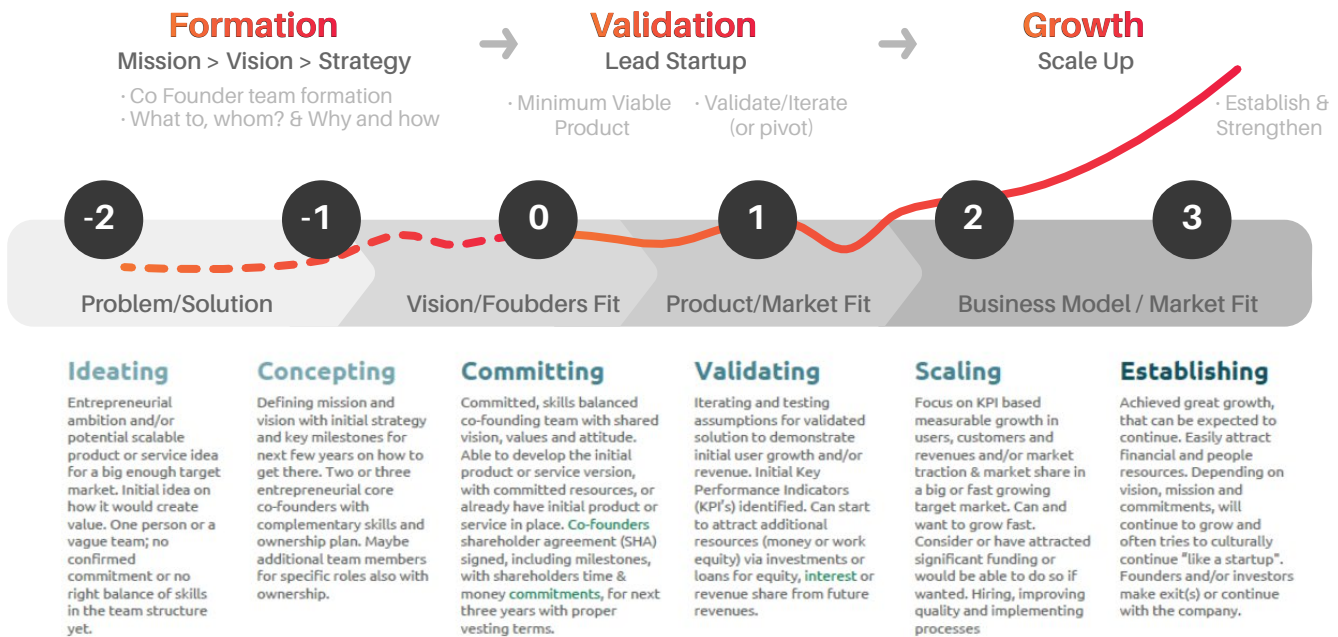
## Achievements

- FITD initiated the launch of the country's first ever National Startup Council.
- In February 2020, the Fund launched the country's first ever Corporate Innovation Program with the aim to strengthen the cooperation between the country's leading corporations and startups.
- Guided by FITD, some of the country's leading banks have created special "innovators" packages to ease the access to finance for the country's startups.
- FITD's revamped mentoring program features group and individual mentoring sessions for potential users and high potential startups
- FITD is the responsible agency for creating North Macedonia's first ever National Strategy for Artificial Intelligence
- Together with the Ministry of Interior FITD is currently working on the country's first ever Digital Nomad Program.
- FITD is a strategic partner of Amazon Web Services and provides up to US\$100,000 in credits to the Macedonian startup community.
- With FITD's Investment Fund, expected to launch in the Fall, the Fund will provide further financing for the transformation of the Macedonian startup ecosystem.
- Established a strategic partnership with Startup Macedonia for strengthening the startup and innovation ecosystem in the country and positioning North Macedonia as the startup hub in the Balkans



# The Startup Development Phases Framework

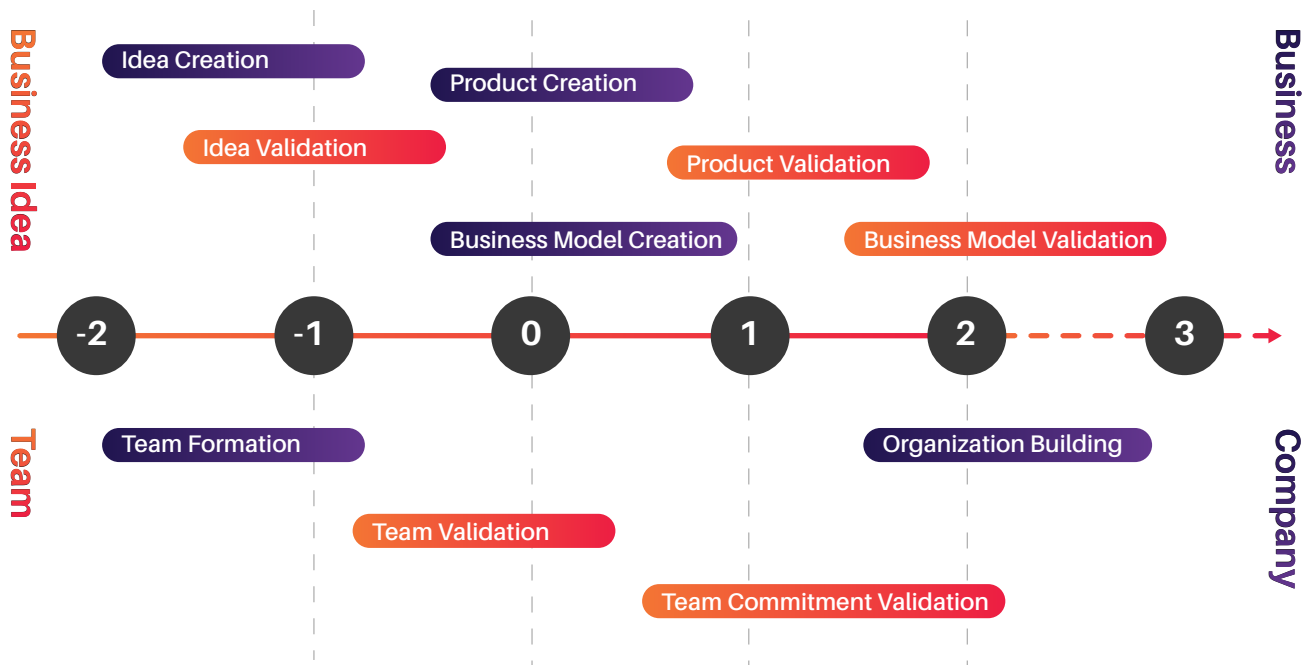
This research is adopting a tailored approach to Startup Commons' Startup Development Phases Framework. The framework defines six key stages that startups go through from both "business" and "organizational" perspectives in a balanced manner. In order to create a multi-organizational structure, the framework enables us not only to position where N. Macedonian startups are in their development, but also what support the ecosystem is providing or needs to provide to help startups in their journey. Ultimately, this map creates a holistic overview on where the ecosystem is as a whole, and that in turn gives clarity of how to improve it.



# Standardization of services

One of the problems that this framework solves is introducing the standardization of services startups need in each stage of their development. Our first research three years ago showed that startups in growth stages were not getting the support they need, mainly because the ecosystem was focusing on early-stage phases. Today we see changes with a more positive outlook, albeit the collaboration between startups and support organizations still needs to improve.

Since the ecosystem is a dynamic and challenging environment that involves a large number of stakeholders with different agendas, we need to adopt a framework to help everyone communicate in a common language. We need to understand how startups develop, how fast they move throughout their development, and what we need to do to support them. The end goal of standardization is a common understanding of the multi-organizational structure (which is an ecosystem) that can guide startups in their journey from idea to MVP to growth to scaling.



**Let's meet  
the startups**



**08**





*"Startups are the heart and soul of innovation and progress. They drive our whole economy and society forward by creating new opportunities and growing talent. One successful startup can generate new investors that will invest time and money in new startups and kickstart the whole ecosystem."*

**Nikola Bojkov** | CEO at EmbedSocial



*"In order to have a more inclusive startup ecosystem we should deconstruct the negative stereotypes which lead to exclusion and demonstrate the opposite is true"*

**Kalina Trajanoska** | Cofounder at Konceptiva Digital



*"At the moment we are facing several challenges for our startup. The most important that need our biggest attention are fundraising and sales. We are focused on delivering POC's to validate the need of the product as well as to bring some revenue to the company and then use this traction to close our fundraising round with an institutional investor"*

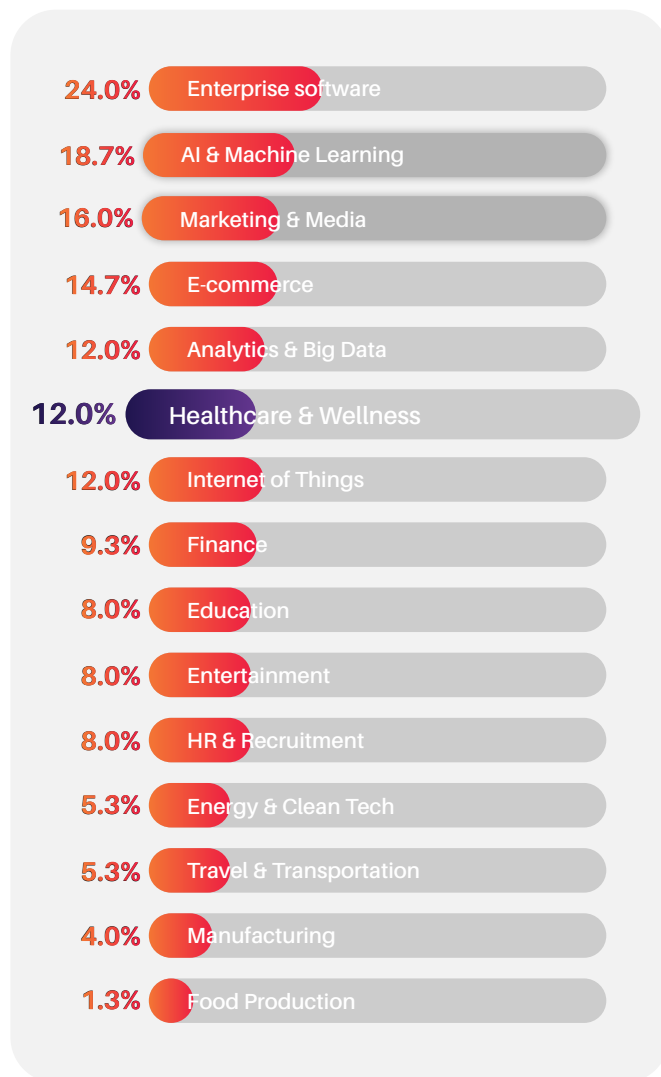
**Mane Andreevski** - Managing Director at Stornest

# Healthcare is an emerging industry

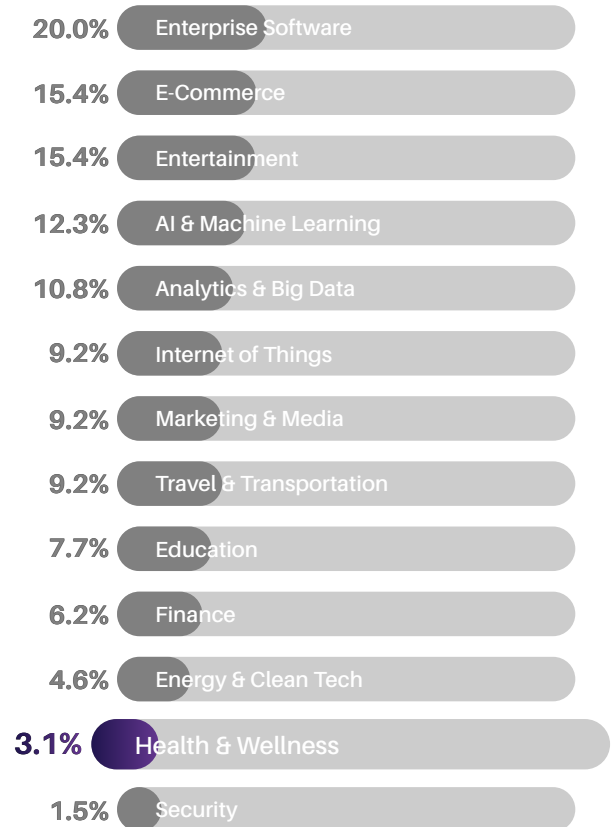
One of the problems that this framework solves is introducing the standardization of services startups need in each stage of their development. Our first research three years ago showed that startups in growth stages were not getting the support they need, mainly because the ecosystem was focusing on early-stage phases. Today we see changes with a more positive outlook, albeit the collaboration between startups and support organizations still needs to improve.

## What Industry are you in?

Report 2021



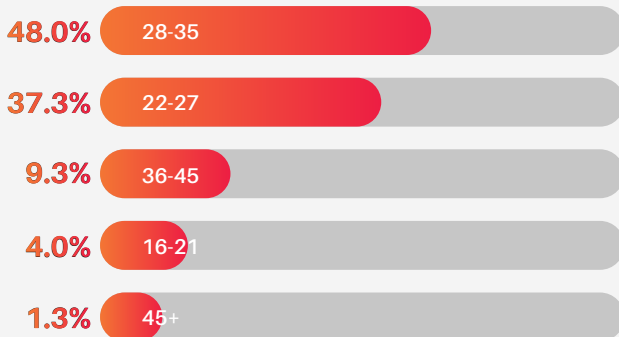
Report 2016



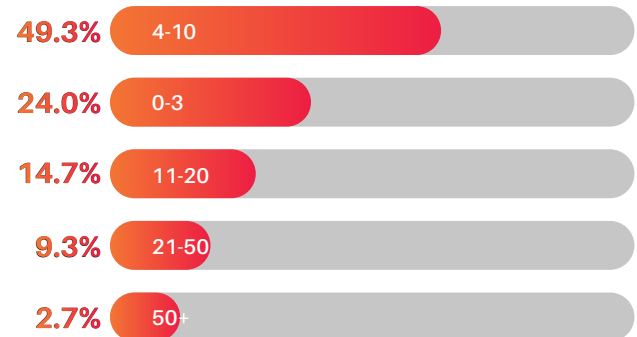
# Startups are led by seasoned professionals

The majority of startups are small teams, out of which 90% are teams working within N Macedonia. One major misconception about startups in our ecosystem is that they are “young people” which is an ambiguous term that means nothing. In reality, both reports show that building startups requires an entrepreneurial mindset as well as some professional skill and experience. The data show that the majority of founders and their teams are either post-graduates or skilled professionals with few years (or more) of experience under their belt.

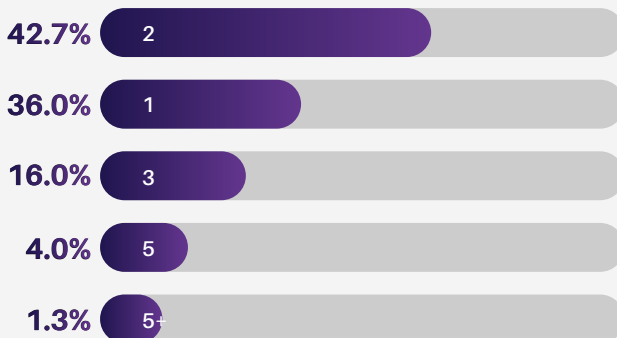
## Team members average age:



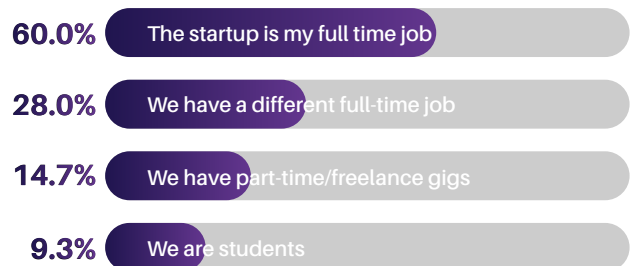
## Team size including full time and part time:



## Number of founders in the team?



## Do your founders currently have any other commitments beside the startup?

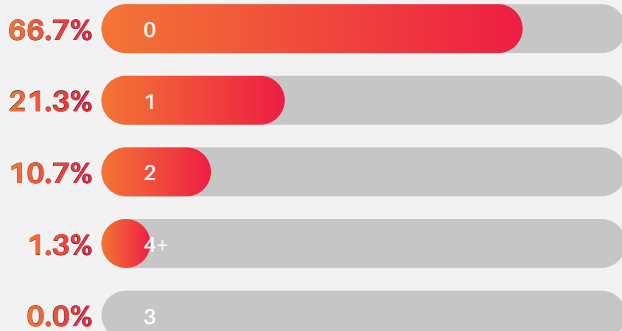


# Towards a more inclusive ecosystem

According to the State of European Tech 2020 report, across Europe, one in four startups has female founders. In North Macedonia, one in three startups has female founders. This certainly is progress, but we think that we need to do more to empower female founders as they are an essential part of our ecosystem.

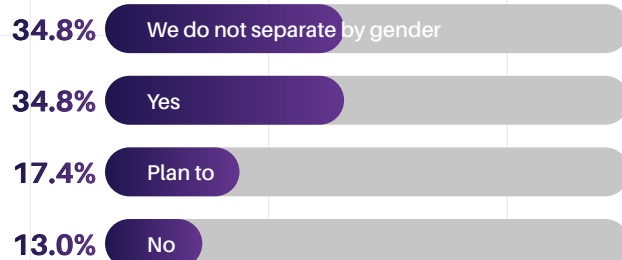
## Startups

### Number of female founders in the team



## Support organizations

### Do you organize female - only programs or events?



## Organizations founders



*"Women play numerous social roles in daily life that are critical not only to her personally and professionally but also to her social milieu and country. That is why women should be encouraged to be fearless in the face of all those roles and responsibilities. I've always been a believer in women's strength, in women's business principles, and in women's leadership in action. I attempt to embody all of this in my life by being a serial entrepreneur and never being afraid of a commitment or a challenge. Macedonia's startup eco-system has a chance only if women are encouraged to advance!"*

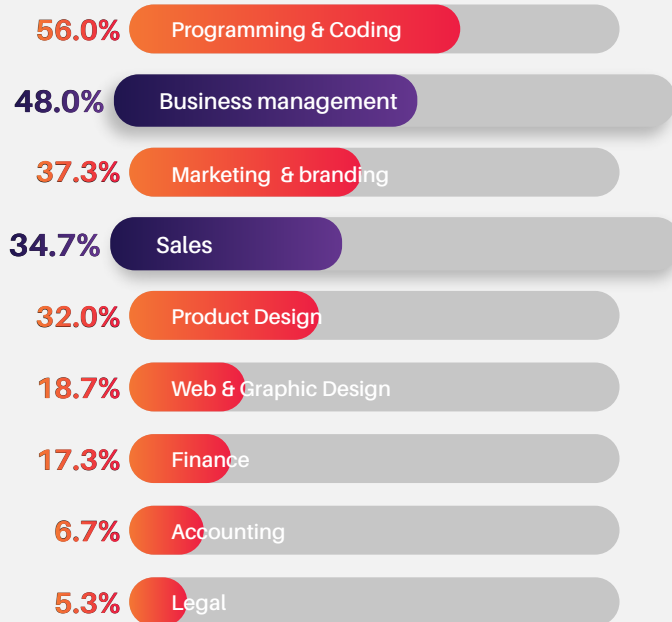
**Vesna Kuzmanovic** - Chief Executive Officer at Impala

# Founders are becoming more business focused

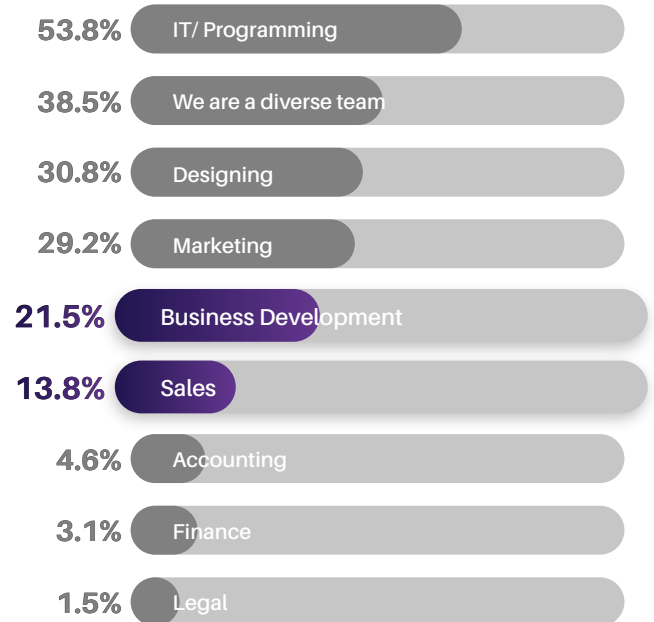
We are seeing another positive trend emerging towards a more mature ecosystem. More founders are developing business management and sales skills. Our previous report showed that those skills were lacking, which resulted in startups either failing to build in later, growth stages, or completely missed on funding. If they want to scale, founders need to consider their startup not as a fun project, but as a real business that can bring customers in, generates revenue, and more importantly, convince investors to join them.

## What is the founders' main expertise?

Report 2021



Report 2018



# More startups are generating revenue

## Is your startup generating revenue?

(2021)

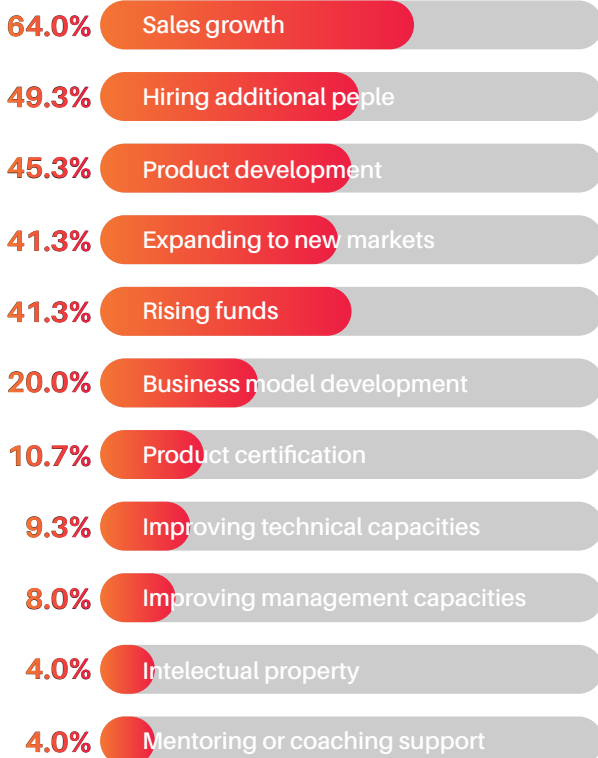


(2018)

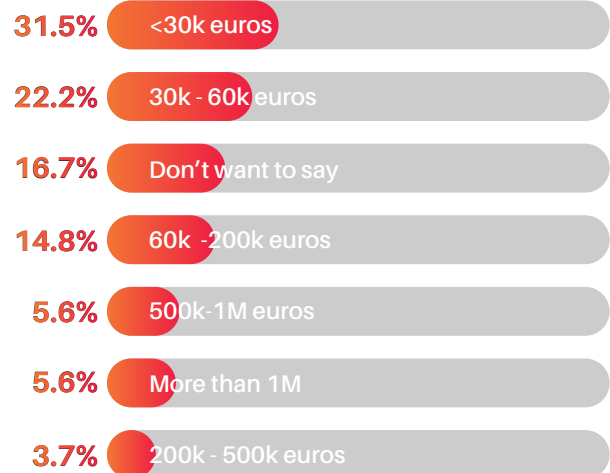


Some of the reported revenue can seem lower than expected, which may be a result of startups in early stages working in one of the most economically-challenged markets in Europe. There are also obstacles in expanding to outside markets because of a variety of issues: including lack of expertise or team, strong international competition, or just being simply a non-EU business facing more bureaucracy than they can handle.

## What are the top 3 priorities that will improve your company's growth in the next year?



## What is your current level of yearly revenues?



# Sales skills can be a game-changer

Sales education and mentorship remain one of the top priorities for startups. Even support organizations are becoming more aware they need to improve, even though roughly 40% of support organizations say they provide sales support either as free or paid service. As we can see later in this report, the data shows that support organizations and investors rank startups very poorly regarding investment readiness and business know-how. This leads that sales education can be delivered the biggest and most significant impact for further maturing the ecosystem as a whole.

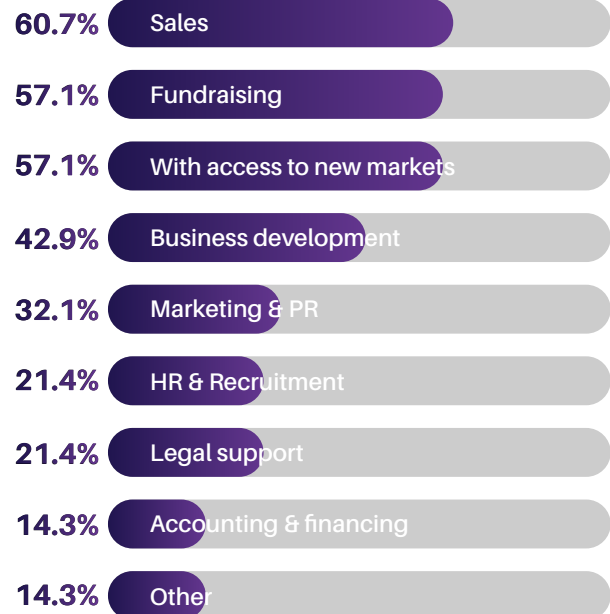
## Startup priorities

Name up to 4 types of experts/mentors that you want to talk in order to improve your company in the next year



## Organization priorities

What type of experts/mentors do you need to improve your programs?

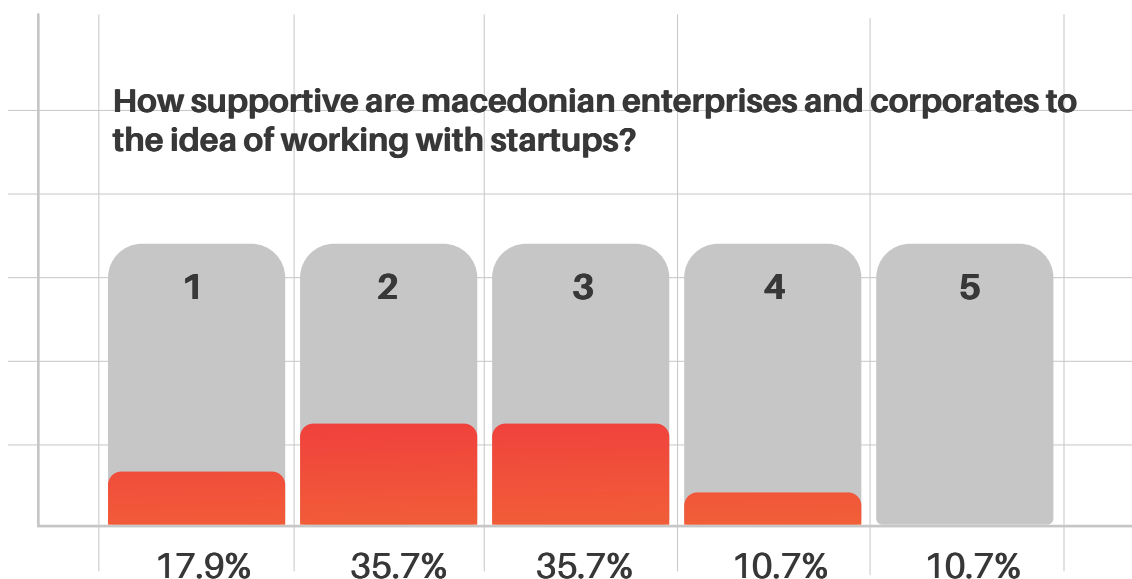


# Is the local market now more attractive?

The global market will always remain the main target for startups. It's much bigger, with larger potential payoffs. But, interestingly startups are now showing more interest in the local and regional market compared to our previous research. This is an exciting trend as we believe startups can inject real innovation in the economy. Take Grouper as a prime example of a local-only startup introducing and promoting ecommerce in the country.



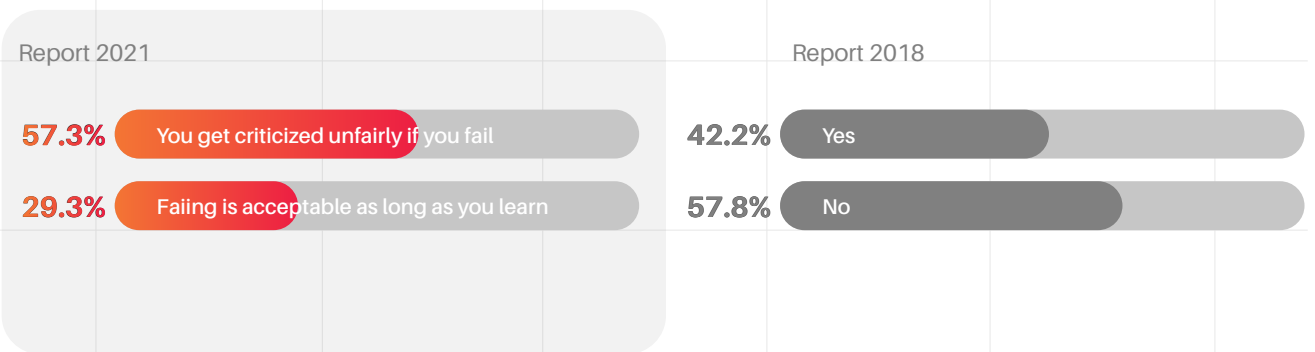
But, there is a long way to go, and one major obstacle to more local startups is the lack of corporate interest. We asked support organizations and investors what are their views in startups driving corporate innovation, and their answer is pointing out to a challenge we need to solve as an ecosystem.





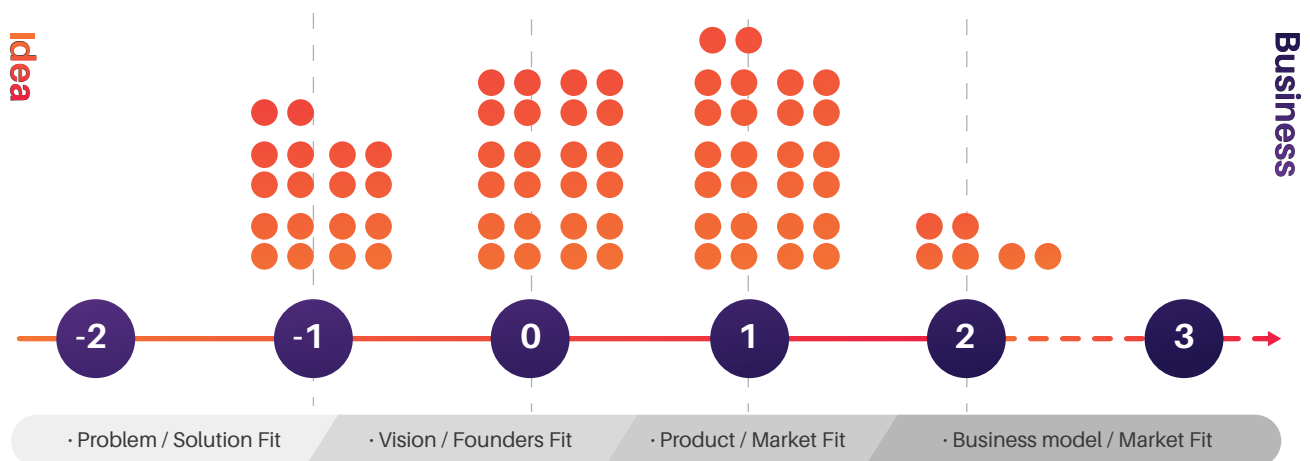
There is also another obstacle which is the culture of risk aversion and high expectations. Startups are high-risk businesses. Those who make it receive high rewards, but it is also well known that 90% of startups will fail. That is not a bad thing. Failing is essential to learn from it, build resilience and create future success. We haven't made any progress in the past three years to change this culture which may discourage entrepreneurs to take risks and innovate.

**In your opinion what is the perception of failure in North Macedonia?**



# More startups are moving into growth

Compared to three years ago where the prototyping stage was focus of the ecosystem, we now see more startups operating in go-to-market and growth stages. There still seems to exist an impenetrable barrier for most startups to move to later stages, which is due to lack of funding as well as lack of product-market fit.



As expected, Skopje is a major startup hub, followed by Bitola and Ohrid, mainly because of the capital is the home of majority of startup support organizations, tech universities, and majority of startup events.

# Investors & funding



19



*“The future belongs to startups! I strongly believe in the power of the Macedonian startup community and I am confident that by working together, in a very short time, we will position North Macedonia as the region’s startup and innovation hub”*

**Kosta Petrov** | Managing Director at FITD



*“The unprecedented changes that marked 2020, caused operational challenges and changes in the risk appetite and investment approach for investors. Investors need to further sharpen their focus on recognizing good founders that are able to deliver a product in a changing environment and to bring closer their team dynamics, where there is little data or market validation and remote communication.”*

**Eli Zhabevska** | Senior Associate at South Central Ventures



*“First, we need to systematically promote a culture of private investing, much needed in the early stage of development, aiming to increase the private capital into the scalable startups. Second, we need to provide more funds for the investments, especially those ranging between 50.000 and 100.000 eur either through business support centers (business angels, accelerators etc.), through the state supported accelerators or state institutions such as FITD. Third, working with the banking sector to enter riskier partnerships with the early-stage companies.”*

**Elena Hadji Pecova** | CEED Hub Manager

# Seed capital is still essential

Most startups are funded by personal savings or bootstrapping. Compared to the rest of Europe and the world, it is true that starting a small business does not require a sizable capital. As most founders have some work experience or are actively working, they can afford to maintain the business in its very early stages.

## With how much funding you started the business?

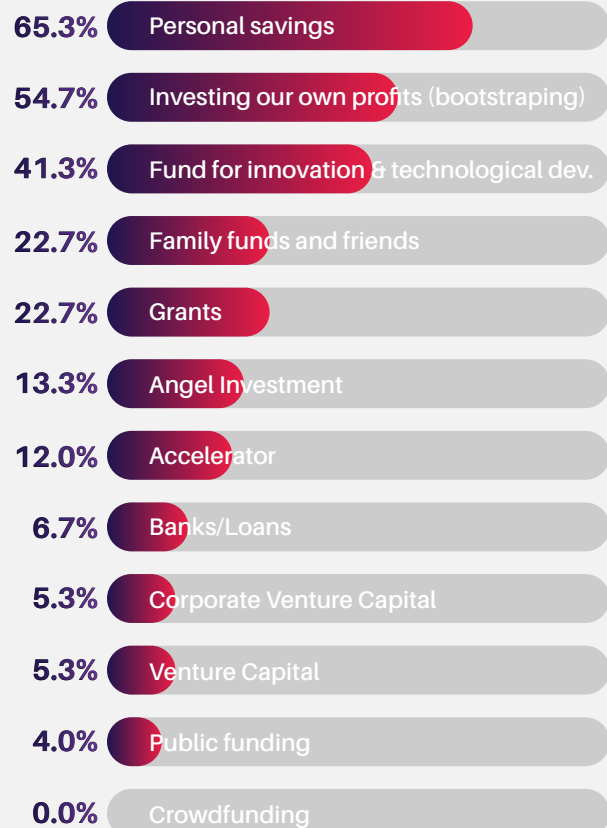


As they develop, and once the business reality takes hold, they turn to external investment, as the majority of startups have pursued funding. The data we've collected suggests that the usual startup runway is between three months and a year to move from idea to acquiring its first customer.

## Have you applied for external funding to fund your business?



## How has your startup been funded to date?

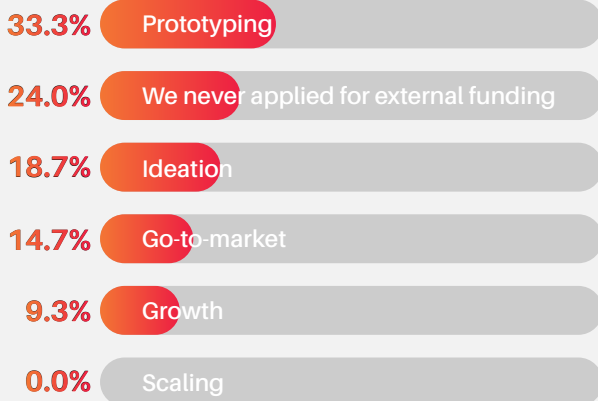


# Unrealistic funding expectations

Most startups require funding to help them especially in the early stages, but investors on the other hand are more interested in startups with some traction, startups that have shown some potential growth.

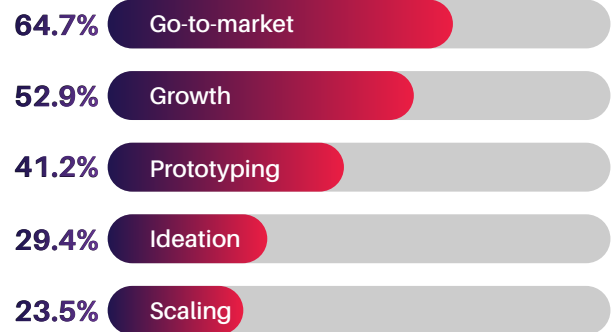
## Startups funding stage

At what development stage was your company when you first applied for external funding?



## Organization priorities

What phase of development are the startups you've invested in?



*"Investors love to invest in great founders with businesses that have scaling potential, therefore Startups need to get prepared for the fund-raising journey that takes many months. What I would advise founders is to be always honest and build relationships with investors first, go through an investment ready program, talk with founders that fund-raised, follow up on your developments and underpromise and over-deliver. We are also working to provide more early stage funding from Educated Angel Investors and VCs to our region so we can make more successful linkages and increase the offering"*

**Igor Madzov** | Investment Facilitators Swiss Entrepreneurship Program

Looking holistically on the ecosystem, we can now say that it is not mature as we want it to be. As we've seen earlier, the lack of business and sales know-how is essential for startups to generate tractions that would be of interest for investors. Currently FITD acts as a major seed investor, but even with their help, when startups move to later stages (growth stage specifically) they have hard time justifying their business models to investors. This leads to completely different expectations between what startups need and what investors are interested in.

### Startups

**How much funding will you need in the next 3 years?**



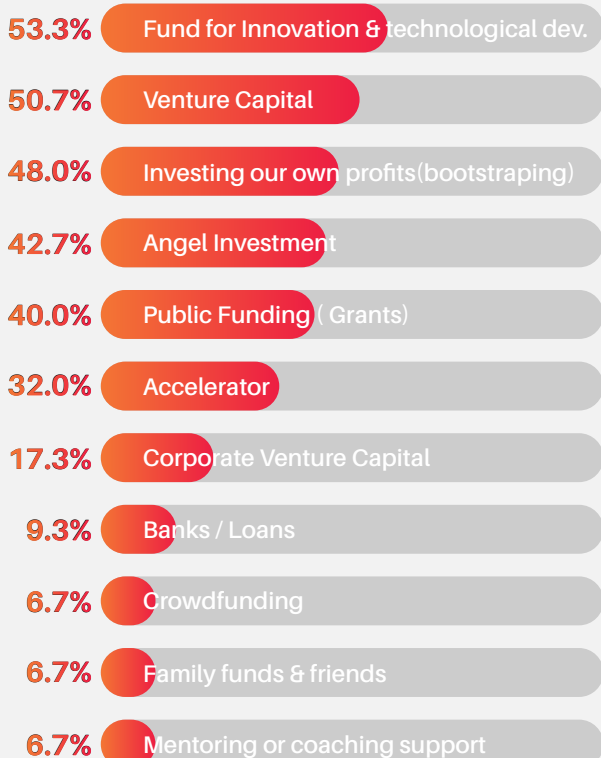
### Organizations

**What is the average amount per startup you invest?**



Are investors right to offer lower amounts? Or are startups in a better position to judge what they need? This still is a debate based on opinions from individual cases. Majority of startups target international markets, which can be quite expensive to pursue. On the other hand most investors think that startups are not investment ready.

**Where do you plan to source those funding from?**

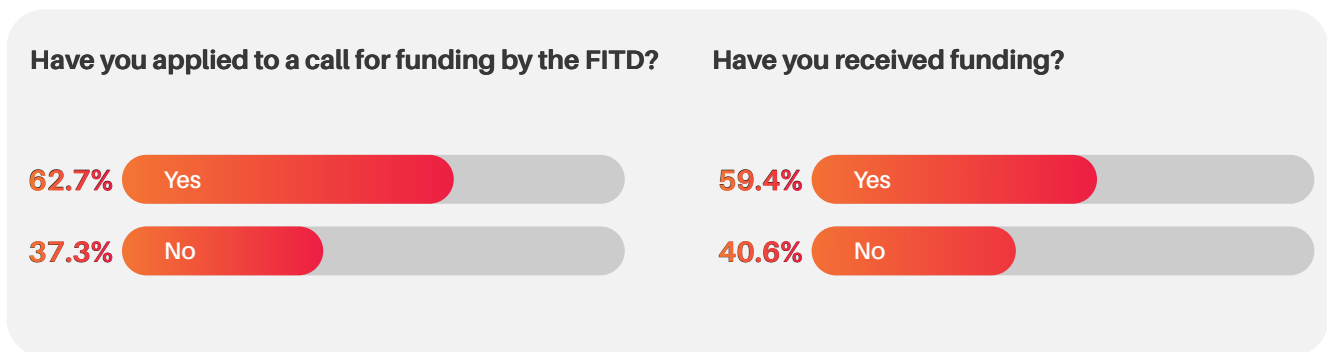


**What do you intend to use the funding for?**



# FITD's role as a leading seed investor

The Fund for Innovations and Technology Development is currently a driving force behind seed and early-stage funding. The majority of startups have applied to its funding calls, and the majority of those have received some funding.

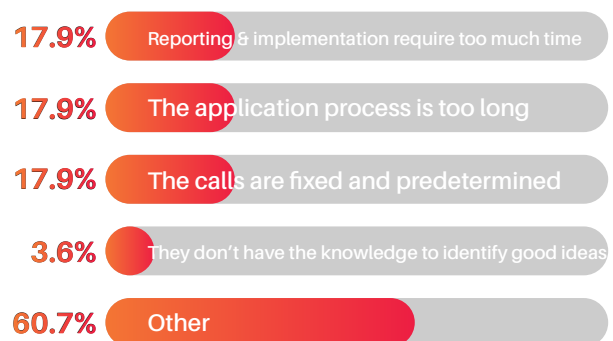


What is interesting is that FITD is helping startups recognize where they need to improve, and that feedback is mainly about finding their product-market fit. But, on the other hand, startups are highlighting a crucial issue that FITD needs to work on. Besides optimizing their application process, the Fund needs to improve their trust within the ecosystem as the majority of startups ask for more transparency.

## What were the reasons listed for not getting FITR or any other external funding?



## Why haven't you applied?

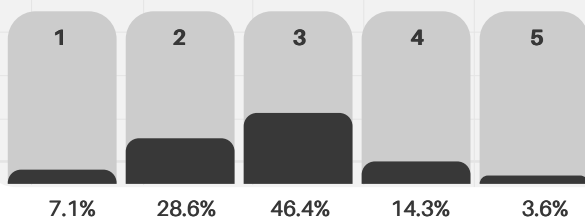




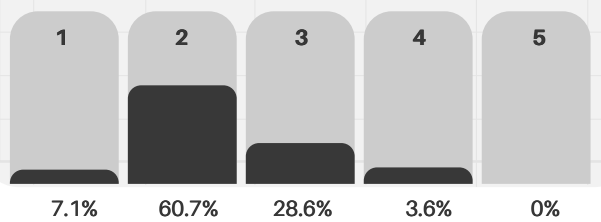
# Where can startups improve?

According to the interviewed investors and support organizations, startups are showing distinct strengths and weaknesses in some areas. They are really good at product development, which is not a surprise, but they lack some essential learning to progress in later stages. The ranking should be seen as a constructive criticism, and an opportunities to improve and strengthen the ecosystem.

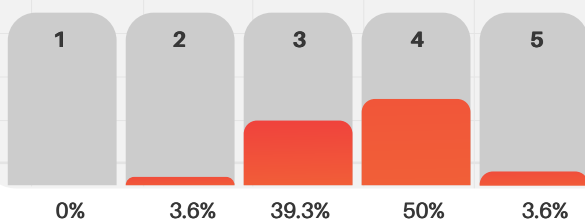
How do you evaluate Macedonian startups in terms of their commercial & sales skills?



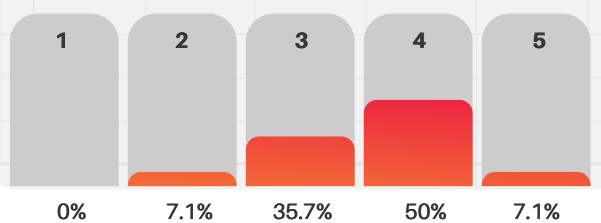
How do you evaluate Macedonian startups in terms of their investment readiness?



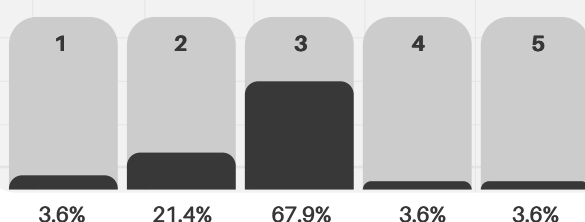
How do you evaluate Macedonian startups in terms how good are they in product development?



How do you evaluate Macedonian startups in terms of their quality of team?

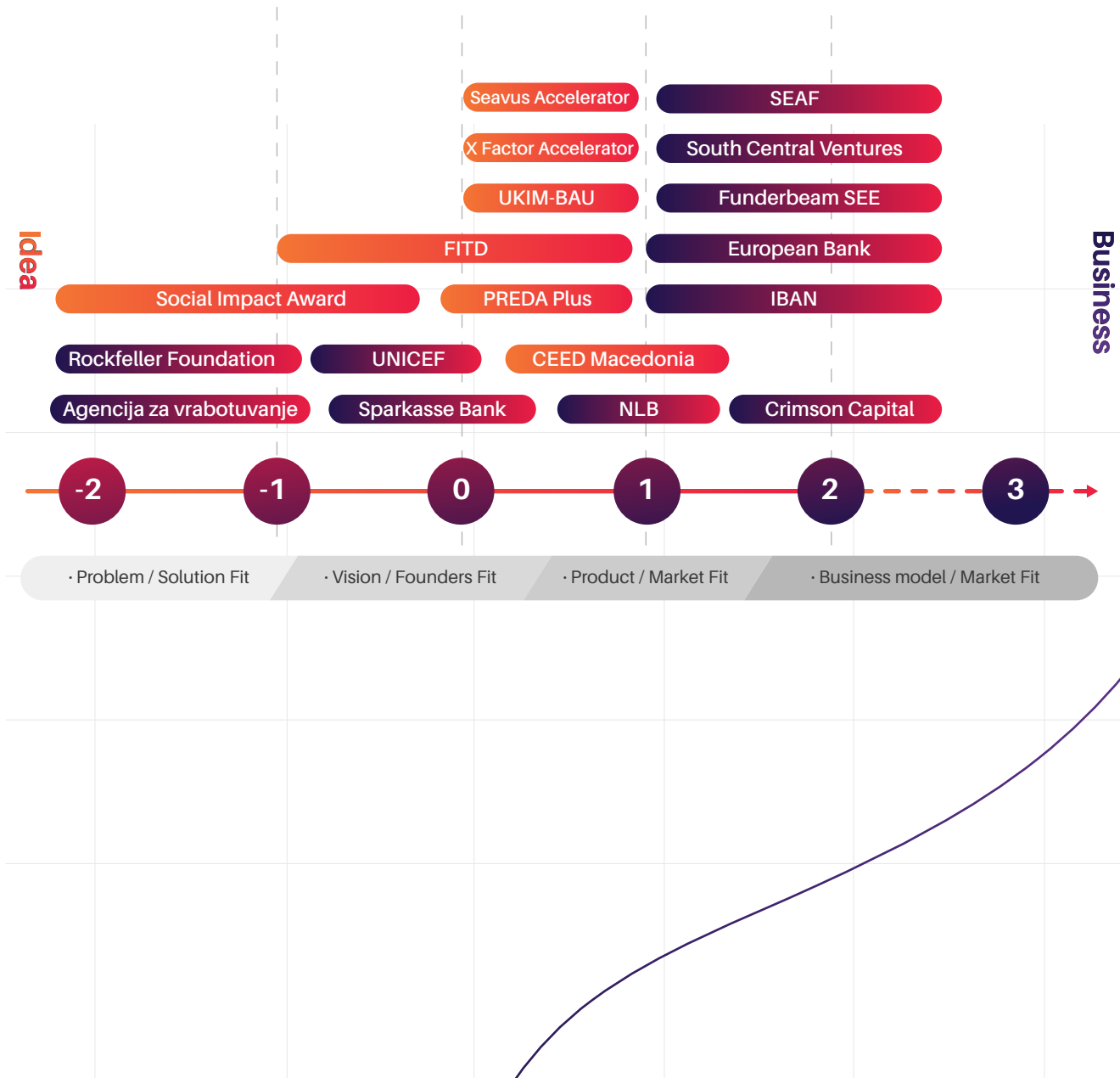


How do you evaluate Macedonian startups regarding their business know-how?



# Investor map

Startup funding can be found in almost all stages. Investors (including support organizations that invest directly into startups) are mainly looking into startups in GTM and growth stages, which is in sync with where the majority of startups are.



# Meet the support organizations →

27



*"I believe that the first phase of Startup Macedonia – mapping the national startup ecosystem and creating a pipeline for future entrepreneurs, is well set and functional. The next step, will be to develop a set of KPI's that will boost the quality of the startups and increase their chances of getting funded & grow internationally. What you can measure - you can improve"*

**Gogo Rafajlovski** | COO at SEEUTechPark



*"During the past three years North Macedonia improved notably, and Skopje, the capital, is being ranked as the #1 cost-effective tech hub of the future in the FDI (by Financial Times) global ranking, as the country is witnessing growing interest from international founders and startup teams to set up headquarters here. Moreover, although Skopje has come very far, equal access to services has to be provided for other cities as well."*

**Nina Nikolic** | Swiss EP Program Officer



*"The development of the ecosystem is happening at a fast pace thanks to the joint cooperation of all stakeholders coordinated by Startup Macedonia, especially with the development of their digital platform. In that direction, the support of FITD, the World Bank, the Swiss ep program, and all other partners whose focus is on the development of the startup community is of great importance"*

**Milan Dimitrievski** | Executive director at X Factor

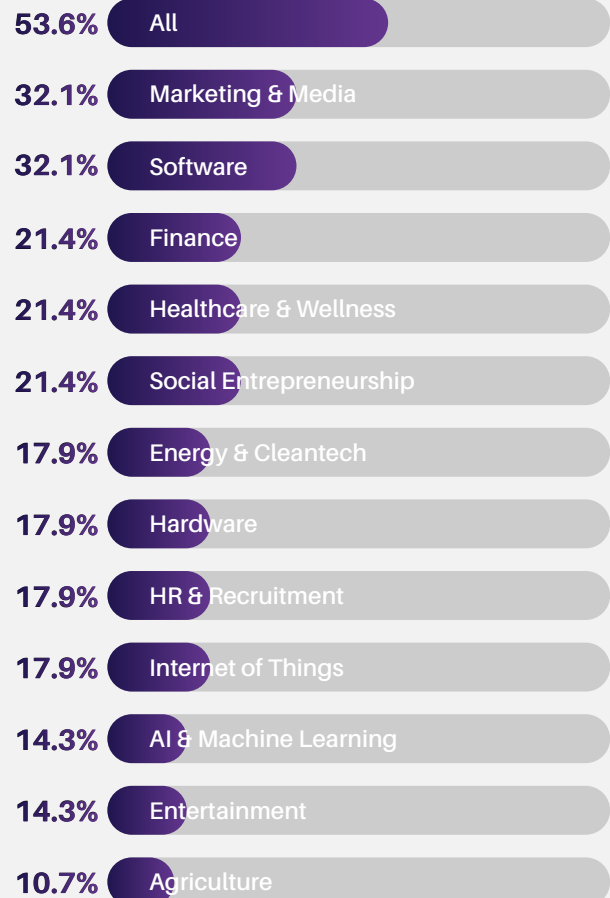
# As startups mature, so do support organizations

In what is another positive trend, support organizations are now focusing more and more on startups in growth stages, compared with our previous research where ideation and prototyping were phases where the majority organizations would build and offer their services. We are also seeing that they follow the same trends, as healthcare is emerging as the top industry they are interested in.

## What development phases are you focused most?

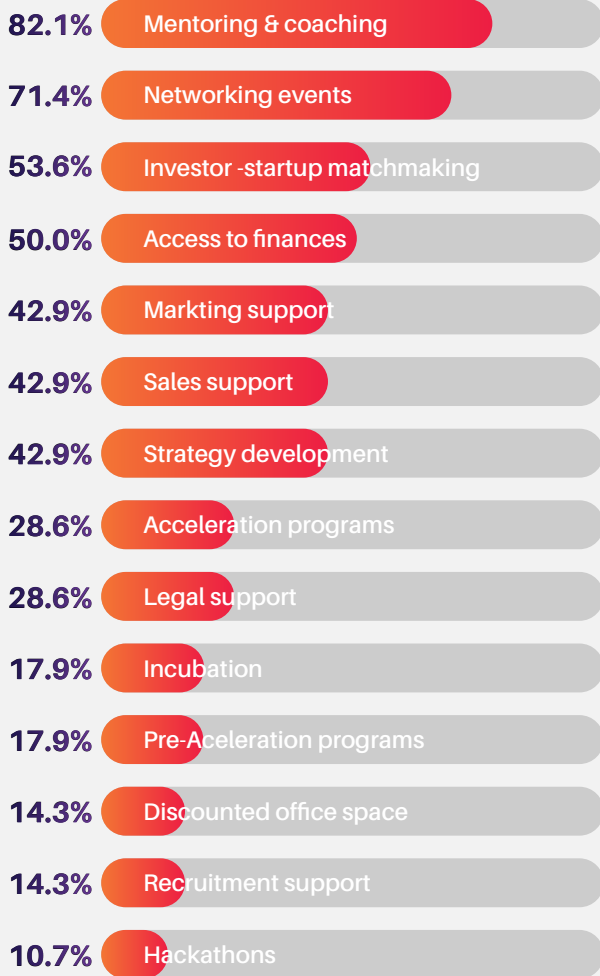


## What industry do you focus on?

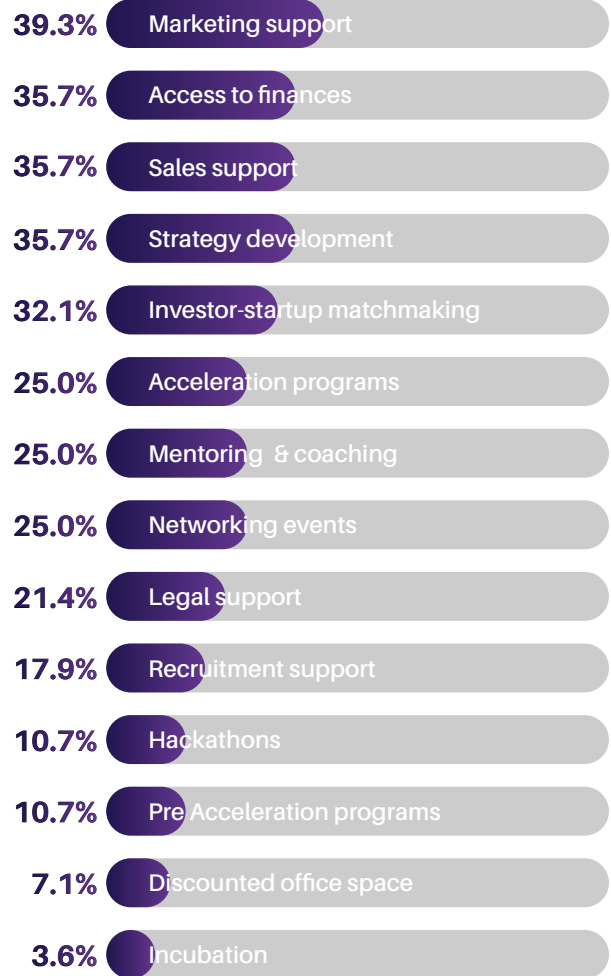


Diving deeper into their services, support organizations continue with providing mostly mentorship and education. As the ecosystem is progressing towards the growth stages, the majority of education goes towards promoting access-to-finance services as well as business and sales skills.

**Type of free services your organization provides?**

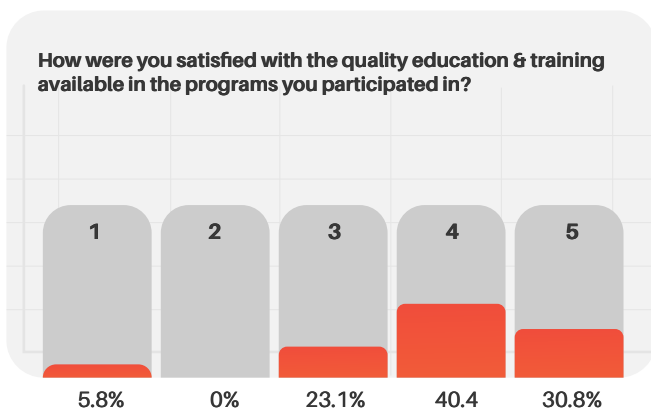
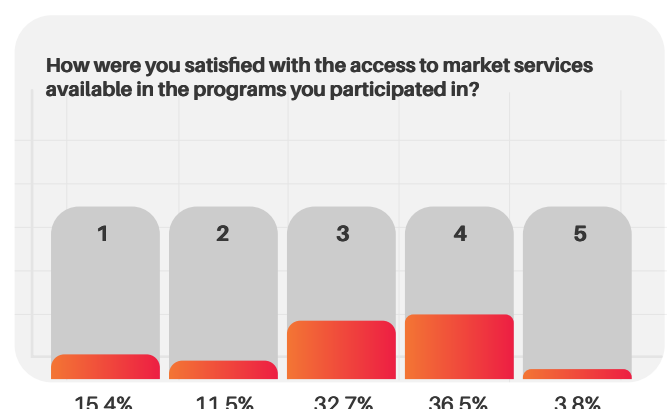
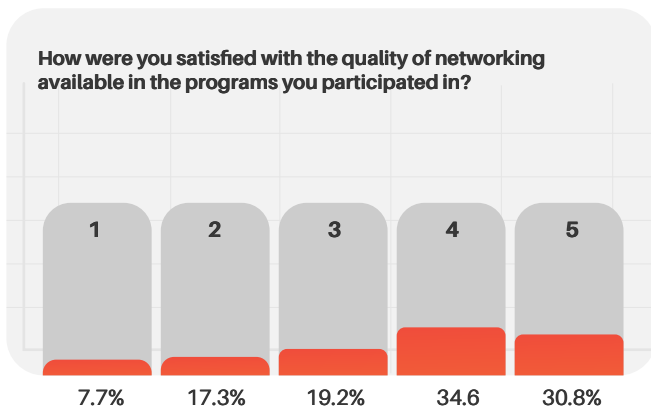
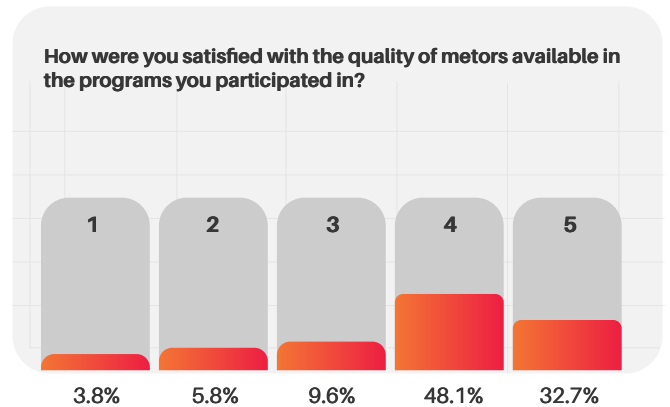
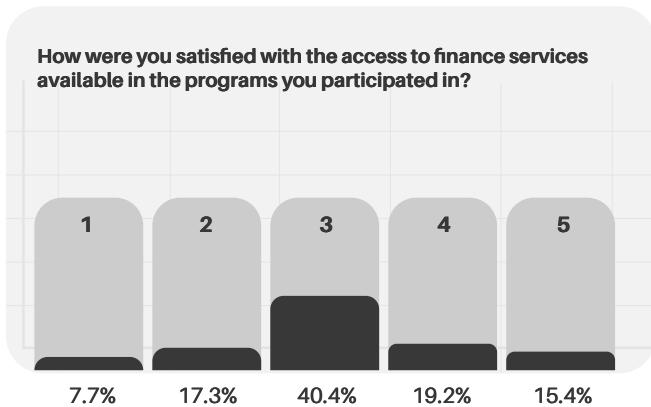


**Type of paid services your organization provides?**



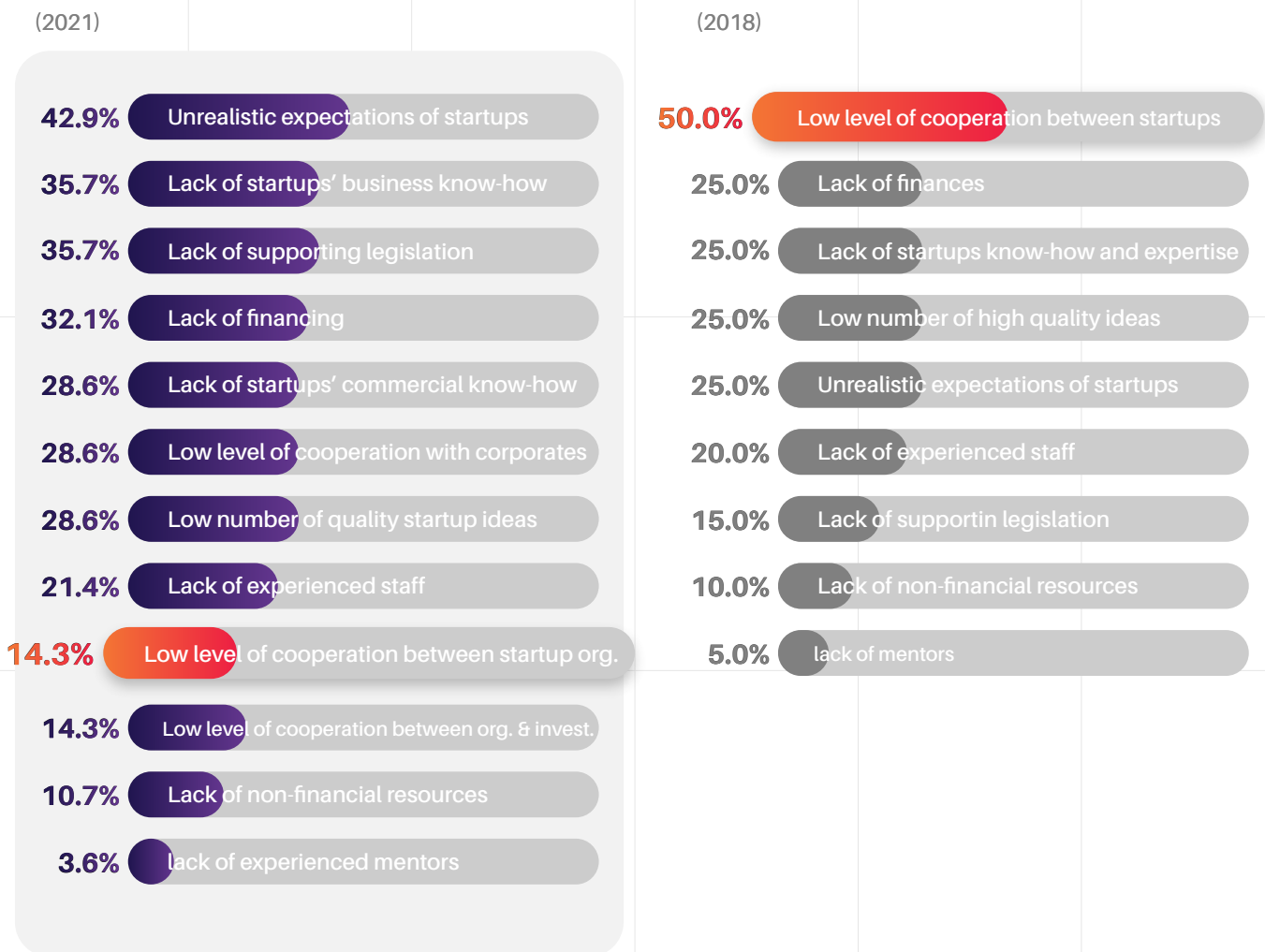
# The collaboration has improved

Startups in general are satisfied with the support they are getting from the organizations. More importantly, founders are actively participating in those programs - either as a participant who wants to learn, improve, or connect with others; or as a mentor who shares their experiences. There are areas for improvement of course, but overall we see a positive signal of an ecosystem working closely together compared with the previous years.



Also, we see huge improvements in collaboration between startup organizations. Three years ago, lack of collaboration between the organizations was the single top challenge they were facing. Now it seems, that is put to bed, a problem that is solved for an ecosystem that hopefully continues to grow together.

### What are the top 3 challenges your organization is facing?





# Corporate innovation is still lacking

Over the years support organizations have gained access to universities and that collaboration is getting stronger by the day, but the majority agree that the ecosystem lacks one major component: more collaboration with corporates. There is still a lack of interest or even awareness from corporates and larger enterprises who can play a significant role and contribute towards developing a better ecosystem.

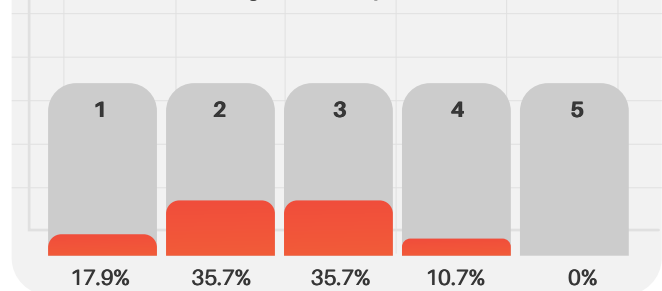
## Organization

Do you have access or have collaborated with universities or R&D centers?



## Startups

How supportive are Macedonian enterprises and corporates to the idea of working with startups?



*"We at Oracle believe that Startup innovation has the power to change how business gets done. New technologies are sparking new ideas—and vice versa. But clearly, it takes more than a great idea to bring a new product to market, therefore we are happy to offer our support through the Oracle Startup Cloud Accelerator, a program that uniquely breaks down the barriers that limit startup success, providing exceptional startups with a path for future growth"*

**Meri Kucera-Ilievska** | ORACLE Business Development Manager

*"Corporates definitely should be an active part of the overall start up ecosystem. I strongly believe that the main support should be in giving opportunity for prove of the concept for the startup product in practice. Whether testing the products for own purposes or maybe more by selling it through common go to market partnership model to the third parties. In such a way start up receives: feedback from experts, easier go to market with already recognized brand, access to the customer base, knowledge transfer, and most important reference for the global market."*

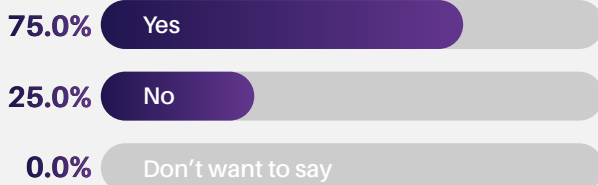
**Nikola Ogrenovski** | B2B Marketing Director at Makedonski Telekom



# Support orgs have their own challenges

Most organizations currently depend on external funding to operate. They are indeed one of the important pillars of our ecosystem, as they provide support to the other two: education and connections to startups, and selection and insights to investors. But, they are walking on thin ice when it comes to their existence because they depend heavily on external funding and grants to keep them going.

**Is your organization generating revenue from products or services?**

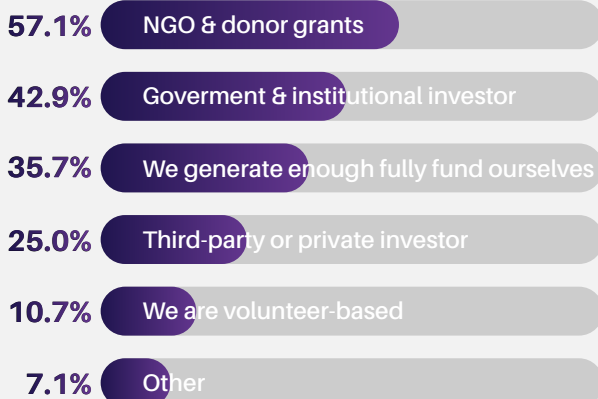


**Can you continue growing as an organization without external funding in the next 2-3 years?**



Even though they are bullish in their statement that they generate revenue to support their operations and maybe growth, they also confirm the fears that they can't stand on their own if the funding dries up. This can create a problem within the ecosystem which depends on their services.

**How are your organization's activities funded?**

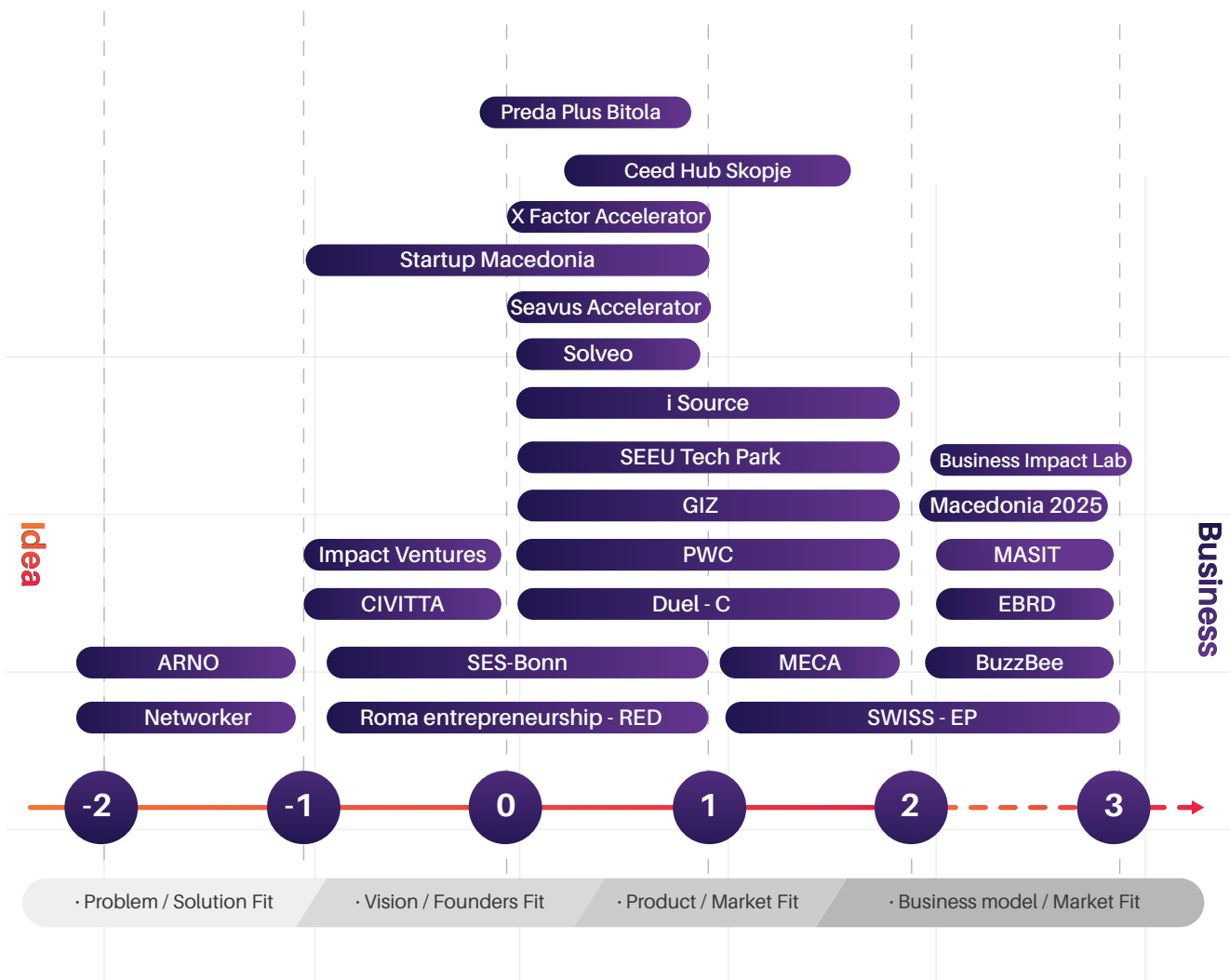


**What is your average yearly revenue from services?**



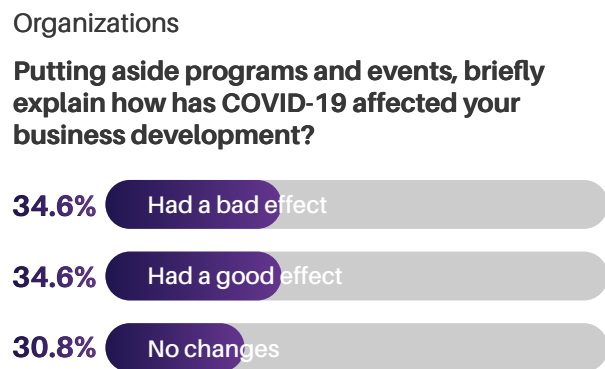
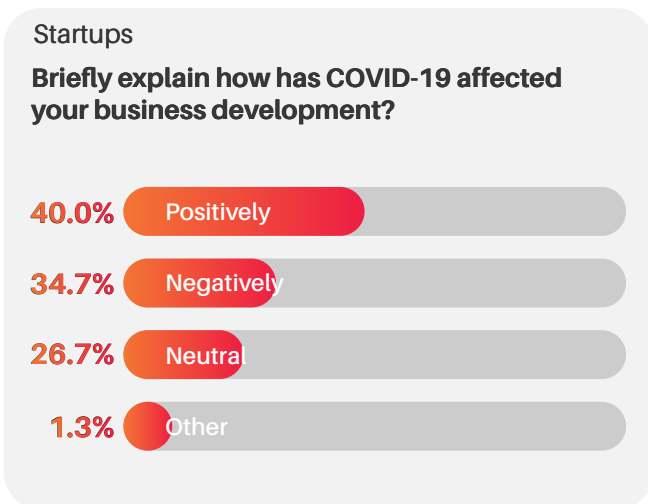
# Map of startup support organizations

Most organizations currently depend on external funding to operate. They are indeed one of the important pillars of our ecosystem, as they provide support to the other two: education and connections to startups, and selection and insights to investors. But, they are walking on thin ice when it comes to their existence because they depend heavily on external funding and grants to keep them going.

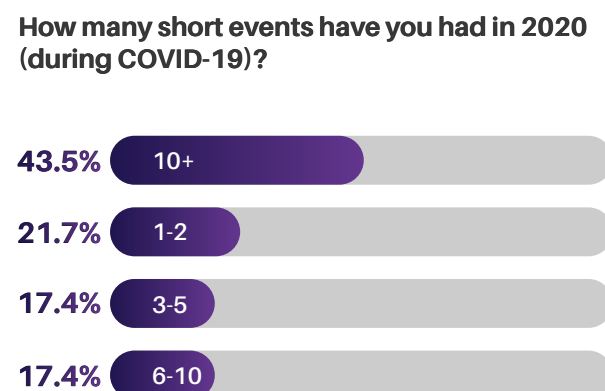
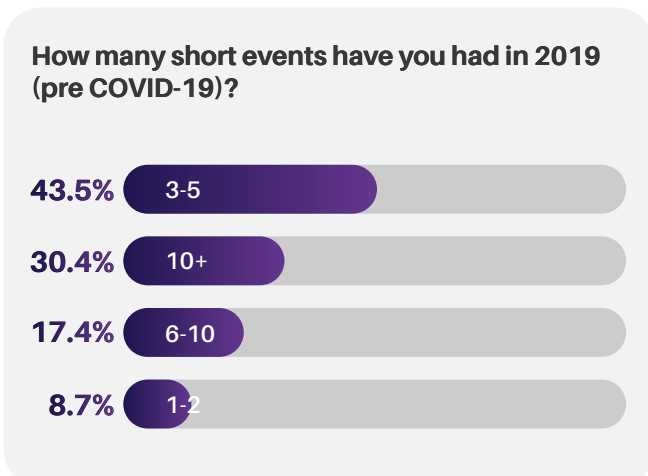


# The effects of COVID-19 on the startup ecosystem

For startups, and support organizations, the pandemic has not been as devastating as feared. One in three startups have reported negative effect, and there is a significant number of startups that have seized the opportunity to grow their business.



For support organizations, the effects from the pandemic have been similar, with most switching from longer programs to shorter events due to the lockdowns and curfews.



# Conclusion:

## 5 next steps we need to take to improve the ecosystem

1.

**Sales, sales, sales** - it is still the no. 1 skill both startups and support organizations are lacking. We need more mentors to help startups generate revenue.

2.

**Investment-readiness is low:** This issue is a direct result from the startups' lack of knowledge to scale the business and improve revenue over time. If startups become more business-focused, more knowledgeable on how to grow, regardless of the market, they will eventually start bringing revenue. And revenue is a metric for growth, and a metric that investors are familiar with.

3.

**We need more involvement from corporates:** We have improved ecosystem collaboration across the board, yet a significant pillar is missing. Corporates can bring so much needed business know-how, larger networks, and seed capital in the ecosystem. Startups can inject a much needed innovation in return.

4.

**The collaboration is getting better and better, and we need to keep it that way:** We're seeing an aligned ecosystem for the first time, and we should continue with standardization of services: those that startups really need per stage of development, and those that support organizations are offering based on their targeted phase.

5.

**More inclusion, and let's start discussing diversity:** Startups' don't exist in a nationalistic vacuum. Especially N. Macedonian startups who aim international markets. More female founders and more diverse teams will only bring better startup culture.

# Ethical considerations

Ethical issues relating to protection of the participants in the research are of vital concern. The research process involves enlisting voluntary cooperation, and it is a basic premise that participants are informed about the research's purpose. The central issue, with respect to protecting participants' data, is the ways in which the information is treated. It is anticipated that no serious ethical threats are posed to any of the participants.

This research employed safeguards to ensure the protection and rights of participants. Informed consent remains a priority throughout the research, if the participants feel uncomfortable with sharing some information's, the answers are not obligatory. Participants' rights and interests were considered of primary importance when choices were made regarding the reporting and dissemination of data.

The researcher is committed to keeping the sensitive data confidential. Data gathered through the research will be used only for analytical purposes. Cautionary measures were taken to secure the storage of research-related records and data, and nobody other than Startup Macedonia has access to this material.

Regarding the conflict of interest issues, since some of Startup Macedonia's team members are, or have been, employees in some relevant startup support organizations, precautions were undertaken so interviews will be done in objective manner where interviewer has no professional connection with the interviewed organizations, removing any conflict of interest between researchers and interviewed organizations.



# Thank you

for reading and being a part of this research