



Dynamics of Entrepreneurial Potential

GEM Slovenia 2016

Executive summary

Miroslav Rebernik
Katja Crnogaj
Karin Širec
Barbara Bradač Hojnik
Matej Rus
Polona Tominc





University of Maribor Press

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Dynamics of Entrepreneurial Potential

GEM Slovenia 2016

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Abstract:

The book presents the results of the largest longitudinal study of entrepreneurship in the world, the Global Entrepreneurship Monitor. It is based on data collected in 2016 and before, and deals with the interconnectedness of entrepreneurship and economic development. This monograph brings the results of the study of entrepreneurship in Slovenia and compares them with the results of other countries. It is based on a joint methodology and performed within a closely linked and interconnected global network of researchers, allowing detailed international comparisons. The book enables a better understanding of societal values about entrepreneurship and the specific individual characteristics of persons, such as their perception of their own entrepreneurial capabilities, their ability to perceive business opportunities, their entrepreneurial intentions and their fear of failure. Because the survey monitored entrepreneurial activity in all phases of the life cycle (nascent, new and established businesses, business discontinuation), and according to the impact and type of activity, it delivers a comprehensive picture of entrepreneurship processes and their ecosystem. A substantial amount of attention is also devoted to entrepreneurial aspirations and the quality of the entrepreneurship ecosystem, since the latter may significantly foster (or constrain) entrepreneurial processes in a society.

Key words:

Global Entrepreneurship Monitor, entrepreneurship, economic development, entrepreneurship ecosystem

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GEM Slovenia 2016: Main findings

When we understand entrepreneurship as something dynamic, such as the discovery and creation of new products and services to satisfy customers' needs—rather than something static (e.g., a single act of establishing a company), we realize that entrepreneurship comprises a complex and closely interwoven operation of many factors. It also becomes obvious that creative entrepreneurial potential is one of the most valuable resources any country can have. This has become particularly apparent in the current, fast-changing period of the accelerated computerization and digitization of society and the economy, when it is necessary to intensively adapt to new conditions in business operations and to new—and until recently not expressed—needs of present and future buyers. The changes which companies and the society face cause the changes in the economic system and, consequently, lead to the strengthening of the role of entrepreneurial creativity, entrepreneurial spirit, and innovativeness.

Individuals, with their ambitions, creativity, and entrepreneurial spirit as well as their fears, reasons, and limitations which prevent them from embarking on the entrepreneurial path, are the primary driving force of entrepreneurship. One's limitations may be of personal nature or may appear in the form of factors present in the individual's immediate living environment, in the form of the prevailing social values, in the general attitude of the society towards entrepreneurship, etc. The research of entrepreneurship should take this into consideration, together with the fact that one's actions are always in a very close interaction with the environment and that this environment influences one's attitude towards the perception and the exploitation of business opportunities. Thus, when designing a successful entrepreneurship policy, it is crucial to understand a given social and economic context. Entrepreneurship policies should be created in a way that they are adapted to the context and to the economic development stage of an individual country; here, the experience of other countries may prove very informative.

As the largest longitudinal study of entrepreneurship in the world, which was first carried out in 1999 (in 2002 in Slovenia), the Global Entrepreneurship Monitor (GEM) addresses the interconnectedness of entrepreneurship and economic development. This monograph compares the results of the study of entrepreneurship in Slovenia with the results from other countries. The GEM methodology is the same all over the world, which allows for detailed international comparisons, especially because huge amounts of data from more than 100 economies participating in the survey over

several years have been accumulated and because this research is carried out within a closely linked and interconnected global network of researchers.

The GEM research enables a better understanding of societal values about entrepreneurship and the specific individual characteristics of persons, such as their perception of their own entrepreneurial capabilities, their ability to perceive business opportunities, their entrepreneurial intentions, and their fear of failure. Because the GEM survey monitors entrepreneurial activity in all phases of the lifecycle of entrepreneurial ventures (nascent, new and established businesses, business discontinuation), according to impact (high growth, innovation, internationalization) and by type (total early stage entrepreneurial activity, social entrepreneurship activity, employee entrepreneurship activity), we get a much more comprehensive picture of the entrepreneurship-related activities than if we only relied on the data provided by common statistical databases. In the GEM survey, a substantial amount of attention is also devoted to entrepreneurial aspirations and the quality of the entrepreneurship ecosystem as the latter may significantly foster (or constrain) entrepreneurial processes in a society.

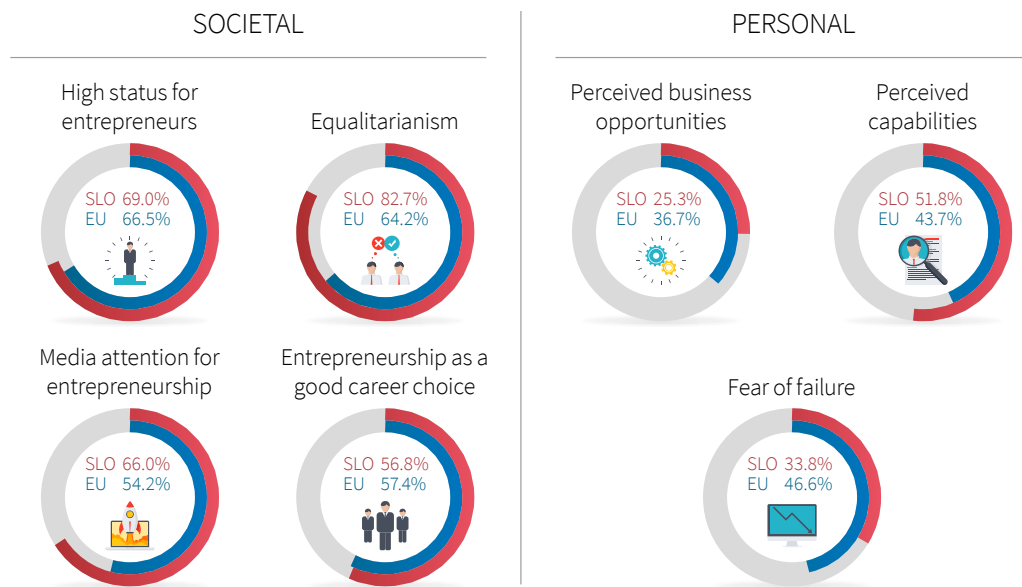
Societal values related to entrepreneurship and entrepreneurial capacity

Societal values related to entrepreneurship and the individual's entrepreneurial capacity and tendencies have an important influence on the individual's decision to become entrepreneurially active. In order to establish society's perceptions about entrepreneurship, we monitor the extent to which entrepreneurs are considered to have a high status in a particular society, the perception of entrepreneurship as a good career choice, the levels of positive media attention for entrepreneurship, and the aspect of (non)acceptance of income differences in the society. To determine how individuals express their entrepreneurial capacity, we study their perception of business opportunities, their assessment of their own entrepreneurial capabilities, their fear of failure, and whether they intend to start their own business in the near future.

Globally, more than two-thirds of the adult population believe that successful entrepreneurs are well regarded and enjoy a high status within society. Among the world's regions, Africa shows the most positive attitudes towards entrepreneurship because as much as 77% of the population believe that entrepreneurs are worth admiring. A similar trend has been observed in Europe as well. Successful entrepreneurs are also highly respected in Slovenia as almost 70% of the Slovenian adult population believe that successful entrepreneurs have a high status in the Slovenian society. In the group of European countries, this ranks Slovenia 12th, with Ireland being at the top with almost 85%. In 2016, successful entrepreneurs received the least respect in Croatia (45.6%).

From a regional perspective, Europe shows the lowest belief in entrepreneurship as a good career choice (59%). Regarding this indicator, Slovenia is ranked somewhere in the middle on both the global and European scales, with 56.8%. Although Slovenians hold successful entrepreneurs in high regard, their belief that entrepreneurship is a good career choice is much lower. Globally, two-thirds of the adult population in the efficiency-driven economies see entrepreneurship as a good career choice, whereas only around 60% of the population in the factor- and innovation-driven economies believe so. These results indicate that both the respect towards successful entrepreneurs and the perception of entrepreneurship as a good career choice remain similar levels from the year before. In Slovenia, the level of positive media attention for successful entrepreneurial stories is perceived to be higher than the year before. Because the results of the GEM survey show that positive societal values about entrepreneurship also mean more

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entrepreneurial activity among the population, the media can contribute to the improvement of entrepreneurial culture and a better societal attitude towards entrepreneurship by presenting entrepreneurship realistically and maintaining a positive attitude towards it.

One of the quite deeply rooted Slovenian social norms is the belief that most people in Slovenia would prefer that everyone had a similar standard of living. This characteristic of Slovenian society has been observed ever since Slovenia became a participant in the GEM survey. In 2016, Slovenia ranked first among the European countries surveying this indicator (the same was observed in 2015 as well)—that is, 83% of the Slovenian adult population hold this belief, followed by Portugal (77.7%) and Croatia (77.0%) whereas, on the other end of the scale, we find Georgia (42.8%) and Luxembourg (45.6%). Globally, only Thailand (84.0%) and the United Arab Emirates (85.6%) precede Slovenia.

The perception of business opportunities is one of the core components of entrepreneurship; without it, entrepreneurship is not possible. In 2013, a modest 16% of the Slovenian population believed that good business opportunities existed in the areas in which they lived; this percentage increased to 17.3% in 2014 and 20.5% in 2015. In 2016, this percentage increased slightly, too, as the average of 25.3% of people perceived good opportunities for starting a new business. Nevertheless, this percentage still ranks Slovenia at the bottom end of the global scale: 59th place among the 65 participating economies. At the top end of the opportunity perceptions scale, we find Saudi Arabia, where 81.5% of population believe that there will be good opportunities to start a new business in the near future, and Sweden, which is the highest-ranking European economy (78.5%). At the bottom of this ranking scale we find Greece (with less than 13%), Russia (17.9%), and Bulgaria (21.0%), followed by Croatia and Slovakia. Slovenia is ranked 22nd among the 27 European countries. However, it should be remembered that individuals in the economies who are at different stages of development have different perceptions about what good business opportunities are and what the capabilities required to create and manage these entrepreneurial opportunities are.

After two years of declines in entrepreneurial intentions, in 2016 Slovenia finally recorded an increased interest in entrepreneurial activity. The proportion of the adult population who intend to start a business in the next three years increased substantially to 14.3%. On average, the European countries are ranked relatively low on the global scale, and the top 22 places are taken by non-European countries, particularly African and Latin American ones. Here, Slovenia is ranked 49th among the 65 participating countries.

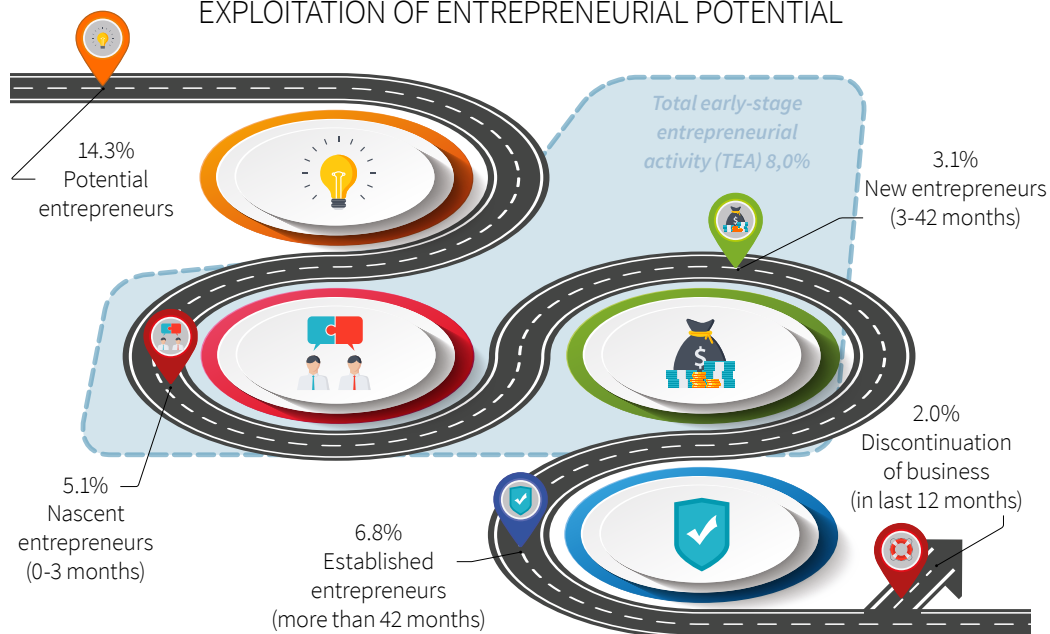
The perception of entrepreneurial capabilities and competences shows not only the knowledge and skills of individuals, but also their belief in having the capacities to establish a business. In Slovenia, self-perception about entrepreneurial capabilities was relatively high; on average, 51.8% of the adult population trusts in their entrepreneurial capabilities and competences, which ranks Slovenia high in 5th place among the European countries. Together with a relatively low percentage of those individuals whose fear of failure would inhibit them from pursuing entrepreneurial opportunities (35.7%), this should indicate a high degree of engagement in entrepreneurial activity. Unfortunately, this (self-perceived) entrepreneurial potential is not realized, especially in those areas and with such companies that would result in economic growth and new job creation. It may be that individuals assess their capabilities and capacities too high, but the enhancement of entrepreneurial potential is very important. Of course, this is not sufficient if the activities are not focused on new job creation or on the increase in added value. It is impossible to force creativity and entrepreneurial spirit on individuals; we may only motivate them with adequate economic and developmental policies to consider entrepreneurial career as a realistic option.

Entrepreneurial activity

The entrepreneurial process passes through different stages, starting with the perception of a business opportunity and ending with business discontinuation. It should not be taken for granted that individuals who perceive a business opportunity will also take advantage of this opportunity and become engaged in entrepreneurial activity. The GEM survey studies the entrepreneurial process in all of its phases. The first phase includes potential entrepreneurs (i.e., those individuals who believe that they have enough knowledge and entrepreneurial capacities to realize an entrepreneurial venture, who perceive business opportunities, and who take into account the risk and possible failure of their entrepreneurial activity). However, only a certain proportion of these potential entrepreneurs move to the next stage when they actually begin to seize business opportunities. These are nascent entrepreneurs—namely, those individuals who have actually taken steps to start a business or have already started a business (which is less than three months old). Only a proportion of these nascent entrepreneurs move beyond this initial stage to the second stage, becoming owner-managers of a new business, which refers to those individuals who have had their business for more than three months and have paid salaries and wages for more than three months but for less than 3.5 years. The entrepreneurs who are in business for more than 3.5 years are classified as owner-managers of an established business. Nascent entrepreneurs and owner-managers of a new business together present total early-stage entrepreneurial activity (TEA) as expressed with the TEA rate. This rate is one of the core indicators of the GEM, and it shows the percentage of the adult population aged 18–64 years who are entering entrepreneurship.

In 2016, the total early-stage entrepreneurial activity of the adult population in Slovenia recovered after a number of years of decline. The TEA rate, which measures early-stage entrepreneurial activity of the adult population who are involved in setting up a business or who already own a business (but for less than 3.5 years), dropped from 6.3% in 2014 to 5.9% in 2015 and increased to

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an optimistic 8% in 2016. In this way, Slovenia also improved its ranking in 2016, when it ranked 48th among the 65 GEM participating countries and 16th among the 27 European countries participating in the GEM survey. Concerning this indicator, Estonia was the highest-ranking country, with a 16.2% TEA rate, whereas Italy ranked lowest, with 4.4%. In 2015, Slovenia's TEA rate ranked it 53rd among the 60 GEM countries and 19th among the 24 European countries taking part in the GEM survey.

On the global level, the highest rates of total early-stage entrepreneurial activity are, as usual, reported by the economically least developed countries, particularly African and Latin American ones. In 2016, Burkina Faso (33.5%) and Ecuador (31.8%) had the highest TEA rates, followed by Belize (28.8%), Cameroon (27.6%), Colombia (27.4%), and Peru (25.1%). In these countries, necessity-driven entrepreneurship prevails and, due to the lack of available jobs, self-employment is the only option to survive and move out of poverty. In Europe, the highest rates of necessity-driven entrepreneurship in 2016 were observed in Georgia (4.4% of population), ranking it 12th, and—surprisingly—in Slovakia (3.8% of population), ranking it 15th on a global scale concerning necessity-driven entrepreneurship rates.

The increase of total early-stage entrepreneurial activity in Slovenia is primarily the result of the increase of nascent entrepreneurship (i.e., the initial stages of entrepreneurial process). Here, we talk about those individuals who have taken initial steps towards setting up their own business in the future or who have formally set up their business but not more than three months ago. This phase of entrepreneurial activity is a very sensitive one because many entrepreneurial initiatives stop before the business is officially set up and before it begins to operate on the market. Thus, it is of crucial importance for Slovenia to know how to support those individuals who decide for entrepreneurship to stay on this path develop their business which would have all objective possibilities for growth and new job creation.

The motives of individuals to become entrepreneurially active are numerous. Some people decide to become entrepreneurs because they have no other options for work; others pursue entrepreneurship because of a perceived good business opportunity or similar break. On average, factor-driven economies exhibit 3.5 times higher necessity-driven early-stage entrepreneurial activity than innovation-driven economies and 1.5 times higher necessity-driven early-stage entrepreneurial activity than efficiency-driven economies. For 2016, the analysis of necessity-driven early-stage entrepreneurial activity shows that Slovenia ranked 40th among all GEM participating countries, which is worse than in 2015, when it ranked 48th among the 60 GEM countries. Thus, the proportion of necessity-driven early-stage entrepreneurs increased in Slovenia in 2016 when compared with other countries worldwide. This negative trend in necessity-driven early-stage entrepreneurship is especially evident in the fact that Slovenia ranked much higher than other innovation-driven economies and the EU countries. The motivational index, calculated as the ratio between improvement-driven opportunity (IDO) entrepreneurs and those motivated by necessity, shows that innovation-driven economies have 3.9 times more IDO entrepreneurs than necessity-driven ones. In Slovenia, this ratio is somewhat lower (2.7 in 2016), which is, nonetheless, an improvement from 2015 when Slovenia had only 1.9 times more IDO entrepreneurs than necessity-driven ones.

The entrepreneurial process ends with the discontinuation of a business. Together with the establishment of businesses, business discontinuance contributes to the business dynamics of a certain environment. Business discontinuance is perceived rather broadly and includes not only business closure due to failure, but also other reasons why an entrepreneur has discontinued a business in the past 12 months, such as selling the business, passing the business on to the successors, and business restructuring. This does not necessarily mean the failure of a business, but it can actually be the end-goal of the entrepreneur. In Slovenia, personal reasons' (13.2%) were the second most frequent reason for the discontinuation of a business, followed by another job or business or opportunity (12.6%), bureaucracy as well as government and tax policy (12.6%), retirement (11.8%), and problems with finances (10.2%). Concerning retirement as the reason for business discontinuance, Slovenia differs substantially from other countries, and, for this reason, the GEM overall average in 2016 was 3.8%, whereas the EU average was 6.2%.

The analysis of entrepreneurial activity shows that the transition from being a potential entrepreneur (i.e., having the knowledge and skills for entrepreneurship, not being afraid of failure, and being able to perceive business opportunities) to having the actual intention to set up a business is a complex process. In other words, it is influenced by a number of factors from the values one acquires in his/her family, in the immediate environment, and during primary education to the attitude of the society towards success and failure and the very specific skills needed to set up and run a business. The analysis of the transition to each consecutive phase of entrepreneurial process for Slovenia shows a substantial loss of potential. Namely, as many as two-thirds of adult individuals in Slovenia have a positive attitude towards entrepreneurship, but only 14% of them exhibit future entrepreneurial intentions, and only 7% of the Slovenian adult population persists in this process to become owner-managers of established businesses. Obviously, the overall support for entrepreneurs is not efficient enough, and entrepreneurs need specific, tailor-made support at each individual phase of the entrepreneurial process.

Demographic characteristics of Slovenian entrepreneurship

Both globally and in Slovenia, the highest prevalence rate of total early-stage entrepreneurial activity (TEA) in 2016 was observed among 25- to 34-year-olds. The TEA rate for Slovenia was a bit higher than the EU average (34.6% and 29.8% respectively). Compared with a year before, the biggest change was observed with the youngest age group (18- to 24-year-olds), in which the proportion of nascent and new ventures increased substantially (from 5.5% in 2015 to 17.5% in 2016). After lagging behind all other observed groups of economies for a number of years, this situation changed in 2016 when Slovenia surpassed these economies substantially (for example, the GEM average was 15% and the EU average was 11.8%). However, one needs to be very careful when interpreting these results because the GEM data do not suffice for a detailed analysis of the factors which contributed to this trend. Higher levels of entrepreneurial engagement of these individuals may simply be the result of a relatively high youth unemployment rate in Slovenia. However, such self-employment may prove to be a very risky decision for this age group because these individuals practically have no experience in the labour market.

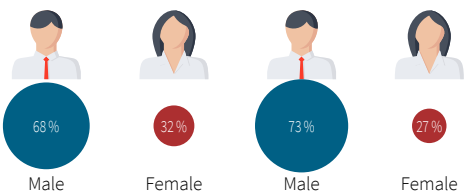
In 2016, a continuous decrease in early-stage entrepreneurial activity was observed in the 55- to 64-year-old age group (from 7.4% in 2015 to 5.5% in 2016). The changing age structure of the population, which will result in the proportion of the elderly almost doubling in the next 35 years, presents a challenge for government policymakers. Because people in this age group have a lot of experience, resources, and networks of connections, it would be wise to support them via relevant policies so that they would exploit these advantages as entrepreneurs. We also observed that the rate of owner-managers of established businesses (i.e., those who own a business for more than 3.5 years) in the 25- to 34-year-old age group dropped substantially and now lags considerably behind other observed groups of countries. The decrease in the rate of owner-managers of established businesses indicates that efficient government support policy is needed to scale up entrepreneurial activity. Thus, a mere increase of the rate of early-stage entrepreneurial activity is not sufficient; what is needed is the maintenance of sustainable forms of entrepreneurial engagement.

In 2016, Slovenia recorded an increase of female involvement in early-stage entrepreneurial activity (from 27.9% in 2015 to 31.8%). However, it still lags behind all other observed groups of countries. For that reason, we cannot speak about any substantial improvement of the involvement of women in early-stage entrepreneurial activity. For this indicator, Slovenia ranked 54th in the overall GEM sample and 22nd among the 27 European countries. The lowest percentages of women engaged in entrepreneurship were in Jordan (20.3%), Egypt (26.4%), and Macedonia (28.1%) whereas the highest percentages were observed in Indonesia (55.3%), Mexico (51.8%), and Brazil (50.8%). In the group of European countries, the highest percentages of female early-stage entrepreneurial activity were in Russia (45%) and Spain (44.5%). Slovenia also falls behind with regard to women as owner-managers of established businesses. This means that women still present an important entrepreneurial potential which has not yet been fully exploited, especially because a rather large percentage of women enter into entrepreneurship out of necessity. Although the female TEA in Slovenia was a bit higher in 2016 than the year before, the necessity-driven female entrepreneurship rate increased, too. In 2015, Slovenia recorded a female TEA necessity rate of 24.9%, whereas in 2016, this rate increased to 29.4%, which was above the European average and ranked Slovenia 17th on the scale of the observed countries whereas the lowest female TEA necessity rates were observed in Sweden (2.3%), Italy (5.9%), and Finland (6.9%).

ENTREPRENEURIAL DEMOGRAPHY

GENDER

Early-stage entrepreneurs Established entrepreneurs

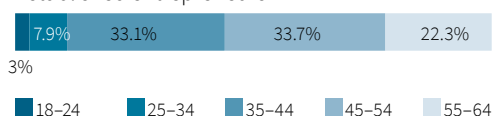


AGE

Early-stage entrepreneurs

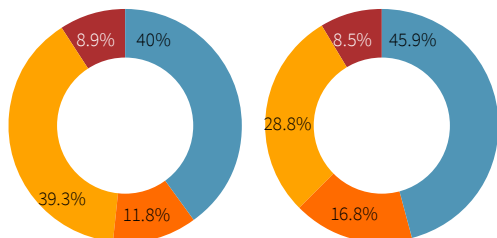


Established entrepreneurs



EDUCATION

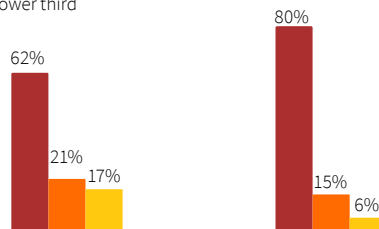
- Primary and vocational education
- Higher vocational education
- Secondary education
- Higher education and more



Early-stage entrepreneurs Established entrepreneurs

INCOME

- Upper third
- Middle third
- Lower third



Early-stage entrepreneurs Established entrepreneurs

The GEM survey data for the time period between 2009 and 2013 show that, overall, one-third of women and 49% of men in the European Union believe that they have the knowledge and skills to start a business. In other words, almost two-thirds of women believe that they do not have sufficient knowledge or skills to set up a business. This clearly highlights areas in which the introduction of relevant programmes and projects via the intervention policy may become necessary. In the EU countries, the percentage of women who believe that they have the knowledge and skills to start a business ranges from 20% in Luxembourg to 43% in Slovenia and Spain (the data refer to the observed four-year period).

Compared with previous years, we observed a substantial drop in the proportion of early-stage entrepreneurs with the attained level of education higher than secondary-school education (i.e., from 64.9% in 2015 to 47.5% in 2016). Within this group, the percentage of entrepreneurially active individuals with the highest attained level of education reached the 2014 level (39.3%). The percentage of nascent and new entrepreneurs with secondary-school education also increased in 2016. This means that many young individuals who have vocational education embark on an independent entrepreneurial path very early, but they are exposed to many risks related to potential failure because they most often lack the business knowledge needed for the long-term survival of the business. Therefore, it is important that young individuals who become engaged in entrepreneurial activity without adequate experience, especially without relevant entrepreneurship education, receive support via different programmes of lifelong learning and mentoring. Otherwise, we will be trapped in a situation when we have relatively high rates of early-stage entrepreneurial activity but also a very high death rate of entrepreneurial endeavours.

The available financial resources are one of the more significant factors for the successful establishment of one's own business. The information about households' income level is thus important because it indicates the quality and potential of early-stage entrepreneurial activity in the observed national economy. In 2016, the largest percentage of both early-stage entrepreneurs and owner-managers of established businesses in Slovenia belonged to the highest third household income group (i.e., 62.1% of early-stage entrepreneurs and as many as 79.6% of owner-managers of established businesses). The substantial growth is especially evident with the latter group of entrepreneurs in comparison with data from 2015, when their percentage was 59.6%. Consequently, the percentage of entrepreneurs belonging to the middle and lowest third household income group dropped.

Entrepreneurial aspirations

A start-up of a new business is the fundamental phase of the entrepreneurial process; however, it does not have sufficient value for the development of the economy if the business does not grow and develop. That is, the key goals of any economy are the provision of jobs and the creation of added value. Yet many newly established businesses discontinue their operations or do not employ and grow. Although growing businesses are in the minority in the total number of companies, they by far represent the biggest source of new jobs. Thus, the potential for the creation of a large number of new jobs and a high added value, which both point to the quality of entrepreneurial activity, greatly depends on the entrepreneur's aspirations and how innovative the firm is when faced with entrepreneurial challenges. Despite existing explicit data which point to the significance of innovative growing businesses, these businesses still do not receive adequate attention by government policies because entrepreneurship—particularly very ambitious efforts—is still not clearly and properly understood in society. The GEM survey measures growth aspirations of early-stage entrepreneurs in terms of their expected job creation, internationalization, and the level of innovativeness of their products or services.

Entrepreneurs who exhibit high-growth aspirations are those entrepreneurs who expect to have more than 10 employees in the next five years and, at the same time, are projected to generate at least a 50% growth in the number of employees in the same time period. In Slovenia, the proportion of high-growth early-stage entrepreneurs was 18% in 2016, which ranks Slovenia in the top half of all GEM countries. Of course, this is the entrepreneurs' subjective assessment, which may be based on either their professional assessments regarding the growth potential of their business or their growth aspirations only, which do not have any firm foundations in their business itself. Unfortunately, many growth aspirations are not actually realized in practice. However, it is important that entrepreneurs have growth aspirations because it is a fact that business growth occurs very rarely if the entrepreneur does not have such ambitions. The countries with the highest proportion of high-growth entrepreneurs are Qatar (43%), Turkey (40%), Ireland (31%), and the USA (30%). The lowest percentages of entrepreneurs with very high growth aspirations are observed in Jamaica (1%), Indonesia (1%), Malaysia (2%), Saudi Arabia (3%), Brazil (3%), and Panama (3%).

The GEM survey assesses the innovation levels of early-stage entrepreneurship by establishing whether (potential) customers already know a product or a service similar to the one offered by a nascent or new business. We are also interested in the entrepreneurs' assessment regarding the existence of other businesses on the market offering the same products or services and the entrepreneurs' assessment concerning the novelty of the technology used in their business. When researching innovative orientation of early-stage entrepreneurship, some research limitations have to be taken into consideration. On the one hand, we deal with the entrepreneur's subjective

assessment; on the other hand, the entrepreneur's assessment may be biased due to the phase of the economic development of the country in which he/she operates. In other words, one product or service may be defined as highly innovative in a factor-driven economy but not in an innovation-driven economy, where similar or even more innovative products or services already exist.

In Slovenia, as many as 44% of nascent entrepreneurs believe that they have a product or service which is new for some or even for all of their potential customers. In terms of this indicator, other EU countries also rank high: The highest-ranking countries are Italy and Luxembourg with 68% whereas the lowest ranking countries are Croatia (28%) and Bulgaria (30%).

Slovenia also ranks very high concerning the focus on new market niches: 53% of early-stage entrepreneurs in Slovenia believe that their products or services are new on the market because there are few or no other competitive businesses on the market. The highest degrees of novelty of their product or service are expressed by Irish (67%), Swedish (57%), Croatian (56%), and Luxembourg (54%) early-stage entrepreneurs. Similar results to Slovenian entrepreneurs were also observed for British, Estonian, and French entrepreneurs, while much lower results were observed for Bulgarian (32%), Italian (35%), and Polish (35%) ones.

The use of new technologies can greatly contribute to the success of business operations of individual firms and the society as a whole. In Slovenia, the percentage of nascent and new entrepreneurs who believe that they use relatively new technologies (i.e., technologies available for fewer than five years) was 45% in 2016, which is a substantially higher percentage than in previous years (27% in 2015, 15% in 2014, 15% in 2013, and 25% in 2012). For this indicator, Croatia (61%), Bulgaria (57%), Slovakia (51%), and Italy (49%) reported higher scores than Slovenia. It should be noted that the answers provided by entrepreneurs are subjective and very likely reflect the environment in which these entrepreneurs operate. It is clear that new entrepreneurs in Croatia or in Bulgaria perceive the use of new technologies more loosely than their Finnish (21%) or German (23%) counterparts, who carry out their business operations in substantially more economically developed economies and in more innovative and technologically stronger environments.

The internationalization of business operations is also an important growth-contributing aspect of entrepreneurship. Here, entrepreneurs must proactively find and exploit the opportunities on foreign markets. The GEM classifies entrepreneurs as ambitious if they indicate that at least 25% of their customers come from other countries. In 2016, 29% of nascent and new entrepreneurs in Slovenia were classified as such (compared to 34% the year before). Slovenia has traditionally exhibited a relatively high level of international orientation, which points to the fact that Slovenian entrepreneurs are well aware of the importance of international markets. This is supported by the data published by the European Commission which show that Slovenian SMEs are very actively engaged in export activities because 52% of them stated that they had exported at least some of their products or services to other EU countries in the last three years.

Financing of entrepreneurial ventures

Apart from the articulation of a business opportunity and the organisation of the entrepreneurial team, a key task of the entrepreneur is to secure the necessary resources, with financial resources being the more important ones. The amount of necessary financial resources for a nascent or new venture varies substantially across different geographic regions and countries. In Slovenia, the median is EUR 10,000, whereas in innovation-driven economies, this median is twice this amount and in EU countries, it is about EUR 15,000. The survey also found that in most GEM participating countries women, on average, expressed the need for lower amounts of funding than men,

highlighting the fact that in developed economies women also more often set up businesses that are less financially demanding and predominantly in the services industry.

Entrepreneurs use different sources of finances and different combinations of these sources to finance the start-up of their ventures. The entrepreneur's personal funds are one of the most frequent primary sources of financing nascent and new ventures. This usually entails using one's own savings, working at home, seeking free-of-charge advice, and the like. The reason for the use of personal funds may be one's personal choice, but quite often entrepreneurs are forced to do this because they do not have access to any other external sources of finance. The percentage of nascent and new entrepreneurs who use their own funds to finance a new venture does not differ much across the European countries, ranging from 60% in Sweden (the lowest percentage) to 82% in the United Kingdom, which is ranked first among the European countries. In Slovenia, this percentage is 73%. The percentage of early-stage entrepreneurs who use personal funds to start up their business is approximately the same in all GEM countries and in the group of innovation-driven economies (between 70% and 72%). The percentage of Slovenian nascent and new entrepreneurs who finance their businesses with bank loans is much lower than the percentage in other GEM participating countries (20% in Slovenia; almost 40% in all studied groups of countries). Similar results were observed with government grants used as a source of new venture funding (15% in Slovenia; the average in all studied groups of countries is substantially higher, especially in the EU—namely, more than 25%).

The funds needed to start up a business differ per age groups as well. In the innovation-driven economies, the highest average value of these funds (measured as the value of the median) was stated by entrepreneurs in the 35- to 44-year-old age group, followed by entrepreneurs in the 45- to 54-year-old age group and 55- to 64-year-old age group. Contrary to that, the highest average value of the needed funds (the median value) in the European countries was stated by entrepreneurs in the 55- to 64-year-old age group. However, this average value (the median value) is lower than the reported average value in the same age group in the innovation-driven economies. A similar situation was observed in Slovenia, where entrepreneurs younger than 35 years old perceive a lesser need for financial resources than those entrepreneurs older than 35 years old. Considering that entrepreneurial ventures in Slovenia are mostly funded by individuals' own funds, the younger generations are more vulnerable because they have fewer savings or personal property and other assets to serve as collateral to help them secure bank loans and other financial resources.

The entrepreneurship ecosystem

Entrepreneurial activity in Slovenia is strongly influenced by the entrepreneurship ecosystem which contributes to the introduction and functioning of innovation systems, knowledge economy, and competitiveness. We assessed the entrepreneurship ecosystem in Slovenia by gathering opinions from selected national experts (i.e., entrepreneurs and other professionals in economics, politics, state administration, and academics) with the knowledge of and professional experience in different fields affecting the development of entrepreneurship in this country. The experts were asked to assess the Slovenian entrepreneurship ecosystem based on nine entrepreneurial framework condition (EFC) categories: entrepreneurial finance, government policies, government entrepreneurship programmes, entrepreneurship education and training, R&D transfer, access to commercial and legal infrastructure, internal market dynamics and burdens or entry regulations, access to physical infrastructure, and cultural and social norms. In 2016, most of these entrepreneurial framework conditions were still rated below the EU average, with the exception of internal market dynamics and the access to physical infrastructure as well as (to a lesser degree) government support policies.

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The quality of entrepreneurial education and training at the school stage received the lowest rates by the Slovenian experts (weighted average 2.71 on the 1 to 9 scale); this EFC received the lowest average rating in the group of innovation-driven economies and EU member states as well. Thus, entrepreneurship education remains one of the key areas demanding immediate action in order to develop a supportive entrepreneurship culture. In this respect, Slovenia still lags far behind the EU average. Because the creation of an entrepreneurship-friendly culture requires trained individuals and a shift from the existing mindset and values to more entrepreneurship-oriented ones, it is crucial to invest in formal and informal education in this field. Here, the experts suggest a systematic introduction of entrepreneurship-related content and the development of the entrepreneurial mindset at all levels of education, the inclusion of practical knowledge as well as the inclusion of new, sustainable business models in the syllabuses. The co-creation of entrepreneurship-friendly culture is, in experts' opinions, also possible through intensive awareness-raising and the spreading of positive entrepreneurship stories via the media and through entrepreneurship-related events and informal meetings, which are frequent in Slovenia.

Entrepreneurial intentions and entrepreneurial activity could also be significantly enhanced by easing access to entrepreneurial finance. This EFC received the average rating of 3.94 in 2016, which

is below the average rating for this EFC in both innovation- and efficiency-driven economies. The average rating in 2016 was also lower than that in 2015. Despite the substantial engagement of the government in recent years, the access to entrepreneurial finance remains a huge challenge for SMEs in Slovenia, mainly in terms of making connections with private investors (business angels, business accelerators, venture capitalists, strategic partners, etc.).

Government policies and regulations play a key role in creating a more favourable entrepreneurial environment. National experts agree that Slovenian policymakers are inclined towards boosting entrepreneurial activity at the national level and even more at the local level; however, they also believe that this interest is not sufficiently implemented in practice and also not in all areas. In 2016, the majority of experts' recommendations for the improvements of government policies (72.2% of all statements) related to the profound tax reform as well as the removal of administrative obstacles and the simplification of bureaucracy, both of which are a hindrance for SMEs and have a constraining effect on entrepreneurial intentions. Although the average rating for government policies was 4.3, which is less than the 2015 rating of 4.5, the experts identified this EFC as the one which can bring the biggest advantages for the enhancement of the entrepreneurial activity in Slovenia (38.9% of all statements).

The formation of efficient and development-oriented entrepreneurial ecosystem thus remains an important task, and all relevant stakeholders should contribute to its efficient functioning. These stakeholders include the government and government agencies, education institutions, support organisations, and local stakeholders such as existing companies and established business owners who can assist nascent and new entrepreneurs carry out their business operations successfully and grow their firms through their business cooperation and mentorship. Consequently, this year's GEM report also includes cases of good practice of different entrepreneurship ecosystems around the world, thereby highlighting the numerous possibilities of setting up and implementing individual constituent elements of entrepreneurship systems.



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