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A Variety of Entrepreneurial Motives

GEM Slovenia 2019

Executive Summary

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University of Maribor Press



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Faculty of Economics and Business

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A Variety of Entrepreneurial Motives

GEM Slovenia 2019

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Abstract:

In the world's largest longitudinal survey, the Global Entrepreneurship Monitor (GEM), we have been exploring important features of entrepreneurship for 21 years, with particular emphasis on the earliest stages when business opportunities are perceived and individuals decide whether to engage in entrepreneurship. GEM was designed to (1) measure differences in attitudes towards entrepreneurship, activities and aspirations of individuals in as many countries as possible, (2) identify factors that encourage or hinder entrepreneurial activity, especially in relation to societal values, personal characteristics and the entrepreneurial ecosystem, (3) provide a platform for assessing the impact of entrepreneurial activity on economic growth in a given economy, and (4) identify the necessary policy measures to strengthen entrepreneurship. With the help of this research, we better understand society's attitude towards entrepreneurship and characteristics of the individual, such as perception of one's own abilities for entrepreneurial activity, ability to perceive opportunities, entrepreneurial intentions, and fear of failure. As GEM monitors entrepreneurial activity throughout the phases of the life cycle (nascent, new businesses and established businesses, discontinuation), according to impact (high growth, innovation, internationalization) and by type (early-stage entrepreneurship activity, employee entrepreneurship activity), the picture is much richer than the one that is based only on data gathered from ordinary statistical databases.

Keywords:

Global Entrepreneurship Monitor, entrepreneurship, early-stage entrepreneurial activity, economic development, entrepreneurship ecosystem

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Executive summary

Overview of Global Entrepreneurship Monitor

By far the largest longitudinal research of entrepreneurship – Global Entrepreneurship Monitor (GEM) – has been researching entrepreneurship based on a uniform methodology for the past 21 years. In 1999, when the first research was implemented, only 10 countries participated in the survey. Until today, this research has been carried out in more than 100 countries. Slovenia joined GEM in 2001 and conducted its first GEM methodology-based research in the following year. Then, this research enabled a comparison of the state of entrepreneurship in 37 countries. The global presence of the GEM research programme and the transparent sharing of data among the participating researchers provide a much more comprehensive view on entrepreneurship than one would obtain if research were done within an individual national framework only. The worldwide sharing of data provides a much better reasoned and in-depth insight into the state and the development of entrepreneurship in a given economy. This helps entrepreneurial policymakers better understand and form better foundations for preparing efficient measures and programmes to support the type of entrepreneurship which best contributes to the economy's development and which, at the same time, helps follow the efficiency of the adopted measures.

However, GEM's value does not lie only in its database and its annual global reports featuring the analyses of research results. Its value lies also in other publications which have emerged based on the GEM results and methodology. These special-topic reports present in-depth analyses of, for example, women's entrepreneurship, education and training for entrepreneurship, high-growth entrepreneurship, entrepreneurial employee activity, youth and senior entrepreneurship and national policy briefs. Currently, reports on gig entrepreneurship and sharing economy as well as on family-based entrepreneurship are being prepared. All GEM publications are available from the GEM website. Number-wise, GEM stands for 21 years of data collection. Cumulatively, more than 3 million extended interviews (with more than 150,000 individuals taking part each year) have been conducted over the past two decades; over 500 researchers in entrepreneurship and

over 300 academic and research institutions have participated in the surveys and more than 200 institutions have funded annual researches. Over these years, this vast research potential has resulted not only in extensive in-depth annual and special-topic reports but also in more than 700 peer-reviewed scientific papers or monograph chapters based on GEM data.

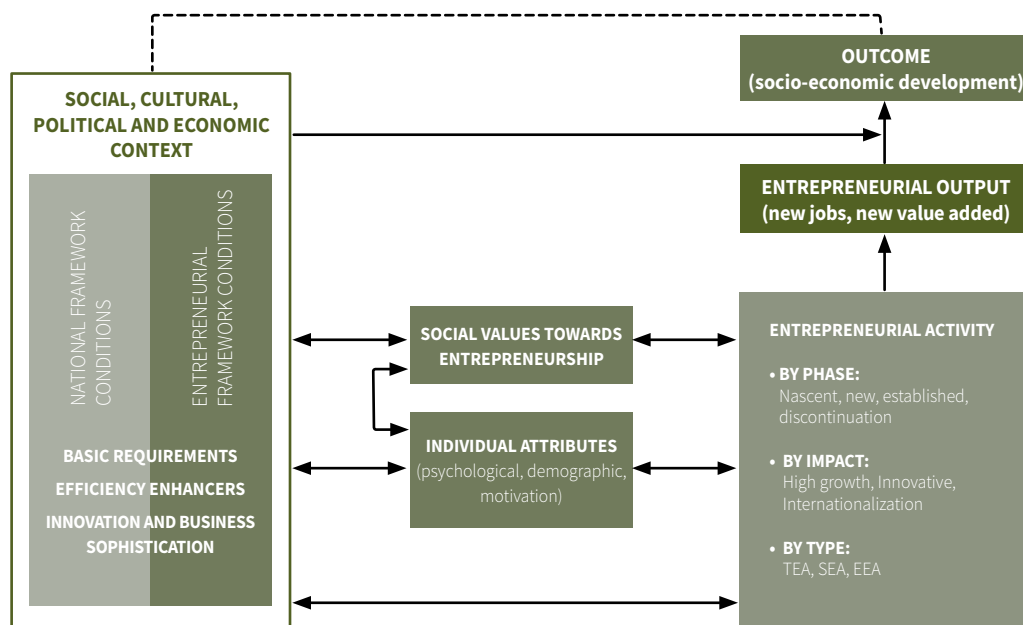
The 2019 research cycle comprises adult population surveys in 50 economies. Based on the annual World Economic Forum's and World Bank's classifications, the participating economies were categorised into three income level groups according to their GDP per capita, i.e. into the low-income, the middle-income or the high-income group. The development of entrepreneurial environment in a given economy is greatly impacted by the development level in that economy. This, in turn, impacts the whole entrepreneurial process from the business conception stage to business discontinuance as well as the possibilities and resources available for entrepreneurial policy implementation. The fact is that countries differ among themselves not only in terms of their economic strength, but also culturally, politically, demographically, etc. That is why there can never be a uniform way to foster entrepreneurship.

In the low-income economies, entrepreneurship is mainly focused on the utilization of basic production factors such as land and primary goods. Also, the nature of business opportunities is simpler than in high-income economies; however, this does not mean that it is easier to seize them. Namely, the underdevelopment of business environment and the lack of adequate infrastructure (electricity, transportation, the Internet, etc.) make the path from an idea to a successful business more difficult. The motivations for entrepreneurship also differ across economies. In poor countries, there are high rates of self-employment, which is often the only option for a decent life due to job scarcity. Also, this entrepreneurship is less ambitious and has low job creation potential. Based on its economic strength, Slovenia is grouped among the high-income economies. It has a well-developed infrastructure and rather well developed business environment. It has to be stressed, however, that this assessment of the level of infrastructure and business environment development depends on which economy and which segments of entrepreneurship context the comparisons are based. It is precisely these national differences that make the GEM research so valuable as it gives a reliable database for comparisons among the economies and, at the same time, offers a foundation for solid evidence based policy making.

In its essence, entrepreneurship is a process in which individuals or entrepreneurial teams seek or create business opportunities and turn them into products or services with market or social value. This is done in close interaction with their specific cultural, social and economic environment. GEM's conceptual framework takes into account the fact that national economic growth and development are the consequence of both individuals' capabilities to identify and seize business opportunities (either on their own or within an existing business) and socio-economic environment which influences the individual's attitude towards recognizing and seizing these business opportunities. For this very reason, GEM research puts great emphasis on entrepreneurs and their ambitions, innovativeness and entrepreneurial mind-set as well as on their fears, reasons and limitations which prevent them from the entrepreneurial path.

GEM was established in order to measure the differences in the attitudes towards entrepreneurship and individuals' activities and aspirations in as many countries as possible as well as to uncover the factors which either encourage or hinder entrepreneurial activity, the latter being mainly in relation to societal values about entrepreneurship, individual attributes and entrepreneurial framework conditions. By doing so, GEM provides a platform for assessing the impact of entrepreneurial activity on the economic growth in a given economy and for uncovering the necessary policy measures for the strengthening of entrepreneurship.

Figure 1: The GEM conceptual framework

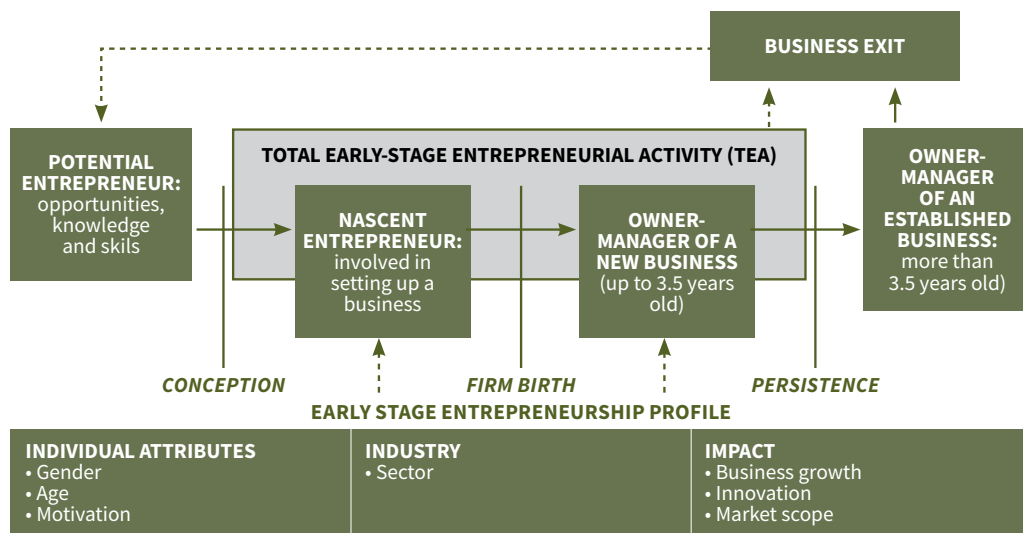


Since there are numerous differences among the countries and environments worldwide, a global-scale researches have its limitations. That is, due to these differences, it is impossible to use national statistical data and company register data, which can be used in other research of entrepreneurship. The key difference between GEM and other quantitative research of entrepreneurship lies in the fact that GEM's primary focus is on people. Namely, GEM surveys analyse individuals and assess their attitudes towards and perceptions of entrepreneurship as well as their involvement in establishing and / or ownership and management of businesses. All this constructs most valuable entrepreneurial profiles of individual economies. The GEM research approach also enables the acquisition of information about the informal economy or a plethora of economic activities, businesses and jobs which are not government-regulated or protected.

Over the years, relevant measures have been developed to capture and monitor these factors and key elements of entrepreneurial process. They are based on the GEM conceptual framework and are grouped according to key elements of entrepreneurship process as follows: the state of the entrepreneurial ecosystem, social values and perceptions of entrepreneurship, individual attributes of potential entrepreneurs, individual phases of entrepreneurial activity and entrepreneurial aspirations.

Social, cultural, political and economic context takes into account the level of national economy's development and the development of key entrepreneurial framework conditions. This context is assessed via the national expert survey (NES), i.e. expert opinions provided by carefully selected individuals with good insight into different segments of entrepreneurial process. Social values and the perception of entrepreneurship are uncovered with the adult population survey. Here, individuals respond to a set of questions which include their opinions about whether entrepreneurship is a good career choice, whether they think that

Figure 2: Entrepreneurial process



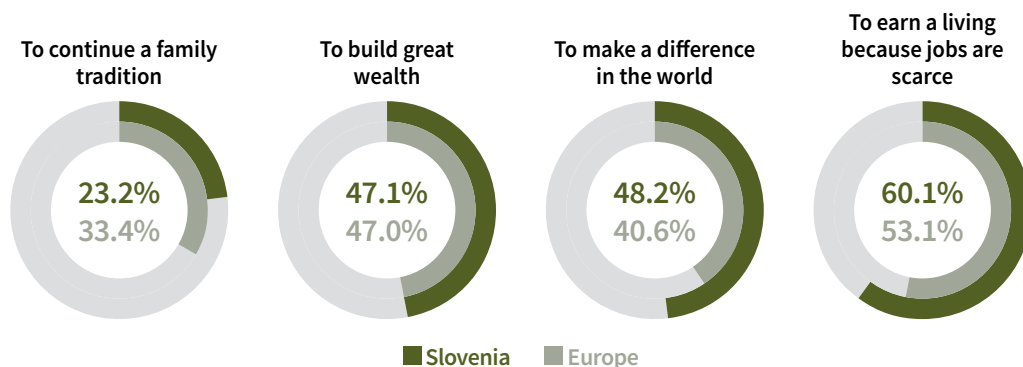
successful entrepreneurs are conferred high status, and their opinions regarding the extent to which entrepreneurship receives media attention, thus contributing to the development of entrepreneurial culture. The answers to the questions in these surveys help us make better conclusions about the importance of individual factors which may impact one's decision to become entrepreneurially active or not. At the same time, they help us consider the possibilities that this individual will actually realize his or her entrepreneurial intentions. Individual attributes of entrepreneurs and individuals impact entrepreneurial process significantly, which is particularly the case in its earliest stages. These characteristics are studied via demographic and psychological attributes and motivation aspects. The adult population survey (APS) also gives us information about the phases of business development. All of this combined forms the basis for one of the key GEM indicators – total early-stage entrepreneurial activity (TEA).

Entrepreneurial capability of adult population and attitudes towards entrepreneurship in society

Individuals form perceptions of their own entrepreneurial capability based on the environment in which they live. These perceptions comprise their ability to see business opportunities, if and to what extent the individuals see themselves as potential entrepreneurs, if they have the knowledge, skills and experience to start a new business and if the fear of failure would prevent them from starting a business.

In Slovenia, 47.59% of adult population see good business opportunities in their area. This trend has been steadily increasing, which is a very positive sign. That is, from 20.5% in 2015, 25.3% in 2016, 34.60% in 2017 and 42.17% in 2018, we now approach almost 50%. The 2019 result ranks Slovenia 21st among the European GEM-participating economies, which is in the middle of the scale and just slightly below the European average of 50.17%.

Figure 3: Entrepreneurial capacity



GEM Slovenija 2019, APS

The perceptions of people about how easy (or difficult) it is to start a business reflect their perceptions of the environment as being either enabling or constraining to entrepreneurial activity. Today, 54.33% of adults in Slovenia believe that it is easy to start a business, which is slightly more than the European average of 53.59% and which is substantially more than in 2018, when this rate was 39.2%. In 2019, higher rates were recorded in Poland (90.18%), Norway (87.4%), the Netherlands (84.06%) and the United Kingdom (82.36%), whereas the lowest ones were in Slovakia (25.17%), the Russian Federation (31.42%), Latvia (31.82%) and Croatia (33.76%).

The individuals' perception of business opportunities is also connected to their belief in having the required knowledge or skills and experience for entrepreneurship. In 36 out of the 50 GEM 2019 participating economies, more than half of adults believe to have knowledge, skills and experience to start a new business. Confidence in the ability to start a business is lowest in Japan and some parts of Europe (i.e. Norway and the Russian Federation), and highest in India, Saudi Arabia, Ecuador and Guatemala. (Bosma et al., 2020). Concerning the European context, Slovenia has traditionally ranked high with respect to the percentage of adults who believe to have these competences. In 2019, this percentage was 57.46%, which is even better than in 2018 (51%) and which is above the 2019 European average of 50.61%. The highest ranking European economies in this respect were Croatia, Portugal and North Macedonia – in all three countries, more than 60% of adults believe to have the above entrepreneurial capabilities.

Fear of failure can deter one's entrepreneurial intentions and one's decision to pursue a business opportunity or enter entrepreneurship. The survey shows that fear of failure rates are rather low in most GEM-participating economies. That is, less than half of those who perceive good business opportunities would be deterred by fear of failure. However, there are economies where this fear is present to a great extent. For example, more than three quarters of adults in Chile believe to have the knowledge, skills and experience to start a business but, at the same time, about six out of ten of those who see good business opportunities state that their fear of failure would deter them from entrepreneurship.

Although many entrepreneurial intentions never become realized, there is a positive correlation between these intentions and people's later entrepreneurial activity within a new or existing business. The GEM survey measures this by asking individuals whether they intend to start a business in the next three years. In Slovenia, entrepreneurial intentions have remained

relatively constant in the past few years. In 2019, they stood at 16.6% of adult population, which ranks Slovenia 6th in Europe with Latvia (23.2%), Cyprus (21.2%) and Croatia (20.6%) leading the scale. At the other end of the scale, we find Italy (5.4%), Norway (5.7%) and Poland (6%). There is a wide gap between entrepreneurial intention and entrepreneurial action as only 4.4% of adult population became nascent entrepreneurs. This result signals that more attention should be devoted to fostering entrepreneurship and, simultaneously, to easing the conditions for entrepreneurship. In this way, little entrepreneurial potential will be lost, which will become particularly significant if economic situation worsens.

Confidence and self-belief in one's ability are important elements of entrepreneurship. In 36 out of 50 GEM-participating economies, more than half of adults believe that they have the skills, knowledge and experience to establish their own business. In Slovenia, this self-belief in one's entrepreneurial capabilities is also relatively high (57.46%), which is just above the European average. Although Slovenian fear of failure rate is at the European average, there are still about 40% of those who perceive business opportunities but agree that they would be deterred from entrepreneurship by their fear of failure.

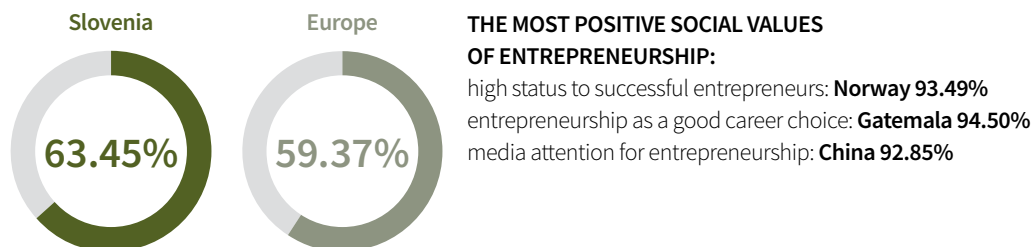
In this research cycle, new questions were added in order to shed additional light on the perceptions of entrepreneurial opportunities and intentions to act on them. In Slovenia, 44% of adult population agree that they only rarely see business opportunities although these may occur in the area they are knowledgeable in. At the same time, slightly more than 60% of them agree that even when they spot a profitable opportunity, they rarely act on it. The countries with the lowest rates of those adults who spot a business opportunity but do not act on it are Italy (24.95%), the Netherlands (28.46%), Sweden (30.55%), Norway (36.02%) and Ireland (36.72%). However, it should be stated that, for example, in Norway, there is a high percentage (more than 70%) of individuals who try to seize the business opportunity they see. The European countries in which people would rarely act on good business opportunities even when they see them are Ireland (25.51%), Italy (27.88%), Cyprus (33.22%) and Switzerland (39.38%).

Although entrepreneurial activity manifests itself in different forms and varies substantially among individual economies, national economic policy recognition of its contribution to economic growth is visible worldwide. This happens in economies which organize their institutions in such a way that entrepreneurial activity which adds to social welfare of individual groups or the society as a whole is recognized and rewarded. This, in turn, contributes to the formation of societal norms regarding entrepreneurship and affects the development of entrepreneurial potential in the society. That is why the adult population survey also includes questions on people's perceptions regarding the respect and the desirability of entrepreneurial career in the society as well as their perceptions of media support for entrepreneurship.

In 2018 and 2019, on average almost 70% of adults in all high-income economies, including Slovenia, agreed that successful entrepreneurs are accepted and held in high regard by the society. At the same time, about 10% less people agreed that entrepreneurship is a good or desired career choice. In the bottom ten group of economies in which adults believe that entrepreneurial career is respected we find as many as seven European countries. However, this group does not include Slovenia, where more than 84% of adult population believe that entrepreneurship is worthy of respect, which ranks Slovenia just below the top of the European scale, right behind the 1st ranking Norway (93.5%) and before the 3rd ranking Luxembourg (81.4%). The survey has once again confirmed that Slovenians respect entrepreneurs with successful careers. Unfortunately, this still does not have a sufficient impact on the adult population to choose entrepreneurship as their desired career path.

Figure 4: Perception of the social values of entrepreneurship (in GEM European countries)

Perception of entrepreneurship as a good career choice



GEM Slovenija 2019, APS

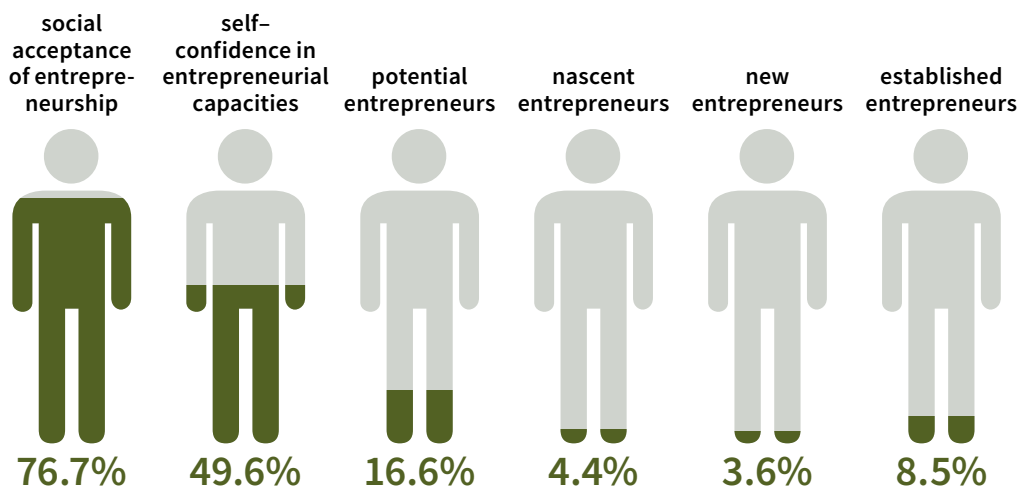
Media support for entrepreneurship in Slovenia increased again in 2019. While in 2018, 77.19% of adult population agreed that they can often see stories in the public media about successful new businesses, this percentage increased to 82.51% in 2019, which ranked Slovenia at the very top of the European GEM-participating economies concerning this indicator once more. Slovenia is followed by Norway (79.32%), the Netherlands (75.37%), Portugal (72.86%) and Sweden (71.16%). At the other end of the media attention for entrepreneurship scale, we find Ireland (20.32%), Poland (36.73%), Italy (36.91%) and Greece (48.05%). Media support is, namely, one of the more important support mechanisms for changing cultural and social norms regarding entrepreneurship as it can add to a better understanding of what entrepreneurship is and to a more positive acceptance of entrepreneurship.

Entrepreneurial activity of adult population

In recent years, Slovenia has seen a steep increase in the societal acceptance of entrepreneurship. To illustrate, positive attitude towards entrepreneurship was exhibited in 2019 by as many as 76.7% of Slovenian adult population, whereas merely 63.9% of working-age adult population had this positive attitude in 2016. The individuals' belief in their entrepreneurial capabilities has also been rising. There is an increasing number of adults who believe they have the necessary skills, knowledge and experience for entrepreneurship, who perceive business opportunities in their environment and whose fear of failure would not deter them from entrepreneurship. In 2019, 49.6% of adults believed in their entrepreneurial capabilities, whereas in 2016 this percentage was only 37.6%. Although there was an increase in individuals' self-confidence in their entrepreneurial capabilities and an increased societal acceptance of entrepreneurship in 2019 compared to the year before, the later phases of entrepreneurial activity unfortunately do not show the same improvement.

Slovenia witnessed an increase of early-stage entrepreneurial activity in 2019 (7.8%) compared with the year before (6.4%). However, the same increase was reported in other economies, too. The highest increase was seen in the nascent entrepreneurship rate (4.4% in 2019, 2.8% in 2018) while the new business ownership rate remained stable (3.6%). This shows that Slovenia still lags behind comparable groups of economies (i.e. high-income economies, European economies, all GEM-participating economies) in this respect.

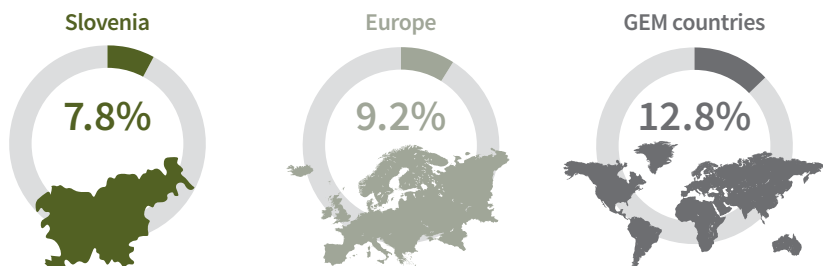
Figure 5: Entrepreneurial pipeline



GEM Slovenija 2019, APS

The entry stage into entrepreneurial activity is measured by the rate of nascent entrepreneurs, i.e. the individuals who are at present involved in setting up a business but this business has not yet paid salaries for more than three months. Together with owner-managers of a new business, i.e. individuals who own and manage a running business that has paid salaries for more than three months, but not for more than 42 months, they comprise the TEA index, which is the core measure of total early-stage entrepreneurial activity in GEM research. In Europe, Italy has traditionally been exhibiting low TEA rates (with 2.8% in 2019 and 4.2% in 2018), followed by Poland (5.4%) and Belarus (5.8%). The highest TEA rates in Europe are reported by Latvia (15.4%), Slovakia (13.3%) and Portugal (12.9%). Although TEA index increased in Slovenia from 6.37% in 2018 to 7.8% in 2019, our country still occupies 15th place among the 21 European GEM-participating economies. Moreover, in spite of the increase of early-stage entrepreneurial activity in Slovenia, we still do not even reach the European average of 9.2%.

Figure 6: Total early-stage entrepreneurial activity



GEM Slovenija 2019, APS

The motives for becoming an entrepreneur are various and may be based on the wish for making a difference, on the aim for seeking higher income and wealth or on the desire for independence and autonomy. They may also be based on the goal to continue a family tradition or may merely

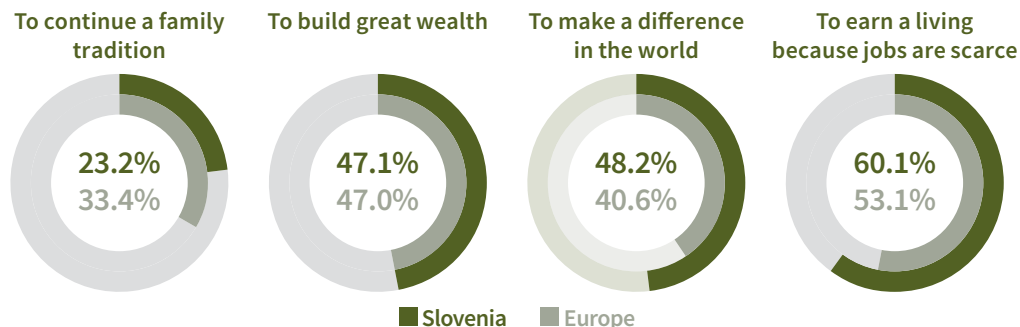
result from the lack of alternative job options. These reasons depict general socio-economic conditions in which individuals operate. However, they mainly depict the expectations and desires of those who decide for entrepreneurship as their career in terms of desired revenue, the scope of their customer base, international business orientation, and the novelty of their business's products, services and the technology used. In 2019, these motives were grouped in GEM research into four categories: to make a difference in the world, to build great wealth or very high income, to continue a family tradition, and to earn a living because jobs are scarce.

The motive to make a difference in the world varies considerably among the participating economies. For example, in Madagascar and in the Republic of Korea, less than one in ten entrepreneurs are driven by this motive; on the other hand, more than seven out of ten entrepreneurs in South Africa, India, Guatemala and Panama are motivated to change the world for the better. In Europe, as many as 65.4% of Polish early-stage entrepreneurs exhibit the desire to make such changes while merely 11% of Italian early-stage entrepreneurs do so. As regards Slovenia, almost half of all early-stage entrepreneurs (i.e. 48.2%) are motivated to make a difference in the world. The second motive, i.e. to build great wealth or very high income, is relatively frequent worldwide. More than eight out of ten early-stage entrepreneurs in Iran, Qatar, Pakistan, India and Italy agreed to have this motive. In Europe, this motive is the most strongly present in Italy (95.5%), Belarus (75.3%) and Cyprus (73.5%). The smallest proportions of early-stage entrepreneurs driven by building great wealth and high income are in Poland (13.3%) and Norway (19.5%).

In the European area, taking over a family business and continuing a family tradition as the motivation to become an entrepreneur is the highest in Poland (81.6%) and the lowest in the United Kingdom (5.8%). The survival motive, i.e. to become entrepreneurially active in order to earn a living because jobs are scarce, is the strongest in the Latin America and Caribbean region. In Europe, this motivation is most frequently stated by early-stage entrepreneurs in Italy (89.5%) and in North Macedonia (83.6%). The lowest proportions of early-stage entrepreneurs who enter entrepreneurship due to job scarcity are in Poland (15.8%) and in the Netherlands (23.6%). In 2019, 60.1% of Slovenian early-stage entrepreneurs declared they had become actively engaged in entrepreneurship in order to earn a living because jobs are scarce, which is higher than the European average of 53.1%. In Slovenia, this motivation was also the most frequent one out of the four motives to become an entrepreneur. This, of course, does not mean that jobs are non-existent in Slovenia, but it rather means that there is a lack of adequate jobs for individuals with entrepreneurial aspirations. This fact also correlates with the structural imbalance on the Slovenian labour market. Overall, there are substantial differences in motivations for entrepreneurship across economies. For example, as many as 95.5% of Italian early-stage entrepreneurs are motivated by building great wealth or earning very high income whereas only 13.3% of Polish entrepreneurs established their business with this aim in mind. Concerning the survival motive, the differences among the economies are even more pronounced. In Morocco, for instance, as many as 93.3% of early-stage entrepreneurs agreed that this was their main motivation for entrepreneurship while in Poland, this percentage was much lower (15.8%).

In Slovenia, 48.1% of early-stage entrepreneurs stated that their motive for starting a business was to make a difference in the world (i.e. to have a positive impact on the society), which is above the European TEA average of 40.6%. The third most important motive of Slovenian early-stage entrepreneurs was the desire to build great wealth as 47.1% of them somewhat or strongly agreed with this statement, which is the same as the European average. The motive to continue family tradition is the least frequent one among Slovenian early-stage entrepreneurs (23.2%) and is less frequent than in the rest of Europe (33.4%).

Figure 7: Motives for entrepreneurship



GEM Slovenija 2019, APS

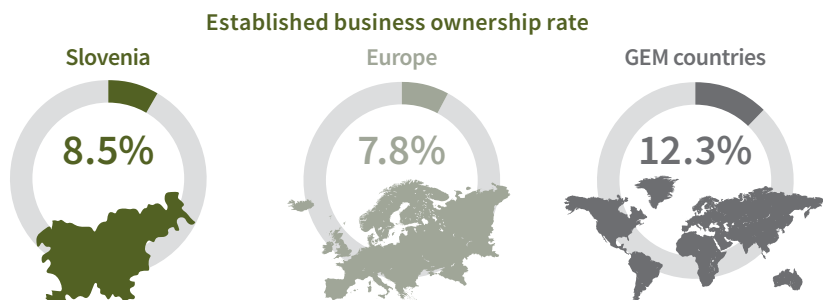
Entrepreneurs who own and manage a running business for more than 42 months are defined as established business owners. Only a small proportion of entrepreneurs reach this phase of entrepreneurial activity because the transition from the conception and starting and running a new business to the mature phase as fully established business ownership requires a whole set of knowledge and skills including those related to the internal management of the business and those related to the management of external market forces. Established business owners are important because they present a more stable part of the economy as their products, brands and markets are developed. At the same time, they are commercial customers of nascent and new businesses.

The persistence of businesses is also greatly influenced by the political and social framework in which they operate. The established business ownership rate (EBO) differs globally both in terms of individual economies and comparatively among different groups of economies (i.e. according to their income level). The comparison between TEA levels and EBO levels shows that in nine out of all GEM-participating economies, the TEA level is three times the EBO level. There are four such economies in the Middle East and Africa (i.e. Egypt, South Africa, Oman and Qatar) and five in the Latin America and Caribbean (i.e. Mexico, Puerto Rico, Colombia, Panama and Chile). At the other end of the scale, we find 12 economies where TEA levels are lower than the corresponding EBO levels (i.e. Italy, Poland, Spain, North Macedonia, Slovenia, Greece, Switzerland, the Netherlands, Madagascar, Pakistan, Japan and Taiwan).

In Slovenia, EBO rates fluctuate a lot. In 2019, EBO rate was the highest in the past decade and it increased from 6.8% in 2018 to 8.5% in 2019. This result is probably the consequence of a good economic situation, which was also shown by positive economic indicators. In the period between 2012 and 2015, EBO rate decreased, the lowest being in 2015 (4.2%) when the economic situation was not as favourable as in recent years.

GEM research also focuses on entrepreneurial employee activity (EEA), which has been measured since 2011. Namely, individuals who pursue entrepreneurial activities within large organizations contribute substantially to these organisations' entrepreneurial success. They are called intrapreneurs and they, as employees, develop, manage and implement entrepreneurial activities not for themselves but for the organisations in which they work. In 2019, the highest EEA rates were in the United Kingdom (8.1%) and in Ireland (7.5%) and the lowest EEA rates were reported in Belarus (0.5%) and the Russian Federation (0.6%). Based on a broad definition of intrapreneurs, as those who are actively involved and have a leading role in at least one stage of intrapreneurial activities, there were 7% of such individuals in Slovenia in 2019. This ranks Slovenia 3rd among the 21 European economies.

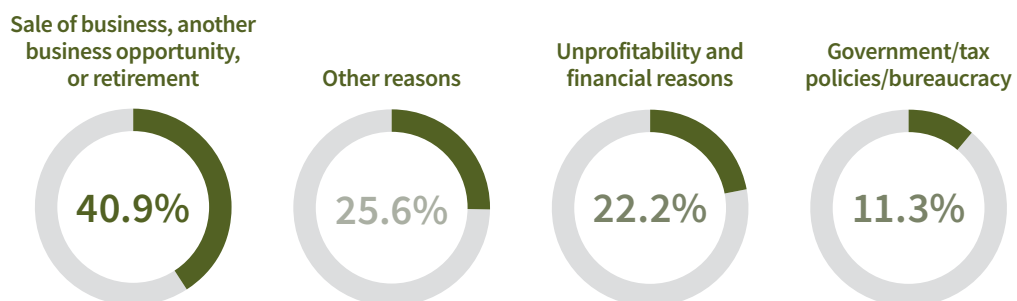
Figure 8: Established business ownership rates



GEM Slovenija 2019, APS

At one stage, all entrepreneurs exit their business, which is why business exits present an important part of entrepreneurial process. GEM research studies the percentage of working-age adult population who exited a business in the past 12 months as well as whether the existing business has continued or not. Among European economies, the highest business exit rates were in Sweden (5%) and Luxembourg (4.7%), and the lowest ones were in Italy (0.8%) and Spain (1.6%). Slovenia is found at the bottom of this ranking with 1.9% of adult population exiting a business in the past year. The information about how many businesses continued after this exit and how many did not is also important for a given national economy. On average, 1.1% of businesses in Europe continued and 1.9% of businesses did not. In Slovenia, this ratio is less favourable as we record 1.4% of adults exiting a business and reporting that their business did not continue and merely 0.5% reported that the business continued after their exit. Based on these results, a serious, in-depth consideration needs to be given to establishing adequate 'second chance' measures in order to encourage entrepreneurs who have exited their business for any reason to restart their entrepreneurial activities as they have experience, business networks and, very often, adequate (not necessarily financial) assets and social capital to continue a business.

Figure 9: Business exit in Slovenia



GEM Slovenija 2019, APS

While measuring business exit rates, we must not overlook the reasons for these exits. The main reasons for business exits in Slovenia are: taking advantage of another business opportunity or another job (19.2%), personal reasons (18.1%), and retirement (17.7%). Non-profitability of the business, which is the prevailing reason in other economies, is ranked 4th in Slovenia (14.7%).

Demographic characteristics of Slovenian entrepreneurship

The age profile of entrepreneurs and entrepreneurial activities is varied. The highest level of TEA is found in the 25-34 age group, followed by the 35-44 age group. These two groups comprise individuals who have already acquired adequate knowledge and skills and probably also have sufficient financial basis to pursue their own entrepreneurial career. Opportunity costs of individuals who decide to enter entrepreneurship play a certain role in this regard as they differ among given age groups.

A comparison between Slovenia and selected groups of economies (i.e. GEM economies, high-income economies and European economies) shows that Slovenia has a similar age profile of entrepreneurial activity as is found in these groups. The biggest discrepancy in the negative sense is observed for the youngest age group (18-24) – in Slovenia, the representation of this group in entrepreneurship is, on average, almost three times lower than in the other comparable groups of economies with this rate being on the decrease since 2016. The percentage of the second least frequent age group (i.e. 55-64) decreased as well from 10.5% in 2018 to 6.01% in 2019. The latter proportion is substantially below this TEA average in other studied groups of economies. Lower rates of the youngest and the oldest age groups in entrepreneurship can be ascribed to a rapid employment growth and the increased participation (especially of the youths and the older population) on the labour market. The increased labour participation of the older population has in recent years occurred, on the one hand, due to a high demand on the labour market and, on the other hand, due to (i) the demographic effect and (ii) gradual raising of the retirement age (under the 2013 pension reform legislation) that is accompanied by the measures to promote employment of older persons. Despite its substantial increase, the employment rate of the older population in Slovenia is still among the lowest in the EU.

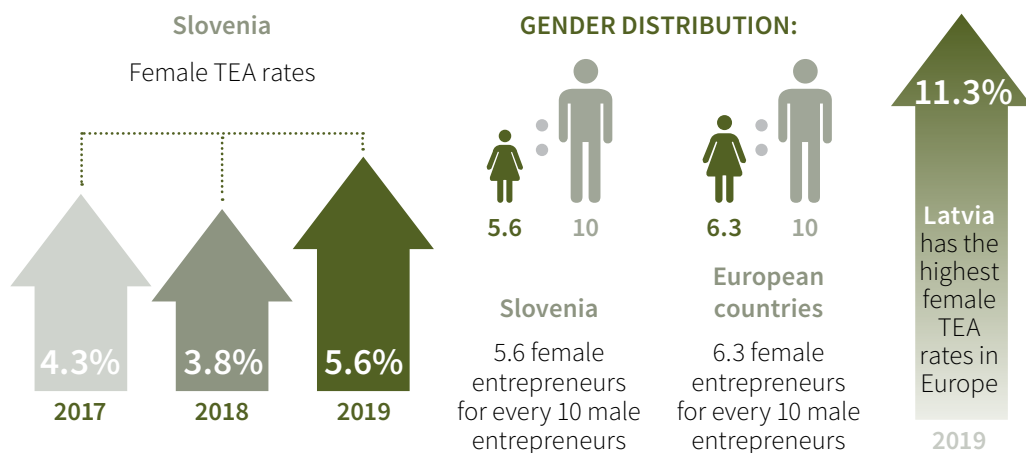
The majority of established business owners belong to the 45-55 age group (34.77%), followed by the oldest age group (24.04%). This result is expected as these individuals are the entrepreneurs who have been entrepreneurially active for a longer period of time and have, throughout the years, gained relevant knowledge, skills, business contacts, reputation and financial power which enable them relatively stable business operations. In Slovenia, the rate of established business owners is well above the average in other examined groups of economies. The 35-44 age group was the second most frequent entrepreneurially active age group in GEM economies, high-income economies and the European economies. Similar to above, Slovenia recorded a discrepancy in 2019 in this respect – the second most frequent age group of established business owners in Slovenia was the oldest one (i.e. 55-64). Its proportion has been on the increase for the third consecutive year (14.37% in 2017, 20.92% in 2018, 24.04% in 2019). This group of entrepreneurs is particularly important because it stresses the need to form adequate measures to transfer the ownership and management of the businesses to either the next generation (family members) or other interested individuals and groups.

Not all entrepreneurial activities are of equal quality. Therefore, it is essential to determine the motives why individuals take advantage of entrepreneurial opportunities. What causes concern is the information that in three age groups (i.e. 35-44, 45-54 and 55-64), early-stage entrepreneurs state that they most frequently enter entrepreneurship because they need to earn a living and because jobs are scarce. Younger individuals are bolder in their entrepreneurial ambitions. The most prevalent age group, i.e. 25-34, states making a difference in the world as the strongest motivator whereas the youngest age group most frequently aims to build great wealth or very high income. It also needs to be emphasised that continuing a family tradition is the prevalent motivation for entrepreneurship in the 35-44 and 45-54 age groups.

Taking into account demographic trends, the size of younger generation in the entire active population will be decreasing in the coming years. The comparisons of the younger population in Slovenia with the applicable average in GEM economies, high-income economies and the European average show a substantial decline in early-stage entrepreneurial activity from 46.6% in 2018, which was quite comparable with the examined groups of economies, to mere 40% in 2019. On the other hand, the established business ownership rate in Slovenia improved from 13.7% in 2018 to 18.6% in 2019, which brought Slovenia very close to the high-income economies average (19.9%) and the European economies average (19.7%). In 2019, both male and female TEA rates were the highest in the 25-34 age group. The second most prevalent female TEA age group was 45-54. We also need to draw attention to a small proportion of both middle-aged women (35-44 age group) and women in the oldest age group engaged in early-stage entrepreneurial activity.

We may conclude that the biggest share of early-stage entrepreneurial activity in 2019 in Slovenia can be attributable to the young population aged 25-34. This age group also exhibits the smallest female/male gap in early-stage entrepreneurial activity. The data clearly show that the entrepreneurial gender gap can mainly be ascribed to the middle-aged women (35-44 age group) as their entrepreneurial activity in 2019 was almost three times lower than that of men in the same age group. This is very significant information for government policy and government programmes decision-makers. It is evident that the measures supporting female entrepreneurship have produced good results among the younger population. Now, additional incentives are needed for the middle-aged group to intensify their involvement in entrepreneurial activity.

Figure 10: Gender distribution of early-stage entrepreneurial activity



GEM Slovenija 2019, APS

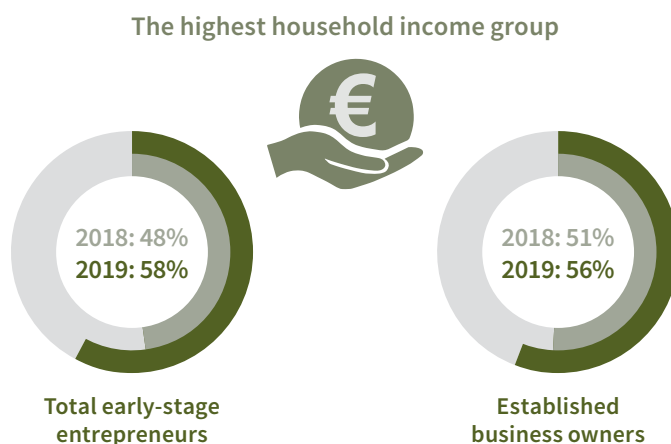
The involvement of women in early-stage entrepreneurial activity improved by 6 percentage points in 2019, which brought Slovenia very close to female TEA average in the examined groups of economies. Now, Slovenia lags behind the European female TEA average by mere 3%. Despite this, Slovenia's 2019 female TEA rate ranked it 42nd among the 50 examined economies and 18th among the GEM-participating European economies. The lowest female TEA rates were

in Pakistan, Italy and Japan and the highest rates were in Ecuador, Chile and Brazil. In 2019, in three countries, i.e. Madagascar, Qatar and Saudi Arabia, female early-stage entrepreneurship rate was higher than male rate. As regards Europe in 2019, the highest female TEA rates were in Spain (48.46%), Poland (47.24%) and Greece (46.5%). On the other hand, new and nascent female entrepreneurs were least active in North Macedonia (26.7%), Norway (30.8%), and Sweden (35.6%).

The comparison of male and female TEA rates shows that Slovenia still has a rather unfavourable male/female TEA ratio despite the increased female participation in entrepreneurship as there are only 5.7 female entrepreneurs per 10 male entrepreneurs. The European average is more favourable: there are 6.3 female entrepreneurs per 10 male entrepreneurs. Women are thus less entrepreneurially active than men, they work in other fields, economic sectors or areas and in a different way. They also differ in terms of their motivations and reasons to become involved in entrepreneurial activities. More frequently than men, women state flexible working hours or the necessity (i.e. to earn a living because jobs are scarce) as the reasons to become entrepreneurially active. Concerning this motive, Slovenia ranked 11th among the 21 examined economies, which is below the European average. The lowest TEA motivation rates due to job scarcity were in Poland and Norway. Further gender comparisons of the motives for becoming an entrepreneur showed that in as many as 36 out of 50 GEM-participating economies women far more likely somewhat or strongly agreed with the motive to start a business in order to make a difference in the world. In Slovenia, the agreement among men with this motive exceeded that of women.

Individuals who believe to have knowledge, capabilities and skills for entrepreneurship more often become involved in entrepreneurial activity than those individuals who do not have this self-belief. Although the European Commission already in January 2013 set policy to reignite entrepreneurship in Europe and enhance creativity, innovation and entrepreneurship via entrepreneurship education as a key priority for accomplishing the European Union's strategic objectives, GEM research still finds that entrepreneurship education remains one of the least developed areas of education at all levels.

Figure 11: The share of total early-stage entrepreneurs and established business owners in the highest income group



Next to motivation, entrepreneurial capacities and the entrepreneurship-supportive environment, the availability of financial resources is one of the more significant criteria that affect the quality of entrepreneurial activity. It may be deduced that wealthy individuals will establish and manage businesses with higher growth potential. In 2019, we recorded the strengthening of both early-stage and established business activity in the highest household income group, which is a good indicator of better-quality entrepreneurial activities' potential. It also indicates a higher scope of own financial resources that can be used for taking advantage of entrepreneurial opportunities as well as more credibility for a potential utilization of other forms of capital. This trend is, of course, not surprising as it is in line with the recovery of economic activity and the consequent growth in gross disposable income of Slovenian households. Apart from this, we found that the proportion of early-stage entrepreneurs and established business owners in each household income group in 2019 was more balanced than in the previous years.

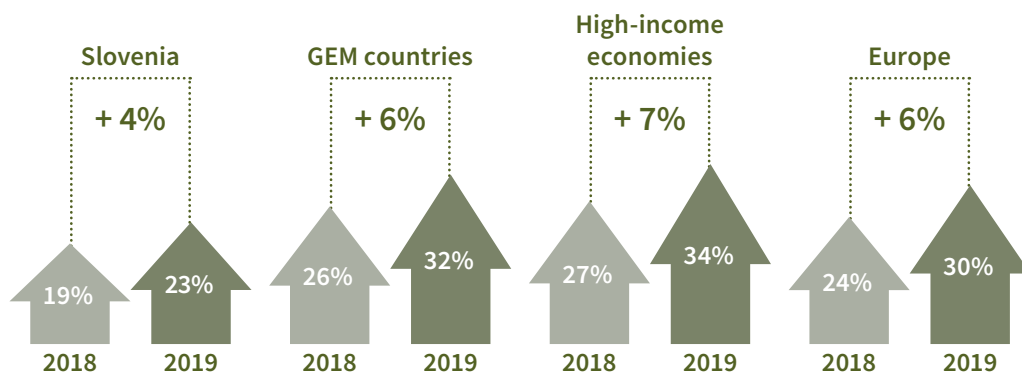
Entrepreneurial aspirations

Ambitious entrepreneurs and their fast-growing, innovative and internationally-oriented businesses create above-average value added and, relatively, the highest number of new jobs. That is why it is essential for every economy to have a large share of these motivated and growth-oriented businesses and entrepreneurs. Unfortunately, such businesses are very scarce and they present only a very small share in the total number of businesses. Within GEM research, we also aim to measure and better understand the level of early-stage entrepreneurs' growth aspirations and compare them with other business environments, and thus seek the resources and leverages for improvements. The levels of entrepreneurs' growth aspirations are measured via their subjective assessment regarding the number of new jobs their business is expected to create in the next five years.

Growth expectations of Slovenian early-stage entrepreneurs diverge in a negative way from the expectations of entrepreneurs in other groups of economies. Regarding the group of high-income economies, the average of more than 22% of early-stage entrepreneurs in 2019 expected to create more than 10 new jobs in five years from launching their business. In Slovenia, this rate was less than 15%. An even bigger gap between Slovenia and other groups of examined economies can be observed in relation to an even more ambitious goal, i.e. the expectation to create 19 or more new jobs in five years' time. Slovenia also lags behind regarding a less ambitious goal, i.e. the expectation to add 5 new jobs in five years' time. The share of such early-stage entrepreneurs was 23% in 2019, which placed Slovenia in the least ambitious third of GEM-participating European economies. In 2019, the highest growth expectation entrepreneurial activity rates were recorded in the Russian Federation (44%), Ireland (43%) and North Macedonia (40%) as well as in Latvia and Luxembourg (39%). Spain and Greece (19%), Sweden (20%) and Portugal (22%) are found at the other end of the scale of European economies concerning the levels of job growth expectations (in five years' time) by early-stage entrepreneurs.

Slovenia has a relatively high proportion of entrepreneurs who do not employ others and also have no intention to employ others, too. Their proportion in working-age adult population was 5.77% in 2019. This ranks Slovenia below the average of European GEM-participating economies. The highest proportions of working-age adult populations who either create or expect to create new jobs in the next five years were in Latvia (12.37%), Cyprus (10.59%) and Slovakia (10.18%), whereas the lowest ones was in Italy (2.32%).

Figure 12: Entrepreneurs' plans about employment by groups of countries



GEM Slovenija 2019, APS

However, Slovenian entrepreneurs did well concerning their international orientation. Slovenian nascent and new businesses are highly export-oriented, which is above average. That is, more than half (i.e. 51%) of entrepreneurs reported having global customers. In other groups of economies, the presence of global customers (i.e. those coming outside entrepreneurs' local area or country) is much smaller. In all GEM-participating economies it is 26%; in high-income economies it is 32%; and in European economies it is 37%. The results for Slovenia are hardly surprising since Slovenian entrepreneurs have traditionally been very internationally-oriented. They are forced to be because of the small size of the Slovenian market, which is even more limiting in the context of niche markets. There are a number of innovation-driven Slovenian businesses which do not make any significant business on their domestic market but are internationally-oriented from day one. Higher rates of global customers are reported only by entrepreneurs from Luxembourg (54%). German (51%), Portuguese (48%) and Swedish (46%) businesses also report high proportions of global customers, whereas the lowest rates of this group of customers are self-reported by entrepreneurs in Poland (10%), the Russian Federation (18%), Italy (24%), Norway (26%) and Spain (28%).

Innovation-driven businesses, i.e. high-potential businesses, are key in terms of good-quality and high value-added job creation potential. The level of business' innovativeness greatly depends on the entrepreneur's innovativeness, the business' integration in business-to-business and research networks and R&D cooperation with customers and suppliers as well as on the innovation-supportive business environment. In 2019, the level of Slovenian adult population who have businesses with at least national scope for its customers and new products or processes was 2.22%. The highest percentage of population involved in TEA according to both of these criteria was in Cyprus (4.61%) and the lowest ones were in Italy (0.20%) and Poland (0.22%). The percentage of Slovenian adult population whose businesses have global scope for its customers and new products or processes reached 0.79%, which ranked Slovenia above the European GEM-participating economies. The highest percentages of the 18-64 population involved in TEA according to both of these criteria were in 2019 in Ireland (1.04%) and Luxembourg (0.97%), whereas the smallest ones were in the Russian Federation (0.07%), Poland and Belarus (0.08%) as well as in Italy (0.10%).

The level of Slovenian adult population involved in TEA with businesses at national and international scope for its customers and new products or processes combined was also 2.22% in 2019. This ranks Slovenia in the upper half of European GEM-participating economies. The

highest levels of individuals among the adult population according to both of these criteria were in Cyprus (5.54%) and in Luxembourg (4.46%), whereas the smallest ones were in Italy and Poland (0.30%). This is very encouraging information as it indicates that Slovenian entrepreneurs and their businesses have a high international orientation.

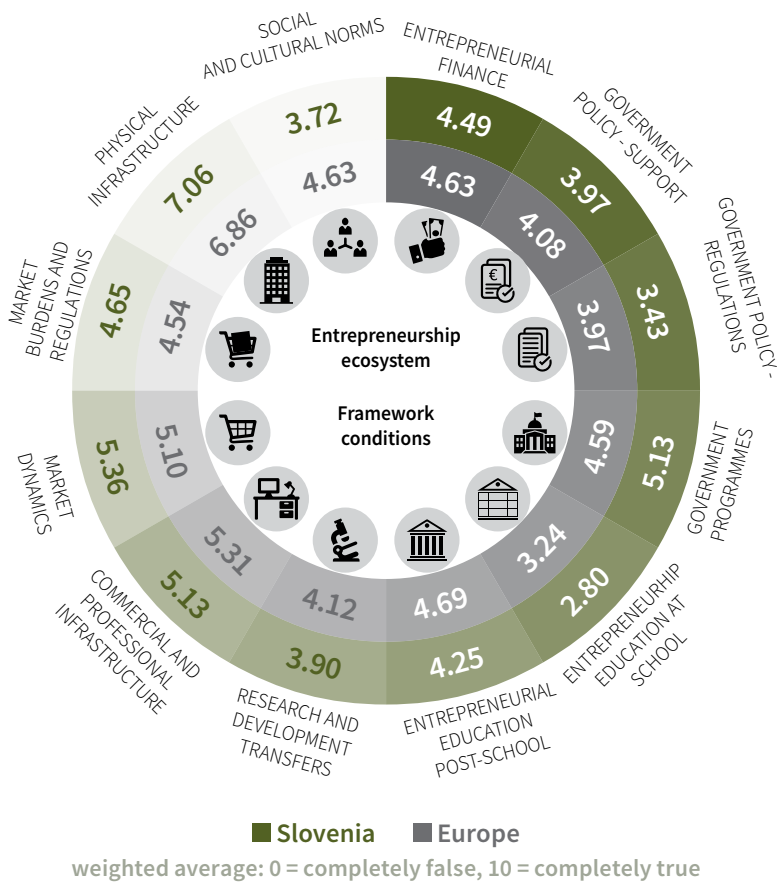
Innovation-driven businesses managed by ambitious entrepreneurs with pronounced entrepreneurial focus on overcoming challenges and with the capability to manage the process of fast learning that is based on trial and error are particularly important for economic development. Here, we need to be aware of the fact that these businesses can move their activities either partially or totally to other business environments and, in this way, reduce the contribution to good quality jobs creation in Slovenia. Because of that, it is crucial that the government continues with the processes of business environment improvements. It will thus support the existing small number of the most ambitious entrepreneurs to retain and strengthen their business activities in Slovenia and avoid their loss of drive for growth and innovativeness which may be the consequence of negative influences in business environment. It is a fact that domestic environment is an important long-term pool of talent and reliable co-workers. Unfortunately, the percentage of highly-ambitious entrepreneurs who are prepared to invest a lot of energy into the growth of their businesses is still very small. If we are to increase this percentage, we must continue to focus on the preparation of measures and programmes aimed at innovation-driven businesses (i.e. start-ups, scale-ups and high technology gazelle enterprises).

The quality of entrepreneurial ecosystem

Entrepreneurs and enterprises always operate within a specific context determined by entrepreneurial ecosystem. This ecosystem comprises a number of factors which influence entrepreneurial orientation and entrepreneurial activities alongside general social, cultural and economic conditions of a given economy. They are entrepreneurial finance, government policies, government entrepreneurship programmes, entrepreneurial education, R&D transfer, commercial and professional infrastructure, internal market dynamics, internal market burdens or entry regulation, physical infrastructure, and cultural and social norms. Individually or in combination, these factors have an impact on how difficult or how easy it is to establish a new business and to transition it to an established business. The key factors of entrepreneurial ecosystem are assessed by a group of at least 36 national experts in each GEM-participating economy via an extensive survey, which enables a subsequent comparison among the economies.

In 2019, physical infrastructure needed for business operations was the highest rated factor with the score of 7.06 on a 10-point scale. It was followed by internal market dynamics, government entrepreneurship programmes and commercial and legal infrastructure. Compared to the year before, five framework conditions improved slightly. According to Slovenian experts' assessment, most improvement occurred for the second consecutive year in the area of government entrepreneurship programmes. On the other hand, most deterioration compared to 2018 was observed in relation to entrepreneurial education at post-school stage (vocational education, university-level education, business schools, etc.). Entrepreneurial framework conditions receiving the lowest scores have remained the same for the past few years – these are entrepreneurial education in primary and secondary school, government regulatory policy (non-stimulating taxation and regulations, bureaucratic

Figure 13: Scores of framework conditions for entrepreneurship in Slovenia and European countries



GEM Slovenija 2019, NES

hurdles), insufficiently supportive cultural and social norms, weak government support for entrepreneurship and inadequate R&D transfer. In 2019, national experts assessed the overall state of their national entrepreneurial ecosystem. Slovenian experts gave it a score of 6.75, which is above the European average of 5.94. The national experts from the Netherlands, Norway, Luxembourg, Sweden and Germany gave higher average overall scores to their country's national entrepreneurial ecosystems.

The comparison of average scores of individual entrepreneurial framework conditions between Slovenia, the European GEM 2019 participating economies and all GEM 2019 participating economies shows that Slovenian national experts scored our cultural and social norms significantly lower. Slovenia also lags behind with regard to government regulatory policy and entrepreneurial education. These framework conditions have throughout the years been constantly scored as highly inadequate or insufficient. On the other hand, Slovenian experts gave significantly better average ratings to government entrepreneurship programmes than was the average of all GEM participating economies and European GEM-participating economies. Internal market and access to physical infrastructure framework conditions were also rated in Slovenia above the European average. Apart from these

conditions, Slovenia scored better than the overall GEM average in commercial and legal infrastructure, whereas the score given to financial support for entrepreneurship remains average. Compared to European economies, Slovenia's cultural and social norms are seen as not sufficiently encouraging for entrepreneurial activity. According to Slovenian national experts, failing to exploit business opportunities is another major constraint on Slovenian entrepreneurship. This is due people's unwillingness to take responsibility or to their fear of failure as failure is still burdened in our society by a big stigma.

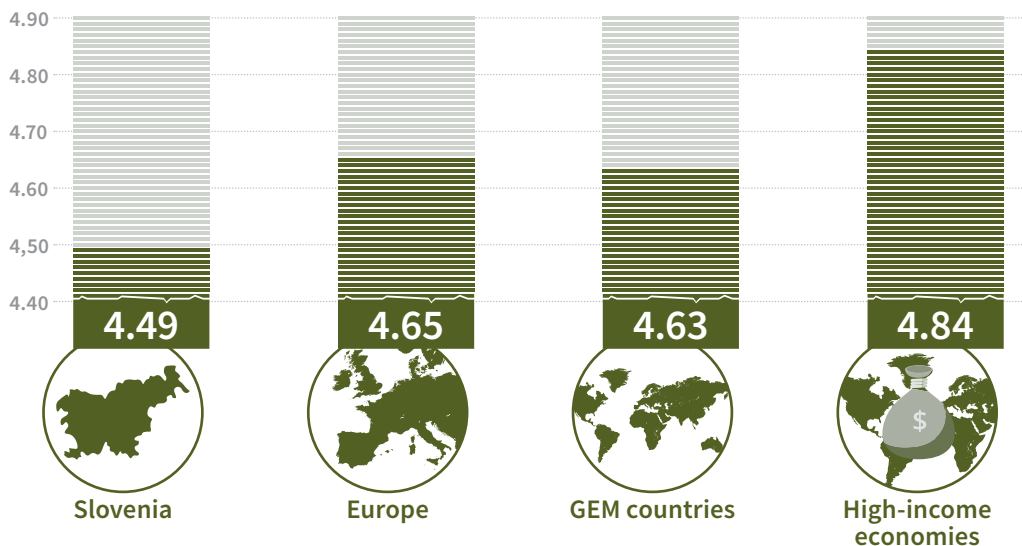
Financial support for entrepreneurship is assessed as encouraging only in the area of government subsidies and debt funding for new and growing firms; the lack of equity funding and venture capitalist funding for new and growing firms are seen as constraining factors. Government regulatory policy is still the biggest constraining factor for entrepreneurs in their business operations. As in the year before, Slovenian experts were most critical towards the dynamics of obtaining permits and licenses (average score 2.75). This is followed by tax burdens for new and growing firms (average score 3.47) and bureaucratic hurdles (average score 3.86). Every year, national experts state three factors which most constrain entrepreneurial activity in their economy, three factors which most support it, and give three recommendations to enhance entrepreneurial activity. According to Slovenian national experts, most frequent factors constraining Slovenian entrepreneurial activity are government policies, bureaucratic hurdles and non-stimulating taxation policy. Concerning taxation policy, Slovenian national experts were especially critical towards the taxation system for early-stage enterprises, the immediate tax liability, and high income tax rate. They also mentioned unpredictable taxation policy and inappropriate taxation system for foreign investors. Additionally, Slovenian experts noticed a large number of constraints in parts of Slovenian legislation, which is assessed as inconsistent and unfavourable (for investments, employment of foreigners, etc.). As regards government bureaucracy and acquisition of the required permits and licenses for business, the experts further stressed that administrative obstacles are still enormous. Overall, Slovenian experts share the opinion that there is excessive bureaucracy related to business formation and excessive reporting, which consumes too much time and resources of small businesses; also, the adaptation of rules to new circumstances is too slow.

Although Slovenian experts found many constraining factors for entrepreneurship within government policies, they saw government entrepreneurship programmes framework as a fostering factor. Its average score of 5.13 is slightly above the European average which is 4.59. Sadly, entrepreneurship education and training at primary and secondary level has for many years remained the worst scored entrepreneurial framework condition in Slovenia. The Slovenian average of 2.8 for 2019 is even lower than in previous years. In addition, the overall average score of entrepreneurship education at post-school stage decreased most significantly in 2019 compared to 2018. Here, we need to emphasise that national experts in other countries also scored entrepreneurial education at primary and secondary level very low (the European average for this framework condition is 3.24). As in previous years, the highest scores of entrepreneurial education at this level were in the Netherlands (5.45). Switzerland's score of 6.33 is the highest for entrepreneurship education at post-school stage.

The National Entrepreneurship Context Index (NECI), which shows the average assessment of national entrepreneurship environment, showed that high NECI indices are prevalent in high-income economies although the efficiency of national entrepreneurship framework conditions is only partially linked to an individual economy's economic strength. Switzerland is the highest ranking economy in terms of NECI with the score of 6.05. It is closely followed by the Netherlands whose NECI index is 6.04. Other economies in the top-10 group are Qatar,

China, the United Arab Emirates, India, Taiwan, Indonesia, Norway and the United States. Slovenia's NECI index of 4.49 ranked it 30th out of 54 economies, which is slightly below the middle of the ranking scale. The economies in the bottom of the NECI index scale are Iran, Puerto Rico and Paraguay.

Figure 14: NECI index by groups of countries



GEM Slovenija 2019, NES

Based on NECI results, we can affirm that entrepreneurial ecosystem has a significant impact on fostering entrepreneurship and facilitating the creation of new businesses as well as their transition to the established ones. This is especially true because innovative, high value-added entrepreneurship can be fostered only through a good quality entrepreneurial ecosystem which requires interlinked and coordinated players who function within legally, morally and ethically regulated national framework.



Economy Profile: Slovenia



Population (2019) (WEF)
2.1 million



GDP growth (2018, annual % change) (IMF)
4.1%



GDP per capita (2018; PPP, international \$) (IMF)
36.74 thousand



World Bank Ease of Doing Business Rating (2019)

76.5/100
Rank: 37/190



World Economic Forum Global Competitiveness Rank (2019)

35/141



World Bank Starting a Business Rating (2019)

93/100
Rank: 41/190



World Economic Forum Income Group Average (2019)

High

Attitudes and perceptions

	% Adults	Rank/50
Know someone who has started a new business	60.4	14
Good opportunities to start a business in my area	47.6	30
It is easy to start a business	54.3	21
Personally have the skills and knowledge	57.5	26
Fear of failure (opportunity)	42.2	27
Entrepreneurial intentions	15.0	29

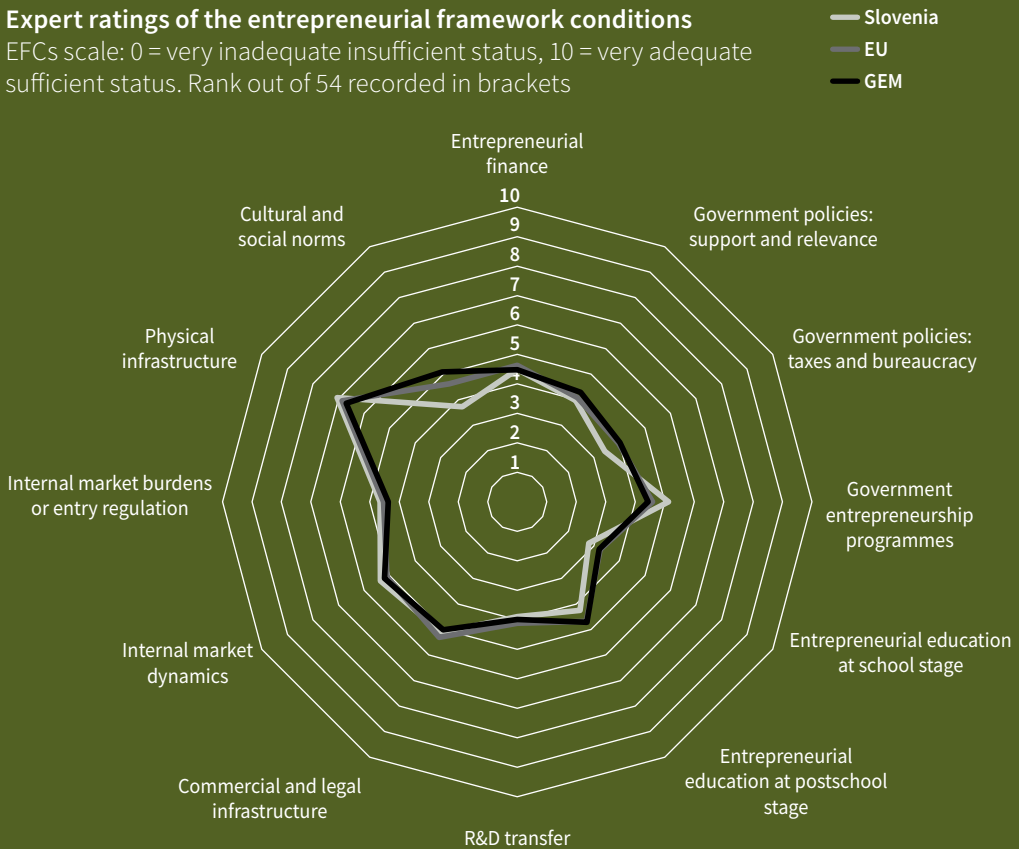
Activity	% Adults	Rank/50	% Female	% Male
Total early-stage Entrepreneurial Activity	7.8	40	5.6	9.9
Established Business Ownership rate	8.5	19	5.6	11.1
Entrepreneurial Employee Activity	7.0	5	5.9	8.0

Motivational	% TEA	Rank/50	% Female TEA	% Male TEA
To make a difference	48.2	23	43.5	50.7
Build great wealth	47.1	35	24.4	59.3
Continue family tradition	23.2	39	18.2	25.8
To earn a living	60.1	30	63.6	58.3

Entrepreneurship impact	% Adults	Rank/50
Job expectations (6+)	1.6	38
International (25%+ revenue)	1.7	16
National scope (customers and products/process)	2.2	17
Global scope (customers and products/process)	0.8	11
Industry (% TEA in business services)	33.9	4

Expert ratings of the entrepreneurial framework conditions

EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets





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