

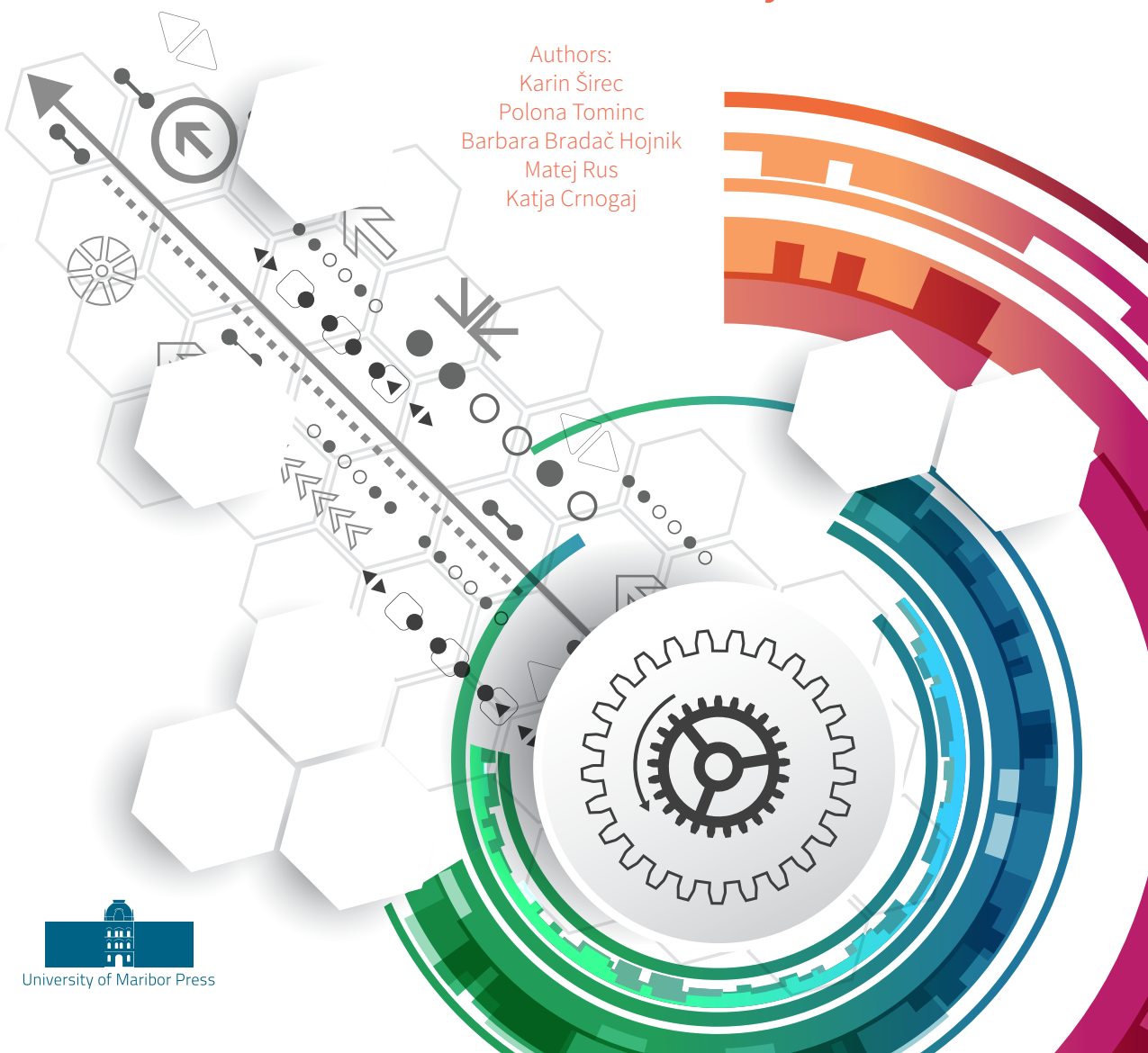
Editors:
Karin Širec
Katja Crnogaj

Two decades of dynamic entrepreneurial development

GEM Slovenia 2022

Executive Summary

Authors:
Karin Širec
Polona Tominc
Barbara Bradač Hojnik
Matej Rus
Katja Crnogaj





University of Maribor

Faculty of Economics and Business

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Foreword

Matjaž Han,
Minister of the Economy,
Tourism and Sport



Respected Readers,

Entrepreneurship plays a key role in the growth and development of the economy by creating new jobs, stimulating innovation and strengthening the competitiveness of Slovenian companies in domestic and international markets.

The Ministry of Economy, Tourism and Sport, in cooperation with the implementing institutions SPIRIT Slovenia and the Slovene Enterprise Fund, implements a number of programmes and measures to promote entrepreneurship. These include start-up subsidies, incentives for innovative start-ups, guarantees and loans for micro, small and medium-sized enterprises, and investment subsidies. We also support training programmes for entrepreneurs, encourage young people to develop their entrepreneurial competences and much more.

I strongly believe that an enabling environment and effective financing and support systems for start-ups are key to the development of entrepreneurship. That is why we at the Ministry will continue to implement economic policy and measures that will help our businesses to become more competitive and productive.

The Global Entrepreneurship Monitor (GEM) is also helping us in this process by providing insights into our position compared to other countries through the analyses it includes in its survey. This allows us to assess where progress is needed or what needs to change. That is why we have been financially supporting Slovenia's participation in GEM for 20 years.

As one of the world's largest projects monitoring entrepreneurial activity, GEM enables the comparison and analysis of entrepreneurial trends and policies between different countries around the world. The survey focuses on the individual entrepreneur and covers a wide range of indicators, including early-stage and established entrepreneurial activity, job creation,

innovation, growth and a number of other key parameters that reflect the entrepreneurial dynamics in individual countries. This allows comparisons between different countries and regions.

The results for 2022 are encouraging, showing that Slovenia is gradually improving its business environment. The biggest improvements are in easier access to entrepreneurial finance, entrepreneurship education in schools, cultural and social norms and government programmes for entrepreneurship.

I am particularly pleased that the index of overall early-stage entrepreneurial activity shows a strong positive trend over this period of two decades. The TEA index for Slovenia, for example, has risen from 4.6% in 2002 to 8% in 2022. While this is still lower than the average for European countries, this figure tells us two things: that we are on the right track with our activities, and that we need to continue to work at a vigorous pace in the future. It is also encouraging to see that the share of established entrepreneurs in Slovenia is 8.1%, which is even higher than the European average.

All these important indicators show that Slovenia is home to entrepreneurial people. At the same time, they show that the country knows how to listen to business and is aware of the important impact that entrepreneurship has on economic and social development. The door is always open at the Ministry, because I firmly believe that only through joint efforts and dialogue can we achieve success. And success for business means success for the whole economy and our society.

Matjaž Han,
Minister of the Economy,
Tourism and Sport

GEM Slovenia

Prof. Emeritus Miroslav Rebernik, PhD.,
leader of GEM Slovenia research for two decades



Two decades of data and insights on entrepreneurship and entrepreneurship policy

In early 2000, the results of the first Global Entrepreneurship Monitor were published for 1999. The survey was initiated by the London Business School and Babson College and involved ten countries. It was a major innovation in that it approached entrepreneurship research from the perspective of the individual rather than the firm, and developed a methodology that allowed comparisons to be made between the participating countries. Slovenia had a significant deficit in this area at the time. A few months after the first GEM report was published, I asked the head of the survey, Paul Reynolds, whom I had met during my research at Babson College, where he was then a visiting professor, what the prospects were for Slovenia's participation in the survey. His response was immediate and entrepreneurially clear: "*Slovenia can be involved immediately if you can find the necessary funds to cover the costs of Slovenian participation and you will be responsible for the Slovenian part of the survey*". However, we were only able to join the survey in 2002 because the process of convincing potential funders that entrepreneurship is important and that it is impossible to know what is good about Slovenian entrepreneurship and what needs to change without a reliable comparison of Slovenia with other countries was extremely time consuming.

The first survey has already shown that Slovenia still has a long way to go to realise its ambitions and establish itself as a progressive, innovative and entrepreneurial society in the European Union. It confirmed that the vision of Slovenia's long-term development as an entrepreneurial society is taking shape very slowly and that there is still a long way to go before there is a social consensus on the need for coordinated cooperation between entrepreneurs and the government and on the importance of creating an enabling

environment in which as many new businesses as possible can be born and existing businesses have the ambition to grow and develop. A number of indicators ranked Slovenia in the hinterland and showed that the development of entrepreneurship in Slovenia requires active interventions in a number of areas, highlighting in particular the increase in the level of entrepreneurial knowledge and skills, the creation of a positive attitude towards entrepreneurship, the development of access to finance, the development of women's entrepreneurship, the further development of entrepreneurship policy and programmes, and the transfer of research and development results into direct practice.

The fundamental driver of entrepreneurship is the individual, with his or her ambitions, creativity and entrepreneurial spirit, but also with the fears, reasons and constraints that prevent him or her from embarking on the entrepreneurial path. These constraints may be personal in nature, or they may be factors in his immediate environment, prevailing cultural values, society's general attitude towards entrepreneurship, etc. Simply encouraging people to embark on an entrepreneurial path is therefore insufficient. Entrepreneurial ambitions need to be actively nurtured and an environment created in which they can be sustained and developed, especially as entrepreneurship and creativity are among the most valuable and scarcest productive resources and, in a knowledge society, crucial factors for development. They have the wonderful quality of being able to be nurtured and encouraged, but unfortunately, they are also extremely vulnerable to an unfriendly and unregulated business environment, opaque regulation, social denial of their importance and the windiness of economic policy. No one can force an individual to choose an entrepreneurial career if he or she is not personally motivated to do so.

Increasing the level of entrepreneurial skills therefore remains an important development task today. On the one hand, it is about understanding entrepreneurship, its requirements in terms of the necessary attributes and behaviours, and on the other hand, it is about creating greater self-confidence, determination and initiative in young people and ambition in career planning, especially among higher and highly educated individuals. When entrepreneurship is understood dynamically as the discovery and creation of new products and services that can meet customer needs, rather than statically as a one-off act of setting up a business, it is seen as a complex and interrelated interaction of many factors. Entrepreneurship and creativity as values should therefore be integrated into the curricula of primary, secondary and higher education, and creativity and entrepreneurial behaviour should be encouraged through the content and methods of teaching. Even if individuals never start their own business, they will have acquired a frame of mind and a value system that is able to cope with changes in the environment and find appropriate solutions. The importance of creative entrepreneurial potential is also clearly demonstrated in the current fast-changing period of accelerated computerisation and digitalisation of society and the economy, when it is necessary to adapt intensively to new business conditions and to new, yesterday unknown or unexpressed needs of current and future customers.

Throughout the years of research, we have found that several countries in the group of innovation economies consistently show a very high share of opportunity entrepreneurship, which is focused on improving individual lives. The Scandinavian countries have emerged as leaders in the link between the Rule of Law Index and the level of opportunity-motivated entrepreneurship and individual ambition to improve one's situation. This correlation is strongly positive. The World Bank's Rule of Law Index includes a number of indicators that measure the extent to which a society is trusted and respects the rule of law and, indirectly, how well it is doing in developing an environment in which the rules of the game are fair and equal for all and property rights are fully protected. Where the rule of law is stronger, quality entrepreneurship is stronger. Equal justice before the law, the prevention of corruption, the elimination of insolvency and the swift, efficient work of the courts are therefore essential for more and better entrepreneurship in Slovenia.

Compared to other countries, the level of entrepreneurial activity in Slovenia has been relatively low throughout the years. What is worrying is not the number of entrepreneurs, but their quality. This is expressed through the areas in which their companies operate, the level of technology development and the degree of innovation of their products, the level of education of entrepreneurs and the level of their (real) ambitions. Everywhere in the world, only a small fraction of the adult population is pursuing an entrepreneurial path, not only in self-employment, but also in intrapreneurship, where an individual puts his or her creative skills to productive use as an employee of a company owned and managed by someone else. It is therefore also worth looking for the best way to express one's entrepreneurial potential, either as a sole trader or as an 'insider', where one's creative abilities are put to productive use as an employee of the company. Economic policy therefore needs to do more at both ends of the entrepreneurial spectrum - in promoting innovative and growth-oriented entrepreneurship, and in promoting internal entrepreneurship. Equally important is to support under-represented groups. In Slovenia, these are mainly women, but also educated youth and people from lower income brackets. Ignoring these population groups means that we are denying ourselves important entrepreneurial potential, which is particularly irresponsible in a country as small as Slovenia. Similarly, the introduction of new products and technologies and the transfer of knowledge into practice remain a priority for economic policy.

Several years of monitoring entrepreneurship in Slovenia shows improvements in different areas, including greater respect for entrepreneurs among the people and good media coverage of entrepreneurship, as well as a well-functioning support environment for startups. Entrepreneurship support programmes are also rated well on average over the years. There is also a growing awareness in Slovenia of the importance of innovation-driven companies founded and run by ambitious entrepreneurs. This is partly due to the successes and measurable impacts of businesses, and partly to various studies, such as the GEM survey. Increased awareness among government policy makers has also led to better support for businesses in the provision of various resources, as well as to the creation

of more favourable framework conditions for businesses to operate. This strengthens the conditions for activating the available entrepreneurial talent and attracting new talent.

However, it is still the case that political decision-makers and economic policy-makers should focus more on the framework conditions for entrepreneurship - creating a stable, supportive environment conducive to entrepreneurship. One in which people do not lose their entrepreneurial enthusiasm, in which their fear of failure is reduced and in which they can strive to create and develop a dynamic and successful enterprise. It is clear that new strategies also need to be developed in the area of support measures for entrepreneurship, with particular emphasis on the timeliness and usefulness of policies.

In two decades of monitoring Slovenian entrepreneurship through GEM, we have made numerous suggestions on how to improve the level and quality of entrepreneurship in Slovenia. Looking back at our recommendations, based on analyses of data from the Adult Population Survey, surveys and personal interviews with a number of Slovenian entrepreneurship experts, and insights from good practice in other GEM countries, many of the recommendations are still as relevant as they were in previous years. This means not only that there is a slow response to the weaknesses identified and the measures proposed, but also that entrepreneurship is a deeply embedded and complex feature of the national economy that is difficult to understand in detail and even more difficult to change.

Slovenian business and society are facing many challenges of digitisation and the mastery of Industry 4.0, of understanding the coming fifth industrial revolution, and of the requirements of the green agenda and sustainable development. All of this brings with it a range of new business opportunities and the necessary adjustments to business models to realise them, as well as a changed nature of societal behaviours and practices. The energy crisis, the war in Ukraine and declining economic growth pose additional challenges. However, Slovenian entrepreneurs have so far proved to be imaginative, resilient and resourceful, and I have no doubt that they will remain so in the future. Economic and entrepreneurship policy and the mechanisms to encourage and support development-oriented entrepreneurship will also need to adapt accordingly.

Prof. Emeritus Miroslav Rebernik, PhD.,
leader of GEM Slovenia research for two decades

Key Messages for Policy Makers from the Authors of the GEM Slovenia 2022 National Report



Prof. Karin Širec, PhD.

GEM Team Leader Slovenia

"More highly educated individuals are setting up new businesses in Slovenia, which points to opportunities for ambitious entrepreneurial ventures and larger investments. The growing trend of science and technology students and the need to improve digital, green and entrepreneurial skills underline the need to integrate entrepreneurship education in all schools, universities and higher education institutions. Flexible education programmes that keep pace with future market needs will be key to the successful development of technologically advanced and innovative companies and to fostering sustainable growth of the Slovenian economy."



Prof. Polona Tominc, PhD.

"A Slovenian retrospective of two decades shows that cultural and social norms have changed significantly towards a positive attitude towards entrepreneurship. Positive entrepreneurial stories highlighted in the media have contributed to a high level of perceived support and social acceptance of entrepreneurship. Nevertheless, fears of entrepreneurial failure have intensified in Slovenia over the last two decades, and it makes sense to include systemic social protection and support in the event of entrepreneurial failure among the measures to promote entrepreneurship that can help to reduce this fear. Education, both formal and informal, and experiential learning, together with networking, also increase awareness of entrepreneurial opportunities, reduce the fear of failure and shape people's entrepreneurial intentions."



Prof. Barbara Bradač Hojnik, PhD.

"In Slovenia, the number of entrepreneurs has gradually increased over the last two decades, both in the early and later stages of the entrepreneurial journey. The environment in which companies operate has also changed significantly over this time. Especially small, new and start-up companies are facing challenges such as limited resources, digitalisation, sustainability and globalisation, and it is crucial that they receive adequate support to be able to respond appropriately to the changed circumstances and to compete successfully on the market. However, in Slovenia, especially in the last decade, we have witnessed a number of policies and measures aimed at the development and support of start-up companies. This support is extremely important to foster high quality, high value-added and innovation-driven entrepreneurship on the global market."



Matej Rus, MSc.

"We need to seriously address the challenge of structural unemployment and reduce the gap between the supply of suitable staff and labour market demand. This gap inhibits quality entrepreneurial activity and fosters motives to enter entrepreneurship that are linked to a lack of suitable jobs in Slovenia. Unfortunately, in recent years we have also witnessed a difficult economic environment, which further complicates the already challenging process of setting up and starting a business. However, it is not all bad news, as many entrepreneurs are of the opinion that new business opportunities have emerged in these difficult economic and social circumstances and should be seized. In this context, it is important to raise awareness in Slovenian society that entering and exiting entrepreneurship is a dynamic and natural process that is worth supporting."



Assoc. prof. Katja Crnogaj, PhD.

"Slovenia is gradually improving its entrepreneurial environment, but there is room for improvement, especially in the areas of government regulation, entrepreneurship education, and cultural and social norms. The key to this is the coordinated action of all stakeholders in the entrepreneurial ecosystem, which allows for the sharing of knowledge and experience, and networking between different actors. In the recovery from the pandemic, most companies have increased their digital capabilities, which can be a good starting point for the further development of the Slovenian economy. And support targeted at deep-tech companies that are developing innovative technologies and solutions in areas that play an important role in solving complex social, environmental and economic challenges."



Executive summary

What is GEM - Global Entrepreneurship Monitor?

Entrepreneurship, or starting and running a new business, is a key factor in economic development. It is also an important driver of economic recovery in the face of more recent shocks, such as the impact of the recent COVID-19 pandemic, the war between Russia and Ukraine, the associated problems in supply chains and rising energy costs. Entrepreneurs have a key role to play in seizing new opportunities, boosting productivity, creating jobs and tackling some of society's most important challenges, such as achieving the United Nations Sustainable Development Goals (SDGs) and coping with the economic shockwave of recent years.

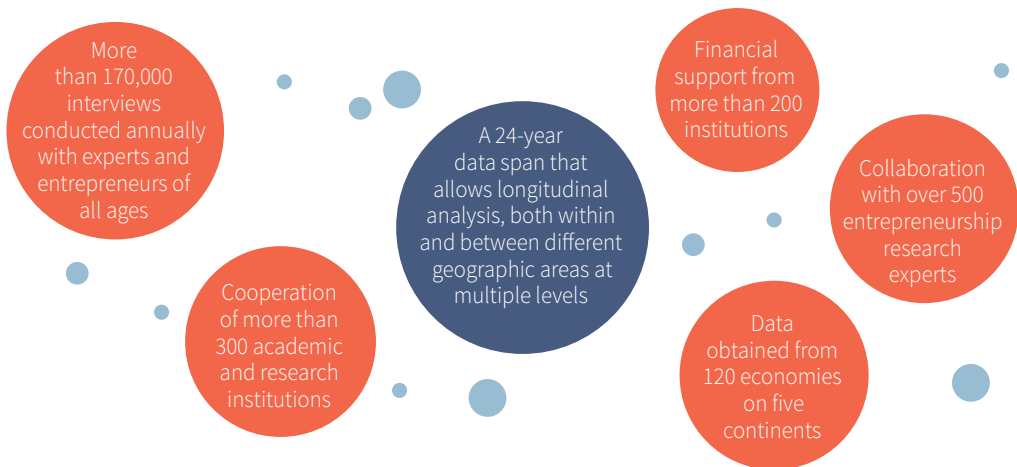
In the current context, promoting sustainable entrepreneurship is becoming increasingly important for governments around the world. Governments need reliable and credible data to make key decisions that encourage sustainable forms of entrepreneurship and promote healthy entrepreneurial ecosystems around the world. The Global Entrepreneurship Monitor (GEM) provides policy makers with valuable information on how to best promote entrepreneurship to foster growth and prosperity.

GEM is a network consortium of national groups, mostly linked to top academic institutions. It is the only global research source that collects data on entrepreneurship directly from individual entrepreneurs, making its tools and data unique and useful for a wide range of stakeholders. GEM benefits academics, policy makers, entrepreneurs, funders and international organisations. By joining GEM, academics can use unique methodological approaches to study entrepreneurship at national and international level. Policymakers can make more informed decisions that will help entrepreneurs and entrepreneurial ecosystems to flourish. Entrepreneurs know better where to invest their resources and how to influence key stakeholders to get the support they need. Sponsors can promote their organisational

interests and gain more visibility by participating in GEM. And international organisations can benefit from the insights by incorporating GEM indicators into their datasets or using GEM data as a benchmark for their analysis.

GEM has impressive and very credible results. For 24 years, GEM has been conducting survey-based research on entrepreneurship and entrepreneurial ecosystems around the world, enabling longitudinal analysis across and between geographies at multiple levels. GEM conducts more than 170,000 interviews a year with professionals and the adult population, including entrepreneurs of all ages. It has data from 120 economies on all continents and works with more than 500 experts in entrepreneurship research, involving some 300+ academic and research institutions, and receives support from more than 200 funding bodies.

Figure 1: Key dimensions of the GEM Global Survey over the whole research period



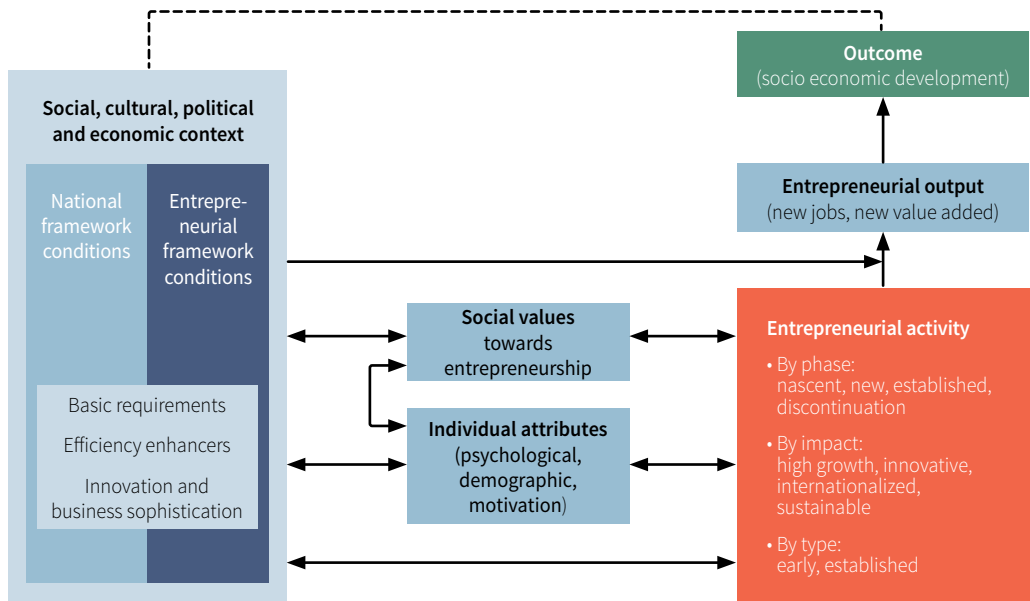
GEM 2023

Launched in 1999 as a joint research project between Babson College (USA) and London Business School (UK), GEM has become the richest source of reliable information on the state of entrepreneurship and entrepreneurial ecosystems worldwide. GEM publishes not only the Global GEM Report but also a series of national and special topic reports each year. Since the first annual study covering ten countries, GEM has grown beyond a project to become the highly networked organisation it is today. GEM can confidently be said to be the largest ongoing study of entrepreneurial dynamics in the world.

Slovenia has been an active participant in the Global Entrepreneurship Monitor (GEM), the world's largest and most important survey on entrepreneurship, since 2002. This year's edition of the report is special because it is a retrospective of the last two decades, presenting data for Slovenia for 2002, 2012 and 2022. During these two decades, much has happened in the field of entrepreneurship in Slovenia, from the promotion of innovation

and the development of start-ups to the challenges of the economic crisis. It is therefore important to analyse the data and trends from the past in order to find out what has been successful and what could be improved. The jubilee edition of the GEM Slovenia National Report is therefore extremely important for assessing the development of entrepreneurship in Slovenia over the last two decades and for planning future measures to promote entrepreneurship and innovation.

Figure 2: The GEM conceptual framework

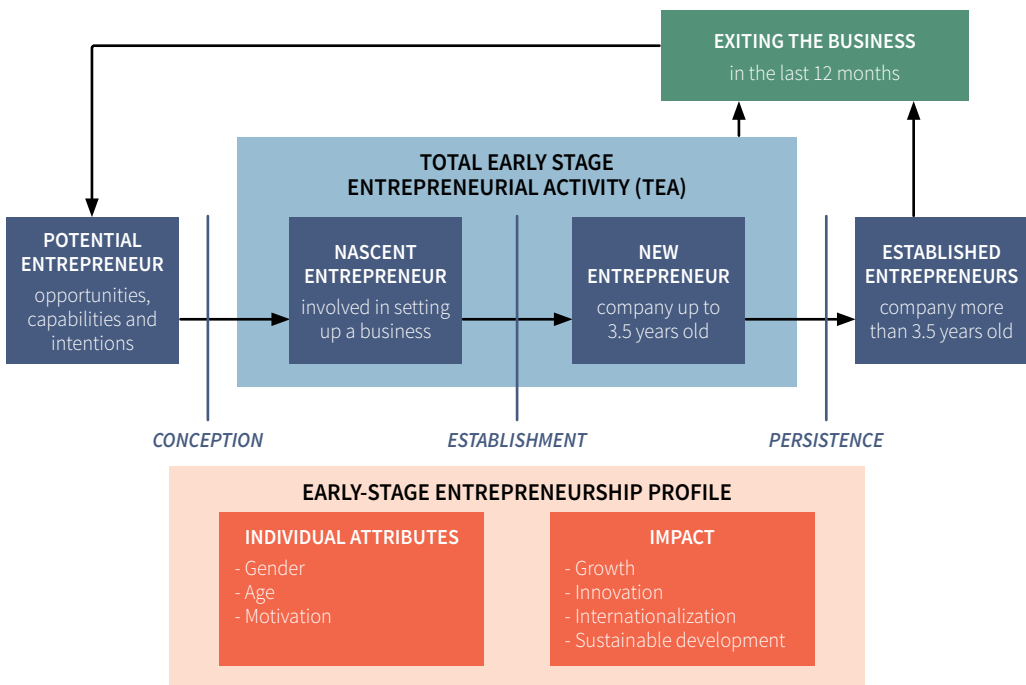


GEM 2023

GEM surveys examine the social, cultural, political and economic context that influences the entrepreneurial environment and activity, together forming a framework of national and entrepreneurial conditions. These factors influence individuals' decisions to become entrepreneurs and the success of starting and running a business. The cultural context examines the values and norms that a society has towards entrepreneurship and its success, while the political context refers to the laws, policies and actions implemented by government institutions that may encourage or hinder entrepreneurship. The economic context refers to the general economic environment in a country, such as economic growth, unemployment rates, availability of capital and trade policies that influence individuals' decisions to start a business. GEM examines all these factors in different countries and regions to find out what promotes or hinders entrepreneurship and how governments, entrepreneurs and other stakeholders can contribute to fostering entrepreneurship and developing an entrepreneurial environment. The national conditions framework focuses on the factors that affect the national environment in which firms operate, while

the entrepreneurial conditions framework focuses on the factors that affect individual entrepreneurs and firms operating in a particular environment. The former analyses and assesses the national entrepreneurial ecosystem, while the latter examines self-image and perceptions of entrepreneurship from the perspective of individuals. The national conditions framework includes thirteen areas of the national entrepreneurial ecosystem or framework conditions, which can be grouped into three substantive categories: government policies, institutional characteristics and market developments. Government policies refer to the actions and policies that governments take to support entrepreneurship, including tax incentives such as tax cuts, rebates and subsidies, and regulatory measures that facilitate the creation and operation of businesses. Institutional characteristics refer to the features of institutions and systems that affect entrepreneurship, such as the quality of regulation, the functioning of financial institutions, the level of access to capital and the promotion of research and development. Market development refers to market characteristics that affect entrepreneurship, including market competitiveness, market openness and access to resources.

Figure 3: Entrepreneurship process and GEM indicators

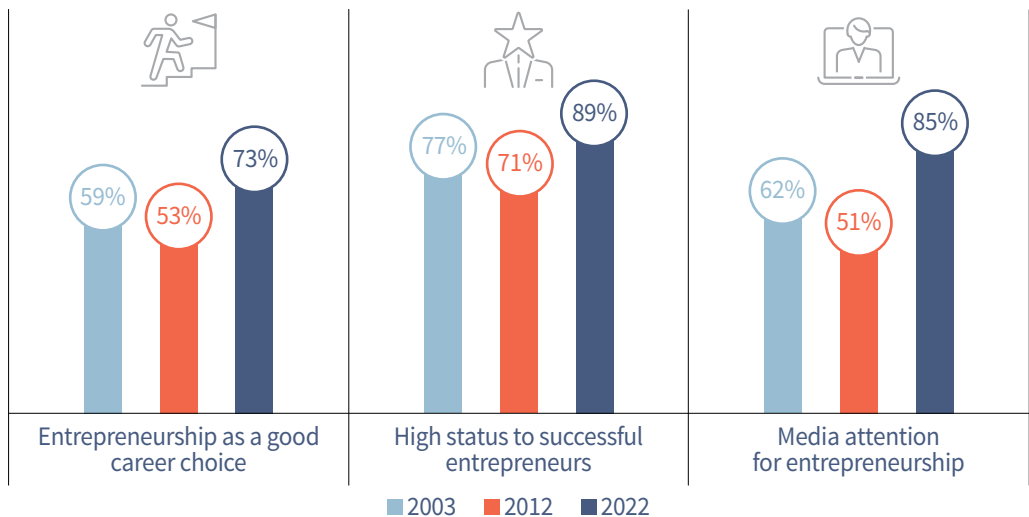


What does it mean to be an entrepreneur?

With a time lag of two decades, we can speak with a high degree of certainty about changes in cultural and social norms that would be difficult to change in a short space of time. The findings thus show that Slovenia has made significant progress in creating cultural and social norms that are favourable to entrepreneurship, with an average perception of more than 85% of Slovenians respecting and recognising successful entrepreneurship, which is undoubtedly linked to the media exposure of such stories. Slovenia ranks first among the participating European countries on this measure.

Entrepreneurial networking and family entrepreneurship as sources of indirect entrepreneurial experience can have a significant impact on individuals' attention to entrepreneurial opportunities and perceptions of the ease of starting a new business. When comparing data over last two decades, a slight upward trend can be observed, with just over one in two Slovenians in 2022 knowing at least one entrepreneur who has recently started a new business. Almost 70% of respondents think it is easy to start a business in Slovenia.

Figure 4: Perception of the social values towards entrepreneurship



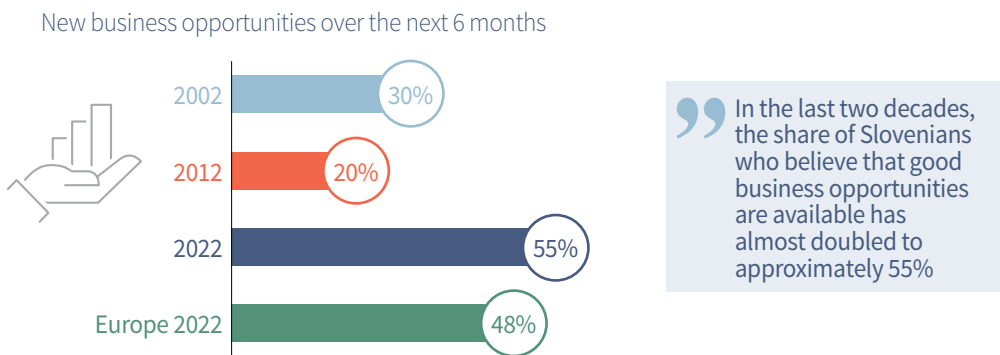
GEM Slovenia 2003, 2012 and 2022, APS

An individual's entrepreneurial capabilities are a combination of personality traits, character traits, learning abilities and capabilities that are shaped by the individual's multi-faceted cultural and social environment. In Slovenia, all aspects of the population's entrepreneurial capacity have improved, with the exception of risk-taking, with the share of people who fear failure rising to over 50% in 2022, an increase of more than 20 percentage points compared to a decade ago. Fear of failure is a serious constraint to business creation in many economies and affects all income groups. In fact, this fear has intensified in recent

years as a result of the uncertain environment. Reducing the risks and perceived costs of failure of new businesses - for example by improving bankruptcy laws or better promoting entrepreneurial successes and role models - could have a positive impact on increasing the rate of business start-ups, especially among women.

Encouragingly, the share of people in Slovenia who believe that there are good business opportunities has increased significantly and has almost doubled over the last two decades, reaching about 55% in 2022.

Figure 5: Identifying business opportunities to start a business



GEM Slovenia 2002, 2012 and 2022, APS

Entrepreneurial knowledge is essential to the entrepreneurial process and has a positive and significant impact on people's intention to start their own business. On average, more than 60% of adults in Slovenia in 2022 considered themselves to have entrepreneurial knowledge, experience and skills, an increase of just under 20% since 2002. More than 15% of those in Slovenia who have not yet started their own business report strong intentions to do so, and opinion polls among individual entrepreneurs can confirm that entrepreneurial knowledge is positively related to entrepreneurial intentions.

Entrepreneurship education, both formal and informal, and experience, with entrepreneurial networking and family entrepreneurship as a source of indirect entrepreneurial experience, are expected to have the greatest positive impact on entrepreneurial capacity. These factors can have a significant impact on shaping an individual's attention to entrepreneurial opportunities, reducing fear of failure and forming entrepreneurial intentions. Therefore, policy makers should prioritise the development and promotion of formal and non-formal entrepreneurship education programmes and encourage entrepreneurship-friendly policies that facilitate networking and family business activities. In addition, policies aimed at reducing regulatory barriers and providing financial and technical support to aspiring entrepreneurs could further improve their entrepreneurial skills and increase their chances of success.

Figure 6: Elements of entrepreneurial capacity

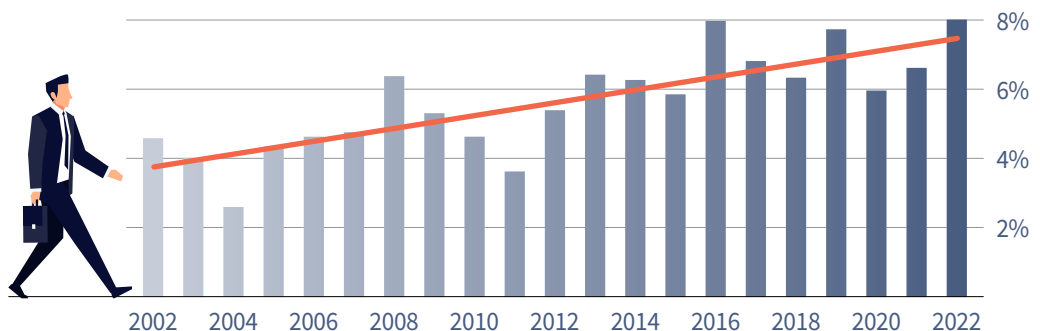


GEM Slovenia 2002, 2012 and 2022, APS

What are the characteristics of entrepreneurial activity?

The Total Early Entrepreneurial Activity (TEA) index, the most important indicator of entrepreneurship in Slovenia, shows an upward trend over a two-decade period. With a TEA index of 4.6% in 2002 and 8.0% in 2022, the conditions for new business creation are good. The crisis years 2004, 2009 and 2020 have been found to have had a significant impact on the decline in entrepreneurial activity each time. On the other hand, the share of established entrepreneurs in Slovenia has not changed much over the last two decades, reflecting the relative sustainability and stability of business, with most of the entrepreneurial dynamism occurring at the start of the entrepreneurial journey.

Figure 7: Total early-stage entrepreneurial activity 2002 – 2022



GEM Slovenia 2002 - 2022, APS

It can be concluded that the decline in entrepreneurial activity is a frequent consequence of the crises that have repeatedly occurred in the last two decades. This means that the state of the economy is a key determinant of entrepreneurial activity and that governments and other institutions supporting the business environment need to be prepared for them and take additional measures to foster the entrepreneurial environment in times of crises in order to allow existing businesses to survive and potential entrepreneurs to enter the entrepreneurial process. Otherwise, people may decide not to start their own business because they perceive too much risk, or they may decide to start a business out of necessity if they cannot find a suitable job, which is usually not development oriented.

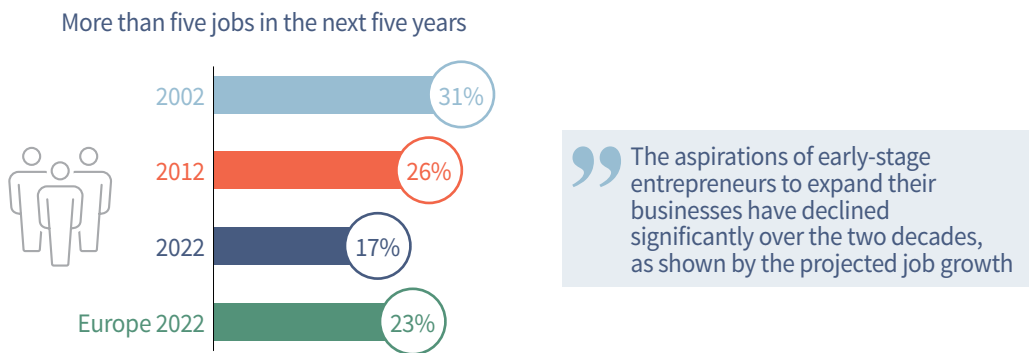
Europe as a whole has very different rates of early-stage and established entrepreneurial activity. High levels of entrepreneurship, if based on the exploitation of business opportunities and the pursuit of high-quality entrepreneurial activities, can be beneficial for the economy by stimulating innovation, creating jobs and increasing GDP. Slovenia's position on the TEA index in 2022 (8.03%) is lower than the average for European countries (8.98%). However, the share of established entrepreneurs in Slovenia, at 8.1%, is higher than the European average (6.92%).

The assessment of entrepreneurship development in the last two decades shows that the share of early-stage and established entrepreneurs is gradually increasing. Growth is more intense among the former group. The development and support of start-ups, both those still at the product development stage and those who have already established their own businesses but are still at the very beginning of their entrepreneurial journey, has been the focus of a number of policies and initiatives in Slovenia over the last ten years. This support is crucial as it points to investment in high quality, innovative entrepreneurship with high added value, often with a focus on international markets. This support will also be needed by future generations, but should focus more on helping established businesses. Their business environment has also changed a lot in recent years. Most of them are small and medium-sized enterprises (SMEs), which are financially constrained and need help to respond and adapt to changing societal trends such as globalisation, digitisation and sustainability.

The aspirations of early-stage entrepreneurs to expand their businesses have declined significantly over the 20-year period studied, as shown by the projected job growth in the GEM survey. Compared to 26% in 2012 and only 17.4% in 2022, 31.1% of early-stage entrepreneurs in 2002 predicted that they would add at least five new jobs in the next five years. The reasons for this drop in ambition are multifaceted and may include factors such as the economic crisis and lessons learned from the crisis, risk aversion and entrepreneurs becoming better informed, leading to greater caution when making growth and employment decisions. A second set of constraining factors may relate to strict labour legislation and high labour costs, and even the substitution of technology for employees. So how to overcome the challenges that would reverse this trend, i.e. upwards? This is imperative, because only an economy with a strong entrepreneurial

sector has a chance of success. Policies and programmes that increase confidence and the desire to expand among business owners must be a priority if we are to develop an environment that supports entrepreneurship. As our research has focused on measuring job creation, we start from the premise that the environment must be able to develop enough suitably skilled workers with up-to-date skills to meet the needs of the economy in ten or more years' time.

Figure 8: Percentage of early-stage entrepreneurs who expect to create more than five jobs in the next five years



GEM Slovenia 2002, 2012 and 2022, APS

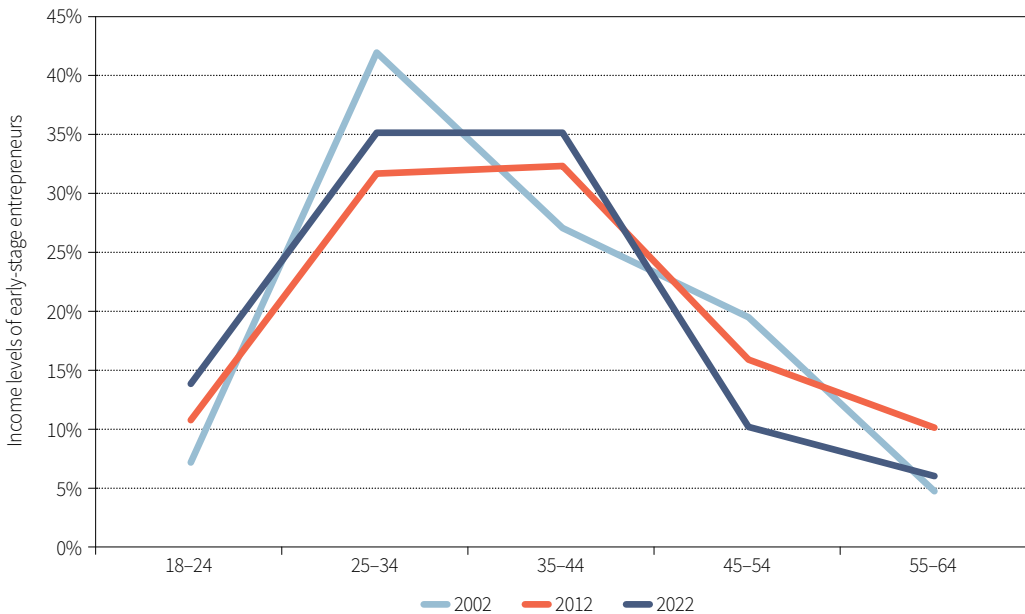
Due to its importance and intensity in all business areas, the digitisation of sales is assessed in the GEM survey from 2021 onwards. It enables entrepreneurs to be more competitive, have better access to customers and a wider market reach, including on a global scale. Slovenia's early-stage entrepreneurs, who rank fourth in Europe, are more active in using digital technologies for sales (52.4%) than the continental average (41.6%). Slovenia is slightly behind the European average in terms of established entrepreneurs' plans to increase their use of digital technologies for sales in the next six months. While the European average is 27.5%, established entrepreneurs in Slovenia are expected to increase their use of digital technologies by 26%.

Slovenian companies are more internationally and globally oriented than the average of the GEM countries and the European countries studied. Only 45.2% of Slovenian companies serve only local and/or national markets, while 54.8% have global customers. In European countries, 64.5% of companies operate only at national level, compared to 74.5% in GEM countries. This is significantly influenced by the fact that Slovenia is a small country with a small market and few potential customers. As a consequence, Slovenian companies have limited market access and growth opportunities in their home market. As a result, many Slovenian companies are looking abroad for opportunities to expand and develop.

Who are entrepreneurs?

Comparing entrepreneurial activity rates between age groups, genders, education levels (graduates and non-graduates) and income levels shows differences. These differences are important as under-representation of some groups prevents them from exploiting the potential of new businesses and the jobs they create. It is therefore crucial to take measures to encourage under-represented groups.

Figure 9: Age structure of early-stage entrepreneurs



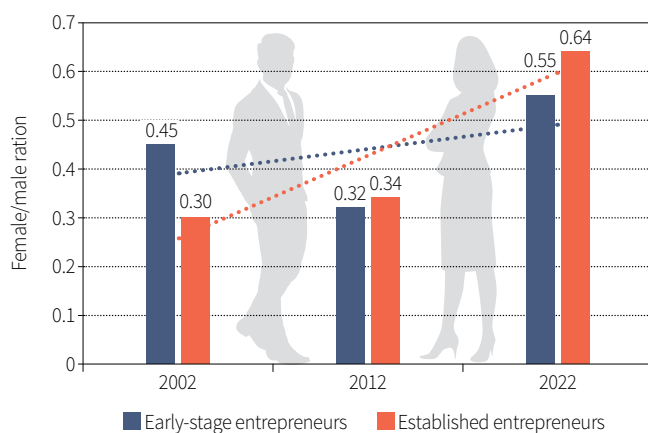
GEM Slovenia 2002, 2012 and 2022, APS

According to the results of the two-decade retrospective, the average age of early-stage entrepreneurs increased from 2002 to 2022, despite the fact that younger people are more likely to start a business in Slovenia. Young entrepreneurs (aged 25-34) and middle-aged entrepreneurs (aged 35-44) show comparable levels of business creation. The increase in the average age of early-stage entrepreneurs is a good indicator as there is a U-shaped relationship between the age of entrepreneurs and the performance of their businesses, which can be interpreted as a higher level of performance of their businesses. While it is crucial to help young people to shape their entrepreneurial future, entrepreneurship of older people should also be supported. For them, non-monetary incentives such as the pursuit of autonomy, self-fulfilment and the need to feel active, useful and worthwhile are more important when starting a business, as the desire to generate extra money is not the main reason for starting a business in this demographic group. Therefore, non-financial objectives should also be taken into account when designing policies to promote entrepreneurship among the elderly. At the same time, out-of-company

service programmes for the third age group should also be strengthened. The latter are particularly supportive of social entrepreneurship, and the design of such support mechanisms should be considered.

From 2002 to 2022, the gender ratio in early-stage and established entrepreneurial activity has improved, indicating a narrowing of the gender gap in entrepreneurship. The indicator on established entrepreneurial activity shows a more pronounced trend of improvement in the gender ratio, indicating the vitality of businesses, especially those run by women, but it is still the case that men are more likely to start and run established businesses in Slovenia.

Figure 10: Gender gap in entrepreneurship



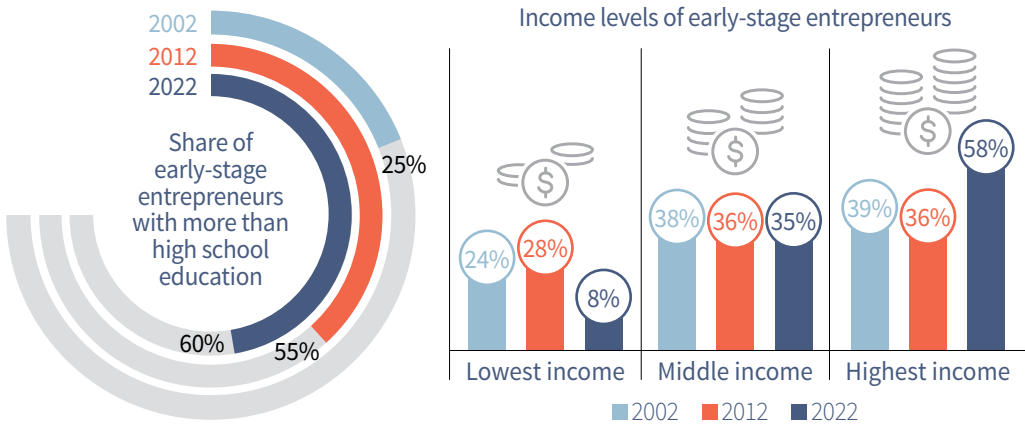
“ The indicator of established entrepreneurial activity shows a more pronounced trend of improvement in the gender ratio, indicating the vitality of businesses, especially those run by women.

In Slovenia, men still more often start and run companies.

GEM Slovenia 2002, 2012 and 2022, APS

In Slovenia, the percentage of established women entrepreneurs has been increasing for three consecutive years (37%) and is at the average level of all GEM and European GEM countries studied in 2022. This is an excellent indicator, as we can conclude that the increase in early-stage female entrepreneurship from 2018 to 2021 has already partly translated into an increase in established entrepreneurship. This suggests that early-stage entrepreneurial efforts have been successful, as businesses have been retained in the market and are still operating.

Figure 11: Educational attainment and income of early-stage entrepreneurs



GEM Slovenia 2002, 2012 and 2022, APS

More educated people are more likely to start new businesses, as can be seen from the changes in the educational attainment of Slovenian entrepreneurs in the early stages of entrepreneurship from 2002 to the present. Two interesting trends can be observed. The share of early-stage entrepreneurs with at most a secondary education has declined significantly (dropping from 75% to just under 40% in the last two decades), while the share of graduates who are early-stage entrepreneurs has increased. This is a positive signal, as more educated entrepreneurs take advantage of bolder business opportunities, which means they invest more in bold business endeavours. The data also show that the share of students studying science and engineering is increasing, and there is a need for relevant education programmes that are in line with the future skills needs of students. These need to improve digital, green and related entrepreneurial skills, which are still largely taught only in business and management education programmes, due to technological advances. This is why entrepreneurship education must become a regular practice in all schools, colleges and universities.

According to surveys, people with higher household incomes are more likely to start their own business, as it is easier for them to cope with financial challenges. Over the last two decades, there has been a marked increase in business start-ups among wealthier people, as can be seen by comparing the income levels of early-stage entrepreneurs in Slovenia. When starting a business, higher disposable income can mean pursuing bolder and more ambitious business ideas, which require a higher financial investment but also bring higher rewards.

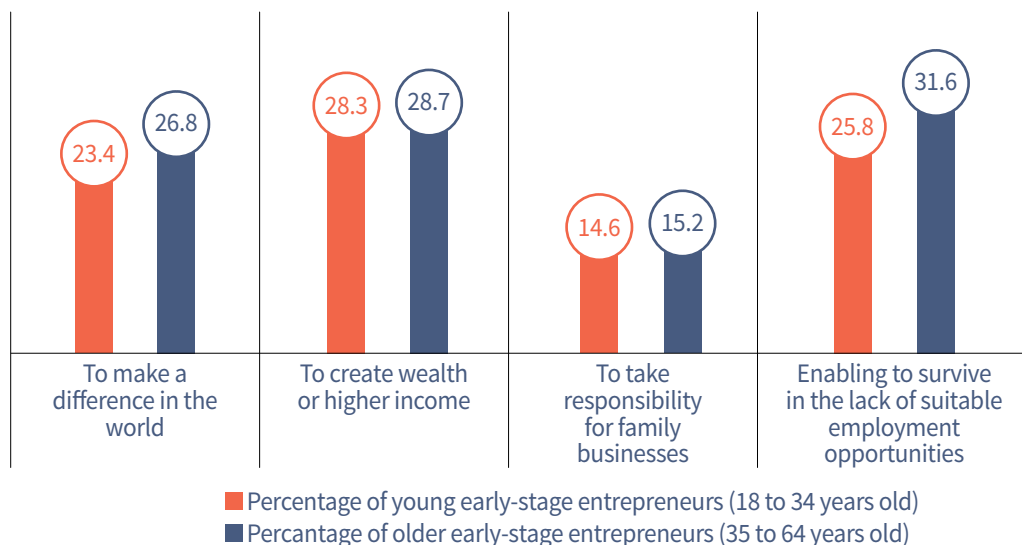
Only a small percentage of young people have the skills, ideas and character qualities needed for future entrepreneurial success, so self-employment and entrepreneurship are not the answer to the youth unemployment crisis. This shows that, despite their potential for success, entrepreneurial initiatives cannot tackle youth unemployment. It is crucial to understand that not everyone is suited to entrepreneurship. It is unrealistic for policy makers to expect that everyone who participates in entrepreneurship policy initiatives will eventually start their own business. However, the benefits of such experiences can still support their integration into the workforce.

What are the reasons for starting (or exiting) a business?

According to 57.4% of early-stage entrepreneurs (63.8% in 2021), the most common motive for starting a business in Slovenia is the lack of suitable jobs - i.e. the survival motive. At 57.1% in 2022 (down from 57.7% in 2021), this motive is also the strongest among the European GEM countries. This is not due to a downturn in economic activity or a general increase in unemployment, but to a growing imbalance between supply and demand for skilled workers, which forces people to venture into entrepreneurship when they cannot find suitable employment. In Slovenia, we need to take structural unemployment seriously and address the gap that exists between market demand and the available skilled workforce.

Compared to the average of European countries (42.5% in 2022) and the average of all GEM countries (47.5% in 2022), the motivation to change the world is noticeably stronger in Slovenia (50.2% of early-stage entrepreneurs in 2022 and 61.8% in 2021). Compared to the younger group of early-stage entrepreneurs (18-34 years) in Slovenia, the older group (35-64 years) is more oriented towards fulfilling all four motivations studied. The motives to change the world and to survive due to lack of jobs, which are more frequently cited by older early-stage entrepreneurs, show the largest differences in the strength of the motives between the younger and the older category. Early-stage male entrepreneurs in Slovenia are significantly more motivated to create wealth or earn a high salary (66.0%) than female entrepreneurs (39.3%).

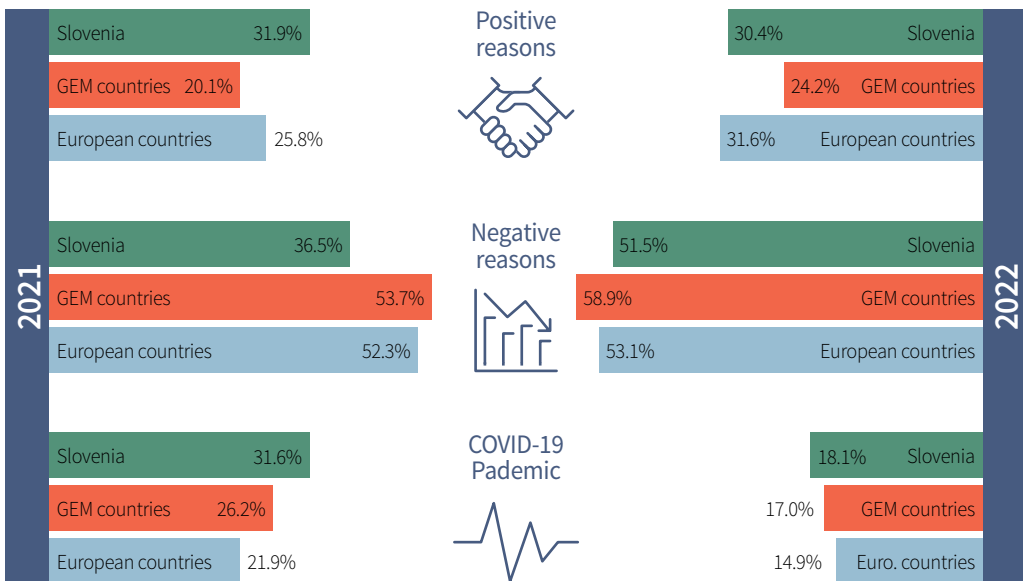
Figure 12: Motives for starting a business by age of entrepreneurs



GEM Slovenia 2002, 2012 and 2022, APS

More than eight out of ten owners of early-stage companies in Slovenia believe that social impacts are considered in decisions about the future of the company, and the average is even higher among owners of established companies - more than nine out of ten. On average, Slovenian early-stage and established entrepreneurs consider environmental impacts even more than social impacts, according to more than 90% of early-stage entrepreneurs and almost 90% of established entrepreneurs. Despite the generally positive results, younger generations need to be made aware of the social and economic problems so that they are more aware of them and better prepared for them. Less permissive parenting and the education system can make an important contribution to this.

Figure 13: Comparison of reasons for exiting the business between 2021 and 2022



GEM Slovenia 2021 and 2022, APS

Negative reasons for exiting entrepreneurship are prevalent in the vast majority, i.e. in 16 out of the 21 European countries participating in the GEM survey. Slovenia also falls into this category, with 1.0% of the 2.5% of adults having exited their business for positive reasons and 1.4% for negative reasons (of which 0.4% cited the COVID-19 epidemic as a factor). According to 2022 data, Slovenia has a below-average exit rate among European countries, with 2.5% of adults having left entrepreneurship in the last 12 months (0.6% of whom have kept their business), ranking 16th among European countries. Between 2021 and 2022, there was a significant increase in Slovenia in the number of exits for personal reasons (from 4.5% to 21.2%) and for other unforeseen reasons (from 2.4% to 8.9%). However, the most significant decreases over the same period were due to the COVID-19 pandemic (from 31.6% in 2021 to 18.1% in 2022), to a decrease in profitability from 16.2% in 2021 to 9.3% in 2022,

and to business unprofitability and financial factors, which led to a decrease from 4.5% in 2021 to 2.8% in 2022. Slovenian society needs to be made aware that factors such as the difficulty of an entrepreneur exiting a business, the associated administration and costs, or social and cultural norms that are hostile to entrepreneurship, may discourage newcomers from setting up their own businesses. It is crucial to encourage society to view exit positively and to remove the barriers that prevent entrepreneurs from selling their businesses. It is crucial that the government finds a way to support businesses in times of crisis, such as the COVID-19 pandemic or the current energy crisis. This will help to reduce the number of company exits.

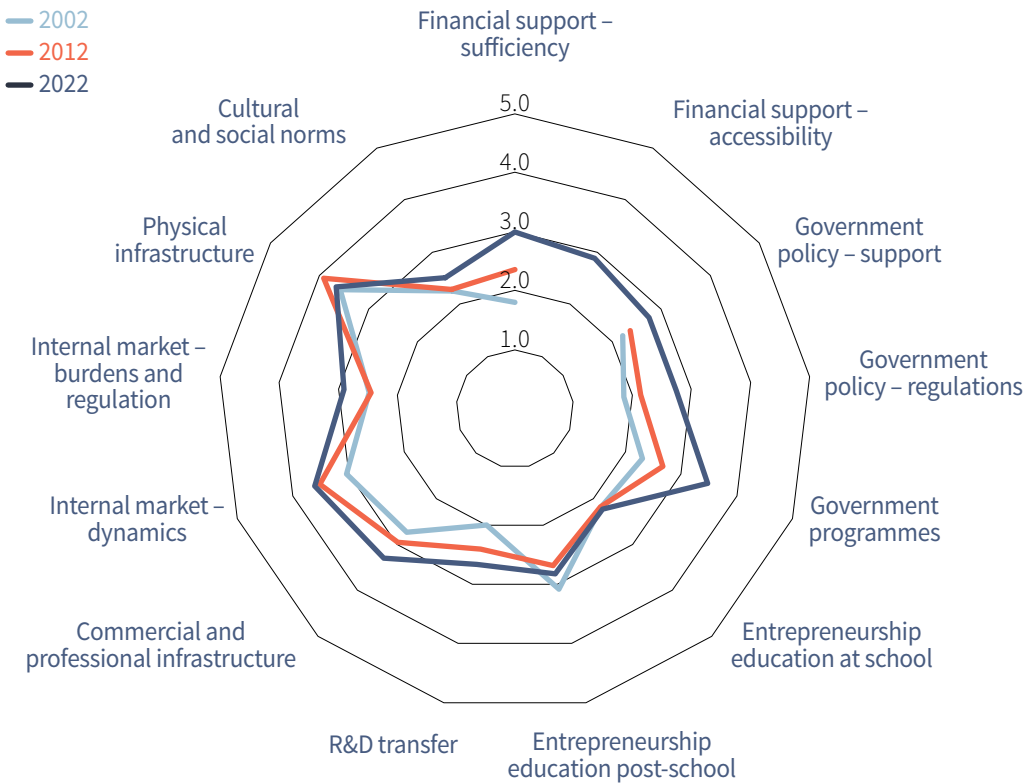
What is the condition of the entrepreneurial ecosystem in 2022?

By fostering an entrepreneurial climate, facilitating the exchange of knowledge and experience between different stakeholders and facilitating networking between them, the entrepreneurial ecosystem plays a key role in encouraging and supporting the creation of new businesses and business concepts. These stakeholders include business organisations, government agencies, educational institutions and other interested parties. All stakeholders involved in building a quality entrepreneurial ecosystem need to work together to create an enabling environment for entrepreneurship. Assessments show that the entrepreneurial environment in Slovenia is gradually improving. Experts identified the dynamism of the internal market, government programmes and the business, professional and physical infrastructure needed by new and growing businesses as promising framework conditions for entrepreneurship. However, national experts still rate many of the framework conditions as insufficient (nine out of thirteen). Nevertheless, it is positive that several of these conditions have improved substantially over the last twenty years and are close to being sufficient.

When assessing the extent to which cultural and social norms in Slovenia encourage or discourage activities that lead to new businesses, methods or activities that can potentially increase personal wealth and income, international comparisons generally show the largest lag behind European and GEM countries, followed by the lag in government regulation, exacerbated by the lack of entrepreneurship education at primary and secondary levels. Slovenia differs most from other GEM countries and the European average in terms of the dynamism of its internal market and the availability of quality government programmes that encourage entrepreneurship.

In 2022, Slovenia's NECI index, which is an assessment of the entrepreneurial environment, was 4.8, which puts us in the middle of the GEM ranking of countries. This puts Slovenia on a par with the European and global average. The steady improvement of the business environment is confirmed by a clear favourable trend in the development of the framework conditions for doing business in Slovenia and a slight increase in the NECI.

Figure 14: The shape of the entrepreneurial ecosystem 2002 - 2022



Measured on a scale from 1 to 5 (1= very inadequate or. insufficient status, 5=very adequate or sufficient status)

GEM Slovenia 2002, 2012 and 2022, NES

Overall, the Slovenian economy is in good shape after the pandemic. Most experts agree that most companies have improved their digital capabilities to speed up their recovery from the pandemic. Experts identified government subsidies for job retention and wage and contribution compensation as the most encouraging measures, while vouchers were also highlighted, in particular the co-financing of company digitisation and the introduction of tourism vouchers.

The findings show that further action is needed to progressively strengthen the framework conditions for entrepreneurship, especially where these are still considered insufficient or where we are lagging behind the most advanced European countries. A first step is undoubtedly a more favourable tax policy for start-ups and investors or for new businesses in their first years of operation. In particular, financial support in the form of venture capital for fast-growing, internationally oriented companies, support for micro-financing and forms of financing for companies in the later stages of growth need to be strengthened.

At the same time, social and cultural norms need to be further improved to support entrepreneurship. By integrating entrepreneurship content into the curricula across the education vertical, a gradual change in mind-set can be achieved in the education system. It goes without saying that there is also a need to establish links between educational institutions, corporations and other organisations that could help students develop entrepreneurial concepts and project assignments. Media promotion and positive stories can also help to bring society closer to a more entrepreneurial mindset.

In order to build a world-class entrepreneurial ecosystem that enables information and expertise sharing and networking between stakeholders, it is essential that all stakeholders work together. This should result in a fruitful partnership between academic institutions, corporations and the various organisations that provide assistance in translating knowledge into entrepreneurial activity. Although often focused on the development of cutting-edge products or technologies, the so-called spinout and spinoff companies that result from this transfer can make an important contribution to job creation and increasing the competitiveness of the economy. They can also help to transfer technologies from academia to industry, thereby contributing to the growth of new knowledge and skills in a particular industry.

It is also important to support the digital transformation of businesses, which other studies show needs a more comprehensive and ambitious approach. This applies both to digitisation and sustainability, and to strengthening organisational factors with a greater focus on agility, creativity and innovation. There is also a need for targeted support for deep-tech companies developing new technologies and solutions in areas such as robotics, biotechnology, artificial intelligence and other scientific fields. These companies often face high development costs and many difficulties in commercialising their technologies, which often require a high level of knowledge and research, but can be key to solving complex social, environmental and economic problems.

Two decades of dynamic entrepreneurial development

GEM Slovenija 2022

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Abstract:

The GEM survey offers an in-depth analysis of the various social, cultural, political, and economic factors that impact the entrepreneurial landscape and activities, serving as a comprehensive framework for understanding national and entrepreneurial conditions. These factors play a crucial role in shaping individuals' entrepreneurial decisions and the success of starting and operating businesses. GEM's survey delivers unparalleled insights into a nation's entrepreneurial characteristics, surpassing the information available from traditional statistical sources. The study also explores individuals' and societies' attitudes towards entrepreneurship, alongside the aspirations and qualifications of people at different entrepreneurial stages. By examining these aspects across countries, GEM identifies key drivers and obstacles for entrepreneurship, enabling stakeholders to cultivate a supportive entrepreneurial ecosystem. The latest GEM report is particularly noteworthy as it features a retrospective of the past two decades and showcases data from Slovenia in 2002, 2012, and 2022. Within this period, Slovenian entrepreneurship experienced significant changes, ranging from innovation promotion and startup development to economic crisis-related challenges. Analysing historical trends is essential for pinpointing effective strategies and areas requiring enhancement. Ultimately, the GEM Slovenia national report's milestone edition offers invaluable insights for shaping policies and fostering an entrepreneurial environment conducive to growth and progress.

Keywords:

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

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