

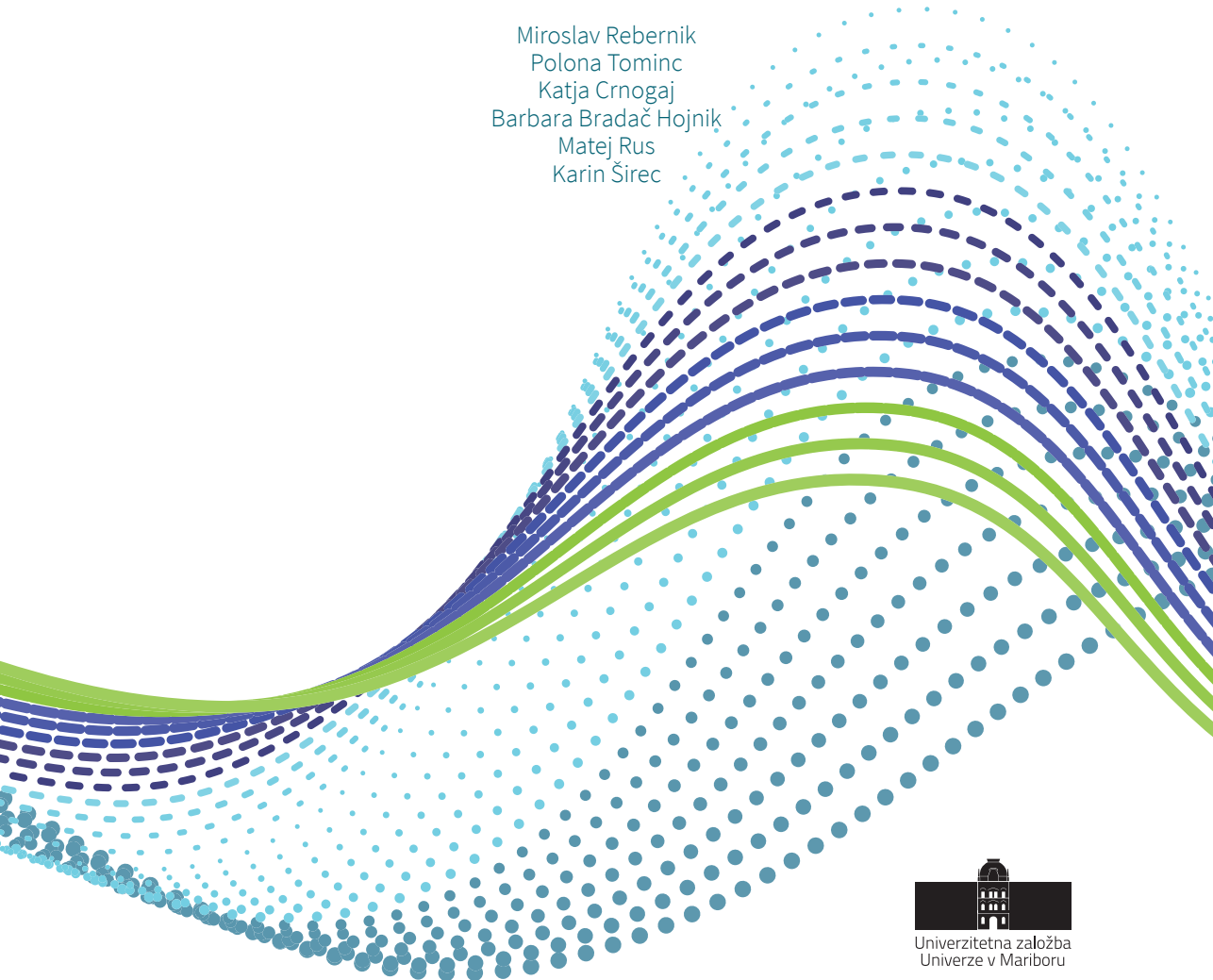


# Growth of Entrepreneurial Opportunities

GEM Slovenia 2017

Executive summary

Miroslav Rebernik  
Polona Tominc  
Katja Crnogaj  
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Matej Rus  
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April, 2018

**Series:** Slovenian Entrepreneurship Observatory

**ISSN:** 1854-8040

**Title:** Growth of Entrepreneurial Opportunities

**Subtitle:** GEM Slovenia 2017, Executive Summary

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**Translator:** Igor Rižnar, Ph.D., Assistant Professor

**Design and layout:** Nebia, d.o.o.

**Graphic attachments:** Authors.

**Type:** Electronic Book.

**Co-publisher:** University of Maribor, Faculty of Economics and Business, Razlagova ulica 14, 2000 Maribor, Slovenia, <http://www.epf.um.si>, [epf@mb.si](mailto:epf@mb.si)

**Publisher:** University of Maribor Press, Slomškov trg 15, 2000 Maribor, Slovenia <http://press.um.si>, [zalozba@um.si](mailto:zalozba@um.si)

**Edition:** First Edition.

**Available at:** <http://press.um.si/index.php/ump/catalog/book/333>

**Outcome:** Maribor, April 2018

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Whilst this work is based on data collected by the GEM consortium, responsibility for analysis and interpretation of those data is the sole responsibility of the authors.

Global Entrepreneurship Monitor Slovenia is funded by the SPIRIT Slovenia - Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology, and Ministry of Economic Development and Technology. The authors also acknowledge the financial support from the Slovenian Research Agency (research core funding No. P5 0023).

334.7(497.4)

GROWTH of entrepreneurial opportunities [Elektronski vir] : GEM Slovenia 2017 : executive summary / authors Miroslav Rebernik ... [et al. - El. publikacija. - Maribor : University of Maribor Press, 2018. - (Slovenian entrepreneurship observatory, ISSN 1854-8040)

Način dostopa (URL): <http://press.um.si/index.php/ump/catalog/book/333>

ISBN 978-961-286-159-9

doi: [doi8.org/10.18690/978-961-286-159-9](https://doi.org/10.18690/978-961-286-159-9)

1. Rebernik, Miroslav

COBISS.SI-ID 94397441

**ISBN:** 978-961-286-159-9

**DOI:** <https://doi.org/10.18690/978-961-286-159-9>

**Price:** Free copy.

**Responsible**

**publisher's person:** Jan Žan Oplotnik, Ph.D., Professor, Vice-rector of the University of Maribor

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# Growth of Entrepreneurial Opportunities

## GEM Slovenia 2017

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### **Abstract:**

The scientific monograph comprises results of the Slovenian part of the largest global research project on entrepreneurship Global Entrepreneurship Monitor – GEM, which has completed its 19<sup>th</sup> cycle in 2017. GEM was established in order to (1) measure the differences regarding the relationship towards entrepreneurship, activities and aspirations of individuals in as many countries as possible, (2) uncover factors that encourage or hinder entrepreneurial activities, especially related to societal values, personal attributes and the entrepreneurship ecosystem, (3) provide a platform for assessing the extent to which entrepreneurial activity influences economic growth within individual economies and (4) uncover policy measures for the purpose of enhancing entrepreneurial capacity in an economy. The research helps to better understand the attitude of the society towards entrepreneurship and individual capabilities, among which are the perception of their own abilities for entrepreneurial activities, the 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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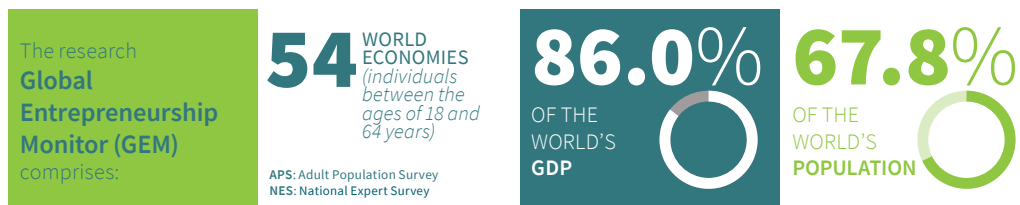


# GEM Slovenia 2017: Main findings

## What is Global Entrepreneurship Monitor?

The largest global research project on entrepreneurship *Global Entrepreneurship Monitor* – GEM has completed its 19<sup>th</sup> cycle in 2017. The initiative, which at its launch encompassed only ten countries, has proved to be a viable one that has so far included almost 100 economies. Slovenia has been a part of GEM project since 2002, which means that detailed records and research findings are available for the last 16 years. A huge advantage of GEM over similar research activities is that the collected data and results are based on a common methodology, which enables a long-term comparison of Slovenia with other participating countries and a clearer picture about the state and development of entrepreneurship in Slovenia. Entrepreneurship policy makers can thus better understand entrepreneurial activities and form a solid basis for the development of effective measures and programmes for the entrepreneurship, which can contribute the most towards development.

Figure 1: GEM in numbers



At its core, entrepreneurship is always individual, but as an activity it is global. The global component of the research programme makes GEM unique. In the field of entrepreneurship, the comparison of national entrepreneurship and entrepreneurial activities in other countries is a necessity, because markets are universal and do not allow national boundaries, especially not

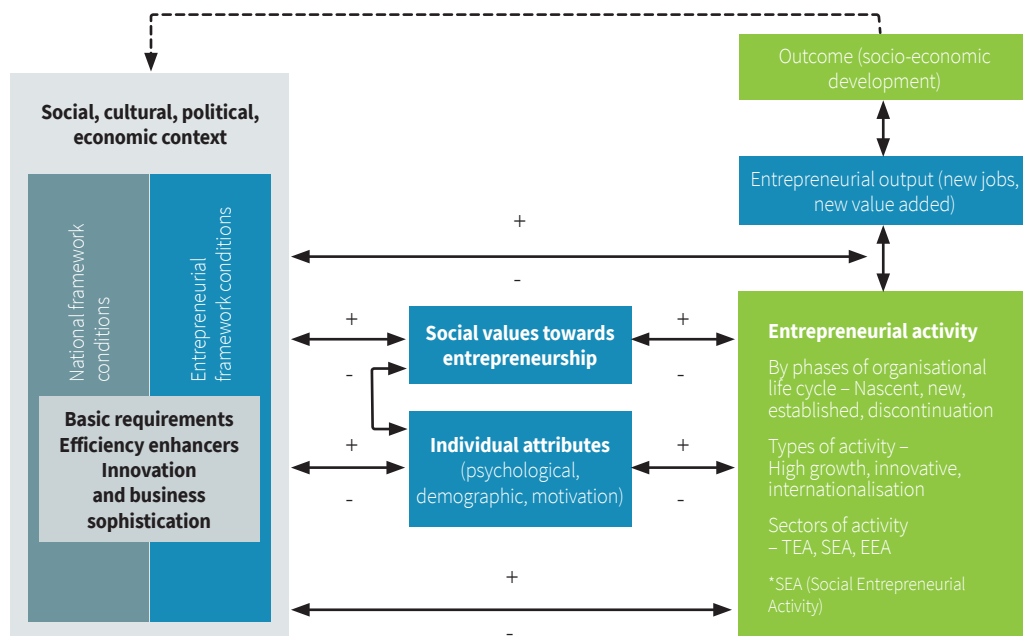
during the times of accelerated digitalisation of business activities, where the majority of business transactions are collaboratively shared regardless of the location.

According to GEM, individuals whose aspirations and actions are closely related to their environment are at the core of entrepreneurship. This stems from the basic presumption according to which national economic growth is the consequence of personal abilities of individuals for the discovering and exploitation of business opportunities, be it independently or through a business venture in established company, and that this process depends on environmental factors, which influence individual's perception of and exploitation of business opportunities. The study of entrepreneurship thus mainly represents the study of the basic driving force, i.e. entrepreneurs and their ambitions, innovation and entrepreneurship, as well as fears, reasons and limitations, which prevent entrepreneurial individuals from entering entrepreneurship. Ventures are set up by individuals, who constantly weigh cost and benefits of their actions, and whose decisions are influenced by personal traits and numerous factors in their environment, ranging from institutional entrepreneurial environment, dominant cultural values, the attitude of the society towards entrepreneurship, etc.

GEM was established in order to (1) measure the differences regarding the relationship towards entrepreneurship, activities and aspirations of individuals in as many countries as possible, (2) uncover factors that encourage or hinder entrepreneurial activities, especially related to societal values, personal attributes and the entrepreneurship ecosystem, (3) provide a platform for assessing the extent to which entrepreneurial activity influences economic growth within individual economies and (4) uncover policy measures for the purpose of enhancing entrepreneurial capacity in an economy.

GEM tries to understand social and individual relationship towards entrepreneurship, inclusiveness in entrepreneurial activities as well as entrepreneurial aspirations of individuals. Social, cultural, political and economic contexts are presented through national framework conditions, which take into account the level of development of individual national economies (factor-driven, efficiency-driven or innovation-driven) and entrepreneurial framework conditions. National framework is understood in the scope of 12 pillars monitored by the World Economic Forum in their annual research of global competitiveness. The following pillars are studied: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. National framework conditions are upgraded with the entrepreneurial framework conditions, which includes factors like entrepreneurial education, access to risk capital, transfer of technologies, etc. In GEM, these pillars are reflected in nine components of national framework of entrepreneurial conditions.

Figure 2: The GEM conceptual framework



The conceptual framework of GEM illustrates the fact that entrepreneurship represents a complex feedback system characterised by different interconnections that make explicit the relationships between social values, personal attributes and various forms of entrepreneurial activities. It also recognises that entrepreneurship can mediate the effect on new job creation and the economic or social value creation. The GEM conceptual framework derives from the assumption that national economic growth is the result of the interdependence between entrepreneurial conditions and personal capabilities of individuals to identify and seize business opportunities. The GEM research aims at identifying factors, which encourage or hinder various forms of entrepreneurial activity, and provides a platform for the entrepreneurial policy in order to increase entrepreneurial capacity on the national and local level.

The approach adopted by GEM is unique due to several features: first, primary data are collected on a global level; second, individuals are surveyed with regard to different key questions related to entrepreneurial aspirations, propensities, purpose and activities; third, entrepreneurship is studied throughout the entrepreneurial process – from seeing an entrepreneurial opportunity to its maturity and scaling up to a possible death of the entrepreneurial venture.

GEM research makes it easier for us to understand the relationship of society towards entrepreneurship and specific characteristics of individuals, e.g. the perception of their own abilities for entrepreneurial activities, the 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. GEM also pays attention to entrepreneurial

aspirations and the quality of entrepreneurship ecosystem, which can considerably encourage (or hinder) entrepreneurial processes in the society.

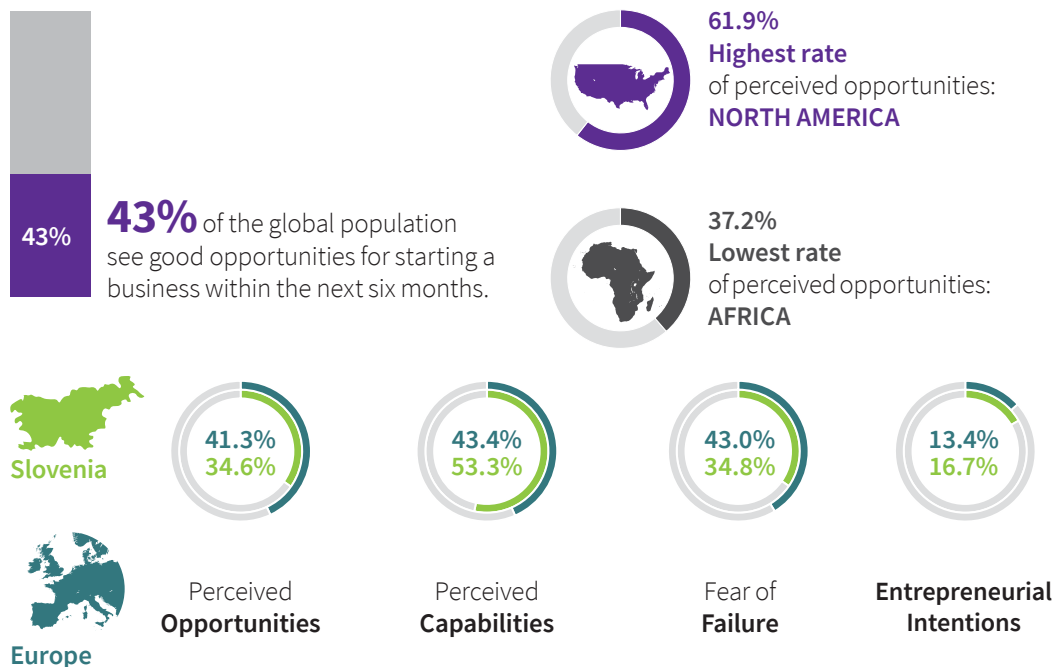
## **Entrepreneurial capacity and the attitudes of society towards entrepreneurship**

Entrepreneurial activity is the result of individuals' perception of business opportunities and their own capabilities (motivation and skills) to seize opportunities as well as special conditions within the environment in which those individuals live and work. In addition to the ability to identify sound business opportunities, the following factors count: self-perception and the perception of entrepreneurship, knowledge and skills required for entrepreneurship, fear of failure and direct entrepreneurial intentions of people. GEM also studies the perception of social values about entrepreneurship because individuals belong to a wider cultural and social environment, which has an influence on and shapes their entrepreneurial decisions.

The comparison between GEM 2017 and GEM 2016 research does not reveal considerable differences in the perception of entrepreneurial capacity, except a slight increase in the fear of failure rate. In 2017, there are no important differences in the perception of business opportunities globally. The highest level of perceived opportunities is still characteristic of North America, where 61.9% of adult population see good opportunities within the next six months in their environment. In Europe, fewer people share such opinion, only 41.3%. Here, the highest rate of business opportunities is expected in Sweden (79.5%), the lowest in Bosnia and Herzegovina (13.4%). Despite the fact that in Slovenia 34.6% of adult population sees the possibility of future business opportunity, which ranks Slovenia 40<sup>th</sup> globally and 12<sup>th</sup> in Europe, it is encouraging that the percentage has been on the rise during the last couple of years: in 2015 it amounted to 20.5%, in 2016 to 25.3%. The lagging behind in the perception of good business opportunities is one of the characteristics of Slovenia during the last few years. The number of those who expect business opportunities in their environments has been on the rise recently but is still smaller than in the majority of countries with innovative economy and countries with developed entrepreneurial ecosystems and highly supporting social environments for entrepreneurship.

One of the key conditions for the exploitation of perceived business opportunities are required skills and knowledge. Slovenians believe that they possess the required competences even more than in 2016, because 53.3% of the population believe they have required skills and knowledge for entrepreneurship. This ranks Slovenia 18<sup>th</sup> globally and 1<sup>st</sup> among the European countries that participated in the survey. If this self-perceived potential is objectively measured is another question. Unfortunately, no mechanism exists to verify such opinion, because entrepreneurial knowledge and skills are tested in entrepreneurial practice, so we cannot know what would happen if these individuals had their knowledge and skills tested in practice.

Figure 3: Opportunity perception and entrepreneurial capacity



GEM Slovenia 2017, APS

Entrepreneurial intentions of individuals in Slovenia are also on the rise: in 2016, there were 14.3% of adult population, who planned to start a business within the next three years, as compared with 16.7% in 2017. Entrepreneurial intentions can be understood as a first step of individuals to enter entrepreneurship and setting up a business venture, which are linked to different motives for entering entrepreneurship. In Europe, the highest number of entrepreneurial intentions has been registered in Croatia (22.8%), with a large percentage of individuals entering entrepreneurship because they have no better option for earning money (the percentage of entrepreneurship started out of necessity is high). The second place is taken by Estonia (22.3%), where necessity-based entrepreneurship is considerably less frequent. With regard to entrepreneurial intentions within the next three years Slovenia is ranked 6<sup>th</sup> among GEM countries. On the other end of the scale, where entrepreneurial intentions in Europe are less frequent, are Bulgaria (5.6%), Bosnia and Herzegovina (6.7%) and Spain (6.8%).

Fear of failure can be a strong deterrent when deciding to enter entrepreneurship. In innovative economies in 2017 it was, on average, higher than in factor-driven and efficiency-driven economies, which is a similar result as in 2016, which reflects the fact that personal perceptions of individuals are closely linked to their social environments and cultural norms within those environments. Fear of failure in developed economies is most likely connected with taking the risks of self-employment rather than staying in a safer working environment or being employed by established employers, which are numerous in innovative economies and fewer in efficiency-driven and factor-driven economies. Fear of failure in European countries was strongest in Greece (73.8%), which does not differ from the situation in 2016. In the majority of European countries, the percentage varies

between 55% in Cyprus (55.4%) and 40.6% in Switzerland. Lower fear of failure is, on average, felt only by Slovenians (39.8%), the Dutch (37.5%) and individuals in Bosnia and Herzegovina (36.3%).

The difference between countries regarding the perception of entrepreneurial capacity can be, to some extent, explained by the differences in their systems of cultural and social norms and different attitude of societies towards entrepreneurship. In order to get a clear picture about that we monitor the status of successful entrepreneurs, positive perception of entrepreneurship as a career, media support for entrepreneurship and the aspect of egalitarian society.

On average, in all GEM countries in 2017, almost 70% of adults believe that successful entrepreneurs are highly regarded in society. On average, 61% of adults also believe that successful entrepreneurship receives significant levels of media attention, which is only slightly higher than a year before. With regard to the level of development of the economy it can be said that, on average, almost two thirds of adults in factor-driven and efficiency-driven economies perceive entrepreneurship as a good career choice, while in innovation economies only 57.0% of adults see entrepreneurship as a good career choice. Globally, entrepreneurship is positively perceived in Africa, where 74.5% of adults believe that entrepreneurs are highly valued. In Europe, Latin America and the Caribbean such opinion is shared by, on average, only 60% of people. From the regional point of view, European countries, on average, perceive entrepreneurship as a good career choice lowest (58.7%) and believe that entrepreneurship garner lower media attention (54.3%), which is a result similar to the results gathered previous year.

Successful entrepreneurs are also respected in Slovenian society. Such opinion is shared by 73.4% of adults, which ranks Slovenia 5<sup>th</sup> in European context, where Ireland ranks 1<sup>st</sup> with 81.9% (globally ranked 4<sup>th</sup>), followed by Germany (77.9%) and Great Britain (75.6%). Globally, successful entrepreneurs were most valued in United Arab Emirates in 2017 (87.8%), Israel (86.1%) and Egypt (82.0%), and least valued in Argentina (47.4%), Croatia (47.7%) and in Spain (47.9%).

Among all regions, in Europe the lowest percentage of people believe that entrepreneurship represents a good career choice (58.5%). In Slovenia in 2017 the percentage of people who believe entrepreneurship is a good career choice slightly decreased (from 56.8% to 55.1%), which ranks Slovenia in the middle of the European scale. In Europe, the first two ranks are taken by the Netherlands (81.0%) and Poland (79.3%), with Luxembourg and Slovakia being ranked as the last two countries (43.0% and 47.6% respectively).

Slovenians perceive a positive media attention for entrepreneurship – more than 70% of adults believe that stories about successful entrepreneurs can often be found in media, which places Slovenia 2<sup>nd</sup> among European countries. Media only have a limited influence on values, because transforming of entrepreneurial values – just like any other values – is an extremely long process. The biggest share should be contributed by the state through appropriate governance of economic policies, enforcement of the rule of law and by setting up favourable conditions for business operations, which will encourage and not hinder entrepreneurship.

## Entrepreneurial activity of adult population

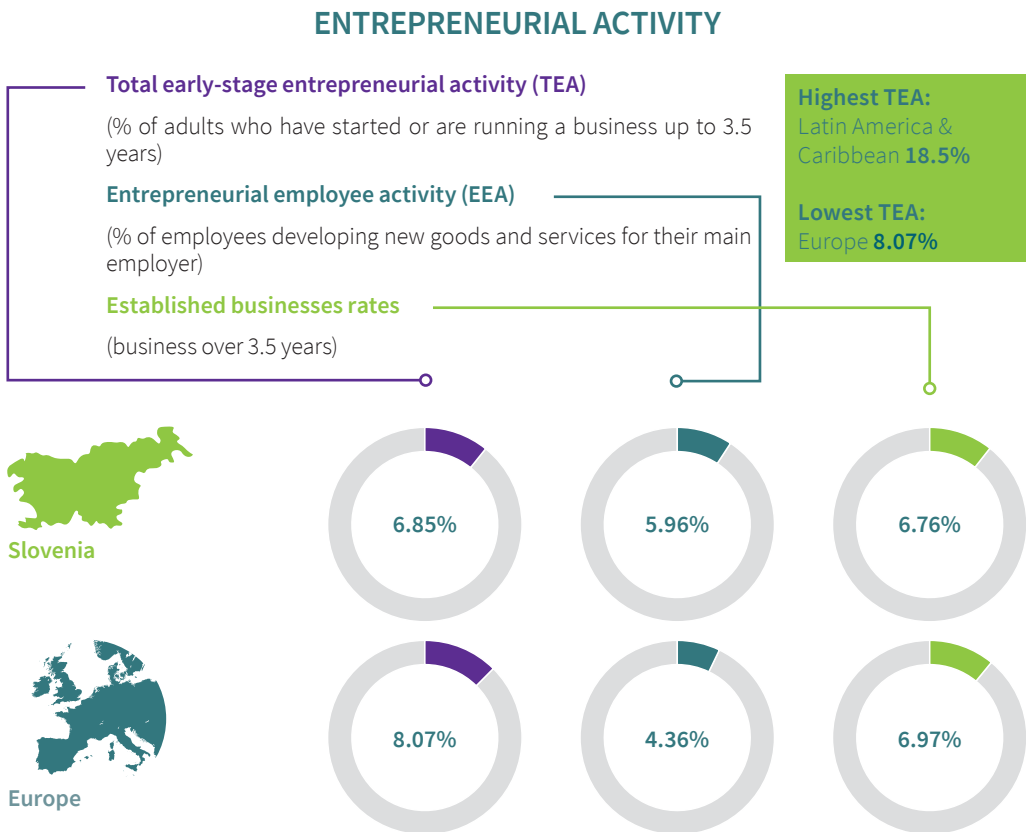
GEM research studies entrepreneurial processes across multiple phases of entrepreneurial activity, which represent individual phases in the life cycle of a business venture, from perceived business opportunity to discontinuation. It should not be taken for granted that individuals who identify a business opportunity, will seize it and enter entrepreneurial processes. The first phase includes potential entrepreneurs who believe they have the knowledge and entrepreneurial skills required

to start a business venture, who identified business opportunities and accept risks and possible failure of their business activity, and who also expressed the intention to set up a business venture. In 2017, there were 16.7% such adults in Slovenia. But only a portion of potential entrepreneurs is likely to enter the next phase, where opportunities are actually brought to life. These are so-called nascent entrepreneurs, individuals, who started the activities for setting up a company or who have already set up a company not more than three months ago. In Slovenia, 4.02% of adult population belonged to this group in 2017. The next phase comprises of new business owners, who own a business venture for more than three months but less than three years and a half and have paid salaries. In 2017, they amounted to 2.96% of adult population in Slovenia.

Nascent entrepreneurs and new business owners belong to the so-called early-stage entrepreneurial activity, which is described with the indicator of early-stage entrepreneurial activity TEA. TEA indicator is one of the basic measures of GEM research, which measures the percentage of the adult population aged between 18 and 64 that are in the process of starting or who have just started a business venture. In Slovenia in 2017 there were 6.85% of nascent and new business owners. As TEA rate measures the share of adult population entering early-stage entrepreneurship, the share is not a total of nascent and new entrepreneurs, because some individuals belong to both nascent and new entrepreneurs, but are included in TEA index only once. Entrepreneurs, who succeed in running a business for more than three years and a half become established business owners. In 2017, there were 6,76% established business owners in Slovenia. These enterprises represent an important source for growth of nascent, micro and small enterprises. An entrepreneurial process ends with the termination of business operations, which, together with setting up of enterprises, contribute to entrepreneurial dynamics in an environment, with entrepreneurs having established different harvesting strategies. The discontinuation of business activities should not be understood as the closure of a company due to failure, because other reasons are also present that led to a discontinuation of a business during the past 12 months. Among these reasons are selling a company, handing it over to successors, changing a type of company or even setting up a new venture, which is certainly not a sign of failure, but a deliberate entrepreneur's goal.

International comparison of total early-stage entrepreneurial activity, measured with TEA rate, shows that early-stage entrepreneurial activity tends to be highest in factor-driven group of economies, where it, on average, amounts to 16.4%, followed by efficiency-driven economies (14.9%,) and lowest in innovation economies, where it reaches, on average only 9.2%. Among the European countries, early-stage entrepreneurial activity is highest, exceeding 10%, in Estonia (19.4%), Latvia (14.2%) and in Slovakia (11.8%). Less than 5% of early-stage entrepreneurial activity was recorded in Europe in Bulgaria, France, Bosnia and Herzegovina, Italy and Greece. In Slovenia total early-stage entrepreneurial activity reached 6.85%, which is below the European average (8.07%).

Figure 4: Entrepreneurial activity



GEM Slovenia 2017, APS

Total early-stage entrepreneurial activity (TEA index) includes nascent and new entrepreneurs. In entrepreneurial processes there is a noticeable decrease in activities when the next stage is entered, with a share of nascent entrepreneurs never to become new business owners. The ratio between these two groups of entrepreneurs is shown with mortality index, which was rather high in Slovenia in 2017 and amounted to 1.36, which tells us that there were 36% more nascent entrepreneurs than new entrepreneurs. It can be concluded that out of four nascent entrepreneurs only three will continue to operate after three months (new business owners).

Entrepreneurial motivations differ greatly. Some chose to pursue entrepreneurial activity, because they do not have any other option for employment, others because they perceived a good business opportunity. Among the European countries, Slovenia has a lower level of total entrepreneurial activity from opportunity than a year before (5.1%), which is below the European average (6.1%). Among 54 surveyed countries, Slovenia was ranked among the last fifth of countries taking 44<sup>th</sup> place, and in the European context to 13<sup>th</sup> place among 20 countries. Among entrepreneurs who pursuit business opportunities, some want to improve their position through entrepreneurship by increasing their independence or income, and some, who want to maintain the level of their income. Motivation index which is calculated as a ratio between improvement-driven opportunity TEA and necessity-driven TEA tells us that there is, on average, in all GEM countries three times more improvement-driven entrepreneurs than necessity-driven entrepreneurs. In factor-driven



economies they are 2.3 times more frequent, in efficiency-driven economies 2.5 times more frequent and in innovation-driven economies 3.7 times more frequent. In Slovenia, there are 2.5 times more improvement-driven entrepreneurs than necessity-driven ones, and the relationship slightly deteriorated if compared with 2016, when there were 27 times more improvement-driven entrepreneurs than necessity-driven entrepreneurs.

The next phase in the development of enterprises after the new entrepreneurs is the so-called established entrepreneurship, which consists of entrepreneurs who own businesses and have paid salaries for more than 42 months. Such businesses have different features than new businesses, because they already have developed products, markets and brands, they have access to resources and follow established patterns of operating the business. The highest number of established entrepreneurs can be found in factor-driven economies (15.7%), with considerable differences among individual countries. In efficiency-driven economies there is only 8.9% of established entrepreneurs, and in innovation-driven economies there is 6.9% of established entrepreneurs. A large share of established entrepreneurs in factor-driven economies has a shortcoming that their established companies live shorter than in efficiency-driven and innovation-driven economies. In European context, Slovenia is ranked 10<sup>th</sup> among 20 countries. Greece has the largest number of established entrepreneurs (12.4%) and is followed by Estonia (11.4%). On the other hand, the lowest number of established entrepreneurs is found in Bosnia and Herzegovina (1.4%) and in Luxembourg (3.3%).

Business discontinuation is the final stage of entrepreneurial process. Among European countries, the largest number of entrepreneurs (the total number of nascent, new and established) in the past 12 months discontinued a business in France (44.8%) and Greece (29.9%) – the number is higher than during the previous year in both countries, in France, the number almost doubled. On the other hand, in Europe fewer entrepreneurs discontinued a business in Switzerland (6.3%), where during the previous year the lowest discontinuation in Europe was recorded. Our neighbours, Croatia and Italy, have a considerably higher share of discontinuation of business activities (29.9% and 20.4% respectively) than Slovenia. In Slovenia, 17.2% of entrepreneurs discontinued a business, with only 13.7% during a previous year. The most frequent reason for the discontinuation of business is the lack of profitability. The comparison of Slovenia with other groups of countries reveals significant deviations. In Slovenia, in addition to the lack of profitability (22%) an equally important reason is a transition to a different activity or a new business opportunity (22%), followed by the discontinuation of business activities due to government/taxation policies or bureaucracy (19%). The last two reasons seem to be less important in other groups of countries. In Slovenia, a transition to a different activity means that the entrepreneurs look for other possibilities for earning income or career development, which is not a viable basis for a long-term development of a business venture. A large share of discontinuation of business activities due to policies and bureaucracy requires a simplification of business regulation, the elimination of bureaucratic obstacles and a reduction of tax burdens. Only attractive business conditions will make entrepreneurs remain in the business processes.

## Demographic features of Slovenian entrepreneurship

In all surveyed groups of countries, the majority of early-stage entrepreneurial activity can be found in two age groups, namely in 25 – 34 and 35 – 44 year olds. The highest prevalence of early-stage entrepreneurial activity among the 25 – 34 year olds is found in North America (23.4%), whereas in Latin America and the Caribbean the majority of early-stage entrepreneurs can be found among

the 35 – 44 year olds (20.6%). Europe, when compared with all other regions, has the lowest level of early-stage entrepreneurial activity in all age groups. In Slovenia, the age group 25 – 34 years has the highest prevalence of early-stage entrepreneurial activity (32.4%). Early-stage entrepreneurial activity of the age group of 55 to 64 year olds increased in 2017 (from 5.5% to 7.4%). This is an encouraging indicator, because Slovenia has one of the lowest working activity of people between 55 and 64 years in the EU-28.

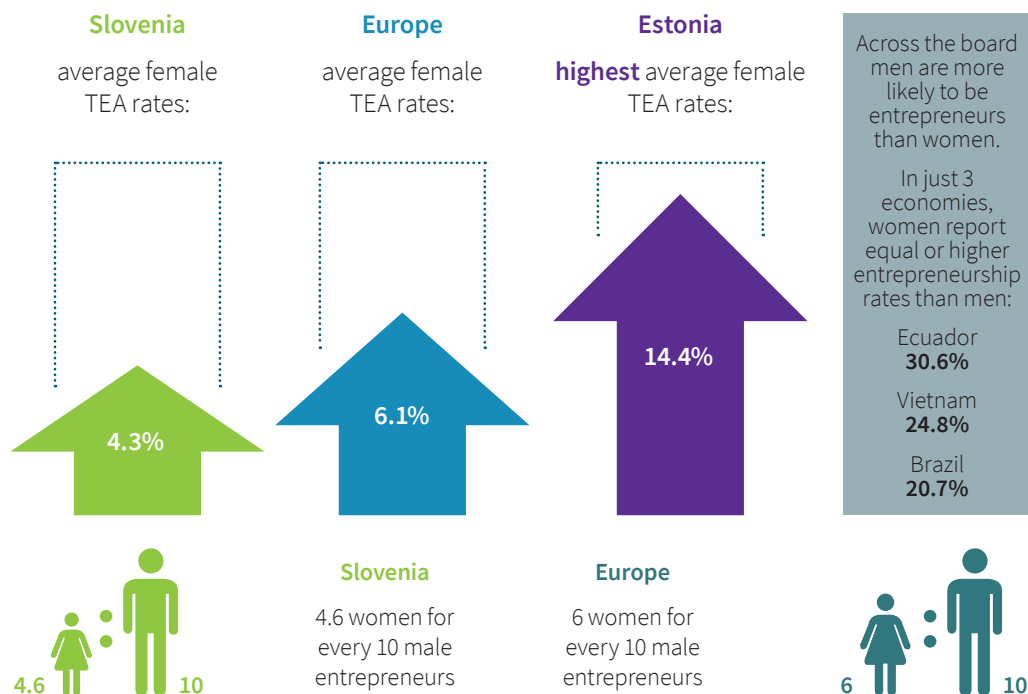
Not every entrepreneurial activity is equally desirable. Despite the fact that in all age groups in Slovenia opportunity-based entrepreneurship is most common, a considerable increase of necessity-based entrepreneurship has been noticed in the oldest age group in comparison with the year 2016 (from 0.7% to 3.3%). The lowest level of entrepreneurial activity out of necessity can be found in the youngest age group (1%). Considerably more entrepreneurship out of opportunity in comparison with 2016 was recorded in the age group of 45 – 54 year olds.

Among established entrepreneurs in 2017, the busiest age group was the 35 – 54 year olds. Its share is considerably higher in Slovenia than in other surveyed countries. At the same time, the share of the young in Slovenia is lower (up to 34 years) as well as the share of the old established entrepreneurs. In comparison with the year 2016, the highest increase was recorded in the age group from 25 to 34 years (from 7.9% to 11.9%), which is still considerably lower than in 2015 (19.8%). The largest decrease among established entrepreneurs was recorded for the group of 55 – 64 year olds. Their share in 2016 was comparable to the share in other surveyed countries, but decreased considerably in 2017 (from 22.3% to 14.4%). Such a decrease is a clear signal to a number of institutions that deal with the formation of instruments for successful business transfer and succession.

In Slovenia, the share of new and nascent entrepreneurs, younger than 34 years, is comparable to the share in other GEM countries and is slightly above the average of innovation economies and European countries. In comparison with 2016, the share of established entrepreneurs in this age group slightly increased (from 10.9% to 13.9%), but the group has been lagging behind the average of other surveyed countries (GEM countries, innovation economies, European countries and member states of the European Union). A five-year trend of early-stage and established entrepreneurial activity of people younger than 34 years in Slovenia shows that the considerable increase in 2016 was followed by a decrease to a similar level of activity recorded in 2013–2015. To some extent the reason for such decrease can be found in unfavourable economic conditions and fewer employment opportunities offered to the young on the job market.

With regard to gender distribution, GEM results for 2017 show that the male to female participation in early-stage entrepreneurial activity remained consistent with previous years. Men were more likely to be involved in early-stage entrepreneurial activity in all surveyed countries. In Slovenia, the majority of female early-stage entrepreneurs were between 25 and 34 years old in 2017. The largest discrepancies between genders were recorded in the age group 35 to 44 year olds, where there is considerably fewer entrepreneurially active women than men. Other age groups do not show considerable differences among genders. According to GEM data for the period between 2012 and 2016 female entrepreneurs have fewer growth aspirations for their enterprises than male entrepreneurs.

Figure 5: Gender distribution of early-stage entrepreneurial activity



GEM Slovenia 2017, APS

During the period 2013–2017 early-stage entrepreneurial activity of women in Slovenia stabilised at approximately 30% and is similar to the previous period, and considerably lower than in other surveyed countries. With regard to the participation of women in early-stage entrepreneurial activity, Slovenia ranked 49<sup>th</sup> among 54 GEM countries. Globally, the lowest ranking countries were Morocco (26.9%), Italy (27.6%) and Egypt (28.5%). Less developed economies usually exhibit higher shares of women participating in early-stage entrepreneurial activities; this is why Vietnam is found on the top of the global scale (53.3%), followed by Ecuador (51.6%) and Brazil (51.0%). These are the only three countries, where the share of early-stage female entrepreneurs exceeds the share of early-stage male entrepreneurs. In the European context, the largest share of women in early-stage entrepreneurial activity was recorded for the Netherlands (47.2%), in Spain (45.0%) and in Poland (43.7%). The lowest share of new and nascent early-stage female entrepreneurs among all entrepreneurs was recorded in Italy (27.6%) in France (30.7%) and in Slovenia (31.3%). Among 20 surveyed countries Slovenia ranked 18<sup>th</sup>.

A fundamental obstacle for a successful start-up is having required knowledge and skills to start a business. According to GEM research, approximately one third of women (34.1%) reported in the period 2012–2016 in the EU that they possess knowledge and skills required to start a business. This percentage was considerably lower when compared with the average male percentage (49.9%). In Slovenia the ratio was much better: 42.1% of women and 58.1% of men believed that they have the required knowledge and skills for starting entrepreneurial activities. The recorded data can also be explained in the following way: as much as two thirds of women believe that they do not possess the required knowledge and skills for successful business operations. This is certainly an area where measures of economic policy should urgently be taken.

In 2017, the highest level of education was recorded for nascent and new entrepreneurs. Almost 40% had higher, high or university education. In comparison with previous years, the share of early-stage entrepreneurs with vocational education has increased. This group is particularly vulnerable when entering entrepreneurial activities and deserves special attention. In comparison with 2016, the share of highly educated established entrepreneurs, increased significantly in 2017 (from 28.8% to 36.3% in 2017). This is an encouraging piece sign, because it indicates a higher level of quality entrepreneurial activity. Entrepreneurs with higher level of education frequently have more ambitious business plans and implement high quality entrepreneurial projects. This is also why their contribution to national wealth will most likely be bigger than the contribution of those who enter entrepreneurship due to necessity to provide for the survival of themselves or their families. Among the non-entrepreneurs the education structure remains on the same level as during previous years.

As for the potential quality of entrepreneurial activity it makes sense to encourage well-educated individuals to enter entrepreneurship. The fact that more than a half of early-stage entrepreneurs have post-secondary education is encouraging, but when we speak about the young such findings cannot make us completely satisfied. In the older group of entrepreneurs, poor formal education can often be compensated with experience, financial background and established business connections, the young most often lack such attributes. A higher level of formal education can therefore contribute towards the necessary entrepreneurial capital for successful business activity.

Quality entrepreneurial activities depend on individual's capacities and, to a large extent, their financial capabilities. The majority of early-stage and established entrepreneurs belong to the high-income group. Contrary to previous years, the second place among early-stage entrepreneurs is taken by individuals belonging to the low-income group. This means that many individuals with less favourable financial capabilities are entering entrepreneurship, which is an indicator of necessity entrepreneurship. As for the established entrepreneurs, the situation is similar as in previous years, with a considerable increase of entrepreneurs belonging to the low-income group (their share increased from 1.2% in 2016 to 4.1% in 2017).

## Entrepreneurial aspirations

The key goals of any economy are to provide jobs and create added value. However, many businesses discontinue their operations too soon or do not employ new workers or grow. Growing enterprises represent a small share in the population, but are the larger employer. The potential for the increase in the number of jobs and high added value, which represent the quality of entrepreneurial activity, depends above all on entrepreneurial aspirations of individuals as well as on company innovativeness when faced with entrepreneurial challenges. Innovative and growing companies are extremely important because they attract creative individuals, increase the level of engagement of talented entrepreneurs and contribute towards commercialisation of new knowledge and technologies.

A potential contribution of newly-founded enterprises towards the creation of new jobs depends mainly on the number of newly-founded companies, their average size at the time of establishment, the level of company survival and the average growth of new companies that have survived, and which have managed to confirm the market value of their products. GEM research analyses entrepreneur's growth orientation according to the estimations about the number of new jobs that their business will provide in the next five years. This information significantly adds to the information obtained from the TEA index. Growth aspirations differ considerably among nascent

and new entrepreneurs in different societies and should be well understood, if we want to help government policy makers and introduce measures that support these aspirations or facilitate their implementation in practice.

GEM asks early-stage and new entrepreneurs how many employees they expect to have in the next five years. As this is their subjective assessment, it can be based on their professional estimates regarding the growth potential of their businesses, but also on their wishful thinking about growth lacking a firm foundation. We should therefore be aware of the limitations when researching entrepreneurial growth aspirations, because entrepreneurs very often do not have realistic expectations about the future growth of their businesses when they set foot on the entrepreneurial path. Often, growth expectations are not met in practice, but it certainly matters that entrepreneurs exhibit growth aspirations, because the lack of growth aspirations often results in poor company growth. It can thus be concluded that in countries with considerably higher level of entrepreneurial growth aspiration more new jobs are likely to be created.

The ambitions of Slovenian nascent and new entrepreneurs do not differ considerably from the ambitions of their counterparts in other GEM countries, European countries and member states of the European Union. Only entrepreneurs belonging to the group of innovation-driven economies exhibit slightly higher growth aspiration. Within TEA, there are slightly more than 17% of enterprises expecting ten or more jobs to be created within five years after the company was set up (in Slovenia, the share amounts to slightly more than 14%). Larger differences between Slovenia and other surveyed countries can be found in an even more ambitious goal, namely, 19 or more new jobs created within the next five years. This question is analysed by GEM for the whole population. In Slovenia, 0.5% of respondents believe that they will create 19 or more jobs, whereas the share in GEM states and innovation-driven economies is twice as big. When we compare Slovenia with the member states of the European Union, the difference regarding growth aspirations is considerably smaller (0.7%).

Within TEA, the share of nascent and new entrepreneurs, who expect to add five jobs to their enterprises within the next five years, amounted to 22% in Slovenia in 2017. This ranked Slovenia in the middle among all European countries surveyed in GEM research. The largest share of ambitious entrepreneurs among European countries in 2017 was recorded in Switzerland (38%) and in Croatia (34%), the lowest in Bosnia and Herzegovina (2%), in Sweden (7%), Greece (11%), Spain (12%) and Bulgaria (12%).

Considerable differences were recorded in all groups of respondents (18–64 let) belonging to TEA. In Slovenia, 4.7% of respondents reported that they had already created new jobs or that they were going to create new jobs during the five years after the start-up (or within the next five years, if the company had already been established), which would make their enterprise to become an employer. With regard to this variable, the share of Slovenian entrepreneurs tends to be smaller than in other surveyed countries (GEM countries 9.3%, innovation-driven economies 6.7%, European countries 5.7%, member states of the European Union 5.9%), which means that there are more entrepreneurs in Slovenia who are non-employers and do not plan to become employers.

According to GEM research, there were 14% of very ambitious nascent and new entrepreneurs in Slovenia in 2017. This group of entrepreneurs expect that the number of employees in their enterprises will exceed ten during the next five years and that their companies will increase the number of employees by at least 50%. This percentage is similar to the percentage found in entrepreneurs in other surveyed countries.

An important developmental role is played by new, innovation-driven enterprises, which develop new entrepreneurial ideas, innovations and technologies or introduce them in the business practice. Innovation-driven entrepreneurship is studied by assessing if (potential) buyers already know a product or service similar to the one offered by the nascent or new company. We are interested in entrepreneur's assessment about the existence of competitive enterprises already offering similar or the same products or services. When doing research about innovative orientation of early-stage entrepreneurship, some research limitations have to be taken into consideration. On the one hand, we deal with the entrepreneur's subjective assessment, on the other hand, the entrepreneur's assessment may be biased due to the phase of the economic development of the country in which they operate.

As with many other indicators, the same holds true for innovativeness, namely, the share of ventures with innovative character increases with economic development. If we compare individual groups of countries with Slovenia, we come to the conclusion that Slovenia does not lag behind the most developed countries with regard to both criteria. In Slovenia, 50% of entrepreneurs in earliest stages of entrepreneurship believe that they have a product or service, which is new for some or all potential buyers. With regard to this indicator, other countries are also ranked high, the highest ranking country is Luxembourg with 76%, followed by France with 73%, Italy with 64%, Cyprus with 55% and Ireland with 54%. The lowest ranking countries are Bulgaria (17%) and Bosnia and Herzegovina (19%).

Slovenia also ranks high with regard to the focus on new market niches, because 50% of early-stage entrepreneurs believe that their products or services are new on the market, as there are few or no other competitive businesses on the market. Even a higher degree of novelty of their products or services is expressed by early-stage entrepreneurs from Luxembourg (67%), Ireland (64%) and France (61%). The lowest results were observed in Poland (28%) and in Bulgaria (31%).

The use of new technologies can greatly contribute to the success of business operations of individual companies and the society as a whole. In Slovenia, the percentage of nascent and new entrepreneurs who believe that they use relatively new technologies (i.e. technologies available for less than five years), was 38% in 2017. For this indicator, Bulgaria (69%), France (58%), Croatia (56%) and Cyprus (55%) reported higher scores than Slovenia. It should be emphasized that that the answers provided by entrepreneurs are subjective and reflect the environment in which these entrepreneurs operate. Most likely, entrepreneurs from economically less developed countries perceive the use of new technologies more loosely than their counterparts in highly developed economies and more innovative and technologically stronger environments.













With regard to the level of internationalization, Slovenia ranks very high among EU-28 countries. Similarly, the internationalization of nascent and new entrepreneurs is also high. The analysis for Slovenia revealed that there were 42% of nascent and new enterprises in Slovenia in 2017, which state that 25% of buyers of their products and services come from abroad, which is considerably higher than in individual groups of countries (GEM countries: 19%, innovation-based economies: 26%, European countries: 24%, member states of the European Union: 23%). Obviously, Slovenian entrepreneurs are well aware of the importance of international markets, which are extremely important for small countries. Without internationalization it is neither possible to achieve appropriate company size nor appropriate economy of scale and scope. Clearly, at the approximately same level of development in a large economy, there will be fewer internationalized companies, because it is possible to grow on the domestic market.

The highest levels of internationalization (more than 25% of buyers from abroad) among nascent and new entrepreneurs in European countries in 2017 were recorded in Croatia (51%), in Luxembourg (51%) and in Greece (30%), the lowest in Poland (5%), Spain (9%) and in the Netherlands (9%).

## The assessment of the entrepreneurship ecosystem

In GEM, entrepreneurship ecosystem is assessed by rating individual business environment characteristics that influence entrepreneurial behaviour and activities through a survey by gathering opinions from at least 36 national experts from each country participating in GEM. We tend to record only features, which have a direct influence on individual's decisions related to starting a business and the development of entrepreneurship. There are nine entrepreneurial framework components: entrepreneurial finance, government policy, government entrepreneurship programmes, entrepreneurship education, R&D transfer, access to commercial and legal infrastructure, internal market dynamics, physical infrastructure, and cultural and social norms. 54 statements in nine entrepreneurial framework conditions were assessed by experts on a Likert scale from 1 (highly insufficient) to 9 (highly sufficient).

Figure 6: The entrepreneurial framework conditions

	EU	SLO		EU	SLO
1. Entrepreneurial finance 	4.48	4.49	7. Research and development (R&D) transfer 	4.2	4,3
2. Government policies support and relevance 	4.18	4.16	8. Commercial and legal infrastructure 	5.24	4.96
3. Government policies regarding taxes and bureaucracy 	3.98	2.98	9. Internal market dynamics 	4.8	5.28
4. Government entrepreneurship programmes 	4.59	4.39	10. Internal market burdens or entry regulation 	4.43	4.25
5. Entrepreneurship education at school stage 	3,37	3.38	11. Physical infrastructure 	6.65	6.66
6. Entrepreneurship education at post school stage and entrepreneurship training 	4.76	4.71	12. Cultural and social norms 	4.54	3.82

National experts' rates using scale of 1 = highly insufficient to 9 = highly sufficient

GEM Slovenia 2017, APS

In 2017, 67% of entrepreneurial framework conditions improved in Slovenia. The highest score was given to the access to physical infrastructure, which was followed by the dynamics of internal market. Slovenian experts rated, on average, lowest government regulatory policies and entrepreneurial education at the primary and secondary level of education. According to national experts Slovenia lags behind European countries and innovation-driven economies in the field of government policies (taxation, bureaucracy) and cultural and social norms, which is similar to the previous year, but in reverse order. Contrary to the situation in EU member states and most developed economies cultural and social norms influencing entrepreneurial activity

in Slovenia are ranked high on the scale of obstacles. Slovenia has been lagging behind in this area for a number of years. On the other hand, it is encouraging that the average ratings for this entrepreneurial framework condition increased in 2017 in comparison to 2016. Media support for entrepreneurial projects, high profile entrepreneurial competitions and the promotion of good practices were main reasons for the improvement in this area. Government policy and entrepreneurial education in primary and secondary schools are problematic not only in Slovenia, but also in other developed economies.

In 2017, the highest scores for the entrepreneurial ecosystem were recorded in the Netherlands, Indonesia, the United Arab Emirates, Estonia and Switzerland. The analysis showed that some countries (Croatia, Egypt, Iran, Morocco, Puerto Rico, the Republic of South Africa and Uruguay) should thoroughly rethink between four and seven entrepreneurial framework conditions. National experts have been constantly arguing that taxation represents the main hindrance of entrepreneurial activity and the reason for moving companies abroad. The statement that the amount of tax levies does NOT represent a burden for nascent and new enterprises was the statement given the lowest score among 54 statements in the questionnaire in Slovenia. Similar low scores were given to the cumbersome state bureaucracy and regulations. According to GEM 2017, the highest scores to government policy were given by experts from the United Arab Emirates, the Netherlands, Switzerland, Luxembourg and Indonesia. Experts from Estonia, Qatar and France scored this item with an average score above five.

The highest number of comments, 64,7%, of Slovenian experts were related to government policy, the main inhibitor of entrepreneurial activity. The recommendations regarding this item were mainly about the necessity of a more favourable tax regulation, e.g. about a special law regarding start-ups, which would include the specificity in the area of labour law and taxation regulation. In addition, experts recommended a reduction of tax contributions during the first two years and the elimination of the tax on profit during the first five years. They also mentioned the promotion of investments and, consequently, a tax decrease for companies that invest in development, some other tax incentives and, above all, a stable and transparent legislation, that would encourage and support the creation of new companies, a healthy growth of the existing ones, investments and provide employment opportunities. Last but not least, experts urged for the reduction of administrative obstacles, above all the reduction in the number of required legal permissions and other regulations. Their recommendations also focus on more efficient sanctioning of unwanted business practices, less state interference in the economy and a systematic and transparent government support.

Items related to the entrepreneurial education on tertiary level were rated fairly high. The highest score was given to the statement that business and management education in Slovenia gives graduates adequate knowledge and skills for setting up new enterprises and ensuring their growth. It does not come as a surprise that experts ranked entrepreneurial education on primary and secondary level very low, which is a problem observed also in other European countries and innovation-driven economies. Slovenian experts believe that in primary and secondary schools does not get the necessary attention, and that teaching at this level does not encourage creativity, independence and personal initiative.

It should be pointed out that the rates for this entrepreneurial framework increased on average from year 2016, especially in the field of entrepreneurial education on the primary and secondary level of education (in 2016, the average score was as low as 2.71, in 2017 it reached 3.38). Overall average score for entrepreneurial education after secondary school education also increased (in 2016, it was 4.37, in 2017 it was 4.71). Entrepreneurial education in primary and secondary schools



was assessed highest in the Netherlands (5.59), with scores above five also recorded in the United Arab Emirates and Indonesia. Entrepreneurial education after secondary school education is, on average, assessed higher, with average scores above six in Switzerland and in the Netherlands, as well as in Indonesia and Lebanon. GEM research findings show that a stronger support of Slovenian politics is a prerequisite. Entrepreneurial education should be considered a priority, with a clear national strategy and appropriate incentives that might contribute towards the creation of a platform for the inclusion of entrepreneurship in the educational process.

Government policies and entrepreneurial education in primary and secondary schools represent a strong inhibiting factor in entrepreneurship not only in Slovenia, but also in other European countries. On the other hand, cultural and social norms ranked much higher in the majority of European countries and innovation-driven economies than in Slovenia. Slovenian experts have been highly critical about cultural and social norms for a number of years. In 2017, this entrepreneurial framework condition was ranked lower than in Slovenia only in Spain, Croatia and in Slovakia.

The attitude of society towards entrepreneurship has an important influence on the individual's decision to enter the entrepreneurial activities. Incremental creation of favourable conditions for entrepreneurship in Slovenia remains an important task for government policy-makers (mainly in the regulatory field), support institutions and entrepreneurial education (mainly on primary and secondary level). The creation of entrepreneurship-friendly environment is also in the hands of other stake-holders: state and non-governmental institutions, educational institutions, local authorities, and last but not least, existing companies, which can provide help for nascent and new entrepreneurs through business collaboration and mentoring for successful business operations and growth. On this common path they, too, can gain fresh and innovative ideas for their own businesses.



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