

SME TrainNet

Executive Summary of Research on Training and Support Structures for young SMEs in 10 European Countries

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Author: Adriana Bär, Wifi Austria
Co-authors: All project partners



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Preface

Fostering SMEs means offering them access to know-how. This support must take place already in the start-up phase and must accompany the entrepreneur especially in the first years of growth. A successful start-up can only get off the ground if entrepreneurs are guided especially in the first three years with consultancy support but also with accessible financial funds. Still, 20 to 30 percent of start-ups fail in the first three years of business. Recent studies show that especially the third year in business is the most challenging one. Even high potential start-ups have to deal with the fear of finally failing despite outstanding business ideas.

Being a successful entrepreneur depends on management skills on the one hand, but this is linked with the framework conditions of intermediary organisations offering services to improve their capacity on the other hand.

The problems faced by start-ups and SMEs are quite similar all over Europe, however they are hardly communicated: entrepreneurs are facing daily business with only limited resources to communicate their needs to decisions makers and the public.

These facts make SME TraiNet such a valuable project: it shows us where European key stakeholders have to improve their services for SMEs and it makes clear in which fields we have to do a better job. The results of SME TraiNet are offering the opportunity to understand the (daily) needs of our entrepreneurs. SME TraiNet points out where we have to try harder – not only at regional or national level: also at European level!

Being an entrepreneur can be a great adventure in a complex and challenging world but we are asked to ensure that it will not be a dangerous one!



A handwritten signature in black ink, which reads "Andrea Benassi".

Andrea Benassi
Secretary General UEAPME

1 About SME TrainNet

1.1 Project Goals

Promoting and supporting entrepreneurship and SMEs is a political priority in all European member states. However, the training and support European entrepreneurs usually get is mainly focused on initial aid during their first steps into entrepreneurship. Despite the initial support founders of new businesses get at the beginning, many of them do not survive their third year of business operations. This is due to the fact that no structured and holistic support is provided to still young but already established SMEs whose businesses develop successfully and would have the potential of growth, but whose owners are not sufficiently capable of managing this sudden growth and the problems and challenges it brings about. This is especially the case for enterprises in the crafts as well as in the services sector.

SME-TraiNet is a project funded by the European Commission under the Lifelong Learning programme with the objective of establishing a stakeholder network that tackles the above outlined problem by fostering the dialogue between European young businesses operating in the crafts and services sector, and European guidance and training providers. By bringing together these stakeholders, the partnership's main goal is to improve the current training and support structures to the target group of young businesses and SMEs.

1.2 The Partnership

The Leonardo project partnership consists of twelve partner organisations from ten European countries with the Institute for Economic Promotion at the Austrian Federal Economic Chamber / International Know-How Transfer (WIFI-IKT) being the project promoter and coordinator. Further members of the consortium include VET and guidance providers for SMEs, such as vocational training institutions, chambers of commerce and crafts and universities on the one hand, and of SME associations and trade unions on the other hand. In detail, the partner organisations located in Northern, Eastern, Western and Southern Europe are:

- **ABIGEM, Turkey** (European-Turkish Business Centres Network)
- **AKOL, Finland** (Trade union of adult educators)
- **AMIEDU, Finland** (Vocational training provider in adult education)
- **CLA, Italy** (Consortium for Employment and Environment, Vocational training agency with the main goal of supporting Italian SMEs)
- **EDUPOLI, Finland** (Vocational training provider in adult education)
- **EMC, Bulgaria** (European Management Center, VET provider and consultancy in the field of management and training in Bulgarian companies)
- **EMI-ECO, Estonia** (Vocational training provider in adult education)
- **HWK, Germany** (Hamburg Chamber of Crafts and Industry)
- **ICPE, Slovenia** (International Center for Promotion of Enterprises, UN sponsored intergovernmental organisation)
- **LAHTI, Finland** (Lahti University of Applied Sciences)
- **SCCI, Slovakia** (Slovak Chamber of Commerce and Industry)

- **WIFI-IKT, Austria** (Institute for Economic Promotion at the Austrian Federal Economic Chamber, umbrella organisation of regional Institutes of Economic Promotion providing guidance and training for Austrian enterprises)
- **ZRP, Poland** (Polish Craft Association, umbrella organisation of the Polish Chambers of Craft)

1.3 Project approach and research methodology

The approach to building up a stable network in the field of SMEs is tripartite: firstly, desk research on current training and support structures in all participating countries is carried out in order to assess the currently available training and support offer available in the project countries and in order to identify the main stakeholders in the field to be involved into the network activities. In a second step, two workshops, based on the results of the national studies are carried out in all partner countries. The main aim of these workshops is to discuss identified good practice examples with national experts and develop strategies, how these could be disseminated in the country and potentially transferred to other European nations. The third activity is to hold two international conferences representing a platform to raise awareness at the political level and to discuss and exchange good practices identified in the national workshops at European level.

In a first step of the 36-month project, all partners carried out extensive desk researches on current training and support structures for young businesses in order to determine good practice in training and support as well as current trends and needs of SMEs and young businesses operating in the crafts and services sectors of the partner countries representing Northern, Eastern, Western and Southern Europe: Austria, Bulgaria, Estonia, Finland, Germany, Italy, Poland, Slovakia, Slovenia and Turkey. The desk research in all of these countries was complemented by interviews with owners and directors of young enterprises in order to find out whether the current national training and support offer actually meets the needs of the young enterprises. The main findings of the research were summarised in national research reports, describing country-wise the current training and support structures for young enterprises, giving an overview of the training and support institutions providing good practice in the respective country and highlighting potential gaps and needs for further improvements of the existing offer.

The document at hand represents an executive summary of the key results of all national research reports. It is divided into three main chapters: firstly, the general entrepreneurial landscape including the main sectors of entrepreneurship in the partner countries is being described; secondly, current training and support structures in the partner countries are outlined. Finally, current trends, needs and problems of SME structures in all European countries are being characterised and compared. All key results are based on extensive desk research as well as interviews with young entrepreneurs carried out by all partner organisations during the time from October 2008 to March 2009.

2 Entrepreneurial landscape and entrepreneurship in the partner countries

During researching the entrepreneurial landscape and entrepreneurship in the respective countries, all project partners followed the definition of SMEs issued by the European commission in 2005.

Under this definition SMEs can be categorised into three major groups: *micro businesses* with less than 10 employees and less than 2 Mio € turnover per year, *small businesses* with less than 50 employees and less than 10 Mio € turnover per year and *medium enterprises* with no more than 250 employees and 50 Mio € turnover per year. In the whole of the European Union SMEs make up 99% of all enterprises and provide about 65 million jobs. [European Commission: Recommendation 2003/361/EC, 2003]

In general, the SME sector is characterised by two distinct features: firstly, the whole sector tends to develop differently from the rest of the economy, as it is predominantly dependent on domestic demand and household consumption. Secondly, and this was and is the major target of the SME TraiNet project, a large number of SMEs fails within the first 3 years of operation in most countries. The reasons for this failure will be outlined in more detail in chapter 4 of the Executive Summary at hand. [OECD: World Economic Outlook, 2009]

In the following, a short country-by-country analysis of the desk researches and interviews all partners led with young SMEs regarding enterprise structures in their country will be delivered. In the end, similarities as well as differences between the countries will be outlined.

2.1 Austria

In Austria, SMEs made up 99.7 % of all businesses in 2009 and provided jobs to 1.34 million people. The total number of SMEs has been on the increase since the mid-nineties, the Austrian Institute for SME Research states a percentage change of as much as 56.8% in total amount of SMEs during the period from 1995 to 2008.

The Austrian SME sector can be divided into 6 major industries: Trade & Crafts (30% of all Austrian businesses), Commerce (26%), Tourism & Leisure (18%), Information & Consulting (17%), Transport (6%) and small industrial firms (2%). [Austrian Institute for SME Research: Economic Data, 2008]

Entrepreneurship in this Western high-wage country, is valued high by Austrian society. However, it is distinctive that still, gender role models prevail and 61% of Austrian entrepreneurs are males, whilst the largest cohort of this group is in their mid-fourties and, academically speaking, on a high level. By reason of a positive economic development during the last decade and favourable conditions on Austria's labour market (disregarding the financial crisis of 2007/08) most entrepreneurs do not act out of necessity but out of the urge for individual fulfilment. [Global Entrepreneurship Monitor: Report Austria, 2007] WIFI-IKT, SME TraiNet's Austrian partner, stated in its report on Austrian entrepreneurs a set of general success factors for young enterprises that could be observed: Starting up in a team instead of on one's own, starting-up in external headquarters instead of home-office, starting-up with sufficiently high equity instead of high external financing, having a minimum of three years experience in management, being more generalist than specialist, being moderately innovative and investing in publicity and advertising are considered essential factors for the success of Austrian entrepreneurs. [Jungunternehmerstudie, WIFI, 2003] However, the entrepreneurship rate in Austria, which is the percentage share of citizens who have ever started a business or are taking steps towards starting a company is quite low (16% compared to 23.72% in EU-27) with a tendency to decrease further. In recent years, most Austrian start-ups could be recorded in the more traditional sectors Manufacturing and Trade. However, the percentage share of start-ups in the information and consulting sector has been on the increase in the last decade – in 2009, 22.7% of all start-ups were to be found in this sector of the economy.

2.2 Bulgaria

In Bulgaria, the role of SMEs grew profoundly in recent years. From 2001 to 2006 there was a 13.1% increase in the total number of SMEs, since then the increase has stabilised at about 2% per year. As in most European countries, SMEs make up 99.4% of all enterprises in the country, most of which are, following the above-mentioned definition, microenterprises (90% of all SMEs). The industries, which were traditionally strong, are Agricultural Trade, Repair of Motor Vehicles, Personal & Household Goods and Manufacturing (about 64.3% of all SMEs). However, in recent years the shares of those industries decreased on account of the rapidly increasing sectors Construction, Real Estate & Business Services as well as Tourism (Hotels & Restaurants), industries in which most of the younger SMEs are now operating. With a total number of roughly 240,000 SMEs in Bulgaria and an average number of 4.4 to 5.7 employees per SME, the SME sector employs 72.6% of the total population. However, it has to be mentioned that, following the Annual Report on SMEs of the Bulgarian Government as well as the SME Fact Sheet issued by the European Commission, productivity in SMEs is more than twice lower than in big enterprises.

As Bulgaria has only recently acceded the European Union, the Commission's endeavour to support SMEs under the Lisbon strategy is not as well known to Bulgarian government as to other European governments. In the ex-communist, rather rural country, SMEs have been the traditional form of enterprises and are recently being further boosted by a number of newly established SME promotion agencies. However, SMEs are still strongest in the 'traditional' sectors (Repairing, Manufacturing) and fail to grow profoundly in competitiveness with other European countries regarding innovations.

A general problem stated by the Bulgarian report is illegal employment. A scientific study titled "Entrepreneurship in Bulgaria" by Dr. Pobeda Loukanova of the Economic Institute of the Bulgarian Academy of Sciences states that more than half of the self-employed population of Bulgaria work on the black labour market. Those microenterprises are on the one hand officially registered, but declare less real income, employ staff without working contracts and hide turnovers for avoiding taxes. Therefore, all data stated in the Bulgarian report is based on educated guesses on what the entrepreneurial situation actually is, rather than scientific research.

2.3 Estonia

The share of SMEs in Estonia at 99.6% of all enterprises employing 79% of the population is in line with European numbers. Although the majority of private companies in Estonia were founded in the period 1992-1999, the share of 'old private businesses' in the total number of enterprises is constantly decreasing which leaves room for new establishments, i.e. younger SMEs. About 80% of all roughly 70,000 SMEs are microenterprises operating mainly in the sectors of Services (Trade, Tourism, Business Services 73%) and Manufacturing (22%). Most Estonian start-ups are also to be found in the more traditional sectors: construction and the services sector in general. Innovative newly registered SMEs are rather rare.

Although Estonia has been considered as a great success tale of economic transition from a communist market regime to market economy after the crush of the Soviet Union in the 1990s, 50 years of communism and the rapid changes afterwards left deep marks in Estonian society. The Estonian partner EMI-ECO therefore holds that entrepreneurship and entrepreneurs in particular are not valued high in a society that still has a lively memory of half a century of large-scale enterprises owned by the government. Furthermore it is stated that Estonians are by lifestyle rather employees

than employers – a fact which could be held accountable for the extraordinarily high number of microenterprises.

2.4 Finland

In Finland, 99.7% of all enterprises are SMEs employing 67% of the working population. Most SMEs belong to the group of microenterprises (93% of all enterprises). The Finnish SME landscape is mainly coined by the Services sector: 36% of all enterprises are operating there. Other important sectors are Trade (18%), Construction (15%) and Professional, scientific & technical activities (12%). At the end of 2007, the number of entrepreneurs totalled 223,000 (excluding the Primary Sector of Agriculture and Forestry), which represented a decrease in newly founded SMEs for the first time since 2001. Considering that fact that most start-ups are to be found in the services sector and rather traditional businesses such as florists, barbers/hairdressers, cafés and bars as well as maintenance services, it becomes obvious that specific promotion of more innovative start-ups might be desirable (cf. last chapter of this summary).

As Finland developed rapidly from a relatively poor to one of the rich nations in the world from the mid 1950s until the mid 1990s it is obvious that the country was considerably dependent on exports to the former Soviet Union. Enterprises trading with Russia were mainly large companies, not seldom government-run and –owned and exports to the Soviet Union were considered the one eternally stable foundation of economic prosperity. Therefore, SMEs got little to no governmental support and entrepreneurship was not valued highly in society, a fact that only slowly began to change in the late 1990s when a lot of start-ups with a comparably high number of female entrepreneurs leading the enterprises (1/3 of all start-ups) were founded in Finland. Since then a lot of effort has been put into creating even better conditions for young SMEs in Finland. However, entrepreneurship numbers and therefore the number of young SMEs is still below EU and OECD average.

2.5 Germany

SME's share in the total number of German enterprises is at 99.5% just slightly below EU average. However, in Germany, the share of microenterprises in total SMEs is considerably lower than in most other European countries. Therefore, 60.1% of the total working population are mostly employed in small and medium-sized companies. Currently, early stage entrepreneurial activity for companies having been operative for no more than 3.5 years is considerably low. According to findings of the 'Global Entrepreneurship Monitor' Germany ranks position 23 among 36 countries regarding the percentage of entrepreneurs of the total working population. This is mainly due to a generally negative societal attitude towards entrepreneurship and general conditions are average although Germany held rank 1 of all 36 countries in the category of available public support programmes in 2006. Those 5.4% of the adult population who started businesses recently are mainly operating in the sectors of Company related services (41.3%), Wholesale and Retail (24.5%) and gastronomy (24.5%). The German report holds that most start-ups can generally be found in those sectors in which you don't need to have the highest level of formal vocational education ("Master") such as tailor/dress makers, assistant jobs in construction facility management and the like. [KfW Gründungsmonitor 2010]

The generally low number of entrepreneurs and young SMEs can be justified by serious weaknesses compare to other industrial nations in the fields of social norms and values, entrepreneurial education and entrepreneurial training.

2.6 Italy

Regarding the share of SMEs in the number of total enterprises, Italy is ranked highest in European comparison: 99.9% of all companies are SMEs, which employ 81.3% of the working population. Size-wise the SMEs are mainly micro enterprises while medium enterprises are underrepresented compared to the European average. However, recent early-stage entrepreneurship at 5.0% ranks Italy only position 13 among 19 European countries, but the trend is clearly increasing, i.e. the rate of companies' starting-up in 2007 was 5.6% of all existing companies. Italian start-ups are currently mostly to be found in the more traditional sectors of trade businesses and tourism (one third of all start-ups). The number of newly registered SMEs in more innovative sectors is comparably low. According to the generally more unfavourable economic conditions and therefore lack of employment alternatives in the South of the country and the islands, most young SMEs are to be found there. Most of these enterprises are operating in the Services sector: 37.5% of all young SMEs offered consumer services (i.e. retail shops, restaurants, insurance, design and medial products) and another 31.3% offered services to other businesses such as market research services, telemarketing services, translation services and cleaning. By societal means, conditions are favourable for Italian entrepreneurs: individual perceptions of starting-up a business are generally good and although the typical Italian entrepreneur is less innovative than other European entrepreneurs, the propensity for innovation index of the GEM study 2009 (i.e. customers' willingness to purchase new products or services) is considerably higher than in other countries.

2.7 Poland

In Poland, 99.8% of all enterprises are SMEs employing 69.8% of the working population. Since the late 1990s the number of SMEs has constantly increased in Poland, in 2005-2007 the largest percentage increase could be observed among small enterprises with no more than 50 employees. Generally, SMEs are mostly established in the sectors of Trade and Services (35.7%), Real Estate and Company Services (16%), Industry (11.5%), Construction (10%) and Transport (8.4%). The highest increase of start-ups was, however, not in one of these sectors but in the educational sector and in the transport and trade sectors. Although the numbers of newly established enterprises are high, a comparably large number of them, 35 – 40%, don't survive their first year of operation. However, it has to be stated that the quickly and steadily increasing number of SMEs was not primarily contributing to the development of Polish economy. On the contrary, the start-up of SMEs was a result of the booming economy and therefore stimulated by the development of bigger enterprises, rather than the SMEs contributing to the positive developments. Entrepreneurship is valued highly by society. However, according to the Polish report, most Polish entrepreneurs rather act out of necessity than giving in on the desire to be "their own bosses". [Report of the Polish Agency for Enterprise Development]

According to the Polish report, start-ups can be mostly found in the sector of e-commerce, however more definite data regarding percentage shares of start-ups and sectors is unfortunately not available.

2.8 Slovakia

With only 98.8% of all enterprises being SMEs, Slovakia is slightly below the EU-27 average of 99.8%, a share that also manifests itself in only 53.9% of the Slovak working population being employed in the SME sector. These are the lowest values in all European countries.

The Slovak report states that specific and current data are hard to detect regarding percentage share and sectoral distribution of start-ups. The report states that most start-ups are to be found in the

engineering industry and sectors in some way related to the European car production industry, but no exact numbers could be found. The rapid increase of the total number of start ups from 2007 to 2008 (7.05%) was considerably lower in the following years 2008 and 2009, only 0,85% increase in the number of individual starting up a business. This comparably low increase could partly be accounted for by the split societal thinking about entrepreneurs in general: although entrepreneurial activity is on the one hand considered a good opportunity for making ones own life, entrepreneurs are in a way valued rather negative regarding the quality of their work.

Generally, most indicators stated in the SBA Fact Sheet issued by the European Commission regarding the SME sector in general are below average apart from two: the entrepreneurship rate is located at 24% (1 % more than EU average), and the perception of individuals of entrepreneurship as an opportunity is 3% higher than EU average.

2.9 Slovenia

Slovenia is again an example of a share of SMEs in all enterprises, which is almost in line with the European average: 99.6% of companies are SMEs employing 65.6% of the working population. In 2007, 4.78% of the adult population in Slovenia established a start-up enterprise or were in the group of new business owners, i.e. not operating for more then 3.5 years, a number which ranks Slovenia 17th among EU-24 countries. Although Slovenia is certainly not among the richest of European countries, most of the entrepreneurs were opportunity-driven rather than necessity-driven and came from the upper third income group of the population. According to the Slovenian report, there are no indicators available answering the question in which sectors most of the start-up companies appear. Regarding entrepreneurial environment the current GEM study of Slovenia holds that the situation for young SMEs is particularly unfavourable: especially the scores for government policy elements, primary and secondary school level entrepreneurship education and training, R & D transfer and cultural & social norms.

2.10 Turkey

SMEs make up 99% of all enterprises in Turkey and operate mainly in the sectors of Commerce (46.19%), Manufacturing (14.35%), Transportation, Storage & Communication (14.21%) and Tourism (Hotels and Restaurants, 9.48%). Turkey, having been opened to the European and international market only recently, is a country in which the huge number of SMEs has now to get a bit more accustomed to international competition. Therefore, governmental activities aimed at helping older as well as young SMEs become more competitive have seen a large increase within the last five years. According to a research carried out by the Turkish Labour Union Association in 2007, the total employment rate of self-employed individuals in the economy was 21.7%, in agriculture 40.8% and in non-agricultural sectors 14%. Unfortunately, specific and current data regarding percentage shares of new start-ups and the development of those shares could not be found. Generally, Turkey is considered as a country, which has been constantly improving with regards to business and investment opportunities during the last decade.

2.11 Comparison & Conclusion

The SME TraiNet partnership's research regarding enterprise structure and entrepreneurship in the partnership countries has been manifold: Firstly, available data from the Global Entrepreneurship Monitor, short: "GEM" Reports (available for all partner countries except Bulgaria, Estonia, Slovakia and Turkey under http://www.gemconsortium.org/national_reports.aspx) was taken into

consideration. Secondly, data collected by the European Commission’s division for Enterprise and Industry in their ongoing study on the status of SMEs in Europe and published in the so-called “SBA Fact Sheets” (available for all partner countries under http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm) was used. However, the fact sheets did concentrate on the status of SMEs in general rather than on the specific situation of young enterprises.. Therefore, interviews with young enterprises were carried out in order to gain insight into their particular situation in economy and society as well as into their problems and needs. . The following graph is therefore a collation of the available data from the above-mentioned researches, nationally available governmental publications and the findings of the SME TraiNet partnership.

- *Indicator 1: Total Number of SMEs (Data taken from SBA Fact Sheets)*
- *Indicator 2: Growth of SMEs 2002-2008 (Data taken from SBA Fact Sheets)*
- *Indicator 3: Desire to become self-employed with tendency (Data taken from SBA Fact Sheets)*
- *Indicator 4: Entrepreneurship rate with tendency, i.e. percentage of citizens who have ever started a business or are taking steps to start one (Data taken from SBA Fact Sheets, tendencies partly from SME TraiNet partners)*
- *Indicator 5: Enterprise survival rate, i.e. percentage of all enterprise births of year n which are still active in year n+2 (Data is only available for some countries and some years in SBA Fact Sheets, some numbers have been taken from national reports – the number in parenthesis denominates the year in which the data was captured)*
- *Indicator 6: Share of high growth enterprises, i.e. at least 20% growth in the past three years in the total amount of enterprises (Data taken from SBA Fact Sheets)*
- *Indicator 7: Societal thinking about / behaviour towards entrepreneurship (Positive or Negative, from SME TraiNet partners)*

Indicator	AU	BG	ES	FI	DE	IT	PL	SK	SL	TK	EU-27
1	99.7%	99.7%	99.6%	99.7%	99.5%	99.9%	99.8%	99.1%	99.7%	99.9%	99.8%
2	21%	24%	43%	16%	12%	6%	5%	94%	17%	43%	13.0%
3	16% ↓	n/a	33% ↑	31% ↓	19% ↓	39% ↑	48% ↑	28% ↑	24% ↓	n/a	30.71%
4	16% ↓	n/a ↑	31% ↑	29% ↑	21% ↓	24% ↑	28% ↑	24% ↑	13% ↑	n/a ↑	23.72%
5	78.87% (2004)	47.33% (2006)	75.22% (2006)	66.66% (2005)	n/a	74.65% (2006)	75.7% (2007)	72.76% (2005)	84.21% (2006)	n/a	n/a
6	6.9%	8.8%	n/a	3.65%	2.41%	8.07%	n/a	n/a	n/a	n/a	n/a

7	Pos		Neg	Neg	Neg	Pos					n/a
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Estonia, Italy and Poland seem to have become a good environment for entrepreneurship recently, taking into consideration the population’s desire to become self-employed. This also reflects in the entrepreneurship rate which is above EU-27 average in all three of the countries. However, growth is slow and considerably below EU-27 average in Italy as well as in Poland. Available data suggest that SME rates in Poland and Italy are already at 99.9 respectively 99.8%, a fact which could explain why the growth rate is so much higher in Estonia which stands at 99.6% of total SMEs at the moment. Although both Estonia and Poland accessed the European Union in 2004 this might be due to the general Estonian negative societal thinking about entrepreneurship.

The same might be true for Slovakia and Slovenia. Both accessed the European Union in 2004 and therefore started the SME elements of the Lisbon strategy later than other partner countries. However, Slovakia had a growth of 94% in the total number of SMEs (99.1% share in total enterprises in 2009) whereas Slovenia stands at only 17% growth (already a share of 99.7% in 2009). This might be also due to a slower adaptation of SME strategies in the latter country. However, the enterprise survival rate of companies founded in 2006 and still active in 2008 was the highest percentage share (84.21%) of all data available for the partner countries.

Although looking at a longer history of active SME-policy than many of the other partner countries, Germany and Austria perform extraordinarily bad taking into consideration the indicators. The desire to become self-employed as well as the entrepreneurial rate is lower than in other countries. Additionally, the share of high growth enterprises is quite low and the overall survival rate of start-ups is considerably low in both countries..

With regards to high-growth enterprises Bulgaria as well as Italy seem to perform especially well, although this indicator shouldn’t be overestimated, as it is only available for some of the partner countries.

It seems as if the growth developments in the partner countries can all be explained by how quickly and how efficiently European Union Policies codified under the Lisbon Strategy in 2002 have been adopted in the countries. However, it might hold true that countries that adopted those strategies from the very beginning such as Austria or Germany have already exploited their growth potentials from the beginning. Another indicator which has been used in the SBA Study by the European Commission, “Entreprise Survival Rate” is not available for neither Austria nor Germany, but SME TraiNet partners’ national research report suggest that survival rates in those countries are sufficiently low which suggests that the adaptation of SME policies has concentrated too much on initial funding but not taken into consideration the support SMEs might need after having completed the first years of operation.

Generally, it seems necessary that entrepreneurial policy in all countries must shift from “general SME policy” to “growth-oriented entrepreneurship policy” because the businesses that have the willingness and the objective capacity for growth and market expansion are rare. At the same time, they have requirements and needs which have to be dealt with quickly, flexibly and effectively. Among other things, “growth-oriented entrepreneurship policy” must be both highly selective and proactive in the search of those entrepreneurs in the environment who have both motivation and objective capacities for growth. Such a “growth oriented entrepreneurship policy” would therefore not only include initial funding to every person wanting to start up an enterprise, but include

constant support over the initial period – on the one hand to support entrepreneurs to survive without governmental funding after the funding period expires, on the other hand to efficiently find those companies with a high growth potential and eventually raise the share of high-growth potential SMEs in all European countries.

3 Current training & support structures in the partner countries

Small and medium enterprises make up for 99% or more of all enterprises in most European countries and employ a majority of the European population. It is therefore not only economically, but also socially important to offer this large group of the macroeconomic sector the help and guidance they need. It is also a fact that huge numbers of those SMEs, especially the young ones, go bankrupt in all European countries after a few years of operation after the governmental funding expires.

In order to minimise the number of failures in the field of entrepreneurship working training and support structures for young SMEs are vital.

As in the previous chapter, a short overview on available training and support structures in each country will be delivered before an all-European conclusion will be drawn. Most countries state three major ways of supporting SMEs: firstly, specially-tailored tax laws for SMEs, secondly laws that simplify the way of going into operation for start-ups enacted in most European countries under the Lisbon strategy¹, and thirdly, fitted ways for SMEs to receive external funds during the first years of operation. However, training structures that support SMEs further after those first years of operation as well as so-called “business incubators” are not sufficient in most countries as will be laid out in the following chapter.

More detailed information can be found in the countries’ individual research reports, available for download under www.smetrai.net.

3.1 Austria

In Austria, various amendments to the legal framework have been adopted as a direct consequence of the Lisbon strategy: apart from the SME promotion law (“KMU-Förderungsgesetz”) enacted in 2006, several tax laws have been adapted in order to fit the needs of SMEs better (e.g. system of “Basispauschalierung” – SMEs are able to consolidate operating costs and business expenses into a lump sum in order to make tax declarations easier for them). Furthermore, SMEs have the possibility to fall back on several opportunities for general or sector-specific external funding and have a specially-tailored set of micro-credits at their disposal.

Additionally, Austria has a number of governmental institutions promoting and further enhancing competitiveness of Austrian SMEs. Above all, the Federal Ministry of Economics, Family and Youth (BMWFJ) as well as the Austrian Economic Chamber (WKÖ) implement projects including seminars and courses for young entrepreneurs in the fields of strategic business management and business financing in which entrepreneurs can take an exam for acquiring a certificate attesting their ability to successfully run a business. This certificate is similar to an “Entrepreneurial License”

¹ The Lisbon Strategy was adopted by the European Council in 2000 and aims at making the European Union “the most dynamic and knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010”.

which has been introduced in many Austrian secondary schools with the goal of fostering entrepreneurial knowledge of students.

Moreover, Austria's large number of business incubators in the form of various start-up centers, online platforms and portals, entrepreneurial magazines and various others is outstanding in Europe.

3.2 Bulgaria

For the time being Bulgaria doesn't have a special governmental strategy aiming at "young" enterprises but rather a state policy aiming at supporting SMEs in general. In 2004 the SME Promotion Agency (BSMEPA) was established as well as the so-called "SME Act". However, as the establishment of the SME Promotion Agency was one of the first actions taken regarding SME promotion after Bulgaria took first steps towards becoming a full member of the European Union, their activities are quite basic from a Western European point of view: at the moment the BSMEPA is working on setting up a commercial register in which all companies of the country together with their sectors and commercial activities will be listed. It is expected that the setting up of a unified national commercial register will ease the administrative arrangements and facilitate a larger number of start-up businesses in the country. Additionally, the introduction of a flat tax system for all companies in 2008 is considered supportive for increasing the number of young businesses in Bulgaria. Funding for young Bulgarian SMEs is primarily made available by the European Union directly, there are no national governmental rules for external financing possibilities for young enterprises. However, several semi-governmental organisations and clusters have been put into action with the support of European funding under the Bulgarian National Innovation Strategy 2006. This new strategy is aimed at making Bulgarian SMEs more competitive in the European market by increasing the innovative capacity of SMEs at national level. However, a key issue for Bulgarian SMEs is the fact that very little opportunities for human resources development measures are provided by the government or other institutions.

3.3 Estonia

Although Estonian SMEs in general are quite reluctant towards taking on external financing (only 16% of all SMEs have recently taken a bank loan or are considering taking one for investing into further developing their business), there are several national measures to provide SMEs with better access to financial resources. Currently, several new financial instruments are developed to cover the needs of start-up or high growth potential companies. The Estonian government, however, puts a strong focus on supporting the development of human resources in already established as well as young SMEs: firstly, training measures with the aim to create new jobs and raise the quality of the workforce in SMEs are funded with 40-80% of the total cost of training. SMEs who decided to take on consultation in order to increase the competence of managers and employees will be supported with 35-60% of their consultancy expenditures. Thirdly, the Estonian government offers grants to the amount of up to 100% of all related expenses in order to motivate potential entrepreneurs to start businesses and to encourage a positive attitude in society towards business. In the field of business support structures, a great number of clusters, incubation centers and industrial parks with partial governmental funding are operative in Estonia. Most services offered by these centers can be grouped into individual consulting services in business development, business networking services and information services.

3.4 Finland

According to the Finnish national research report drafted in the framework of the SMETraiNet project, the Finnish Government has succeeded in creating a stable and predictable business environment, which does not, however, promote ambitious, growth-oriented and innovative entrepreneurship sufficiently. Until now, no specific national SME laws have been codified in Finland, however, Finland naturally adopted the all-European Lisbon strategy in general.

Yet, a large number of more informal SME and entrepreneur-directed programmes have been installed on both regional and national level such as, for example the "Innovation Programme in Eastern Uusimaa 2007-2010" or the "Service Entrepreneurship Programme in Eastern Uusimaa 2007-2010" directed by the Ministry of Employment and the Economy. A governmentally run programme offering further qualification measures to entrepreneurs underpins the relatively high educational standard of Finnish entrepreneurs. This qualification programme is not only aimed at entrepreneurs starting-up a business but also focuses on the group of "experienced entrepreneurs" with solid experience in running their business. Interested entrepreneurs are able to apply for co-financing of those courses to municipalities or other organisations. The Finnish SME TraiNet Research Report also identified a large number of institutions promoting the development of SMEs in general, chambers of commerce and industry as well as trade associations offering support to SMEs in various forms (including external financing) and business incubators.

3.5 Germany

Despite a big variety of support programmes for "business start-ups" (Existenzgründung) the German SME TraiNet Research Report identified only 12 regional and national organisations providing training and support to young SMEs (exclusively "young" ones in the period of consolidation) with potential for growth. These organisations' support ranges from coaching and consultation in various fields (such as marketing, financing, human resources, technical issues, organisation etc.) over courses regarding the various forms of external financing to the provision of free software packages for young enterprises. Additionally, the German government as well as several financial institutions offer elaborated funding programmes for entrepreneurs and governmental phone hotlines for entrepreneurs. Outstanding about Germany is the huge network of so-called "Business Angels". Having somewhat copied the system from the United States, a German business angel is an experienced entrepreneur or senior employee supporting young enterprises with capital, know-how and contacts.

3.6 Italy

Being ranked 12th regarding the number of early-stage entrepreneurship (businesses younger than 3.5 years) compared to a total number of 19 European countries in the Global Entrepreneurship Monitor, Italy seems to be quite weak regarding entrepreneurial supportive structures (which is yet contrasted by the strong development of Italian SMEs in the past, cf. previous chapter). Indeed, only 17% of Italian micro-enterprises participate in trainings offered by the government or national and regional organisations such as the "Interprofessional Funds" which was created to promote lifelong learning and is considered a step towards significantly improving the situation of vocational education in Italy. Additionally, the Italian SME TraiNet Research Report holds that one of the main problems of entrepreneurship was the difficulty of finding the necessary funding opportunities for business development. The report states that the use of private equity and venture capital organisation is still not well known across the country. However, the "Italian Association of Private Equity and Venture Capital", a non-profit network organisation, is currently working on promoting

the possibilities of external funding throughout the country. Although the number of organisations providing training and coaching to entrepreneurs seems to be smaller than in other European countries, the Italian research report states 10 reference websites for entrepreneurs seeking consultation. The Italian Institute for Industrial Promotion, supported by the Ministry of Economic Development, states that there were more than 100 business incubators in Italy in 2007, of which more than a half was located in the richer North of the country.

3.7 Poland

There are no specific SME laws in place in Poland, the principal legal act governing business activity in Poland is the Economic Activity Freedom Act of 2004 which regulates the general rules of economic activity. However, the SME sector has been increasing in the previous decade nonetheless, and together with it the training offered to young entrepreneurs: The Polish project partner itself, being the Polish Craft Association, together with its numerous subsidies, offers a wide variety of courses and qualification schemes to SMEs in general as well as entrepreneurs exclusively. Apart from this organisation and its national and regional subsidies, there are several other institutions offering various types of support to Polish start-ups, such as the SME Crafts Academy, the PEDDA Academy offering free access to business knowledge and e-learning to SMEs and entrepreneurs or various vocational education trainings centres across the country. Although it is stated that there has been a general improvement for entrepreneurs in Poland during the last decade, proven by the constantly increasing number of SMEs, many of the companies do still have problems gathering the funds for their venture. The Polish Ministry of Economy has only recently introduced the concept of Venture Capital Funds. Various other ways of external financing are available, such as credits, loans, leasing, factoring, franchising and EU grants, but in the previous years the Polish government itself hasn't spent large amounts on supportive structures for entrepreneurs.

3.8 Slovakia

In recent years, the Slovak government has put a lot of effort into implementing measures of Lifelong Learning and improving the Slovak VET system and adult education in general. This includes several courses in entrepreneurship that have been introduced since the regime change in 1989. Nowadays, all courses in adult education include the subject "Economics" which comprises some basic knowledge on entrepreneurship. Additionally, there are special study branches focused on entrepreneurship in general or related to specific sectors as well as some schools operating under the term "Secondary Entrepreneurship Schools" offering education and training in entrepreneurship as the main subject. A number of organisations including support or being dedicated entirely to supporting entrepreneurs have been set up recently, e.g. "Junior Achievement Slovakia" or "The Entrepreneurs' Association of Slovakia". Semi-governmental institutions such as the Slovak Chamber of Commerce and Industry or the National Agency for Development of Small and Medium Enterprises have all branches dedicated to supporting entrepreneurship as well in the known fields of financing, marketing, human resources development and further issues.

3.9 Slovenia

In Slovenia, the Act on Supportive Environment for Entrepreneurship has been codified in 2007. This includes a number of provisions for the establishment of long-lasting and sustainable supportive instruments and possibilities for entrepreneurs in the country. Apart from the purely entrepreneurial environment, the Act also includes provisions for furthering Slovenia's innovative

environment as well as a number of financial supportive instruments and enterprise funds. (However, although the support of entrepreneurs has been codified by law, Slovenian experts in the field still ranked the country very low with regards to bureaucratic structures when opening up a company as well as the country's entrepreneurship education and training according to the GEM report. Therefore the Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments JAPTI was established in 2005 in order to raise the level of entrepreneurial activity and to put in place an efficient system of measures designed to improve competitiveness, encourage innovative activities, assist Slovenian companies in entering foreign markets, expanding the networking activities of representative offices of the Slovenian economy abroad, and setting up an administrative and business environment for entrepreneurs as well as foreign investments. Therefore, JAPTI's mission is to enhance Slovenia's economic competitiveness through technical and financial assistance to entrepreneurs, businesses and investors. Activities include, amongst others, the maintenance of a one-stop shop web portal for entrepreneurs, vouchers for entrepreneurial consultancy and training, programmes tailored to meet the needs of particular target groups, education and training for the entrepreneurial community as well as supporting the creation of an environment that boosts innovation. There also is a large number of business incubators and a well-established network of business angels taking over the role of providing external funds as well as advice concerning the development of a start-up business.

3.10 Turkey

Since Turkey started membership negotiations with the European Union in 2005, the government has been determined with promoting SMEs in general and entrepreneurship especially in order to become more competitive on the European market. There is a number of public organisations responsible for the formulation and implementation of SME policies. The "Under Secretariat of State Planning Organisation" is covering the field of SME policymaking, the Ministry of Industry and Trade as well as its affiliated organisation "Small and Medium Industry Development Organisation (KOSGEB)" are in charge of implementing those policies. There also is a large number of banks and support schemes for the provision of external funds to entrepreneurs in all sectors, a number which has been constantly on the increase since the 9th Development Plan 2007-2013 has been issued by the government. Under this plan, all types of SMEs are covered with a generalised strategy; however, it's been criticised for not including specific training and support provisions for entrepreneurs but only SMEs in general.

3.11 Comparison & Conclusion

The support structures for small and medium enterprises are similar in all partner countries, yet there are differences in the way they are used.

Almost all of the countries participating in SME TraiNet seem to have adopted the Lisbon Strategy by codifying national legislation with regards to the promotion of SMEs in general. However, some partners, as for example the Bulgarian, Turkish and Estonian partner explicitly mentioned in their national research reports that those laws were not directed exclusively towards entrepreneurs but rather towards the SME sector in general.

The laws in all countries include alleviated legislation for SMEs such as simplified procedures in book keeping and tax laws. Additional SME policy in most countries aims at simplifying bureaucratic regulations for entrepreneurs in order to increase the number of start-ups.

According to the national research reports there is a large number of possibilities for entrepreneurs to obtain external funding in various forms, the most popular being specially-tailored entrepreneur

credits in diversified configurations. Less well-known but also used in many countries, for example Germany, Austria and Slovenia is the concept of venture capital funds and business angels networks which not only provide advice to entrepreneurs but in many cases also funding. A method of funding which is more widespread in countries where entrepreneurs have problems obtaining funds, be it for bureaucratic or economic reasons, such as Poland, Italy or Bulgaria, is to borrow money from family members or acquaintances.

Training structures are up and running in most of the countries. There are large numbers of governmental as well as private institutions not only offering basic vocational training but also a large range of further education for the working population in line with the idea of Lifelong Learning. In many countries, these trainings can be subsidised by the government. Estonia for example funds trainings up to a percentage share of 100% of the training costs in order to motivate SME managers to offer more training to their managers. However, the interviews carried out by the SME-TraiNet partners revealed that trainings are in many cases organised inefficiently.

4 Current trends, needs and problems of SME structures in European countries

4.1 Austria

Crucial problems of Austrian entrepreneurs, which still are the reason for 25% of all SME to fail within the first five years of operation, are mainly connected to the field of financing. Therefore, the government has recently turned to improving the general administrative conditions for entrepreneurs, to support investments in research and development projects and to enhance entrepreneurs' knowledge on financing issues, sustainability and business management. The Austrian SME TraiNet Research Report states that the general system of further education still has to be improved as there is a massive lack of systematization: although a lot of different programs are up and running providing entrepreneurs with courses in various fields, the system is still confusing and many start-up company managers either lack the knowledge about the programs or do not see the necessity of being educated in various business basics in order to run a successful and sustainable enterprise. The interviewees state that the existing training offer is on the one hand very widespread, but on the other hand too general in many fields and not capable of conveying specific technical skills to participants. A definite lack of training offered reportedly exists in the fields of energy efficiency and IT infrastructure. Additionally, entrepreneurs state that courses in the field of funding possibilities on both national and European level would be most welcome.

4.2 Bulgaria

The Bulgarian report states that there is neither a specific policy for the support of entrepreneurs nor any institution purely dedicated to the furthering of entrepreneurship. However, the so-called "SME Act" has been codified in 2004 in line with the European Commission's guidelines, and together with this, the "Bulgarian SME Promotion Agency (BSMEPA)" has been installed. After the introduction of the SME Act there have been several legal changes including the introduction of a flat tax in order to simplify bureaucratic processes to young companies and the installation of an electronic commercial register, both under the umbrella of the so-called "Program for better regulation in Bulgaria". However, the problems for start-ups identified by the Bulgarian SME-TraiNet report are manifold: apart from insufficient opportunities for external financing and the resulting use of a large share of "expensive" equity and an uncoordinated and also insufficient

training offer in the vocational education sector, the report also states that there is a generally large deficit in information and consultation services for people wanting to start-up a company. Entrepreneurs perceive that there is no coordinated information system regarding funding possibilities, available training offers and market data. Therefore the BSMEPA sees its main tasks at the moment in improving entrepreneurial activity in general by offering the mentioned information in a transparent way, to improve Bulgaria's SMEs' competitiveness in the European market by introducing appropriate policies to encourage enterprises to carry out research and development activities and to set up offers including general consulting services for young businesses. BSMEPA as well states that a good practice that has been introduced quite recently (starting in 2006), and is funded by governmental grants under the Bulgarian National Innovation Strategy should be used more widely: the creation of clusters.

A general problem stated by the Bulgarian report is illegal employment. A scientific study titled "Entrepreneurship in Bulgaria" by Dr. Pobeda Loukanova of the Economic Institute of the Bulgarian Academy of Sciences states that more than half of the self-employed population of Bulgaria work on the black labour market. Those microenterprises are on the one hand officially registered, but declare less real income, employ staff without working contracts and hide turnovers for avoiding taxes.

4.3 Estonia

In Estonia, 41% of enterprises state high tax burdens and financing as the main obstacles for their companies' development. Experience from many more developed market economies shows that even if the banking sector and financial markets are well developed, market failures in financing small businesses can still occur, mainly due to low capitalisation of small enterprises, but also because small loans are often accompanied by high transaction fees and high interest rates as investing in start-ups is considered risky. Additionally, Estonian entrepreneurs state that Estonian regulation and bureaucracy is too strict. Regarding training structures the Estonian study highlights the fact that the smaller Estonian companies are, the less training is considered necessary. Therefore investments in further education in Estonian SMEs are very low. On the other hand, salaries in Estonia have risen rapidly compared to rises in labour productivity during the last decade. Therefore, many entrepreneurs in the sector of micro enterprises are either not able to employ new staff or don't have funds to invest in existing staff's training measures. It is also stated that the interviews carried out proved that the smaller a company is, the more it suffers from lack of qualified personnel on the market but still it is mainly the bigger companies that take on training offers for their staff, mainly in the fields of specific professional training, financial management, marketing and sales and customer services. The same trend holds true for consulting services: it is mainly larger companies that take on consulting services. Therefore, the existing SME programmes should put a clear focus on smaller companies and accordingly adapt their offers to small enterprises and entrepreneurs.

4.4 Finland

According to the Finnish field research with a large number of SMEs in several regions of the country, the most important challenges for entrepreneurs and SMEs are the general economic conditions and insecurity and a lack of competitiveness on the global market as well as a lack of skilled employees. Thus, many Finnish entrepreneurs cannot state high growth potentials in their respective businesses. Although the level of entrepreneurial activity is above average compared to other Nordic countries, business owners as well as SME research institutions consider it important

to further promote innovative entrepreneurship with high growth expectations as the overall "quality" of entrepreneurial activity raises concerns. This lack of quality is attributed to a high share of habitual and part-time entrepreneurship suggesting that many of the entrepreneurs are not committed to their entrepreneurial careers as such but rather seek flexible ways to support their living.

The challenges Finnish start-ups and young SMEs face, are attributed to two main axes: Firstly, the fact that the amount of financing by the government is high but not coordinated well enough and aimed at the wrong targets. The government should put a focus on innovative and competitive entrepreneurship with high growth expectations. Secondly, organised sector-specific migration would be most welcome from a macroeconomic point of view. As the Finnish society, similar to many Western-European countries, expects serious demographic changes within the next decade, there will be a lot of opportunities for entrepreneurs in the field of social welfare. Vocational retraining of unemployed workers in the formerly huge industrial and building sector would, according to the Finnish research report, create a base for entrepreneurial activity in the social care sector which is expected to grow rapidly within the next decade.

4.5 Germany

The major problem, which has been identified by the German partner in various interviews, is neither the shortage of training offers to entrepreneurs nor the general market situation but rather the unwillingness of entrepreneurs to take advantage of the numerous training and coaching opportunities offered by the government as well as other institutions. Although after the time period of governmental funding expires after 2-3 years and many young SMEs cease to be in operation, only few take on professional consulting on how to avoid this. Some experts suggested that it would be a good idea to support entrepreneurs from the beginning in finding a good coach, trainer or business angel. According to a previous German study, most SMEs (not focussing on the young ones explicitly) would favour modular training programmes, in-house seminars and e-learning. However, participation in trainings in the SME sector is comparably low in Germany. In a representative survey carried out by the German National Institute for Vocational training, entrepreneurs state that their employees already disposed of the necessary skills, that they had too much work and not enough employees to take part in seminars and coaching and that the cost of those seminars was too high as reasons for not participating in any training offers. Factors, which, according to the study, promote the participation of SMEs in trainings, are the existence of a work council, if the company belongs to a group of companies and the use of accounts for working hours – factors that are often not part of SMEs. The German SME-TraiNet Research Report also holds that proper training analyses and extended networking of entrepreneurs in order to cooperate in hiring external training suppliers and consulting agencies would also be a potential supporting measure to increase the number of entrepreneurs offering trainings to their employees and taking part themselves.

According to the German report, a huge problem in the start-up sector is the low survival rate of newly founded enterprises. Although no statistical data valid for all of Germany is available, the German partner found data for the state of Hamburg according to which almost 80% of the start-ups between 2005-2009 closed down again within the first two years of operation. This is explained by the fact that entrepreneurs in Germany get social benefits and governmental funding for 2 years and tend to stop their business again after the funding expired.

4.6 Italy

The three major challenges to those entrepreneurs are, according to the research carried out by SME TraiNet's Italian partner are: Firstly, according to the Global Entrepreneurship Monitor, Italian SMEs suffer from a widespread comparably low growth potential of Italian businesses in all sectors. Although early-stage entrepreneurs often consider themselves innovative and offer new product-market combinations, Italian entrepreneurs have very low expectations about the growth of their businesses. This is on the one hand due to low standard of technology and innovation of new businesses (most SMEs are specialised in traditional sectors), on the other hand due to the second big challenge for Italian entrepreneurs: the difficulties to raise external funding. Most entrepreneurs have insufficient knowledge on financing opportunities and although the Italian government has raised the amount of SME sector specific funding considerably during the last decade, most of the entrepreneurs have to close down due to lack of funding. As the Italian research brought to light, the third big problem is the unwillingness of Italian small and medium enterprises, including entrepreneurs in this sector, to participate in trainings and coaching. Although Italian entrepreneurs are, according to the GEM study, overly optimistic about their own abilities, the fear of failure in starting-up a business is considerably high, which explains why early-stage entrepreneurship in Italy is below the European average.

4.7 Poland

Despite the rapidly growing number of medium enterprises within the last decade, in Poland the most severe problem still seems to be the fact that there is a lack of funding opportunities for start-up companies. Due to the existing capital gap, the Ministry of Economy took actions targeted at developing the market of Venture Capital Funds and at the same time giving SMEs easier access to external sources of investment funding. However, due to cultural reasons many Polish entrepreneurs, especially in the sector of microenterprises, hesitate to raise capital from governmental and European grants but rather borrow money from families and acquaintances. Another problem a large number of Polish start-ups have to face is a lack of sufficient demand – due to a SME research by the Polish government as much as 72% of start-ups face a serious lack of demand after having been operative for a year. Besides, many newly founded companies don't see themselves able to compete with the European market. Additional issues hindering growth within the entrepreneurial sector are that bureaucratic barriers in Poland are higher than in other European countries and new companies don't necessarily dispose of enough capital to take on professional advisory services regarding the question how to cope with the bureaucratic process of legally registering a company. Lastly 42% of the companies who took part in the CSO research complained about the lack of well-trained employees.

4.8 Slovakia

According to the Slovak national research report the main weakness of the Slovak system of supporting entrepreneurship is in the field of education. The Lifelong Learning principle has been introduced in Slovakia only a couple of years ago and it takes time to implement a proper vocational education system. Although it is considered obvious that recent economic trends emphasise more than ever the importance of continuous competences' development for a better adaptability to the changing market demands, it is stated that the main problem is not only the absence of a functional and transparent system of lifelong learning, but also the absence of transparent financing schemes for continuing education and learning as well as the lack of established schemes and financial incentives and support for individuals and the private sector to invest in training and human

resources development. Therefore 26.8% of all companies that replied to the Slovak questionnaire about current economic woes stated that the most frequent obstacle in further education of their employees were financial shortages rather than the unwillingness to invest in training. There definitely seems to be a demand for on-the-job-trainings, either in the form of presentations given in the respective companies or distant education in the form of e-learning seminars or the like.

4.9 Slovenia

According to experts taking part and answering questions regarding the situation of Slovenian entrepreneurs in the GEM report, the most unfavourable aspects of the entrepreneurial situation in Slovenia are the following: the high level of taxation, the national culture not encouraging entrepreneurial risk-taking, a low level of research and development transfer in general and insufficient access of entrepreneurial businesses to research findings and technologies. The relatively low level of entrepreneurial activity is also partly due to insufficient training measures being carried out by employers. However, it is stated that the general entrepreneurial policy which has been enacted with the Act on Supportive Environment for Entrepreneurship has been a good start, yet, a more “growth-oriented entrepreneurship policy as opposed to a “general SME policy” is essential to specifically support entrepreneurs who have both motivation and objective capacities for growth.

4.10 Turkey

Although a large number of support schemes has been installed within the last five years, especially in the economically weaker East of the country (funded by both the Turkish government and the European Commission), the schemes are being criticised for being too generalistic by treating all types of SMEs the same and not offering special support to entrepreneurs on the one hand, and lacking a sufficient number of coordinated training structures on the other hand. The Turkish national research report states that the sheer number of trainings is not only insufficient, but also implemented without a proper training needs analysis. Training structures are focused on classroom training and theoretical information whereas young and micro SMEs would prefer in-house presentations and on-the-job-training. The lack of sector-specific tailor-made training structures for young SMEs and the bureaucratic application procedures for the existing support schemes, mainly of a financial nature, are also being criticised. Moreover, the interviews carried out in the framework of the study revealed that a number of problems for young start-ups result from increasing competitiveness within Europe and the need to live up to European standards, for example in the foods, services and tourism sectors. Such difficulties mostly arise by reason of management failure, due to the lack of qualification to set proper strategies and a sense of unwillingness to set sustainable and long-lasting targets for employees. Consequently, many of the young enterprises cease to exist after a 2-3 year period. There seems to be a definite need for training structures for young enterprises in the field of economic management, business plan development and sustainable economic activity and the like as well as incentives for manager to set a culture of learning and human resources development in their companies. All training offers can be subsidised by governmental funds – however, the process of applying for funds needs to be simplified as a larger number of interviewees stated that they never applied for specific training funds as the process of application was too complicated. These improvements are supposed to open the windows to other alternatives of operating businesses in more efficient and profitable ways.

4.11 Comparison & Conclusion

Although varying in their peculiarities, most partners in SME-TraiNet encountered the same problems when researching the current needs and problems of SME structures in their respective countries.

Many partners stated that although proper SME policies had been established in their countries they were too generic. On the one hand, in many countries, there is no special entrepreneurship policy, which leaves young enterprises without governmental funding after the governmental grant expires, mostly after a time period of 2-3 years. On the other hand, it is criticised by many interviewees in almost all countries, that competitiveness on the European market was a serious topic for young SMEs and that this problem could be overcome if the governmental policies would put a stronger focus on furthering research and development projects as well as innovative ideas. Reportedly, interviewees consider the fact of a lack of competitiveness as the reason for the low growth potential of start-up companies in Finland.

Additionally, all partners stated that most of the entrepreneurs reportedly did have problems obtaining external funding, not because it was not available, but the process of obtaining it was too complicated and too much coined by bureaucracy, for example in Poland. Finnish interviewees also reported that it seemed as if enough governmental funding was available, but so hard to obtain that most entrepreneurs preferred to take on private credits. Only Slovenian and Estonian interviewees claimed that a high level of taxation in their countries were a serious burden to their young businesses.

The most serious challenge, which should be tackled close to the time in order to further entrepreneurship and especially start-ups with a high growth potential, is to find ways to establish proper and well-coordinated information and dissemination structures informing entrepreneurs on their possibilities regarding funding, training, coaching and consulting.

Firstly, most of the SME-TraiNet studies highlighted that the interviewees thought there were, in fact, sufficient possibilities to obtain external funding from both national governments as well as the European Union, but that those opportunities needed to be communicated via a unified information system in a more coordinated way. Many interviewees claimed they didn't know half of the possibilities they had for obtaining external funds.

A second group of criticism was aimed at general information: Interviewees in Bulgaria, Estonia, Italy, Slovakia and Turkey criticised on the one hand the general deficits of information and consultation services for entrepreneurs, on the other hand the existing systems of information as being not transparent enough. Additionally, entrepreneurs managing companies would welcome possibilities to consult with other entrepreneurs in information networks about their needs and problems. A more widespread use of clusters as independently working information networks would be desirable. Thirdly, the present training systems were criticised in all partner countries. On the one hand, entrepreneurs of young businesses in general are hesitant in investing money, not only into training their staff but also into their own further education. The widespread unwillingness of entrepreneurs to train and to get trained is considered very problematic, as properly trained entrepreneurs could avoid business failure. On the other hand, the insufficient acceptance of training offers is based on two facts: in some countries, e.g. Bulgaria, Italy, Poland, Slovakia and Turkey the training offer is generally considered insufficient. In all other countries, research revealed that the existing training offer is considered sufficient by the interviewees, but that it suffers a lack of systematisation. Especially in Austria, Bulgaria, Germany and Turkey, interviewees replied they were content with the offer, but that they felt they knew only parts of the overall training offer as there was no coordinated and unified information system regarding existing training offers. In other

countries, for example Turkey and Germany, interviewees criticised the available training offers for not being based on training need analyses, for being too generic and not tailor-made for the needs of entrepreneurs. Most of those critics asked for an increase in modular training, in-house presentations and e-learning.

With regards to training, all interviewees hold that it would be necessary to set more incentives for entrepreneurs, especially in the sector of micro-enterprises, to take on external training and consulting services. Good practice examples for countries in which successful support offers have been set up already can be found on our website www.smetrai.net in a "Compendium of Good Practices" which were discussed during the "SME TraiNet International Conference" in Helsinki in May 2010. This Compendium can be downloaded in the "Conference" section of the SME-TraiNet website.

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