

ENTREPRENEURSHIP IN MACEDONIA

Part of the Global Entrepreneurship Monitor



Global Entrepreneurship Monitor



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FOREWORD

Dear Sir/Madam,

The Global Entrepreneurship Monitor – GEM is the largest study of entrepreneurship in the world and an annual assessment of the entrepreneurship on national level.

GEM is focused on three main objectives:

- to measure differences in the level of entrepreneurial activity among countries;
- to uncover factors determining national levels of entrepreneurial activity; and
- to identify policies that may enhance the national level of entrepreneurial activity.

In Macedonia, responsible for the implementation of the survey in 2008 was the GEM National Team for Macedonia, comprising the Macedonian Enterprise Development Foundation (MEDF) and the Business Start-Up Center (BSC) at the Mechanical Faculty, “SS. Cyril and Methodius” University in Skopje. The survey, implemented in Macedonia, consisted of 2,000 surveyed and interviewed 40 experts from different entrepreneurship-related fields. The main survey was conducted by the research agency GfK from Skopje. The National Team would like to express its sincere gratitude to all surveyed and experts who took part in the research. After this first edition, the National Team remains dedicated to improvement of the quality of the next studies on entrepreneurship in Macedonia.

The GEM National Team hopes that the results from the survey will influence debates and opinions on all levels in the country, with view of promotion of entrepreneurship and creation of policies which can improve the entrepreneurial activity in Macedonia.

December, 2009

GEM National Team for Macedonia

EXECUTIVE SUMMARY

For the first time in Macedonia a research on entrepreneurship was realized, according to the methodology adopted by GEM – the Global Entrepreneurship Monitor. This methodology was introduced by the Babson College and the London Business School. The survey encompasses a phone survey of 2,000 citizens and examines their perceptions and attitudes towards entrepreneurship, entrepreneurial activity they are involved in and their entrepreneurial aspirations. Moreover, several experts were involved in the study.

Generally speaking, the first study showed relatively high indices of entrepreneurship in Macedonia.

The entrepreneurial perceptions are mainly positive. Almost every second respondent feels that there will be good opportunities for starting a business in the next 6 months, personally knows someone who started a business and feels that he/she has the required knowledge and skills to start a business. Only 35% state that fear of failure would prevent them from starting a business whereas 40% expect to start a business in the next 3 years. 80% consider entrepreneurship as a desirable career choice and 66% feel that the media pay sufficient attention to entrepreneurship.

Macedonia has the highest entrepreneurial activity from the countries in Europe where the GEM study was undertaken, measured through the key index TEA (Total Early-stage Entrepreneurial Activity). The TEA index for Macedonia is 14.5%. It means that 14.5% from the respondents at age of 18-64 are entrepreneurs. Half of these are nascent entrepreneurs (involved in business activities up to 3 months) whereas half are new entrepreneurs (involved in business activities up to 3.5 years). Still, half of the entrepreneurs from Macedonia are entrepreneurs because of necessity whereas the other half is consisted of entrepreneurs motivated by opportunity. It is considered that as the country develops, the TEA index will decrease, which will further decrease the number of entrepreneurs motivated by necessity whereas the number of entrepreneurs motivated by opportunity will increase. In Macedonia, the typical entrepreneur is more likely to be a male, at age from 25 to 34, with higher educational level and higher level of income. When the number of owners or managers of already established businesses (with business operations exceeding 3.5 years) is added to the TEA index, the overall entrepreneurial activity is 24.8%.

Among the most cited reasons for business closures are: unprofitable business and problems with financing. Most informal investors are close relatives to the entrepreneurs whereas most common sources of formal financing are banking credits.

Separate topic in the GEM study was entrepreneurial education and training. Macedonia lags slightly among the countries from the region in view of trainings related to starting and managing business, especially after completion of the formal education.

The future studies according to the GEM methodology will confirm the initial findings, follow the entrepreneurship development in Macedonia and secure comparison with entrepreneurship in other countries, particularly in the countries from the region.

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1. INTRODUCTION

1.1. What is GEM, goals, principles and approach

What is GEM

The Global Entrepreneurship Monitor is the largest study of entrepreneurship in the world and represents an annual assessment of the entrepreneurship on national level.

The research activities started as partnership efforts between the London Business School from Great Britain and Babson College from Boston, USA, in 1999. At the beginning, 10 countries were included in the study. In 2000, in the study 21 countries participated whereas in 2008 the total number of countries reached 43. This year, for the first time, Macedonia became part of this family.

In 2005, the London Business School and representatives from the national teams formed “umbrella” organization under the name of Global Entrepreneurship Research Association (GERA), which became responsible for the GEM’s operational activities. More than 120 scientists and researchers from the entire world take active part in GEM.

More information on GEM are available on the internet sites www.gemconsortium.org and www.gem-macedonia.org.mk.

GEM main objectives

GEM is focused on the following objectives:

- to measure differences in the level of entrepreneurial activity among countries;
- to uncover factors determining national levels of entrepreneurial activity; and
- to identify policies that may enhance the national level of entrepreneurial activity.

GEM guiding principles

In accordance with its objectives, GEM is focused on the role the individuals play in the entrepreneurial process. Unlike other ways of collecting data on entrepreneurship which measure the number of newly registered and small enterprises (see Annex 2), GEM also examines the perceptions of the individuals with relation to starting and managing business. According to GEM, the new enterprises are most often started by individuals, and in the established organizations the individuals have different entrepreneurial perceptions, activities and aspirations.

Another GEM guiding principle is entrepreneurship which represents a process. That is why GEM undertakes more than comparison between entrepreneurial perceptions and aspirations of those individuals who are included in the entrepreneurial process or not.

Moreover, GEM examines the perceptions, activities and aspirations in the various phases of entrepreneurship, from general intentions to more active inception phases, where the businesses are in the nascent phase, to new business which started with business activities, and to the phase of established businesses and possible business discontinuation.

Approach and methodology

Unlike other researches on entrepreneurship, the focus of whose is most often the number of newly registered enterprises, GEM endeavors to conduct numerous measurements with view of describing several aspects of entrepreneurship in one country. More information on the distinctions between GEM and other researches on entrepreneurship can be found in Annex 2 in this report.

First, GEM examines the entrepreneurial attitude and perceptions. Thereafter, particular attention is given to the early-stage entrepreneurial activity – an indicator which in GEM is defined as the TEA index. In this group belong nascent entrepreneurs (entrepreneurs who have allocated finances for business and have paid salaries and wages up to 3 months) and owners¹⁾ of new businesses (entrepreneurs who have paid salaries and wages from 3 months to 3.5 years). In the entrepreneurial activity the activities of the owners of established businesses is also examined (entrepreneurs who have paid salaries and wages for more than 3.5 years and whose businesses have survived the most risky phases in the entrepreneurial process), different from the early-stage entrepreneurs and finally, the discontinuation of business activities is also researched.

Additionally, GEM identifies the aspirations of the entrepreneurs related to introduction of new products, plans for new employments, market expansion and use of new technologies.

GEM also analyzes the social and economic characteristics of the populations as well as their subjective perceptions and expectations regarding the entrepreneurial environment.

For these purposes, GEM conducts:

- adult population survey (measuring perceptions, activities and aspirations); and
- expert survey (measuring the level of development of the environment for entrepreneurship promotion).

The Adult Population Survey is conducted on representative sample from at least 2,000 adult surveyed individuals, at age from 18 to 64. The survey is pertaining to their perceptions and involvement in entrepreneurship. For many individuals the en-

1) When speaking about “owners of new businesses” and “owners of established businesses”, besides owners, we also mean managers.

entrepreneurial process often starts with personal assessment of the entrepreneurial perceptions. Thus, GEM collects data on the perceived opportunities for starting business, perceived skills and knowledge for starting business and state support for starting business, as a good career choice. Also, GEM asks the adults on their intentions for starting business in the near future.

The National Experts' Survey is conducted in order to examine several fields of importance to entrepreneurship, such as: state policies for support to entrepreneurship, access to finance, level to which entrepreneurship is adopted in the education and training, etc.

In every country included in GEM, the research is being undertaken by the national teams accredited by GERA.

In order to provide consistency and comparability among the data from different countries, every country implements an equally identical survey on its adult population and experts, at the same time of the year, using same methodology.

In the countries with over 85% coverage of phone networks, the national teams make use of professional survey companies which implement the survey on a representative sample, whereas in the countries with low level of such coverage of phone lines, direct interviews are employed to a larger extent.

The individual surveys of the national teams are harmonized in one main data base (in the headquarters of GEM – GERA), on the basis of which a global report is prepared every year, and the multitude of data are accessible for the countries which participated in the survey, for the purpose of preparation of their national reports. The unique ability of GEM to provide information on the entrepreneurial spirit in every country makes the data a compulsory source for any serious attempt to study and monitor the entrepreneurship in the world, as well as for bringing strategic decisions on the state level for the purpose of development of small and medium-sized enterprises.

In Macedonia, in accordance with the license from GERA, responsible for implementation of GEM, making part of the National Team for Macedonia are the Macedonian Enterprise Development Foundation (MEDF) and the Business Start-Up Center (BSC) at the Mechanical Faculty, "SS. Cyril and Methodius" University in Skopje (more information on MEDF and BSC are attached in Annex 1). In the survey realized in Macedonia total of 2.000 respondents and 40 experts from different entrepreneurial fields were included. The Adult Population Survey was implemented by the research agency GfK from Skopje.

1.2. Included countries and their classification

Included countries

In 2008, in GEM were included 43 countries. More than 150.000 individuals, at age from 18 to 64 were interviewed during the period from May to October 2008 on issues related to entrepreneurial perceptions, activities and aspirations.

It is considered that the role and nature of entrepreneurship is different in different phases and as the countries have more developed economies they progress from one into another phase. In this revised GEM model for 2008, the classification of the countries which have participated in this survey was made according to the 3 phases of economic development:

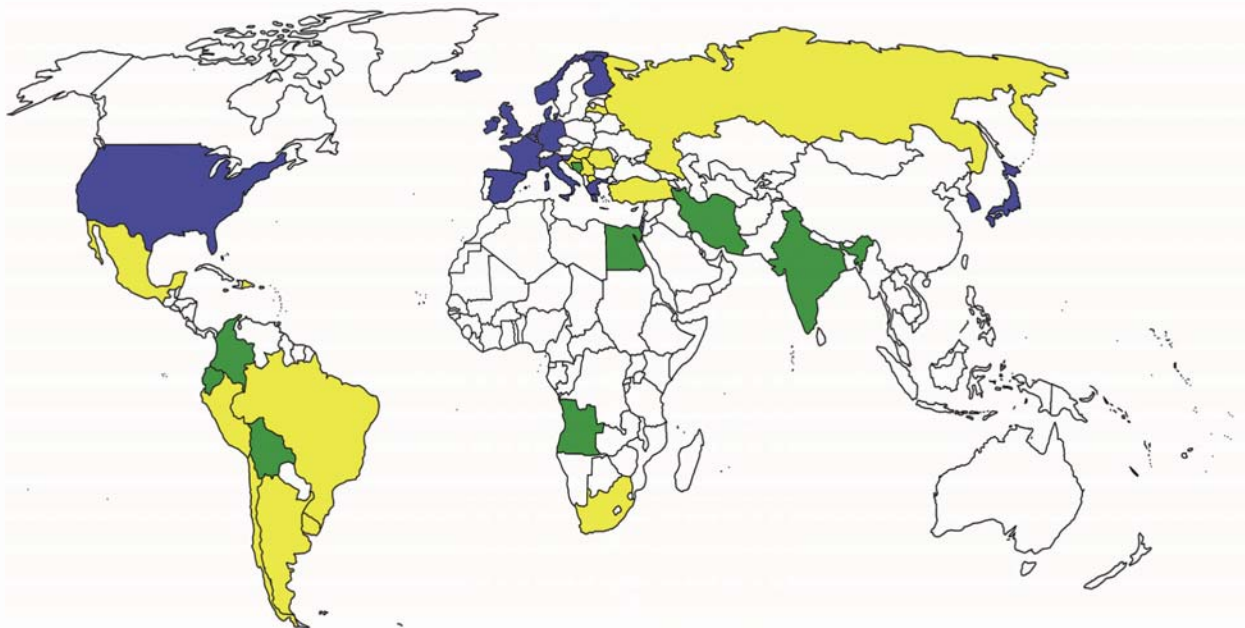


Figure 1. GEM countries in 2008

Factor-Driven economies² : Angola, Bolivia, Bosnia and Herzegovina*, Columbia*, Ecuador*, Egypt, India, Iran* (marked with green);

Efficiency-Driven economies: Argentina, Brazil, Chile, Croatia**, Dominican Republic, Hungary**, Jamaica, Latvia, Macedonia, Mexico, Peru, Romania, Russia, Serbia, South Africa, Turkey, Uruguay (marked with yellow); and

Innovation-Driven Economies: Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Republic of Korea, The Netherlands, Norway, Slovenia, Spain, Great Britain, the United States of America (marked with blue).

²) Countries marked with */** are the so-called „transitional countries” (whose GDP approximates the upper limit of the development phase).

The relation between entrepreneurship and economic development – basis for classification of the countries

This classification is grouped in accordance with the Global Competitiveness Report 2008³ and describes the relation between entrepreneurship and economic development. The criterion which is used to determine the economic development phase is the gross domestic product (GDP) per capita in US dollars⁴.

Hereinafter, the main characteristics are provided according to groups of countries and Macedonia, a country-member to this study.

Factor-driven economies

In the first group belong countries whose GDP does not exceed 2,000\$ per capita. These countries base their competitiveness on low prices, i.e. cheap labor and available natural resources. These countries have large agricultural sector which provides the necessary income for the majority of population, itself mainly located in the rural regions. With the development of the industry, the economic development is reinforced, thereby resulting in migration of the surplus of labor force from agriculture to certain industries, i.e. economies of scope which are located in certain areas. In the later stage, the surplus of workers in these regions is attempting to create self-employment opportunities, in order to secure the necessary life-supporting income.

Efficiency-driven economies

In the second group belong countries whose GDP is from 3,000 to 9,000 \$ per capita. Their competitiveness is not solely based on lower prices anymore as on more quality products. With the development of the industry, institutions are formed in these countries that further support the industrialization and the increase of productivity, through economies of scale. Most commonly, new economic and financial institutions are created in these countries which, predominantly, aim to support the large state enterprises. At the same time, the increased productivity contributes to formation of financial capital, which combined with the offer of financial capital from the banking sector, opens up the opportunities for development of small and medium-sized manufacturing sectors. Thus, in the economies of scale, the need-based industrial activity decreases and allows for penetration of the new small-scale manufacturing sector. Macedonia is classified in these groups of countries.

Innovation-driven economies

In the third group of countries are economies whose GDP is above 17,000 \$ per capita. Their competitive advantage is based on the ability to innovate, improved manufacturing process and development of new, value-added, products and services.

3) 2008 Global Competitiveness Report

4) Same

As one economy matures and the wealth therein increases, the emphasis is expected to be shifted from the industrial activities to the expanding service sector which satisfies the requirements of the affluent population and provides services which are expected for a high-income society. The industrial sector thus progresses and improves regarding various services and development of new knowledge, whereas the institutions responsible for knowledge in the economy are reinforced. This enables the development of innovative entrepreneurial activities, opportunities-seeking entrepreneurs who are not afraid to challenge the established companies. Often, the small and innovative enterprises are more innovative and productive in comparison with the larger companies, thereby becoming “agents of creative destruction”.

Macedonia – a country within the efficiency driven economies

According to the GDP per capita, which in 2008 amounted to 4,656 US\$, Macedonia belongs to countries whose development is based on increased efficiency. Other main traits of this group of countries are mainly confirmed when reviewed against Macedonia’s example.

In 2008, Macedonia’s rate of economic growth reached 5%. This growth was predominantly a result from, besides trade, activities in the primary and secondary sector: agriculture, industry and construction. At the same time, the valuable contribution to the growth of the domestic demand was result of the individual consumption and the state’s measures, such as increased public spending and growth of state’s capital investments.

The expansive banking credit policy significantly supported the increased households’ consumption during the year. At the same time, the considerable decrease of the interest rates in the last few years (starting from 2003) and increased credit activities of the banks towards the private sector, resulted in increase of investments in this sector⁵. In the last 10 years the educational institutions have been more intensively developed, curricula updated on all educational levels. The secondary education has become compulsory and 3 new state universities and over 10 private universities were opened. These events contributed to increase of the knowledge-based offer to the Macedonian citizens, which is by all means a solid foundation for creation of knowledge-based, innovative and competitive economy.

Still, the positive tendency has been abruptly halted in the last three months of the year when the real sector started to feel the effects from the world economic crisis. The external shock has mainly impacted the industrial sector (predominantly the export-oriented industries) and significantly reflected on the expectations of the enterprises.

⁵) Annual Report for 2008, National Bank of Republic of Macedonia (NBRM)

The report hereinafter provides comparison of the data related to Macedonia and several countries, part of the GEM research:

- Bosnia and Herzegovina, as a country from the region and which according to the GDP belongs to the factor-driven economies;
- Serbia and Croatia, as countries from the region whose development is based on efficiency-driven economies;
- Slovenia, a country from the region whose development is based on increased innovation;
- EU member-countries, participants in the research (average); and
- OECD member-countries, participants in the research (average).

For part of the data a comparison with all GEM participating countries is provided. This year, the focus topic on global level is “Entrepreneurial education and training”.

GEM Model

The Figure 2 presents the GEM Model. For the factor-driven economies the emphasis is put on the basic requirements: institutions, infrastructure, macro-economic stability, health and primary education. These basic requirements will help sustain necessity-based entrepreneurship, but may do little to enable opportunity-based entrepreneurship. As economies progress, other conditions, called efficiency enhancers, become important. Even though these conditions are not directly related to entrepreneurship they are indirectly contributing to the development of markets and entrepreneurship. For countries whose economic development is primarily innovation-driven, the environment becomes more important for support to the economic development than basic requirements or efficiency enhancers.

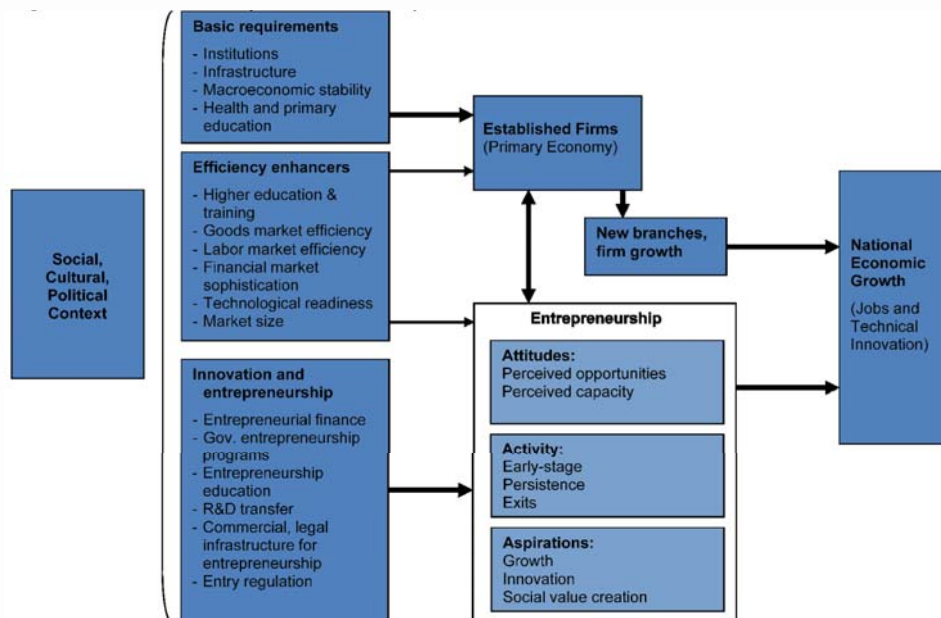


Figure 2 – GEM Model (revised in 2008)

1.3. Overview of entrepreneurship in GEM

Importance of entrepreneurship for the economic development

There is general consent on the importance of entrepreneurship for the economic development. Entrepreneurs increase the innovativeness, encourage structural changes in economies and force the existing enterprises to increase their efficiency. Thus, they provide indirect contribution to improved productivity. The general consensus is that entrepreneurs with high growth provide great contribution toward creation of new employments and sometimes are entirely responsible for the total number of new employments in the economy. The contribution of the entrepreneurs to the economy also

varies in accordance with the specific phase of economic development.

The level of “self-employment motivated by necessity” is particularly prominent in the lower phases of economic development, since the economy still cannot support increased employments in the sectors of higher productivity.

As the economy gradually progresses, the degree of entrepreneurial activities “motivated by necessity” gradually decreases. On the other hand, the number of productive sectors is increasing, thus, leading to more opportunities for employment. At the same time, the entrepreneurial activities “motivated by opportunity” are increasing which leads to a qualitative change in the overall entrepreneurial activity. This decline of the “entrepreneurship motivated by necessity”, accompanied by increase of “entrepreneurship motivated by opportunity” is called the U-shaped pattern (see more details in the section: Entrepreneurial activity).

Although there is significant support for the U-shaped hypothesis, it only portrays the relations and does not explain fully the complex causal relation between entrepreneurship and economic growth.

The individual in the entrepreneurship as a process

One individual entrepreneur, who succeeded in creating and managing business, has undergone through the entrepreneurial process. The entrepreneurial processes begin before the enterprise becomes operational. Someone who has just started a business and attempts to survive in a largely competitive environment is an entrepreneur although he/she may not display high-growth aspirations. On the other hand, an individual may be an owner of an established enterprise which has been operating for some time and can still be innovative, competitive and with high-growth aspirations. These individuals are also subjects to systematic and thorough analysis in GEM.

Within this context, the GEM data collection covers the life cycle of the entrepreneurial process and looks at individuals at certain points in time:

- when they commit resources to start a business they expect to own themselves (nascent entrepreneurs);
- when they currently own and manage a new business that has paid salaries for more than three months but not more than 42 months (new business owners); and
- when they own and manage an established business that has been in operation for more than 42 months (established business owners).

Figure 3 summarizes the entrepreneurial process and GEM’s operational definitions.

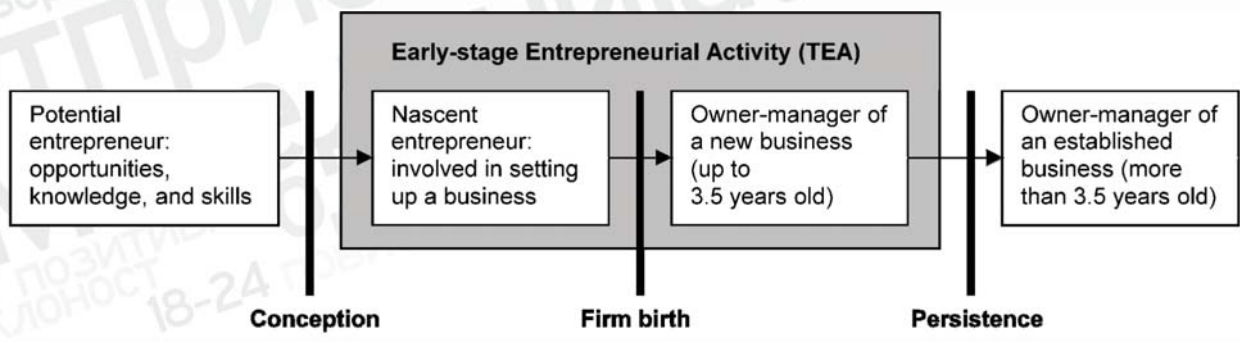


Figure 3 – Entrepreneurial Process and GEM Operational Definitions

Early-stage entrepreneurial activity – TEA index

The rate of nascent and new entrepreneurs is considered to be an indicator of early-stage entrepreneurial activity. This indicator in GEM has been defined as the TEA Index of a country.

For GEM, payment of any kind of compensation for more than 3 months, including for owners, is considered as the “conception of the enterprise”. Even if a good share of nascent entrepreneurs will not be able to start the business, their actions are considered to have positive effect on the economy since the threat of entry of new competitor puts pressure on the established enterprises to operate more efficiently.

The owners of enterprises who paid salaries and compensations for more than 3.5 years are classified as “owners of established businesses”. Their businesses have survived the challenge of running a new business.

The high rates of “established businesses” may indicate positive environment for enterprises. Still, this may not always be the case. If one country has large number of “established businesses” whereas on the other hand a low level of early-stage entrepreneurial activity – TEA Index, this points to a low degree of dynamism of the entrepreneurial activity.

The 3,5 years ceiling has been calculated on basis of theoretical and operational analyses.

Box 1.

How is TEA Index calculated

One of the most known indicators of entrepreneurship in GEM is the early-stage entrepreneurship index or the so-called TEA Index. It is calculated in an identical way in each country.

- a survey is conducted on representative sample of adult population in every country between May and September; the respondents have to answer three questions that are the basis of the TEA Index: 1) “are you, alone or with others, currently trying to start a new business independently of your work?”, 2) “are you, alone or with others, currently trying to start a new business as part of your work?”, and 3) “are you, alone or with others, currently the owner or manager of a business?”;
- those who respond positively to these questions are also asked filter questions to ensure they are actively engaged in business creation as owners and managers, how long they have been paying wages to employees, and other questions about cost and time to start up, sources of finance and numbers of jobs created. A distinction is made between two types of entrepreneurs: nascent entrepreneurs (those that have been paying salaries for less than three months) and new business owner-managers (those that have been paying salaries for between three and 42 months);
- the TEA index is the sum of the nascent entrepreneurs and new business owner/managers minus any double counting (i.e. those who respond positively to both).
- the early-stage entrepreneurial activity may be compared among countries and it measures the ability of a country to be entrepreneurial.

What is entrepreneurship

Different opinions on, and therefore different definitions of, entrepreneurship can be observed in the recent literature, as well as over time. These historical views of entrepreneurship are interesting in that they reflect the roles of entrepreneurship in each of the three economic phases we have just outlined. Cantillon (1755) is believed to be the first scholar to define entrepreneurship. He qualified entrepreneurship as “as someone who identified the willingness to bear the personal financial risk of a business venture.”

At the end of the 19th century, Marshall’s view centered on the class of entrepreneurs and their importance for the market economy (Marshall, 1890). He described how industrial entrepreneurs exploited economies of skill and economies of scale, and likened the most successful of them akin to large trees in a forest, towering above their neighbors, depriving them of light and air. The “Marshallian” view relates well to the economic view of scale-intensive entrepreneurship as a reflection of the efficiency-

driven stage.

Schumpeter (1934;1942) was a pioneer in linking the dynamic aspect of entrepreneurship to innovations and economic development. His concept of “creative destruction” can be directly linked to the role of entrepreneurship in innovation-driven countries. Entrepreneurs introducing product-market combinations move the technology frontier forward and destroy economic activity based on older technology.

Current views on entrepreneurship vary, and this underlines the multi-faceted nature of entrepreneurship. Davidsson (2004) lists seven phenomena associated with entrepreneurship, while Wennekers and Thurik (1999) provide thirteen different concepts of entrepreneurship.

Components of entrepreneurship

In a recent study, Godin and colleagues (2008) identify six common elements of entrepreneurship. Looking at the proposed constructs in some detail (Acs and Szerb, 2008), three main components may be identified:

- entrepreneurial attitudes;
- entrepreneurial activity; and
- entrepreneurial aspirations

These are interlinked in a complex set of feedforward and feedback loops. For example, positive attitudes towards entrepreneurship may increase entrepreneurial activity and aspiration, which in turn positively affect attitudes as more positive role models appear. Positive aspirations may change the nature of activity, and in turn, change attitudes.

Entrepreneurial attitudes are attitudes toward entrepreneurship. For example, the extent to which people think there are good opportunities for starting a business, or the degree to which they attach high status to entrepreneurs, might be termed entrepreneurial attitudes. Other relevant attitudes might include the level of risk that individuals might be willing to bear and individuals’ perception of their own skills, knowledge and experience in business creation.

Entrepreneurial attitudes are important because they express the general feelings of the population toward entrepreneurs and entrepreneurship. It is important for countries to have people who can recognize valuable business opportunities, and who perceive they have the required skills to exploit these opportunities. Moreover, if national attitudes toward entrepreneurship are positive, this will generate cultural support, help, financial resources, and networking benefits to those who are already entrepreneurs or want to start a business.

Entrepreneurial attitudes can influence entrepreneurial activity but can also be influenced by entrepreneurial activity. For example, individuals who know other individuals who recently started a business may, through familiarity with the process, be more likely to see it as legitimate.

Entrepreneurial activity is multi-faceted, but one important aspect is the extent to which people in a population are creating new business activity, both in absolute terms and relative to other economic activities, such as business closure. Within the realm of new business activity, different types of entrepreneurial activity can be distinguished. For example, business creation may vary by industry sector, by the size of the founding team, and by other businesses, and in terms of founder demographics, such as gender, age, or education. Entrepreneurial activity is best seen as a process rather than an event. That is why GEM measures entrepreneurial intentions, and nascent, new, and established business activity.

Examining multiple components of entrepreneurial activity also allows us to explore differences among the entrepreneurial processes across the three major phases of national economic development. For example, nascent and new business activity is expected to be high in factor-driven economies mainly because much of it is motivated by economic necessity. In innovation-driven economies, the proportion of opportunity-driven entrepreneurship is expected to be higher than in factor- and efficiency-driven economies.

Entrepreneurial aspiration reflects the qualitative nature of entrepreneurial activity. For example, entrepreneurs differ in their aspirations to introduce new products, new production processes, to engage with foreign markets, to develop a significant organization, and to fund growth with external capital. These aspirations, if they are realized, can significantly affect the economic impact of these entrepreneurial activities. Product and process innovation, internationalization, and ambition for high growth are regarded as hallmarks of ambitious or high-aspiration entrepreneurship. GEM has created measures that capture such aspirations.

2. ENTREPRENEURIAL PERCEPTIONS, ACTIVITY AND ASPIRATIONS

In part 2 of this Report, the details from the research are provided, following the previously defined components of entrepreneurship.

The main measures of every components are presented in table 1.

Table 1. Main Measures in GEM

MEASURE	DESCRIPTION
Entrepreneurial Attitudes and Perceptions	
Perceived opportunities	Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who see good opportunities to start a firm in the area where they live
Perceived capabilities	Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who believe they have the required skills and knowledge to start a business
Entrepreneurial intention	Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who intend to start a business within three years
Fear of failure rate	Percentage of 18-64 population with positive perceived opportunities (individuals involved in any stage of entrepreneurial activity excluded) who indicate that fear of failure would prevent them from setting up a business
Entrepreneurship as desirable career choice	Percentage of 18-64 population who agree with the statement that in their country, most people consider starting a business as a desirable career choice
Media attention for entrepreneurship	Percentage of 18-64 population who agree with the statement that in their country, they will often see stories in the public media about successful new businesses
Entrepreneurial Activity	
Nascent entrepreneurship rate	Percentage of 18-64 population who are currently a nascent entrepreneur, i.e., actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months
New business ownership rate	Percentage of 18-64 population who are currently a owner-manager of a new business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months
Early-stage entrepreneurial activity (TEA)	Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business (as defined above)
Established business ownership rate	Percentage of 18-64 population who are currently owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months
Overall entrepreneurial activity rate	Percentage of 18-64 population who are either involved in early-stage entrepreneurial activity or owner-manager of an established business (as defined above)
Business discontinuation rate	Percentage of 18-64 population who have, in the past 12 months, discontinued a business, either by selling, shutting down, or otherwise discontinuing an owner/management relationship with the business. Note: This is NOT a measure of business failure rates.
Improvement-driven opportunity entrepreneurial activity: relative prevalence	Percentage of those involved in early-stage entrepreneurial activity (as defined above) who (i) claim to be driven by opportunity as opposed to finding no other option for work; and (ii) who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income
Entrepreneurial Aspirations	
High-growth expectation early-stage entrepreneurial activity (HEA)	Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business (as defined above) and expect to employ at least 20 employees five years from now
High-growth expectation early-stage entrepreneurial activity: relative prevalence	Percentage of early-stage entrepreneurs (as defined above) who expect to employ at least 20 employees five years from now
New product-market oriented early-stage entrepreneurial activity: relative prevalence	Percentage of early-stage entrepreneurs (as defined above) who indicate that their product or service is new to at least some customers and indicate that not many businesses offer the same product or service
Early-stage entrepreneurial activity in technology sectors: relative prevalence	Percentage of early-stage entrepreneurs (as defined above) who are active in the 'high technology' or 'medium high' technology sector, as classified by OECD (2003)

2.1. Entrepreneurial perceptions

One of the main components comprising entrepreneurship are entrepreneurial perceptions and attitudes. That is why the main focus of GEM is assessment of the influence of these elements on entrepreneurship in one country. Entrepreneurial perceptions are found in feedback loop with entrepreneurial activities and aspirations. Together, they define the degree of development of entrepreneurship in a country.

One of the more important entrepreneurial perceptions is the willingness and perceived ability to become an entrepreneur (Davidsson, 1991). Education levels and the availability of entrepreneurship training programs are possible determinants of perceived skills.

On the other side, equally important is that entrepreneurs perceive that there are opportunities for starting a business. These perceptions may be enhanced by national conditions such as economic growth, population growth, culture and national entrepreneurship policy.

But there are more factors than these at play. As people see more and more successful entrepreneurs in their direct environment, this may enhance their perception of their own capabilities without enhancing actual capabilities.

Perceptions of opportunities for starting business

There is no general pattern describing the sequence in which assessments and decisions are made and steps are taken. It is also possible that people decide to start a business when a very specific business opportunity comes into view unexpectedly. They may act on this even though, before the business opportunity came their way, they did not see opportunities to start a business in their area. These people had not considered setting up a business until the opportunity was presented to them. Thus, for entrepreneurs, the perception of opportunities may come well in advance, or just before setting up the business, or at the same time.

According to the data presented in Table 2, some countries have favorable perceptions of entrepreneurship combined with low rates of intentional entrepreneurship. This is the case for many innovation-driven economies in Europe. In other words, although attitudes and perceptions toward entrepreneurship are fairly high, the attractiveness of becoming involved in entrepreneurship appears to be low for many Europeans compared to other possible sources of income.

A variety of national characteristics could be underlying this phenomenon. It could be that there is a lot of red tape (administrative burdens) attached to starting a business, reducing the attractiveness of entrepreneurship. It could also be the case that employment protection is high. This could discourage employees with positive entrepreneurial perceptions from switching to entrepreneurship. A different effect of strin-

gent employment protection is that potential entrepreneurs may think carefully before hiring employees due to the substantial losses they would incur if their employees became unfit for work, or if they had to reduce the number of workers.

In the upper right corner of Table 2 the results from the both indicators measuring entrepreneurial perceptions and attitudes are presented.

The first indicator defines the percentage of respondents who consider entrepreneurship a good career choice in the country. This indicator varies significantly in every country from the three phases of economic growth.

The second indicator relates to the popularity of entrepreneurship and asks for opinions on the media coverage for new businesses in the country, as perceived by the respondents. In countries with primarily factor-driven economies, these attitudes should not be the main concern of government. In countries with mainly efficiency-driven economies, attention should begin to be paid to entrepreneurial perceptions and attitudes.

Perception of risk for starting business

If an individual exhibits positive perceptions toward entrepreneurship, it is by no means certain that he or she will actually get involved in entrepreneurial activity. There are several assessments to be made, which may or may not be conscious. First, there is the assessment of opportunity costs, which involves comparing the expected returns of entrepreneurship to the expected returns of an alternative occupation. The most common alternative is “being employed.”

The potential entrepreneur makes a risk-reward assessment: even if the expected returns from entrepreneurship are considerably higher than the best alternative, the (perceived) risks involved may be too high for a person who is thinking about starting a business. An individual’s risk-avoidance preference may be a significant factor in the transition from potential (or latent) entrepreneurship to entrepreneurial activity (Khilstrom and Laffont, 1979). At the same time, the individual may also be influenced by demographic characteristics such as age, gender, origin, or ethnicity and also by institutions. For instance, older people might include their health and the specifics of the health care system in the risk-reward assessment, while immigrants might perceive fewer alternative options for earning a living.

These assessments may ultimately lead to a proclaimed intention (and subsequent action) to start a business with opportunity-related entrepreneurship in mind. This holds for the bulk of entrepreneurs, particularly in innovation-driven countries. For some people, however, being involved in entrepreneurial activity is a necessity; there are simply no other options for earning a living and there is no comparative assessment to be made.

Table 2. Entrepreneurial perceptions and attitudes in the world

	Country attitudes perceived by individuals						
	Sees good opportunities for starting a business in the next 6 months a)	Fear of failure would prevent to start a business b)	Personally knows someone who started a business in the past 2 years a)	Has the required knowledge and skills to start a business a)	Expects to start a business in the next 3 years a)	Entrepreneurship considered as desirable career choice c)	Media attention for entrepreneurship c)
Factor-driven economies							
Angola	74	45	71	44	27	49	46
Bolivia	52	49	38	67	38	81	60
Bosnia and Herzegovina	50	26	39	62	25	82	60
Colombia	65	41	34	54	60	92	78
Ecuador	50	35	33	66	37	79	57
Egypt	40	25	40	53	35	73	57
India	58	46	56	45	33	67	81
Iran	35	22	45	58	36	57	53
Efficiency-driven economies							
Argentina	48	40	30	53	15	69	80
Brazil	44	43	44	49	26	68	78
Chile	30	34	41	54	29	80	44
Croatia	53	36	51	56	10	70	61
Dominican Republic	58	31	54	70	30	92	64
Hungary	26	47	26	43	6	48	19
Jamaica	52	26	46	65	17	81	71
Latvia	37	37	33	23	7	75	71
Macedonia	47	35	46	52	39	80	66
Mexico	59	31	50	55	26	66	52
Peru	60	38	50	66	34	82	71
Romania	45	52	36	21	9	9	56
Russia	39	66	33	14	3	60	50
Serbia	56	28	52	60	31	72	67
South Africa	60	38	41	31	13	65	69
Turkey	47	39	27	44	21	72	63
Uruguay	57	33	40	58	17	71	67
Innovation-driven economies							
Belgium	23	30	28	34	6	47	38
Denmark	69	43	43	30	5	57	32
Finland	54	32	46	30	5	46	71
France	34	53	33	25	13	63	38
Germany	35	49	29	30	4	56	50
Greece	35	55	35	46	13	76	55
Iceland	38	36	60	45	12	61	81
Ireland	35	37	33	42	6	55	65
Israel	39	43	35	35	14	58	57
Italy	35	48	30	35	7	68	40
Japan	13	44	21	9	4	26	59
Korea Republic	20	32	32	23	17	69	67
Netherlands	54	33	32	30	4	85	61
Norway	46	28	34	33	7	61	71
Slovenia	55	33	50	44	7	58	67
Spain	32	52	36	43	5	68	43
United Kingdom	41	38	23	45	5	52	54
United States	44	28	33	48	7	63	73

a) Denominator: non-entrepreneurially active adult population 18-64 years

b) Denominator: non-entrepreneurially active adult population 18-64 years that sees good opportunities to start a business

c) Denominator: adult population 18-64 years

Entrepreneurial perceptions and attitudes in Macedonia

Almost every second respondent from Macedonia (47%), a non-entrepreneur, sees good opportunities for starting business in the next 6 months. Having in mind the fact that the research was undertaken in June 2008, before the consequences from the global recession were made visible in Macedonia, these higher expectations may be decreased in the next GEM research. Other countries in the region (Serbia, Bosnia and Herzegovina, Croatia and Slovenia) have almost identical data regarding this indicator.

Fear of failure

Fear of failure is often considered an important cultural component that is detrimental to new firm activity. However, so far this asserted effect has not been fully confirmed. Every year, GEM asks a random sample of individuals if fear of failure would prevent them from starting up a business. In order to grasp the “fear of failure” effect, it makes sense to consider this question only for those who are not currently involved in entrepreneurship but do perceive good opportunities for setting up a business. If fear of failure is prevalent among those who in principle see good opportunities to start a business, this may justify intervening to reduce fear of failure.

35% from the respondents who are non-entrepreneurs have suggested that fear of failure would prevent them from starting own business. This rate does not deviate significantly from the rates of other countries from the region.

Personally knows an entrepreneur

46 % from the respondents in Macedonia stated that they personally know someone who started a business in the last 2 years. The percentage is in line with the percentage of the countries from the region, regarding this measure.

Perceived skills for starting business

52% from the respondents in Macedonia, who are non-entrepreneurs, consider to have the required knowledge, skills and experience for successfully starting business. This rate is lower in comparison with Bosnia and Herzegovina (62%), Croatia (56%) and Serbia (6%) but higher than Slovenia (44%).

Desire to start business

In comparison with other countries from the region included in GEM, Macedonia is the leading country regarding desire to start business in the next 3 years. Namely, 39% from the non-entrepreneurs expect to start business in the next 3 years. These desires cannot be confirmed in practice, i.e. the number of respondents who stated that are nascent entrepreneurs is 9.19%, which points out to a gap between desire and undertaken activities of individuals who plan to become entrepreneurs. Desire to start business in Serbia is 31%, in Bosnia and Herzegovina is 25%, in Croatia is 10% and in Slovenia is 7%. In the EU countries, the percentage is most often in single digit, whereas the highest, 13%, has been registered in France and Greece.

Entrepreneurship as a good career choice

80% from the respondents in Macedonia consider entrepreneurship as a good career choice. This is among the highest percentages from all countries where the GEM survey was realized.

Media attention for entrepreneurship

Two out of three respondents in GEM feel that the media often provide information on successful new enterprises in the country. Similar results are found in the countries from the region.

Chart 1. Entrepreneurial perceptions in Macedonia



2.2. Entrepreneurial activity

As it could be seen from the introduction, the entrepreneurial activity is multi-faceted. As opposed to the previous stage, where GEM is interested in the perceptions and attitudes of potential entrepreneurs, the key aspects in this phase is whether individuals are entrepreneurially active, i.e. whether the entrepreneurs undertake concrete actions. Having in mind the fact that the best way to view entrepreneurship is as a process, entrepreneurial activity is interested whether the concrete actions of the entrepreneurs are referring to:

- undertaking business ventures which are in initial phase (nascent phase);
- starting new businesses;
- maintaining of the already established businesses; and
- business discontinuation.

The initial or nascent entrepreneurial activity comprises individuals who have decided to undertake a concrete business venture, have allocated resources for the nascent phase and may have even started with business operations and paid salaries and wages in the first 3 months. The payment of any wages for more than three months to anybody, including the owners, is considered to be the “birth event” of actual businesses. After this period it is considered that the business is transformed from the nascent phase to new business phase.

Businesses that have paid salaries and wages for more than three months and less than 42 months may be considered new. The cut-off point of 42 months has been made on a combination of theoretical and operational grounds (Reynolds, et al, 2005). The prevalence rate of nascent entrepreneurs and new business owners taken together may be viewed as an indicator of early-stage entrepreneurial activity in a country. Even if a fair share of nascent entrepreneurs do not succeed in getting the business started, their actions is useful for the economy due to constant threat of entrance of new ‘players’ (competition) in the market, which creates pressure on the established businesses to improve perpetually. The early-stage entrepreneurial activity is measured by the TEA Index.

Business owners who have paid salaries and wages for more than 42 months are classified as established business owners. Their businesses have survived the liability of newness. Their further existence in the market is not conditioned by the requirements for the new businesses. High rates of established business ownership may indicate positive conditions.

Finally, one of the most important elements in entrepreneurship is business discontinuation. The discontinuation encompasses closing businesses, regardless whether these have been successful or not, but also refraining from further business activities (due to employment or retirement) as well as due to sale of the business to third parties.

Indicators of entrepreneurial activity

The indicators of entrepreneurial activity in Macedonia and other countries are provided in Table 3. The classification has been made in accordance with the previously described groups of countries whose competitiveness is based on factors, efficiency and innovativeness.

Table 3 Indicators of entrepreneurial activity

	Nascent Entrepreneurial Activity	New Business Owner-managers	Early-Stage Entrepreneurial Activity (TEA)	Established Business Owner-managers	Overall Entrepreneurial Activity	Business discontinuation rate	Sample size
Factor-driven economies							
Angola	19,3	4,1	22,7	4,1	26	23,4	1490
Bolivia	17,4	14,3	29,8	19,1	45,6	10,5	1879
Bosnia and Herz.	6,4	2,7	9	8,7	17,1	5	1586
Colombia	13,8	11,7	24,5	14,1	36,7	7,1	2000
Ecuador	8,7	9,1	17,2	11,9	28,1	5,9	2142
Egypt	7,9	5,5	13,1	8	20,2	6,3	2603
India	6,9	4,9	11,5	16,5	27,6	10,1	1919
Iran	5,9	3,4	9,2	6,8	15,7	5,2	3119
Efficiency-driven economies							
Argentina	8,5	8,5	16,5	13,5	29,6	10,2	1731
Brazil	2,9	9,3	12	14,6	26,4	3,4	2000
Chile	8,6	5,8	14,1	6,8	20,2	5,8	4068
Croatia	4,9	2,8	7,6	4,8	12,3	2,9	1696
Dominican Republic	11,7	9,8	20,4	8,2	27,9	11,3	2013
Hungary	3,8	2,8	6,6	5,3	118	1,1	1994
Jamaica	9	7,1	15,6	9,1	24,3	8,9	2399
Litvania	3,9	2,8	6,5	3	9,4	1,7	2011
Macedonia	7,2	7,7	14,5	11	24,8	5,3	1746
Mexico	9,3	4,0	13,1	4,9	17,8	13,6	2433
Peru	19,7	6,8	25,6	8,3	32,7	10,4	1990
Romania	2,5	1,6	4,0	2,1	5,9	2,2	1667
Russia	1,7	2,2	3,5	1,1	4,4	1,1	1660
Serbia	4	3,6	7,6	9,3	16,5	3,7	1813
South Africa	5,7	2,1	7,8	2,3	9,9	5,8	2719
Turkey	3,2	3	6	4,8	10,7	3,9	2400
Uruguay	7,7	4,4	11,9	7,9	19,3	9,1	1645
Innovation-driven economies							
Belgium	2	0,9	2,9	2,6	5,3	1,5	1997
Denmark	2,3	2,3	4,4	4,4	8,4	1,9	2012
Finland	4,1	3,3	7,3	9,2	16	2,1	2011
France	3,8	1,9	5,6	2,8	8,2	2,2	1573
Germany	2,4	1,5	3,8	4	7,7	1,8	4751
Greece	5,3	4,6	9,9	12,6	22	2,2	1962
Iceland	6,5	3,6	10,1	7,1	16,7	3,4	2002
Ireland	3,3	4,3	7,6	9	16,3	3,6	1924
Israel	3,5	3,1	6,4	4,5	10,6	3,2	1778
Italy	2	2,7	4,6	6,5	11	1,8	2970
Japan	3,2	2,3	5,4	7,9	12,7	1	1879
Korea Republic	3,5	6,5	10	12,8	22,6	4,7	2000
Netherlands	2,1	3,2	5,2	7,2	12,3	1,6	2534
Norway	5	4	8,7	7,7	15,8	3,4	1614
Slovenia	4,1	2,4	6,4	5,6	11,8	1,3	3019
Spain	3,3	3,9	7	9,1	14,8	1,3	30879
United Kingdom	3,1	2,9	5,9	6	11,7	2,1	5892
United States	5,9	5	10,8	8,3	18,7	4,4	3441

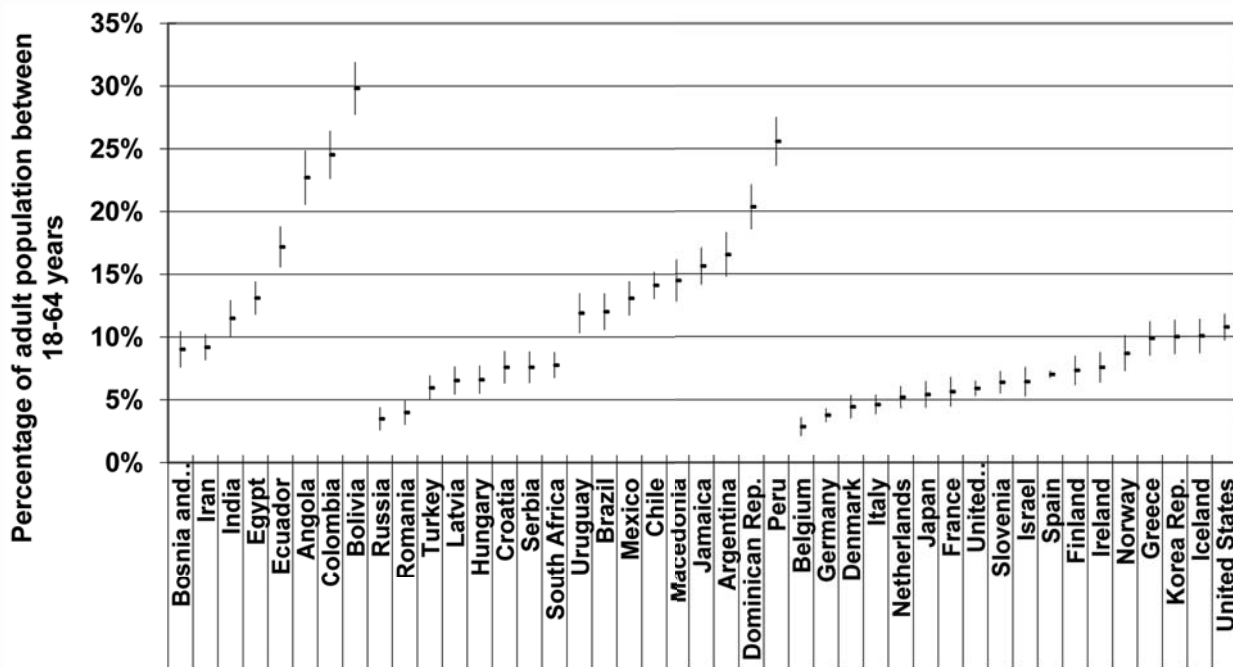
Source: GEM Adult population Survey (APS)

Entrepreneurial activity in Macedonia

In Macedonia the nascent entrepreneurship amounts to 7.2%, whereas the percentage of owners of new businesses is 7.7%. Together, they provide the key index in GEM – TEA Index⁶ at 14.5 % (index of early-stage entrepreneurial activity). The TEA Index is one of the most commonly used indicators for entrepreneurial activity. It should be mentioned however, that half of the early-stage entrepreneurial activities are motivated by necessity and half by identified opportunity. 11% from the respondents stated that are owners of already established businesses (which exist over 3.5 years). All together the overall entrepreneurial activity is 24.8%. The last indicator of entrepreneurial activity is business discontinuation which stands at 5.3%.

Additionally, in Chart 2. the TEA indexes of 43 countries which participated in 2008 cycle are provided, with 95% confidence interval. If the vertical bars of either side of the countries do not overlap, it means that they have statistically different TEA indexes.

Chart 2. TEA Indexes with 95% Confidence Interval



6) The TEA Index represents a percentage of population aged 18-64 which are nascent entrepreneurs and owners of new businesses. If someone stated that he/she belongs to these two groups, these statements are counted only once. Therefore, the TEA index is usually slightly lower than the sum of the nascent entrepreneurs and new business owners/managers.

Compared to the rest of the world, Macedonia's indicators are in line with the indicators of the countries found in the efficiency-driven economies.

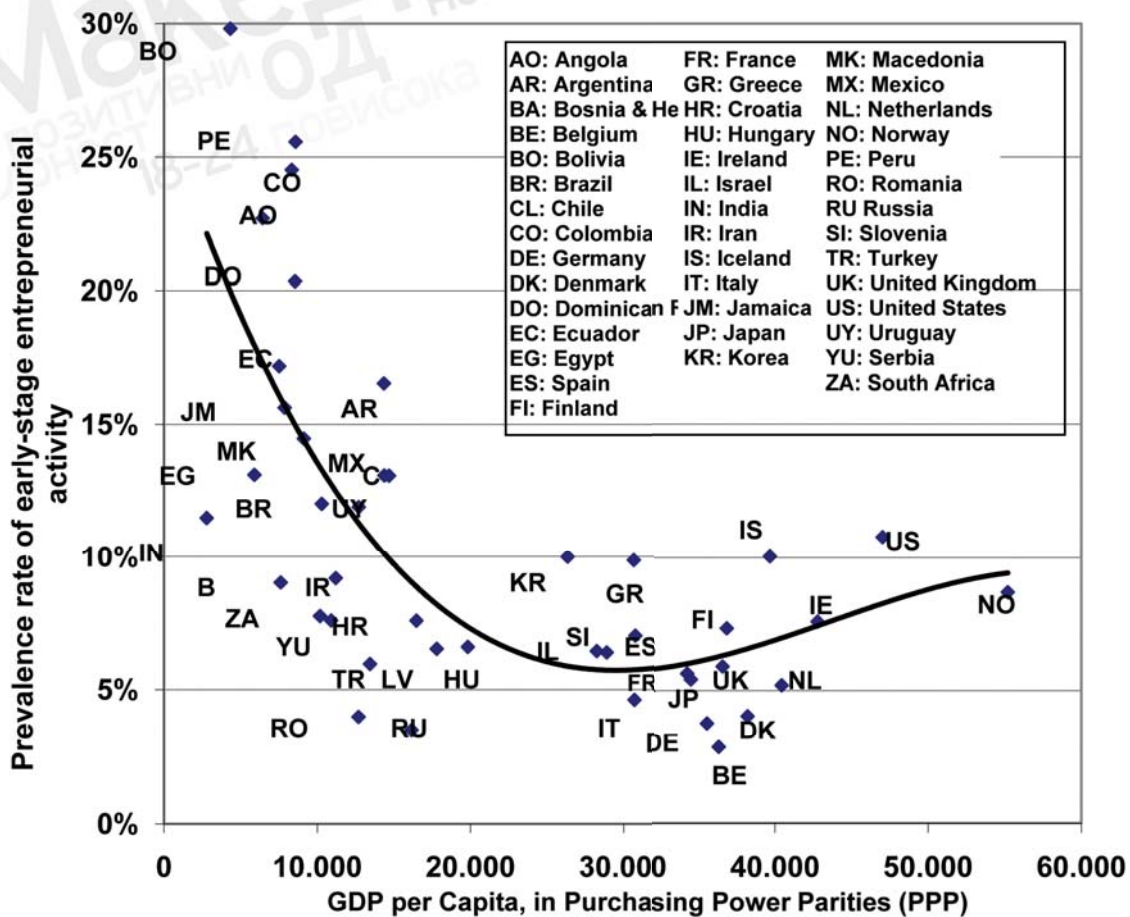
The TEA Index for Macedonia is 14.5%, higher than the average of the European Union countries of 5.85% and OECD members – Organization for Economic Cooperation and Development of 7.10%.

In terms of comparison with the countries from the region, Macedonia's indicators are highest from the countries in the region, where the research was conducted. Thus, the TEA indexes of Serbia and Croatia are 7.6%, Bosnia and Herzegovina 9%. The TEA Indexes of Greece and Slovenia, belonging to efficiency-driven economies, are 9.9% and 6.4%, respectively.

The indicators for entrepreneurial activity in GEM are usually highest in factor-driven economies, i.e. countries with lower GDP per capita. As the economies develop, the economies of scale enable the larger and established enterprises to satisfy the markets and thus, their relative market share in the economies grow. The TEA Indexes then start to decrease since people have better alternatives to employment as opposed to self-employment. Therefore, for the countries with lower GDP this may be considered as a positive signal, particularly if it is accompanied with political stability, good business environment and economic growth. As the economies continue to grow, more and more individuals have opportunities to access resources for starting business, particularly in environments that support utilization of opportunities. Here the entrepreneurship is motivated by opportunity as opposed to necessity. It should be added that not only the economic growth influences the entrepreneurial activity; other factors are involved as well: historical, cultural, institutional, demochartic, etc. Entrepreneurship is not only an economic but wider social and economic phenomenon.

In Chart 3 on the vertical axis the values of the TEA Indexes are given, whereas on the horizontal axis is the GDP per capita, in purchasing power parities. The older member-countries of the EU are grouped, with their geochartic and cultural similarities in the lower part of the chart. It is considered that in these countries there is larger preference for employment, as opposed to self-employment, as well as dynamic entrepreneurial activities within the established enterprises (intrapreneurship as opposed to entrepreneurship). This is why they register lower TEA rates, in comparison with, for example, USA or Ireland.

Chart 3. TEA Indexes and GDP



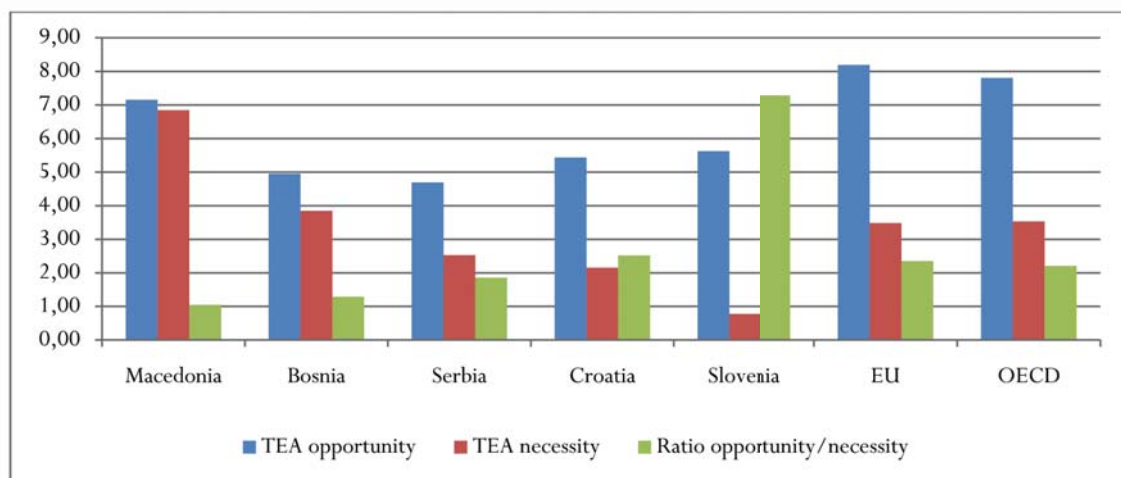
Entrepreneurial motivations

GEM sees differences between opportunity-motivated and necessity-motivated entrepreneurship. The former are entrepreneurs who undertake business ventures in order to utilize the opportunities which are at their disposal, regardless of the fact if they are driven by need to be more independent or increase their income. The latter are pushed in the entrepreneurial activity, since they have no other means of making a living.

The Macedonia data says that half of the TEA Index is made up from opportunity-mo-

tivated entrepreneurship (7.15%) as opposed to necessity-motivated entrepreneurship (6.84%). The ratio between opportunity-motivated entrepreneurship versus necessity-motivated entrepreneurship is at coefficient 1.05. This is relatively low coefficient in global terms. The coefficient is however in line with the general economic and social standings in Republic of Macedonia. In conditions of high unemployment and low economic growth, starting business is sometimes a necessity. It is one of the few alternatives for making a living. On Chart 4. below, the data on Macedonia and selected countries is presented.

Chart 4. Opportunity and necessity-motivated entrepreneurship

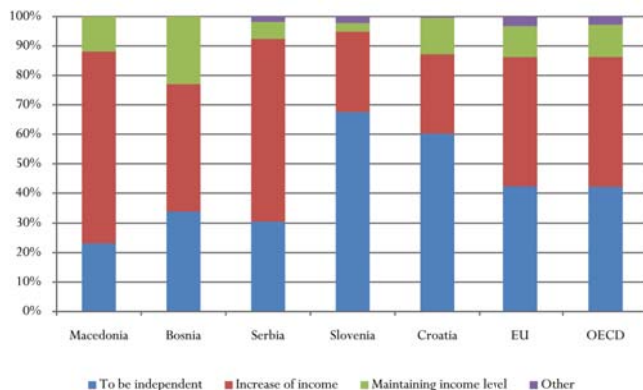


It is interesting to forecast the development of Macedonia's entrepreneurship in the future. In Chart 3. it can be seen that Macedonia is at point where entrepreneurship motivated by necessity will start to decrease as the country will start to develop in economic terms, and entrepreneurship will be more motivated by opportunity utilization. This should be the process taking place in the years to come, as Macedonia approximates the European Union and the economy and living standards of citizens increase. Confirmation of these events will be attested in the next research in Macedonia.

Structure of opportunity-motivated entrepreneurship

The Chart 5. shows the structure of the opportunity-motivated entrepreneurship. Predominant motive is increase of income, before the other two alternatives: to be independent and to maintain the level of income.

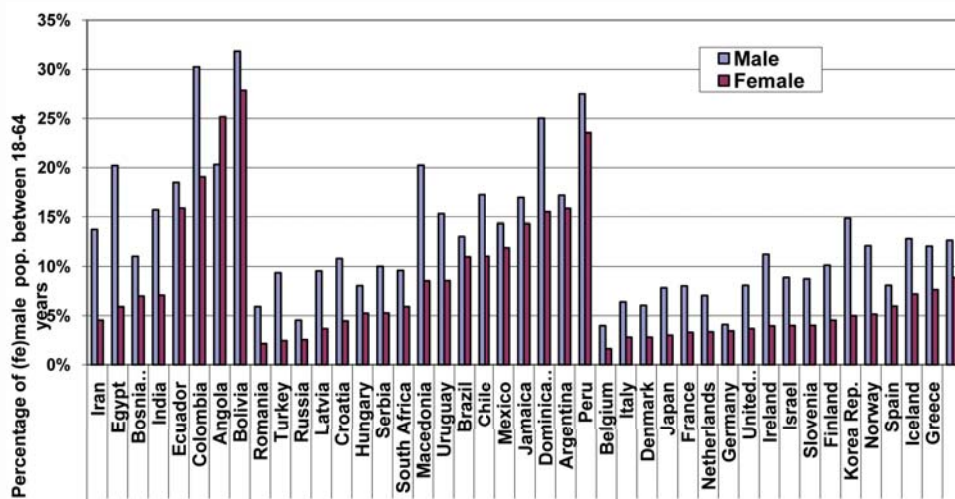
Chart 5. Structure of opportunity-motivated entrepreneurship



Gender-based entrepreneurship

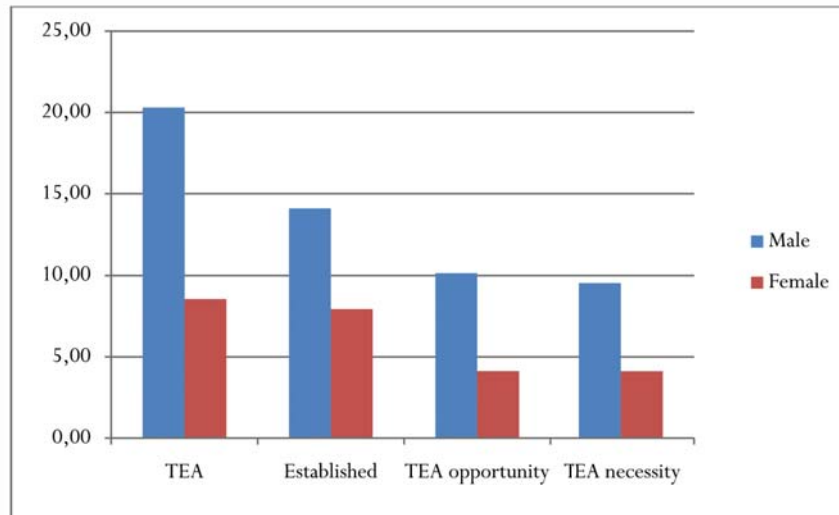
Regarding the gender structure, almost all countries register more male than female entrepreneurs (see Chart 6.). In the countries from the region the situation is similar. The percentages for male entrepreneurs are usually twice as high as those for female entrepreneurs. In Macedonia the values for early-stage entrepreneurship are 8% for female entrepreneurs and 20% for male entrepreneurs.

Chart 6. Gender-based entrepreneurship



In the Chart 7. below the data according to gender are provided for Macedonia. There are not any important deviations from the previous conclusion that entrepreneurship seems to be more typical for male entrepreneurs. There is little variation in established businesses, where the gap between male and female established entrepreneurs is smaller as opposed to new entrepreneurs (marked with TEA in the chart). The same ratio between male and female in the aggregate TEA Index is visible when examining the TEA index motivated by necessity and opportunity.

Chart 7. Gender-based entrepreneurship in Macedonia



Age and entrepreneurship

In Chart 8, the structure of early-stage entrepreneurship is provided according to the age for the 3 groups of countries in the GEM classification, whereas in Chart 9 the data on the new (TEA) and established businesses in Macedonia are provided, as well as for the countries in the region, and the averages of EU and OECD.

The charts point out to a conclusion that although the values for the age structure are varying among the countries, the shape of the distribution (bell-like) is similar in all countries. The age group 25-34 has the highest values in all countries. Most specifically for Macedonia is that the youngest group 18-24 has almost the same value as the most represented adult population group (25-34). In established businesses in Macedonia there is the obvious shift of the age structure – more dominant are the elderly groups.

Chart 8. Entrepreneurs according to age in all three types of economies

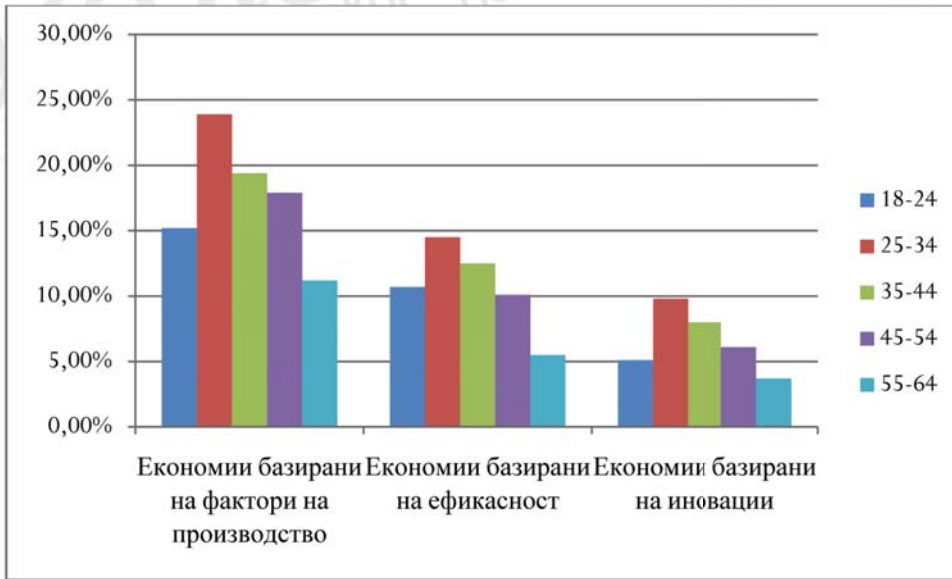
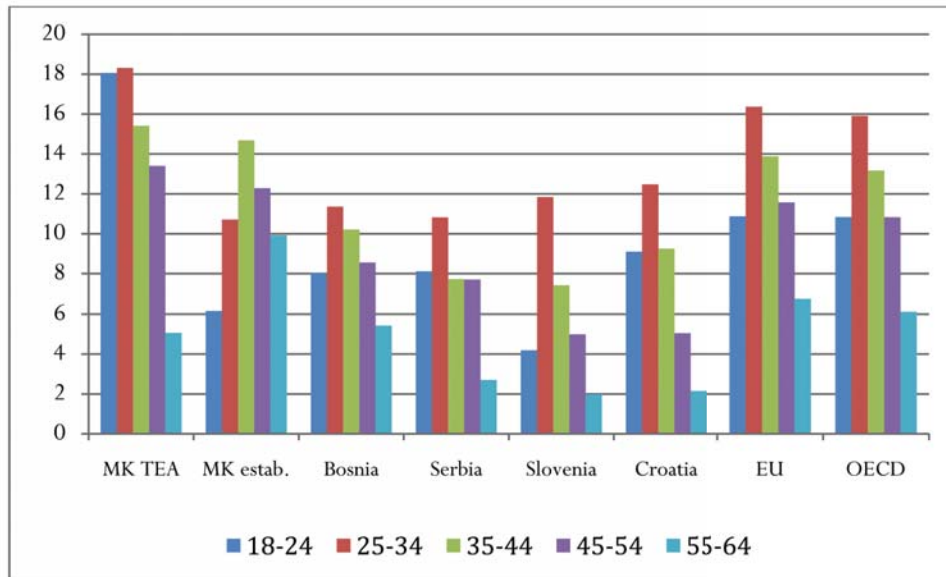


Chart 9. Entrepreneurs according to age in Macedonia and selected countries



Entrepreneurship according to sectors

In the charts below the sectoral structures of the TEA Index are provided (new businesses – Chart 10.) and established businesses (Chart 11) for three groups of economies and in Chart 12. for Macedonia and region.

It may be inferred that early-stage entrepreneurship is more present in service oriented sectors whereas in established businesses in manufacturing sectors. The reasons may be the easier access (and exit) in the service sectors in comparison with manufacturing sectors (it is easier to open and close a restaurant or a beauty parlour than a factory), as well as the significance attributed to manufacturing sectors in the past.

Chart 10. Sector structure of TEA Index

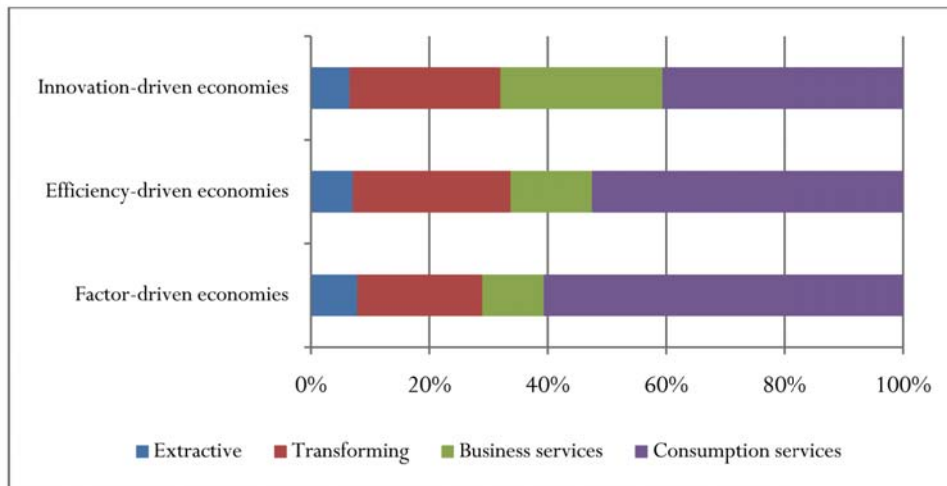


Chart 11. Sector structure of different economies

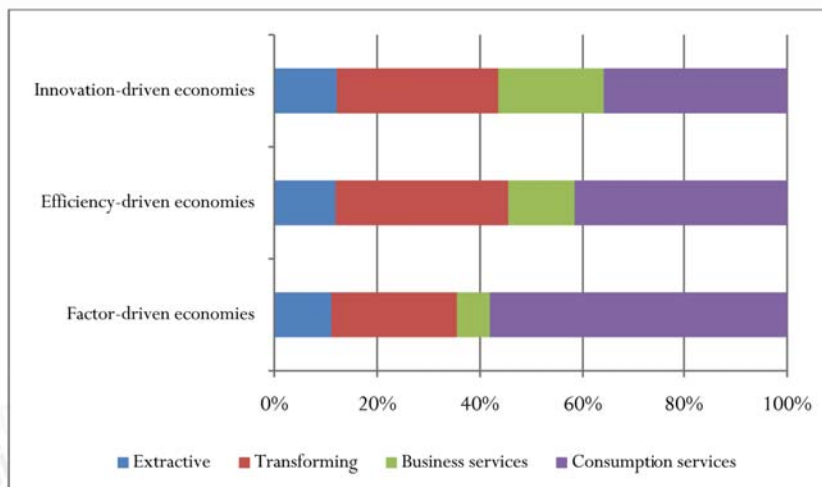
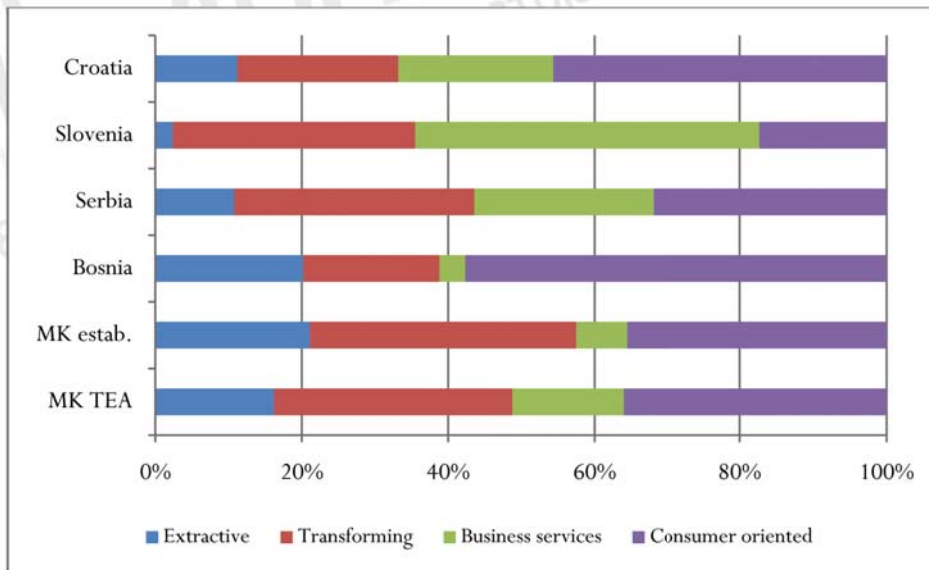


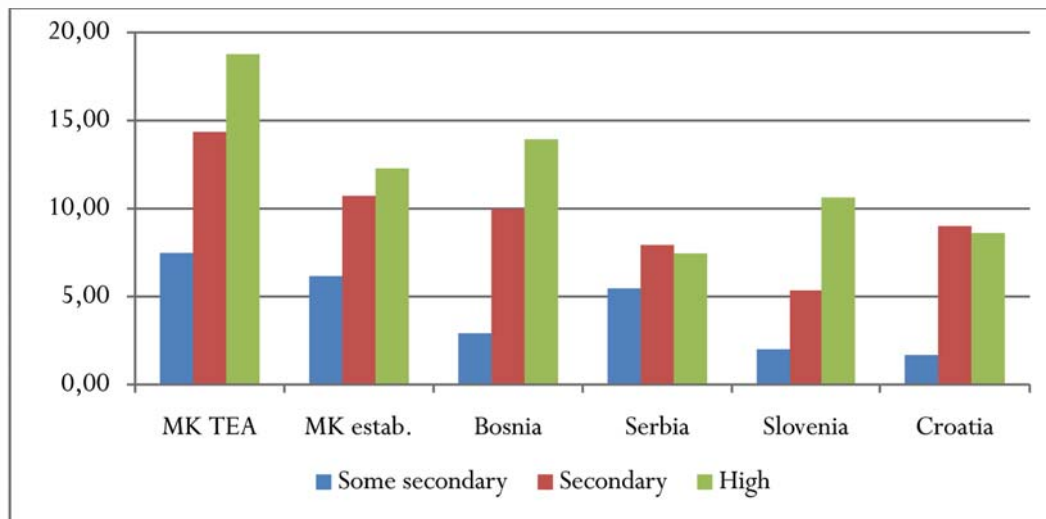
Chart 12. Sector structure of entrepreneurship in Macedonia and region



Entrepreneurship according to education

According to level of education, portrayed in Chart 13. it is obvious that the higher levels of education are more entrepreneurial. Although there are certain differences in each country, still, it may be concluded that as the level of education is increase, the entrepreneurial activity is also increasing. It is valid for the early-stage entrepreneurship and already established businesses in Macedonia.

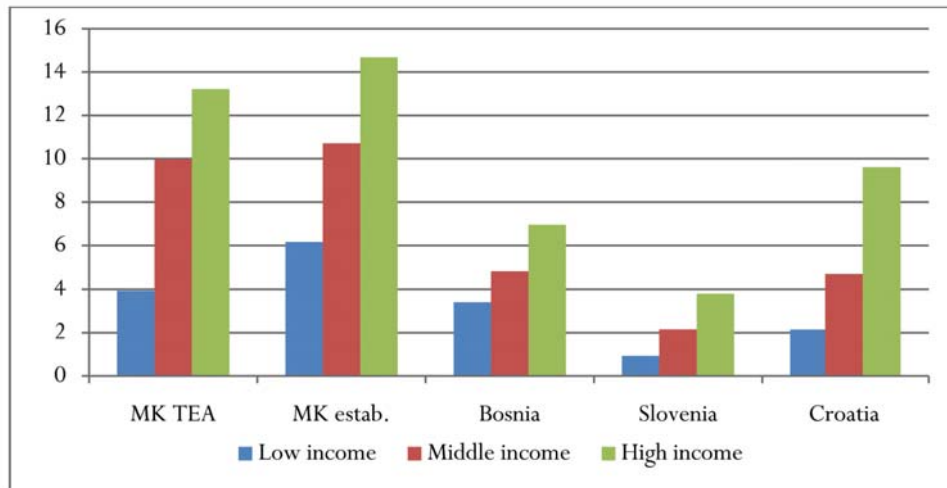
Chart 13. Entrepreneurship according to educational level



Entrepreneurship according to income

The results from the survey regarding the relation between entrepreneurship and level of income is given in Chart 14. It is conspicuous that persons with higher income have higher aptitude towards entrepreneurial activity. It is also more obvious in early-stage entrepreneurship and already established businesses.

Chart 14. Entrepreneurship according to income level

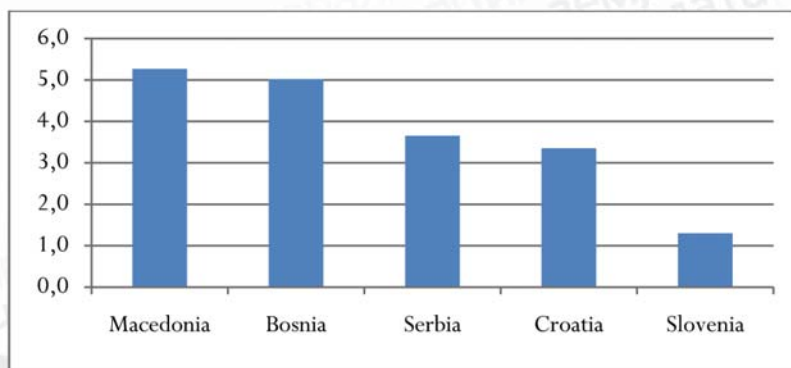


Business discontinuation

Business discontinuation is an important component of the entrepreneurial activity. Usually, the values are higher in the countries with lower economic growth and significantly lower for developed countries. Higher rates of business discontinuation can be found in Norway, USA, Iceland and Ireland, which suggests that there is larger “turnover” of business experiments in these countries.

Chart 15. contains the rates of Macedonia and countries from the region.

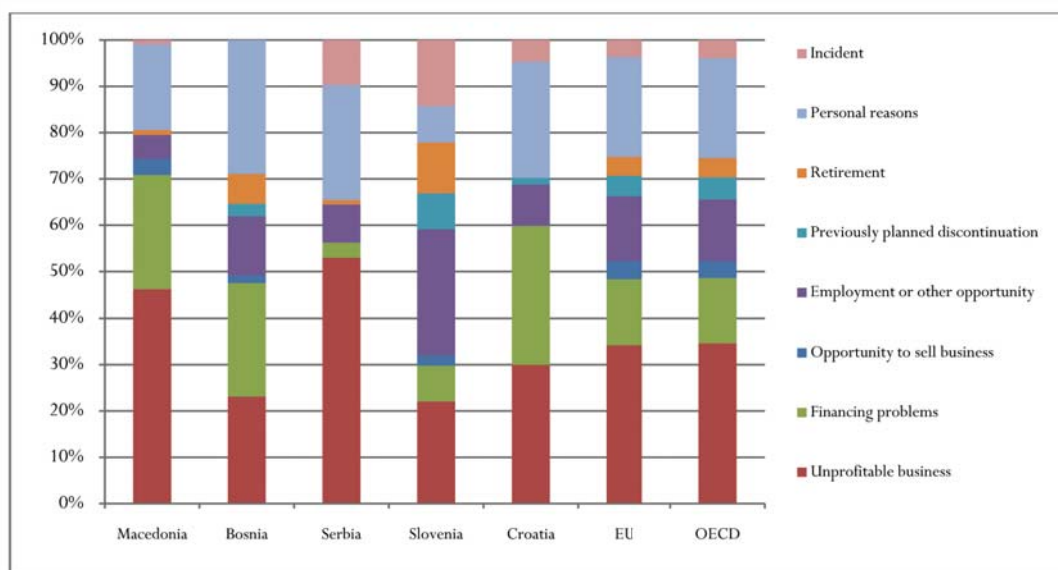
Chart 15. Business discontinuation



It has to be noted that business discontinuation does not mean business failure. Regarding the reasons for business discontinuation, the data are provided in Chart 16. From the chart it may be seen that most common reasons for business discontinuation on global level are unprofitable business and personal reasons. In less developed countries particularly prominent reason is access to finance, whereas in more developed the retirement and opportunity to sell the business.

Most often mentioned reasons for business discontinuation in Macedonia are unprofitable business and problems in access to finance, which together make up over 70%. These two reasons are mostly mentioned in Macedonia as opposed to other countries in comparison. Other reasons are not as represented. It should be noted that the reason “previously planned discontinuation” is inexistent in Macedonia.

Chart 16. Reasons for business discontinuation in GEM



2.3. Entrepreneurial aspirations

Besides entrepreneurial perceptions and activities, of particular importance for the economic growth of a country is entrepreneurial aspirations for higher growth. Thus, studies show that relatively few early-stage entrepreneurial firms contribute a disproportionate share of all new jobs created by new firms (Autio, 2007).

Particular part from the GEM’s research activities are focused on number of nascent and new businesses that expect to employ at least 20 people in the next years. This is known as high-growth expectations in early-stage entrepreneurial activity or HEA Index.

Chart 17. HEA Indexes for Several Countries

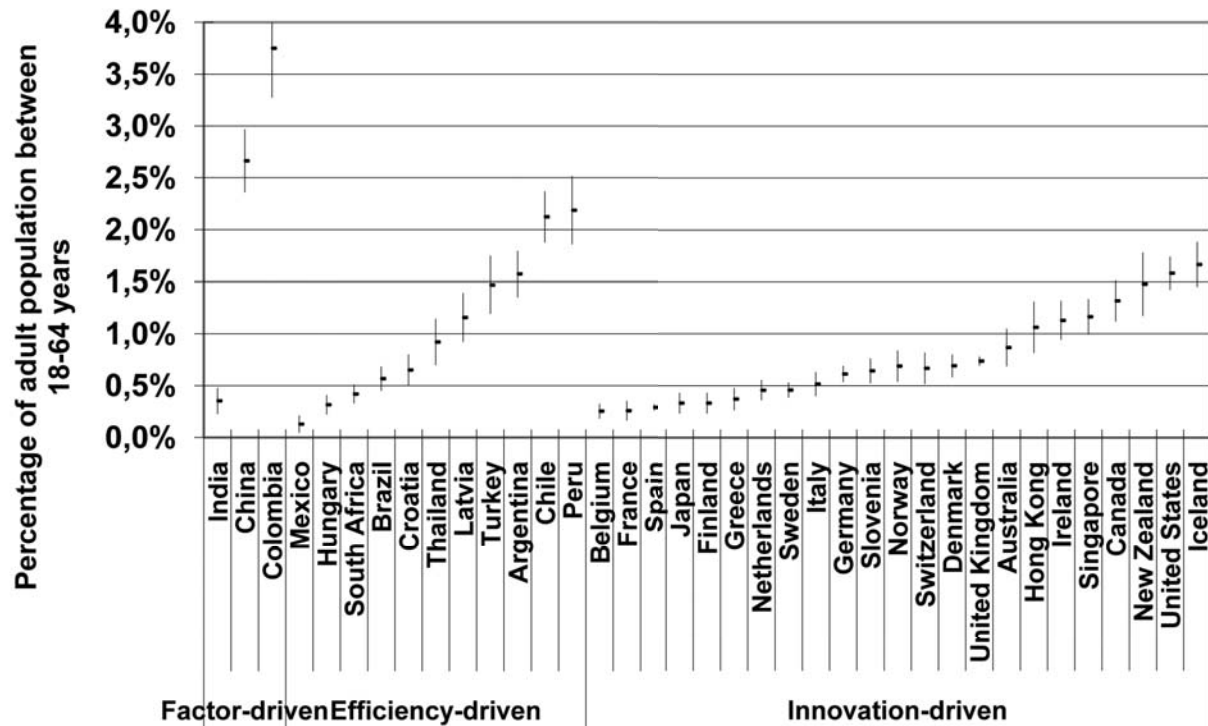


Figure 17 presents the HEA rate in GEM countries for which a sufficient sample size was available, grouped on the basis of per capita GDP (there is not an available analysis for Macedonia). The vertical bars indicate the 95% confidence interval. If vertical bars overlap between two countries, the difference between those countries is not considered statistically significant.

National HEA rates vary with economic context. The United States, New Zealand, Iceland, and Canada have higher levels of HEA than other innovation-driven economies. The HEA rate for these countries is well over 1%. In the United Kingdom, Switzerland, Germany, Slovenia, Norway, and Denmark, the HEA rate is between 0.5 and 0.8%. The lowest levels of HEA, at under 0.5%, occur in Belgium, France, Spain, Japan, Finland, and Greece. Within innovation-driven economies, the differences in prevalence rates of HEA are considerable, ranging from the United States and Iceland's mean of over 1.5%, to approximately 0.3% in Belgium.

HEA rates can vary even among broadly similar high income countries. Among the large EU economies, the United Kingdom and Germany clearly exhibit higher levels of HEA than France and Spain. In the Benelux countries, the Dutch HEA rate is higher than the

Belgian HEA rate. In Scandinavia, the level of HEA in Iceland is four times higher than that of Finland.

Of the factor- and efficiency-driven countries, Colombia, China, Peru, and Chile exhibit the highest prevalence rates of high-expectation entrepreneurship. In fact, the HEA rate for China is the highest of any GEM country, even though it is not statistically different from that of the United States, New Zealand, and Iceland. Most other middle- and low-income countries in the sample exhibit lower HEA rates than most high-income countries. It is notable that India's HEA rate is less than one-fifth that of China

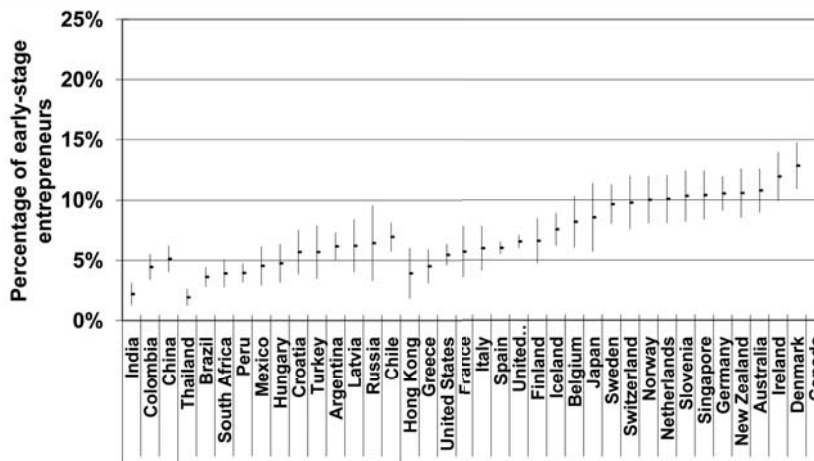
Innovative and technology-oriented entrepreneurial activities

The essence of Schumpeter's (1942) theory of creative destruction is that entrepreneurs distort the market equilibrium by introducing new product-market combinations or innovations. Sometimes they use new technologies to do so. By innovating, entrepreneurs drive less productive firms out of the market and advance the production frontier. Innovation is therefore an important means by which entrepreneurial firms contribute to economic growth.

GEM assesses innovation in entrepreneurial businesses in a variety of ways. First, there are assessments of early-stage entrepreneurs and established business owner-managers concerning the novelty (or unfamiliarity) of their products or services relative to customers' current experience. A second way that GEM assesses the innovativeness of entrepreneurial businesses is by measuring the degree of competition faced by the business, or whether the owner-manager perceives that many, few, or no other businesses offer similar products or services.

Figure 18 evaluates GEM countries on an index that combines the two measures of innovation discussed above (product novelty and degree of competition), and ranks countries in their country groups on the relative prevalence of innovative early-stage entrepreneurial activity. In essence, this index measures the percentage of early-stage entrepreneurs with novel product-market combinations. These entrepreneurs offer a product or service they believe is new to some or all customers and they also believe that there are few or no businesses offering the same product. In order to derive more precise estimates, we combined GEM data from 2002-2008. Macedonia is not included in this analysis since it has not any data from the previous years.

Графикон 18. Претприемничка активност во рана фаза со нова комбинација на продукти и пазари, 2002 – 2008 г.



Looking at the country groups, it is apparent that in each group there are countries with high and low relative prevalence of innovative early-stage entrepreneurial activity. Interestingly, within the innovation-driven country group, the EU-countries emerge as having—on average—the highest relative prevalence. The figure shows, however, a wide variation in relative prevalence, even within the EU block. For example, Greece, Spain, and Italy have relatively few new product-market oriented entrepreneurs in early-stage entrepreneurial activity, whereas Denmark, Slovenia, France, and Ireland have high rates. Among other innovation-driven countries, it is striking that Asian countries have low relative prevalence.

3. ENVIRONMENT FOR SUPPORT TO ENTREPRENEURSHIP

The entrepreneurship environment reflects the major features of a country's socio-economic milieu. According to GEM, the environment in each country is related to its phase of economic development. It is important to state that in all three phases: factor-driven, efficiency-driven and innovation-driven are present in all state economies. However, the relative prevalence and their contribution to economic development vary. According to the Global Competitiveness Report (GCR) 2008 (Porter and Schwab, 2008), there is various optimal combination of these three groups of factors in every phase of economic development. Therefore, the relative importance of the environment for support to entrepreneurship in one country may vary in accordance with the different phases of economic development. That is why experts for international economic development agree that "one-size-fits-all" approach is no longer valid in creation of policies for economic development (Easterly, 2001).

For the countries whose development is based on the factor-driven manner of production, the emphasis is placed on the basic requirements: development of institutions, infrastructure, macro-economic stability, health and elementary education (photo 2). These basic requirements help to maintain the "necessity-motivated" entrepreneurship but may have little influence on the "opportunity-motivated" entrepreneurship. As the state economies and economies of scale progress, other conditions, which provide proper market functioning and are called efficiency enhancers, become important. Although these conditions are not directly related to entrepreneurship, they influence the market development and thus attracting more entrepreneurs. For the countries whose economic development is primarily based on innovations, environment becomes intrinsic for support to the economic development, as opposed to the factors or efficiency driven economies.

On the other hand, entrepreneurship represents a mechanism that can provide transformation of innovation into economic results (Acz and colleagues, 2003). Thus, in the countries which base their development on innovations, the lack of entrepreneurship may be considered as bottleneck in the attainment of their goals for development.

In GEM 2007 the importance of environment for support to entrepreneurship is emphasized, whereas the GEM consortium defined 10 requirements – areas which comprise environment.

In this part of the Report, the environment data are based on various international and domestic documents (policies, programs and reports) which take into account the issue of entrepreneurship, as well as results from the survey of 40 national experts which cover various fields of importance to entrepreneurship. The experts were asked to assess the environment in Macedonia that influences entrepreneurship (previously defined in questionnaire equally applied in all countries included in GEM) with rankings from 1 to 5. The

lowest ranking – 1, was given if the experts felt that the listed conditions “are inexistent or unfavorable for development of entrepreneurship” and the highest ranking – 5 was given if the listed condition was “present or favorable”.

Table 4. gives an overview of the average mark for different fields comprising entrepreneurship in Macedonia and the countries from the region.

Table 4. Average ranking for entrepreneurship environment

Conditions		Bosnia and Herzegovina	Macedonia	Serbia	Croatia	Slovenia	GEM average
A:	Finance	2,2	2,41	2,71	2,78	2,72	2,44
B1:	Government policies - support	1,98	2,49	2,40	2,19	2,32	2,48
B2:	Government policies - regulations	1,69	2,47	2,39	1,88	2,23	2,25
C	Government programs	1,86	2,43	2,39	2,65	2,69	2,51
D1:	Education and training – elementary and secondary education	1,97	2,2	2,04	2,17	2,42	2,01
D2:	Education and training – vocational and higher education	2,36	2,76	2,90	2,79	2,97	2,77
D3:	Education and training – need for external support in planning to start business	4,08	4,30	3,86	4,20	3,81	4,07
D4:	Education and training – existence of sufficiently quality private and/or public centers and agencies that provide appropriate training for entrepreneurship	2,72	3,08	3,09	3,10	3,49	2,88
E:	Research and development	1,81	2,01	2,24	2,20	2,46	2,26
F:	Commercial services and infrastructure	2,68	2,94	2,82	2,74	3,09	2,91
G1:	Market openness - dynamics of internal market	3,26	3,21	3,80	3,87	3,25	2,97
G2:	Market openness – limitations in internal market	2,05	2,31	2,16	2,18	2,46	2,46
H:	Physical infrastructure	3,12	3,41	3,01	3,77	3,78	3,53
I:	Cultural and societal norms	2,19	2,78	2,28	2,29	2,31	2,74
K:	Opportunities for entrepreneurship	3,23	3,16	3,01	3,43	3,15	3,21
L:	Capacity for starting business	2,05	2,38	2,20	2,26	2,72	2,36
M:	Societal status of entrepreneurs	3,16	3,25	3,59	2,97	2,99	3,38
N:	Protection of intellectual property	1,78	2,69	2,15	2,66	2,99	2,64
P:	Support of women in starting business	2,62	3,14	3,06	2,83	3,60	3,19
Q:	Entrepreneurship growth	2,08	2,85	2,92	2,62	2,81	2,84
R1:	Interest for innovation – valuing innovations from view of enterprises	2,55	2,84	2,71	2,52	2,82	3
R2:	Interest for innovation – valuing innovations from view of consumers	3,11	3,41	3,74	3,40	3,21	3,48

As it can be seen in the Table 4, according to the opinions of the included experts in this research, the highest rankings (above 3) are provided for the following conditions: Education and training – need for external support in planning to start business and Education and training – existence of sufficiently quality private and/or public centers and agencies that provide appropriate training for entrepreneurship. At the same time, the experts feel

that women have the necessary support for starting business.

In comparison to other countries, Macedonia has the highest rank for existence of government policies for support and regulations. Moreover, the score is high for interest for innovations – from view of enterprises. With reference to Education and training – elementary and secondary education, commercial services and infrastructure, capacities for starting business and protection of intellectual property, Macedonia only comes second, after Slovenia.

Below is brief review of policies and programs for support to entrepreneurship in Macedonia, financing and education.

3.1. Policies and programs for support to entrepreneurship in Macedonia

Reforms for support to business environment

In the last few years several reforms for improvement of the business environment in Republic of Macedonia were undertaken

- introduction of a flat-rate tax and personal income tax of 10% and the reinvested profit is fully alleviated from taxing. This ranks the country among the countries with lowest flat-rate tax in Europe;
- introduction of one-shop stop system for opening own business with significant reduction of time;
- implemented project “Regulatory Guillotine” which simplified hundreds of laws and bylaws in order to decrease red tape and corruption in state institutions, speed up the procedure for registration of enterprise and decrease costs for acquiring documents required for running business;
- with amendments to the existing laws, the rule “silence means approval” was introduced, which applied pressure on administration to respond the requests from citizens and businessmen, in the proscribed deadline;
- reforms were made in the cadastre increasing its efficiency related to ownership rights; and
- other improvements in customs, telecommunication services, construction and intellectual property.

These reforms as recognition for the success were confirmed by the World Bank Report “Doing Business 2008. According to this report, Macedonia is ranked the 4th in competition of 178 countries from the world. Thus, Macedonia has climbed on the 75th ranking for the overall indicator of “simplicity in doing business”, improving its position for 21 places in comparison with “Doing Business 2007”.

The Government is planning several measures for further improvement of the business environment, related to: starting business, getting licenses and permits, conditions for employment and labor market, registration of property, access to credits, protection of investors, payment of taxes, conditions for trading, concluding agreements and closing business. Part of these measures is included in the Program for Development of Entrepreneurship, Competitiveness and Innovativeness of the small and medium-sized enterprises (2007-2010), adopted by the Government.

Institutional infrastructure

For the purpose of implementation of the policies for development of small and medium-sized enterprises (hereinafter SMEs) in Macedonia, an institutional infrastructure on national and local level was established.

On national level, key factors are: Sector for Entrepreneurship and Competition in the Ministry of Economy (responsible for creation and monitoring of implementation of the national policies for development of SMEs); Agency for Promotion of Entrepreneurship in Macedonia (responsible for implementation of the national SMEs policies); National Council for Entrepreneurship and Competition and SME Forum, as public private dialogue; other ministries responsible for concrete aspects which refer to the SMEs policies.

On local level, the following institutions provide support: 10 regional centers for entrepreneurship support, 7 business incubators, Euro-Info corresponding center which offers information and assistance related to business in EU; 50 centers for local economic development supported by USAID and UNDP, divided in different groups or groups of municipality; domestic and international consultants; associations of entrepreneurs (Economic Chamber of Commerce, Macedonian Chamber of Commerce, Economic Chamber of Northwest Macedonia and Chamber of Artisans); 4 center for transfers of technology; and other centers for research and development in different faculties in Macedonia.

Projects for entrepreneurship support in Macedonia

Starting from 2007, in Republic of Macedonia, the traditional event Entrepreneur of the Year is organized. Its goal is promotion of the most successful entrepreneurs of micro and small enterprises in Republic of Macedonia for the ongoing year. The selection of the most successful entrepreneurs is performed from the selected micro and small enterprises which, on the basis of the data from Central Register of Republic of Macedonia, registered growth according to number of employees, total income, profit and realized investments for the last 3 years. Most successful entrepreneurs are promoted in the national medial outlets.

Also, for the fourth year in a row, on May 9th the European Entrepreneur Day is organized, wherein relevant entrepreneurship topics are discussed.

3.2. Entrepreneurship and financing

Financing of new business ventures is one of the most often discussed topics in entrepreneurship. First, a short overview of formal financing of entrepreneurial ventures in Macedonia is provided and second the findings from the survey related to informal financing.

Formal financing

Formal financing of entrepreneurs in Macedonia is predominantly realized through debt financing in form of banking credits. The total banking credits in the country amount to 42% of the GDP (at the end of 2008). They grew from 35.3% in 2007, but are still lagging behind the level of the countries from the region. The three largest banks comprise the two thirds of the total banking sector. There are also few other medium-sized banks (according to the classification of the National Bank) which are focused on financing of micro, small and medium-sized enterprises.

The sources of credits to the banks are deposits and certain external sources (in Macedonia known as credit lines). These are credit lines which are delivered through the state Macedonian Bank for Support to Development, Macedonian Enterprise Development Foundation, lines of the European Bank for Reconstruction and Development, World Bank, International Finance Corporation, EFSE and others.

In applying for credit in a bank it is usual for entrepreneurs to be asked to have business activities of at least 6 months and appropriate guarantees (collateral). It is considered that first condition represents an obstacle for the start-up businesses for which financing is precondition to start with the business activities. The collateral condition is obstacle for the entrepreneurs from locations where there is immature and illiquid property market, which aggravates securing solid guarantees (e.g. from rural areas or smaller cities in

Macedonia).

Complementary to the banking credits, and for partial overcoming of the previously mentioned obstacles, there are three guarantee funds: state through the Macedonian Bank for Support to Development, MEDF and Guarantee Fund supported by the Swedish International Development Agency (SIDA). In practice, the participation of the guaranteed credits in the total of disbursed credits for business is very small and with small interest (demand) by the banks for this type of guarantees.

Despite banking credits, in the last few years the development of leasing has been significant. However, it is still mostly focused on financing procurement of vehicles and less for other business purposes.

In the last two years several investment funds started with operations in the country. Most are involved in investments in the stock market. Direct investments have been made in approximately 20 enterprises from small and medium size, which have operated for several years, mostly by SEAF in the past and SIF in the last few years. Their participation is small compared to banking credits.

It may be inferred that at least in the short run, the banking credits will remain by far the most dominant form of formal financing of entrepreneurs in Macedonia.

Informal financing

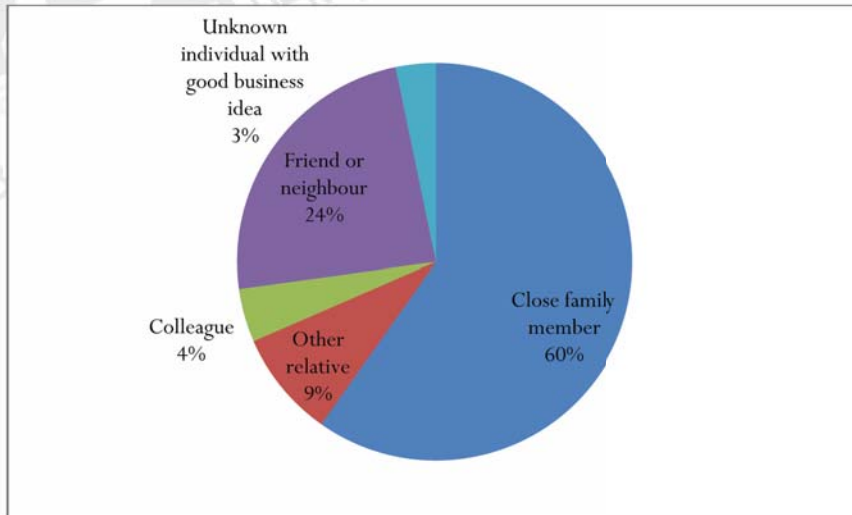
GEM focuses on informal financing. It asks whether and how the respondents financed someone's endeavor and how entrepreneurs do finance their undertakings.

First, GEM is interested in the aptitude of the respondents for informal financing of new businesses, regardless whether the financing represented a loan or a founding investment. GEM asks: Have you, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds? Affirmative answer was given by 5.90% from the respondents at age 18-64. These are considered informal investors of entrepreneurial ventures. According to the last available data on global level (2006) the percentage for Macedonia is among the higher in GEM countries. It means that the aptitude for informal financing in Macedonia is relatively high.

The amount which was listed by the respondents as informal investment in entrepreneurial ventures amounts to 136 million denars (2.2 million euros) which represents 0.05% from the GDP. This is relatively low amount as percentage of GDP in global sense. It may be inferred that the number of informal investors is relatively high but the investments are with relatively small amounts.

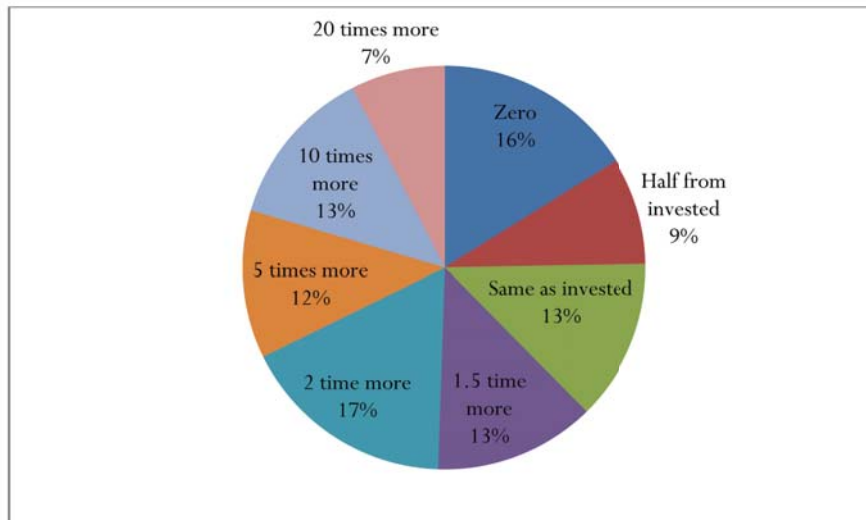
The respondents who declared to be informal investors, predominantly invested their funds in entrepreneurial ventures of close family member (60%), venture of their friends or neighbors (24%) or other relatives (9%). On Chart 19. the structure of the statements of the informal investors is presented.

Chart 19. Structure of informal investments



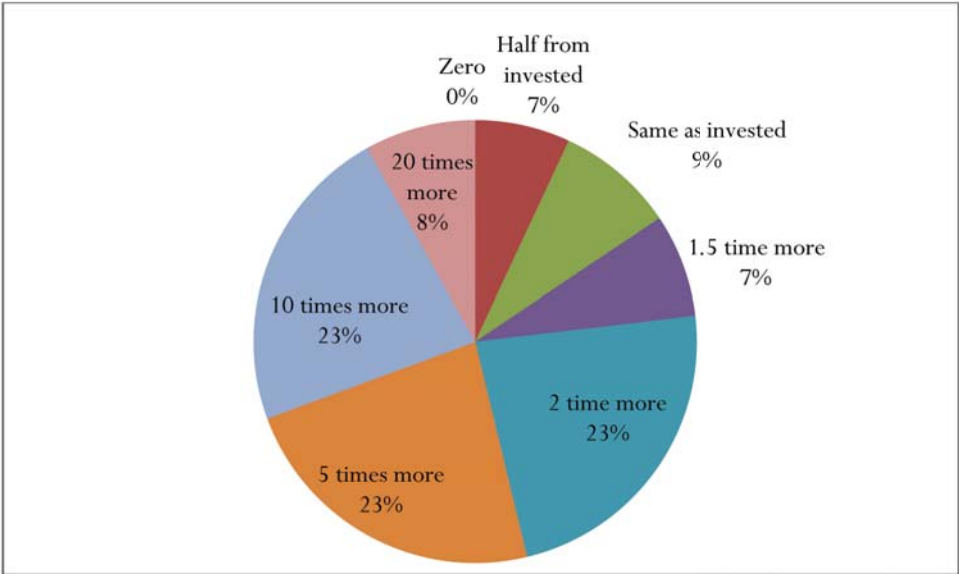
The expected returns for informal investors are given in Chart 20.

Chart 20. Expected returns for informal investors



On the other hand, the entrepreneurs stated that the overall required investments for their businesses are in amount of 290 million denars (4.7 million euros). In average, the required amount per entrepreneurs is 1.8 million denars (30,000 euros). 95% from the entrepreneurs surveyed consider that they would finance their own ventures. The entrepreneurs expect relatively high returns from their new business ventures. 77% from them expect return which is twice or more (reaches 20 times) than the initially invested funds. In Chart 21. their expected returns are presented.

Chart 21. Expected returns of the entrepreneurs



3.3. Entrepreneurial education and training – GEM Focus Topic for 2008.

From the beginning of the GEM implementation, the research has shown that more surveyed respondents have perception of low level of entrepreneurial education and training in the educational system in their respective countries. Moreover, number of experts point out the low level of entrepreneurial education and training after the completion of formal education. At the same time, several studies have confirmed the relation between entrepreneurial education and level of entrepreneurial activity. Thus, special focus topic in the GEM report for 2008 is entrepreneurial education and training.

The GEM Model identified the entrepreneurial education and training as part of the entrepreneurship environment, which influences the degree of entrepreneurial perceptions, aspirations and activities.

In 2008, 28 countries from GEM collected additional data on entrepreneurial education and training through the survey. Every respondent had to state whether he or she had undergone training for starting business in the formal education or after its completion, as well as to state whether the training was compulsory or voluntary. Moreover, the respondents answered questions on the type of training provider. This enabled assessment on country level, with reference to the quantity of the delivered entrepreneurial training and education as well as the relative importance of different types of providers.

Additionally, the entrepreneurship experts from 31 countries were asked to assess the degree of entrepreneurial education and training in their country. This year they were asked to rate their country in terms of additional two criteria: degree to which start-up entrepreneurs in the country have need for support in creation of their business plans and degree to which such support is available outside the educational system. In this manner an assessment of the quality of the entrepreneurial education and training was provided.

In Table 5. and Table 6. the indicators for the quantity of the delivered entrepreneurial training and education are appropriately presented.

Table 5 — Percentage of the Population Aged 18-64 that Received Voluntary or Compulsory Training in Starting a Business During or After School, by Type of Country

	School voluntary	School compulsory	School any	After school voluntary	After school compulsory	After school any	Any training
Factor-driven economies							
Bolivia	8,2	2,4	10,6	10,3	3,9	14,2	19,1
Bosnia and Herzegovina	12,7	0,8	13,5	8,1	2,5	10,6	19,9
Colombia	19,2	4,0	23,2	20,7	8,7	29,4	40,0
Ecuador	16,1	4,3	20,4	8,3	7,3	15,6	27,2
Egypt	3,8	0,9	4,7	2,1	2,1	4,2	7,5
India	3,3	1,7	5	3,8	7	10,8	13,1
Iran	8,9	6,6	15,4	9,2	10,3	19,5	28,9
Country average	10,3	3,0	13,3	8,8	6,2	14,9	22,2
Efficiency-driven economies							
Argentina	6,4	3,2	9,6	7,3	3,6	10,9	17,4
Brazil	4,5	0,8	5,3	1,6	5,0	6,6	9,4
Chile	16,8	8,5	25,3	18,9	13,8	32,7	42,5
Croatia	8,6	11,1	19,7	8	7,6	15,6	27,6
Dominican Republic	4,7	0,6	5,3	1,9	2,1	4,0	7,7
Hungary	2,8	14,2	17,1	1,4	8,6	10,0	24,4
Jamaica	6,8	9,2	16	2,9	6,4	9,3	21
Latvia	6,1	8,4	14,5	9	10,1	19,1	28
Macedonia	10,3	2,3	12,6	7,2	3,7	10,9	19,1
Mexico	5,8	3,6	9,5	3,6	5,9	9,5	15,5
Peru	11,5	2,9	14,4	12,2	12,5	24,7	29,6
Romania	3,3	2,2	5,5	2,8	1,8	4,6	8
Serbia	1,5	1,5	3	2,6	4,9	7,6	10,2
South Africa	6,6	2,7	9,3	3,8	5,2	9	13,8
Turkey	1,9	0,6	2,5	1,9	2,3	4,2	6,3
Uruguay	9,7	1	10,7	9,5	8,9	18,4	24,1
Country average	6,7	4,6	11,3	5,6	6,3	12,3	19
Innovation-driven economies							
Belgium	17,8	7	25	3	15,2	18,2	33,3
Denmark	2,4	7,1	9,5	2,1	11,9	14	22
Finland	10,1	7,8	17,9	19,6	20,8	40,4	47,9
France	5,3	4,9	10,2	5,9	6,6	12,5	18,1
Germany	10,3	2	12,3	8,4	4,7	13,2	21
Greece	5	1,2	6,1	6,4	6,5	12,9	17
Iceland	6,5	5,3	11,8	11,3	6,5	17,8	26,7
Ireland	8,1	5,8	14	9,9	7,6	17,5	26,1
Israel	4,1	1,7	5,8	4,5	4,1	8,6	12,8
Italy	6	4,2	10,2	5,3	3,7	9,1	16,5
Japan	2,8	2,1	4,9	10,1	5,6	15,7	17,4
Korea Republic	2,7	3,2	5,9	3,8	5,4	9,2	13,6
Slovenia	13	11,3	24,3	10,3	12,3	22,6	35,7
Spain	9,5	3	12,5	7,9	6,8	14,7	21,9
United Kingdom	5,8	3,1	8,9	7,7	6,1	13,8	19,5
Country average	7,3	4,6	11,9	7,7	8,3	16	23,3

i: "Voluntary" includes those reporting voluntary training or a mix of voluntary and compulsory training.

Table 6 — Percentage of the Population Aged 18-64 that Received Any Training in Starting a Business After School, by Type of Training Provider

Type of training provider	College, formal		College, informal		Chamber of Commerce		Gov. agency		Employer		Other		
	V	C	V	C	V	C	V	C	V	C	V	C	
Voluntary or compulsory training													
Factor-driven economies													
Bolivia	9	1	5	1	3	0	2	0	3	0	4	0	11
Bosnia and Herzegovina	6	0	3	0	2	0	1	0	4	0	2	0	9
Colombia	20	2	10	1	6	0	5	0	4	1	7	0	24
Ecuador	10	2	4	1	4	0	2	0	3	1	3	0	10
Egypt	2	0	1	0	1	0	1	0	1	0	0	0	2
India	3	2	2	1	2	1	2	1	1	1	3	1	5
Iran	6	2	3	2	2	0	8	2	3	1	2	0	10
Country average	8	1	4	1	3	0	3	1	3	1	3	0	10
Efficiency-driven economies													
Argentina	5	1	5	0	5	0	2	0	3	1	2	0	9
Brazil	1	1	1	0	4	0	1	0	1	1	0	0	2
Chile	13	5	10	1	8	1	1	1	9	3	1	0	26
Croatia	6	4	4	1	3	1	1	0	3	1	2	0	12
Dominican Republic	2	0	1	0	1	0	1	0	1	0	0	0	2
Hungary	3	1	2	0	1	0	1	0	1	0	0	0	1
Jamaica	4	3	2	1	1	0	2	1	1	1	0	0	4
Latvia	9	5	4	1	2	0	3	0	3	1	1	0	13
Macedonia	5	1	3	0	3	0	2	0	3	1	2	0	8
Mexico	2	0	1	0	2	0	1	0	2	0	0	0	4
Peru	13	2	11	1	6	0	5	1	6	2	6	1	16
Romania	2	0	1	0	1	0	0	0	1	0	1	0	3
Serbia	1	0	1	0	1	0	2	0	1	0	0	0	3
South Africa	4	2	3	1	2	1	2	1	2	1	2	1	6
Turkey	1	0	1	0	0	0	0	0	1	0	1	0	3
Uruguay	9	2	9	1	8	1	3	0	5	2	4	0	13
Country average	5	2	4	1	3	0	2	0	3	1	2	0	8
Innovation-driven economies													
Belgium	7	3	2	3	1	2	1	3	1	1	1	2	8
Denmark	3	4	1	1	2	1	0	1	0	0	2	1	8
Finland	16	14	9	1	5	0	6	1	3	1	6	1	30
France	4	2	1	1	5	1	3	1	1	0	4	0	8
Germany	6	1	2	0	7	1	3	1	4	1	3	0	10
Greece	8	1	1	0	4	0	2	0	2	1	1	0	8
Iceland	7	3	4	1	2	0	2	0	4	1	4	0	14
Ireland	6	3	6	1	4	0	6	1	3	2	1	0	14
Israel	4	1	3	1	3	0	3	0	2	0	1	0	6
Italy	6	1	2	0	3	0	1	0	2	1	1	0	6
Japan	6	2	7	1	2	0	2	0	3	1	2	0	12
Korea Republic	4	1	3	1	2	0	1	0	1	0	1	0	4
Slovenia	9	6	8	1	5	1	4	1	4	2	3	0	15
Spain	9	1	7	1	6	0	5	1	4	1	7	0	10
United Kingdom	6	2	4	1	3	1	3	0	2	1	1	0	10
Country average	7	3	4	1	4	1	3	1	2	1	2	0	11

Entrepreneurial education and training in Republic of Macedonia

In the last few years in Republic of Macedonia progress has been made with reference to the entrepreneurial education in the three levels of formal education (nine-year elementary education, secondary and higher education). Mostly as a result of several years of donors' interventions (USAID, GTZ, ADA and other donors), many training sessions for the teaching staff were implemented in order to increase skills for teaching entrepreneurship and other subjects pertaining to economic disciplines. At the same time, virtual and real companies, career centers, best business plan competitions, students' job fairs were organized.

Although most of the activities took place in the secondary vocational schools, where there is more than one subject related to entrepreneurship, with the introduction of the business and entrepreneurship as compulsory subject in the fourth year in general high schools and art schools, the Education Development Bureau made a correct step towards reinforcing the activities related to entrepreneurial education.

Unfortunately, the universities in the countries are lagging behind these processes in the secondary education. With exception of several positive examples where there is the subject entrepreneurship taught (and/or management with small business), most faculties do not have these disciplines. In the last two-three years there have been movements in this field with the formation of the centers for development of business start-up centers at the "SS. Cyril and Methodius" University in Skopje and "St. Kliment Ohridski" University in Bitola, as well as the business incubator in the University of Southeast Europe. Still, many things should be undertaken if the students are to be "exposed" to real entrepreneurial activities. The educational system in the country advocated for many years, education and training of young people in order to work for someone else and not to be self-employed, which is why we have the dismal situation with the entrepreneurial education, especially on faculty level. The recommendations given by the European Commission for inclusion of the entrepreneurial spirit should be taken seriously into consideration by the universities. They should integrate entrepreneurial activities in several disciplines and extra-curricula activities, since modern universities promote self-employment, innovative thinking, creativity and technological development. Modern universities have grown to be so-called entrepreneurial universities, therefore, besides other criteria according to which these are ranked on global level, the criteria is established regarding the number of newly formed businesses that originate from the higher education institutions.

Declaration for promotion of entrepreneurial learning

On July 16th 2009 in Brussels, under the auspices of the Directorate General for Enterprises and Industry, the Report for 2008 on the Achievements of the Western Balkan Countries for SMEs, as part of the European Charter for SMEs, was promoted. Macedonia was assessed in 10 categories and several subcategories. The first category pertained to entrepreneurial education and training, with 12 additional subcategories. At the scale from 1 (lowest mark) and 5 (highest mark), the average mark was approximately 2.5.

If we analyze this report in details, it may be concluded that on state level there is reached consensus regarding the importance for creation of policies and strategies for promotion and implementation of entrepreneurial training. There have been already several steps taken in this direction, by formation of official partnerships for promotion of entrepreneurial training. The key partners here are the Agency for Promotion of Entrepreneurship in Macedonia and the related ministries of economy and education and science. The activities undertaken by the government institutions in Macedonia contribute to progress in right direction. Still, more serious interventions are required in the total educational system, in order to enable conditions and knowledge for the youth to create their own future (through self-employment) as opposed to waiting for someone else to offer them job. The last important event was the signing of the Declaration for Promotion of Entrepreneurial Learning, concluded on June 3rd 2009 by the Minister of Economy and Minister of Education and Science in Republic of Macedonia.

4. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. Generally speaking, the first survey on entrepreneurship in Macedonia, according to the GEM methodology, showed relatively high indicators of entrepreneurship, which are in line with the indicators typical for efficiency-driven countries, to where Macedonia belongs to.

2. In Macedonia there are, most often, positive perceptions on entrepreneurship. This is confirmed through the high values given by the respondents related to opportunities and desire for starting business, positive media coverage on entrepreneurship and attitude (80% from the respondents feel that entrepreneurship is good career choice).

3. The key indicator of entrepreneurship in the GEM research is called TEA Index which for Macedonia is high: 14.5%. TEA Index is higher than the EU and OECD countries, as well as compared to the countries from the region. For many people in Macedonia, entrepreneurship still is necessity rather than opportunity. As Macedonia will further develop its economy, the opportunities for employment will increase whereas the necessity for self-employment will decrease. Therefore, in the next years, the TEA Index is expected to decrease, especially due to decrease of necessity-driven entrepreneurial activities, while the number of opportunity-driven entrepreneurs will start to increase.

4. In Macedonia, the typical entrepreneurs is male, at age from 25 to 34, with higher educational level and higher income level. Although these are traits worldwide, still, the gap between male and female entrepreneurs in Macedonia is slightly larger compared to the level of the countries from the region. On the other hand, the youngest population (from 18 to 24) is significantly more prone to entrepreneurship compared to the countries from the region.

5. The most cited reasons for business discontinuation are financing problems. Most common informal investors are close family members whereas formal financing is significantly characterized by banking credits.

6. Macedonia lags behind slightly with reference to trainings related to starting business, especially after completion of formal education.

Recommendations

1. It is necessary to continue with the GEM research in order to confirm the initial findings on Macedonia's entrepreneurship, to monitor to further development of Macedonia's entrepreneurship and to compare the entrepreneurship with other countries, especially those from the region.

2. The positive perceptions of entrepreneurship should be maintained and utilized, since entrepreneurship in the long run may contribute to economic growth and employments. Part of the efforts should be directed at promotion of positive entrepreneurial examples, through public events, such as the selection of the entrepreneur of the year or the European entrepreneur day.

3. Anticipation of decline of Macedonia's TEA Index is an opportunity to prepare certain measures for "alleviating" the decrease. The present high TEA Index is good starting point, whereas the measures should be focused on avoiding abrupt decline of the Index. Macedonia, in the long run, should aim for high level of entrepreneurship, which is dominantly motivated by opportunity rather than necessity.

4. The large gap between male and female entrepreneurs in Macedonia should be decreased, through promotion of female entrepreneurship and encouraging women that entrepreneurship is an option.

5. In Macedonia, the information system and skills for business financing should be improved. More effective start-up business financing mechanisms should be developed.

6. It is an encouraging sign that entrepreneurship has become an integral part of secondary education. Additional measures are required for promotion of entrepreneurship programs in higher education and non-formal education, especially as part of the so-called life-long learning concept.

ANNEX 1.

Information on the implementing organizations and authors

Macedonian Enterprise Development Foundation (MEDF) is a citizen and not-for-profit foundation, established in 1998 by the Macedonian Center for International Cooperation (MCIC – www.mcims.org.mk). MEDF's vision is reduced poverty and unemployment and established social cohesion, through support of the development of small enterprises.

MEDF's long terms are: Improved access to financial services; Promoted entrepreneurship; Mainstreamed innovations; Developed partnerships; Secured institutional and organizational development of MEDF.

MEDF's target group are small enterprises. MEDF's target area is Republic of Macedonia with particular focus on the regions outside Skopje and rural areas.

MEDF, through commercial financial institutions, have disbursed over 28.2 million euros for approximately 7,000 micro and small enterprises (including farmers as well). More than 12,000 employments and 2,700 new employments have been supported, as result from the new investments. The disbursements is realized through the accredited financial intermediaries: NLB Tutunska Bank, IK Bank, savings' house Možnosti and foundation Horizonti.

MEDF's Team, which was included in the realization of the GEM research for Macedonia in 2008, is comprised of:

Tetjana Lazarevska, born on May 19, 1961 in Tetovo. Graduated economy. Worked in the Youth Council of Macedonia until 1997. In the meantime, starts her own Macedonian – Dutch company and works as a chartered accountant in different Macedonian Companies. Joined MCIC in 1997 and was part of the team that established and managed the Macedonian Enterprise Development Foundation (MEDF). In October 2008 she was appointed to be executive director of MEDF. Founder and member of several local and international civil society organizations. Chairperson of the Steering Committee of the “Habitat Macedonia”, association for human housing and of the savings house “Možnosti.”

Lazar Nedanoski, born on January 3, 1976 in Ohrid. Graduated at the Tourism Faculty in Ohrid, currently pursuing postgraduate studies in monetary economy at the Economic Faculty in Skopje. Since 2007, he is an investment advisor authorized by the Securities and Exchange Commission of the Republic of Macedonia. Joined MCIC in June 2001 and became part of the team that managed the MEDF program. In February 2002 started to work as project officer in MEDF, specifically on the Micro and Small Enterprises program. Currently, responsible for the MEDF financial services and several projects on non-financial services (research, information and training) for SMEs development.

Gligor Mihailovski, born on February 27, 1979 in Skopje. Graduated at the Faculty of Philology “Blaže Koneski”, Department of English Language and Literature at the “SS. Cyril and Methodius” University. Joined MCIC in September 2004 and worked as part of the MEDF team on promotion of entrepreneurship. As a project officer, he is responsible for creation, coordination, implementation, monitoring and evaluation of project interventions in the field of providing non-financial services for micro and small enterprises. Part of the selection of the Entrepreneur of the Year in Macedonia.

More information on MEDF’s activities can be found on the internet page:
www.mrfp.org.mk.

Business Start-Up Center at the “SS. Cyril and Methodius” University in Skopje, was founded in 2006, as a result from the project financed by the „Austrian Development Agency“. The name of the project was „Skopje University Business Start-Up Centre: Through Networking to Successful Companies, (Phase I – Establishment of the Centre)“. The offices of the Business Start-up Centre are in the new building belonging to the Mechanical Faculty in Skopje. The Mechanical Faculty in Skopje is the project implementing party, on behalf of “SS. Cyril and Methodius” University.

The target group of the Business Start-Up Center are students and recently graduates. Still, the Center is always open to innovative, technology-oriented and scientifically-based, profit-oriented business ideas.

BSC’s mission is to increase the awareness for entrepreneurship within the young population and contribute to improvement of the overall economic conditions in Republic of Macedonia with:

- serving as a creative incubator for innovative and technological as well as service-oriented solutions;
- offering entrepreneurship and small business management trainings;
- assisting students and recent graduates for starting own business;
- assisting employment of students and recent graduates.

So far BSC has realized three cycles of business plan competition wherein more than 250 students and graduates were trained, which assisted in registering 20 new companies. Training for over 1.500 candidates on “Finding Job” topic was organized. Cooperation was realized with the Ministry of Defense (programme Lepeza) for training the retired military personnel; Education Development Bureau was assisted in organizing training for the teaching staff for the subject “Entrepreneurship and Business” in secondary schools and over 600 students were trained on the topic “Production of Business Plan”. In 2007 and 2008 the National Competition for the best secondary school business plan was organized. Presently, the BSC team is included in 5 international projects. More information

can be found at www.bsc.ukim.edu.mk.

The BSC Team which was included in the realization of the GEM research in Macedonia for 2008 was comprised:

Radmil Polenakovic, Team Leader of the GEM National Team for Macedonia. He is the Head of the Business Start-Up Center at the “SS. Cyril and Methodius” University in Skopje and professor at the Mechanical Faculty. Has published over 130 works in the country and abroad. He is a visiting professor at the UNESCO Department for Entrepreneurship, at the University of Novi Sad, Serbia. International expert of the European Training Association and member in several associations (IIE, SPICE, NBIA, SENSI и др.). Polenakovic is members of the European Academy of Science and Arts since 2008.

Aleksandar Kjurciev, born in 1973 in Skopje. Presently he is employed at the Business Start-Up Center at the “SS. Cyril and Methodius” University in Skopje. Participated as lecturer, organizer and initiator of several projects in the field of entrepreneurship. Previously worked in several GTZ projects. Author of over 10 works in the field of entrepreneurship. Member of the SENSI network (Southeast European Network of Start-ups and Incubators). He is presently, alongside the other BSC members, working on implementation of the project „SEE IFA Network“ (network of centers for support of financing of innovations in South-East Europe). A. Kjurciev participated at the annual coordinative meeting of GEM in Boston, USA, January 2008.

Bojan Jovanoski, assistant at the Mechanical Faculty within the “SS. Cyril and Methodius” University in Skopje and has been active in BSC since its foundation in 2006. The focus of his work is simulations, virtual companies and project management. He has been involved in all projects done in BSC (Tempus 1, IPA 1, Austrian-Macedonian bilateral project, etc.). As a lecturer at the BSC, he is responsible for trainings “Generating Business Ideas” and “Simulation of Work in Real Company”. Jovanoski participated at the annual coordination meeting of GEM in Boston, USA, in January 2008.

Bojan Jovanovski, included in BSC as a project assistant. Experienced in training on different topics: “How to Look for a Job” (training of the university career center for over 1,500 students), “Through Application of Computer Technology to More Successful Business” (part of the LEPEZA program – resocialization of former military personnel). Presently part of the projects “Creation of Capacities for Research and Development for Strengthening Support between Higher Education and Companies” and „SEE IFA Network“. Jovanovski participated at the annual coordination meeting of GEM in Boston, 2009.

Trajce Velkovski, project assistant at BSC. Experienced as a trainer to over 1,500 students on topic “How to Look for a Job” and realized training for over 20 secondary schools for more than 500 students on the topics “Business Plan Preparation”. As an assistant, Trajce is part of the regional department for entrepreneurship of UNESCO (masters’ studies). Presently, he is part of the projects: “Creation of Capacities for Research and Development for Strengthening Support between Higher Education and Companies” and „SEE IFA Network“.

Annex 2

Differences between GEM and the data for registered enterprises

GEM is a social survey directed at individuals. In GEM's research perspective, it is individuals who are primary agents in setting up, starting, and maintaining new and entrepreneurial businesses. The main distinctions between GEM data and business registrations data are as follows:

1. GEM data are obtained using a research design that is harmonized over all participating countries. Despite recent initiatives by Eurostat, OECD, and the World Bank, the harmonization of national business registrations has not yet been achieved. GEM data uniquely enables reliable comparisons across countries. The robustness of the GEM method is demonstrated by the stability of year-on-year comparisons at the country level;

2. GEM's research design implies statistical uncertainties in the aggregate (country-level) results. This is acknowledged by publishing confidence intervals for the obtained entrepreneurship indices. Business registration data are "count data" and as such do not require confidence intervals. However, the accuracy of registration data as a measure of new business activity is unclear for several countries. For example, in the UK, most businesses are not (and are not required to be) registered at all, while in Spain registration is compulsory before trading can commence. In some countries, businesses may be registered purely for tax reasons without entrepreneurial activity taking place, while in other countries businesses are deliberately not registered to avoid paying taxes;

3. GEM tracks people who are in the process of setting up a business (nascent entrepreneurs), as well as people who own and manage running businesses. These also include freelancers, or other entrepreneurs who in some jurisdictions need not register. GEM also measures attitudes and self-perceptions regarding entrepreneurship. Insight about the earliest phase of the start-up process and the entrepreneurial spirit is very relevant for policy makers.

4. The primary purpose of GEM is not to count the number of new businesses in different countries. It is about measuring entrepreneurial spirit and entrepreneurial activity through different phases of the entrepreneurial process. Therefore, GEM data may not be the best source for some basic firmlevel characteristics, particularly in countries that tightly regulate new business activity and whose citizens have high respect for the rule of law. For example, to determine sector distribution of existing firms, registration data are mostly preferable over GEM data (with the possible exception of GEM countries with a large number of respondents, such as Spain and the UK).

5. GEM generates more than measures of entrepreneurial activity; it also generates measures of entrepreneurial attitudes and aspirations. Examples are motivations for being self-employed, the degree of innovative activities, and growth expectation. However, these characteristics should always be derived from an adequate sample; to achieve this, one may need to merge the GEM samples over several years.

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