



**Report on Feasibility Study
for provision of business development services
to owners of small and micro entrepreneurs**



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Project is implemented by BOSPO



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BOSPO introductory note

BOSPO was established in March 1995 and is widely known as an organization that offers services of capacity building to NGO sector and civil initiatives in BiH. Our mission is to ensure opportunities for citizen education, access to information and participation in creation of positive and democratic changes in the community and society.

Through cooperation with Micro-credit organization MI-BOSPO, which until 2000 functioned as a micro-credit component of BOSPO, we recognized the need of small and micro entrepreneurs for business development services. Accordingly the idea for this study emerged, with the goal to determine types and levels of entrepreneurial knowledge that businessmen and businesswomen will need in enabling their businesses to reach higher levels of development.

The survey was conducted in the area of North-East Bosnia and Herzegovina in cooperation with professors and students from Economics Faculty in Tuzla, and with the support of micro-credit organizations MI-BOSPO and EKI that provided us with the data on their clients.

Results of the survey confirmed the previously identified needs of small and micro entrepreneurs for additional education and training in the field of business, that is, the need to adopt skills necessary for the process starting from the creation of a business idea to its realization. In addition, business owners pointed out the need for consulting and training in the field of business organization and management, appearance on markets, and human resources management.

This paper represents the summary of the study and points out to the main findings ensuing from the survey. We hope that this paper will be valuable to all development institutions in this area in adjusting their business services to the needs of small and micro entrepreneurs.

1. INTRODUCTION

1.1. Specific characteristics of the researched problem

In conditions of market relations and free economic initiative, entrepreneurship and management prove to be inevitable factors in all segments of life, economy, and society as a whole. Business owners are continuously balancing between ambition to maximize the profit and minimize the loss, which requires them to be innovative and to make reasonable decisions.

From human resources point of view, entrepreneurship and management need to be approached in an organized manner in terms of stimulation measures, profiling and shift of focus in entrepreneurial practice, increased offer, efficiency and effectiveness of entrepreneurs and managers. Identification of real needs of micro and small businesses in regards to skills and services that are necessary for management and expansion of their businesses as well as for long-term success in markets proves to be imperative for elaboration of strategy for development of entrepreneurship in BiH. Moreover, based on the views of entrepreneurs it is critical to define needs for institutional support to development of entrepreneurship. Capacity building of micro and small businesses should be focused on better planning, management and expansion of businesses in line with a long-term vision. The views of entrepreneurs should effect the society's commitment to promotion and advocacy of conditions and assumptions in favour of micro and small business owners. Finally, the results should be implemented and consequently bring about economic revitalization and empower micro and small business owners in post-war BiH.

Problems related to start-up of one's own business, stabilization of micro business and creation of preconditions for its growth into a business with greater capacities have yet to be researched in BiH economy. Micro and small business owners have received successful support in access to financial instruments, particularly by micro-credit organizations, whereas non-financial services to businesses have mainly been provided to businesses with greater capacities. Micro and small businesses are limited by factors such as poor level of managerial skills, marketing skills, inadequate technical skills, limited access to markets and insecure infrastructure. Therefore it is no rarity to come across start-up businesses that have difficulty to become sustainable or those that stay at low level of development.

On the top of problems ensuing from poor skills or lack of knowledge, micro and small business owners are also faced with economic and political barriers preventing them from growing and threatening their survival. These threats vary from a wide range of issues such as requirements and procedures related to business registration, taxes and contributions, and to state policy on promotion and support of private businesses.

Key challenges in start-up and promotion of micro and small businesses in BiH are the following:

- Identification of practical and cost-efficient methods for human resources development through ensuring services that will strengthen entrepreneurial and managerial skills of micro and small business owners;
- Increase of offer, supporting micro and small entrepreneurs in their entrepreneurial efforts. These activities will not only lead to economic regeneration and increased stability of post-war BiH but they can also help the overall strengthening of entrepreneurship.

For those who are current micro and small business owners it is necessary to assess:

- awareness of their position at market and in society
- factors that influence the offer of entrepreneurs
- knowledge of entrepreneurship and business management
- needs and expectations related to entrepreneurship
- knowledge and skills that business owners lack in
- preference of group or team work
- views on essential business-related issues, etc.

The importance of this study would reflect upon the necessity to select among decisions on:

- significant elements of business environment
- affirmation of team and multi-disciplinary approach to entrepreneurship
- special education in the field of entrepreneurship and management
- training in real situations, etc.

This study is in line with the Mid-Term Development Strategy of BiH (PRSP), Regional Economic Development Strategy – economic region of North-East BiH, and the Tuzla Canton Strategy. The Mid-Term Strategy of BiH defined clear objectives: to encourage growth of micro and small businesses, to motivate companies to move from gray to formal economy and ensure job creation in private sector.

1.2. Defining study hypotheses

Micro-credit organizations have been very successful in providing financial services to micro and small businesses in post-war BiH. Micro-credit organizations in BiH have significant and wide-spread range of services and loans that they offer to micro and small businesses. However, development of micro and small businesses involves a series of limitations, and these are particularly important:

- inadequate state support to the population developing their own businesses
- lack of human resources that are qualified and experienced in micro and small businesses
- insufficient managerial skills and non-systematic approach to business
- inadequate utilization of insufficient resources
- low productivity, and
- poor technology in micro and small businesses.

The aforementioned and other limitations are preventing entrepreneurship from playing its role in decrease of unemployment. For all these reasons, the assessments and research done to date have been fragmented and focused on level of awareness, knowledge, and other needs of the existing and potential beneficiaries of micro-credit organizations so as to encourage development of entrepreneurship contributing to decrease of unemployment.

Therefore two study hypotheses are set forth:

- *Small and micro business owners are in need for further education and training in the field of entrepreneurship, that is, for knowledge and skills related to the process starting from business idea and ending with its realization.*
- *Small and micro business owners have the need for consulting and training in the field of business organization and management, market approach, and human resources management.*

1.3. Subject and objectives of the study

For the purpose of understanding and explaining the defined problem, it is necessary to examine the problem in an objective and empiric way so as to identify its cause and eventually define adequate instruments for solving the problem. Therefore, *the subject of this study is to determine types and levels of entrepreneurial knowledge that the existing and potential beneficiaries of micro-credit organizations will need in enabling their businesses to reach higher levels of development.*

General objective of the study is to produce a detailed feasibility study which will help relevant institutions dealing with economic development to understand the situation that small and micro businesses are in, and consequently provide for adequate actions to be taken in line with the results of the study.

Main objectives of the study are:

- To define the extent to which micro and small business owners are aware of their position in market
- To define factors that influence micro and small business owners orientation to business
- To define the level of general business knowledge among micro and small business owners
- To define the level of specific business knowledge among micro and small business owners
- To evaluate the level of process knowledge among micro and small business owners – from idea, opportunity, start-up, and realization to sustainable business development
- To check the correctness of views and actions of micro and small business owners
- To define the knowledge and skills that micro and small business owners lack in
- To define the level of needs for education, consulting and training among micro and small business owners
- To identify differences in views on entrepreneurship and business knowledge based on socio-demographic and economic features of micro and small business owners.

Specific objectives of the study are:

- Realization of needs that existing and potential clients of micro-credit organizations are faced with
- Identification of resources for addressing the needs and obstacles that micro and small business owners are faced with.

2. SOCIO – DEMOGRAPHIC FEATURES OF BUSINESS OWNERS

For the purpose of successful realization of defined objectives it is necessary to collect the data that will ensure “good” representation of problems in which micro and small business owners find themselves in North-East BiH Region. Due to lack of adequate secondary data, the survey is focused on collection of primary data. The core data should reflect representation of the process in relation to form, units, and time of collection that are being selected on the basis of a representative sample. Considering the specific characteristics of business-related problems we have selected the following:

- Data collection methods: verbal survey by means of poll and focus group discussions
- Collection instruments: questionnaire and guidelines for discussion
- Collection units: micro and small business owners.

The importance of collection units is reflected in representative selection and analysis of socio-demographic and economic features of respondents – micro and small business owners.

2.1. Selection of respondents

This survey included two types of respondents: micro and small business owners that are clients of micro-credit organizations and non-clients. Two micro-credit organizations were included: MI-BOSPO and EKI Tuzla that are registered as non-governmental, non-profitable and non-deposit organizations. Both are registered and operational in FBiH and in RS.

MI-BOSPO Tuzla has been providing loans since 1996. Microfinance program functioned within Humanitarian organization BOSPO until 2000 when it was registered as a micro-credit organization. It disburses group and individual loans to target group of women entrepreneurs with low income who will invest their loans into income generation for their families and into making profitable businesses.

EKI Tuzla has been providing loans since 1996. Their founder was World Vision. They disburse group and individual loans to target group of individuals who do not have access to bank loans and to business start-ups that can become sustainable.

Therefore the poll's target population for collection of primary data included two groups of respondents:

- *Clients* of micro-credit organizations MI-BOSPO and EKI,
- *Non-clients* of these micro-credit organizations who represent local competition to business owners that are clients of the referenced micro-credit organizations.

Respondents were split into two groups:

- *Experimental group* – comprised of 240 clients of micro-credit organizations MI-BOSPO and EKI,
- *Control group* – 60 non-clients, local competition of clients of micro-credit organization who have not used the services of micro-credit organizations.

Focus groups were organized as heterogeneous groups with respect to gender of business owners, sector and physical location of their businesses. The poll included a sample of 300 business owners in line with the Project. The agreed ratio of clients, that is, non-clients in the sample between MI-BOSPO and EKI was 70% : 30%.

In the sampling plan respondents were selected by the principle of random proportional stratified systematic sample which ensured a good representation of clients, that is, non-clients of micro-credit organizations. The area covered by the study included municipalities of North-East BiH, namely: Bijeljina, Ugljevik, Kalesija, Zvornik, Šekovići, Sapna, Teočak, Osmaci, Bratunac, Tuzla and Čelić.

Stratification was done on the basis of the following characteristics:

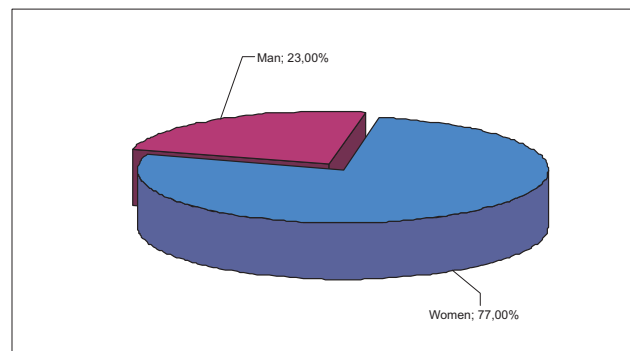
- Location of primary business (Bijeljina, Ugljevik, ...) and
- Business sector (small scale production, agriculture, commerce services).

2.2. Characteristics of business owners and their businesses/companies

Survey units, as outlined earlier, were micro and small businesses owners who also manage their businesses. Respondents in this study were representatives of clients and non-clients of micro-credit organizations involved in the study.

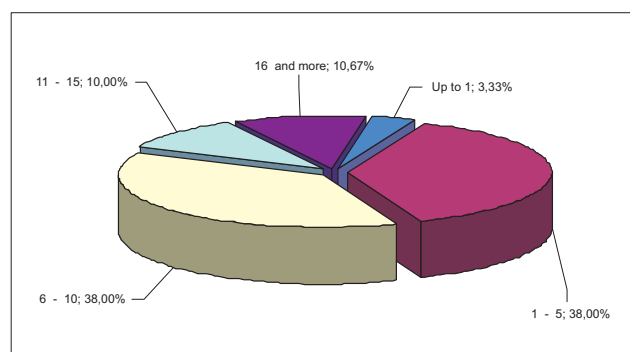
Given the fact that MI-BOSPO's target group are women entrepreneurs, the gender structure of clients that are real entrepreneurs/managers is predominantly women (80,33%). The structure of non-clients is also dominated by women entrepreneurs who make 61,67%. Consequently, the total sample is dominated by women entrepreneurs/managers (77%). Considering the results of other available surveys general observation can be made that there are more women clients of micro-credit organizations than men.

Graph 2.1. Gender structure of the whole sample



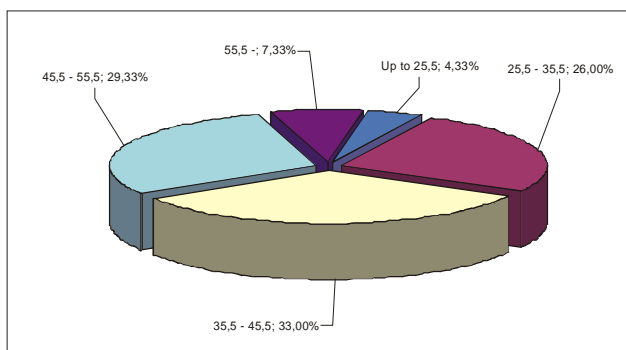
Average age of businesses in the sample is 7,80 years. Average business owner client has been in business for 7,62 years, while average non-client has been 8,5 years in business. The structure of both clients and non-clients is mainly comprised of older businesses run by entrepreneurs for over 6 years. Representation of businesses run by entrepreneurs for a period of 1 to 5 years is also significant (38%). The fact that “young businesses” of the age of up to 1 year are represented in each group structure with 3,33% gives cause for particular concern. This could imply that there are less and less start-up businesses and that entrepreneurship in the society is in crisis.

Graph 2.2. Structure of the whole sample on the basis of length of time in private business



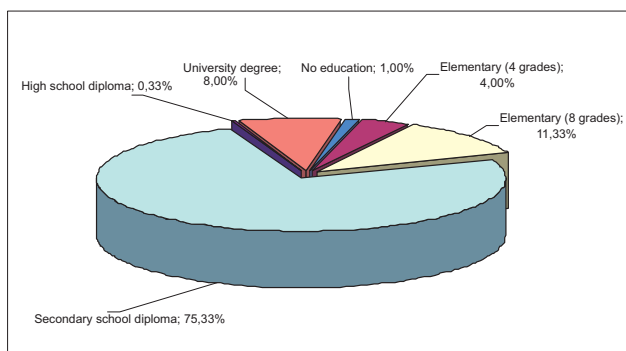
Average age of business owners in both groups of respondents is close (clients – 40,75 years, non-clients – 41,67 years, and in the whole sample - 40,93 years). Over 2/3 of respondents are over 35 years of age. Young business owners up to 25 years of age are poorly represented (only 4,33% in the whole sample), which implies that young people are not inclined to business and entrepreneurial career. This shows that entrepreneurship has not been promoted nor supported well enough in our conditions, especially among the young.

Graph 2.3. Age structure of the whole sample



The level of education in clients and non-clients is relatively similar. Most business owners in the sample have graduated from secondary school (75,33%), which is similar in case of both type of respondents. The representation of business owners with high school and university degree is 8,33%, which implies that highly educated people still do not prefer private business career. It is encouraging to note that some 15% of both groups of respondents have only elementary education. Based on all this we can conclude that education in the field of business and management in our conditions should be focused on senior students in secondary schools or on specialized courses after graduation from secondary schools. Therefore, target population for entrepreneurial education and financial and non-financial support to business should mainly consist of young graduates.

Graph 2.4. Education level of the whole sample



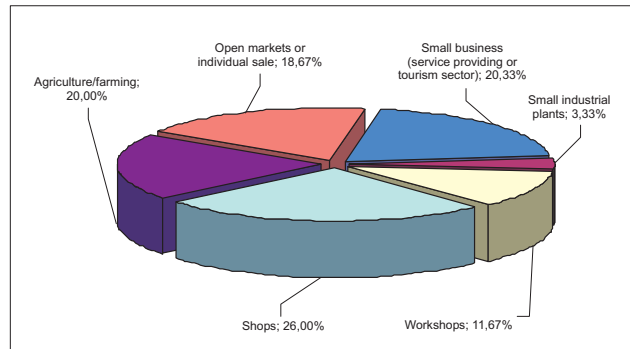
Income of households are generally used as an indicator of household welfare. Based on the collected data we can conclude that average monthly income generated from businesses of entrepreneurs included in this survey amounts up to 1.082 KM or 12.984 KM per year. Out of the total number of business owners respondents 46,67% of them have monthly income of less than 750 KM, which is close to poverty threshold. Out of the total number of those surveyed, 25% have monthly income between 750 and 1.500 KM. A positive indicator is that 18% of respondents have monthly income of over 1.500 KM. Out of the total number of respondents, 12,33% said they have no income or that their businesses operate at a loss. It is feasible that some of the respondents did not want to provide the right answer. However, the fact remains that there are some who live beneath the poverty threshold.

The percentage of unregistered businesses, that is, businesses operating in non-formal sector, is quite large in both groups. In the whole sample, 50% of businesses were not registered. Unregistered businesses are slightly more represented in the group of clients (52,08%) while among non-clients they are represented with 41,67%. However, this large percentage of unregistered businesses implies that there is no state support to businesses in their transition from gray to formal economy. Agriculture is also found among the unregistered businesses, while they do not have the same obligation to registration like other sectors do.

Out of the total number of business owners in the survey 25,67% has their business operate in shops. The representation of shops is similar with both groups of respondents. Small business/service providers are the choice of organization of 20,33% business owners. Agriculture/farming is the choice of 20%

respondents. Sale at open markets or individual sale is represented with 18,67%. Out of the total number of respondents 11,67% choose workshops as organization of their businesses. Small industrial plants are very poorly represented with 3,33%.

Graph 2.5. *Type of business organization in the whole sample*



Considering the fact that micro and small businesses hire few employees by definition, the effect that their development could have on job creation depends on overall number of micro and small businesses. Total number of employees among the respondents is 379 or 1,26 per each business owner. Business owners hire 276 members of their own household which makes 72,82%, while 103 come from outside their households (27,18%). Therefore we can conclude that the respondents are mainly self-employed or they hire members of their own households. Out of the total number of business owners, 201 or 67% hire only members of their households, while 23 or 7,67% hire only those outside their households. However, 76 or 25,33% hire both members of their households and those from outside. Similar situation is seen with both clients and non-clients.

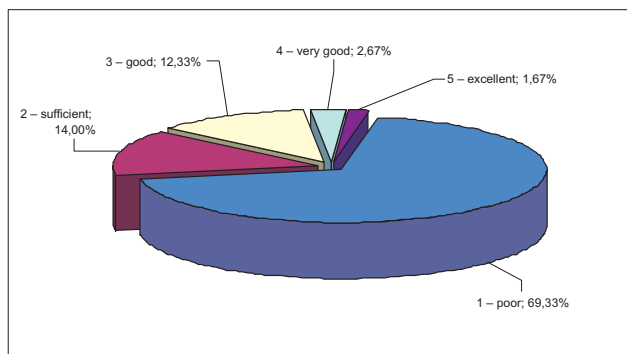
3. ANALYSIS OF THE COLLECTED DATA

3.1. Poll results

3.1.1. Awareness of micro and small businesses of their position in market

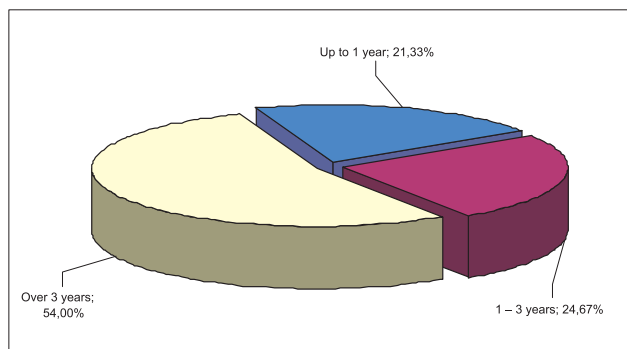
The experience from developed countries and progressive countries in transition show that the development of this sector contributed to the growth and development of production, commerce and services, increase of GDP per capita, that is, of standard of living, market expansion of economy and most importantly to the increase of employment. However, no other sector of economy is in such a huge need for systematic and economic support from the state and its institutions as the case is with business sector. For that reasons, the next group of questions was aimed at defining the extent to which micro and small business owners are aware of their position in market and in the society in general.

Graph 3.1. *Assessment of state support to business development for the whole sample*



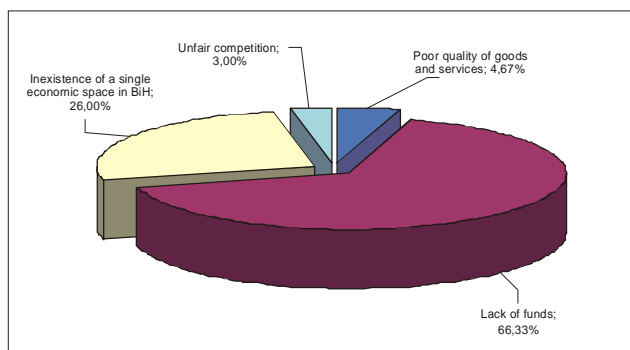
The poll illustrates that 69,33% of the total number of respondent business owners think that state support to their business development is poor, while only 1,67% see the state support as excellent. Some 14% of respondents think the state support is sufficient, while 12,33% think it is good. Less than 3% of respondents see the state support as very good. The answers given by clients and non-clients slightly vary, although in the case of rating the state support as poor the group of non-clients provided somewhat higher percentage, as high as 80% of respondents. Unfortunately, it is evident that our government has not realized that a successful business is not based on big money and tumultuous projects, but on individual business ideas supported by a favourable environment.

Graph 3.2. *Respondents' assessment of their businesses perspective (for the whole sample)*



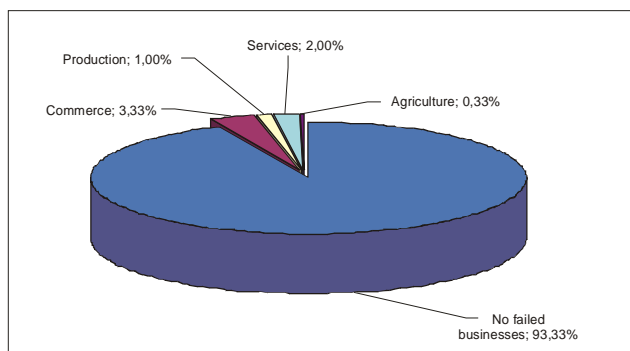
Encouraging fact is that business owners are optimistic in terms of long-term perspective of their businesses. Namely, 54% of respondents think their businesses have a perspective of over 3 years long, while 25% see their perspective in next 1-3 years, and 21,33% think their businesses have a short-term perspective of up to 1 year. In the group of non-clients, 58% respondents think their businesses have a perspective of over 3 years long, while 16,67% think their business have a short-term perspective.

Graph 3.3. Major obstacles in private business development (for the whole sample)



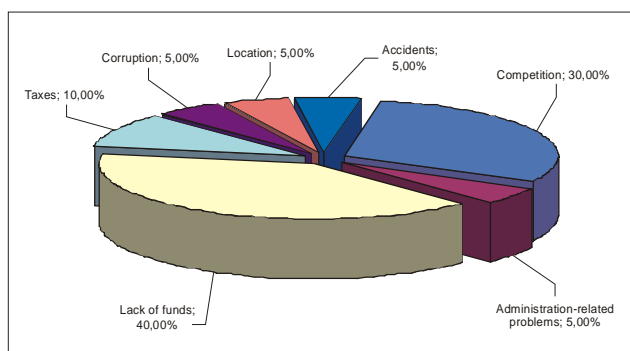
The poll shows that there are numerous barriers to business development which have a negative impact on small business development. No less than 66,33% respondents think that lack of funds is the main barrier to their business development. The poor quality of goods and services is not recognized as one of the major barriers. In fact, only 4,67% of respondents think of it as a barrier. Clients and non-clients gave almost identical answers.

Graph 3.4. Business that failed to date (for the whole sample)



The poll shows that a small number of business owners (6,66%) have had failures in their business operations, which indicates their accountability and rational management in business operations. Non-clients have had slightly more failures in business operations (17,33%) which mostly occurred in commerce, service providing sector, and in production.

Graph 3.5. Reasons why business failed (for the whole sample)



Business owners who had failures in their business operations identify the following reasons for these cases: lack of funds (40%), competition (30%), taxes (10%), and those less identified but equally important problems such as: administration related problems, corruption, location and accidents.

We would like to point out to the fact that 45% of non-clients identify competition as the main reason for their business failures, while lack of funds comes second on their list of reasons with 27,27%. The clients responded the exact opposite – lack of funds comes first and competition second.

The collected data bring to a conclusion that most business owners are quite aware (95%) of their ambitions, weaknesses and strengths. This poll also shows that business owners are not fond of praising their own successes (78,33%), while 16,67% of respondents feels comfortable praising their own successes.

The poll also suggests that social capital still exists in our country, that is, that business owners have trust in their associates (64,33%), while (19%) has no trust in their associates. Small business owners see their family's support as more important than any other (97,33%).

Out of the total number of respondents, 48,67% think their income is continuously increasing, while 36,67% think there is no increase in their income. In addition, 14,67% of respondents are not sure if their income is constantly increasing.

Out of all respondents 73,67% are happy with their business success, while only 17,67% business owners are not. Over 90% of respondents are completely ready to accept new knowledge and information because they are aware of their interests, values, and expectations for future (85%).

Significant is the percentage of those who think this environment sees business owners in a negative light (close to 50%), while 28,67% do not agree with this observation.

The results of the study imply that BiH society is poorly organized in its efforts to create a favourable business environment because the state does not stimulate and support business owners (64,33%), while only 17,67% of respondents think that the state does provide support to business owners. Average rate assigned to state's support to business owners is 1,57. Local authorities also do not provide enough support to business owners given the fact that 59% respondents think their support is insufficient. Average rate assigned to local authorities' support to business owners is 1,75. The respondents think that the support provided by micro-credit organizations is at a high level and rate it excellent (over 59%). Average rate assigned to micro-credit organizations' support to business development is 4,29.

Some 20% of respondents think that interest rates for bank loans are suitable and that the procedure for loans disbursement is simple, while some 51% of respondents share the opposite opinion. Average rate assigned to banks' simple and fast service providing is 2,49.

Over 25% of respondents think that business owners are highly qualified, while the opposite opinion we found with some 29% of respondents. Average rate assigned to high qualifications of business owners is 2,93.

Almost all of the respondents/business owners state that there is no organized training for business start-up and business development in their community (84%). Average rate assigned to local community care for business development is 1,55.

Similar answers are given to the question of institutions that provide support and access to relevant data and information needed for business start-up and business development where 81% of respondents think that such institutions do not exist. Average rate assigned to support and access to relevant data and information needed for business development is 1,63.

74% of respondents think that there is no international support (direct financial aid, international consultants, seminars, training courses, etc.) for small business start-ups or for business development in their community. Only 10,67% give a positive answer to this question. Average rate assigned to international support to business development is 1,83.

Very high level of environmental consciousness is found with 48,33% respondents, while 16,67% of respondents shared somewhat lower level of environmental consciousness. Poor and insufficient environmental consciousness is shared by 26% respondents. Average rate assigned to environmental consciousness is 3,75.

3.1.2. Assessment of the impact of factors that determine the orientation of micro and small businesses

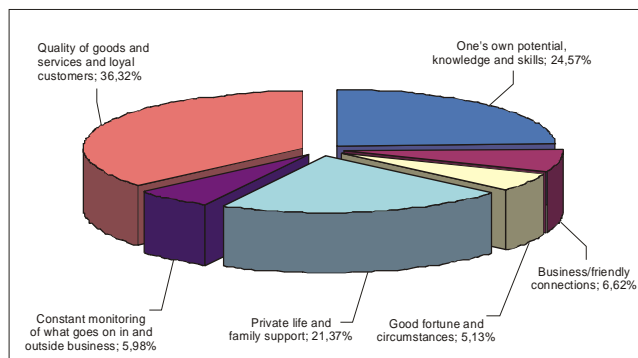
The views of respondents on the factors that determine the orientation of micro and small business owners are the consequence of their informal generalization and their own estimates related to predispositions for business. Awareness of objectives, alternatives, and limitations for a successful business career is defined by a group of open-ended and closed questions, and by the level of their agreement with the proposed statements.

As for what makes for the best chances business owners could have in achieving success, it is evident that their views vary greatly, and include having:

- (1) good quality of goods and services and loyal customers (36,32%),
- (2) one's own potential, knowledge and skills (24,57%),
- (3) support from one's family (21,37%),
- (4) business and friendly connections (6,62%),
- (5) constant monitoring of what is going on in the business and outside of it (5,98%),
- (6) good fortune and circumstances (5,13%).

The non-clients respond without any significant differences in relation to clients' answers.

Graph 3.6. *Best chances for achieving business success are seen in:*
(chart for the whole sample)



Over 59% of respondents do not agree that «anyone can be a businessman/businesswoman», while 36,33% respondents agree with such a thesis.

54% of respondents think that a businessman/businesswoman has got to be an individual with specific knowledge and expertise, while 37,67% do not agree with such a thesis, and 8,33% are indifferent.

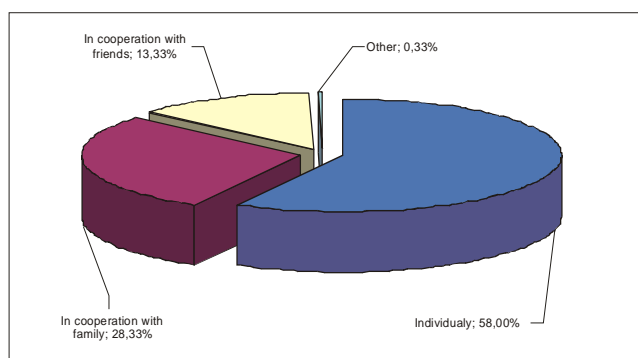
Out of the total number of respondents, 39,67% believe that businessmen/businesswomen are people born with special skills, whereas majority of respondents (50,33%) do not share this view. It is our belief that such views on innate skills found in businessmen/businesswomen instead on other skills that one acquires in time are a consequence of their insufficient familiarity with the problem of entrepreneurship and of a modest business environment.

44,33% of respondents think that one can become a businessman/businesswoman after receiving education in school, while 40,67% do not agree with this statement.

Most respondents believe that qualitative education can advance entrepreneurial knowledge. 68% of respondents think that “knowledge and skills of the people hired by business owners are essential for success of any private business”, while 18,67% do not agree with this thesis.

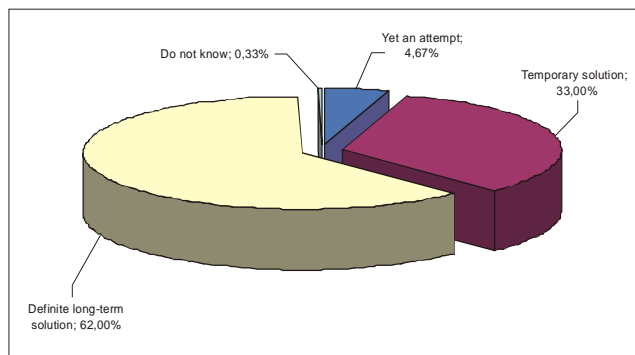
No less than 84,33% of respondents think that team work is the basis of business success, while 11,67% are of the opposite opinion.

Graph 3.7. *The way a business should be started (chart for the whole sample)*



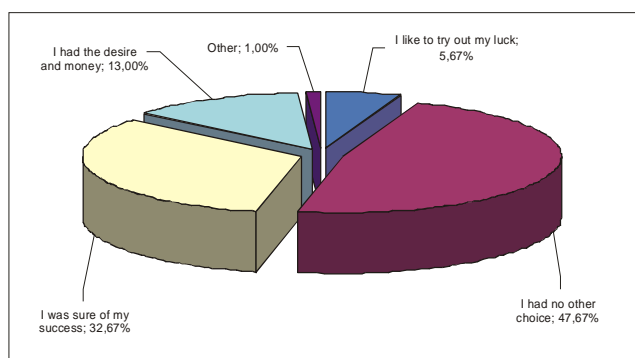
The business owners' views on whom they would wish to be partners with in realization of a business project should indicate their preference of team or individual work. The poll results demonstrate that the majority of respondents prefer individual realization of a business project, that is, 58% of them, while 28,33% think a business project should be realized in partnership with family, and 13,33% prefer partnership with friends. Non-clients provide answers that do not differ greatly from those of clients'.

Graph 3.8. *What the businesses represent to their owners (chart for the whole sample)*



Most business owners see their businesses as their permanent choice (62%). Critical number of business owners think of their business as a temporary solution (33*), and only 4,67% of them think that starting up their own business is yet an attempt. Clients and non-clients provide answers without significant differences.

Graph 3.9. *Reasons for start-up of their own business (chart for the whole sample)*



As for reasons why they chose to start up a business, these are the views of business owners:

- (1) they had no other choice 47,67%,
- (2) they were sure of their success 32,67%,
- (3) they had both the desire and money 13%, and
- (4) because they liked to try out their luck 5,67%.

When asked the question "Do you think that you have enough knowledge for new business ideas?" 74,33% of respondents are affirmative in answering, which suggests that business owners have a general idea of what they might be working with in future. Only 13,67% of respondents give negative answers to this question, while 12% have no opinion in this matter.

Being asked the question, "Do you believe that a business idea is most easily reached with a variety of experts?" most respondents (84,33%) give positive answers, 8,67% do not know the answer, and only 7% give negative answers.

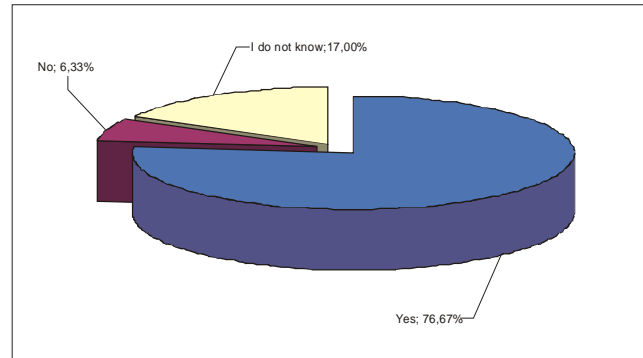
Answering the question "Are you currently occupied with thinking of new business ideas?" 69,33% of respondents give positive answers, 26,67% are negative, and 4% supply no answer.

Out of the total number of respondents, 70,33% think they would successfully realize a new business idea, which is a good presumption for business expansion. Negative answers are given by 14,33% of business owners, and 15,33 do not supply any answer.

As we expected, the majority (76%) of respondents agree that new business ideas ensue from one's own business experience. Certainly, some business owners do not share this view, but they are only a few, 40 out of 300, that is, 15,67%. Only 8,33% of business owners have no view in this matter.

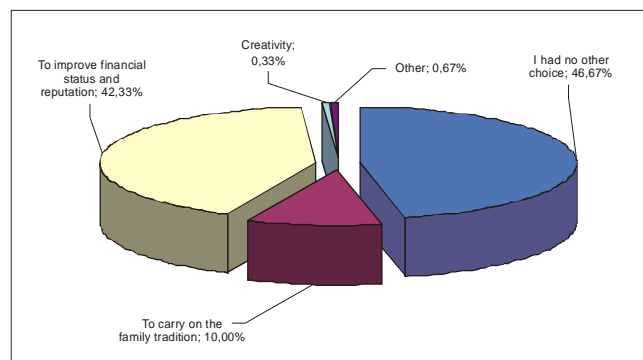
When asked if they know who would fund their new idea, more than a half give positive answers, namely 168 out of 300, or 56%. Negative answers are given by 18,67%, while 25,33 do not know the answer to this question.

Graph 3.10. *Justification of their choice of private business (chart for the whole sample)*



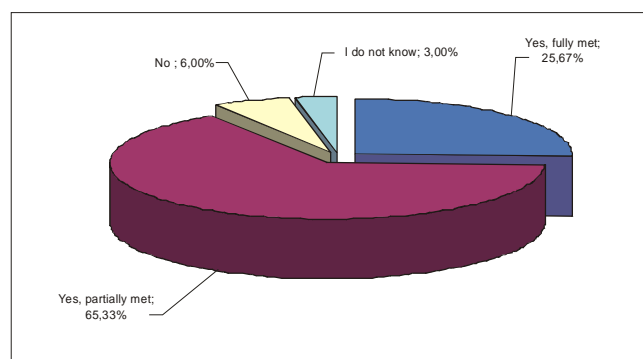
Giving their views in regard to justification and righteousness of their choice of private business, most respondents think they did the right thing by choosing to go into private business, namely 76,67% of respondents are of such a view, while negative view is shared by 6,33%. 17% of respondents are indifferent in this matter.

Graph 3.11. *Motifs for choosing private business (chart for the whole sample)*



As far as basic motifs for choosing micro and small businesses, two answers are most frequently given; first one being having no other choice (46,67%), and the second one being improvement of one's financial status and reputation (42,33%). The fact that only 10% of respondents choose to go into private business so as to carry on the family tradition suggests that business development in our country still has a long way to go.

Graph 3.12. *The extent to which expectations of private business start-up are met (chart for the whole sample)*



Most of the expectations of private business owners have been fully (25,67%) or partially (65,33%) met. Only 6% of respondents did not have their expectations met. Clients demonstrate greater satisfaction in this matter than the group of non-clients.

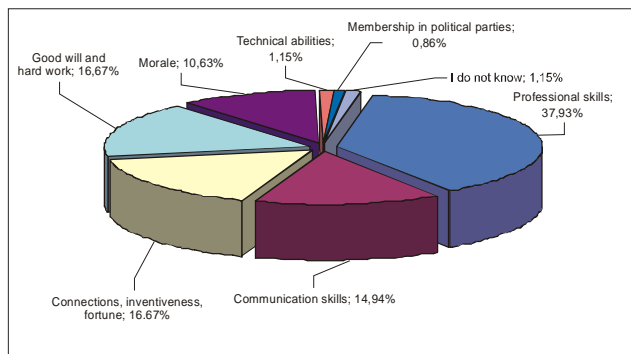
Business owners potential, creativity, leadership ambition, computer literacy, etc were tested by the next series of statements that respondents were to mark with 1 (Completely false) to 5 (Completely true).

- a) With the statement "Whatever I do I try to do it better than the others," we tried to assess the level of ambition in business owners subjected to this survey. There are 45,33% of most ambitious business owners, and somewhat fewer are ambitious ones (26%). Consequently, ambition as a characteristic of a successful career is found in 71,33% respondents.
- b) With the statement "I am used to setting goals for myself and then doing my best to fulfil them," we wanted to assess entrepreneurs' tendency to fulfil the defined goals. Most respondents (93%) mark this statement as true or completely true, which is promising for their future career.
- c) The level of agreement with the statement "I am more efficient when led and advised by someone else," should have brought us to a conclusion on leadership ambition among the respondents. 11,33% of respondents are distinct leaders, while 22,33% are leaders. 17,67% are indifferent, while 48,66% of respondents have no leadership ambition.
- d) The statement "I wish to be informed of the processes in my surrounding" is mostly (90,33%) marked with 4 or 5.
- e) By assessing the number of business owners who agree with the statement that businessmen/ businesswomen would rather make plans than realize them, we wished to evaluate their systematic approach to realization of plans. 24,33% of respondents gave answers that qualify them for those who are most systematic and persistent, while 21,33% are indifferent. 54,33% of respondents marked this statement with 1 or 2, which indicates that a non-systematic approach to the realization of plans dominates this population.
- f) Great number of respondents (71%) agree with the statement "I enjoy seeing others be impressed by my success". Out of those who agree with this statement, 22,33% say that this statement is true, and 48,67% say that this statement is completely true. These data illustrate the wish of business owners to acquire certain social status.
- g) With the statement "I am ready to sacrifice my free weekends and good night sleep" we wanted to determine their level of commitment, energy, persistence and desire to achieve the defined goals. No less than 67,67% of respondents are fully ready to engage all of their resources into gaining success, while 18% say they are ready for a partial sacrifice and engagement. Only 10,33% of respondents are not ready to make any significant sacrifice for the purpose of realization of goals, while 4% are indifferent in this matter.
- h) We used the statement "I am capable and willing to learn how to sell products and services," to measure the readiness of business owners to adopt marketing skills and knowledge so as to commercialize the knowledge that they currently possess. Even 67% express their absolute determination to adopt marketing skills and knowledge, and 20,67% of respondents agree with the offered statement.
- i) "When faced with a failure I would rather start something completely new than carry on with what I had started," was the statement with which we wanted to assess the persistency of business owners in their realization of defined goals. Out of all respondents, 10% are identified as the most persistent, 65,67% are insecure, and 6,33% are indifferent.
- j) "In my business I sometimes tend to neglect human and moral aspect of life," was the statement we used to determine the ethics of business owners in this study, The results suggest that 77% of respondents care about ethics and are business owners with high morale values, which is a very positive finding.
- k) We come to a conclusion that only 28,66% of respondents use computers in their businesses, which is an extremely disturbing fact. 60% of respondents do not use computers, while 11,33% are indifferent in giving answer to this question.

3.1.3. Evaluation of general business knowledge

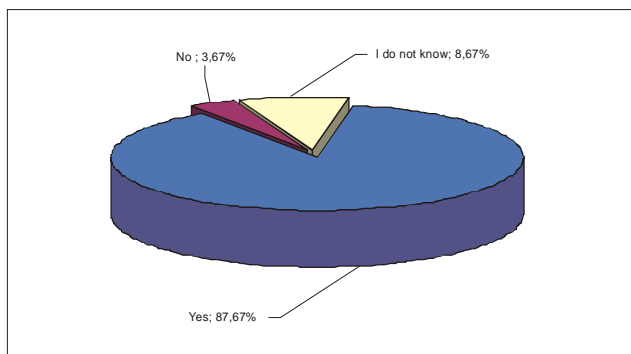
Through a group of questions related to knowledge in the field of entrepreneurship we wanted to determine the extent to which business owners possess this knowledge and whether they follow educational and informative business themes in media.

Graph 3.13. Professional skills important for a business success



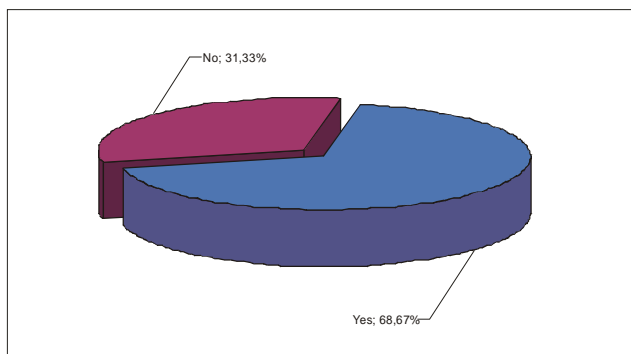
37,93% of business owners think that professional skills are most important for a business success. Good will and hard work are seen as second most important (16,67%); communication skills follow with 14,94%; good connections, inventiveness and fortune (16,67%), and morale 10,63%, etc. Non-clients provide somewhat different answers. Namely, they think that one’s business success depends the most on professional skills (33,33%) but also on good connections, inventiveness and fortune (21,90%).

Graph 3.14. Level of professional skills and knowledge for running own business



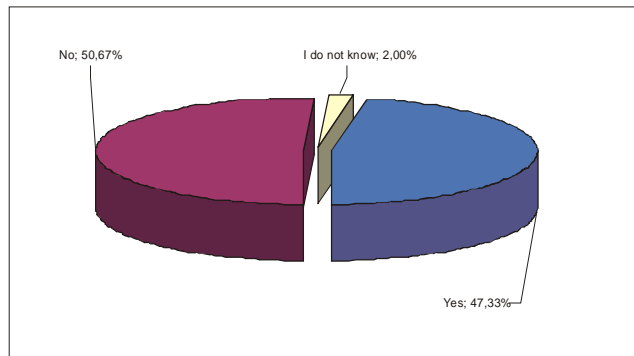
This survey shows that business owners are people with great self-confidence. When they are asked if they see themselves as knowledgeable and skilful enough to run their own business, 87,67% reply with a positive answer. Only 3,67% give negative answers, while 8,67% are indifferent.

Graph 3.15. Follow up on relevant business information



The surveyed business owners mostly do follow educational and informative themes via electronic media, namely 68,67% of them. The results suggest that clients follow educational and informative themes in media more than non-clients do.

Graph 3.16. *Previous business experience*

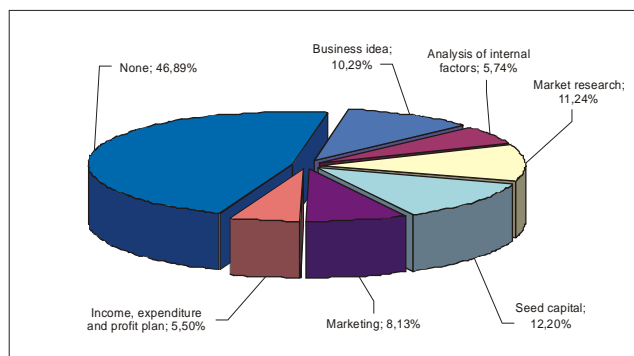


47,33% of respondents had business experience before starting up their own business. Both groups of respondents – clients and non-clients give almost identical answers.

3.1.4. Evaluation of specific business knowledge

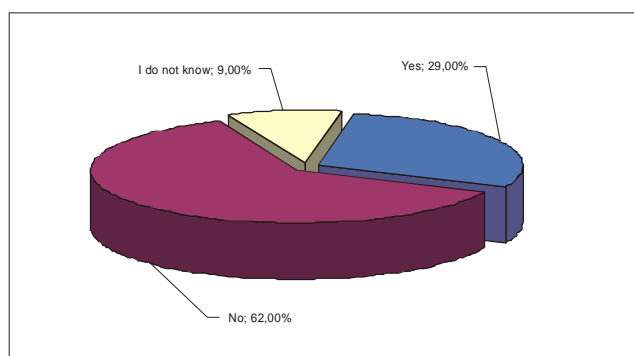
Entrepreneurship requires specific knowledge related to business planning, access to information, market research, managerial skills, financial systems, etc. In order to assess the level of elementary knowledge in the field of business planning we asked the respondents to name few elements of a business plan.

Graph 3.17. *Level of knowledge in the field of business planning*



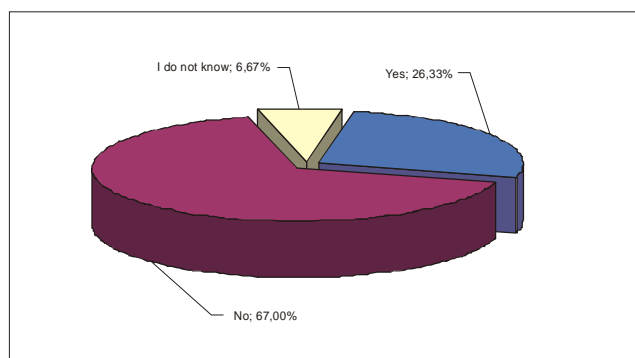
The data obtained illustrates a very poor level of knowledge in the field of business planning among the respondents. Out of the total number of business owners that took part in this survey, 196 of them cannot name a single element of a business plan, which makes 65,33%. Those who are able to name some elements, mostly recognize the following elements: seed capital (22,97%), market analysis (21,17%), business ideas (19,37%) and marketing (15,32%).

Graph 3.18. *Follow up on fast-growing small business in the EU*



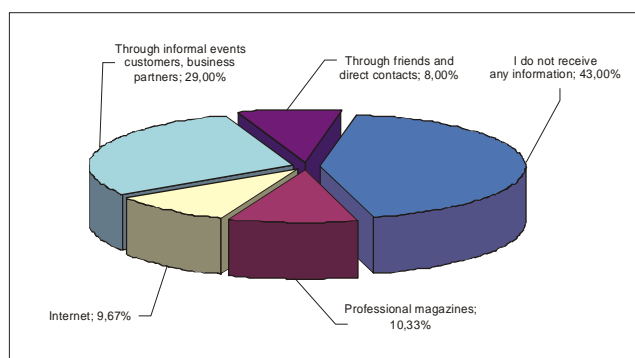
Given the fact that contemporary entrepreneurship focuses on dynamic businessmen/businesswomen who are capable of creating fast-growing highly profitable businesses that are often spoken or written about, with this survey we wished to determine how familiar are our business owners with such businessmen/businesswomen and to see if the success of those visionaries and leaders has any impact on the views of our business owners. The results suggest that our business owners are poorly informed of fast-growing small businesses in the EU and our immediate neighbourhood (Croatia, Slovenia, Serbia and Montenegro) and only 29% of respondents have some knowledge in this matter. Even 62% of respondents do not have any information on fast-growing small businesses in the region.

Graph 3.19. *Level of knowledge on joining business incubators*



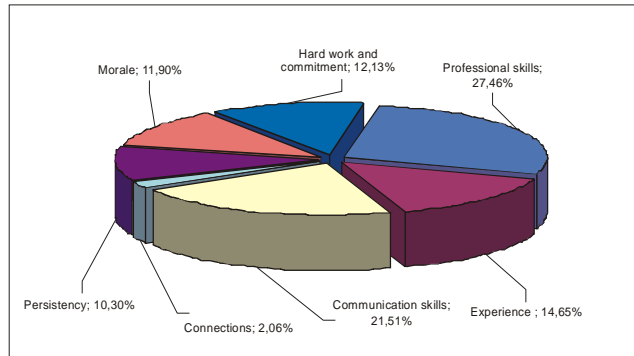
Despite the fact that business incubators represent a method of business development and a possibility of multiple combination of business cooperation between micro and small business owners consequently ensuring efficient utilization of available resources in a small space, 67% of respondents never heard of a possibility to join a business incubator. Only 26,33% of respondents have heard of this possibility that has proven to be very successful in countries with traditional support to small business development. On the basis of these answers we can conclude that the society is not putting enough effort into creation of a local economic basis for business development in business incubators.

Graph 3.20. *Access to information on competition an customers*



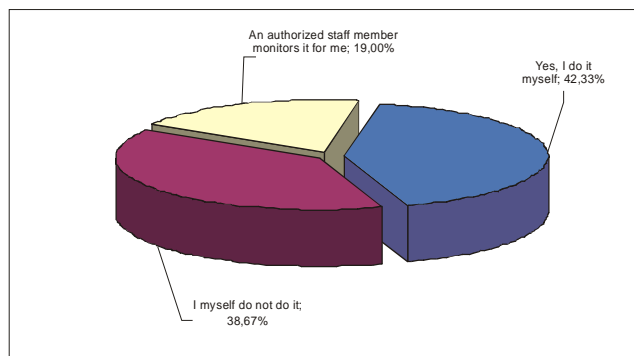
The poll suggests that business owners do not have systematic and planned approach in access to information. They mainly prefer the informal approach. Consequently, most business owners receive information on competition and customers at informal social events (29%), or through professional magazines (10,33%), and Internet (9,67%). However, majority of respondents do not receive any information on competition and customers (43%). 40% of non-clients think that good connections and direct contact are the most usual ways in which business owners receive information on competition and customers.

Graph 3.21. Knowledge and skills that most helped business owners in their business practice to date



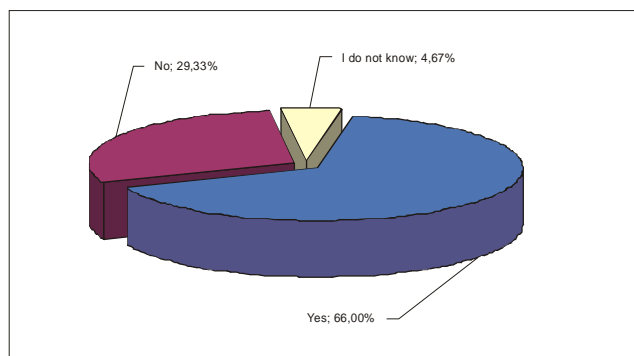
In the case of views on knowledge and skills that most help business owners in their business practice to date, no aspect stood out. Respondents mostly identify professional skills (27,46%), communication skills (21,51%) and experience (14,65%) as the types of skills/knowledge that mostly helped them in their business operations to date. Respondents think that hard work also helped them (12,13%), morale (11,90%), and persistency (10,30%). Good connections are not identified as very helpful in business practice of respondents, except for only 2% of them.

Graph 3.22. Level of monitoring the tax-related legislation in BiH



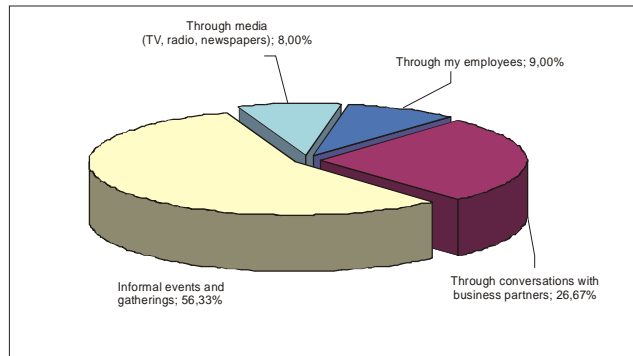
The poll confirm that 42,33% of respondents monitor the tax-related legislation in BiH and makes note of its modifications, while 38,67% do not do it personally. 19% of respondents have an authorized staff member in their business who handles and monitor the legal issues.

Graph 3.23. Follow up on loans disbursement conditions



This poll also proves the fact that lack of one’s own capital in business is the most frequent barrier in entrepreneurial ventures, and therefore entrepreneurs often take to loans. The poll shows that business owners closely observe the terms of loans disbursement (66% of respondents). Only 29,33% of respondents do not monitor the terms for loans disbursement in BiH, while 4,67% are indifferent in this matter.

Graph 3.24. Follow up on economy trends

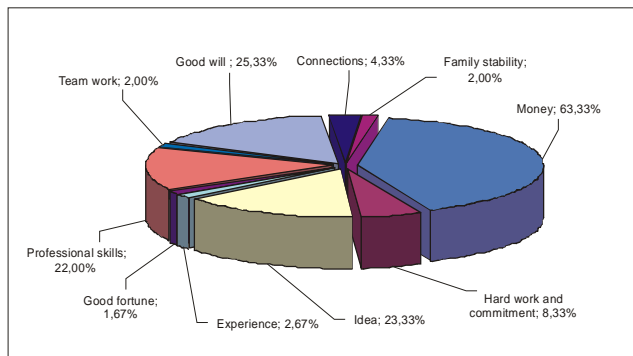


Considering the extensive availability of electronic media, we wanted to establish in which ways our business owners monitor trends in economy in their environment. A general observation is that business owners do not monitor electronic or printed media (only 8% does) and that most of them acquire information on trends in economy at informal events and gatherings (56,33%), in conversations with their partners (26,67%), and through their employees (9%).

3.1.5. Evaluation of process knowledge of micro and small business owners – from idea, opportunity, start-up and realization to sustainable business development

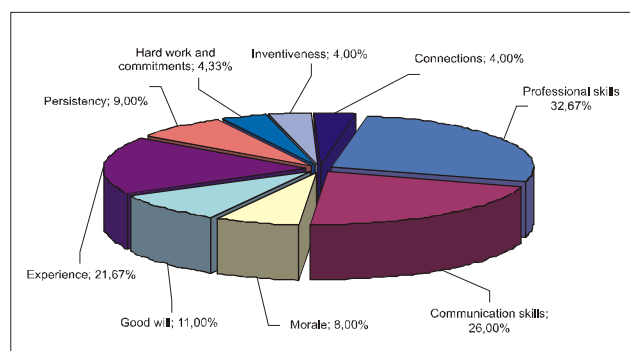
In order to find out which knowledge do micro and small business owners need in the process from an idea, opportunity and start-up of business to sustainable business development, we have looked into essential activities that could value and motivate entrepreneurial potential, needs, desires, etc.

Graph 3.25. Factors that determine successful business start-up



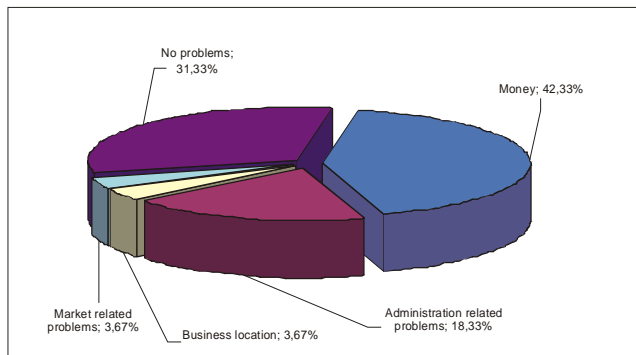
As for factors that determine successful business start-up, most respondents identify money to be the most important (63,33%), then comes good will (25,33%), idea (23,33%), professional skills (22%), hard work and commitment (8,33%). Non-clients particularly emphasize money and idea as important factors for business start-up.

Graph 3.26. Knowledge and skills needed for business start-up



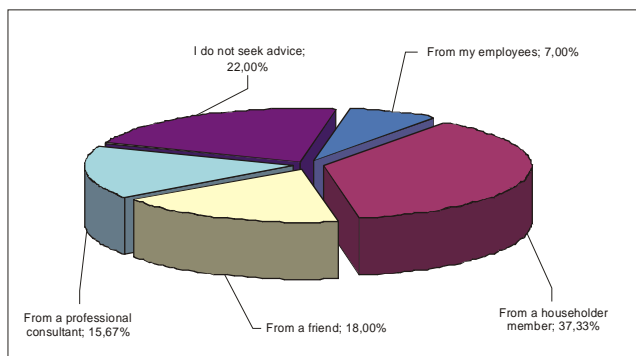
The evaluation of kinds of skills and knowledge needed for business start-up, these are the answers given by respondents (note: respondents were offered multiple choice answers and could circle as many as they wished): professional (technical) skills (32,67%), communication skills (26%) and experience (21,67%). Besides these, respondents also identify good will (11%), persistency (9%), ethics (8%), commitment (4,33%), inventiveness (4%) and good connections (4%).

Graph 3.27. *Business starting-up problems*



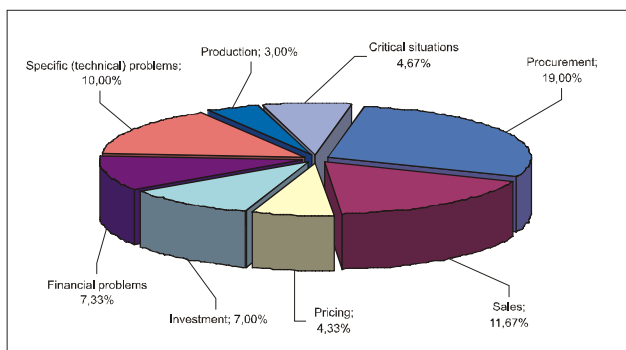
The factors identified as biggest problems that business owners are faced with when starting a business are: money (identified by 127 out of 300 respondents, that is, 42,33%), administration related problems (18,33%), market related problems (3,67%), and business location (3,67%). It comes as a surprise that 31,33% respondents say they had no problems in starting up their business. Non-clients have a particularly high percentage of those who faced no problems in starting up their own business (41,94%), while 28,69% clients gave such answers.

Graph 3.28. *Business advices*



Based on the results of the poll, it is our observation that most business owners seek business advice from their household members (37,33%), friends (18%), professional consultants (15,67%), their employees (7%), while 22% of respondents seek absolutely no advice in regards to their business operations.

Graph 3.29. *Situations in which business owners mostly seek advices*

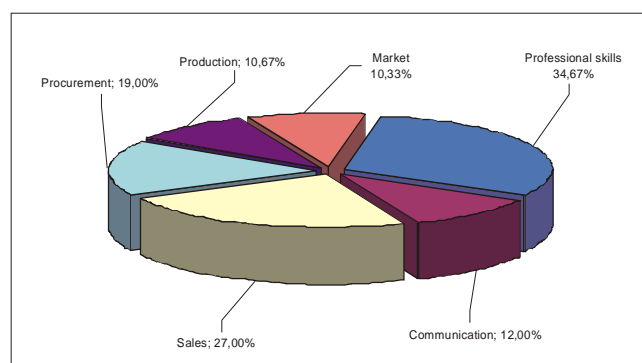


Business owners mostly seek advice in the following situations: (respondents were offered multiple choice answers and could circle as many as they wished): procurement (19%), specific (technical) problems (10%), sales (11,67%), financial problems (7,33%), pricing (4,33%), production (3%), investment (7%), and other critical situations (4,67%). Non-clients give answers different from those of clients'. Non-clients mostly seek advice for the following matters: investment (25%), sales (20%) and procurement (11,67%),

3.1.6. Knowledge and skills that micro and small business owners lack in

We tried to assess the entrepreneurial knowledge of respondents by asking about their personal business views and awareness of their lack of knowledge, by testing their knowledge and the level of information they possess, and by assessing the available education in the field of entrepreneurship.

Graph 3.30. *Fields of possessing most professional knowledge*



Respondents think (they were offered multiple choice answers and could circle as many as they wished) that they possess most professional (technical) knowledge in the field of operations they are engaged in (34,67% in relation to the whole sample), then comes the field of sales (27%), procurement (19%), market (10,33%), communication with clients (12%) and production (10,67%). Nevertheless, respondents possess inadequate market-related knowledge.

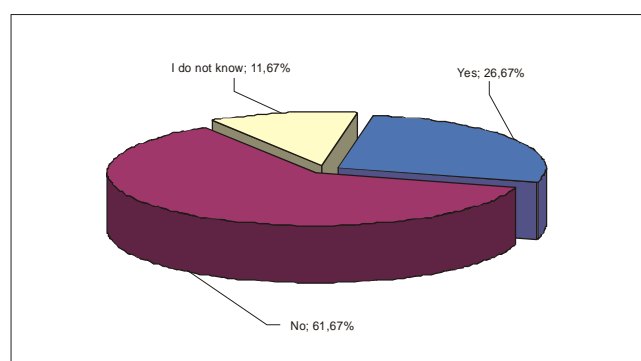
General observation is that business owners are self-confident and often give statements of their extensive knowledge of entrepreneurship and management, from idea to realization. Therefore we wanted to determine the consistency coefficient based on the question number 22 (name few elements of a business plan) and on the view of their ability to prepare a business plan. As for question number 22, 196 respondents identified zero elements of a business plan. In the case of the next question, 110 respondents rated their ability to prepare a business plan with 1 (extremely poor). It is evident that respondents wanted to present themselves in a better light and with better performances. Therefore, the consistency coefficient of respondents' views on their own knowledge is 110/196 and we use it to modify actual grades given by respondents.

- Average grade assigned to business owners' level of knowledge in business plan preparation is 3,51 and when modified it comes down to 1,97. Business owners possess sufficient level of knowledge and ability to produce a business idea. Only 19,67% of respondents possess excellent knowledge and ability to produce a business idea, 29,67% have very good knowledge, 13,34% have very poor or insufficient knowledge, while 37,33% think they have good knowledge and ability.
- Average grade assigned to the level of knowledge in fundraising for business idea realization is 3,58 and when modified it comes down to 2,01. More than a half of respondents (51,67%) have enough fundraising skills, and only 16,33% do not have sufficient fundraising skills.
- Average grade assigned to their own skills to prepare a business plan is 2,53 and when modified it comes down to 1,42. No less than 49,34% of respondents have insufficient skills, and only 28,67% have sufficient skills to prepare a business plan. We trust that 22% of those who are indifferent when answering this question have a need to acquire more knowledge and skills necessary for preparation of a business plan.

- Average grade assigned to their own knowledge and skills in the field of business organization and management is 4,06 and when modified it comes down to 2,27. Most respondents (76%) have enough knowledge and skills in the field of business organization and management. Only 5,33% of respondents said to be in need of additional knowledge, while 18,67% are indifferent.
- Average grade assigned to the level of their own computer literacy is 2,33 and when modified it comes down to 1,30. It is a disturbing fact that 60% of respondents have extremely poor and insufficient computer skills.
- Average grade assigned to their level of awareness of customers and market demand is 3,93 and when modified it comes down to 2,20. Some 70% of respondents are very aware of market and customers demand.
- Average grade assigned to staff management skills is 3,66 and when modified it comes down to 2,05. Similar situation is found in human resources management skills where more than 60% of respondents say they possess these skills. Almost 30% of respondents are indifferent which means they are the only employees in their businesses and have no experience in human resources management.
- Average grade assigned to the level of knowledge in the field of business decision making is 3,98 and when modified it comes down to 2,23. 72,67% of respondents possess enough knowledge in the field of business decision making, while only 5,33 have insufficient knowledge. The rest are indifferent.
- Average grade assigned to their knowledge of foreign languages is 2,22 and when modified it comes down to 1,24. 61,34% of respondents have very poor and insufficient knowledge of foreign languages, while only 6,33% business owners have excellent knowledge of foreign languages.
- Average grade assigned to adoption of new technologies is 3,04 and when modified it comes down to 1,70. 33,67% of respondents need additional skills in adoption of new technologies, while 19,33% have excellent skills in this field.
- Average grade assigned to their bookkeeping skills is 2,42 and when modified it comes down to 1,36. More than a half of respondents (56%) have poor or insufficient bookkeeping skills, while 26% have very good or excellent bookkeeping skills.

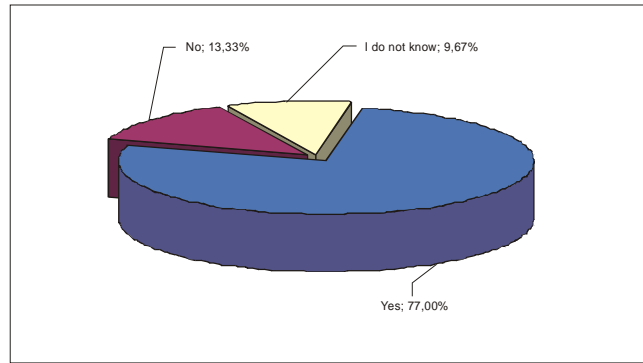
Based on subjective and modified grades that respondents assigned to their knowledge and skills it is evident that they want to portray themselves in a more positive light than what they really are. Modified grades of their knowledge and skills indicate a low level of skills they possess and a wide range of skills they lack in, such as: how to create a business idea, fundraising, business plan preparation, computer literacy, market and customers demand, human resources management, business decision making, foreign languages, transfer of new technologies and bookkeeping.

Graph 3.31. *Influence that business environment has on business registration*



Asking the question whether business registration is easier done nowadays or few years ago, we wanted to determine if business environment has been improved and if it is now more favourable of business development. Respondents are generally negative and 61,67% think that business registration is more difficult nowadays than few years ago. Only 26,67% share the opinion that business environment has improved in the past few years, and 11,67% are indifferent. Both groups provide similar answers.

Graph 3.32. *Level of satisfaction of business owners with their choice of business*



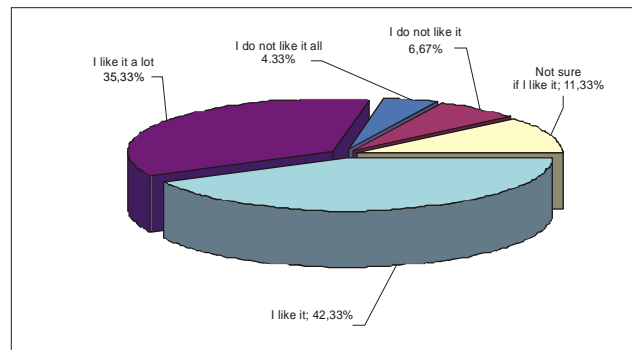
The survey shows that majority (77%) of business owners would choose the same business even if they had the chance to make a different choice, while only 13,33% disagree, and 9,67% are indifferent. This leads to a conclusion that business owners are very satisfied with their choice of business and their career.

3.1.7. Education and training needed for micro and small business owners

Considering our assessment of expected lacks in the existing business education system in the region, we wanted to determine whether business owners feel the need to receive education and training in the field of business and management, and how they would evaluate the idea of establishing the centre for start-up and development of private business.

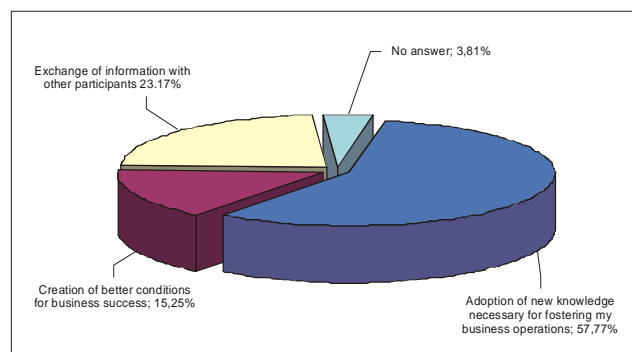
The poll results suggest that very few business owners (19,67%) underwent training for private business and entrepreneurship, while 80,33% never attended any seminar nor training for entrepreneurs. Clients and non-clients give almost the same answers.

Graph 3.33. *Readiness for participation in a training in the field of organization and management of a private business*



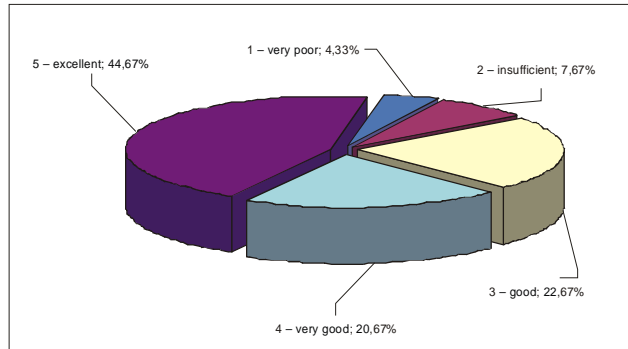
Out of the total number of respondents, 77,66% like (like and like a lot) the idea of attending a training in the field of organization and management of a private business, while only 11% dislike the idea. Non-clients also display readiness to participate in such a training, where 76,66% like the idea and 6,67% are negative about it.

Graph 3.34. *Main reasons for participation in a training*



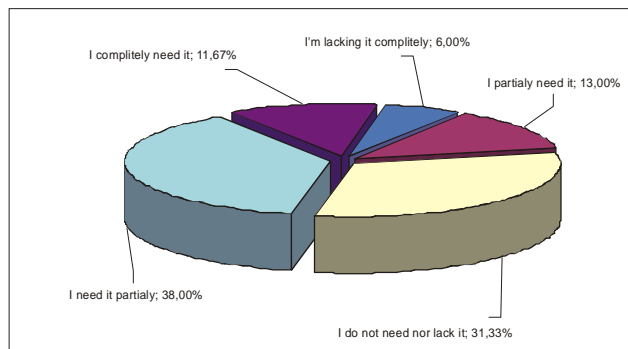
Majority of respondents (57,77%) in both groups identify adoption of new knowledge necessary for fostering their business operations as the main reason why they would participate in training, 23,17% say their reason would be exchange of information with other participants in training, and for 15,25% of them the reason would be creation of better conditions for business success. Average grade that business owners assigned to organization of available consulting services for start-up and development of business is 3,98 (very good), which is very high.

Graph 3.35. *Assessment of available consulting services for start-up and development of business*



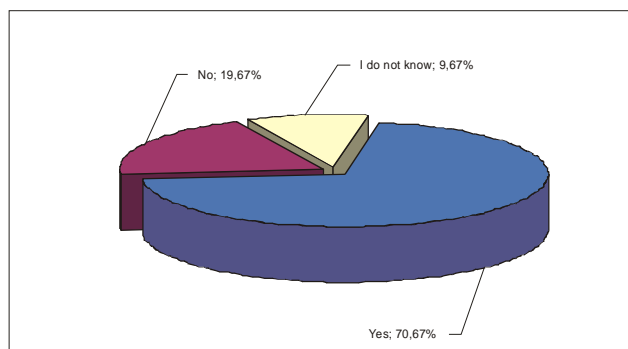
65,34% of respondents in both groups think the idea to organize all available consulting services for start-up and development of business is either very good or excellent.

Graph 3.36. *Needs for training*



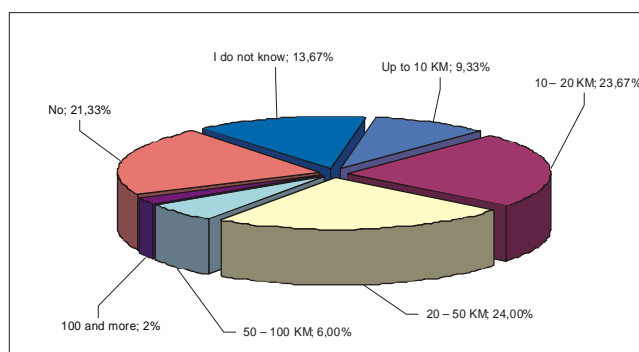
Out of the total number of respondents, some 50% think they need (partially or completely) an organized training for successful sales of products. Negative answers are given by some 19% of respondents, while 31,33% are indifferent. Among the non-clients the percentage of those who need an organized training for successful sales of products is somewhat higher (51,67%).

Graph 3.37. *Readiness for use of services for training and consulting related to business start-up and development*



Even 70,67% of respondents would use the services of training and consulting related to start-up and development of a private business, while the percentage of non-clients who share the same orientation is somewhat lower (63,33%). Some 20% of respondents would not use such services of training and consulting, and the rest are indifferent.

Graph 3.38. *Readiness for payment for training and consulting services*



Average price that business owners would be ready to pay for training and consulting services amounts to 30 KM. Out of total number of respondents, 57% would accept to be charged with up to 50 KM for training and consulting services. Only 8% of respondents would be ready to pay more than 50 KM for such services. 21,33% are not ready to pay for these services, and 13,67% were indifferent. Non-clients are quite indifferent in this regard (18,33%), while 61,67% of non-clients would accept to be charged with up to 50 KM for these services.

By asking business owners to rate the offered statements with 1 (I do not agree at all) to 5 (I fully agree) grades, we wanted to assess their views on knowledge in the field of business and management.

Some 57% of business owners agree (grades 4 and 5) with the statement that entrepreneurs in their local community do not possess sufficient knowledge in business management, while 25% share views opposite to this.

Out of the total number of respondents, 75% agree (I agree and I fully agree) with the statement that entrepreneurs have the need to receive additional training in human resources management, while only 10,33% are of the opposite opinion.

Of the total number of respondents 74% agree (I agree and I full agree) that business owners have a vast need to receive training in the field of successful market sales of products.

More than 75% of respondents agree with the statement that it is necessary for their businesses to be harmonized with EU standards.

86% of respondents agree with the statement that there is a great need for easier access to business related information, particularly in reference to fundraising, successful sales of products and service providing.

Moreover, 72% of respondents agree that business owners do not possess enough knowledge on transfer of new technologies.

No less than 78,33% of respondents agree that business owners need training in finances and taxation issues.

3.2. Results of focus group survey

First group of questions was related to business registration. Majority of survey participants think that business registration is very important, and find the fact that many business owners operate illegally and in non-formal sector of economy an obstacle in operations of legally registered businesses. This unfair competition is seen as a major obstacle in expansion of existing businesses, and could even lead to closing down of some registered businesses. Business owners complain about frequently being visited by various inspections, about high cost of business start-up, and about burden of taxes. They also think that inspectors have too far-reaching discretionary powers whereas their work is not seen as transpar-

ent enough. All survey participants agree that non-registered businesses cause damage to business growth while they see the registration procedure as too long because it takes twelve steps (two months on average) to complete the procedure. Due to complicated registration procedure most entrepreneurs had to hire a lawyer, which only results in additional costs incurred on the top of expensive enough procedure.

The second group of questions was related to registering and paying contributions to the state. Almost all participants in the survey think that regular payment of taxes and other duties would improve business development because it would cause salaries and pensions to be regularly paid, and consequently customers would have a better purchasing power. They point out that the existing taxation system is not stimulating, and the taxes and contributions on salaries are too high resulting in equally high cost of labour that employers have to pay. The costs of services provided by public enterprises are also seen as too high. Majority of participants say they do not feel the need for expert advice related to registering and paying contributions to the state because they hire accountants who deal with these issues. Consequently, their accounts would need education more than business owners themselves. The participants stress the negative role of media that contribute to the bad image of business in general because they only point out to the negative cases while little or no attention at all is paid to success stories and successful businessmen/businesswomen.

As for the discussion on management, the participants had opposite views. They do think that there are business owners who are also managers, but their views differ in regard to how one becomes a manager. They agree that one needs to own a bigger business to be able to be manager as well. Most participants state that although they do possess extensive knowledge of planning, organization, human resources management, and control they still feel the need for additional knowledge in the field of business management and team work. Participants agree that team work is necessary for business success, but they deemed it poorly represented in businesses in our country. Some participants complain about the time-consuming communication with authorities.

Next group of questions was related to knowledge of market and marketing. Most participants think they have good knowledge of their customers and the market they are in. All of them are able to name ten top customers and as many competition businesses in the sector they operate in. We receive devastating answers to the question of how much business owners use Internet and computers in their businesses. Very few of them possess and use computers.

The following group of questions had to do with financial management skills. Almost all participants state that they have short-term financial plans only, and avoid long-term planning due to unstable/turbulent environment. The participants underline the importance of micro-credit organizations' financial instruments. They are especially happy with expeditious disbursement of loans. However, all participants consider interest rates too high and recognize the need for introduction of lower interest rates.

The last question was related to entrepreneurs' need for education. When asked if they would use the services of a service centre for micro and small businesses, should it be established, most of them said they would use these consulting services if the prices would not be too high. They also suggest that training should last no longer than 2-3 days per module (topic) and that training should be organized for groups of 15 to 25 business owners. Participants agree that such a centre should be established, and that it should offer good quality and attractive services where trainers would use interactive approach in group work with trainees.

4. CONCLUSIONS AND RECOMMENDATIONS

An observation based on the results is that the survey hypothesis is confirmed because micro and small business owners demonstrate the need for additional education and training in the field of business, that is, the need to adopt skills necessary for the process starting from the creation of a business idea to its realization. In addition, the second thesis is also confirmed through business owners' articulation of the need for consulting and training in the field of business organization and management, appearance on markets, and human resources management.

In the paragraphs that follow, we shall point out to the main findings ensuing from the survey, which have been thoroughly elaborated in the previous chapter.

Small and micro business owners are aware of their position in markets and of unfavourable business environment

Primary data indicate that business environment is not fostering the development of entrepreneurship and therefore represents the main reason for slow growth of private sector in our country. For that reason it is important to create adequate legal, business, social, security, and economic environment as soon as possible. The following survey results are in support of these statements:

- Around 69,33 % of business owners consider the state support to their business development poor, while only 2,67% of respondents think the state support is very good or excellent (1,67%). Average grade they assigned to the state support to business development is 1,55 (between poor and sufficient).
- Business owners are optimistic in regard to long-term perspective of their businesses. Namely, 54% of respondents think their businesses have the perspective for more than 3 years, 24,67% choose 1-3 years perspective, while 21,33% think their businesses have a short-term perspective of up to 1 year.
- Over 95% of respondents are very aware of their ambitions, strengths, and weaknesses, which is encouraging. The poll also suggests that the social capital is not lost in our country, that is, mutual trust between business owners and their associate still exists (64,33%), while only 19% do not trust their associates, and the rest are indifferent. Small business owners prefer their family support over any other kind of support (97,33%).. Many respondents (50%) confirm the assumption that our environment has a negative opinion of businessmen/businesswomen, while 28,67% have the opposite view.
- Around 66% of respondents think the lack of finances is the biggest obstacle in their business development. The focus groups identify unfair competition as the most essential obstacle in their business development.
- 73,67% of respondents are happy with their business success, while over 90% of business owners are completely ready to accept new skills and information because they are aware of their interests, values, and expectations for future (85%)
- Most respondents think that BiH society is poorly organized in its efforts to create favourable business environment because the state does not motivate or support business owners (62,9%), while 56% think that local authorities do not support business owners at all. Average grade assigned to state support to business is 1,57 (available grades: 1 – poor, 5 – excellent). Average grade assigned to local authorities support to business is 1,75.
- Business owners emphasize their positive views of financial sector, particularly micro-credit organizations (average grade is 4,29).
- Almost all respondents say that there is no organized training for start-up and development of private business in their community (84%). Average grade assigned to the extent to which local community cared about business development is 1,55.
- Similar answer is given to the question of institutions providing support and access to information and data relevant for start-up and development of private business. 81% of respondents think that such institutions do not exist. Average grade assigned to support and access to information and data relevant for business development is 1,63. Average grade assigned to international support to small business owners in their start-up and development of business is 1,83.

- 48,33% of respondents are very environmentally conscious, while 16,67% are at somewhat lower level. Average grade assigned to environmental consciousness is 3,75.

Factors that determine small and micro business owners to choose to start up a business were identified

The analysis of survey of factors that determine small and micro business owners to choose to start up a business produced the following results:

- Business owners are aware of strengths needed for business success because most of respondents think they have products/services of good quality and the trust of customers (36,32%), potential and skills (24,57%) and family support (21,37%).
- 59,67% of respondents do not agree with the statement that anyone can be a businessman/businesswoman, while 54% think that businessmen/businesswomen have to be individuals with distinctive expert skills. 39,67% of respondents thought that businessmen/businesswomen were born with special skills, while 68% think human resources were most essential for private business success. Our observation is that such views on natural characteristics of business owners rather than those social ones acquired in time, are a consequence of poor knowledge of business and modest business environment. Business owners think that knowledge and skills of the people they hire are the most vital for their private business success (68%). No less than 84,33% of respondents think team work is the basis for business success.
- Team work is still not as widespread among our businesses. Most business owners prefer to realize their business operations on their own (58%), while 28,33% think a business should be started with family members, and 13,33% would recommend starting a business with friends. Focus group participants demonstrate the need for additional skills in the field of business management and team work which they consider crucial for one's transition to the level of managers. Business owners agree that team work is essential for business success and think that it is not applied in our business as much.
- Respondents are mostly committed to stay in private business permanently (62%), while 73,33% of respondents are able to identify their potential future business projects which is a positive sign.
- When naming the reasons why they chose to start a business, these are the answers: they had no other choice (47,67%) and they were sure of their success (32,67%) which means that private business was the primary choice of profession among less than 1/3 of entrepreneurs. Majority of respondents think they made a right decision by choosing private business, precisely 76,67%.
- Majority of respondents think they possess enough knowledge for creation of new business ideas (74,33%) and 84,33% think that the easiest way to get a business idea is through cooperation with experts. Business owners do spend time thinking of new ideas (69,33%). Out of the total number of respondents 70,33% believe they would be successful in realizing a new business idea, which is a good assumption for business expansion. Business owners think that new ideas ensue from one's own business experience (76%), which indicates that business owners do not monitor, research or implement "others' better practice". When asked if they know who would finance their new idea, 56% gave affirmative answers.
- Business owners have their expectations completely realized (25,67%) and partially (65,33%).
- Business owners mainly cherish ambitions as a characteristic of a successful career (71,33%).
- Business owners are inclined to planning and persistency in achieving the defined goals (93%), which is promising for their future career.
- Business owners with leadership ambition are in minority. 11,33% are distinct leaders, while 22,33% demonstrate features of leaders.
- Business owners want to be informed of processes occurring in their surrounding.
- Most business owners use unsystematic approach without planning, and 24,33% are very systematic and persistent.
- Business owners demonstrate a desire to have suitable social status (71%).
- No less than 67,67% are absolutely ready to engage all of their resources (commitment, energy, persistency, and desire) in ensuring success.
- 87,67% of respondents are open for adoption of marketing skills and knowledge.

- Business owners are not consistent enough in realization of defined goals. Only 10% are very persistent in that regard and 18 % are sufficiently persistent. 65,67% are insecure.
- Business owners see themselves as ethical persons with business morale values (77%) which is positive.
- Only 28,66% of respondents use computers in their businesses, while 60% do not, which is a negative observation. Similar observation is evident in focus group as well.

Level of general business knowledge among small and micro business owners was determined

Business owners mostly have general business knowledge which they have acquired through experience. The following results support this statement:

- The total of 37,93% of business owners think expert skills are essential for a businessman/businesswoman in BiH to be successful. Good will and hard work come next (16,67%), then good connections, inventiveness and good fortune (16,67%), communication skills (14,84%), morale (10,63%), etc.
- Business owners are certainly self-confident which is reflected in the fact that 87,67% of them think they possess enough knowledge and skills for successful management of their private businesses.
- Most business owners (68,67%) monitored electronic media informative and educational program related to private business.
- Only 47,33% of respondents had some private business experience prior to starting their own business, while 50,67% had none.

Level of small and micro business owners' specific business knowledge

A general observation that results from the survey is that respondents are aware of their knowledge/lack of knowledge related to entrepreneurship, while they are also aware of their need for additional knowledge and skills necessary for business operations. The following facts support this observation:

- Respondents demonstrate very poor business planning skills. The total of 196 cannot name a single element of a business plan (65,33%).
- Business owners know little of creative and profitable businesses (only 29%), and 62% of them know nothing of fast-growing small businesses in the region, which means that success of these visionaries and leaders generally makes no positive impact on business owners views.
- The community does not put enough efforts into creation of local economic basis for business development in business incubators. This is reflected in the fact that 67% of respondents never heard of a possibility to join a business incubator in the sector of their operations.
- Business owners do not have a systematic approach to access to relevant information and they rather obtain information in an informal way. However, 43% of respondents do not receive any information on their customers and competition.
- Expert skills (27,46%), communication skills (21,51%) and experience (14,65%) helped the respondents most in their business operations to date, which is not satisfying.
- The poll shows that 42,33% personally monitor modification of BiH taxation rules and regulations.
- This survey confirms that the most frequent barrier in business is lack of one's own capital which makes business owners frequently turn to loans. The poll shows that business owners closely follow conditions of loans disbursement (66% of respondents).
- Only 8% of business owners monitor electronic and printed media, while 56,33% obtain information related to trends in economy through informal social events, or through conversations with business partners (26,67%) and with their employees (9%).

Micro and small business owners have a low level of process knowledge from idea, opportunity, start-up and realization of business to its sustainable development

This observation is reflected in the following facts:

- Most respondents (63,33%) think money is essential for one's own business start-up, then comes good will (25,33%), idea (23,33%), expert skills (22%), hard work and persistency (8,33%).

- Out of all the kinds of skills, specific (technical) skills are seen as most important for one's own business start-up, which is the opinion of majority of business owners (32,67%). Communication skills are identified by 26% and experience by 21,67% business owners.
- The following problems are identified as those that cause most difficulty when starting up a business: money (identified by 127 out of 300, or 42,33%), problems related to administration (18,33%), market related problems (3,67%), business location (3,67).
- Most entrepreneurs seek business related advice from their household members (37,33%), friends (18%), professional consultants (15,67%), employees (7%), while 22,% of respondents do not seek business related advice at all.
- These are the situation in which they do seek advice: procurement (19%), specific (technical) problems (10%), sales (11,67%), financial problems (7,33%), pricing (4,33%), production (3%), investment (7%), and other critical situations (4,67%).

Knowledge and skills which small and micro business owners lack were identified

Most respondents do possess characteristics of a successful person with predisposition for business. However, the skills they now possess are insufficient and have to be upgraded. The following facts support this thesis:

- Respondents think they best know the specific (technical) knowledge necessary for the field of business they are in (34,67% in relation to the whole sample), knowledge of sales followed with 27%, procurement (19%), market (10,33%), communication with clients (12%), and production (10,67%). The fields of knowledge related to market are those in which respondents have inadequate knowledge.
- Only 51,34% of respondents have sufficient knowledge needed for creation of business ideas, while approximately half of respondents (51,67%) possess fundraising skills needed for business idea realization.
- 49,34% of respondents do not have sufficient knowledge and skills needed for preparation of a business plan, and only 28,67% do. We believe that 22% of respondents who are indifferent in this matter also need additional knowledge in business planning.
- Generally, respondents are self-confident and verbally express views on their good knowledge of business and management from idea to realization. Assessing the consistency in respondents' answers that imply speculative data on their own business skills, we defined the coefficient of 0,56. The modified grades indicate that business owners possess poor business skills in the field of: creation of business ideas, business planning, computer literacy, knowledge of foreign languages, transfer of new technologies, and bookkeeping. Moreover, we took note of insufficient skills related to fundraising, business organization and management, human resources management, and business decision making.
- Given the opinion of 61,67% respondents who think that it is more difficult to start a business now (in the time of poll) than few years ago, our observation is that business environment has not been dynamically improved and that it is not supportive of business development.
- Business owners are very satisfied with their choice of profession and business career. Most of them (77%) would choose the same business even if they had the chance to make a different choice.

Levels of education and training needed for small and micro business owners were determined

Few business owners have participated in training related to private business and entrepreneurship. Respondents demonstrate their desire to take part in training for private business organization and management. The main reasons for their choosing to participate in such training are: to upgrade one's own business and ensure better quality of exchange of information with other market stakeholders. Business owners think the idea to organize available consulting services (education and training) related to the field of starting a private business is very good. Business owners are ready to pay for such services. Micro and small business owners demonstrate the need to acquire new skills in the field of: business management, human resources management, successful market sales, transfer of new technologies, and management of finances and taxation related matters. They demonstrate a particular need for easier access to information on how to access funds, and how to be successful in sales of products and in providing services.

The following facts are in support of the aforementioned:

- Only 19,67% of business owners have taken part in organized education in the field of business management, while 80,33% never participated in any kind of business training.
- Over 77% of the total respondents like the idea of participating in business training.
- More than 57,77% of respondents say they would participate in such training in order to improve their own skills, while 23,17% would attend the training in order to exchange information with other attendees.
- Average grade assigned to organization of available consulting related to start-up and development of business is very high 3,98 (very good). More than 65% of respondents rate this idea with “very good” and “excellent”.
- Around 50% of the total respondents think that organized training is (completely or partially) needed for their successful market sales of products.
- No less than 70,67% of respondents would use the services of training and consulting in the field of start-up and development of a private business.
- The business sector that entrepreneurs come from determines the grade they assign to the need for organized business training necessary for successful market sales of products.
- Average price that business owners would be ready to pay for training and consulting services amounts to 30 KM. Out of total number of respondents, 65% would accept to be charged with up to 50 KM for training and consulting services.
- Business owners possess insufficient business management skills which is the view of 57% of respondents who rate the lack of their skills with 4 and 5, while approximately 24% respondents are of the opposite opinion.
- Business owners do need additional training in the field of human resources management which is confirmed by 75% of respondents (I agree and I full agree).
- Around 65% of respondents emphasize that entrepreneurs need training in the field of successful market sales of products.
- 75% of respondents agree with the statement that it is necessary for their businesses to be harmonized with EU standards. In addition, over 72% of respondents state that business owners do not have enough skills for transfer of new technologies.
- Business owners (86% of them) demonstrate the need for easier access to information on how to access funds, and how to be successful in sales of products and in providing services.
- 78,33% of respondents underline the need to educate entrepreneurs in management of finances and taxation matters.
- Focus groups also demonstrates the need for establishment of a service centre for micro and small businesses. They emphasize that training should last no longer than 2 to 3 days per module, and that it should be organized for groups of 15 to 25 business owners. Focus group participants agree that such a business centre should be established and that it should offer good quality and attractive services where trainers would use interactive approach in group work with trainees.

Socio-demographic and economic characteristics of micro and small businesses and their owners were determined

- Gender structure of micro and small business owners includes 77% of women and 33% men.
- Average age of business in the sample is 7,80 years. It is disturbing to see that “young” businesses are represented in each group with 3,33%.
- Average age of business owners is 40,93 years. Over 2/3 of respondents are over 35 years of age. Only 4,33% of respondents are up to 25 years of age.
- Most business owners (75,33%) in the sample have graduated from secondary school.
- Average monthly income that businesses generate for their household amounts to 1.082 KM or 12.984 KM per year.
- 50% of micro and small businesses are not legally registered.
- An average business owner hires 1,26 employees.

LIMITATIONS OF THE STUDY

When interpreting the results of this study should one should have in mind the following limitations:

- The selection of sample units of micro-credit organizations' clients: the respondents are clients of two micro-credit organizations ((MI-BOSPO i EKI Tuzla), therefore the results primarily apply to this target group (experimental group). The control group managed to fix this disadvantage to a certain extent.
- The selection of sample units of non-client of micro-credit organizations: The control group (non-clients) should be identical to the experimental group in terms of its structure and composition, except in terms of independent variable (loans from micro-credit organizations). Although non-clients were carefully selected as the closest competition to randomly selected clients, there was still potential bias among pollsters in selecting these units.
- Measuring certain features: It is possible that respondents would strategically avoid providing correct answers to questions such as those about monthly income or about the price of training and consulting services, or perhaps they simply could not remember the right figures. Therefore this kind of results should be carefully interpreted.

RECOMMENDATIONS

Based on the previously identified conclusion we recommend the following:

- To influence the improvement of business environment by the use of proactive approach. Inexistence of entrepreneurial environment is certainly one of the major reasons for lack of strong entrepreneurial spirit in the country.
- To increase state support to business development, with the special focus placed on local authorities support.
- Since the state failed to provide non-financial support to micro and small businesses, it is necessary to create space for institutional support through non-governmental sector.
- While unfair competition represents a significant barrier in small business it is necessary to advocate for their prohibition or registration. In other words, it is necessary to take stronger action in transition from grey to formal economy.
- To determine procedures for mandatory agri-business registration.
- To prepare a special promotion and stimulation program for micro and small businesses that would focus on the population that is currently not involved in business in order to get as many young people interested in micro and small business.
- To stimulate young people to choose business.
- Micro and small business owners should be supported in meeting their needs for education and training in the field of business development.
- Business owners want to upgrade the knowledge in their field of operations, as well as their skills for transfer of new technologies, bookkeeping, sales, procurement, market, communication with clients, and production.
- To enable micro and small business owners to easily access business information (through governmental and non-governmental sectors).
- Business and management education should mainly focus on senior students in secondary schools or to organizing specialized courses following graduation from secondary schools.
- Young people who graduated from secondary school should be target population for business education and financial and non-financial support.
- Having in mind the fact that many business owners are ready to adopt new skills and information, training and education focusing on latest developments should be organized.
- Business owners need education for the following topics: creations of new business ideas and business planning; such education should be continuously promoted, stimulated and upgraded.
- Education and training should focus on business management, human resources management, successful market sales of products, transfer of new technologies, and management of finances and taxation related matters.

- To establish center for education that would provide education and training as well as technical assistance to business owners in their everyday business operation, and to assist them in realization of new ideas.
- To conduct future survey of entrepreneurs focusing on their specific needs related to entrepreneurship.

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