

# The unique features of entrepreneurship in Slovakia

by  **Alica Pavúková**,  
Partner, PwC



**Individual entrepreneurs form a dynamic and stable sector of the Slovak economy. PwC conducted a survey of Slovak entrepreneurs\* to find out more about their business prospects in Slovakia. Individual private businesses around the world have their own specifics and the most important factors are often trust, loyalty, financing and succession. Decision-making can be a very different matter when your own money is at stake.**

## The unique features of a private business

We asked entrepreneurs what they consider to be the most significant differences and unique challenges their firms face. The majority of respondents (63%) stated greater involvement and personal interest in the growth of the firm. This is natural, since their own money is at stake. The second ranked factor (53%) was the simpler decision-making process, which helps owners address changes more flexibly compared to their multinational competitors, allowing them to make better use of gaps in the market. The third most often reported unique feature (27%) was a more intense link between life and work. This could be considered as positive or negative, but it does mean that potential challenges or conflicts at work may be carried over into personal life and vice versa.

It should also be noted that entrepreneurs believe that they feel a higher commitment to their employees and their firm. Due to this stronger feeling of responsibility, they exert more effort than other companies to maintain staffing levels in the firm even in difficult times. This is reflected in the higher level of loyalty and commitment of their employees.

## How do entrepreneurs finance growth?

Entrepreneurs and owners of Slovak firms seek conservative ways to finance the growth of their businesses. Two types of sources prevail: bank loans or own finance (either

directly in the firm or from private accounts). Only a small percentage of Slovak entrepreneurs use private or risk capital and most avoid alternative forms of financing.

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When we asked the respondents to identify one area they consider to be a major obstacle to doing their business globally, the following three areas were most frequently identified: tax risks arising from legislation, concern about a lack of knowledge of foreign business markets, and business financing in other countries.

However, I believe that private equity or strategic partnerships are also an appropriate option for Slovak business owners when considering growth financing. If cooperation terms are set

properly, then the concern about loss of control will no longer be an issue.

## Doing business internationally

Long-term growth and profitability depends on managing key moments successfully. The first key moment is when a firm achieves a certain size and can only proceed if significant change is implemented. This can involve a new opportunity offered by the local market, or the implementation or introduction of a new product. However, the most frequent key moment is when the firm starts exporting its products or services.

Half of the survey participants confirmed that they exported their products or services. Additionally, for nearly half of them, exports comprise more than half of their income, and for 21% more than 20% of their income. The majority of Slovak firms export to the Czech Republic (75% of respondents), Germany (36%), and other neighboring countries.

Half of the respondents reported that they do not export to foreign markets. We sought to find the reasons for this in the survey. Almost one-third of entrepreneurs stated that their products and/or services are intended solely for the Slovak market. However, one-fourth stated that they do not have sufficient capacities, such as time or finance.

Expansion into other countries brings specific challenges including managing the supply

chain and production, building a customer base and developing the structure. Moreover, owners must also deal with a new culture in the workplace, which has a significant impact on the way people are managed and, last but not least, deal with new financial and tax laws.

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## Detailed analysis

Our survey covers several topics related to entrepreneurship. In addition to those already mentioned, we also analyzed internal and external challenges, future outlook and family businesses including succession planning. For a more detailed analysis, visit our webpage to see the final report from the survey.

The conclusion from our survey of individual owners in Slovakia can be summarized: entrepreneurs are a thriving and substantial part of the economy. They are successful when they recognize and understand their own unique challenges, and are able to respond to and overcome them promptly and adequately.

\* Slovak Entrepreneurs and Family Businesses Survey 2014 conducted by PwC in cooperation with Ing. Monika Krošláková, PhD. and Hospodárske noviny.