

Impediments and Needs of Start-ups and Investors in South-East Europe for Investment Readiness and Growth

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Abstract: The region of South-East Europe (SEE) needs to systematically foster sustainable economic growth. One way to contribute to this goal is to strengthen innovative entrepreneurship across the SEE countries. For that purpose it is essential to increase the investment and growth readiness of start-up companies and innovative SMEs in the region as well as to secure the right support and funding mechanisms for those ventures. The paper presents the results of a survey that has been conducted within an EU co-funded project with the objective to support investment and growth readiness of start-ups in the region of SEE. The purpose of the survey was to gain insights in existing key needs of start-ups/innovative SMEs and investors across the region of South-East Europe for policy support regarding investment and growth of their activities as well as to present these stakeholders' recommendations for how to respond to these needs. The survey was conducted through an online questionnaire among 190 start-ups/ innovative SMEs and financial stakeholders (such as banks, venture capitalists, incubators, business angels, etc.) in 11 countries of the SEE region featuring a combination of scaling and open-end questions. The results provide a multifaceted picture of the characteristics of the current situation regarding the entrepreneurial landscape of the region and of the challenges faced by the key stakeholders in a range of thematic topics, such as the legal environment, funding mechanisms, taxation system, education, knowledge transfer, infrastructure, bureaucracy and entrepreneurial culture. Suggestions for policy changes in order to overcome the current barriers include a wide array of measures ranging from the better provision of more market-oriented entrepreneurial education to fostering cross-border syndicated investment.

Keywords: start-ups, investors, entrepreneurship, South-East Europe

1. Introduction

As far as the entrepreneurial performance of EU countries is concerned a big gap has been revealed between old member states and the new member states as well as between the Nordic countries and the countries of South-East Europe (SEE) (Szerb et al., 2013). For many SEE countries the large number of institutional barriers play a major role in their low performance in this realm (Hashi et al., 2011).

The SEE region is in need of a plan to systematically support sustainable economic growth in a way that will enhance the region's capabilities in the long-term (OECD, 2013; Pendiuc and Lis, 2013). One way to contribute to such a positive development could be to provide support to the key drivers of innovative entrepreneurship such as the young and innovative SMEs and the financial stakeholders that fund them (Vadnjal, Rončević and Morić, 2011).

The present research was conducted within the work for a two-year, EU co-funded project in the framework of the 'SEE Transnational Cooperation Programme', named 'VIBE' (Venture Initiative in the Balkan Europe) which had as primary objective to support facilitation of innovation and entrepreneurship in the region of South-East Europe (VIBE, 2014).

The purpose of the present research is to gain insights in existing key needs of start-ups and innovative SMEs as well as of investors across the region of South-East Europe for policy support regarding investment and growth of their activities and to propose practical recommendations for addressing these needs.

The remainder of the paper is structured as follows: Section 2 briefly describes the background of the research. Section 3 explains the methodology used for conducting the research. The following section (section 4) presents the findings regarding key issues and characteristics of the current entrepreneurial landscape in the SEE region, the major challenges and concerns as expressed by the regional stakeholders (financial actors and start-ups in SEE). Section 5 provides the stakeholder's suggestions for policy changes in the region. Section 6 discusses the

research findings, and section 7 concludes with pointing out some research limitations and making suggestions for future research

2. Background

2.1 Importance of entrepreneurial development

In today's knowledge-based economy the importance of entrepreneurial activity and flexible innovative SMEs are considered a crucial factor for the economic growth of a nation or region (OECD, 2013). Start-ups and innovative SMEs can play this role largely based on their capacity to fast identify and exploit new market niches (Hashi and Krasniqi, 2011). In particular, the high-growth start-ups are seen as an important factor for job creation and GDP growth (Isenberg, 2010). Positive effects can be seen, among others, in new job creation and in higher economic productivity (Fritsch and Noseleit, 2013). Europe is generally seen as lagging behind in international comparison (Bertoni, Colombo and Grilli, 2011).

2.2 Success of start-ups and innovative SMEs

Previous studies of determining factors for start-up growth in developing economies suggest a variety of parameters that define the possibility of success of entrepreneurial activity. According to Benzing (2009), besides personality characteristics and personal values, managerial skills and adequate training of the entrepreneurs themselves, it is foremost the external environment that plays a decisive role for a start-up to succeed. Busenitz (2000) refers to two environmental dimensions. The first one is the regulatory dimension, which relates to laws, regulations and government policies. The second one is the normative dimension which concerns the attitude of society towards entrepreneurship. The importance of culture and the creation of favourable framework conditions are also emphasized in the Global Entrepreneurship Monitor report (GEM, 2014). In a comparative study of developing successful entrepreneurial ecosystems in South Korea and Estonia Kshetri (2014) names the following additional determinants of successful growth of entrepreneurship: Access to sufficient capital, access to R&D and technology, and favourable market conditions. Conti et al. (2013) emphasize the R&D and capital component by arguing that holding a patent is an important asset for a start-up when looking for funding from investors. In her studies about Turkish entrepreneurs Benzing (2009) argues that a complex, overregulated and unstable business environment with insufficient financing sources constitutes a serious impediment to successful start-up development. Some additional barriers to establishing a new business in Europe are the risk of bankruptcy, the fear of failure and the risk of losing property (Pendiuc and Lis, 2013).

Additional to the aforementioned issues a number of other success factors play an important role. Some of these are the market addressed, the team, the 'must-have' effect on the target customer, issues of trust between the company and the customer, the evident interest, the ability for adapting to changes, the potential for early growth and profit as well as the potential for strong investor payoff (Cusumano, 2013). Along with these demanding issues a start-up needs to face the constantly changing environment through creativity and innovation as a means to respond to the complexity of the business ecosystem and to remain competitive (Pendiuc and Lis, 2013).

2.3 Funding of entrepreneurial activity

One particular challenge for the successful development of SMEs and entrepreneurs is for them to gain sufficient access to funding, which had been particularly handicapped by the financial crisis of the recent past (OECD, 2013). SME non-performing loans and bankruptcies increased in the recent past (OECD, 2014). New ventures can seek funding from informal sources, such as family and friends, or once those and internal means are exhausted, through external formal sources, such as debt financing and venture capitalists, although the latter ones usually target bigger companies at a later stage of development (Whitman, 2005). Manolova, Manev and Gyoshev (2013, p. 5) argue that according to formal theory young enterprises are usually financed "by investments in company stocks by the entrepreneurs, their partners and later by investors, with various combinations of debt and equity", while in reality many ventures support themselves by bootstrap financing. The banking sector has reduced lending to SMEs and new ventures significantly in the current crisis due to low margins and the risk involved (Vadnjal, Rončević and Morić, 2011). Lately, but by far not in all countries of SEE and not to the same extent, 'Business Angel' investors have started to fill some of the gaps existent in the regular funding system (Wiltbank, 2005).

The distinctive cultural and socio-economic features that characterise each country in the SEE play a fundamental role in venture capital partnerships and in the way each challenge is approached and addressed, in practice this means that active involvement of investors in their portfolio companies' strategy is needed for successful developments. This is often contrary to the way the Western world operates (DaSilva et al., 2012). The power of the effect of independent venture capital funds on the sales growth of a company is an undeniable and proven element in Europe, however, the direct engagement of a government in the VC market via a government managed VC has not been proven quite crucial (Grilli and Murtinu, 2014).

While it is important to create suitable policy measures to facilitate easier access to funding for new ventures (OECD, 2014) some authors argue that even in a hostile, resource-scarce environment smart entrepreneurs can survive and their creativeness might even be enhanced through such harsh circumstances (Isenberg, 2010).

This research in the framework of the VIBE project examines in this regard how entrepreneurs and investors are coping with the current situation of access to funding in the region and what kind of changes they would like to see happen.

2.4 The VIBE project

The EU co-funded project 'VIBE - Venture Initiative in the Balkan Europe' (VIBE, 2014) aimed at fostering the creation and growth of innovative SMEs and start-up companies through a large array of actions, such as: (1) Mapping existing actors, activities and needs for coaching, financing and supporting innovative companies; (2) Coaching companies throughout the SEE region to fast-track investment and growth readiness of selected showcase companies in various industry sectors through a combination of peer group seminars/webinars, assignments and expert and peer group feedback; (3) Fostering financing networks by involving business angels, regional funds, corporate investors, banks, venture fund investors; (4) Discussing, defining and testing pragmatic new potential investment incentives support actions by public support agencies especially at the cross-border (co-)investment level; and (5) Joining forces with the organizers of the bi-annual Balkan Venture Forum (BkVF), the large venture capital, private equity and investment forum in the SEE region. The VIBE partnership entailed 20 partners from 12 SEE countries, namely Albania, Bulgaria, Bosnia & Herzegovina, Croatia, FYROM, Greece, Hungary, Italy, Montenegro, Romania, Serbia, and Slovenia. In this framework the project enabled significant insights in the characteristics of the entrepreneurial ecosystem of the region and the impediments and needs faced by new ventures and investors in SEE.

3. Methodology

For the compilation of the information for this research an online survey was created and disseminated to start-ups/innovative SMEs from various business sectors and financial stakeholders/ investors, such as seed funds, VC funds, incubators, Business Angels, and similar, in the countries of the VIBE project partners. Secondary research was conducted for the creation of the online questionnaire drawing on relevant literature, and the feedback from a pilot testing of the online survey was taken into account before determining the final version of the survey questionnaire. The questionnaire consisted of three sections, one to be completed by every participant (total of 9 questions), one to be completed only by investors/financial stakeholders (total of 17 questions), and one to be completed only by start-ups/innovative SMEs (total of 21 questions). Thematic fields of the questionnaire included topics, such as 'Entrepreneurial culture and support', 'Policy regulations & legal issues', 'Taxation & economic issues', and 'Access to funding'. The questionnaire entailed a mix of open and closed (list, category, scale) questions. The sample of respondents was predefined according to the desired categories of participants drawing primarily on the mapping directory and guide of entrepreneurial key stakeholders in the SEE region which was created prior in the framework of the VIBE project, as well as on the network of the VIBE project partners. The project partners' close follow-up on contacting key relevant stakeholders in their countries secured a high response rate. The survey was conducted in September/October 2014. There were a total of 190 valid replies from 11 countries. Among the 190 respondents, 50 respondents were financial institutions/investors, 140 respondents were start-ups/innovative SMEs.

4. Characteristics of the entrepreneurial landscape in SEE

Asked about their view of the current entrepreneurial landscape in their country and the SEE region the survey respondents gave several key insights which formed the following picture of the situation in the SEE region.

4.1 General overview

The most prominent sources for start-up funding according to the ranking by the financial stakeholders are: Family, Friends and Founders, Bank loans and guarantees, Business Angels, Government grants and EU funding and Incubators/Accelerators. The most prominent sources for start-up funding according to the ranking by start-ups are: Family, Friends and Founders, Bank loans and guarantees, Government grants, EU funding, Incubators/Accelerators and Microfinance. An important difference between the two perspectives is the lower appreciation of Business Angel funding as an essential source of start-up funding by start-ups (14,84%) compared to financial stakeholders (36,17%). This might hint to the necessity to promote Business Angel funding more across the SEE region.

According to the analysis of the survey data the respondents, both start-ups and financial stakeholders, characterize some general key conditions of the current entrepreneurial landscape of SEE as summarized in the following analysis. (The percentages in brackets show the aggregate of 'strong' and 'simple' disagreement/agreement as indicated by respondents).

The majority of respondents do not believe that entrepreneurial skills are widely taught across the public and private educational system (59.56%) or that a strong innovation and research culture exists in their country (55.93%). A large number of respondents do not believe that technology transfer happens between universities/research centers and start-ups (46.37%) in comparison to fewer who believe that it does (18.44%). A percentage of 35.20% is neutral towards this issue. Additionally, many respondents do not share the view that the state supports the entrepreneurial ecosystem with public supporting mechanisms (44.13%), less respondents believe that the state does (30.73%) and a percentage of 25.14% is neutral. Also, many respondents do not believe that the state reinforces the awareness of new investment opportunities -for example with promotional campaigns, entrepreneurial events, etc. - (44.95%) in comparison to fewer respondents who believe that it does (24.72%). A number of respondents are neutral about this issue (30.34%). Many respondents do not share the opinion that the general attitude towards entrepreneurship and risk-taking in their country is positive enough (41.24%) whereas fewer believe that it is (28.81%). Some respondents are neutral toward this issue (29.94%). Fewer respondents believe that it is difficult to find affordable start-up support such as information and coaching (34.63%) but less believe that it is easy (31.85%). Many respondents are neutral about this issue (33.52%). A small percentage of respondents believe that the success stories of flourishing start-ups are widely shared and promoted (25.28%) whereas a bigger number of respondents believe that this does not happen (39.33%). 35.39% of respondents are neutral about this issue.

4.2 Obstacles from the investor perspective

The analysis of the data collected from the financial stakeholders provides information regarding the existence or non-existence of specific policies, the bureaucracy levels as well as the existent tax system in the SEE countries. (In the following analysis percentages in brackets show the aggregate of 'strong' and 'simple' disagreement/agreement as indicated by respondents.)

The majority of respondents believe that there are high levels of bureaucracy involved for a foreign investor to enter a start-up in their country (54.35%) and that there are not adequate policies to support syndicated investments/co-investments in start-ups (51.06%). Half of the respondents believe that there are not adequate policies for the support of cross-border investments in start-ups (50%), while only 8,69% believe the opposite, the remainder being neutral. Almost half of the respondents believe that there are not adequate policies to support investment readiness of start-ups and innovative SMEs (48.89%) whereas much fewer believe that there are (24.44%) or are neutral about this issue (26.67%). Many respondents do not share the opinion that there are adequate policies for the support of investments in start-ups (45.65%), whereas fewer believe that such policies exist (23.91%). Many financial stakeholders believe that the investment and growth readiness of start-ups in their country is not adequate (45,66%) in comparison to a much lower percentage who believe that it is (19,57%). 34.77% of the respondents are neutral about this issue. 39,13% of respondents believe that the investment and growth readiness of start-ups across the entire SEE region is not adequate in comparison to 21,74% that hold the opposite view. A number of 39,13% is neutral about this issue. It is interesting to notice that a higher percentage of the financial stakeholders judge the investment and growth readiness of start-ups in their own country as not adequate (45,66%) than the investment and growth readiness of start-ups across the entire SEE region (39,13%).

As for the tax system in the SEE countries, the insights gained from the online survey provide a clear view of the existing obstacles as viewed by the financial stakeholders. The majority of respondents believe that there are not adequate tax reliefs/incentives for Business Angel investments (60.87%), that there are not adequate public-private start-up funding schemes (57.77%), that the existing tax laws for start-up investments are not adequately simple and stable (56.53%) and that there are not adequate tax reliefs/incentives for start-up investors (53.34%). Many respondents do not believe that there are adequate ways to exit a start-up investment (48.88%), whereas fewer believe that there are (13.33%) and many are neutral about this.

The online questionnaire consisted of quantitative and qualitative questions. The analysis of the qualitative data that were provided by the financial stakeholders in the survey points out key themes in regard to the major obstacles that hinder investments in start-ups. The key themes are listed in table 1 along with the most representative descriptions that have been provided.

Table 1: Major obstacles that hinder investments in start-ups from the financial stakeholder perspective

Key Theme	Description
Bureaucracy	High levels, complex procedures, expensive, machine bureaucracy, corruption
Lack of Capital and Sources	Lack of funds, of investors, of trained personnel, of Business Angels Network, of VCs, of friendly guarantee funds, of liquidity, IP protection, low bank involvement
Weak Entrepreneurship Culture	Mentality of entrepreneurs, suspiciousness & secretiveness of idea holders, lack of interest from domestic idea holders, poor investment readiness, weak teams, educational system not entrepreneurship-oriented, enterprise averse culture Below-the-average entrepreneurship knowledge, idea owners are not strong influencers of policy makers
Legislation	Making exits difficult, rigid labor laws
Taxation	Often changing, limits growth
Investors' Culture	
Investors' sensitivity to risk	Not sharing experiences, lack of interest of domestic investors, lack of a role model
Dissemination and promotion of opportunities & information	Low levels of efficiency, lack of efforts
Low R&D	Support for R&D, few activities

4.3 Obstacles from the start-up perspective

The analysis of the data collected from the start-ups and innovative SMEs provides information about the current state of affairs regarding policies, tax incentives, bureaucracy and infrastructure available for start-ups in the countries of SEE. (In the following analysis percentages in brackets show the aggregate of 'strong' and 'simple' disagreement/agreement as indicated by respondents.)

The majority of the respondents stated that they are familiar with the policy framework regarding entrepreneurial activities in their own country (63.57%) as well as for the funding opportunities for start-ups in their own country (60.47%). This comes in great contrast with the only small number of respondents who state that they are familiar with the funding opportunities for start-ups in other countries of SEE (24.62%), when 35.38% of respondents state that they are not familiar with the latter and 40% of the respondents are neutral about this. This discrepancy may suggest that more effort would be needed to disseminate cross-border funding opportunities.

More than half of the respondents believe that there is much bureaucracy involved in establishing and operating a start-up in their country (57.81%), that there are not adequate policies in place to encourage the learning of entrepreneurial skills throughout all stages of education (53.96%), and that there are no tax incentives/reliefs for start-ups in their country (53.54%). Slightly less than half of the respondents do not believe that the legal framework makes it easy to close down a failing start-up (49.61%) in comparison to much fewer respondents (14.18%) who do believe so. 36.22% of the respondents are neutral about this issue. Many respondents do not share the view that there are adequate policies in place to facilitate access to funding opportunities for start-ups (46.88%) in comparison to less than half of them who believe that there are (21.87%). 31.25% of the respondents are neutral about this issue. Moreover, a big number of respondents do not believe that the legal framework in their country is favourable for start-ups (45.24%), when 25.39% of the respondents believe that it is and 29.37% are neutral about this issue. Additionally, only 27.35% of respondents believe that the existing

technological infrastructure helps the development of start-ups in their country, in comparison to 39.07% of respondents who believe that it does not. About 1/3 or respondents are neutral towards this issue (33.59%).

As for the economic issues and the funding opportunities, a high majority of respondents believe that first year operational costs are too high to be covered by a start-up in their country (61.24%) and that the growth stage funding sources are not adequate in their country (58.73%). More than half of the respondents state that there is not a functioning Business Angel network in their country (55.91%) and that the pre-seed and/or seed stage funding for start-ups is not easily obtained either (53.97%). An interesting fact is that a high percentage (57.94%) of respondents neither agree nor disagree with the fact that pre-seed and/or seed stage funding for a start-up can be easily obtained in other countries of SEE (when 24.8% agree and 17.46% do not agree). This may correspond to the above mentioned low percentage of respondents who state that they are familiar with the funding opportunities for start-ups in other countries of SEE (24.62%).

The analysis of the qualitative data that were provided by the start-ups/innovative SMEs in the survey emphasizes the key topics in regard to the major obstacles that hinder the development of start-ups. The key themes are listed in Table 2 along with the most representative descriptions that have been provided.

Table 2: Major obstacles that hinder the development of start-ups from the start-up perspective

Key Theme	Description
Bureaucracy	High levels, complexity, difficulties in opening and closing a company, corruption
Financial Support Access and Sources	Difficult to access funding channels (business angels, corporate investments, international investments), difficult to find funds for Seed stage and initial capital, little Private capital, few VCs
Taxation	High taxes, high VAT, high fees, penalties, health insurance
Culture: Entrepreneurship-averse environment	Distrust, social opinion, no respect, lack of entrepreneurial culture, weak knowledge, patent obstacles
Legal environment	Insufficient laws, injustice, instability, rigid labour laws
Lack of State and Regional Funds	State is dry of funds, Call for proposal 2014-2020 has not opened yet
Entrepreneur's deficiencies	Local attitude, lack of feasible ideas, of practical knowledge – marketing experience, education is not business oriented, lack of smart specialization, low self-initiative, not reaching full potential, poor image and material available for investors
Tax Policies	Always changing, no tax relief
Infrastructure and state resources	Incompetent stakeholders, not informed staff, not transparent procurements, not enough support mechanisms of quality
Investors' risk sensitivity	Risk-averse investments
Bank policy	No risks, high interest rates, no loans
Business and knowledge centers	Low connection, low levels of R&D and applied research
Distrust towards investors	Suspiciousness, protection of own interest
Government issues	Instability, no national development strategy
Conflict of interest between investors and start-ups	No common vision
Strict monitoring system, reporting	For state-originated investments
Other: Low trust levels to intermediary services Market instability Grey economy Strict criteria for funding	

5. Policy options

5.1 Suggestions for policy changes required by financial stakeholders

The analysis of the qualitative data provided by the financial stakeholders reveals several thematic issues for which urgent policy changes are required. The key topics are listed in Table 3 along with the most representative descriptions that have been provided by the financial stakeholder participants of the survey.

Table 3: Thematic topics for which policy changes are suggested by investors

Key Theme	Description
More, easier and stronger financing mechanisms	Support non refundable sources for business, combine refundable funds with non refundable grants, reinforcement of funds of funds, more guarantee funds, cross-border syndication fund, equity financing (private & public), leverage private funding, funds by banks
Simpler Institutional Framework	Simplification, reduce bureaucracy, creation and management operations should be easier, decrease regulations, make it easier for international companies to acquire and operate in a country, anticorruption, antimonopoly
Tax Changes	Reduce taxes, reduce VAT, create tax incentives for domestic corporations that buy out start-ups, , tax credits for angel investors, fiscal policies for 1 st year of lifecycle
Raise awareness	Dissemination of good practices, visibility of investment services, information about benefits, obligations, procedures
Educate	Support the education system, follow market needs, improve skills of managers, strengthen motivation, increase investment & growth readiness
Enhance knowledge transfer	Universities – innovation – enterprise connection, networking between R&D knowledge owners and start-ups
Single government vision	Single political will, one vision for the investment strategy
Assist Start-ups – Investors Relations	Proactive matchmaking between investors and start-ups, marketing activities, online databases
Liberal labour market	

A detailed analysis of required policy changes shows more information on the needs for taxation changes. The key themes are listed in Table 4 along with the most representative descriptions that have been provided.

Table 4: Taxation changes suggested by investors

Key Theme	Description
Reduction of taxes and especially VAT	
Tax reliefs, tax incentives, tax breaks	For business angel investments, for VC investments, for corporations that buyout start-ups, for investments in innovative activities, for research and experimental development activities, for new investors, for 1 year start-ups, for re-invested profit, flat taxes, tax breaks for investments in R&D , for VC funds investments
Reduce public debt of start-ups	Moderation, automatic reduction
Simple, clear and stable tax policies	
Lower contributions paid by employers and employees	
Social security relief	
Apply the UK EIS and SEIS scheme	

5.2 Suggestions for policy changes required by start-ups/innovative SMEs

The analysis of the qualitative data provided by the start-ups reveals several themes for which urgent policy changes are needed. The key topics are listed in Table 5 along with the most representative descriptions that have been provided by the start-ups/innovative SMEs participants of the survey.

Table 5: Thematic topics for which policy changes are suggested by start-ups

Key Theme	Description
Tax reliefs, Changes in VAT	Lower or no taxation for 1-3 years of start-ups lifecycle, lower corporate and private tax, lower tax on experts' salaries, lower contributions, tax incentives
Simpler state procedures, Eliminate bureaucracy	Organize the administrative system, finance management related to administration of public funds, simplify operations for establishing and ending a company

Key Theme	Description
More funding mechanisms	combination of non-refundable and refundable sources and investments, government grants and subsidies, co-financing, private and public seed funding, more EU funding, multi-annual funding program creation, subsidized loans by the state, equity
Care for Education	Coaching and training financed by the state, free training in writing business plans, creation of a Master degree Changes in education system, educational measures, changes inside universities and whole schooling system, strengthen entrepreneurial knowledge
Legal changes	New legal framework for start-ups, less penalties, promotion of second chance, speed-up bankruptcy procedures, more prevention, quicker response system
Make access to funding easier	Easier and earlier access, find alternative types of financing, create monetary policies, help identification of private, national, regional and international sources, more active VC and B. angels, stronger government mechanisms
Enhance online and offline infrastructure	Creation of mechanisms to reinforce cooperation between start-ups, platforms for partner searching, matchmaking platforms and events, virtual portals, B2B meetings, database of demand side, quality incubators, accelerators, tech parks, public spaces for networking and co-working
Support dissemination and promotion	More active dissemination, sharing of good practices, of innovations that need capital, of initiatives, promotion of internationalization opportunities
Enhance knowledge exchange and sharing	Enhance cooperation between academic institutions and start-ups, of research and industry, transfer R&D in the business environment, sharing and cooperation with start-ups abroad
Simpler funding procedures	Simpler and clear conditions for capital grants, for Structural Funds, easier monitoring system, implementation procedures
Open Call for proposals 2014 -2020	
Transparency	Elimination of corruption, government data made public, early sharing of information
Tax reliefs for investors	For early stage investors (as with EIS and SEIS in UK), for Business Angels, for private investments
Create more non-refundable funds instruments	For risky start-ups, for innovation oriented initiatives, for experimental development activities
More eager Decision makers	Listen closely to entrepreneurs
Enforce support of experimental development actions	

6. Discussion

The outcomes of the present research reinforce the importance of the success factors for start-up growth as identified also in previous studies of other countries and regions. Regarding the regulatory environmental dimension a complex and unfavourable tax system as well as overregulation and a burdensome bureaucracy are considered big impediments in the SEE region. This coincides with findings in other developing countries, such as Turkey (Benzing, 2009). Insufficient access to financing has been acknowledged as a barrier to start-up development in the SEE region, as statistics also show for other developing regions in the world (OECD, 2014). But examples as the cases of Estonia and South Korea (Kshetri, 2014) demonstrate that these obstacles can be overcome with the appropriate governmental support. The creation of a stable environment through a favourable regulatory framework and reliable government policies are seen as an essential condition for growth and development by start-ups and investors alike in the SEE region. This view is fully backed by Isenberg's (2010) argument that governments should care about implementing legal and regulatory reforms that decrease the barriers for young entrepreneurs and helping build an ecosystem, where entrepreneurial education, a simplified tax regime, provision of a sufficient funding system, less bureaucracy, and other measures and incentives are implemented. Also the need for provision of adequate training and education for entrepreneurs in the SEE region is comparable to the requirements expressed in earlier studies for other developing economies (Hashi and Krasniqi, 2011). The demand for the creation of a more entrepreneurship-friendly culture in the region of SEE confirms previous research done for single countries in the region, such as for Romania by Pendiuc and Lis (2013). It has been proposed that from a policy perspective entrepreneurship should be addressed as a systemic phenomenon and that measures should be crafted with the prerequisite to take into consideration that all functions inside an entrepreneurial venture are driven by the entrepreneur himself (Szerb et al. 2013). The policy changes suggested by the start-ups and investors of the SEE region as presented in this research appear to mainly

substantiate this line of thought. Nevertheless, an important factor to keep in mind in this debate about common policy measures is the fact that SEE is a large geographical area made up of a broad mix of countries which can be seen as one of the most fragmented, diverse, heterogeneous and complex areas in Europe.

7. Conclusions

The present research has been conducted within the framework of the EU co-funded project VIBE (Venture Initiative in the Balkan Europe) during the time period of September/October 2014 with the purpose to gain insights into the existing key needs of start-ups/innovative SMEs and of investors from countries across the region of South-East Europe for policy support regarding investment and growth of their activities across the region, as well as to propose practical recommendations for addressing these needs. A multitude of challenges have been identified both from an investor and from a start-up perspective and the suggestions for the required changes in policy of both groups of stakeholders have been presented in a range of realms, such as funding mechanisms, legal environment, taxation system, education, knowledge transfer, infrastructure, bureaucracy and entrepreneurial culture.

The present research is restricted to a certain extent by the limited number of participating key stake holders from each SEE country in the survey. Another limiting aspect is to be seen in the fact that the current situation is described in an aggregate way rather than discerning the particular situation in each individual country participating in the survey.

Future research could aim to include also support service providers in the SEE region, such as accelerators, incubators, tech parks, chambers of commerce, innovation intermediaries and the like, as well as the relevant policy makers in the region, in order to achieve an even more complete picture. More valid and detailed results could be also achieved by combining the survey with interviews with the main stakeholders. It would be also worth examining in detail, preferably in a longitudinal study, to which degree latest measures have been able to improve the described situation. A more discerning study regarding the varying effects in each SEE country would be useful as well.

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