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THE PERCEPTION OF ENTREPRENEURIAL CLIMATE IN THE REPUBLIC OF CROATIA

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Abstract

One of the most important roles of the government is to provide a positive entrepreneurial climate that allows clearly defined market conditions, thus attracting entrepreneurs (Vehovec, 2002). By focusing on the characteristics important for entrepreneurial growth, governments can develop policies and programs in a targeted manner to help entrepreneurs. In order to examine the entrepreneurial climate in the Republic of Croatia, the Entrepreneurial Climate Questionnaire was completed by 761 leaders from various Croatian companies. The three-factor structure of the entrepreneurial climate was obtained. The first factor, described as the strategic postulates of the country and their impact on the market (clarity of the vision of development and the vitality of the country systems that support it, such as science, education, legislation, financial strategy and justice), the respondents estimated as very unfavorable for successful business development in Croatia. The second factor, described as the behavior of the country on an operational level (public administration services), respondents rated somewhat more favorable than the first factor, though still far from optimal. The third factor, described as the country's impact on competition, was also assessed by the respondents as unfavorable (primarily, they are dissatisfied with the high level of corruption, numerous public administrations demands, unregulated grey labor market and high prices of the financial services). Significant differences in estimates with respect to the form

of ownership have been established, e.g. the state-owned companies estimated the entrepreneurial climate as the most favorable, private foreign companies as less favorable, and private domestic companies estimated it as the most unfavorable. At this point, it seems that the Republic of Croatia does not stimulate, instead, it is a major obstacle to the serious development of entrepreneurial climate and competitiveness. The results show that the situation could easily change with clear strategic guidelines and determination to make changes.

Keywords: *entrepreneurial climate, competitiveness, state strategies, public companies, private companies*

JEL Classification: L26

1. INTRODUCTION

The role and influence of the government have been changing over time, and one of the most important roles in the contemporary world marked by the globalization trend is to provide a positive entrepreneurial climate. The positive entrepreneurial climate provides clearly defined conditions for market functioning and thus attracts entrepreneurs (Vehovec, 2002). To achieve this, the government of a certain country should support entrepreneurial policies in line with market trends, because such an initiative directly enables certain industries or companies to obtain a competitive advantage. Such example is the so-called Asian Tigers, for whom the governmental assistance was crucial to achieving a considerable competitive advantage, and even after that intervention, the governments continued to play a very important role. Best (1990) cites the example of the Japanese Ministry of International Trade and Industry (MITI) and its role in Japan's development after the Second World War. The creation of Japanese industries has been encouraged by many policies of this ministry, and the restructuring policy in the early stages of growth of certain industries can be seen as the focal point of creating Japanese competitive advantage. Lerner (2009) cites the examples of Silicon Valley in the United States, Tel Aviv in Israel and Singapore, which have succeeded thanks to their governments' stimulus.

The desire to stimulate the growth of economy and employment through entrepreneurship and innovation is a common theme in governmental policies since the 1970s. The key message of David Birch's from the MIT in "The Job Generation Process", published in 1979, is that new jobs in the United States are being created in small independent companies, not in the big ones, as it

was believed previously. Birch then recommended government policymakers to turn to indirect strategies, with a greater focus on the role of small businesses (Mazzarol, 2014). A public administration can choose between the following possible approaches (Penezić, 2008):

- ✦ A passive approach, the changes happen by themselves and create new conditions,
- ✦ An active approach, it responds to changes and succeeds in trying to improve side effects and outputs, and
- ✦ A proactive approach, the contemporary trends are noticed, and they cause change.

Public administrations are often slow to implement reforms that would enable the right tools and improve the economy (OECD LEL, 2015). Each country has a different policy in place to encourage and help enterprises and entrepreneurs. Legislation of the countries, which want to achieve the economic advancement, tries to do it in a variety of fields - from research and development to professional assistance, and involvement in the processes themselves (Short, 2012). Entrepreneurs deal with a variety of economic activities and cover a wide range of business. By focusing on characteristics that are important for entrepreneurial growth, governments can develop policies and programs to help entrepreneurs. These policies and programs are often dispersed through various governmental activities in different areas, such as agriculture, tourism, small and medium-sized enterprises, industrial zones establishment, communal infrastructure development, environmental protection, social protection enhancement, etc., so they rarely succeed in encouraging entrepreneurial growth (Rubel and Paladino, 2000). It seems that governments forget that strategic planning is a choice between a variety of options, in line with available resources and a chosen vision of development. Since no public or local government has enough resources to develop on all desired projects, it means that action plans that follow these widely set strategies often contain a list of measures and projects that cannot be implemented due to limited resources available to local governments.

The traditional approach to government influence tends to increase the total number of enterprises through start-ups programs and financing through investment in capital and technology transfer (Mazzarol, 2014). One of the most famous centers of entrepreneurial activity is Silicon Valley, which serves as a model for many governments in pursuit of stimulating economic growth. To-

day, many technological parks can be found throughout the world, following the pattern on which their model was created. Universities and development centers are situated in close proximity, and investors are welcome to be acquainted with the activities being undertaken. Such “entrepreneurial ecosystems,” despite the significant investments of governments and entrepreneurs, often mark poor performance (Mazzarol, 2014).

For financing their operations, governments can no longer rely solely on stable tax revenues, remittances from abroad, easy credit line opportunities, or speculative development schemes. In order to generate additional sources of revenue, it is necessary to identify problems and become better in identifying the requirements of potential investors, which increasingly require good and well-formulated investment projects. Successful economies develop different approaches to investment planning to raise and attract capital, build capacity and create new jobs. Broadly, there are three ways governments and their leaders can successfully retain entrepreneurs, investors, growth, and attractiveness (OECD LEL, 2015):

- ✦ By providing targeted support to employers and entrepreneurs. A government can organize a number of activities directly targeted at employers in order to boost their growth, improve their impact and direct capital investments
- ✦ By improving the business climate or developing the country or some of its parts. Governments intervene to improve the entrepreneurial environment. The government can improve the economic climate as well as the quality of the environment in which businesses, but also people, work.
- ✦ By promoting good business experiences, governments can improve the perception of the business climate. An economy with a high-quality business climate can fail to attract employers and investors if they are unaware that there is a good business climate, so efforts are needed to make this information reach the right place.

Isenberg (2010) developed a concept of “entrepreneurial ecosystems”. The author believes the countries are trying to achieve some unattainable ideals and seek for the successful examples in economies that are completely different from theirs. Today, most effective practices often come from the most remote parts of the world, where resources, legal frameworks, transparent management, and

democratic values are sometimes very weak. Based on lessons learned in countries such as Rwanda, Chile, Iceland, Israel, and Colombia, Isenberg defines nine principles for building a successful entrepreneurial ecosystem:

- To stop emulating Silicon Valley,
- To shape the ecosystem around local conditions,
- To engage the private sector from the start,
- To select existing companies, industries, and activities and build entrepreneurial ecosystems on their foundations, skills, and abilities,
- To make significant progress as soon as possible,
- To start immediately with changes in organizational culture,
- To change the established ways of doing business,
- To help clusters to reach organic development rather than quick and artificial,
- To reform legal, regulatory and bureaucratic frameworks.

The government's role needs to be indirect and focused on their alignment instead of management. Each of the nine principles mentioned above is key to entrepreneurship - but separately insufficient for its maintenance. They are of key importance only if integrated into the holistic system. Achieved success will become a paragon to others who are in the vicinity of this kind of change.

Acemoglu and Robinson (2008) claim that institutions are the root causes of different economic growth and development across countries. Douglass North (1990, p. 3, according to Acemoglu and Robinson, 2008) defines institutions as "rules of the game in the society or, the restricting conditions designed by humans shaping the human interaction." There are three important features of the institutions that can be seen in this definition:

- They have been designed by humans, which is contrary to other causes of economic growth and development outside human influence, such as geographic position,
- They are the "rules of the game" setting the "restrictions" to human behavior and,
- Their main influence is rewards-based.

International Data Corporation (USA) has reached a similar conclusion after conducting an analysis of the data from the period 2012-2016. The results

have shown that there is a set of factors with constant statistical significance impact on business efficiency throughout the study period. These factors are fiscal policy, institutional framework, social framework and education (Bris and Caballero, 2017). The second part of the study, related to business productivity, has shown that the single factor which has a consistent impact on productivity throughout the entire period is the institutional framework. These results indicate that “institutional competitiveness” plays a significant role in defining business efficiency and productivity.

Bris and Caballero (2017) confirm that the quality of the legislative and regulatory system is a key driver of efficiency and productivity. Increased transparency of government policies and the simultaneous reduction of corruption induce business efficiency and productivity. The adaptability of government policies to changes in the economy is equally important.

2. METHODOLOGY

In order to examine the perception of the entrepreneurial climate and its impact on the efficiency of companies in the Republic of Croatia, a questionnaire was prepared to contain 21 assertions, representing various areas important for the entrepreneurial climate. With respect to each assertion, the respondents evaluated them on a 7-tier Likert scale, 1 meaning complete disagreement with the assertion, and 7 meaning full agreement with the assertion.

For this research, an online survey method was used, and respondents were invited to participate via e-mail. The sample was occasional. The data was collected in June 2018. The participants first got the instruction in which the research goal was described, and it was emphasized to them that the survey was voluntary and anonymous, that there was no time limit, although the time needed for completing the questionnaire was approximately 20 minutes. Data were collected from 866 persons, and the incomplete and inconsistent responses were left out of further processing. The final sample of 761 persons in leadership positions in Croatia was obtained, of which there were 273 female and 483 male participants.

3. RESULTS

3.1. THE ENTREPRENEURIAL CLIMATE IN WHICH THE ORGANIZATION OPERATES

The exploratory factor analysis was made on the data collected to obtain clear information on the specific characteristics of the entrepreneurial climate on the Croatian market and its impact on business operations. As a factor extraction method, the main component method was used. After the factor extraction, based on a Scree plot (Figure 1), showing the characteristic roots of all factors, it was decided to retain three factors.

Figure 1. Screen plot of characteristic roots of individual factors (N = 761)

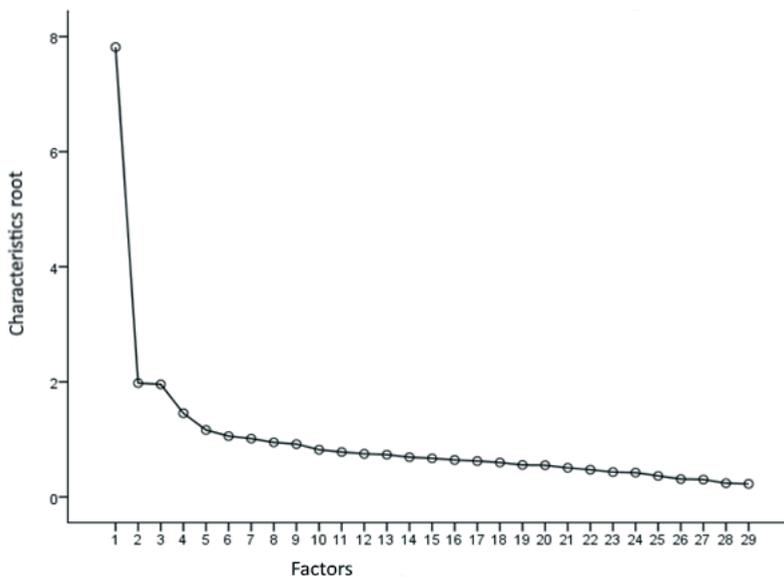


Table 1 shows the percentages of the explained variance of the retained factors.

Table 1. Display of the percentage of explained variance in retained factors before and after rotation and their characteristic roots (N = 761)

Factor	Initial characteristics root			Characteristics root after rotation		
	Characteristics root	% of variance	Cumulative %	Characteristics root	% of variance	Cumulative %
1	7.82	26.95	26.95	5.61	19.34	19.34
2	1.98	6.82	33.77	3.34	11.51	30.85
3	1.98	6.74	40.52	2.81	9.67	40.52

Varimax rotation was used to obtain a factorial clear structure, and three obtained factors explain 40% of the total variance, with as much as 20% explaining factor 1. Table 2 shows the structure of the retained factors and only significant factor loads are shown.

Table 2. Factor structure view after factor rotation (N = 761)

Assertion	Factor		
	1	2	3
<i>FACTOR 1 - Strategic determinants of the country</i>			
Scientific-research institutions focus research on entrepreneurship needs	0.75		
The level of cooperation between entrepreneurship and scientific research institutions is high	0.73		
The judicial system is independent of external influences	0.71		
The education system is geared towards the development of a competitive economy	0.71		
The judicial system is fast and efficient	0.70		
The government is spending taxpayers' money in the right way	0.57		
The regulations allow a fair market game	0.51		
The legislation and laws stimulate foreign investment	0.54		
The judicial system protects private property	0.52		
The customs procedures are implemented in the right way	0.51		
The company may easily dispute the procedures or regulations of the public administration	0.48		
Laws and regulations allow flexible employment and dismissal of employees	0.47		
It is easy to obtain a business credit line regardless of the company size	0.41		
Laws allow the transition to digital business models	0.40		
Croatian residents are mobile when for a job	0.33		
The financial market in Croatia is stable	0.32		
<i>FACTOR 2 - Operational activity of public administration</i>			
Laws and regulations are tailored to business trends		0.83	
Changes in laws and regulations are announced in time so that we can prepare for them		0.80	
We have all the resources needed to track changes that come from the state administration		0.69	
Public administration officials are skilled for the work they do		0.67	
The entrepreneurship climate in Croatia is stimulating for the company I work in	0.43*	0.68*	
<i>FACTOR 3 - Government influence on competitiveness</i>			
Enterprises financed by public funds distort the market competitiveness			0.61
The licenses and approvals needed to work make it difficult for doing business			0.55
The level of corruption in Croatia badly affects business			0.53
Incentives and tax deductions distort competitiveness			0.53
Meeting the demands of public administration is a huge burden			0.52
The judicial system causes business problems			0.51
The prices of financial services in Croatia make business more difficult than in other countries			0.49
Unregistered or informal companies/individuals distort the market competitiveness			0.49

* the assertion is saturated with two factors with greater saturation by factor 2

Based on the factor structure, factor 1 represents assertions that point to the perception of the government strategy and its impact on the market through the vision development clarity and the ability of vital country systems (science, education, legislation, financial strategy, and justice) to support this strategy.

Factor 2 is represented by the assertions that point to the behavior of public administration towards business entities at an operational level, and factor 3 is represented by the assertions describing the government's influence on competitiveness.

Based on these factors, subclasses were created as simple linear combinations of results on their constituent assertions. Higher scores in factors 1 and 2 indicate a more positive attitude towards the Croatian entrepreneurial climate, and in factor 3, higher scores mean a more negative attitude. Table 3 shows the average results for the whole sample, ranked by the assertion size within each factor, to see how Croatian companies generally evaluate each of them.

Table 3. Overview of the average of results and their distribution on the questionnaire on the environment ranked within each factor (N = 761)

Assertion	M	Doesn't	Neither-	Agrees
		agree (1-2)	Nor (3-5)	(6-7)
<i>FACTOR 1 - Strategic determinants of the country</i>				
The judicial system is fast and efficient	1.64	85%	14%	1%
The judicial system is independent of external influences	1.76	80%	19%	1%
The education system is geared towards the development of a competitive economy	1.94	76%	23%	1%
The government is spending taxpayers' money in the right way	1.98	75%	23%	2%
R&D institutions focus research on entrepreneurship needs	2.23	66%	32%	2%
The legislation and laws stimulate foreign investment	2.32	64%	34%	2%
The level of cooperation between entrepreneurship and R&D institutions is high	2.33	62%	36%	2%
The company may easily dispute the procedures or regulations of the public administration	2.39	63%	35%	3%
Laws and regulations allow flexible employment and dismissal of employees	2.48	59%	36%	5%
Croatian residents are mobile when looking for a job	2.60	59%	33%	8%
The judicial system protects private property	2.76	49%	47%	4%
The customs procedures are implemented in the right way	2.77	45%	53%	2%
The regulations allow a fair market game	2.80	46%	52%	2%
It is easy to obtain a business credit line regardless of the company size	2.80	46%	51%	3%
Laws allow the transition to digital business models	3.17	38%	57%	5%
The financial market in Croatia is stable	3.30	34%	56%	10%
<i>FACTOR 2 - Operational activity of public administration</i>				
The entrepreneurship climate in Croatia is stimulating for the company I work in	2.41	62%	35%	3%
Public administration officials are skilled for the work they do	2.69	51%	44%	4%
Laws and regulations are tailored to business trends	3.08	45%	44%	11%
We have all the resources needed to track changes that come from the state administration	3.30	36%	53%	12%
Changes in laws and regulations are announced in time so that we can prepare for them	3.54	35%	48%	17%
<i>FACTOR 3 - Government influence on competitiveness</i>				
The level of corruption in Croatia badly affects business	5.61	6%	30%	64%
Meeting the demands of public administration is a huge burden	5.33	5%	42%	52%
Unregistered or informal companies/individuals distort the market competitiveness	5.21	6%	45%	49%
The prices of financial services in Croatia make business more difficult than in other countries	5.04	8%	46%	46%
The judicial system causes business problems	4.94	16%	35%	49%
Enterprises financed by public funds distort the market competitiveness	4.90	6%	54%	40%
The licenses and approvals needed to work make it difficult for doing business	4.69	11%	53%	36%
Incentives and tax deductions distort competitiveness	4.18	23%	49%	29%

From Table 3 almost all respondents perceive that the strategic determinants of a country that have an impact on the Croatian market, described by Factor 1,

are currently very poorly set. If we take into consideration that assertions were evaluated on a scale of 1-7, the average results below 2 can be viewed as an alarm signal. The worst rated assertions are related to the effectiveness and independence of the judicial system, which were given the lowest rates by more than 80% of respondents, while only 1% of them gave it good rates. Equally bad rated are the assertions related to education (76% of respondents rated this system as a very poor) and science (66% of respondents rated this system as a very poor) as tools necessary to achieve effective economies, and the government's policy of spending taxpayers' money in the wrong way (75% of respondents believe this). Third, there are several assertions pertaining to the legislative framework, which was assessed as an obstruction to the development of a competitive economy. In the total number of assertions that describe this factor, the best-ranked ones are those relating to the stability of the financial market and the legislative framework of digital business models, but their average means are below 4, which is only an average rating.

These results clearly indicate that respondents almost unanimously agree that the Government of the Republic of Croatia should urgently adopt a clear strategy for the development of entrepreneurial climate and, accordingly, define guidelines for the development of the judicial system, education system, science and an adequate legislative framework that would support the systematic development of a competitive economy. At this point, it seems that Croatia is not encouraging but is a major obstacle to serious development of an organization's competitiveness.

Assertions of Factor 2 are slightly better rated than those of Factor 1. These assertions describe situations in which companies and public administrations meet each other on an everyday, operational level. They refer to the promptness in obtaining the necessary information, the expertise of officials, specific regulations and the like, where the general deviation in quality of individual services is much greater, so many meets both positive behaviors or positive individual good practices, which necessarily raises ratings of Factor 2. Their highest average score is below 4, which leaves enough room for possible progress. The results on the assertions of this factor could probably be improved systematically further just by defining a clear strategy, which is described by Factor 1, i.e. without some additional targeted activities, though they are also desirable.

Ratings of the assertions in Factor 3 are interpreted opposite than ones of the first and second factors. Higher ratings mean poorer results, so they are

ranked like that. This factor describes the impact of the public administration on competitiveness and, it can be concluded that public administration, by its own performance or by refraining from performance, has set a number of challenges that may be insurmountable to many businesses. Therefore, companies may have problems not only to run a successful business but to survive in general.

On the first place is a high level of corruption, with which the public administration has obviously not yet coped in a strategic and systematic way leaving many companies in disrepair due to this significant problem of the economy. On the second place are obviously numerous public administrations demands, which cause problems for most enterprises in conducting business. Then there is a problem of still insufficiently regulated grey market and the problem of high prices of financial services. Lastly, the poor functioning of the judicial system and the disloyal competition of publicly financed companies are mentioned again. They jeopardize the business operations of the companies that need to find their own source of funding to achieve their goals and in addition to that, fight with everyday liquidity or public administration requirements. In this set of assertions, it seems that respondents are generally the least dissatisfied with tax reductions and incentives.

All of the above is an objective set of problems that could easily begin to change with clear strategic guidelines and determination to make changes. It can be stated that companies in Croatia are founded only by those who are very proactive, have a clear vision and enough courage to do business despite the limitations of the entrepreneurial climate. Environmental stimuli are, obviously, only theoretical, and companies are being obstructed by real problems such as the poor judiciary, corruption, poor science, and education strategies, etc. The only question is how long they will be able to fight the negative impacts of the environment and how much more successful they would be if, instead of constantly fighting with obstacles, they could operate on the wings of opportunities, because their goals and goals of the country should be identical.

It is no surprise that many Croatian small and medium-sized enterprises consider the market globalization as salvation, so they direct their business to foreign markets in a form of closer cooperation with them or distribution of products to them, so they see globalization not as a threat but as a great opportunity.

3.2. IMPACT OF ENTREPRENEURIAL CLIMATE IN TERMS OF OWNERSHIP STRUCTURE

To respond to this problem, a multivariate analysis of variance was used, followed by a canonical discriminatory analysis. First, the assumptions for the implementation of the multivariate variance analysis (checking the univariate normality of the distribution, the homogeneity of covariance of the matrix (Leven's test), and test of covariance matrices - covariance (Box's test) was carried out. Multivariate variance analysis has shown that enterprises with different ownership structure statistically significantly differ from the point of view of entrepreneurial climate perception (Wilk's $\lambda = 0.95$; $F(6,1504) = 7.16$; $p < 0.01$). Given this result, a subsequent canonical discriminant analysis was carried out in the next step. Two functions were obtained, of which the other is not significant (Function 1 - Wilk's $\lambda = 0.94$; chi-square (6) = 42.42; $p < 0.01$; Function 2 - Wilk's $\lambda = 1.00$; chi-square (2) = 0.19; $p > 0.05$). Table 4 shows the matrix of the structure of the function obtained.

Table 4. Display of a matrix of the structure after conducted canonical discriminant analysis (N=761)

Entrepreneurial climate Function 1	
Factor 1	0.92
Factor 2	0.70
Factor 3	-0.60

The first function is significantly associated with all three factors, there is a positive correlation with the first two, and negative with the third, since the third, as it was already explained, is being interpreted opposite than the first two. This function represents the overall view of the entrepreneurial climate in Croatia. Greatly linked to it is the first factor, which describes the strategic determinants of the country, then the second one, which refers to the country's operative activities, and finally the third, which is about the country's influence on competitiveness. The higher the score, the more positive view of the entrepreneurial climate. In this function, the highest result was achieved by the respondents employed in state-owned enterprises ($M=0.50$), followed by those in the foreign-owned enterprises ($M=0.22$) and, finally, leaders from domestic-owned enterprises ($M=-0.20$). This means that the companies operating the easiest on the Croatian market are the state-owned companies, then the foreign private companies, which are likely to have both size and foreign expertise in their favor,

which helps them to cope easier with the country challenges. Domestic private companies see operating in such a climate as very hard.

In order to gain a more detailed insight into these differences, a comparative analysis of the average results for individual assertions represented by each factor of the entrepreneurial climate, given the ownership structure of the company, was conducted and presented in Table 5.

Table 5. Display of group average results on the questionnaire assertions and their comparison to the average results of the organization with respect to the ownership structure

Assertion	MU	MPDO	MPSO	MDO
<i>FACTOR 1 - Strategic determinants of the country</i>				
The judicial system is fast and efficient	1.64	1.61	1.62	1.89
The judicial system is independent of external influences	1.76	1.65	1.82	2.20
The education system is geared towards the development of a competitive economy	1.94	1.91	1.88***	2.31
The government is spending taxpayers' money in the right way	1.98*	1.86*	2.02*	2.67*
R&D institutions focus research on entrepreneurship needs	2.23	2.18	2.30**	2.27
The legislation and laws stimulate foreign investment	.232	2.17	2.42	2.85
The level of cooperation between entrepreneurship and R&D institutions is high	2.33	2.28	2.38**	2.36
The company may easily dispute the procedures or regulations of the public administration	2.39	2.27	2.55	2.58
Laws and regulations allow flexible employment and dismissal of employees	2.48	2.33	2.57	3.02
Croatian residents are mobile when for a job	2.60	2.57	2.62	2.76
The judicial system protects private property	2.76	2.64	2.89	3.00
The customs procedures are implemented in the right way	2.77	2.64	2.90	3.04
The regulations allow a fair market game	2.80	2.62	3.01	3.07
It is easy to obtain a business credit line regardless of the company size	2.80	2.59	3.12**	2.91
Laws allow the transition to digital business models	3.17	3.11	3.18	3.60
The financial market in Croatia is stable	3.30	3.13	3.61**	3.22
<i>FACTOR 2 - Operational activity of public administration</i>				
The entrepreneurship climate in Croatia is stimulating for the company I work in	2.41*	2.18*	2.63*	3.02*
Public administration employees are skilled for the work they do	2.69*	2.47*	2.82*	3.65*
Laws and regulations are tailored to business trends	3.08*	2.79*	3.42*	3.58*
We have all the resources needed to track changes that come from the state administration	3.30*	3.01*	3.66*	3.82*
Changes in laws and regulations are announced in time so that we can prepare for them	3.54	3.39	3.75**	3.73
<i>FACTOR 3 - Government influence on competitiveness</i>				
The level of corruption in Croatia badly affects business	5.61	5.63	5.60	5.38
Meeting the demands of public administration is a huge burden	5.33	5.42	5.30	4.91
Unregistered or informal companies/individuals distort the market competitiveness	5.21	5.35	5.00	5.18
The prices of financial services in Croatia make business more difficult than in other countries	5.04	5.23	4.76***	4.87
The judicial system causes business problems	4.94	5.04	4.87	4.53
Enterprises financed by public funds distort the market competitiveness	4.90	4.99	4.83	4.44
The licenses and approvals needed to work make it difficult for doing business	4.69	4.85	4.53	4.33
Incentives and tax deductions distort competitiveness	4.18	4.27	4.05	4.02

*** the lowest rating that was not given by respondents from private domestic companies

** the highest ratings that were not given by respondents from state organisations

* items with the greatest differences between the best and worst rating

MU - arithmetic mean per each assertion for the whole sample

MPDO - arithmetic mean per assertion for private domestic organisations

MPSO - arithmetic mean per assertion for private foreign organisations

MDO - arithmetic mean per assertion for state organisations

From the results shown in Table 5, it can be seen that the highest rates were given by the leaders of state-owned enterprises, then by leaders of private foreign companies and finally by leaders of private domestic companies. This table confirms the results of variance analysis and discriminant analysis,

which marked statistically significant differences between these three groups of companies with respect to the ownership structure. The following can also be read from the data:

- ✦ In comparison to domestic companies, the foreign private companies gave worse rates to the assertions related to the poor educational system, given that it is not directed to the development of a competitive economy. These companies often find themselves dissatisfied with the Croatian labor market, in terms of lack of expertise and competence to carry out various jobs, so it would be good to make the necessary reforms as soon as possible so that our workforce becomes more competitive in the market, especially for more demanding jobs.
- ✦ The foreign private companies also give the worst rates to the price of financial services in Croatia, which makes business operations more difficult than in other countries. It would be good to make analyses, which would reveal in detail key elements upon to which to act to attract and retain as many foreign organizations as possible in Croatia.
- ✦ It is interesting to note that the private foreign companies give the highest marks than all to the financial stability of the Croatian market, the ease of obtaining business credit lines regardless of the size of the organization and the timely announcement of changes or the introduction of new laws and regulations. It is possible that these assessments generally came as a consequence of the level of general business literacy of private foreign companies, which may in these settings see more opportunities than threats, as opposed to private domestic companies. The recommendation would be a continuous work on entrepreneurial literacy for private domestic enterprises so that they could see more opportunities than threats in the existing entrepreneurial climate, which would have a positive impact on their business operations (perhaps even on better management of financial performance indicators).
- ✦ The foreign private companies rated the cooperation between entrepreneurship and scientific-research institutions with the highest marks, which may indicate the existence of some systemic factors that enable them to do so, compared to domestic companies. It would be good to examine that as well and teach state-owned and private domestic companies how to gain greater benefit for themselves in this area.

- ♦ The greatest differences between the maximum and the minimum rates are observed on almost all the assertions that are included in the factor of so-called operational public administration activities, and the Factor 1 assertion, which assesses whether the government spends public revenue on the adequate things. This means that leaders of state-owned enterprises give higher rates to the assertions related to the operational operations of public administration (employee expertise, prompt informing, business environment encouragement, adjustment of legislation and regulation to the business trends) than their colleagues in private domestic companies.

Two conclusions can be drawn here. The first is that the overall operation of public administration is more tailored to a state-owned company than to the private ones. If this is the case, it is important to make a good analysis and adequate changes in accordance with them. The other is that there are numerous parameters of public administration that could be more favorable to smaller domestic private companies, but leaders of those companies are not familiar with them, which requires urgent action. A similar conclusion can also be applied to the statement that the government does not spend public revenue on adequate things. Perhaps systematic information on how the selected investments could fit into the development strategy could increase their overall understanding and affection towards them. In addition, the government should listen to the market needs of all participants, not just some, and respond promptly and adequately to them.

The Croatian market seems to be the most favorable to the state-owned enterprises, while systematically ignoring the problems of domestic private companies, which is why they suffer significantly. In other words, the healthiest and most vital part is encouraged the least, which is mostly determined to succeed, and it does succeed, in spite of all these obstacles. It raises the question of how long they will manage to do so and at what costs. The next question is how many entrepreneurs with excellent ideas have given up or failed, and how many potential entrepreneurs do not dare to start because of the obviously unfavorable entrepreneurial climate.

4. CONCLUSION

Numerous theoretical research and contemporary business practice point to the great importance of stimulating an entrepreneurial climate for the development of the country's competitiveness and the important role of the government to enable this through its strategic engagement. The aim of this research was to find out how the leaders of Croatian companies perceive the entrepreneurial climate in Croatia and does their perception differ due to the ownership structure of the companies they work in.

The factorial analysis of the obtained data showed the existence of three factors that describe the entrepreneurial climate in Croatia. The first relates to the perception of the country strategy and its impact on the market through the development vision clarity and the ability of vital country systems (science, education, legislation, financial strategy, and justice) to support that strategy. The second factor relates to the perception of public administration behavior towards business entities on an operational, daily level, and the third to the perception of country influence on competitiveness.

The results of the tests indicate that all respondents are very dissatisfied with all factors, and mostly with the first, where average results below 2 (on a scale of 1-7) can be seen as an alarm signal. The worst rated assertions are related to the effectiveness and independence of the judicial system, rated with the lowest grades by more than 80% of respondents, while only 1% of them rated them as well. Equally bad rated got the assertions related to education (76% of respondents rated this system as a very poor) and science (66% of respondents rated this system as a very poor) as tools necessary to achieve effective economies, and the government's policy of spending taxpayers' money in the wrong way (75% of respondents believe this).

Evaluations on the second factor are somewhat higher than those on the first - their highest average value is below 4, which is a result that still leaves enough room for improvement. Ratings on the third factor are also very bad. On the first place is a high level of corruption, with which the public administration has obviously not yet coped in a strategic and systematic way, leaving many companies in disrepair due to this significant problem for the economy. On the second place are obviously numerous public administrations demands, which cause problems for most enterprises in conducting business. Then there

is a problem of still insufficiently regulated grey market and the problem of high prices of financial services.

In order to answer the question of whether companies value entrepreneurial climate in Croatia different in terms of their ownership structure, a canonical discriminant analysis has been conducted. One significant discriminatory function has been obtained, which can be described as a general perception of the entrepreneurial climate in Croatia, and greatly linked to it is the first factor, which describes the strategic determinants of the government, and then the second, which refers to the government's operative activities, and finally the third talking about the government's influence on competitiveness. The higher the score, the more positive view of the entrepreneurial climate. In this function, the highest result was achieved by the respondents employed in state-owned enterprises ($M=0.50$), followed by those in the foreign-owned enterprises ($M=0.22$) and, finally, leaders from domestic-owned enterprises ($M=-0.20$). This means that the companies operating the easiest on the Croatian market are the state-owned companies, then the foreign private companies, which are likely to have both size and foreign expertise in their favor, which helps them in some ways to easier deal with the state challenges. Domestic private companies express most problems regarding operating in Croatia.

The Croatian market seems to be the most favorable to the state-owned enterprises, while systematically ignoring the problems of domestic private companies, which is why they suffer significantly. In other words, the healthiest and most vital part is encouraged the least, which is mostly determined to succeed, and it does succeed, in spite of all these obstacles. All of the above is an objective set of problems that could easily begin to change with clear government's strategic guidelines and their determination to make changes.

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