

Entrepreneurially Into the World of Business, Slovenia

This case study presents a project that supports youth in business creation. It presents the project's objectives and rationale, and describes its activities, including entrepreneurship training, coaching and mentoring, business counselling and an allowance. Data on the impact are also presented. The case study also discusses the challenges faced in designing and delivering this project and the conditions needed to transfer it to another context.

Objectives

Entrepreneurially Into the World of Business (*Podjetno v svet podjetništva*) was designed to address the high rate of unemployment among highly educated people under 35 years old with an undergraduate or postgraduate degree, regardless of university, study programme or type of study. It was designed to enable selected participants to identify and exploit a business opportunity and to become self-employed, start their own company or find employment with another employer. The project was launched to address the following main goals:

- reduction of youth unemployment;
- expansion of entrepreneurial skills; and
- creation of high-quality jobs.

The project provided a salary for 6 months through the Regional Development Agencies (RDAs) while participants underwent an intensive training programme on entrepreneurship, marketing, sales, accounting and financial management, or received coaching and mentoring to develop a specific business idea. At the end of the programme, participants are provided with consultancy and advisory services for another year. The project was pilot tested in the Zasavje region in 2009-12 and was implemented nationally in 2013 and 2014.

Rationale

The project was initially implemented at regional level in the Zasavje area, the smallest region in Slovenia. Once a highly developed coal-mining and industrial region, it faced a rapid loss of jobs due to adverse competitive and market trends. With limited investment in new business ventures and growth of active companies, one of potential solutions for renewing the development of the region was youth entrepreneurship.

Youth in Slovenia faced, and still face, challenges entering the job market that hinder them in securing appropriate employment. Although resources and energy are invested in

their education, prolonged unemployment harms their long-term social and economic prospects and forces them into various forms of precarious work. The main reasons for their difficulties entering the core labour market include:

- lack of work experience;
- an imbalance between educational supply and demand in the job market;
- a dominance of short-term or sporadic local employment offers; and
- a shortage of new jobs.

The initiative, therefore, was addressed at addressing the poor match between the skills produced by the higher education system and the skills required by employers, as well as a policy gap (i.e. few active labour market measures for young graduates).

Activities

The project provided training, mentoring and individual business advisory support to help participants acquire the core competences for developing and implementing a business idea. The goal was that participants would be able to start a business and become self-employed, or find paid employment, within 1 year of completing the training. To be eligible, potential participants had to meet the following criteria:

- registered as an unemployed job seeker;
- less than 35 years old;
- obtained a college, higher education, master or doctoral degree;
- have an entrepreneurial idea; and
- have a permanent place of residence in the region.

The project was implemented in three phases: i) pilot project in the Zasavje region during 2009-12; ii) national project in 2013 implemented by each of 12 RDAs; and iii) a larger national project in 2014 implemented by each of 12 RDAs with an increased number of participants. The initial target group for the pilot project in the Zasavje region, included 40 individuals. The national project's target group was 240 individuals in 2013, and 360 in 2014.

The first phase was implemented solely by the Regional Development Agency Zagorje in the Zasavje region, supported by the municipality Zagorje ob Savi. The national project, supported by the Slovenian Ministry of Labour, Family, Social Affairs and Equal Opportunities, was implemented by all 12 RDAs in Slovenia. Although each RDA had a certain level of flexibility in implementing the project in their regions, the RDA in Zagorje ob Savi, as the lead implementing partner, had an overall supervisory role. It was also responsible for reporting and financial accountability.

All phases of the project followed the same approach, as designed in the initial phase of implementation and included the following main phases:

1. call for applications and selection process;
2. employment in RDAs and extensive training during the set period of time; and
3. advisory support during 1 year after the end of the programme.

Calls for application were published simultaneously by all RDAs in the *Slovenian Official Gazette* and online with the goal of attracting sufficient interest to select 10 participants for each implementation round. The initial phase included 4 calls for applications and 10 participants were selected for each 6-month employment and training programme. The employment and training programme was shortened to 5 months (2 calls per year) and 4 months (3 calls per year) during the national projects in 2013 and 2014, respectively. The

shortening of the employment and training programme was a result of the decision to include additional groups of participants but with the same financial resources.

To apply to the project, applicants had to submit an application form, fill out a questionnaire and provide their CVs, graduation certificates and proof of unemployment from the Employment Service. In addition to basic information about each applicant, the questionnaire required applicants to provide information about their skills and interests, professional goals, entrepreneurship motivation and business ideas, and ways to develop them. The number of applicants varied from region to region, with lower interest in smaller communities and higher interest in major cities such as Ljubljana and Maribor. Each regional development agency's evaluation committee consisted of 2 staff members, 1 external mentor and 1 Employee Service staff who selected between 20 and 50 candidates (in each region) to interview. The main criteria for selecting the project participants were candidates' entrepreneurial potential, knowledge, motivation and interests, and most importantly the business idea and scope for realising it.

The selected group of 10 participants in each region was hired by the RDAs as public servants on a minimum-salary full-time contract (EUR 789 per month in 2014) for the duration of the extensive training programme led by agency staff and external mentors in which they took part. Each RDA used trainers, usually experienced agency staff, to co-ordinate and deliver the training modules that were related to their expertise. One external mentor was also engaged by each agency for each group of participants, usually a successful local entrepreneur or lawyer experienced in commercial law for provision of specific trainings of up to 28 hours per month for the entire duration of each group's training programme. External mentors were remunerated for their services in the amount of EUR 900 per month.

The training programme was designed to educate participants on a daily basis in all entrepreneurship-related topics such as introduction to entrepreneurship, business model generation, business plans, financing, commercial law, employment, accounting, marketing, sales, ICT, networking and social entrepreneurship. The training programme focuses on general topics and group work at the beginning and over time increases individual training and coaching for each participant and his/her business idea. In addition, based on the needs of each group of participants, RDAs invite other local entrepreneurs and specialists to provide training modules, sharing their knowledge and experiences.

Both internal RDA staff and external mentors are available for any advisory service participants developing their business ideas for one year after successful completion of each training programme. However, this support is not structured and depends on specific participants' needs and mentors' availability.

Project development

The project design has changed slightly since the initial pilot project in Zasavje:

- The duration of employment and training has been shortened from 6 months for each group as initially implemented to 5 months during the first nation-wide phase, and finally to 4 months for each group for the implementation in 2014 in order to include more participants per implementation phase and to keep costs in check. The scope of training and support has remained the same.
- The subsequent phases of the project redesigned the training programme to include more specific and individual training based on participants' needs.

- Training programmes have been modified by each RDA based on their specific group of participants and designed to include changes in economic development, ICT, development of crowd funding, etc.
- RDAs have sought to include more external experts (entrepreneurs and various specialists) in the training programme on a *pro bono* basis.
- Having completed the training programme, participants can apply for financial support for their start-ups to existing support programmes developed by the Slovenian government but the project itself does not provide financial support to participants after they complete the training programme.

In addition, since the project was extended to all RDAs in 2013, the implementation team has organised a Project National Conference for all participants to share experiences, network and potentially develop new lines of collaboration.

Project financing

The initial pilot project was co-financed by the Regional Development Agency Zagorje (57%), European Regional Development Fund (28%) and the Municipality of Zagorje ob Savi (15%) with a budget of EUR 604 900.

The first national project was implemented as “Entrepreneurially Into the World of Business 2013” and implemented from 1 November 2012 to 30 April 2014 with the total budget of EUR 3 816 534. It was co-financed by the European Union through the European Social Fund (ESF) (85%) and the Ministry of Labour, Family, Social Affairs and Equal Opportunities (15%). The Project was performed under the Operational Programme for Human Resources Development for the period 2007-13, Priority axis 1 “Promoting Entrepreneurship and Adaptability”, 1.2 policy priority “Training and Education for Competitiveness and Employability”.

The second phase of the national Project was implemented from 15 November 2013 to 30 August 2015 and is estimated at EUR 4 702 038, co-financed by the European Union through the ESF (85%) and Slovenian Ministry of Labour, Family, Social Affairs and Equal Opportunities (15%).

Challenges encountered

The project has faced several challenges as it has evolved. First, it has been difficult at times to attract potential candidates to the project. To achieve a sufficient number of candidates with quality business plans, the evaluation committee can decide to relax some of the entry requirements during the evaluation of applications when an exceptional business idea is described. In addition, when there are fewer than 10 successful applicants in each group, those who were unsuccessful in previous calls are invited to join the current group of participants to boost the group size.

In addition, it has been a challenge to offer the appropriate scope of themes for the specific groups of entrepreneurs during training. Each RDA has the flexibility to modify the training programme based on the needs of their specific group of participants. This allows flexibility and customisation to the needs of the regional labour market.

Impact

The success rate is monitored by a data collection form from the Employment Service and registration confirmation document from the Agency for Public Legal Records and Related Services. In addition, having relatively small groups of participants per call for

applications, the project developed online communication tools for participants and implementing partners and the project team is available to interested individuals participating in the project in order to support them and monitor progress after they formally leave the programme.

During the first phase in 2009-12, 97 unemployed young people in Zasavje region applied to participate in the project. The project selected 40 participants and it was expected to lead to the creation of 2 new businesses and help 10 others in finding paid employment. Unfortunately, there was no requirement to report back to the RDA with proof of employment during this period. Based on interviews, the project implementation team estimated that the first phase resulted in 10 newly opened businesses in the Zasavje region and 10 individuals finding jobs as employees (out of 40 participating).

In January 2013 (the first call of the national project in 2013), 754 unemployed individuals applied to participate in the project. By the end of 2013, following the second call for applications, the total number of individuals applying reached 1 246. There were 130 participants selected after the first call and 120 after the second call (i.e. 250 in total). The available data (as of 31 December 2014) show that 134 (62.8%) of those participating in the first nation-wide group successfully found employment or started their businesses.

In 2014, the project was able to launch 3 calls for applications, since the duration of training has been reduced to 4 months. There were 360 participants.

These results are summarised in Table 18.1.

Table 18.1. Key metrics for the 3 project phases of Entrepreneurially Into the World of Business

Implementation phase	Budget in Euro	Participants	Cost per participant	Success rate (i.e. self-employment or employment – %)
Local project 2009-12	604 900	40	EUR 15 122	47
National project 2013	3 816 534	250	EUR 15 266	63
National project 2014	4 702 038	360	EUR 13 061	60

Conditions for transfer

This project began as a local pilot project and was successfully scaled-up to a national project after showing promise. The experience provides many lessons and suggests that the following critical issues should be considered when attempting to introduce a similar approach in other contexts:

1. *Develop support locally to meet client needs.* This project started as a pilot in one region of Slovenia. It was able to demonstrate to the national institutions what could be achieved and how it could be accomplished. This local approach not only allowed for the development of support that met client needs, but also reduced the risk of using large amounts of public funding to experiment initially with the approach nationally. For this approach to be successfully transferred, it is necessary for the national authorities to be open to this “bottom-up” possibility and to have the systems in place to assess initiatives and filter them for the possibility of being scaled-up at the national level.
2. *Ensure objectives are appropriate.* That the programme was evenly distributed per RDA meant that some regions found it harder to fill allocated places than others. This resulted in taking on unsuccessful applicants from previous rounds and increasing the

age groups at the margin in regions with fewer applications. This has likely had an effect on the final impact but could be compensated by determining the allocation per region on a per capita basis.

3. *Secure financial resources to pay salary/allowance.* An important and novel feature of this project was that the RDAs were able to employ the participants on the minimum wage for 4 to 6 months. The need for this feature is dependent on the characteristics of participants and on the availability of other supports in the welfare state system. In addition to providing some income support, this feature supported the development of strong work habits and facilitated contact with a wide range of business professionals and entrepreneurs, which increases motivation and enhances entrepreneurial networks.
4. *Allow for flexibility in implementation.* The national institutions must be open to the possibility of variations that add value for participants, rather than insisting on a one-size-fits-all approach often required by funding regimes. However, the degree of flexibility has implications for the monitoring and evaluation system and must be considered when designing monitoring and evaluation systems.
5. *Provide some financial support.* The first two rounds of the project did not involve any form of financial support to potential entrepreneurs. However, it is likely that the success rate of the first two rounds would have been somewhat higher and that the quality of the applicants in the first place might have been stronger, had there been the EUR 3 500 grant planned for the third round.

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