

Dušan Bobera

Comparative analysis of entrepreneurship obstacles: findings from Serbia and Montenegro

Entrepreneurship is the best reflected in the areas that provide the most innovative possibilities and opportunities. Since it implies risk, uncertainty and creativity, it is important to analyze many obstacles that can harm the process so that those could be avoided or minimized. The purpose of this paper was to explore the barriers that inhibit the development of entrepreneurship in Republic of Serbia, in comparison with the Republic of Montenegro.

A comparative analysis was conducted to identify the main barriers to entrepreneurship in these two regions, with special direction to three areas of barriers. An online questionnaire was used to identify the level of awareness of these barriers among entrepreneurs in target areas, as part of the larger study. An online questionnaire consisting of 15 questions, divided in 3 areas, was designed in Google questionnaire, an open source based survey tool. The survey was designed to capture information on the perceived barriers in entrepreneur business from the several aspects. Questionnaire was filled by 182 entrepreneur companies in both countries. Data analysis was made through the SPSS program for statistical analysis. There have been used statistical techniques: descriptive statistics, ANOVA test, t-test of independent samples.

The aim of this research is to identify the most important obstacles in establishing and developing the entrepreneurial business in Serbia and Montenegro. Paper was divided in three parts. First, authors made a short theoretical overview on the literature of entrepreneurial process and barriers related to the Serbia and Montenegro. Second part was dedicated to the presentation of methodology used for the analysis of obtained sample of entrepreneurial companies. Third part was consisted from result discussion and some authors' remarks for the future research and position of entrepreneurs in Serbia and Montenegro.

Key words: entrepreneurship, barriers, human resources, subjective circumstances, fiscal burdens

Introduction

The purpose of this paper was to explore the barriers that inhibit the development of entrepreneurship in Republic of Serbia and Republic of Montenegro. A study was conducted to identify the main barriers to entrepreneurship in these regions. The aim of this research was to identify the most important and biggest obstacle in establishing and developing the entrepreneurial business in Serbia and Montenegro, related to human resources, fiscal burdens and subjective circumstances.

Methodology used in this research included survey by on line questionnaire and statistical analysis of obtained data through SPSS program version 17. Quantitative methods used in the research included descriptive statistics, t-test of independent samples and ANOVA test.

The novelty of this study is in the fact that for these countries still have not been made comparative research that will describe similarities and dissimilarities between them. Also, one more novelty is in relation to the aspect of analysis – exploring differences between age, gender and education structures of respondents in the Republic of Serbia and Republic of Montenegro.

Paper was divided in three parts. First, authors made a short theoretical overview on the literature of entrepreneurial process and barriers. Second part was dedicated to the presentation of methodology used for the analysis of obtained sample of entrepreneurial companies. Third part was consisted from result discussion and some authors' remarks for the future research and position of entrepreneurs in these countries.

Theoretical Background

Entrepreneurship is an activity aimed at earning profits in the market, based on constant change and willingness to take risks. Entrepreneurship can be defined as “the process of creating value by bringing together a unique package of resources to exploit an opportunity” (Stevenson *et al.*, 1989). Other authors defined entrepreneurship via three related components: innovativeness, risk taking and proactiveness (Covin & Slevin, 1989; Zahra, 1993). Entrepreneurship drives economic innovation. Equally important, entrepreneurs drive job formation through self-employment and small-business creation (Barth *et al.*, 2006). Entrepreneurs have abilities to create innovations embodying courageous ideas and unusual decisions (Petuskiene & Glinskiene, 2011). Since it implies risk, uncertainty and creativity, with ideas such self – employment and innovations, it is important to analyze obstacles that can harm the process so that those could be avoided or minimized.

Nawaser *et al.* (2011) explored several motivational and legal barriers of entrepreneurship development in Iran. They found that entrepreneurship researchers are of opinion that the motivational factors are more important than legal factors in the failure of entrepreneurship development in Iran. Gorji and Rahimian (2011) in their research have analyzed several barriers to the entrepreneurship among men and women. Barriers were divided in three categories: *individual entrepreneurship barriers* that include varieties such as family, education (Jodyanne, 2009); *organizational barriers* that include varieties financing, marketing and

physical resources; *environmental barriers* as socio-cultural factors, rules and regulations. The results indicated that there is a meaningful difference between individual and environmental barriers to entrepreneurship and order of effectiveness of barriers in men and women. Klapper, Laeven, and Rajan (2004) studied how the business environment in a country drives the creation of new firms. Their focus was on *regulations* governing firm creation and on *financial* development. They found entry regulations hamper the creation of new firms, especially in industries that naturally should have high entry (Klapper et al., 2006). Regulatory entry barriers have no adverse effect on entrepreneurship in corrupt countries, only in less corrupt ones. They found that both the availability of bank credit and of trade credit does aid entry in financially dependent industries. On the other hand, Phillips and Garman (2006) found that entrepreneurship has received little attention in the healthcare industry, perhaps in part because of barriers inherent in the structure and culture of healthcare organizations. Eliminating barriers can help promote entrepreneurial activities to drive continuing innovation and identify new sources of revenue. Zhu et al. (2011) identified the five key institution-based barriers to innovation in China: competition fairness, access to financing, laws and regulations, tax burden, and support systems. These findings enhanced the institution-based view of entrepreneurship by shedding light on how institution-based barriers affect innovation in SMEs. Williams and Williams (2011) explore the barriers to entrepreneurship in deprived urban neighborhoods. They concluded that individuals living in DUNs are faced with direct barriers, lack of self-belief and confidence, and lack of affordable workspace, as well as indirect barriers, fear of crime and financial lending hurdles. Hadjimanolis and Poutziouris (2011) investigated the influence of family business background, contextual barriers, and socio-demographic variables on starting a new business or joining the family firm. Akehurst et al. (2012) in Spain found that different internal and external factors affect the motivation, obstacles to success and performance of firms created by women. It is clear that type of financial support, demographic factors, age, use of family loans and the

initial size of firm are all instrumental in subsequent business success. Giacomini et al. (2011) examined whether differences exist among American, Asian and European students in terms of entrepreneurial intentions and dispositions, as well as motivations and perceived barriers for business startup. Results indicate that entrepreneurial disposition and intentions differ by country but that students across countries are motivated and discouraged by similar variables.

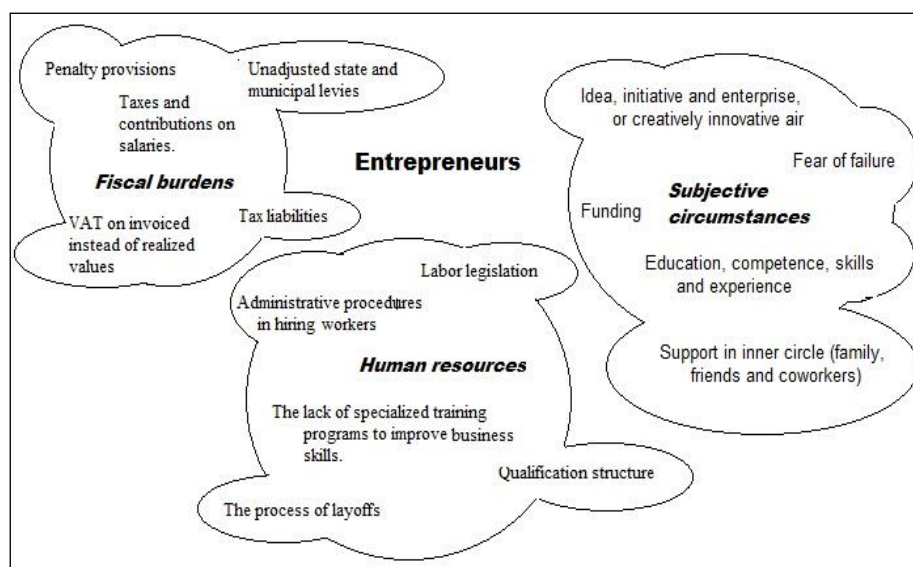
In this paper authors tried to investigate three areas of barriers. Often mentioned are those related to the fiscal and financial burdens, accompanied with several subjective barriers such as education of entrepreneur and fear of failure. Beside these, authors decided to explore several barriers related to the HRM process which is valuable for the organization of entrepreneurial firms and it is crucial for the success of entrepreneurship (Welbourne, 2006). Many authors made very interesting research in the past to identify the importance of HRM for entrepreneurship (Chen et al., 2005; Marlow, 2006; Jack et al., 2006; Cooke, 2008). HRM can provide significant improvements in the business in terms competitive advantage of organizations (Wright et al., 1994; Wall & Wood, 2005). An entrepreneurial orientation is critical for organizational survival and growth in today's business environment (Morris & Jones, 1993). While a department with great bureaucracy, policies, procedures, and paperwork in companies (Dabić et al., 2011, p. 17) HRM in small and medium sized companies has not been developed as department, and in many cases, entrepreneurs have different problems with these issues. How to manage people in new founded entrepreneurial organization, select adequate workers or deal with all legislation questions are barriers that can complicate process. Gorji and Rahimian (2011) analyzed labor legislation as one of the obstacles for new entrepreneurs, but many other HRM activities can be significant problem if there is no enough knowledge and practices. Training and development, staffing, compensations, performance management or process of leaving the organizations are also important for entrepreneurial firms.

Methodology

The purpose of this paper was to explore the barriers that inhibit the development of entrepreneurship in two countries, with similar economic conditions and political history. Study was conducted to identify the main barriers to entrepreneurship in this region, with special direction to several areas of barriers (Figure 1). An online questionnaire was used to identify the level of awareness of these barriers among entrepreneurs in target areas, Serbia and Montenegro. Questionnaire consisting of 15 questions, based on Likert spectrum, was designed in Google questionnaire. In this research, authors defined responses as: 1 – Is the most difficult obstacle; 2 –

Basically is an obstacle; 3 – It is present as an obstacle but does not interfere with the operation significantly; 4 – Generally is not an obstacle; 5 – Does not appear as an obstacle. Entrepreneurs gave their response to 15 questions (barriers) by marking one of the offered responses. Questionnaires were distributed to entrepreneurs, business owners over the internet via e-mail. The survey was exploring the perceived barriers in entrepreneur business from the aspect of: *young and older entrepreneurs, male and female entrepreneurs, level of education of entrepreneurs, differences between the barriers in entrepreneurial process.*

Figure 1 Barriers of entrepreneurship – HR, FB and SC



Source: Authors

The sample was analyzed through two steps: first, authors made and presented descriptive statistics of the sample; second, sample was analyzed with T – test of independent samples and ANOVA test.

Questionnaire was distributed by e-mail to the 300 entrepreneurs and was filled by 182 entrepreneur companies. Rate of response was 60.66%. Surveys were

completed by the entrepreneur, the business owners. Data analysis was made through the SPSS program for statistical analysis, version 17. In table 1 there were presented main characteristics of samples in Serbia and Montenegro.

Gender								
Serbia					Montenegro			
	Frequency	Percent	Valid Percent	Cumulative Percent	Frequency	Percent	Valid Percent	Cumulative Percent
Male	51	62,2	62,2	62,2	42	42,0	42,0	42,0
Female	31	37,8	37,8	100,0	58	58,0	58,0	100,0
Total	82	100,0	100,0	-	100	100,0	100,0	-
Age								
Serbia					Montenegro			
	Frequency	Percent	Valid Percent	Cumulative Percent	Frequency	Percent	Valid Percent	Cumulative Percent
Younger	44	53,7	53,7	53,7	51	51,0	51,0	51,0
Older	38	46,3	46,3	100,0	49	49,0	49,0	100,0
Total	82	100,0	100,0	-	100	100,0	100,0	-
Level of education								
Serbia					Montenegro			
	Frequency	Percent	Valid Percent	Cumulative Percent	Frequency	Percent	Valid Percent	Cumulative Percent
High school	36	43,9	43,9	43,9	50	50,0	51,0	51,0
Higher school	12	14,6	14,6	58,5	12	12,0	12,2	63,3
Faculty	34	41,5	41,5	100,0	36	36,0	36,7	100,0
Total Valid	82	100,0	100,0	-	98	98,0	100,0	-
Missing	-	-	-	-	2	2,0	-	-
Total	82	100,0	100,0	-	100	100,0	-	-

Table 1 Characteristics of the sample of entrepreneurs from Serbia and Montenegro

Source: Authors' calculations

Research hypotheses in this paper were:

H0: *Entrepreneurial barriers related to the human resources, subjective circumstances and fiscal burdens are aggravating for the entrepreneurial process in Serbia and Montenegro.*

H1: *There are significant differences between young and older entrepreneurs related to the entrepreneurial barriers.*

- H2: *There are less significant differences between male and female entrepreneurs related to the entrepreneurial barriers.*
- H3: *Barriers related to the financial assets, VAT and other taxes are more aggravating than other barriers.*

The results of *descriptive analysis* on the whole sample in both countries pointed out that participants find the financial assets, VAT barriers, taxes and contribution on salaries as the most outstanding barriers in both countries. Tax liability, process of layoffs, administrative procedures when hiring workers Penalty provision, qualification structure, the lack of training programs, state and municipal levies, labour registration and several barriers related to the subjective circumstances were found to be also obstructive in entrepreneur business, but with some differences between countries (Table 2).

Results of Analysis

Descriptive Statistics	Montenegro		Serbia	
	Mean	Std. Deviation	Mean	Std. Deviation
Funding – Financial assets	1,95	1,114	1,93	1,016
VAT (value added tax) on invoiced instead of realized values	2,04	1,230	2,09	1,229
Taxes and contributions on salaries	2,09	1,221	2,22	1,238
Tax liability	2,32	1,185	2,40	1,153
The process of layoffs	2,35	1,264	2,71	1,212
Administrative procedures when hiring domestic and foreign workers	2,38	1,254	2,70	1,108
Penalty provisions	2,62	1,362	2,46	1,178
Qualification structure	2,71	1,289	3,12	1,231
The lack of specialized training programs	2,82	1,380	2,82	1,229
Unadjusted state and municipal levies	2,93	1,180	2,30	1,108
Labour legislation	2,99	1,275	2,98	1,065
Support in inner circle	3,06	1,391	4,23	1,136
The idea, initiative and enterprise	3,07	1,320	3,80	1,242
Fear of failure	3,22	1,360	3,07	1,142
Education and competences	3,26	1,290	3,70	1,085

Table 2 Hierarchy of the entrepreneurial barriers – obtained from the total sample in Serbia and Montenegro
Source: Authors' calculation

T-test for independent samples was used to explore the differences compared to the results from the point of view of older and young entrepreneurs. There were found significant differences between younger respondents and older entrepreneurs in several barriers described from table 2. Results pointed that between these barriers were great and significant differences between groups, and that the

differences between the mean values of the characteristics of the groups were statically significant. In case of Montenegro, those barriers are education and competences, fear of failure, penalty provisions and the lack of specialized training program and in case of Serbia idea and initiative, administrative procedures in hiring and process of layoffs.

Equal variances assumed	Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference	
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Idea and initiative	2,050	,156	2,110	80	,038	,568	,269	,032	1,104
Administrative procedures in hiring	2,124	,149	3,260	80	,002	,756	,232	,294	1,217
Layoffs	,044	,835	2,025	80	,046	,533	,263	,009	1,058

Table 3 T-test of independent samples – obtained from the total sample in Serbia (age, N=82)
Source: Authors' calculation

Equal variances assumed	Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference	
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Education and competence	,015	,903	2,037	97	,044	,520	,255	,013	1,027
Fear of failure	,038	,845	2,696	98	,008	,711	,264	,188	1,235
Penalty provisions	1,013	,317	1,995	98	,049	,535	,268	,003	1,068
The lack of specialized training programs	3,130	,080	3,083	96	,003	,824	,267	,293	1,355

Table 4 T-test of independent samples – obtained from the total sample in Montenegro (age, N=100)

Source: Authors' calculation

In relation to the gender differences, results of T-test of independent samples pointed that between barriers in Montenegro there were no great and significant differences between groups (gender), and that the difference between the mean values of the characteristics of the groups were not statically significant. The p-value was greater than 0.05

and, therefore, the difference between the two means is not statistically significantly different from zero at the 5% level of significance. In Serbia, significant difference was found in area of financial assets, administrative procedures in hiring and fear of failure.

Independent Samples Test									
Equal variances assumed	Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference	
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Financial assets	,598	,442	2,482	80	,015	,557	,224	,110	1,003
Administrative procedures in hiring	,456	,501	-2,199	80	,031	-,542	,246	-1,033	-,052
Fear of failure	,719	,399	2,528	80	,013	,636	,252	,135	1,137

Table 5 T-test of independent samples – obtained from the total sample in Serbia (gender, N=82)

Source: Authors' calculation

At the end, *ANOVA test* showed that between educational levels of entrepreneurs, only in relation to one barrier there is a significant differences. ANOVA showed that there was a significant difference between

levels of education among entrepreneurs in case of social circumstances, human resources and fiscal burdens.

DISCUSSION

After analysis made to explore entrepreneurial barriers, it is important to discuss findings and the relations with the proposed hypotheses.

Main hypothesis was verified throughout the analysis of the hierarchy of the subjective circumstances, human resource and fiscal barriers. It has been detected that barriers related to the financial and fiscal burdens are the most obstructive for entrepreneurial process. Beside those, human resource barriers related to the process of hiring and firing employees also aggravating entrepreneurship, but lesser impact. Subjective circumstances like the idea, support of inner circle of family and fear of failure and education is been ranked as non obstructive elements for the mentioned process. Main barriers that have been detected and that are similar in both countries are *the lack of financial assets* (M=1.95; SD=1.114 in Montenegro and M=1.93; SD=1.016 in Serbia), *VAT on invoiced instead of realized values* (M=2.04; SD=1.230 in Montenegro and M=2.09; SD=1.229) and *taxes and contributions on salaries* (M=2.09; SD=1.221 in Montenegro and M=2.22; SD=1.238) as the most outstanding barriers for successful

entrepreneurship. Also, from table 2 it can be stated that more aggravating barriers for entrepreneurship are those related to the fiscal burdens and one from the group of subjective circumstances (lack of financial assets). Barriers related to the idea and initiative, support of inner circle, such as family and friends, fear of failure and education are found to be less obstructive in this process. This part of analysis is used to confirm the *third hypothesis*.

First hypothesis was confirmed throughout T-test of independent samples. Hypothesis was tested by making the analysis of the differences between young entrepreneurs (until 40 years old) and older (after 41 years of life). In Montenegro there was found a significant difference between younger respondents in case of *fear of failure* (M=3.57, SD = 1.300) and older entrepreneurs (M=2.86, SD=1.339), $t(98)=2.696$, $p<(0.008)$ two-tailed. The difference between the mean values of the characteristics of the groups was moderate (eta squared = 0.069). Young entrepreneurs find this barrier less obstructive than older. Namely, fear of failure is an important component of the risk attached to starting a new business (Weber, Milliman,

1997). The role and importance of fear of failure in the assessment phase of the potential risks and benefits is mentioned by Stewart and Roth (2001). Namely, when weighing the potential rewards against potential risks, fear of failure will play a critical role in determining the viability of the business. Identification of the fear of failure, and its classification among the barriers of entrepreneurship was also explored by Sandhu, Siddique and Riaz (2011) over the graduate students who are currently classified in the group of younger entrepreneurs. The role of fear of failure in entrepreneurial activities was also identified by Global Entrepreneurship Monitor in 2009. 28% of respondents, age 18-65, in the territory of Serbia recognized the fear of failure as a potential barrier to a business venture.

T-test for independent samples was used to analyze the *lack of specialized training programs* in Montenegro for older and young entrepreneurs. There was found a significant difference between younger respondents ($M=3.22$, $SD=1.418$) and older entrepreneurs ($M=2.40$, $SD=1.216$), $t(96)=3.083$, $p<(0.003)$ two-tailed. The difference between the mean values of the characteristics of the groups was moderate (eta squared=0.09). Older entrepreneurs feel that the lack of training is bigger obstacle for their business than younger entrepreneurs. Training is defined more broadly than just the acquisition of knowledge, skills or abilities; it means the process of changing behavior and attitudes of employees in a manner that will contribute to achieving organization's objectives (Lekovic & Stangl-Susnjar, 2010). Other two barriers, *education and competence* had eta squared 0.041 and *penalty provisions* 0.039, which indicates small influences (Pallant, 2007).

In case of Serbia, there were indicated three barriers that have significant difference between younger and older entrepreneurs. According T-test of independent samples, there is a difference between younger ($M=3.05$; $SD=1.180$) and older entrepreneurs ($M=2.29$; $SD=0.867$) $t(80)=3.260$, $p<0.002$ related to *the administrative procedures in hiring new employees*. The difference between the mean values of the characteristics of the groups was moderate (eta squared=0.117). Each step and procedure in the process of hiring new employee is important, especially those related to the labor law, mandatory social and pension insurance, income taxes and contributions, etc. Entrepreneur must execute each procedure and paperwork in health insurance fund, pension insurance fund and national employment service and tax office. Government of Serbia decided in 2012 to eliminate several administrative fees, but the labor law and procedures related to the human resources are still unchanged and since they are mandatory entrepreneurs have to fulfill them completely. Besides these procedures, related to the state, entrepreneurs must execute many procedures in the house – procedure for recruitment and adequate selection of the right candidate, determination of monthly wage and benefits, orientation in new business organization. Successful management system, where HRM has significant role, facilitates successful business.

T-test for independent samples was used to explore differences between gender structures. According T-test of independent samples, in Serbia only, *financial assets*, *fear*

of failure and administrative procedures in hiring are viewed through the prism of business barriers. There was a significant difference between men ($M=2.14$, $SD=1.059$) and women ($M=1.58$, $SD=0.848$), $t(80)=2.482$, $p<(0.015)$ two-tailed in the lack of financial assets. The difference between the mean values of the characteristics of the groups was with moderate influence (eta squared = 0.071). Significant difference was also found between men ($M=3.31$, $SD=1.140$) and women ($M=2.68$, $SD=1.045$), $t(80)=2.528$, $p<(0.013)$ two-tailed in the *administrative procedures in hiring*. The difference between the mean values of the characteristics of the groups was moderate (eta squared = 0.074). Also, significant difference was also found between men ($M=2.49$, $SD=1.084$) and women ($M=3.03$, $SD=1.080$), $t(80)=-2.199$, $p<(0.031)$ two-tailed in the lack of financial assets. The difference between the mean values of the characteristics of the groups was also moderate (eta squared = 0.057). This test was used to confirm the second hypothesis that there are differences between male and female entrepreneurs related to the entrepreneurial barriers. *Fear of failure* is often driven by fear of *financial failure* of entrepreneurs. While the significance and impact of financial resources to the realization of a business venture cannot be ignored, it should be noted (Bobera, 2010) that the lack of adequate funding is often an indicator of other problems such as managerial incompetence, lack of understanding in the field of finance and the like. After bank finance, borrowing from family and friends is the chief source of funds for new business start-ups in many countries, including the UK (Basu & Parker, 2001).

The results of the one-way analysis of variance (ANOVA) in Montenegrin sample showed that there are differences among participants in terms of levels of education. Statistically significant differences can be seen in case of labour legislation ($F(2,95)=3.567$, $p<0.032$). The application of Turkey's post hoc test showed that entrepreneurs with faculty education ($M=3.39$) have significantly different opinions related to labor legislation in comparison to entrepreneurs with high school education level ($M=2.68$). Entrepreneurs with faculty education see labour legislation as smaller barrier than entrepreneurs with high school education. The results of the one-way analysis of variance (ANOVA) in Serbian sample showed that there are differences among participants in terms of levels of education. Statistically significant differences can be seen in case of education level ($F(2,79)=3.405$, $p<0.038$). The application of Turkey's post hoc test showed that entrepreneurs with higher school education ($M=3.00$) see education as more aggravating their business than entrepreneurs with high school education ($M=3.92$). Also, statistically significant differences can be seen in case of taxes and contributions to salaries ($F(2,79)=4.414$, $p<0.015$). The application of Turkey's post hoc test showed that entrepreneurs with faculty education ($M=2.68$) see taxes and contributions on salaries as less aggravating their business than entrepreneurs with high school education ($M=1.94$).

CONCLUSION

When we talk about entrepreneurship, as the activity composed from three related components: innovativeness, risk and proactiveness, that drive job formation through self-employment and small-business creation, it is important to have in mind many obstacle – subjective and objective that can harm entrepreneurial process. Since the main goal of this research was to explore obstacles or barriers for entrepreneurship, authors made detailed analysis using survey technique and statistical program for data processing. Authors analyzed subjective circumstances, human resource and fiscal burdens characterized as barriers. Main findings of this study are:

- Barriers related to the financial and fiscal burdens are the most obstructive for entrepreneurial process. Human resource barriers related to the process of hiring and firing employees also aggravating entrepreneurship, but with lesser impact. Subjective circumstances like the idea, support of inner circle of family and fear of failure and education is been ranked as non obstructive elements for the mentioned process. Main barriers that have been detected and that are similar in both countries are *the lack*

of financial assets, VAT on invoiced instead of realized values and taxes and contributions on salaries.

- Younger entrepreneurs are less affected by *fear of failure, lack of specialized training programs and administrative procedures in hiring new employees.* Generally, younger entrepreneurs see fewer barriers than older ones in Serbia and Montenegro.

- Female entrepreneurs see *administrative procedures in hiring new employees* as smaller barrier than male entrepreneurs, but they are more afraid of *fear of failure and lack of financial* than male entrepreneurs. In case of Montenegro, there haven't been indicated any significant difference between male and female entrepreneurs.

- Entrepreneurs with faculty education see labour legislation as smaller barrier than entrepreneurs with high school education in Montenegro. In Serbia, entrepreneurs with higher school education see education as more aggravating their business than entrepreneurs with high school education. Also, entrepreneurs with faculty education see taxes and contributions on salaries as less aggravating their business than entrepreneurs with high school education.

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Dušan Bobera, Bojan Leković, Nemanja Berber

Comparative analysis of entrepreneurship obstacles: findings from Serbia and Montenegro

Summary

The purpose of this paper was to explore the barriers that inhibit the development of entrepreneurship in Republic of Serbia and Republic of Montenegro. A study was conducted to identify the main barriers to entrepreneurship in these regions. The aim of this research was to identify the most important and biggest obstacle in establishing and developing the entrepreneurial business in Serbia and Montenegro, related to human resources, fiscal burdens and subjective circumstances. Methodology used in this research included survey by on line questionnaire and statistical analysis of obtained data through SPSS program version 17. Quantitative methods used in the research included descriptive statistics, t-test of independent samples and ANOVA test.

The novelty of this study is in the fact that for these countries still have not been made comparative research that will describe similarities and dissimilarities between them. Also, one more novelty is in relation to the aspect of analysis – exploring differences between age, gender and education structures of respondents in Serbia and Montenegro.

Paper was divided in three parts. First, authors made a short theoretical overview on the literature of entrepreneurial process and barriers. Second part was dedicated to the presentation of methodology used for the analysis of obtained sample of entrepreneurial companies. Third part was consisted from result discussion and some authors' remarks for the future research and position of entrepreneurs in these countries.

Entrepreneurship is an activity aimed at earning profits in the market, based on constant change and willingness to take risks. Entrepreneurship can be defined as "the process of creating value by bringing together a unique package of resources to exploit an opportunity" (Stevenson *et al.*, 1989). Other authors defined entrepreneurship via three related components: innovativeness, risk taking and proactiveness (Covin & Slevin, 1989; Zahra, 1993). Entrepreneurship drives economic innovation. Equally important, entrepreneurs drive job formation through self-employment and small-business creation (Barth *et al.*, 2006). Since it implies risk, uncertainty and creativity, with ideas such self – employment and innovations, it is important to analyze obstacles that can harm the process so that those could be avoided or minimized.

Gorji and Rahimian (2011) in their research have analyzed several barriers to the entrepreneurship among men and women. Barriers were divided in three categories: *individual entrepreneurship barriers* that include varieties such as family and education (Jodyanne, 2009); *organizational barriers* that include varieties financing, marketing and physical resources; *environmental barriers* that include varieties of socio-cultural factors and rules and regulations. They implemented T-test and ANOVA analysis on sample of 178 entrepreneurs (113 men and 65 women). The results indicated that there is a meaningful difference between individual and environmental barriers to entrepreneurship and order of effectiveness of barriers in men and women. Klapper, Laeven, and Rajan (2004) studied how the business environment in a country drives the creation of new firms. Their focus was on *regulations* governing firm creation and on *financial* development. They found entry regulations hamper the creation of new firms, especially in industries that naturally should have high entry (Klapper *et al.*, 2006). Consequences of regulatory barriers are seen in older firms, who grow more slowly and to a smaller size. Thus the absence of the disciplining effect of competition from new firms has real adverse effects. Regulatory entry barriers have no adverse effect on entrepreneurship in corrupt countries, only in less corrupt ones. Evidence suggests bureaucratic that entry regulations, when effectively implemented, are neither benign nor welfare improving. Turning to financial development, they found that both the availability of bank credit and of trade credit does aid entry in financially dependent industries. On the other hand, Phillips and Garman (2006) found that entrepreneurship has received little attention in the healthcare industry, perhaps in part because of barriers inherent in the structure and culture of healthcare organizations. Eliminating barriers can help promote entrepreneurial activities to drive continuing innovation and identify new sources of revenue.

Generally, in this paper authors tried to investigate three areas of barriers. Often mentioned are those related to the fiscal and financial burdens, accompanied with several subjective barriers such as education of entrepreneur and fear of failure. Beside these, authors decided to explore several barriers related to the HRM process.

The purpose of this paper was to explore the barriers that inhibit the development of entrepreneurship in two countries, with similar economic conditions and political history. Study was conducted to identify the main barriers to entrepreneurship in this region, with special direction to several areas of barriers (Figure 1). An online questionnaire was used to identify the level of awareness of these barriers among entrepreneurs in target areas, Serbia and Montenegro. Questionnaire consisting of 15 questions, based on Likert spectrum, was designed in Google questionnaire. In this research, authors defined responses as: 1 – Is the most difficult obstacle; 2 – Basically is an obstacle; 3 – It is present as an obstacle but does not interfere with the operation significantly; 4 – Generally is not an obstacle; 5 – Does not appear as an obstacle. Entrepreneurs gave their response to 15 questions (barriers) by marking one of the offered responses. Questionnaires were distributed to entrepreneurs, business owners over the internet via e-mail.

The survey was exploring the perceived barriers in entrepreneur business from the aspect of: *young and older entrepreneurs, male and female entrepreneurs, level of education of entrepreneurs, differences between the barriers in entrepreneurial process.*

The sample was analyzed through two steps: first, authors made and presented descriptive statistics of the sample; second, sample was analyzed with T – test of independent samples and ANOVA test.

Questionnaire was distributed by e-mail to the 300 entrepreneurs and was filled by 182 entrepreneur companies. Rate of response was 60.66%. Surveys were completed by the entrepreneur, the business owners. Data analysis was made through the SPSS program for statistical analysis, version 17.

When we talk about entrepreneurship, as the activity composed from three related components: innovativeness, risk and proactiveness, that drive job formation through self-employment and small-business creation, it is important to have in mind many obstacle – subjective and objective that can harm entrepreneurial process. Since the main goal of this research was to explore obstacles or barriers for entrepreneurship, authors made detailed analysis using survey technique and statistical program for data processing. Authors analyzed subjective circumstances, human resource and fiscal burdens characterized as barriers. Main findings of this study are next. Barriers related to the financial and fiscal burdens are the most obstructive for entrepreneurial process. Human resource barriers related to the process of hiring and firing employees also aggravating entrepreneurship, but with lesser impact. Subjective circumstances like the idea, support of inner circle of family and fear of failure and education is been ranked as non obstructive elements for the mentioned process. Main barriers that have been detected and that are similar in both countries are *the lack of financial assets, VAT on invoiced instead of realized values and taxes and contributions on salaries*. Younger entrepreneurs are less affected by *fear of failure, lack of specialized training programs and administrative procedures in hiring new employees*. Generally, younger entrepreneurs see fewer barriers than older ones in Serbia and Montenegro. Female entrepreneurs see *administrative procedures in hiring new employees* as smaller barrier than male entrepreneurs, but they are more afraid of *fear of failure and lack of financial* than male entrepreneurs. Entrepreneurs with faculty education see labour legislation as smaller barrier than entrepreneurs with high school education in Montenegro. In Serbia, entrepreneurs with higher school education see education as more aggravating their business than entrepreneurs with high school education. Also, entrepreneurs with faculty education see taxes and contributions on salaries as less aggravating their business than entrepreneurs with high school education