2013

RESULTS OF THE ENTREPRENEUR SURVEY

APPENDIX 3

To the informative report „On Development and Determination of Specialization of the Smart Growth Strategy”

The survey of entrepreneurs where merchants could express their opinion on possible fields for growth in Latvia was conducted within the framework of RIS3 Industrial evaluation from 19 June to 2 August 2013.

257 enterprises tried to take the opportunity to participate in the development process of „Smart Growth Strategy", 123 unique questionnaires were submitted (in five cases two identical questionnaires were submitted by the enterprises).

Questionnaires were completed by 56 micro-enterprises, 43 small enterprises, 8 medium-sized enterprises and 11 large enterprises, investments for research and development of which range from 24 thousand lats up to 2 million lats per year. Five enterprises have not provided their turnover, so they are included in a separate group. The classification mentioned has no effect on further analysis of the survey results.

The first five questions of questionnaire are allocated to the identification and characterisation of respondents. The answers acquired prove wide representation of interest of the market players (see Figure 1). The respondents are classified depending on their turnover (the classification chosen is indicative and does not show the official classification of enterprises of the state) for the analysis of results, their average financial performance is summarized.

Table 1. Profile of Respondents (questions 2, 3, 4, 5 and 7)

Type of enterprise	*Number*	*Average turnover, LVL*	*Average investments for research and development during the last year, LVL and the number of respondents*	*Average specific weight of export turnover and number of respondents, %*	*Specific weight of product turnover produced during the last five years, %*
Micro-enterprises (turnover <1 million LVL)	56	167 088	24 916 (39)	43 (23)	37 (42)
Small enterprises (turnover <10 million LVL)	43	3 384 531	283 618 (41)	41 (34)	32 (41)
Medium-sized enterprises (turnover < 50 million LVL)	8	7 105 066	2 111 943 (6)	54 (7)	45 (7)
Large enterprises (turnover >50 million LVL)	11	160 791 062	973 628 (9)	71 (10)	22 (9)
Unclassified enterprises (no data on turnover)	5	N/A	N/A	N/A	63 (3)

25% of respondents (enterprises) represented sector of ICT services in this survey, 23% − the agriculture and forestry sector. The rest of the respondents (enterprises) represented 16 more different sectors of the national economy (see illustration 1).

Illustration 1. *Sectors of national economy represented by respondents*

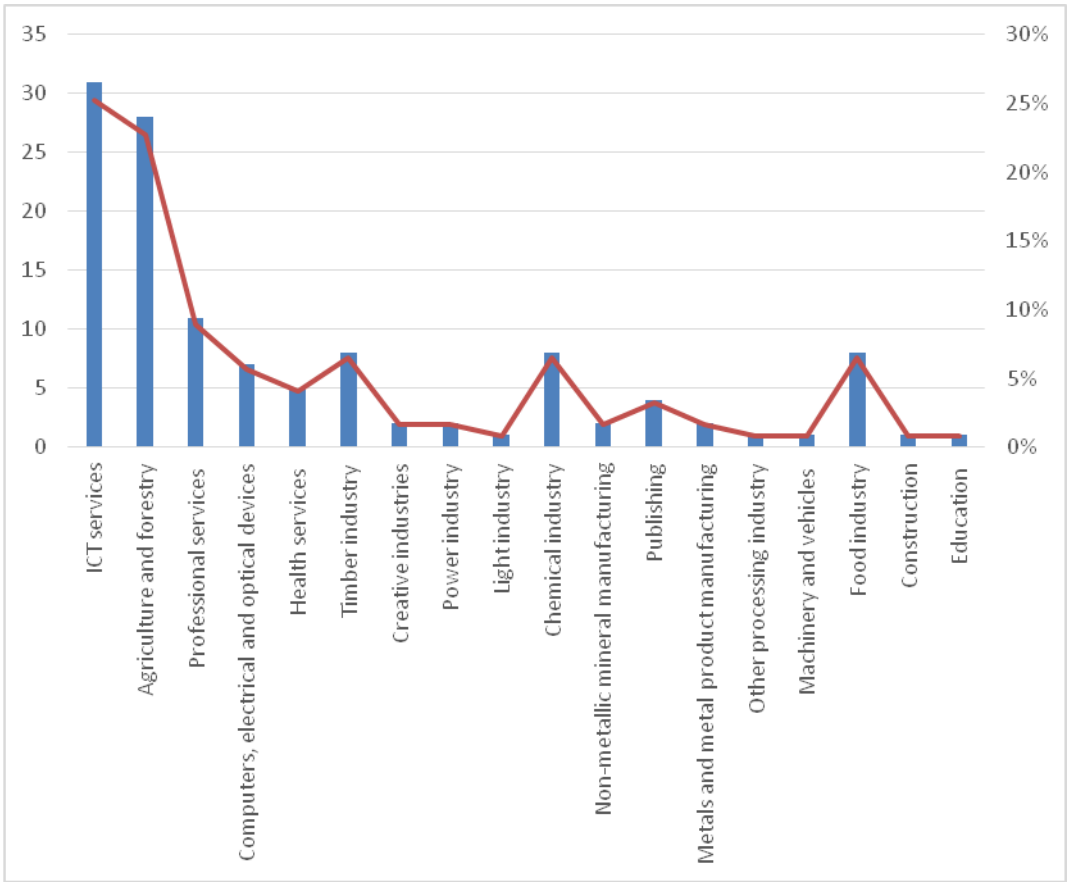
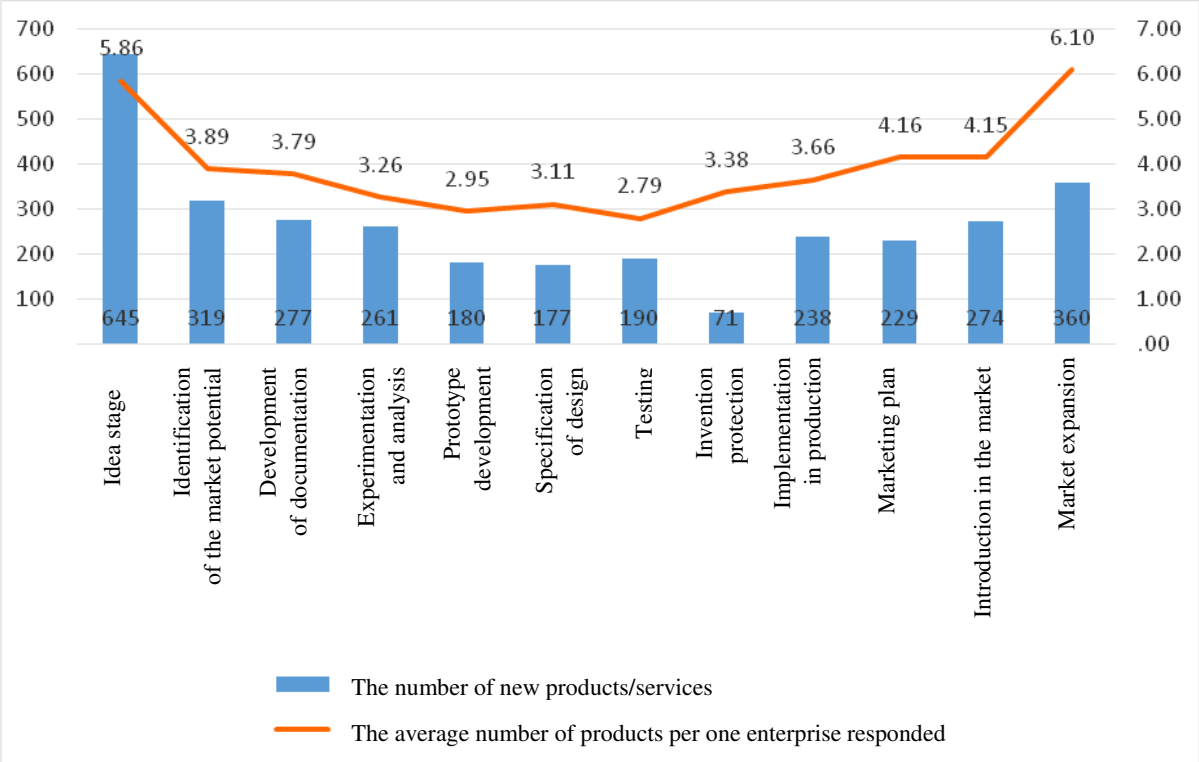


Illustration 2. The number of new products and services in various stages of development.



The questionnaire was completed by enterprises with activities in developing new products and services. As results of the sixth question of the questionnaire prove, there are 3221 new product and service in various stages of their development. Majority of new products and services are at the idea stage (645), the second largest number of products and services is observed at the market expansion stage. The lowest activity is observed in the invention protection stage (71 product or service). It should be mentioned that there is a risk related with interpretation of the results that one product, as the entrepreneurs consider, is on several stages at the same time, therefore these data could be exaggerated (see illustration 2).

The question 7 helped to clarify the specific weight of new products in enterprise turnovers which ranges from 22% of large enterprises up to 45% for medium-sized enterprises. It proves that survey respondents had renewed scope of their products also in the past. The highest rate (63%) is presented by unclassified enterprises, however these indicators should be taken in consideration cautiously as the turnover of these enterprises was not provided.

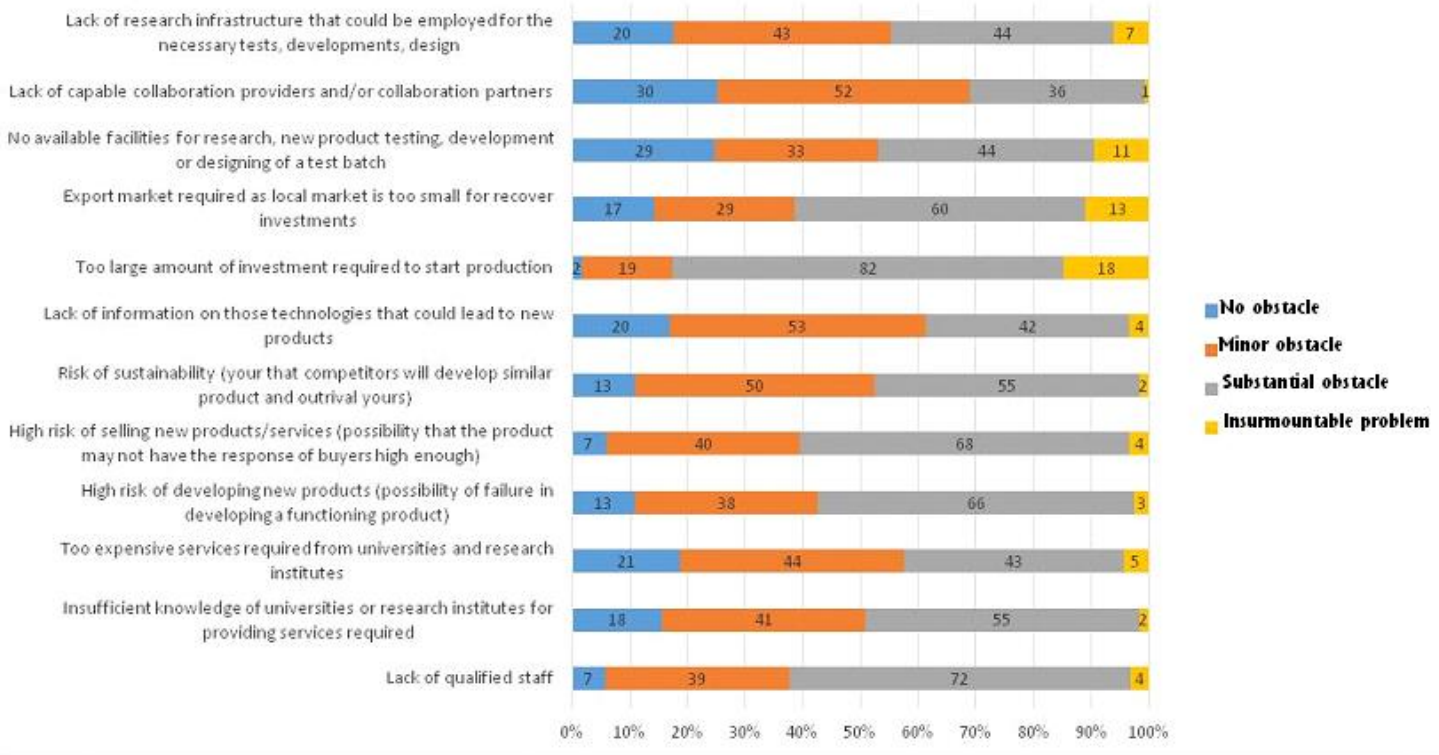
Description of results with analysis of respondents' answers to the questions 8., 9 and 10, are found in chapter 3.3 of the informative report „Smart Growth Strategies".

In the question 11 respondents identify the sources of information, from which information on future technologies and future development opportunities is acquired. 91,6% of respondents indicate the Internet as the source of information, 77,3% - exhibitions and seminars, 63% - their clients and competitors. The results of the survey indicate also potential opportunity to develop seminars on future development and future technologies, especially in sectors with the highest export potential (see Table 2).

Table 2. *Employing sources of information on the future technologies and development*

Response options	Percentage	Number
Clients	63.0	75
Suppliers	61.3	73
Competitors	63.0	75
Scientific and research institutions of Latvia	46.2	55
Scientific and research institutions of overseas	32.8	39
Exhibitions and seminars of the sector	77.3	92
Events of the sector clusters	30.3	36
Specialized literature, including paid electronic publishing	62.2	74
The Internet	91.6	109
Sessions organized by special sector or technology	35.3	42
Specially organized paid surveys of technological tendencies	13.5	16
Other (please indicate)		5
Answered to the question		119
Passed this question		4

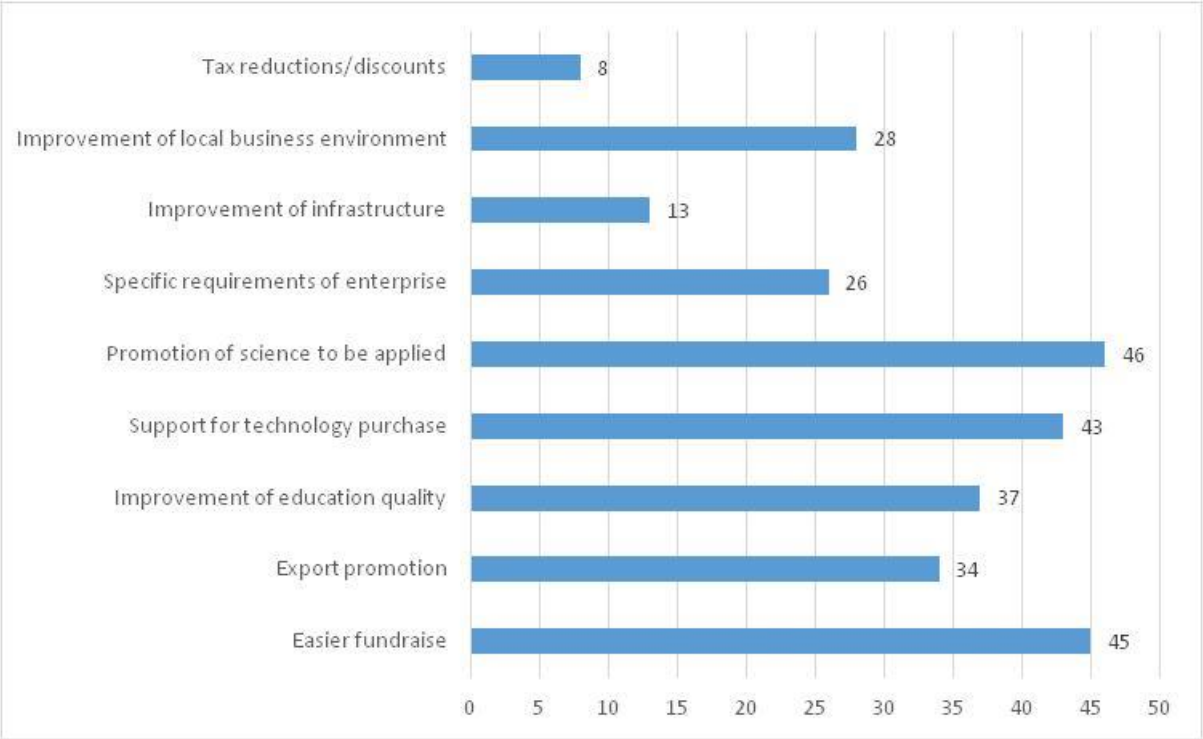
Illustration 3. *Evaluation of inovation obstacles*



The question 12 clarified possible innovation obstacles for the enterprise surveyed. 68% of respondents indicate too high investments required to start production as a vital burden, 59% − lack of qualified staff, 57% name high risk of selling new products and services (see Illustration 3). 15% of respondents admit that too high investments needed is insurmountable problem for innovation facilitation, the small local market is considered the insurmountable problem by 11%, therefore export market should be acquired to recover investments (50% of respondents admit this to be a vital burden).

The question 13 clarifies necessary measures of government support for further business development. Each respondent could provide several answers. Altogether 285 indications for possible government support were received. The larger amount of answers is connected with the government support for promoting the science to be applied – 46 answers. 45 answers indicate fundraise, for facilitating of which the support of the government would be necessary. 43 answers related to the support of the government for technology purchase, 37 – related with improving of education quality. As there was a possibility to answer to this question in a free form, respondents indicate 26 specific requirements for the particular enterprise (see Illustration 4). 28 answers related to the improvement of the local business environment were also gathered, including reduction of administrative burden as well as improvement of economic policy.

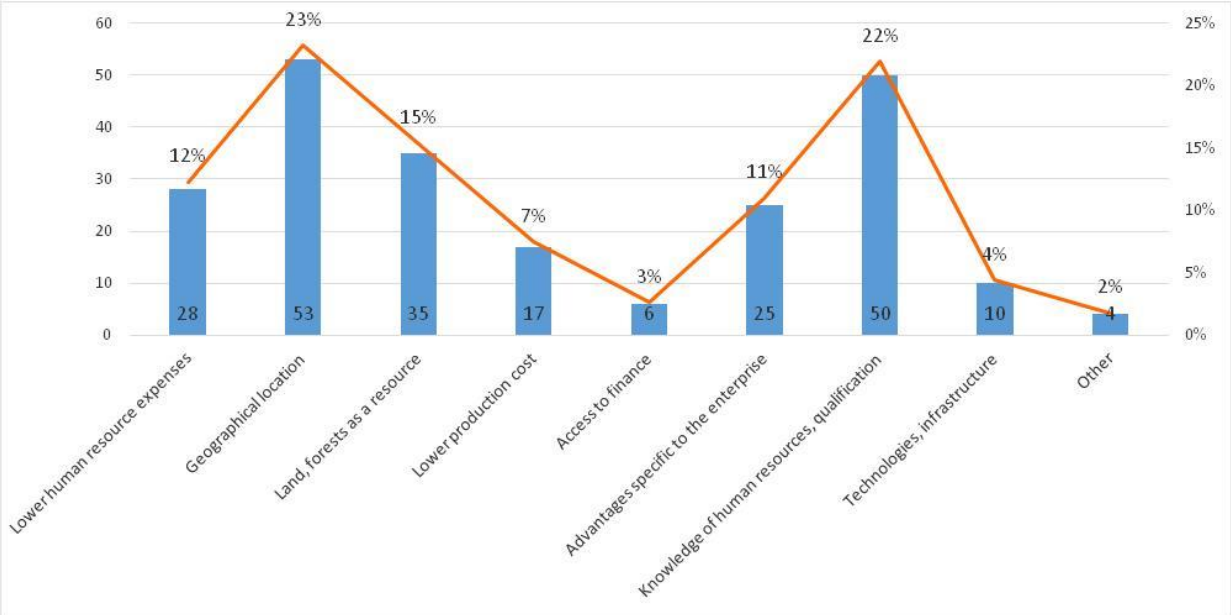
Illustration 4. Support of the government for business development



The question 14 identified those factors which are considered by entrepreneurs to be the main advantages over their competitors outside Latvia.

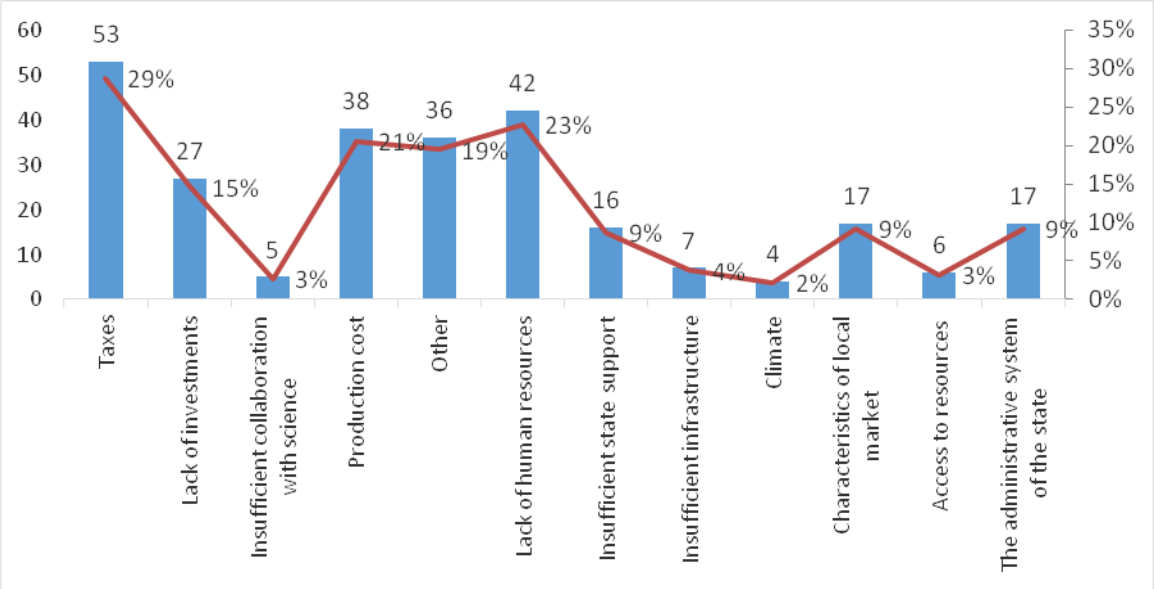
22% of respondents name quality of human resources, 23% − geographic location, 15% name land and forests as a resource. 12% of respondents indicate comparatively low costs of human resources as their advantage, 11% of respondents indicate advantages characteristic to the particular enterprise (see illustration 5).

Illustration 5. *Advantages over competitors outside Latvia*



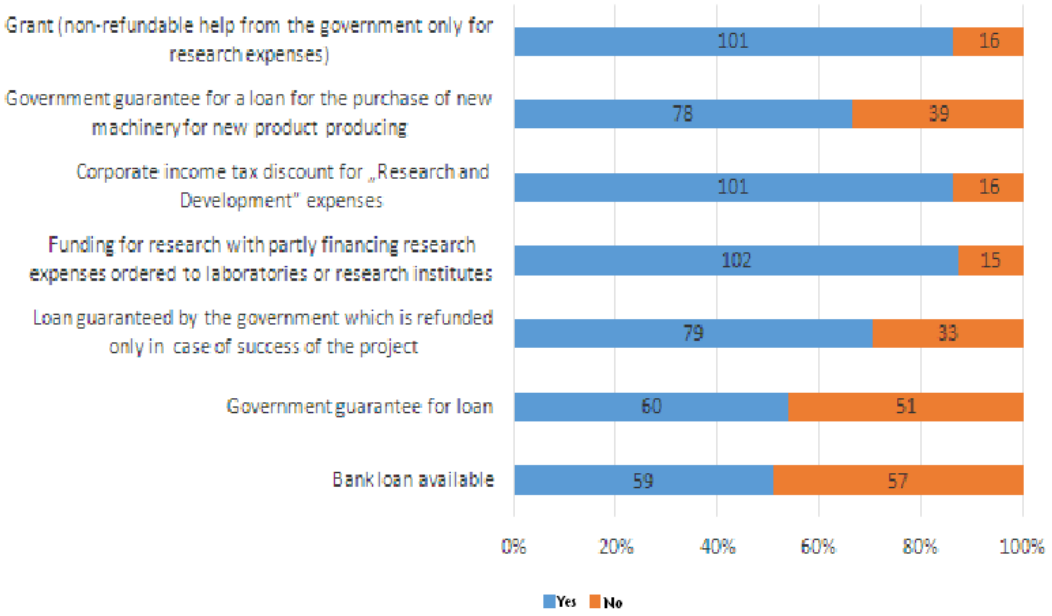
The question 15 was dedicated to main factors that create more unfavourable circumstances comparing to the competitors outside Latvia. 29% of respondents identify the tax system, 23% of respondents indicate lack of human recourses, 21% - production costs (see illustration 6).

Illustration 6. *Factors that create more unfavourable situation compared to its competitors*



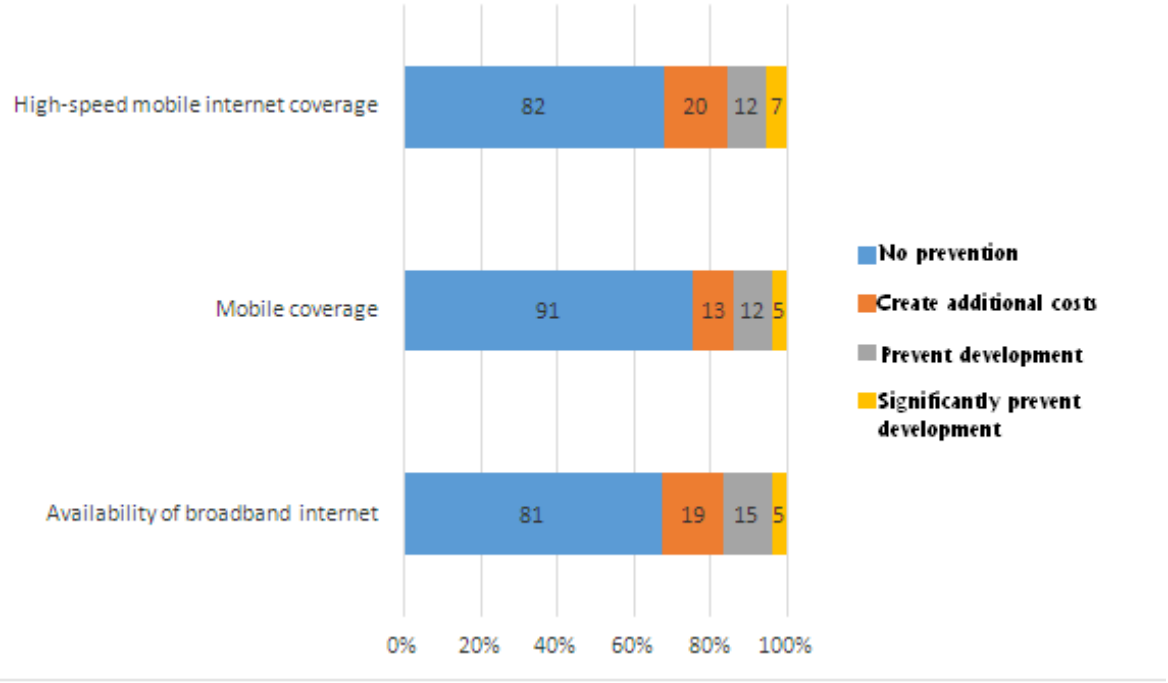
Answering to the question 16, respondents indicate the ways of financial support which would promote development of new products and services in the particular enterprise. 87% of respondents name funding for research as an effective support mechanism, partly financing research expenses allocated to laboratories and research institutes. 86% of respondents indicate that potentially successful support mechanisms are income tax discounts for „research and development" expenses and also requirement for grants as non-refundable help of the government only for research expenses (see illustration 7).

.Illustration 7. *Financial support for the new product and service development.*



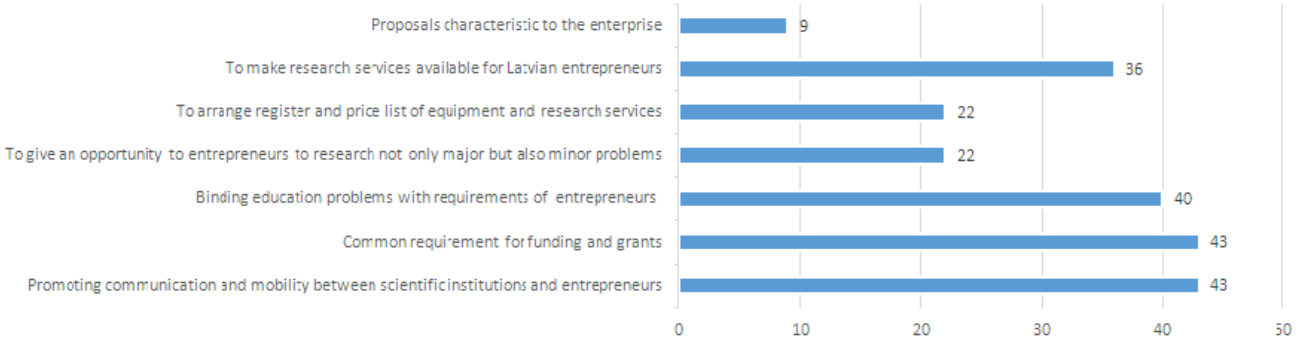
With the help of the question 17 information on whether services related to ICT services prevent development of the enterprise was acquired. Majority of the enterprises surveyed indicate that access of broadband internet, mobile coverage and coverage of communication of high-speed Internet do not prevent the development of the enterprise, however the number of enterprises that identify ICT development as preventing factor that makes additional expenses and prevent or substantially prevent their development is quite considerable.

Illustration 8. *Impact of services of information and communication technologies on the development of enterprises*



In the question 18 the respondents propose a promotion of collaboration of merchant and research institute. 43 answers of respondents suggest promotion of communication and mobility between scientific institutions and industry, 43 indicate to the requirement of common funding and grants, 40 – binding of education program with industrial needs (see illustration 9).

.Illustration 9. *Proposals for collaboration of entrepreneurs and researchers*



The question 19 gave possibility to respondents to present additional information on problems and questions that are vital to them. Proposals for further collaboration are given in the answers (proposals are identified in the question 18), as well as different opinions on the former fund allocation process, problems of education system and wish to participate in further exchange of information.

There was an additional request in the questionnaire to indicate the specialists required most of all or to identify areas that require to promote development of ”base capacity”. 23% of respondents indicate the requirement of the engineers, however the information on the field required is not constantly provided. 15% of responses are related to the requirement for production technologists and other technical staff, however the speciality is not provided. 13% of respondents express the opinion that specialists of agriculture and forest science and specialists of computer science are required.

Illustration 10. *Specialists required*