

BUSINESS INFORMATION NEEDS SURVEY (BINS)

INITIAL RESEARCH REPORT, JUNE 2008

Executive Summary

As part of the European Union-funded BIZimpact Project "Improving Information to the Croatian Business Community", Pohl Consulting & Associates commissioned PULS market research agency to conduct a research study of SMEs and crafts in Croatia. The aim was to understand better their information needs concerning changes to laws and regulations in the eight fields covered by the Project (consumer protection, environmental protection, standards for agricultural products, standards for industrial products, public procurement, state aid, competition policy and intellectual property rights).

This report presents in detail the results of the initial research, which comprised both quantitative research through a "baseline" Business Information Needs Survey ("Before" BINS) and qualitative research through focus group discussions and in-depth interviews. A "follow-up" (or "After" BINS) survey will be conducted near the end of the BIZimpact Project.

The initial research had four objectives: to find out small businesses' attitudes on the expected effect of Croatian accession to the EU on their businesses; to determine their level of knowledge about the EU and possible legislative changes in the eight fields; to determine their attitudes to such changes; and to examine the information channels used by small businesses for obtaining information and their effectiveness.

The qualitative research consisted of 5 focus group discussions and 10 in-depth interviews in different parts of Croatia. The quantitative research consisted of a telephone survey – using computer-assisted telephone interviewing (CATI) – of 2,000 SMEs and crafts from throughout Croatia. The average interview lasted 28 minutes.

The sample for the survey was carefully constructed, using publicly available data, to reflect accurately the structure of SMEs and crafts in Croatia. The sample was sufficiently large to enable a breakdown of the results by a number of variables, including by size of enterprise (micro-, small and medium-sized enterprises, plus bigger crafts) and by region (Croatia was divided into six regions: Zagreb, Northern Croatia, Slavonia, Lika and Banovina, Primorje and Istria, Dalmatia). The sample was also structured to reflect different economic sectors (agriculture and related activities, industry and manufacturing, trade, services).

The survey found that small businesses recognise that joining the European Union will benefit the Croatian economy and society overall – the majority think it will bring more advantages than disadvantages (by 50% to 28%). But many entrepreneurs are worried about their own ability to compete against firms from EU countries. The smallest firms (particularly micro enterprises and crafts) are the most concerned.

Small businesses believe that changes to laws and regulations required to join the EU across the eight fields will benefit Croatia – improving the rule of law was one of the main benefits mentioned both in the survey and focus groups, along with easier imports from the EU and better access to capital. But they also foresee negative consequences, such as increased competition from EU firms, higher expenditure on areas like environmental protection and loss of labour to other European countries.

But most small firms have taken few steps to prepare for EU accession. Even though 31% thought they were fully prepared for EU accession and 54% partly prepared, detailed questions showed that few firms had taken practical steps (such as obtaining information and training staff) to prepare for changes in the eight fields.

Fields like environmental protection, competition policy and consumer protection are recognised as important areas where changes must take place. But the level of small businesses' knowledge about changes in these fields is fairly low.

The survey examined in detail the main information channels currently aimed at small businesses – those of the BIZimpact Project’s main partner organisations – the Ministry of Economy, Labour and Entrepreneurship (MINGORP), the Croatian Agency for SMEs (HAMAG), the Croatian Chamber of Economy (HGK), the Croatian Chamber of Trades and Crafts (HOK) and the Croatian Employers’ Association (HUP) – plus those of other providers of business information/services at both national and county/regional level.

While some of these channels were widely used – for example 51% had of the sample had visited the MINGORP website in the past year and 77% of HGK members read its weekly newspaper “Privredni Vjesnik” –most of these channels were are rated as low to moderate in terms of usefulness (average scores varied from 2.6 to 3.0 on a scale from 1 to 5).. Similar ratings are given for enterprises’ satisfaction levels with the quality of information received.

The information channels seen as most useful by entrepreneurs are seminars or training events covering specific fields and targeted at particular sectors or groups of enterprises. These give small businesses the opportunity to ask specific questions relating to their enterprise and also to engage in dialogue about the impact of proposed changes.

Additional sources of information for small businesses examined by the survey included specialist institutions responsible for the eight fields. Fewer businesses contacted them than the main partners, but the information obtained was rated slightly more useful – reflecting the need to involve such bodies in the information process.

Similarly, a range of other bodies – such as county and city governments, regional development agencies and various types of business centres – were also identified as important sources for information at county and local level. Accountants were also shown to be important sources of information / advice to their clients, with a usefulness rating of 3.9.

While the general media, particularly television and newspapers, are a major source of information on EU accession and changes to laws and regulations, their coverage was seen as being too general for making business decisions. The media can thus have a role in raising awareness of forthcoming changes, but are unlikely to provide enterprises with the specific information they need.

The survey rated the eight fields covered by the BIZimpact Project by their importance for small businesses – ranging from competition policy and environmental protection (average scores 3.5 and 3.4 out of 5) to agricultural standards (2.2). It then examined how well informed entrepreneurs were about each field. The scores for this were considerably lower (from 2.0 to 2.7 out of 5) – revealing a clear “information gap” which needs to be bridged

SMEs and crafts, both in the survey and the focus groups, made clear they want more information about changes in the eight fields – and specific information related to their sector – through channels including seminars, publications, websites and the media. But they have limited time and resources to find information.

They stressed, however, that Information must be both easy to understand and easy to find. There are currently too many diffuse sources of information and much of it is in too technical language. While most small businesses use Internet and e-mail, finding information they need from websites is very difficult.

The report recommends that the planned awareness-raising campaign, along with informing entrepreneurs about forthcoming legislative changes, should also focus on the benefits that harmonisation of Croatian legislation with EU standards will bring – creating a firmer and more reliable framework for the operation of their enterprises. Information should be as targeted and specific as possible, and provided in easy-to-understand language and format, to enable different sectors and groups of SMEs and crafts to understand in more concrete terms what legislative changes mean for their business and what they are required to do.

Apart from the general information channels such as websites and publications, there is a clear desire from entrepreneurs for more information seminars or training seminars where they can obtain more concrete and specific information. The general media has an important role in alerting entrepreneurs

to important changes, but cannot be expected to provide detailed information about new laws and regulations.

Information providers should also be more pro-active in delivering targeted information to groups of entrepreneurs affected by specific changes. This means adopting a “market-driving” strategy for communication with small businesses, rather than a passive, “market-driven” approach of simply making information available and hoping entrepreneurs will access it.

Based on the results of the research, a Communications Strategy and detailed Action Plan will now be prepared for an awareness-raising campaign targeted at SMEs and crafts to improve their knowledge and understanding of changes in the eight fields covered by the BIZimpact Project.

The “follow-up” survey (“After” BINS) and further qualitative research will be conducted near the end of the BIZimpact Project (September 2009). These will measure both the success of the awareness-raising campaign and also identify further needs among Croatian small businesses for ongoing information activities.