

Secrets of Success of the Entrepreneurs Association of Slovakia

I. Introduction

The Entrepreneurs Association of Slovakia

The EAS is the first organization of private businesses in the modern history of Slovakia. It was established in December 1989, one month after the November 1989 “Velvet Revolution” as a non-profit organization financed exclusively by voluntary contributions of its members and by local and foreign corporate donations and individual contributions.

The main goal of the EAS is to fight against all market restrictions, support favourable business environment without privileges and exceptions that distort competition, and protect the social status of entrepreneurs and their rights and freedoms. The EAS considers it its duty to prevent all political and economic measures leading to deteriorations of fair business environment for all businesses.

The EAS is promoting following principles in public policy discussions:

- inviolability of private property rights
- low tax and contribution burden
- rule of law with simple legislative framework
- liberalization of economy
- prevention of excessive growth of state bureaucracy
- positive attitudes of the general public towards private sector in the society

Since March 1st 1993 the EAS is a member of European Confederation of Associations of Small and Medium – sized Enterprises in Brussels. It is also a founding member of an umbrella organization of employers, The National Union of Employers, representing businesses employing approx. 300 000 employees and generating approx. 70 % of GDP in Slovakia.

The EAS represents both its individual and collective members from various sectors of the Slovak economy (e.g. leasing, electronics, information technologies, tourism, cement and lime production, furniture production, construction, transportation, food industry, etc.). Its membership consists of more than 700 individual companies employing about 20 000 employees.

Among institutions that supported the EAS in its activities are Friedrich Naumann Foundation, Center for International Private Enterprise (CIPE), the National Agency for Small And Medium Sized Enterprises, Organization for Economic Co-operation and Development (OECD), and Slovak financial institutions (e.g. Slovak Savings Bank, Slovak Insurance Company, General Credit Bank, Union insurance company, etc.).

II. 20 years of transformation

Two decades of existence of the EAS coincide with two of the most exciting decades in the modern history of Slovakia. It provided both very interesting and challenging framework for development of the association.

As a result of the transformation process, profound changes in economic, social, and political system were made, many institutions of the early 90s disappeared and many more new institutions came into existence. In this context, the major achievement of the EAS is that it survived all ups and downs of this transformation, and it still exists as the organization defending the interests of private businesses as it was established 20 years ago.

The two decades of transformation consist of several very different periods with very different challenges and priorities:

1989 – 1992: the first generation of reforms, major liberalisation of the Czechoslovak centrally planned economy, massive privatization, growing disagreements of political representations of Slovaks and Czechs over reform policies and means of redistribution between Slovakia and Czech lands within Czechoslovakia.

1993 – 1998: the first years of independent Slovakia, building necessary institutions like a central bank and ministry of foreign affairs, learning by doing, a period of mistaken macroeconomic and microeconomic policies, with unnecessary expansionary fiscal policy, and privatization favouring domestic buyers loyal to government, Slovakia excluded from integration efforts (EU, NATO, OECD).

1998 – 2006: in response to mistakes made between 1993 – 1998 there were two waves of bold economic and social reforms (flat tax reform, a partial privatization of a pension system, etc.) introduced, business environment in Slovakia significantly improved, integration efforts accelerated, Slovakia became a member of OECD, NATO and EU.

2006 – 2009: Slovakia adopted the Euro, became a member of the Schengen zone with free movement of goods, services and labour force.

The EAS successfully adapted to all above-mentioned different periods of transformation and their different challenges. It demonstrated its capacity not only to survive, but in addition to play an important role in the transformation at its various stages. In other words, it did not just wait for changes to happen, it always made efforts to influence decisions about what changes would be made.

III. Secrets of the EAS' success

Below there are listed crucial factors behind the success of the EAS

1. Clearly defined mission

One of the first dilemmas newly established organizations of businesses are usually faced with is advocacy vs. providing services. The EAS founders opted for a single purpose: advocacy. They decided to use the organization's limited financial resources and limited capacities to support the No 1 priority of those who founded it: to defend the interests of private businesses. This decision to focus resources and capacities and not to divert them into other purposes (e.g. providing services) was to be proven correct many times later on.

Business organizations frequently and naturally tend to focus on defending the interests of their own members, sometime at expense of other businesses. The EAS is successful also because it managed to avoid this mistake and from the very beginning it positioned itself as organization defending the common interests of all businesses (low taxes, reduction of red type, etc.) irrespective whether they are EAS members or not.

Finally, throughout 20 years of its existence, the EAS permanently and consistently stuck to the decisions of its founders to be exclusively an advocacy organization defending interests of all businesses.

2. Selection of members

The EAS never aimed to be a mass organisation. Although number of members is an important indicator in Slovakia (like in other European countries with a centralised system of collective bargaining), especially in a social dialogue with trade unions, the EAS always preferred quality of its members over their quantity. One of the major principles of its membership policy was and still is a careful selection process of new members based on a collection of both formal and informal references on history and business practices of new applicants. The application is declined if any disturbing information on the applicant is uncovered in the process of reviewing of his or her application.

3. No party politics

Any business advocacy organisation is always very close to politics. The temptation to become directly involved in it is intense. The advocacy organisation is in the business of influencing the public policy-making process. In the case of a pro-business oriented government, there is a temptation for individual members of the business organisation to implement its priorities directly by accepting executive positions in the government. In opposite cases, when government is not favourable to businesses, there are sometimes efforts to fight against hostile measures of the government by transforming the business organisation into a political party. There were several businesses organisations in Slovakia that tried their fortune as political parties; none of them were successful. Their survival rate was not higher than that of other parties. The EAS avoided both above-mentioned temptations, and that might be one of factors why it still not only exists, but also keeps its influence, and plays an important role in Slovakia.

4. Strategy to involve all relevant stakeholders

The EAS consistently makes efforts to find innovative ways how to approach not only policy-makers as narrowly defined target group, but also broadly defined relevant stakeholders. Their list and techniques how to target them is as follows:

- **Policy-makers and opinion-makers:** as of 2005 the EAS started to announce *The EAS Award for contribution to improvements of business environment in Slovakia* in order to encourage those who contribute to improvements in the business environment and increase public awareness of both necessity to improve business environment and people that helped to do it. The Award is intended as an incentive for those who are not entrepreneurs themselves, however, who – primarily in their capacities as policy-makers or opinion-makers – have direct or indirect impact on business environment in Slovakia. The first three Awards were given to former finance minister Ivan Miklos for his contribution to the flat tax, Helena Kohutikova for her life-long contribution to institution-building of the central bank in Slovakia, and Radoslav Bato, editor in chief of economic weekly Trend, for its defence of the private sector against all kinds of government interventions.
- **Think tanks:** unlike most business organisations, the EAS understands perfectly the importance of its close co-operation with the think-tank world. Many think-tanks have unique expert capacities and knowledge. Many business organisations have financial resources, but lack expert capacities. They

need each other and it is not clear why there are still so few bridges between these two worlds. The EAS played a crucial role in launching two important initiatives in Slovakia in this direction:

- *Monitoring of legislation process* - this project was outsourced to a think-tank and is successfully run by its experts delivering concise and on-time regular reports with early warnings in case of any potential problems with draft legislation,
 - *Audit of business environment*- a complex analysis of all important aspects of business environment conducted by think-tank experts in close co-operation with representatives of private sector in Slovakia.
- **Teachers and students:** *Teaching Entrepreneurship at Slovak secondary schools*, the EAS's largest project so far, implemented in 2006-2008, aimed at improvement of the quality of teaching entrepreneurship, preparation of a six-volume educational material on teaching entrepreneurship, and training of 1 400 teachers and 40 000 students.
 - **Young entrepreneurs:** several years ago the EAS started to pay systematic attention to young entrepreneurs. It joined forces with a Slovak affiliation of Junior Chamber International and together they present *The Award for young innovative entrepreneurs* in Slovakia, as well as another award aimed at encouraging young people's entrepreneurial skills called *The Award for the best student company in Slovakia*. Moreover, in its 20th year of its existence, the EAS made an important decision to assist young entrepreneurs to establish an organization under its umbrella, the Young Entrepreneurs Association of Slovakia (The YEAS).
 - **Foreign counterparts:** inspired by CIPE's assistance in its own institutional building, the EAS decided to share its knowledge and experience with its younger counterpart in Montenegro. In 2004-2005 it assisted the Montenegro Business Alliance in its institution building and shared with its experience on how to campaign and lobby successfully for improvements of business environment in Montenegro.

IV. Challenges ahead

1. Entrepreneurship and business environment - top priority for policy makers.

The political cycle in Slovakia is currently working against the Slovak. Its current government's top priority is to increase the role of government, conduct interventionist policies, and strengthen a welfare state and a rate of redistribution in Slovakia. Sooner or later these policies will bring deterioration of business environment, higher taxes, higher rates of redistribution, disincentives to work, invest, and to do business. The EAS will be active in opposing these policies to be implemented. In addition, it will actively encourage all relevant forces in Slovakia to make from entrepreneurship and business environment top priority of both public debate and public policy again.

2. Systemic co-operation with educational institutions.

The EAS pilot project on teaching entrepreneurship was extremely successful. In order to increase its impact, the EAS plans to adopt a strategy of its systemic co-operation with educational institutions. Entrepreneurship should be an integral part of curricula of all schools at all levels, starting from elementary schools, secondary schools, as well as universities. The EAS and its experts will identify several secondary schools and universities in Slovakia and will tailor courses of entrepreneurship to their specific needs.

3. The Young Entrepreneurs Association of Slovakia.

The YEAS is expected to be established in last quarter of 2009. In upcoming years The EAS will provide both financial and in-kind assistance to start its activities. It is not only a symbolical signal of the first organisation of private businesses in Slovakia to the next generation of entrepreneurs. The EAS believes that there is also a real need for such kind of organisation since young entrepreneurs are facing specific problems and their own organisation can help them to cope with these challenges as well as communicate them with relevant authorities and general public.

Bratislava,
October 27, 2009

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