

# Systems of support for start-ups in the Central and Eastern Europe

**Estonia, Poland, Lithuania, Czechia and Slovenia are the leaders of development of start-up support systems in Central and Eastern Europe. / The start-up support infrastructure is the worst developed in Albania, Bulgaria and Croatia. / As a result of the pandemic it will be more difficult for start-ups to receive financing from venture capital funds.**

Start-ups are innovative businesses looking for an effective business model, oriented towards fast growth, global availability and therefore use of state-of-the-art technology. The authors stress the significance of start-up related aspects highlighted in the last year's survey edition, including the tendency of such enterprises to build global monopolies and generate the biggest possible economic value, and also their perception as organisations seeking for repeatable and scalable business model.

Countries of Central and Eastern Europe have recently undertaken many measures to improve their start-up support systems in place and to make them more enterprise- and

investor-friendly, as well as to encourage their dynamic growth, international expansion and global success.

In order to systematize the research methods, the team decided, as a part of a panel of experts consisting of entrepreneurship and innovation researchers and the authors of this study, to examine 10 factors comprising (according to the experts) systems of start-up support of a CEE countries. These factors include:

- 1) social and economic development;
- 2) taxation system;
- 3) intellectual property protection;
- 4) academic entrepreneurship;
- 5) government agencies;
- 6) start-up accelerators;
- 7) regulatory sandboxes;
- 8) clusters and network organisations uniting start-ups;
- 9) venture capital funds;
- 10) successes of start-ups in respect of their visibility and recognisability for the start-up support system stakeholders.

In order to evaluate the development stage of each CEE country, the research was conducted in a panel of experts using the Delphi technique – each factor comprising the start-up support system in each examined country was given a score

**TABLE 1. Detailed evaluation of factors comprising start-up support systems in CEE countries and aggregate evaluation of each country compared to CEE \***

Factor	Weight (%)	Countries of Central and Eastern Europe											
		Albania	Bulgaria	Croatia	Czech Republic	Estonia	Lithuania	Latvia	Poland	Romania	Slovakia	Slovenia	Hungary
Development	13.64	0.41	0.41	0.55	0.55	0.55	0.68	0.68	0.68	0.55	0.55	0.41	0.68
Taxes	9.09	0.27	0.36	0.27	0.45	0.45	0.36	0.27	0.27	0.27	0.27	0.45	0.36
IP	6.36	0.19	0.19	0.13	0.19	0.25	0.19	0.19	0.19	0.13	0.13	0.19	0.13
Academic entrepreneurship	6.36	0.06	0.19	0.19	0.32	0.32	0.25	0.13	0.32	0.13	0.25	0.32	0.19
Government agencies	10.00	0.10	0.10	0.20	0.40	0.50	0.40	0.40	0.50	0.10	0.40	0.50	0.30
Accelerators	12.73	0.38	0.51	0.38	0.64	0.64	0.51	0.64	0.51	0.38	0.51	0.64	0.25
Sandboxes	1.82	0.04	0.07	0.04	0.05	0.07	0.09	0.05	0.05	0.04	0.05	0.05	0.09
Clusters	12.73	0.38	0.38	0.38	0.64	0.64	0.64	0.64	0.51	0.38	0.38	0.64	0.38
Venture capital	18.18	0.18	0.36	0.55	0.55	0.91	0.73	0.55	0.91	0.91	0.36	0.55	0.73
Start-up successes	9.09	0.18	0.27	0.18	0.36	0.45	0.36	0.27	0.45	0.36	0.27	0.36	0.36
Total evaluation	100.00	2.20	2.85	2.86	4.15	4.78	4.22	3.82	4.40	3.25	3.18	4.11	3.48

Source: own study by SGH Warsaw School of Economics

Product of evaluation within a criterion from 1 (very low) to 5 (very high) and weight of a given factor. "Leaders" (■), "raising stars" (■), "developing" systems (■)

### START-UPS AND COVID-19

Because of the pandemic it will be more difficult for start-ups to receive financing from venture capital funds. Many funds have already limited their investments. It can be expected that in the nearest future to receive VC financing businesses will have to demonstrate very well considered ideas, actual scalability of activities, experience in start-up projects. In current circumstances high-risk, uncertain projects rather will not succeed. It is also expected that the industries who are taking advantage of the pandemic, offering solutions particularly useful and desired during the pandemic crisis, will be have the financing priority.

Those most affected by the pandemic are the start-ups operating off-line, especially in the tourism, event and *LendTech* (*Lending Technology*) sector. It is also a difficult time for start-ups delivering various products made of components imported from abroad, such as enterprises manufacturing hardware, for whom the main source of supply so far was China.

However, for many start-ups the pandemic is an opportunity. So far unprecedented opportunities for dynamic development have opened for enterprises offering innovative solutions for remote education (*Education Technology – EdTech*), e-commerce, tele-health, medical technology (*MedTech*), biotechnology, cybersecurity, computer games, e-sports, supplies, logistics, on-line media.

It can also be expected that the new business conditions would spur further innovativeness of these types of firms. Many start-ups have offered traditional enterprises various free applications in the area of *FinTech*, *CleanTech* (*Clean Technology*) and *MedTech*, allowing for effective functioning in new, remote conditions.

Owing to the pandemic, some start-ups will be able to directly increase their revenues. For instance one of them, Warsaw Genomics, started to provide molecular coronavirus tests.

A positive aspect of the new reality is that it creates an opportunity to materialize new ideas, highlights new needs of societies trapped in homes and restricted functioning in real space. For those who perceive the situation as a challenge, not a threat or impediment, the COVID-19 pandemic is just a set of new conditions, an opportunity to demonstrate greater innovativeness and flexibility.

from 1 (very low) to 5 (very high) by an expert responsible for research work on that factor. In order to establish the weight of each factor, a binary comparison method was used, or comparison in pairs (each factor was compared with each other factor and a simple majority vote of experts decided about its weight).

It was assumed in the Delphi technique survey of the panel of experts that a synthesized measure (aggregate evaluations for each factor) will make it possible to identify the most developed start-up support systems in CEE. The experts adopted three grades for the start-up support systems, reflecting their degree of development. It was agreed that to call a start-up support system a “leader” of the analysed group of countries in this year’s study edition, the total score must be at least 80% of the number of points possible to receive from 1 to 5, namely 4. To be called a “rising star” a start-up support system had to receive in total 60% to 79.99% of all the points from 1 to 5, which is from 3.00 to 3.995 points. Those start-up support systems which were evaluated below 60% of all the score (3.00 and less) are called “developing” systems.

The results of the research allowed to identify 5 “leader” grade start-up support systems (Estonia, Poland, Lithuania, Czechia and Slovenia), 4 “raising star” grade systems (Latvia, Hungary, Romania and Slovakia) and 3 “developing” systems (Albania, Bulgaria, Croatia).

**RAFAŁ KASPRZAK**, habilitated doctor of economic sciences, Department of Consumer Behaviour Research of SGH Warsaw School of Economics;

**MARCIN WOJTYSIAK-KOTLARSKI**, habilitated doctor of economic sciences, Institute of Management of SGH Warsaw School of Economics;

**ALBERT TOMASZEWSKI**, doctor of economic sciences, Department of Strategic Management of SGH Warsaw School of Economics;

**MARIUSZ STROJNY**, doctor of economic sciences, Institute of Value Management of SGH Warsaw School of Economics, Rector’s Representative for Technology Transfer;

**MALGORZATA GODLEWSKA**, doctor of economic sciences, Department of Administrative and Financial Corporate Law of SGH Warsaw School of Economics;

**ANNA MASŁOŃ-ORACZ**, doctor of economic sciences, Institute of Management of SGH Warsaw School of Economics;

**ELENA PAWĘTA**, doctor of economic sciences, Institute of International Economics of SGH Warsaw School of Economics;

**MARIA PIETRZAK**, doctor of economic sciences, Institute of management of SGH Warsaw School of Economics;

**TOMASZ PILEWICZ**, doctor of economic sciences, Institute of Enterprise of SGH Warsaw School of Economics;

**OLGA PANKIV**, Project Support Office of SGH Warsaw School of Economics;

**BARTOSZ MAJEWSKI**, director of the Centre for Entrepreneurship and Technology Transfer of SGH Warsaw School of Economics;

**MIROSLAW ŁUKASIEWICZ**, doctoral student, Department of Strategic Management of SGH Warsaw School of Economics;

**HANNA RACHOŃ**, cooperates with SGH Warsaw School of Economics;

**KAMIL FLIG**, Centre for Entrepreneurship and Technology Transfer of SGH Warsaw School of Economics