

# Entrepreneurship in Former Yugoslavia

Ramo Palalić • Léo-Paul Dana • Veland Ramadani  
Editors

# Entrepreneurship in Former Yugoslavia

Diversity, Institutional Constraints and  
Prospects

 Springer

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*To my beloved wife Sadina and daughter Isra*  
Ramo Palalić

*In memory of my parents, from whom I  
learned to respect and love the Balkans*  
Léo-Paul Dana

*To my father, Ismet Ramadani—an active  
participant in the political movements before,  
during, and after the collapse of Yugoslavia*  
Veland Ramadani

# Foreword

Once upon a time there used to be a country called Yugoslavia that existed for less than 75 years. Reflecting on its various nations and history, Yugoslavia was never really a unified country. Shortly after the death of the long-living iconic national leader Josip Broz Tito in 1980, the disintegration of the country started. Many remember the clash that ended Yugoslavia causing hundreds of thousands of casualties and a million to seek refuge in the 1990s. While the physical war ended, the pressure still exists mainly in Bosnia and Herzegovina and in Kosovo.

For understanding the present situation in any former Yugoslavian country, someone should know its history. In particular, entrepreneurship has its roots in the specific Yugoslavian model of self-managed socialism with partially decentralized decision making. While this experience, similar to other socialist reform movements, was based on the denial of private property and entrepreneurship, it still allowed some limited artisans, craftsmanship, and agricultural farming. Finally, this unique model together with other socialist reform movements proved to be unsuccessful mainly because of the lack of operational demand and supply-oriented market signals and the associated distorted incentive structure. This heritage still has an impact on many former Yugoslavian successor states.

For entrepreneurship development a country needs two things: enterprising individuals and favorable environment. Yugoslavia's partial transition to the market economy started in 1988 by allowing private business start-ups. Shortly, hundreds of thousands of new establishments appeared all over the country. However, if someone thinks about entrepreneurship as creating the next Google, Spotify, Uber, or Xiaomi, he or she should look elsewhere, not in the former Yugoslavian countries. Small, family businesses, shops, artisans, and tourist-related ventures dominate most in these countries struggling to survive and grow. While many studies in this book write about the low level of business start-up activity in many countries, the real problem is the lack of high growth, innovative export-oriented firms, and local heroes making a fortune out of individual efforts and not state support.

Institutional reforms proceeded slowly and unevenly in the successor Yugoslavian states limiting the development of the private business sector in many cases.

According to the World Bank *Doing Business 2017* report, former Yugoslavian countries rank between 11th (Macedonia) and 86th (Bosnia and Herzegovina). Starting and growing a new business is challenging, and future entrepreneurs should also deal with high corruption. Small local markets and declining population—except Kosovo—also limit business growth.

Privatization was also not a success story and state ownership is still playing a dominant role in all countries. While another neighboring transition country, Hungary, has been blamed for selling the “family jewelry” to foreigners, former Yugoslavian countries occupy the other extreme position. According to the World Bank Foreign Direct Investment (FDI) data from 2016, Hungary alone has around ten times more FDI than all the seven former Yugoslavian successors together. The lack of foreign businesses and multinationals prevents these countries to integrate better in the world economy by subcontracting and to capitalize on technology transfers and management practices.

According to the famous philosopher, novelist, and poet, George Santayana: “Those who cannot remember the past are condemned to repeat it.” So I recommend this book to all of you who want to learn from the past and would like to know how to build a new future.

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László Szerb

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