

**Economic development in Slovakia
during five cabinet ministers from
1998 until the present and its influence
on SMEs**

Bachelor Thesis for Obtaining the Degree

Bachelor of Science in

International Management

Submitted to Liani Drury

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Vienna, 31 May 2021

Affidavit

I hereby affirm that this bachelor's thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

The thesis was not submitted in the same or in a substantially similar version, not even partially, to another examination board and was not published elsewhere.

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Abstract

Small and Medium-sized enterprises' successes are subjected to economic conditions created by the national governments. It is well-known that the reforms and measures that the ruling government takes have a significant effect on any company's business operation. The primary focus of this thesis is to examine multiple government cabinets in Slovakia, the entrepreneurial environment that they created and how it influenced small and medium-sized in terms of their overall financial well-being. Specifically, it investigates whether the various reforms introduced at a particular time by a certain government helped them further their business or complicated their business activities. In this context, a small and medium-sized company is defined as a company that employs less than 250 people, and its annual turnover does not exceed 40 million euros.

To research the issue, in-depth interviews of two entrepreneurs were conducted. One of them represented a small business, the other a medium-sized business. The respondents were asked open-ended questions to get complex and valuable data. Narrative responses were analyzed thoroughly using qualitative research methods, including voice and body language. The results suggest that the effect of the reforms done in the period 1998-2006, impacted businesses significantly, creating a positive effect from the flat tax reform of centre-right government. In comparison, the periods of 2006-2010, and 2012-2016 that gave rise to extensive bureaucratic measures, and which were characterized by the social approach of the centre-left government brought entrepreneurs of SMEs challenges that were hard to overcome. Based on the responses of candidates, it can be concluded that the most prosperous time periods for SMEs in the country were the cabinets of Mikulas Dzurinda and Iveta Radicova.

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List of Abbreviations

CIT – Corporate Income Tax

CPI – Corruption Perception Index

EFSF – European Financial Stability Facility; locally known as ‘Euroval’

EU – European Union

FDI – Foreign Direct Investment

GCI – Global Competitive Index

ICT – Information and Communication Technology

IEF – Index of Economic Freedom

NADSME – National Agency of Development of Small and Medium-sized Enterprises

NATO – North Atlantic Treaty Organization

OECD – Organisation for Economic Co-operation and Development

PIT – Personal Income Tax

PM – Prime Minister

SaS – “Sloboda a Solidarita” en: Freedom and Solidarity

SBA – Slovak Business Agency

SDK – “Sociálna demokratická koalícia” en: Social Democratic Coalition

SDKU-DS – “Slovenská demokratická a kresťanská únia-Demokratická strana” en: Slovak Democratic and Christian Union-Democratic party

SMER-SD – “Smer-Sociálna demokracia” en: Direction-Social Democracy

SMEs – Small and Medium-sized Enterprises

SR – Slovak Republic

SUSR – Statistical Office of Slovak Republic

VA – Value added

VAT – Value Added Tax

1 Introduction

1.1 Topic and context of the thesis

In the most recent decades, economic development in Slovakia underwent major changes. The country's communist-era ended in November 1989 after years of a one-party government. It was the end of command economy in which the one communist party dictated what should be consumed, produced and decided the prices of those products. Later on, the parliamentary republic was established, and the lives of citizens changed dramatically. Czechoslovakia transitioned to democracy and eventually broke up peacefully. The Slovak Republic was officially declared in July 1992. The movement towards the market economy aimed to liberalize prices, diminish monopolization and reform the economy.

This thesis aims to examine the 'development'; however, Morvay et al. (2005) called this a 'transformation' process when discussing the shift of the regime. Nevertheless, the term 'transformation' is perhaps more suitable to use when referring to the time period of 1990 until 1998.

Based on the research of the literature, it can be concluded that the reform of the Slovak economy and its transition after decades of the communist regime started to happen in the first government of Mikulas Dzurinda. This is also the reason why this period got extensively researched and discussed by the researcher. It has not only impacted all the cabinets in the next years, but also established specific entrepreneurial condition for companies, mainly SMEs.

1.2 Focus and Scope of the Thesis

The thesis focuses on researching the economic conditions, entrepreneurial environment, and general atmosphere in the society as the researcher believes it has a substantial impact on the willingness of people to open businesses and perform all the other activities and duties that entrepreneurship entails.

The research covers the time period from 1998 until 2020. This time frame of twenty-two years is divided into periods of four years, specifically into six former legislatures (1998-2002, 2002-2006, 2006-2010, 2010-2012, 2012-2016,

2016-2020) focusing on five legislators (M. Dzurinda, R. Fico, I. Radicova, P. Pellegrini, I. Matovic) and their cabinets. The literature review and the research itself are built on one specific foundation: chronology. The chronological timeline serves as a tool to introduce the conditions and the atmosphere of the discussed periods. Most importantly, it facilitates the complete comprehension of the events that shaped the economic state.

The most relevant approach to obtain the data from this period is through open interviews with entrepreneurs of small and medium-sized enterprises who can answer the researcher's questions in full complexity while providing personal views and opinions on the researched themes. The research is built around the two interviews with the two entrepreneurs who have been in business for more than 22 years and thus are eligible to discuss it in-depth.

1.3 Relevance and Importance of the Thesis

Small and Medium-sized Enterprises (SMEs) in the country is the driving force of the national economy. The report of the National Agency of Development of Small and Medium-sized Enterprises (NADSME) from 2002 argued that those companies make up the most extensive portion of the economy in the country (NADSME, 2002). Already in 2002, there is an evidence that SMEs account for 99% of all enterprises (NADSME, 2002). Later on, this claim is supported by Papulova and Papulova (2006). They illustrated the importance of SMEs by claiming that those firms render 50% of output on the basis of added value and 60% of employment (Papulova&Papulova, 2006). They also fill the gaps in the monetary structures by being a wellspring of new job positions, consequently positively contributing the society and a whole (Papulova&Papulova, 2006).

The gap in the literature that was identified through an extensive review of the available academic sources which mainly discuss the economic conditions within the researched time period (Okali et al., 2003, Morvay et al., 2005, Papulova&Papulova, 2006, Miklos, 2006.), however, fail to go in-depth and look at the specific period from a perspective of an entrepreneur who is the one affected by those set conditions. The data suggest a direct effect on the

businesses, and the outcome is generally identified in each paper. However, it is unclear to what extent those businesses profit and/or suffer under unique circumstances. Therefore, to fully comprehend the problem, it is important to gain a deeper understanding of the issue from the ones directly integrated with the economic sphere – entrepreneurs.

1.4 Questions and objectives of the Thesis

As most researchers of academia examine the problem from the theoretical point of view, this research aims to provide authentic data from the entrepreneurial environment that describes the actual struggles of entrepreneurs of small and medium-sized enterprises during the period of 22 years. For a better understanding of circumstances, events that are preceding the time frame might be briefly mentioned by either researcher or respondents.

The thesis aims to research the question: How did the Slovak economic development, evolving during the era of 5 prime ministers in the years 1998 until 2020, influenced the small and medium-sized businesses? The relationship that is examined is between the ruling government and SMEs at a certain point in time.

2 Literature Review

2.1 Economic Development in Slovakia in the 1998-2006

2.1.1 The First Era of Dzurinda (1998-2002)

After Velvet Revolution in Czechoslovakia in the 1989 a new era commenced. After a semi-authoritarian government of Vladimir Meciar, the era of capitalism opened the doors for Slovakia to the rest of the Europe. In the 1998 in a parliament election, the political party, Sociálna demokratická koalícia” en: Social Democratic Coalition (SDK) of a neoliberal Mikulas Dzurinda, formed coalition and Dzurinda was elected as a prime minister for the next 4 years.

By becoming a European partner country, the first government fulfilled one of their main goals. Ivan Miklos who was a vice president of the economic council during this period stated that Slovakia managed to reverse the negative predictions of its economic future by eventually joining North Atlantic Treaty Organization (NATO) and Organisation for Economic Co-operation and Development (OECD) (Miklos: 56).

Companies such as U.S Steel, Deutsche Telekom, Gazprom, amongst many others opened joint ventures across the country. The attractiveness of entrepreneurial environment offered the foreign investors unique opportunities as it allowed them to acquire new businesses (Miklos: 56). Jurajda and Mathernova supported this statement with the presentation of the Foreign Direct Investment (FDI) rising to 10% in 1998 and 6% in 2000 and 2001 (2004: 10).

Banks which were collapsing before the elections because of the excessive debt, low asset holdings, unmotivated employers, were saved in the process of privatization. Bacisin is convinced that sectoral changes within the banking sphere were cost and time affective like nowhere else (Bacisin 2008, cited in Zachar & Golias 2010: 4).

2.1.2 The Second Era of Dzurinda (2002-2006)

The success of Dzurinda in the elections of 2002 made it possible for Dzurinda, who remained in the position of prime minister to utilize those already prepared changes and reforms. Major advances were planned for the economic sector specifically, as Slovakia was about to become a member state of European Union. Further in Miklos’ contribution chapter he identifies seven main sectors in which reforms were to happen. Kotulic et al. identifies three, perhaps the most relevant changes that might have had an overall effect on the economy in Slovakia: a shift from command economy to a free market economy, the membership of Slovak Republic (SR) in the European Union (EU) and the most importantly the pursuit of structural reforms (2015: 1595). Particularly the first two years of the second Dzurinda’s government were influential because SR needed the progressive measures towards an open market as they were requisites for the unification with the EU (Kotulic et al. 2015: 973).

2.1.2.1 SME definition and its attributes in a Slovak context

Small and Medium-sized enterprises (SMEs) in Slovakia are defined based on the number of employees and the turnover in a year time period. *Table 1* provides category specification. SMEs are the fuel of the economy in a country because they create jobs; Kljucnikov et al. retrieved the data from Statistical office of SR and claimed that 99.9% of registered enterprises are made up of SMEs (2016: 37). European Commission’s Fact Sheet present the data from 2019 where it claims that SMEs employment share in Slovakia is 72.7% which is higher than the EU’s average share of 66.6% and further states that SMEs make up 55.1% of VA (EU SBA Fact Sheet - Slovakia 2019: 2).

Category	Number of Employees	Turnover (in one year)
Micro-sized Enterprise	1 – 9	<= 2 000 000 euro
Small-sized Enterprise	10 – 49	<= 10 000 000 euro
Medium-sized Enterprise	50 – 249	<= 43 000 000 euro

Table 1: The defining attributes of SMEs in Slovakia (author's own)

2.1.3 FDI boom resulting in unforeseen challenges for SMEs

The automobile industry had captured significant foreign direct investments (FDIs) as a result of favorable business environment. A substantial inflow into the industry happened during 2003 and 2004 when car producers such as PSA Peugeot Citroen and later on Hyundai Kia Motors Corporation and Hyundai Motor entered the market and set up the production processes in Slovakia (Jakubiak et al. 2008: 9). The EU membership and Slovakia's geographical positioning on the European continent were considerable factors because production and transportation costs were lower and duty-free export was possible. Javorcik and Kaminski acknowledged these advantages by stating that due to them the FDI acted as a power that incorporated the country into production structures abroad (2004: 464). *Figure 1* shows that throughout the year 2004 FDI hit the level of 1257.3 million of EUR. Another peak was reached in 2006 with an FDI 2101.8 million of EUR.



Figure 1: The FDI in Slovakia from January 2004 until January 2007 (tradingeconomics.com)

However, the foreign investments not only in car industry but also in steel industry and electronics impacted negatively SMEs in SR. Ubreziova et al. support a contradicting argument by claiming that since the beginning of Dzurinda era SMEs were interacting less in the foreign trade due to large enterprises that took over the market (2008: 156).

Vravec et al. present the claim of SMEs whose managers thought that the membership in the EU will make the finance (mainly external) obtaining process simplified (2005: 77). Although the new economic atmosphere with stabilized banking system offered further financial possibilities, evidence suggests an inconsistent argument; smaller businesses encountered difficulties when trying to access and receive external funding resources in comparison to larger firms who faced less obstacles (Civelek et al. 2019: 245). Further, Vravec's et al. (2005) research found that in the Kosice region (Eastern Slovakia) only 7% of participant entrepreneurs claimed that after the accession to the EU, external credit procurement improved. Challenges for micro, small, and medium sized companies emerged as they were exposed to larger target markets and needed the additional financial support in order to be innovative, and thus competitive, not only on the Slovak market which was increasingly saturated with foreign goods but also to be able to export to the rest of the EU (Vravec et al. 2005). Lesakova et al. evaluated what factors triggered the research and development activities in the firms across Slovakia. From a sample of 998 SMEs, 64.7% stated the financial resources to be the most determining element which embraces innovation activeness (2017: 329)

The reforms throughout the years 1998-2006 was assessed to be very beneficial as they revitalized the business environment and gave rise of economic growth in the approaching years. Jakubiak et al. stated that advanced economic restructure processes created a desired environment for investment opportunities to be available and accessible (2008: 10).

2.1.4 Tax reform

The new taxation system's effectiveness began on the 1 of January 2004. The flat tax rate (19% in Slovakia starting on 01.01.2004) "means unified marginal rate of income tax for individuals and legal entities" (Miklos 2008: 62). To specify it further personal income tax (PIT), corporate income tax (CIT) and value added tax (VAT) were all the level of 19% (Brook & Leibfritz 2005: 6). The most important figures and advocates of flat tax reform were Ivan Miklos – deputy minister of economy, Martin Bruncko who did his studies at Harvard

University and later on acquired the knowledge about the flat tax rate at the Kennedy School of Government and Mikulas Dzurinda., the Prime Minister (Ellis 2011: 36). In the same year Slovakia entered the EU, and so the flat tax rate caused a controversy “because of inelasticity of their markets and ineffectiveness of their institutions and functioning models (tax model included), not able to cope with consequences of global competition” (Miklos 2008: 62).

The system was based on five key measures:

- “Implementation of flat personal and corporate income tax rate at the level of 19%, replacing the old tax with five tax brackets from 10% to 38% for individuals and 25% for legal entities and a huge number of exceptions and special rates
- Unification of VAT rates at the level of 19%, replacing the old rates of 14% and 20%
- Elimination of dividend tax
- Elimination of gift tax, inheritance tax, and real estate transfer tax
- Elimination of almost all exceptions, deductible items, special regimes and special rates” (Miklos 2008: 64)

The following figures (2, 3, & 4) are used for visual detailed comparison of an old taxation system to the new system specifics.

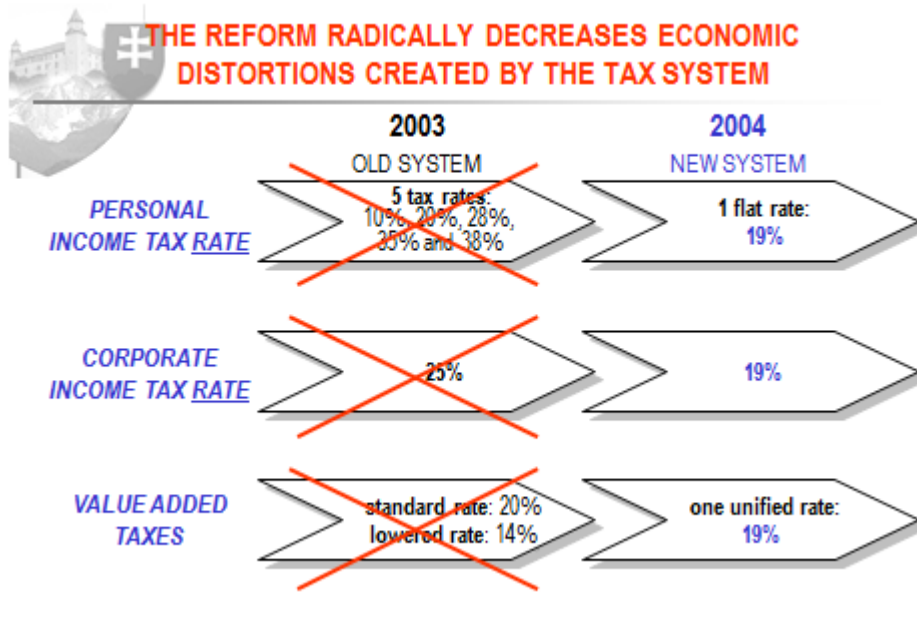


Figure 2: Comparison of the tax rate of the old and new system (<https://taxfoundation.org/flat-tax-lessons-slovakia/>)

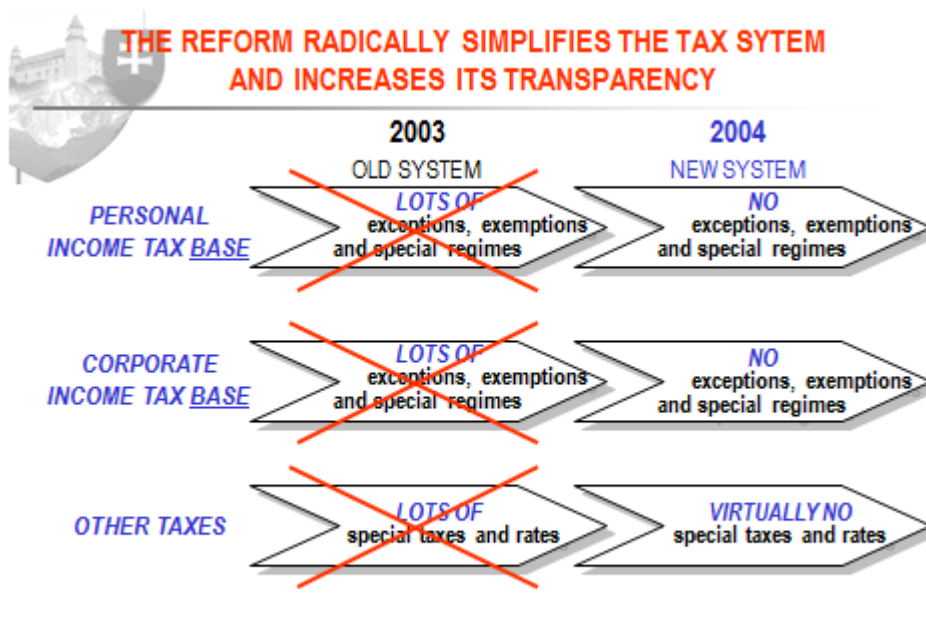


Figure 3: Comparison of the tax base of a new and old tax system (<https://taxfoundation.org/flat-tax-lessons-slovakia/>)

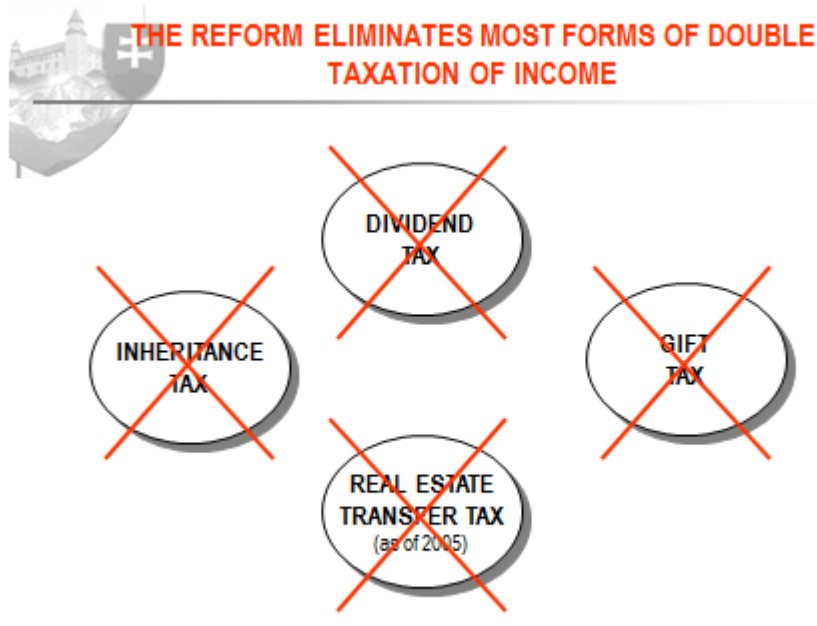


Figure 4: Elimination of specific forms of double taxation (<https://taxfoundation.org/flat-tax-lessons-slovakia/>)

2.1.4.1 Tax reform – perception of public

At a first sight, the public perceived the new taxation system as a negative measure introduced by the government because people only focused on one negative measure that it brought. Miklos claims that people could see the implication of the change on the higher prices already in the first weeks, but they overlooked lower direct taxes on their payrolls appearing in the long run (2008: 78).

2.1.4.2 Tax reform – perception of business sphere

From a list of developed countries, Slovakia was the one with the lowest tax rate and “was used as a model for growth” (Ellis 2011: 37). “Slovakia is case in point. The country has been intent on building an investor-friendly climate. So, in 2004 it swept away 21 categories of personal income taxes, five tax brackets, and scores of exemptions and reductions, re- placing them with a flat 19% rate, Slovak officials say their tax reform was crucial in securing a 1.3 billion investment last year by Korean automaker Hyundai Corp., which is building a

factory for its Kia brand cars in the city of Zilina” (Europe Circles the Flat Tax 2005, cited in Ellis 2011: 37).

This research identified the lack of published studies that would evaluate the direct effects of a flat tax rate on SMEs business existence and operations. However, Miklos is convinced that all the rehabilitation measures secured improved economic conditions (2008: 75).

2.1.5 Labour Market Reform – “working will pay off”

In the year 2002 Slovakia had the highest unemployment rate in Europe (Miklos 2008: 73). The reform of the government was based on the income distinction; people employed and unemployed and those who want to contribute to the system and those who do not want to. Social benefits had to complement labour reform as the labour market was not offering enough working opportunities for low-educated workers (Miklos 2008: 73)

The new system offered less obstacles and eased conditions:

- “Deregulation of working time adjustment, increase of mandatory overtime limits and overtimes agreed with employer
- Simplification of layoffs in case of economic problems of employer or his dissatisfaction with the work of the employee
- Simplification of hiring and work status
- Elimination of all restrictions on working pensioners” (Miklos 2008: 74)

The unemployment rate (shown in the *Table 2*) decreased since the year 2004 reaching 16.2% in 2005 and 13.3% in 2006 while the employment rate had grown simultaneously; in 2005 it was 2.1% (the highest number in the past 6 years) and 3.8% in 2006.

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unemployment rate	12.6	16.4	18.8	19.2	18.5	17.4	18.1	16.2	13.3
Employment growth	-0.4	-2.7	-1.8	0.6	0.2	1.8	0.3	2.1	3.8

Table 2: Unemployment development and employment growth in Slovakia in 1998 – 2006 in % (Miklos 2008: 74).

The labour and social system reforms were used to decrease the level of poverty by increasing employment and providing jobs for the active workers in the labour market. The objective of the reform was to stimulate the beneficiaries' activeness in the labour market through reducing the benefits that the social system provided and impeding the benefit claiming process (Sikulova & Frank 2013: 33). However, Sikulova and Frank further question the strategy: motivation through diminished benefits, as they pointed out are targeting groups of people who want to actively work but are in regions which face constraints of low job availability and high unemployment (2013: 33).

The labour code amendment in 2003 improved the hiring processes, not only for SMEs to a large extent but stimulated job creation. It was due to simplified procedures and reduced trade unions interferences. The success of the reform was also published by the World Bank as they awarded Slovakia to be the best reformer country among other 144 countries worldwide based on the set criteria (Zachar&Golias 2010: 20).

- “Introduction of flexible working hours
 - Ease hiring process of workers who just started to work for the first time
 - Opening a private credit registry
 - Cutting the time for founding a business by half
 - New collateral law, reducing the time to recover debt by three-quarters”
- (Zachar&Golias 2010: 19).

The *Table 3* presents what competences of trade union government limited, and thus making the environment more attractive with fewer administrative processes.

<i>Before Reform</i>	<i>After Reform</i>
No part-time contracts	Part-time contracts for students, women and retirees
Term contracts could not be extended	Extensions of term contracts possible
Limit of 150 hours of overtime a year	Limit of 400 hours of overtime, with worker consent
Approval by trade union for firing a worker	No requirement
Retraining before dismissal	No requirement
Trade union approval for flexible work time	No approval for shifting hours in a 4-month period
Approval by trade union for group dismissals	Notification for group dismissals

Source: *Doing Business in 2005, The World Bank*

Table 3: *Before Reform measures and After Reform measures in comparison*

Despite the fact that the Labour Reform is still perceived as a great success of the government 2002-2006, it was challenged by the trade unions because it reduced the importance of trade union's role in the country. On the one side there was a "business village" that was satisfied with the upcoming changes. On the other side, trade unions were protesting on the streets trying to find an ally who would agree to remedy the problem after the elections in 2007.

Number of registered SMEs started to increase dramatically after the year 1997 (Table 4). In 1998 it increased further by 16,080. The year 2002, when the first election period of Dzurinda ended it captured a significant drop of 8,314. However, the second election period brought a booming number – 2003 reaching 370,193 and continued to increase in 2004 and 2005 and massively accelerated in 2006 when it hit 484,186 registered SMEs. The noticeable fact of indirect proportion can be spotted. With the increase of SMEs there is a fall-off Large enterprises.

Year	Total	Micro Enterprises	Small Enterprises	Medium Enterprises	SMEs	Large enterprises
1993	292 460	264 090	23 828	2 847	290 765	1 695
1994	301 184	263 733	30 997	4 337	299 067	2 117
1995	293 757	248 204	37 868	4 977	291 049	2 708
1996	297 574	241 199	46 953	5 997	294 149	3 425
1997	301 232	244 419	47 784	5 732	297 935	3 297
1998	314 804	263 733	45 229	5 053	314 015	789
1999	325 236	266 903	54 349	3 294	324 546	690
2000	330 243	269 323	57 247	3 063	329 633	610
2001	342 464	279 597	59 452	2 825	341 874	590
2002	334 148	274 630	56 162	2 768	333 560	588
2003	370 776	306 356	61 102	2 735	370 193	583

2004	410 833	336 640	70 423	3 117	410 180	653
2005	428 580	344 870	80 159	2 930	427 959	621
2006	485 007	384 713	96 221	3 252	484 186	821
2007	488 344	386 815	97 325	3 361	487 501	843

Table 4: Registered enterprises in Slovakia in 1993-2007 (Ubreziava et al. 148-149; study based on SUSR data)

Not only have the numbers of SMEs gradually increased but they also employed the majority of the population. Figure 5 depicts the increasing importance of SMEs as a role of national employer. The boost in the numbers occurred in the year 2003 when the labour market reform was introduced.

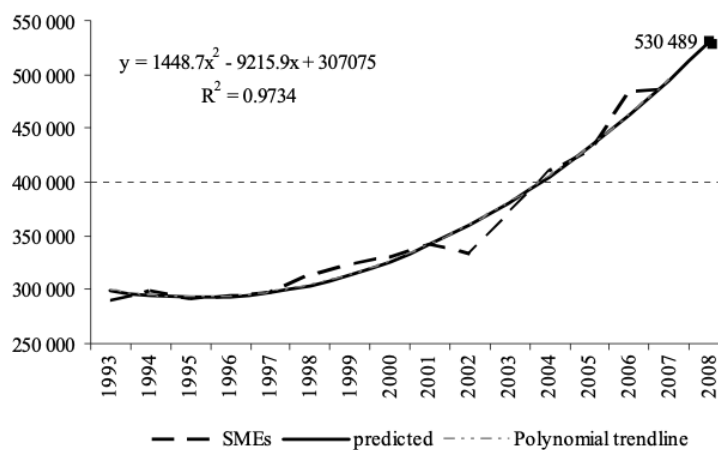


Figure 5: Share of SMEs in total employment in Slovakia in 1993-2007 and a prediction for 2008 (Ubreziava et al. 154; study based on Statistical office of Slovak Republic (SUSR) data)

2.2 The Economic Development in Slovakia in the 2006-2010

2.2.1 The first government of Robert Fico (2006-2010)

In the government elections in 2006 the party Direction - Social Democracy (SMER-SD) won, and Robert Fico became the new prime minister for the next four years. Throughout the last years (1998-2006), the opposition had been criticising the introduced reforms and at the same time had been giving citizens promises of reversing the situation in case they succeed in the parliamentary elections.

In the first 2 years of the new elected government, the gross domestic product (GDP) growth continued to grow as well as the employment rate. The overall business atmosphere was favourable. The number of registered SMEs grew. Endurance of stabilized economy remained to move in the forecasted direction as no radical decision by new government were introduced. Until the year 2008 no radical changes were applied. The cabinet of Fico aimed to portray a “social image” of his party. Only minor updates were applied. Beblavy mentions a few incentives such as Christmas bonus for retired citizens and the increase of the family allowance (n.d.: 46).

Global economic crisis hit Slovakia in the end of 2008 when the deficit of public finances resulted in 8% of GDP in the 2009 and 2010 due to expansive fiscal policy application in the beginning of the crisis. The unemployment rate was one of the fastest growing in the EU. Rucinsky et al. compares the first quarter of the 2008 when the GDP was 9.3% to the last one when it dropped to 2.5% and further states that Slovakia is export-sensitive country (2009: 55). With a decrease in the purchasing power, the exports started to decrease which led to increase in the unemployment rate and was followed by lower demand in the country (Rucinsky et al. 2009: 55).

Not only did the economic crisis contribute to the recession in Slovakia but also the restriction of the gas supplies being delivered from Russia through Ukraine (Bucek 2010: 196). This insufficient delivery held back day-to-day business activities which lowered their efficiency and productivity. These two crises happening simultaneously can be named as one (in the Slovak context) industrial crisis. *Figure 6* exhibits the negative numbers of GDP annual growth in the year 2009 when it hit the country the most.

Before the outbreak of the financial crisis, Slovakia accessed the Eurozone just a few months ahead of severe declines of macro-economic factors. Fidrmuc et al. claim that Slovakia could have delivered the required figures fundamental for the accession to happen in the first place, especially with the fiscal indicators which were still sustained until the crisis’s outset (2013: 14).

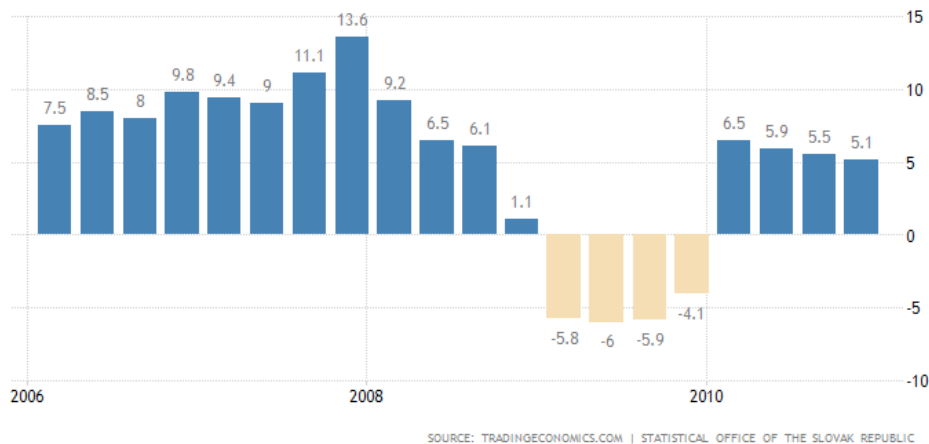


Figure 6: The GDP Annual Growth Rate (tradingeconomics.com)

After the period of recession, Slovakia was supposed to get back on track in the year 2010. But 2010 was a year of parliament elections. The economic crisis and the increase of corruption were argued to be the most severe consequences that the ruling government did not handle well, and these struggles had become the key topics for candidates in the elections in 2010. Fico was defeated by Iveta Radicova.

2.3 The Economic Development in Slovakia in 2010 – 2012

2.3.1 Iveta Radicova – Prime minister for 2 years (2010-2012)

Iveta Radicova was the number one on the candidate list of the Slovak Democratic and Christian Union-Democratic (SDKU-DS) party. She replaced Mikulas Dzurinda was not elected for another period as left-wing voters did not share his views on reforms that he presented and applied when in the time when he was in charge.

The government of Radicova terminated only two years after the elections. Slovakia review summarized in its economic overview that the coalition party Freedom and Solidarity stood against the enlargement of European Financial Stability Facility (EFSF) with a claim of Slovakia being poor enough to pay for the higher life standard established in Greece. But for the Prime Minister Radicova the ratification of an EFSF enlargement was vital, so she linked it with the vote of confidence for her government (2013: 82). Because Slovakia was

the only country that did not support the bailout, the pressure from Brussels increased until the Slovak coalition government approved it with a support of the opposition party SMER-SD under one condition; early elections in return (Nic et al. 2014: 9). Vaverka identifies 4 major scenarios that could have led to the collapse of the cabinet:

1. The election of the general prosecutor (2020: 20).
2. The EFSF (2020: 23).
3. Conflict between parties – SDKU-DS and Freedom and Solidarity (SaS) (2020: 29).
4. Power struggle of Radicova’s party SDKU-DS (2020: 32).

The empirical study of Vaverka found out that the press could have medialized scenario no. 2 to the extent that the public perceived it as the main reason behind the termination (2020: 36). However, the analysis of the scenario no. 4 proves that conflict between Iveta Radicova and the head of the party SDKU-DS and former Prime Minister Mikulas Dzurinda was in the end the cause of the collapse (Vaverka 2020: 36).

Dispute in the right-centre coalition in charge is argued by Groszkowski to be the opportunity for Robert Fico to regain the power and strengthen the position of SMER-SD in the parliament. (2011: 6). The EFSF reform proposal was only the peak of the problem but what was more crucial to Radicova, was the overall Slovak perspective in the EU that she aimed to present but was finding it difficult to retain with the disagreeing opinions of coalition partner (Groszkowski 2011: 6). Halas argues that the contrasting views on EFSF enlargement and the second financial aid for Greece were the causes of the Radicova’s cabinet’s end but further adds that it had more severe consequences such as inability to act politically responsibly in a manner that the voting public would appreciate (n.d.: 1).

2.4 The economic development in Slovakia in 2012 – 2018

2.4.1 The second and third government of Robert Fico (2012-2018)

Economic sphere in Slovakia is very tightly connected to the political atmosphere that the government in power sets. Sikulova and Frank argue that with reforms of the right-centre government Slovakia was headed towards the liberal economy but with the change of the government (and so the mindset) to the left-centre oriented one, the changes were not meaningful which made a shift backwards towards a liberal economy (2013: 41). In 2012, SUSR spotted a decrease in total number of registered SMEs in SR (Letovanec 2014: 14).

Slovak Business Agency identifies Slovakia's business position in three main points:

1. "Low Competitiveness
2. Decline of SMEs
3. Slow implementation of European Commission (EC's) agenda"
(Letovanec 2014: 15)

The mentioned characteristics were ranked in 'Doing Business' done by World Bank and Slovak Business Agency (SBA) reports. Holienka mentions in his study that Business Environment Index, assessed on regular basis, showed the decline of the quality of entrepreneurial environment in the country since 2011. (2015: 443). He further adds other data published by SBA in 2014 which identified that changes in legislation and administration obstructions which varied on year-to-year basis also caused more problems for entrepreneurs and SMEs in general (2015: 443).

An American Chamber of Commerce in Slovak Republic conducted an interview for its journal *Connection* with an 'Slovak Female Entrepreneur 2013' Ivana Candova, who developed supplements for thyroid gland issues. The answer to the question how she perceives conditions for doing business in Slovakia is as follows: "The regulatory framework tends to change depending on whether the new government is more left or right leaning. This implies

whether the next four years will see legislative changes that make the life of entrepreneurs easier or harder. The socialist governments focus on the situation of the employees and try to ease their lives at the expense of their employers, i.e., entrepreneurs. The more liberal governments tend to give more manoeuvring space to the entrepreneurs so that their businesses can thrive. I look at all these changes as a former athlete – they are challenges. However, what I find especially frustrating is the behaviour of some private sector entities that have a conservative approach even in times of liberal economic policies. I mean particularly the banks that have stopped taking on risks and seem to generate profit pre-dominantly from banking fees. For start-ups, like my company, that in their beginning have to invest a lot into research and development, it is very hard to get the necessary loans. But I also viewed this as a challenge and didn't get discouraged. The competition in the market economy requires from companies to develop strategies that identify competitive advantages and niches markets. This puts higher requirements on company owners and necessitates their involvement in all aspects of management” (Candova, I. 2014: 13).

2.4.1.1 Start-ups and the Lack of Innovation

Finances that go to innovations are insufficient, communication among innovators and economic field is low, disparities among regions are still prevailing, further contributing to the inequality of performance in the labour market, and the overall outcome is low financing of start-ups through capital market (Fidrmuc & Wörgötter 2013: 63).

Fabova and Janakova concluded that incurred expenditures constrain any innovative endeavour as companies lack internal and/or external financial resources (2015: 71).

Not only did Slovak SMEs face the financing difficulties. Bozic and Rajh's found in their research that investigates innovation performance of SMEs in Croatia and confirms that finances are limiting the small and medium-sized businesses across the country, mainly in the manufacturing sector. The exploratory research findings, however, stress the issue regarding the saturated

local market which was subsequently followed by a difficult situation which arose for SMEs newcomers when aiming to enter the global market but finding themselves in a position where they do not know how to manoeuvre in, due to lack of experience (2016: 332).

Janakova refers to ‘start-ups’ as “newly established emerging technological company, project or also phase of the new business plan. Start-up projects can occur in any field. However, primarily start-ups are usually associated with information technology” (2015: 74).

Holienka in his research identifies 4 dimensions (*Figure 7*) that have a direct effect on entrepreneurial activity, specifically on quantity and quality.

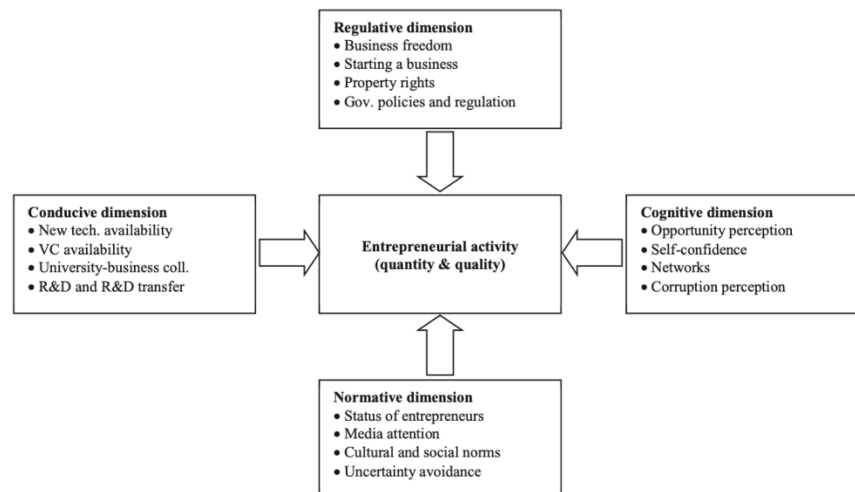


Figure 7: Institutional profile of an economy in relation to entrepreneurship (Holienka 2015: 439).

He identifies 2 major problems; unavailability of new technologies and weak cooperation between academic sector (universities) and local businesses (Holienka 2015: 442). Janakova supports Holienka’s argument when outlining the characteristics of contemporary obstacles that start-ups face:

- “Poor range of financial and non-financial instruments,
- Insufficient interconnection start-up community colleges and scientific institutions,
- Low level of cooperation between the individual members of Slovak start-up ecosystem

- Inadequate entrepreneurial skills, poor motivation and low overall interest in entrepreneurship as a career choice,
- Disproportionate regulatory burden on business (unnecessary barriers.)” (2015: 76).

Fabova and Janakova support the argument that Slovakia is low on the list in terms of innovative performance, which makes the country a weak competitor on the global market (2015: 67).

Any innovation activity needs a sufficient amount of resources to develop a unique product that can gain its share in a highly competitive market. Large corporations do not struggle with obtaining the human resources or financial means to fuel their research strategies and production operations because in most cases they have well-established market positions. However, the situation for Slovak SMEs is very much different to large firms as they have to deal with issues like employing highly skilled expensive workers and costly materials, and do not have the financial resources to support them. This often diminish their potential chances of delivering their innovation to the public (Fabova & Janakova 2015: 69).

Fabova and Janakova provide evidence that those firms in the country that keep on innovating have power to affect the national economic status, despite the fact they represent only 34% share in industry and services, they gain 66.9% of share in total sales and their employees in total make up 58.3% (2015: 71).

2.4.2 The state of Slovak business environment in 2012 – 2018

After the change of the government in power, the new program statement was announced by the coalition in response to the adverse state of the national economy that was primarily fuelled by the economic global crises. The statement stressed a need to “set a priority to improve the business environment, to create optimal conditions for doing business in Slovakia and return to the original leading position in the assessment of international institutions” (Banciova & Raisova 2012: 1225). Slovakia found itself having unfavourable rank positions in three index ratings published by various international

institutions like Transparency International. Banciova and Raisova described the 3 following indexes:

1. “Corruption Perception Index
2. Index of Economic Freedom
3. World Competitiveness” (Banciova & Raisova 2012: 1225).

2.4.2.1 Corruption Perception Index (CPI)

CPI measure is the most known corruption indicator. Countries worldwide are assessed by experts from various institutions who conduct measures and surveys (13) and report the findings in annually published ratings on the perception of the public sector of an individual country (transparency.org). In 2012 Slovakia scored 46 points out of hundred (*Figure 8*). The corruption in the country rose in the following year until 2016 when Slovakia scored 51 and slightly (by one point) decreased in 2017 to 50 points and stagnated in 2018 (*Figure 8*).

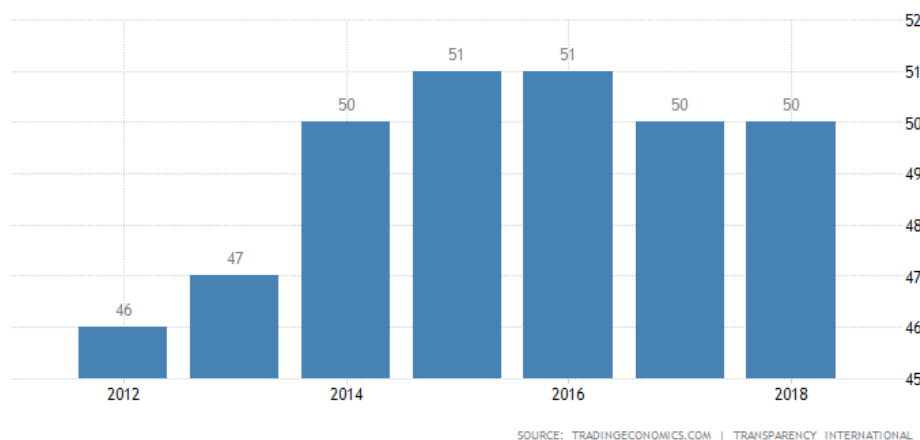


Figure 8: CPI in 2012 – 2018 (unit of measure – points; tradingeconomics.com)

2.4.2.2 Index of Economic Freedom (IEF)

IEF is an annual index and rank list of 186 countries that indicates a country’s economic freedom. In a free society with an open economy, it is a citizen’s right to consume and produce and invest into property. Countries’ responsibility is to respect the liberty of free trade, business freedom, freedom to invest as well as property right freedom. It has to avoid constraints that could violate any of these rights. Countries that are ranked close to 100 has the

freest economy. Slovakia's IEF (*Figure 9*) shows a dramatic increase since 2000 when the IEF value was 53.80 out of 100 and increased until the year 2008 when Slovakia had the highest score of 70 in its history. Since 2008, the score started to gradually decline, continuing to decline through the discussed period 2012-2018. Havlat supports the data from 2011 and prior to it in *Figure 9* by arguing that Slovakia's assessment of economic freedom "deteriorated" already in the years prior to 2011 and in 2011 itself (Havlat 2011, cited in Banciova & Raisova 2012: 1227).

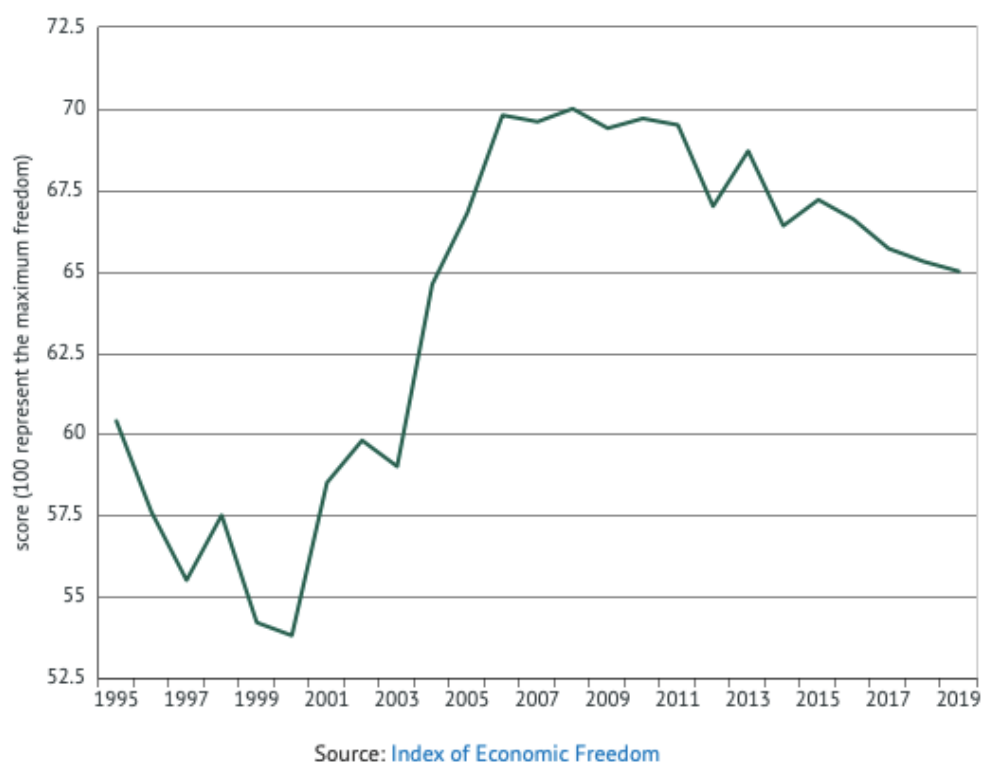


Figure 9: Slovakia's IEF 1995 – 2019 (knoema.com)

2.4.2.3 Global competitive index (GCI)

Global competitive report is published annually by World Economic Forum. "Competitiveness is defined as a set of institutions, policies and factors that determine the level of productivity" (The Global Competitiveness Report 2018: 11). Since 2004 countries are assessed based on their global competitive index. Macroeconomic stability, financial system, business dynamism, infrastructure, innovation capability, information and communication technology (ICT) adoption, market size, product market, labour market, institutions, skills, health

are the 12 pillars of on which the report is built on. The latest publication (2018) used a new methodology and the index scale changed. The previous reports used 1 to 100 scale; the new report applied 1 to 7 scale. In the report 2018, Slovakia's position in the ranking was 41st (*Figure 10*) out of 140 countries. The *Figure 10* show that Slovakia keeps falling and worsening when it comes to competitiveness. Slovakia lags behind all Visegrad group (Czech Republic, Hungary, Poland, Slovakia) except Hungary (The Slovak Spectator 2019).

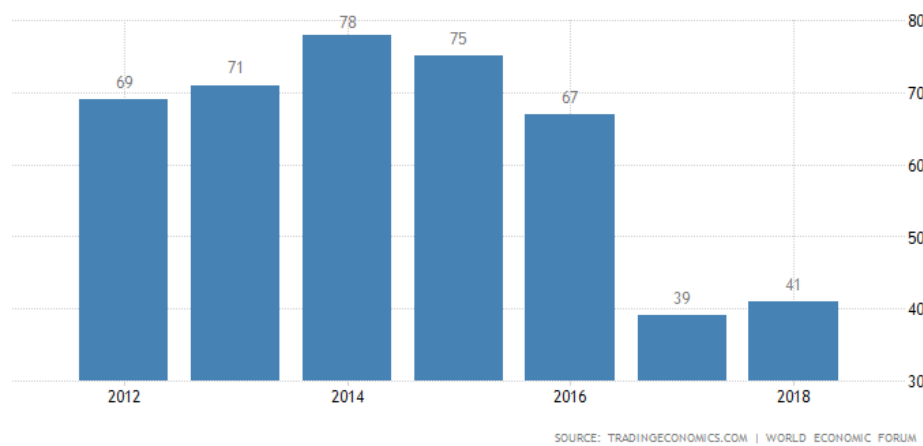


Figure 10: GCI of Slovakia in 2012-2018 (tradingeconomics.com)

2.4.2.4 Doing Business Report

World bank prepares ‘Doing Business’ report annually which looks into business regulations applied by 190 nations. Regulations that affect primarily domestic SMEs are measured, assessed, and objectively presented in the publication. The report assesses 12 categories – “Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Protecting Minority Investors, Paying Taxes, Trading across Borders, Enforcing Contracts, Resolving Insolvency” (World Bank. 2020). The additional two categories – Regulation of employing workers, Contracting with the government; are not included in the ranking and score measures. The objective is to stress the progressive measures application that enhance conditions in the regulatory environment of doing business in individual countries.

Countries with a ranking of 1 to 20 have an ideal regulatory status for local businesses. The position of Slovakia has been deteriorating since 2014 (*Figure 11*) when it had the best ranking of 29 in the ‘2012-2018’ time period. However, ever since, the position on the list worsened in the approaching years when it got to ranking of 42 in 2018.

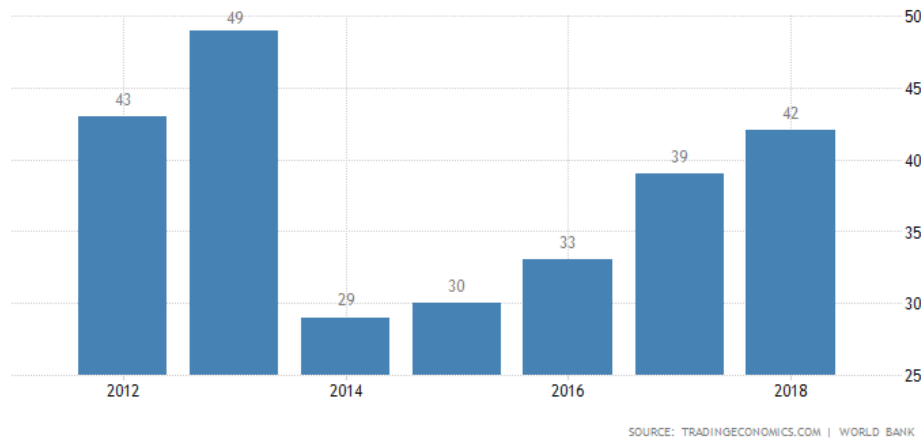


Figure 11: Ease of Doing Business in Slovakia in 2012-2018 (tradingeconomics.com)

Fabus discusses Slovakia’s ranking placement in four categories, namely: 1. Starting a business; 2. Dealing with Construction Permits; 3. Getting Electricity; 4. Paying Taxes (2018: 835).

1. Starting a Business

The assessment of this indicator analyses the process of setting up a business entity (precisely: spoločnosť s ručením obmedzeným, en: company with a limited liability) which requires an entry capital of 2,500€ (*Figure 12*), the number of legal procedures that an entrepreneur has to undergo is 7 (*Figure 12*), the amount of time in between the filling in of application forms and business opening is 12.5 days (*Figure 12*), and the cost is 1,1 (*Figure 12*) which is expressed as a percentage of the economy’s per capita income (2018: 835).

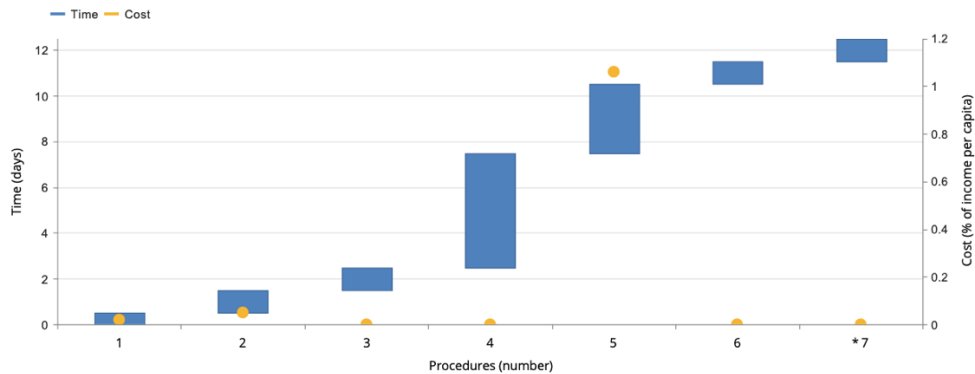


Figure 12: Indicator - Starting a Business in SR in 2018 (openknowledge.worldbank.org)

*online procedures account for 0.5 days

2. Dealing with Construction Permits

Since the beginning of 2014 until the end of 2018 no improvement had been introduced to shorten the time frame of 286 days that is required to obtain all the necessary construction documents. Fabus claims that the time frame did not changed compared to the previous year (2018: 835). Out of 10 procedures (Figure 13), the procedure no.2 (requesting and obtaining a location permit from the Municipality) takes 150 days. The cost of 0.1% are expressed in the same manner as explained in the previous category; that is the percentage of the economy's income per capita. The reported building quality control index score is 10 out of 15 (World Bank 2017: 17).

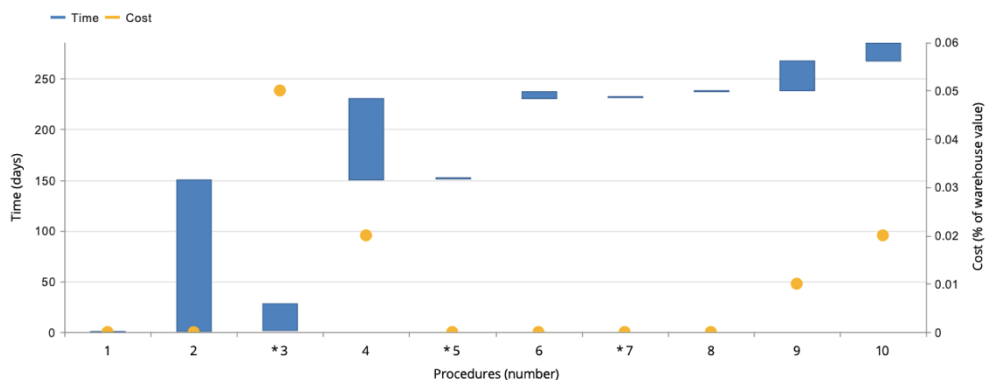


Figure 13: Indicator - Dealing with constructions permits in Slovakia in 2018 (openknowledge.worldbank.org)

3. Getting Electricity

The procedure of getting electricity to the company's branch place wasn't ameliorated in the last five years (Fabus 2018: 836). Likewise, it takes 121 days for 5 procedures to take place. Slovakia's rank score of 57 is worse than the score of its neighbour Czech Republic which is ranked 15 (World Bank 2017: 20).

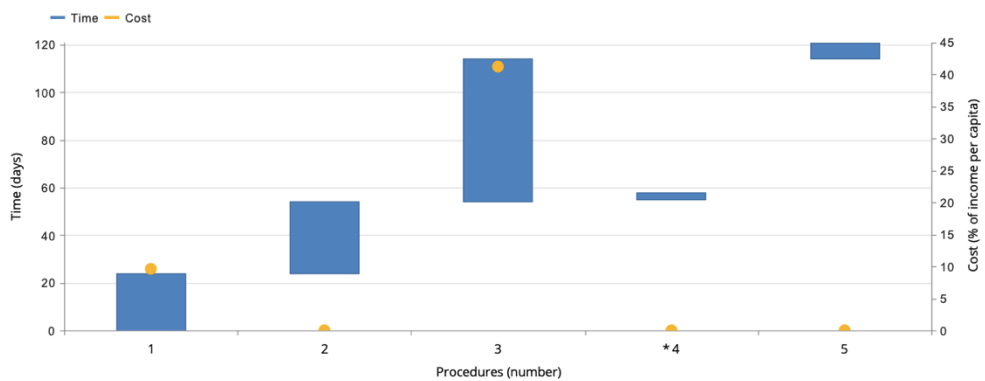


Figure 14: Indicator – Getting Electricity SR in 2018 (openknowledge.worldbank.org)

4. Paying Taxes

In terms of tax burden, Slovakia scored quite high; 79.88 out of 100 (World Bank 2017: 44). In the taxation system there are 8 tax or mandatory contribution payments in one year (World Bank 2017: 45). The postfiling index measure (Figure 15) which comprises of four sub-indicators, namely time to comply with a VAT refund (in hours), time to receive a VAT refund (weeks), time to comply with a corporate income tax audit (hours), and time to complete a corporate income tax audit (weeks) (World Bank 2017: 43) was 87.17 (out of 100) in comparison to OECD high income group which index score is 83.45 (World Bank 2017: 44).

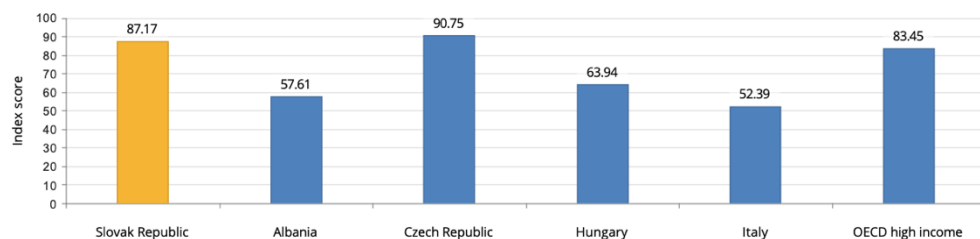


Figure 15: Indicator – The postfiling index measure as a part of the Paying taxes indicator; Slovakia and Comparator economies (openknowledge.worldbank.org)

2.4.3 Resignation of Robert Fico from the position of PM

After the 21st of February 2018 when the investigative journalist Jan Kuciak and his fiancé were murdered in their house, the dissatisfaction of the wide public started to change the political situation, as citizens no longer had trust in the ruling cabinet. Thousands of people across Slovakia went to protest on streets and squares ‘For a Decent Slovakia’; an initiative that was established after the murders.

In regard to Fico’s government, people demanded parliamentary election being held earlier than supposed to and expected Fico’s resignation. Skolkay claims that the unfinished article of Jan Kuciak which investigated the connection between mafia-network in the Eastern Slovakia and an exclusive group around Robert Fico had a ‘politico-criminal background’ (Skolkay 2019: 27). However, the resignation of Prime Minister was not the only one, many other ministers including the Minister of Interior, Robert Kalinak followed his example. Robert Krajmer, who worked at the National Criminal Agency as the director of the National Anti-Corruption Unit resigned too as he lost integrity as he was present at the crime scene and had no reason to be (Skolkay 2019: 27). Debiec and Groszkowski support the previous arguments of Skolkay and state further that Marian Kocner, Slovak businessman currently sentenced to 19 years in prison for forging the bills of exchange of the commercial Markiza Television, and who was brought to trial for ordering the assassination of Jan Kuciak and Martina Kusnirova (2019: 10), was also in a regular contact with members of political party SMER-SD who were in the top positions, police authorities and general prosecutor Dobroslav Trnka (Debiec & Groszkowski 2019: 10). The general prosecutor was in possession of “incriminating information” because of his close relationships with agents who used to work for the intelligence service in the past; for example, Peter Toth whom he ordered to “spy on politicians and journalists” (Debiec & Groszkowski 2019: 27-28). The verdict of the court on the 3rd of September 2020 was ‘not guilty’ as the court was presented with only

indirect evidence missing direct evidence. The case was transferred to Supreme Court, but no further actions have been taken until the present.

2.5 The Economic Development in 2018-2020

2.5.1 Two Years of Peter Pellegrini in a position of Prime Minister

After the murders of two young people, the government realized that the atmosphere needed to be stabilized and that is why executive officers and ministers handed in their resignations. The task of a new prime minister (PM) would be to calm distress in society by appointing new ministers and officers.

Peter Pellegrini was a nominee and a co-leader of the strongest political party SMER-SD and was appointed by Robert Fico to overtake the PM chair after his resignation.

2.6 The Economic Situation in 2020

2.6.1 Igor Matovic, elected new PM, and his struggle with Corona outbreak

In the parliamentary elections on 29 February 2020, the opposition parties OLANO, Sme Rodina, SAS and Za ludi won and on the 21 March 2020 the president of SR, Zuzana Caputova appointed a new government.

However, the first case of Covid-19 was already registered on 6 March 2020. And so, the first measures were taken by the PM Pellegrini who reacted very promptly in the first weeks of the Corona outbreak. The newly elected PM Matovic followed the already set up measures and ensured the “continuity of the government response” (Nemec 2020).

Nemec claims that the change of the government happened in a very specific situation that introduced never before experienced conditions (2020). The effective cooperation between ex-PM Pellegrini and PM Matovic resulted in a well-managed transition not only of the power but most importantly, the crisis management agenda.

Firstly, the anti-corona measures were introduced at the airports and on the borders. Incoming people were tested with PCR tests. It was vital to identify all infected individuals to avoid further spread of the disease within the population.

Secondly, visits to hospitals, retirement homes, prisons were restricted. It was advised to voluntarily stay at home. Churches stopped with the religious activities, schools shifted to an online mode of teaching, flights to Italy were cancelled, and state quarantine of 14 days was compulsory for everyone coming to Slovakia after 12 March 2020.

In terms of the opening hours, shops were serving retired citizens only between the 9AM until 12AM. Anyone less than 65 years old had to shop either before 9AM or after the noon.

The strictest measure that came into effect on 6 April 2020 which was a state-ordered quarantine. The Slovak Council for Budgetary Responsibility released the statement with a warning during the lockdown; “Strict and country-wide measures serve as a drastic diet by hunger strike. The short-term effects are very visible, but this kind of cure cannot be used in a long-term perspective – it might lead to self-destruction” (The Slovak Council for Budgetary Responsibility cited in Nemeč 2020).

2.6.2 Macroeconomic Situation in 2020

In order to fully understand the macroeconomic situation that the country is currently in, it is of a great importance to present graphical interpretation of GDP growth rate development data, look into the inflation rate and observe the direction of the unemployment rate.

2.6.2.1 Co-movement – GDP, Inflation rate, Unemployment rate

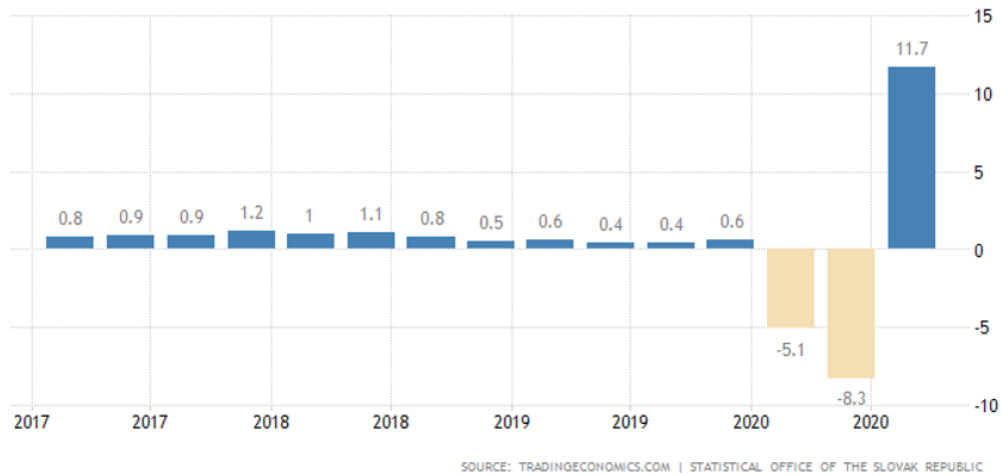


Figure 16: GDP Growth Rate of Slovakia from 2017 until the present (tradingeconomics.com)



Figure 17: Inflation Rate of Slovakia from 2017 until the present (tradingeconomics.com)

Name	1.2.019	2.2.019	3.2.019	4.2.019	5.2.019	6.2.019	7.2.019	8.2.019	9.2.019	10.2.019	11.2.019	12.2.019	1.2.020	2.2.020	3.2.020	4.2.020	5.2.020	6.2.020	7.2.020	8.2.020	9.2.020
Unemployment, NAIRU, UPSVAR unemployment, SA, registered unemployment rate (SK, sa, %); UPSVAR, NBS calculations	5,17	5,14	5,07	5,02	5,01	4,95	4,87	4,86	4,89	4,96	5,02	5,00	4,96	5,07	5,26	6,71	7,33	7,39	7,50	7,45	7,27
10.2.020	11.2.020	12.2.020																			
	N/A	N/A	N/A																		

Figure 18: The Unemployment Rate in 2019 and 2020, National Bank of Slovakia

The economy witnessed a drop in its GDP from 0.6 in the 4th quarter of 2019 to -5.1 in the 1st quarter of 2020 (Figure 16). Correspondingly, co-movement of the unemployment rate in the economy and its interaction with the GDP also suggests the possibility of a recession in the upcoming months. The negative

impacts of co-movement between these three factors, i.e., GDP, inflation rate, and unemployment rate, are largely caused by the ongoing Covid-19 situation, which forced the economy to implement a national shutdown. The GDP and inflation rates in the economy can further be interpreted as a reflection of the decreasing demand at global scale, as it relies heavily on automotive exports (Krufova 2019). Correspondingly, unemployment in the market has also increased in Slovakia, as many small businesses were forced to shut down. Large employers also announced mass lay-offs to cut costs (Kahanec & Martiskova 2020). As the number of unemployed people increases within the economy, the purchasing capacity of the consumers continues to decline, resulting in a decrease in the GDP rates.

2.6.2.2 Path of Private Household consumption and of Investment

To observe a possible co-movement between Private Household Consumption and of Investment, the data needed to draw any conclusion must be analyzed.



Figure 19: Final Consumption expenditure of households, National Bank of Slovakia

Investment (GFCF) Total, Quarterly growth rate (%), Q1 2017 – Q2 2020 Source: Aggregate National Accounts, SNA 2008 (or SNA 1993): Gross domestic product

Location	Q1-2017	Q2-2017	Q3-2017	Q4-2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	Q1-2020	Q2-2020
OECD - Total	0.9	2.5	-0.4	1.0	1.2	0.8	-0.7	0.8	0.2	1.4	-1.1	1.5	-1.8	-10.8
Slovak Republic	3.7	0.5	11.7	-10.1	7.3	-1.9	-3.9	5.6	5.2	-2.8	0.0	4.1	-7.9	-11.5^e

Figure 20: The Growth Rate of Investment in Slovakia, OECD database

Demand for goods in Slovak Republic has also declined between 2017 and 2020, suggesting that in the future, companies may be forced to keep the prices low to encourage demand growth, as can be observed from the data representing private household consumption. However, following the decline

in private household consumption, indicative of overall consumer demand for the goods market, investments have also sharply decreased in the economy. The impacts of these macroeconomic factors on the GDP will be significant, as both insufficient investments and lack of demand will force the marketers to sell the goods at a lower price. As a result, the GDP will decline in the economy even further.

2.7 Literature Gap

With regards to the economic environment changing simultaneously with an appointment of a new government in the previous decades, national media platforms' editors and politicians in the parliament were making comparisons between the previous and current cabinets economic measures and commented on the mood in the business community that was present at time. The author does not intend to present highly subjective opinions shared in the media in this thesis. The focus should be on an objective third-party assessment of the well-being of businesses across the country. However, the author identified a lack of academic sources that would be specific in the examination of a business performance in particular Slovak firms. The ability to expand on the presented academic data was diminished, therefore, the practical part of the work intends to contribute to the unexplored part of an issue.

3 Methodology

The aim of this chapter is to introduce the research methods and tools that are essential for any study conduct. The following paragraphs briefly outline and discuss the three main research designs that are commonly employed by researchers. Furthermore, the author provides in depth description of the research design utilized in this bachelor thesis. The last part will acknowledge the reader of the following processes: data gathering, data processing and data presenting.

The study's research question is exploring what the business experience of Slovak SMEs with the ruling PMs and their cabinets during the past 22 years was (1998 – present).

3.1 Research – Three research design approaches

Creswell (2014) introduces three research approaches in his book, namely: qualitative, quantitative and mixed methods. He argues that quantitative and qualitative methods are not the opposite of the other (Creswell, 2014). The work of the researcher is rather more qualitative or quantitative (Creswell, 2014). If the data is numeric rather than 'word' data, then the study is considered to be quantitative. When the researcher gathers both, quantitative and qualitative data, then the study uses mixed methods approach.

Creswell makes a clear distinction between the three approaches (2014). Conducting a qualitative research means that participants are asked open-ended questions by the researcher who tries to understand and find out individual opinion about any kind of problem (Creswell, 2014). On the contrary, in a data gathering process of quantitative study, participants answer closed-ended questions (Creswell, 2014). Researcher tests relationship between variables which are later on tested using statistical programs and results are interpreted (Creswell, 2014). While standardized practices are used to produce reliable outcomes in quantitative studies, open-ended questions require the participants to provide in-depth knowledge and thus avoid responses which are prepared in advance. Mixed methods approach combines both quantitative and qualitative outcomes while using different designs (Creswell, 2014). Researchers use this approach to present a comprehensive work on the research problem that either of the two approaches could not accomplish alone (Creswell, 2014).

Before the study is conducted, researcher should question the research question, specifically define what is to be examined, question their experience in the research field and choose the target group and potentially its participants.

3.2 Qualitative Research Approach

This section is dedicated to the qualitative design chosen for the study. The decision to use this approach was influenced by the main research question “What was the business experience of Slovak SMEs with the ruling PMs and their cabinets during the past 22 years (1998 – present)?” and in addition, “How it influenced SMEs? These questions can be answered in in-depth interviews with firms’ top management. The researcher gathered lots of knowledge and information during the literature review process. However, the qualitative study can yield unique points of views and various additional issues and details that the studied literature does not mention. Sanders et al state that if the researcher is in need to obtain participants’ explanation for the decisions taken or understand the reasoning based on which opinions were made, it is advised to conduct a qualitative research (2007). This method allows interviewees to freely share personal thoughts, experiences. The chosen approach facilitates natural discussion between the parties.

Qualitative research can ideally be chosen when working with a small group of participants, individuals to get in-depth information on the topic matter that can help to prove the hypothesis. Creswell names additional tool to use in qualitative studies, such as focus groups, participant observation (2014).

The researcher has chosen to conduct a semi-structured, open-ended, and audiotaped interview that can be transcribed after the face-to-face interview was being held. The semi-structured interview may influence the outcome of the study, as researcher has the questions prepared in advance in order to avoid missed details. This type of interview allows researcher to ask additional questions that may arise at the time of the interview. Structured interviews are limiting to both, interviewer and interviewees, who do not have as much freedom. Interviewer makes a guide; a list of main questions to ask that they can follow. However, the interviewee is free to share as much or as little information. The participant may even answer an ‘unasked’ question that may be valuable for the study. The flexibility that is allowed in this research approach may potentially contribute to an open conversation about the topic.

In order to obtain rich and valuable data from a representative sample, two companies; small-sized enterprise, medium-sized enterprise were looked into, and managers were interviewed separately.

3.3 Non-standardised interview

Saunders et al. introduce ideal circumstances when it is appropriate to use non-standardised interviews in the data collection process (2007). They involve:

- “The purpose of the research;
- the significance of establishing personal contact;
- the nature of the data collection questions;
- length of time required and completeness of the process” (Saunders, 2007).

The exploratory research was chosen for this study as the purpose of it to look deeper into economic atmosphere in the society in the past 21 years. Therefore, the assessment of the types of interviews was needed in order to select the most suitable one that could be followed in the data gathering process. For the identified topic, the unstructured type (*Fig. 21*) of an interview could not had been selected, even thou it is frequently used, as there is a need to follow the questions that are asked in a certain manner; chronological sequence of events, as the researcher is interested in evolution of the economic atmosphere from one era to another one.

	<i>Exploratory</i>	<i>Descriptive</i>	<i>Explanatory</i>
Structured		✓✓	✓
Semi-structured	✓		✓✓
Unstructured	✓✓		

✓✓ = more frequent, ✓ = less frequent

Figure 21: Types of interviews in research categories (Saunders, 2007)

3.4 Interview Design

Saunders et al. claim that questionnaires are not a preferred among the managers, in contrast, they are open to be interviewed about a topic that interest them, instead (2007). Additionally, it is further supported by the argument that questionnaires sent indirectly, e.g., by mail may raise concerns on the respondent side (Saunders et al. 2007). Namely, respondents may not be fully aware how the provided information is going to be handled, or they may be insecure sharing sensitive and personal opinion with a person they have not met before. The problem arises on the researcher side as well, as the collected data may be incomplete. In this case, it could be difficult to get meaningful findings, sufficient for interpretation.

The interviews were planned for the end of February, between 22nd of February 2021 and 26th of February 2021. The respondents were contacted personally, and the invitations were emailed to managers with more details regarding the research. All of the interviews were held online; either a FaceTime or Skype meeting was planned. These measures were taken also due to the current ongoing COVID19 pandemic in which personal contact should be restricted. The endeavors to find respondents who would be willing to answer questions were not as successful, as respondents were considering the participation in this research for some time.

3.4.1 Interview questions

The following guiding questions were asked in the individually held interviews:

1. Please can you introduce your company, the nature of your business. –
What's your business portfolio, how many people do you employ etc.
 - The following questions pertain to the period 1998 - 2006
2. Can you describe your company's operations in 1998-2006?

3. How did you perceive privatisation in Slovakia during this period? As an entrepreneur, did you experience any effects of privatisation during this period on your business?
 4. With an economy open to foreigners, investors, foreign firms and foreign workforce coming to Slovakia, did you see these foreign entities as a threat or an opportunity for your business?
 5. The economic conditions introduced at that time, did they affect your business favourably or unfavourably? Why? Can you name those affecting your business and categorize them?
- The following questions pertain to the period 2006 – 2010
 1. What was the impact of the Global economic crisis in 2008 on your business?
 2. In your opinion, how well or poor did the government handle it?
 3. During and after the crisis, did the government come up with measures or incentives to help your business in any way?
 4. Did entering the Schengen area bring opportunities and/or threats to your business? Can you name some and explain why they were a threat or an opportunity?
 5. How would you describe the economic environment in the period of 2006 until 2010 pertaining to small and medium business enterprises?
 - The following questions pertain to the period 2010 – 2012
 1. Provide your opinion on the appointment of the cabinet of the prime minister Iveta Radicova in terms the economic growth of small and medium business enterprises?
 2. What was the approach of Iveta Radicova in the economic sense? Was it different to the previous government? If yes, how?
 - The following questions pertain to the period 2012 – 2018

1. Comparing the last 2 periods (2012-2018) of PM Fico's government to the one before (2006-2010), how did your business perform economically?
2. Were there any measures that the government at that time employed that benefitted or harmed your business in any way
3. Within the mentioned period above, did bureaucracy affect how your business work on the day-to-day basis? Explain.

- The following questions pertain to the period 2018 – 2020

1. Prime Minister Pellegrini was in the position circa 2 years, similar to Radicova, what changed that affected small and medium business enterprises?

- The following questions pertain to the year 2020

1. PM Matovic took the lead in early spring 2020 when the COVID19 pandemic started. Some measures were already introduced by the previous PM. What are your thoughts on the implementation of those measures when you consider your business operations? How did they affect your business? Are they beneficial or harmful? Explain.
2. Are you receiving any economic support from the government during the current COVID19 pandemic?
3. Please provide your future predictions and assumptions on the economic state of your business?

3.4.2 Short explanation of the interview questions

The interview could be structured into 6 sections, in which each section corresponds to 6 election periods. Thus, each section comprises of questions unique to the time frame and events in a discussed period. The first question serves as an introduction to the business and its activities, followed by 4 questions that are specific for the government of the prime minister Mikulas

Dzurinda. These questions require an extensive thinking, as the participants have to look more than 20 back and recall the events of these years. The second section is essentially asking 5 questions that are formulated based on the period in which the ruling cabinet with the prime minister Robert Fico hold the political power in the country. This part discusses major historical events not only for Slovak economy but equally important for the EU countries and the world in general. The main topic of the discussion is the Global Economic Crisis and Slovak entrance and membership in the Schengen area. The third section has a shorter time frame as the government of PM Iveta Radicova did not completed the whole election period. The fourth section is a continuation of a government of Robert Fico, and so the questions follow up with the second section's questions and simultaneously with a new time frame perspective. The fifth section examines the short period of the time when Peter Pellegrini was a prime minister. These two years are restricted to shorter time frame and fewer economically distinctive milestones. The last sixth section is discussing contemporary and still ongoing global crisis COVID19 and asks the most up to date questions which provide a unique opportunity for this research. Not only it requires the participants to make assumptions on the current state, but it also gives them a chance to make predictions which may or may not be fulfilled in the near future. For the researcher, it is some kind of a challenge to work with the data that are rather estimations of the years to come than the hard facts.

3.5 Data Analysis

Qualitative data obtained through non-standardised interviews with participants are usually audio-recorded and afterwards transcribed, meaning the said words in an audio version are put on the paper in a textual form (Saunders et al., 2007). The advantage here is that the interviewer can capture not only the exact words but can also focus on the tone which provides additional form of communication that is non-verbal (Saunders et al., 2007). However, going through this process of setting up interviews, paying attention to verbal while simultaneously making notes on the non-verbal signs, and subsequently transcribing the whole

interview which can be, in many cases long can be very time-consuming and demanding (Saunders et al., 2007).

This research followed the procedure described above. Participants offered to participate in additional interview in case there is a need for clarification of certain aspects.

In this research, the analysis of the data started with gathering all the information provided in interviews, transforming it and transcribing it into a textual form which was essential for the researcher to have it prepared for the next step. Saunders et al. is convinced that the essential feature that should follow the previous procedures, is to organize the quantities of information into categories which enable the researcher to systematically approach the data and work with them in a meaningful way (2007). These categories can be based on the theoretical framework conducted in the literature review process (Saunders et al., 2007).

After data gathering and categorizing, all the information were examined. In this part of the study, the researcher is looking for an interconnection and interdependence of the results. The process is focused on patterns of verbal and non-verbal data that could be interpreted, and so outcomes and conclusions could be drawn based on the evidence. However, it was necessary to consider distinct viewpoints of candidates as they belong to different business categories. Nonetheless, it was achievable to identify various opinions on a specific cabinet which all of respondents commented on and afterwards make a comparison despite the various standpoints, as the respondents were part of the same economic atmosphere which is, in its essence, examined in this research. The researcher deductive approached the data on which the theory was based. In the last step, a final conclusion was drawn, where the researcher explained phenomenon which resulted from the data analysis, overall supported by the extensive literature review. Comprehensive summary presents findings which are essentially found in the results.

4 Findings

4.1 Participants' profiles

Enterprise A: An entrepreneur of a small company started his business in the year 1995 as a privately owned company. The business operates in the energetics, chemical, petrochemical, gas, automobile industry, with other accompanied services such as providing insurance analysis and technical support for civil services. The company's team is "widely recognised for their problem-solving capabilities in the field of personal, operational, fire safety and risk assessment of power plants, chemical, petrochemical and gas technologies (Risk Consult, n.d.)". "The team has gained experience with the plant and technology safety and risk assessment also within probabilistic safety analysis and assessment of nuclear power plants in Slovakia, Czech Republic and Hungary (Risk Consult, n.d.)". Other key qualifications to mention include technical consultancy and support for industrial buildings, reliability system analysis, fire safety design, and SEVESO expertise. The company also cooperated with the foremost companies and institutes from Germany, France, Netherlands, Austria and Czech Republic to evaluate and improve the safety of the power plants and specified technologies.

The overall aim in this area is to improve the scientist basis for understanding industrial accidents, leading to better risk assessment, technical risk management, prevention and mitigation of potential harm. The evaluation and further development of technical safety, mainly for the power plants and other potentially dangerous technologies remain the overall objective.

Enterprise B: The company was founded in 1955. The business has its tradition in the furniture manufacturing field. The company is focused on the production of kitchens, office furniture, upholstery products such as chairs, beds, sofas, and other wooden product like tables, wardrobes. The company's objective is to deliver functional and high-quality goods, innovatively assembled and produced using the modern technology while staying true to the traditions on their craftsmanship. The company also offers individually customized products for

the customer in the country as well as for those from abroad. Those specific and customized products are designed, produced, exported and if needed assembled in public facilities such as hospitals, hotels, schools etc.

The company periodically renews issued certificates such as Forest Stewardship Council certification, United Registrar of Systems certification, and also Société Générale de Surveillance certification.

The firm succeeded with its product portfolio mainly on the foreign markets as most of its production is exported to the European markets. As the domestic market is quite small, the firm cooperates with firms and clients from Germany and Scandinavian countries.

4.2 Cabinets of Mikulas Dzurinda pertaining to the period 1998-2006

4.2.1 Privatisation

With regards to the government of Mikulas Dzurinda, candidates commented on the business environment within the time period 1998-2006. Both participants provided details on how the enterprises operated during this year and what were they offering in the market.

The primary research focus within this period was around the privatization topic based on the literature review which regards this period as one dedicated to privatization years.

When examining this period, both entrepreneurs expressed positive hopes in the early stage of the process. While the medium-sized enterprise (Company B) was not directly affected by the privatization efforts, the small-sized enterprise (Company A) perceived this period negatively as it had to resume its operation in energetics and return to their previous clients. It can be concluded that the privatization of firms in the country did not directly impact the two examined businesses. However, both respondents introduced indirect impact and consequences.

A negative factor for Company A was the privatisation of its biggest client Slovenske elektrarne which they cooperated with on a complex model of personal, industrial, and environmental safety of Slovenske elektrarne. This project ensured future contracts and thus work. The respondent expressed negativity and sadness when discussing the topic as the five years' work on this model and the model itself was considered too demanding in terms of maintenance and update and thus unnecessary. The Company B was threatened by emerging competition, starting at the domestic market and in the foreign markets, too.

Although both companies experienced some negative impact during this period overall this period was marked as a positive period by both of the respondents. Company A proclaimed this period of 1998-2004 as “the most stable, most progressive and also economically the most successful one”.

4.2.2 Foreign Competition and Foreign Investors

Both surveyed candidates expressed positive thoughts on the arrival of foreign entities to the Slovak market within these discussed years. The favoring conditions of the open Slovak economy and emerging opportunities were defined by both of the candidates as a driving force for foreign capital investors.

Company A perceived the Slovak market to be too small enough for any of their foreign competitors to enter it. Also, a few domestic competitors were not really considered a threat.

Company B identified rather prevailing opportunities. As the country was a part of the EU, the company focused on the chance to enter new markets.

The synergy between the responses of both candidates was identified. They both agreed on the fact that the foreign competition helped them to grow.

Company A realized the chance of potential further growth through the cooperation with its competitors as they were already working the EU reference standards for some time. They were also aware of the fact that the competitors

would be offering the same services for the higher price. Therefore, the firm kept cooperating with them in the attempt of its own professional growth.

Company B stated that the foreign investors' attempts to open their production plants in various industry fields in a close proximity to the production plant of the firm were very welcomed. The respondent expressed excitement when explaining how all those inputs to their production got closer and got cheaper due to the fact that they did not have to import it from abroad at a higher cost.

It can be concluded that the foreign competition and investors contributed to the welfare of both of the firms, either through possible cooperation (exchange of the intangible assets) or through the access of the production inputs (technologies, materials).

4.2.3 Economic conditions

The different approach of both of respondents to the economic environment present at that time can be observed through their response. Respondent of Company A defined the privatization of its biggest client to be the most critical moment for the firm. The overall assessment of the economic conditions was perceived to be negative as the company found itself with no financial reserves and later on, with an unexpected 50% gap in revenues. This had substantially affected its economic stability. Furthermore, it had led to decreased efficiency, disputes among employees, and resulting with conflicts among the management.

Company B approached the circumstance from a different angle. While Company A focused on economic conditions present in the firm, Company B discussed the measure introduced by the government such as the accession to the EU and the flat tax rate reform. Company B claimed that this reform helped to attract foreign investors. This statement supports the arguments in the literature review of how the 19% flat tax benefited enterprises and helped to increase the GDP of the country. Company B expressed a positive attitude towards the reform and the overall economic environment. The advantage brought by the reform that the respondent of the Company B explained was the

simplified pricing strategy. As there was a unified taxation, the firm was able to cut personnel costs in the financial department and also was more precise in pricing the order quantities for its clients.

4.3 Cabinets of Robert Fico

4.3.1 The World Economic Crisis

Participants recognized the severity of World Economic crisis and its severe consequences for their companies.

Despite the fact that the years 2008-2009 are marked as a year of the Global Economic Crisis, Company A experienced the crisis already in 2005-2006. As a result of low financial reserves, the company had to take drastic measures. A loss of 20,000€ and termination of contracts of four scientific employees were perceived by the executive manager as the biggest personal failure of his career. The respondent displayed sadness (quiet moments) and regret over the decision taken in this time. This period brought the company into stagnation for several months.

Company B's respondent identified a slight advantage of the firm being pro-export oriented as compared to other companies who suffered greatly as they focused on the domestic market. The difference between the respondents' answers was due to the fact that both represent different industries and offer different types of products. Company A is service-oriented (its technical analysis needs to be done regularly), whereas Company B is product-oriented (furniture goods were subjected to the needs of the market). Those needs, however, declined overall, as the respondent stated that their orders declined by 40%.

4.3.2 Government's approach – Economic conditions

When the respondents were asked to provide their opinions on how well or poor the government handled the crisis, both respondents answered in a very concise manner.

Company A representative stated that the company neither expected nor wanted the help that the government provided, mainly for the one reason. Based on the response of the executive manager, clientelism or party affiliation were the requirements to obtain any kind of help. The respondent strictly condemned these practices by stating: “Never expect any help or support from any government, because if you want your business to survive, you are the only one to help it to survive!” (Company A respondent, 2021). He emphasized the thought multiple times during the interview.

Company B’s presence on the market was endangered from the outside. The respondent supported the literature review with an argument saying that only when the German market got back on track, then the Slovak market could recover. This was true for the Slovak economy as well as for the Company B.

Both respondents shared the same thought. The government did not offer any help to their companies. Company A’s respondent outlined nepotism, political party affiliation as prerequisites to get any kind of support. Company B respondent was expecting some initiatives as many companies, especially SMEs went through hard times. He mentioned that the opposite was true as they increased taxes and levies were imposed by the government in 2006-2010.

The positive or negative conditions that the businesses operated in mainly resulted from the decisions and precautions they had taken – their signed contracts, the quantity of orders or services required, debts, etc. Despite a very little support from the government’s side, all companies across the country were subjected to increased liabilities. One of the respondents (Company B) criticized the unsystematic modification of taxes (not only for the businesses but also for the employees) which had had a strong impact on the company’s price calculations (which ended up reporting decreased revenues as the cost went up unexpectedly).

4.4 Cabinet of Iveta Radicova

The government of Iveta Radicova was expected to restore the balance. Her political program “promoted transparent economic politics” (Company B

respondent, 2021). She symbolized “hope” for the next period (Company A respondent, 2021). However, the governance period lasted only two years, which was too short a time to make a significant difference.

The steps that she took impacted the economic sphere in Slovakia. Company B respondent identified that Radicova’s measure to increase the VAT from 19% to 20% was necessary as the country had increased its deficit in the previous period - 2006-2010.

Respondents understood her position as a difficult one, as the country needed to introduce measures that would reverse the declining economic stability brought on by the crisis. They believed that she worked with assets left at hand and believed that she was well-equipped to restore economic growth once again.

4.5 Cabinet of Peter Pellegrini

As this period lasted for a such a short period of time, respondents shared a very few details about the changes in the economic sphere. Based on the literature review, it can be concluded that the government of Peter Pellegrini focus on a different task; to ensure that the murder of the investigative journalist and his fiancé will be properly and independently investigated.

Although the government did not introduce any significant changes in the economic reforms this time, the businesses performed well until the outbreak of the Corona crisis.

4.6 Cabinet of Igor Matovic

4.6.1 The Impact of The Outbreak of COVID19 on SMEs

The first ruling year of the government of Igor Matovic was marked as the most challenging time in the past decades.

In order to keep earning, firms must have their production in full operation. This condition could not be fulfilled as the country had to shut itself down when the first citizens got infected.

Company A respondent shared a feeling of frustration which many of entrepreneurs in the country may have. That is, the bankruptcy of many businesses is inevitable when the country decides to close its economy. Despite the fact that the country was completely shut down only for a few months, those months meant inability to pay rents, to keep employees, to decrease overhead costs for many businesses. Company A's respondent claimed that the negligible financial support that the companies received would eventually serve them bad. He compared it to the "Danaian Gift" commonly known also as "Beware of Greeks Bearing Gifts" which should not be accepted as it is thought to be a hidden threat that causes destruction.

The crisis, however, brought many opportunities. Company B's respondent described actions that the company took when their biggest client stopped cooperation with them in the beginning of the COVID19 crisis. The firm had focused more on the domestic market by improving the services they offer to its local customers, increased its assortment of upholstery (such as sofas, beds), and used the time for finalizing its new innovation project – click furniture.

Both companies are well stabilized in the market by now, and thus are hopeful that the positive future predictions (newly entered markets, new clients, higher demand for their product/services, restored economic growth) will be fulfilled.

5 Conclusion

This whole dissertation is based on the question, "How did the Slovak economic environment evolve during the era of five prime ministers (from 1998 until 2020) and how did it influence small businesses?" Semi-structured interviews with two representatives of SMEs in the country provided rich, personal, and subjective viewpoints of how the economic conditions in a specific time period impacted their businesses.

The result section introduces two different viewpoints of two Slovak entrepreneurs, "Company A" entrepreneur who represents small enterprise and "Company B" representative of medium-sized enterprise. Both of entrepreneurs

joined the business sphere before 1998 which is a positive aspect as it gives the research more credibility. It also provides very unique history of businesses and also individual entrepreneurial history of the two participants.

It can be concluded for both of the participants that they were more certain and straight-forward when discussing the earlier periods of the researched time frame. This is perhaps due to the fact that they could analyze the time period very clearly as they had all the data at hand. They could describe the decision processes and implications of their decisions later on. Also, there was a particular length of time that passed which revealed the consequences and strategies of those decisions. However, when they were presented with questions pertaining to the most recent years their responses got shorter, less detailed and less certain. This is understandable as it is difficult to analyze the most recent activities due to COVID19, when there are no clear consequences yet. Moreover, they found it hard to predict what the future of their businesses may look like as the whole world is still living in the unprecedented COVID19 times and the end of it cannot be determined for now.

From the researcher's perspective, the most significant finding is the participants agreement on the fact that no matter who is in charge and who occupies the prime minister position, businesses should not expect to be helped or supported by the government, not even in the times like COVID19 or the Financial Crisis 2007-2008. Both participants had shown a very skeptical opinion and attitude towards the support incentives introduced. Since they never received them, they could not afford to rely on them for assistance. The extensive bureaucratic processes that are prerequisites in order to obtain this kind of financial support are more costly than the funds that would be received, so in general this option is not feasible. Despite the literature review introducing various financial aid incentives for businesses such as European funds provided for business projects, foreign investments or government support funds in the various economic crises, the help often comes at the higher price, and thus as might be expected, entrepreneurs are not even opting to apply for it.

However, both participants identified the government measures that are beneficial and truly favor the creation of a thriving business environment. Their arguments can be compared to the economic equation. The attractiveness of a business environment increases the inflow of the foreign direct investment to the country which later on decreases unemployment and increases productivity. Simultaneously, if the demand goes up, production follows which results in the economic growth shown not only in the country's GDP but also in the economic well-being of SMEs. The participants have identified that the way to make this attainable is through an attractive tax rate, simplified legal processes, the availability of the space and time for business expansion and growth, cost-effective resources, introduction of innovative approaches with regards to the sustainable operations, access to the new technology, clear and simple bureaucracy processes. So, in the end, from the research it can be concluded that SMEs do not apply for any direct financial support, however what certainly enriches the entrepreneurial experience are the indirect measures taken in the parliament in the form of reforms, laws, and other government activities that foster economic environment in the country for all, businesses and consumers.

These unique entrepreneurial experiences provide limited points of view as they come from two very technical industry experts whose responses may be biased. Moreover, their opinions are based on the work in one field of expertise. Therefore, a contribution of experts from different fields could bring new perspectives on the researched topic.

6 Limitations

The author has identified a few limitations of the thesis.

Despite the long interviewing process of the two respondents and the extensive work that was put into the translation of both interviewees' responses, the sample size chosen is rather small. The results are not as comprehensive as they could have been with more participants answering researcher's open-ended questions.

Furthermore, the time period of the research was very interesting as the timeline of the events and various economic conditions changed with new government in power but the actual length of the period to be researched was too long.

Different thoughts, opinions, and arguments shared by the participants were difficult to analyze as both commented on a various specific events and topics when asked a particular question. As questionnaire should not include questions that are leading the respondents to answer in a particular way, it was hard to form a question that would be objective and at the same time properly introduce what the researcher examines by it.

As time periods of Radicova's and Pellegrini's government are much shorter compared to Dzurinda's and Fico's, the data from these periods remains insufficient to draw any broader and richer results.

The thesis did not take into a consideration that both participants represent two different fields, in regard to the industry as well as to the good offered. So, the experience that each of them shared is unique, and from a certain single point of view.

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Appendices

Appendix 1: Interview with the executive manager of a small company

1. Please can you introduce your company, the nature of your business. – What's your business portfolio, how many people do you employ etc.

Established: May 1995

Turnover: 8-10 mil. SK (approx. 300 000€)

Note the attached file provides a summary of the presentation of the firm; presentation 1995- 2005, and presentation 2005-

The following questions pertain to the period 1998 - 2006

2. Can you describe your company's operations in 1998-2006?

Since 1995 the company belongs to group of suppliers for Slovenske elektrarne (Slovak Power Plant). The first framework agreement was signed in 1996 for the upcoming period of three years. For this year onwards, the company has kept concluding this agreement in the three-years cycles for a specific work and duties that require technical expertise in the field of fire safety as well as industrial safety, safety in the workplace, the prevention of major industrial accidents resulting from certain industrial activities, environmental safety for hydro power plants, coal-fired power stations, and also nuclear power plants but also for its all ancillary plants in the ownership of Slovenske elektrarne.

For this reason, since the 1996 the company maintains and renews regularly not only the Management System Certificates, authorisations, employees' certification of competence, but also authorizations to performance specific activities in the respective areas.

The company is subjected to internal and external controls of the management system quality (firm's own internal auditor and external auditors from Slovenske Elektrarne and TÜV SÜD Slovakia).

In the years 1998-2006 the work for Slovenske Elektrarne represented 30-50% of the overall revenue shown in the table below:

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
2,2	1,82	0,998	1,43	2,72	0,4	2,25	0,24	0,31	0,56
mil.	mil.	mil.	mil.	mil.	mil.	mil.	mil.	mil.	mil.
Sk	Sk	SK	Sk	Sk	Sk	Sk	Sk	Sk	Sk

The gaps in the revenues were related to the personnel and organizational changes in Slovenske elektrarne (framework agreements were paid off, however signing of the addendums of the agreements got delayed due to the changes in the firm's management). The gap in the period 2005-2006 was due to the privatisation of the Slovenske elektrarne in 2005.

After the year 2000 (after the completion of the two blocks in the nuclear plant Mochovce), the company had also started to offer its services and work to chemical, petrochemical, gas, and automobile industry to diversify potential risks of the further cooperation with Slovenske elektrarne associated with a non-continuation of the construction of the third and the fourth block in Mochovce nuclear power plant and privatization of Slovenske elektrarne.

It had been demonstrated that the mentioned diversification had been extremely important. After the change in the ownership structure in Slovenske elektrarne in 2005 (privatised by Enel) there was no significant downfall in the company's revenue despite the complete drop out of the revenues from Slovenske elektrarne (despite the signed framework agreements, but because of unsigned addendums to those agreements).

In the years 2005-2006, however, the company was well established in chemical, petrochemical and gas industry, which provided it with remunerative bargaining power after the subsequent call from a new owner of Slovenske elektrarne (Enel) to continue with a previous cooperation and the

provision of technical support and counselling during the completion of the third and fourth block in Mochovce nuclear plant.

Despite the mentioned gaps in the income from Slovenske elektrarne, the company maintained stabilized operations in the period 1998-2006, without any significant revenue fluctuations and with a profit at the end of the year, as it could operatively react to the already mentioned gaps caused by Slovenske elektrarne, which did not deliver on the framework agreements, by processing of the documentation of safety for chemical, petrochemical and gas companies which were obliged by the law to prevent severe industrial accidents (Directive SEVESO II).

From the 2002 until 2006, the company worked independently or in a cooperation with other suppliers, delivering the corresponding safety documentation required by the directive SEVESO II for overall 57 most significant industrial companies in the SR classified under this directive which represented almost 70% of companies in SR classified under this directive and the law.

The number of employees increased to 9-10 permanent employees (7-8 scientific employees and engineers, 2-3 administrative employees - HR and accounting), and additionally 4-6 contract of service.

3. How did you perceive privatisation in Slovakia during this period? As an entrepreneur, did you experience any effects of privatisation during this period on your business?

The company was established in 1995 with a strategy to orientate its operations mainly towards consulting services for insurance companies that insure the private risk businesses in Slovak Republic and assist them with drafting of those insurance contracts.

It had been shown that neither the insurance companies nor private businesses had been interested in this kind of services. We had overtaken the

development in this field by 20 years, a minimum, and moreover, the harmonisation of our law with the EU one had been very slow anyway.

Considering the experience and a large portfolio of technical services and activities of founders and owners of the company, we expected that the privatisation will help us, but the opposite was true. We have spent too much time on the preparation of various offers, expert judgements, and research for multiple privatised and major industrial companies in hope, that these activities and accomplished tasks had provided us an opportunity of open doors in these companies, to systematic and complex cooperation, mainly in the field of industrial reliability and safety.

And thus, in the first years (1995-98) we had to resume the cooperation with businesses, we had left when we're establishing our company. In these businesses we were well-known, and they were familiar with what we offered and how they could utilize it.

So, our perception of privatisation after the year 1990 was marked by first negative experience that made us get back to energy field which we had left and started to work with Slovenske elektrarne, in that time the state-owned limited liability company. We have started with a setup of systematic and complex model of personal, industrial, and environmental safety at Slovenske elektrarne with a use of uniform reference assessing methodologies taken from developed countries of EU which allowed for the objective and comprehensive comparison of specific indicators in subject areas.

In a period of 1998-2004, there were 2-3 employees and 4-6 students of Slovak Technical University preparing the inputs for this model and its construction. Since 2002 the model has been set up in Mochovce power plant for a testing period and in 2004 we had trained 23 employees of Slovenske elektrarne who operate and maintain it.

The period of 1998-2004 was perceived by the company as the most stable, most progressive and also economically most successful one. The company

was well-known in many industrial fields, and it received valuable references, which had allowed it to diversify potential risks associated with unstable or unreliable clients.

In 2005, after Slovenske elektrarne was privatised by Enel, our negative perception of privatisation processes was once again confirmed. Despite the presentation of our systematic strategies to the Italian management of the company, even personally in Rome in 1995 (during the preparation of privatisation processes of Slovenske Elektrarne) and despite of tenths of meeting in the HQ of Slovenske elektrarne in Bratislava and in Mochovce power plant during which many positive assessments were shared regarding the subject works, the model itself with its implementation in Jaslovske Bohunice power plant, in Mochovce power plant, after the privatisation of Slovenske Elektrarne, the trained employees either left or were or were recruited to a different position. The model's operation stopped (and was partially used by racing firefighting units).

The 5 years of systematic work of our company on the development and also on the recovery and launch of the unique model was, after the privatisation of Slovenske elektrarne assessed as difficult to maintain, update, and also useless, despite the fact that, the Enel group implemented similar models to other energy sources.

4. With an economy open to foreigners, investors, foreign firms and foreign workforce coming to Slovakia, did you see these foreign entities as a threat or an opportunity for your business?

Our negative experience with privatisation, also with the privatisation of Slovenske elektrarne which is considered as 'unlucky' today, however, fortunately did not affected our company to the extent that it would completely loose its revenues and was doomed. In any case, the loss of more than 50% of revenues, despite the well-diversified activities, have led to gradually decreased profits.

The company, however, has had a minimum of competitors in Slovak Republic (3-4 companies with similar services). The foreign competition (excluding 2-3 firms from Czech Republic) was not interested to operate in a such a small market.

Our perception of foreign entities as our potential competition in the subject areas was rather positive. It was due to the fact that we were aware, the foreign competition could help us grow, not only professionally but also in promoting, enforcing, and implementing European reference approaches in respective areas. At the same time, their price proposition for subject tasks listed in multiple tenders was x-times higher than our price offer which has, among other things, created opportunities for potential cooperation in the future, outside of Slovakia.

5. The economic conditions introduced at that time, did they affect your business favourably or unfavourably? Why? Can you name those affecting your business and categorize them?

The one decision assessed as wrong by the society as a whole regarding the privatisation of Slovenske elektrarne has had a radical impact on the further development and prosperity of not only our company. It had been shown that our company was not prepared for this situation at all. It did not have a necessary economic stability, practically speaking, it did not have any financial reserves and also it was not able to acquire credit to overcome this situation. Executive managers were not willing to guarantee with their properties, the company's property was insignificant as it has rented its office building; the delay of payment meant a threat of termination of rent contract.

The fact that the company in that time, so 10 years after its establishment, had expanded and had become one of the renowned companies in Slovakia in subject fields was although remarkable aspect of its existence, however it was a small added value in exercise price (very small net profit). From the economic point of view, the small net profit was not sufficient to set up an

account of necessary financial reserves. And thus, the company owners were not prepared for an immediate and unexpected 50% gap in revenues in the period before the privatisation of Slovenske elektrarne (2002 and 2004-5). Moreover, they had not had a sufficient economic stability and conditions that would ease the overcoming of the revenue gap period. The mentioned facts before the privatisation of Slovenske elektrarne had led to disputes among the executive managers and had also caused disharmony among employees. Effectivity of work declined dramatically, e.g., the employees working on the order had reservations about whether those not working on any order should stay working in the firm. These disputes among them had led to the weaken discipline, a disruption in the working team, and eventually to the conflicts among executive managers.

Unfavourable economic condition and thus a lack of resources negatively affected operations in the company and had led to a possible bankruptcy. This negative experience significantly affected the continued functioning of the firm, led to its stagnation. The current slow animation of activities is negatively vitiated by it.

The following questions pertain to the period 2006-2010

1. What was the impact of the Global economic crisis in 2008 on your business?

In 2005-6, the privatisation of Slovenske elektrarne was accomplish. Enel, the member of multinational group Enel which operated on the global markets with electricity and gas in more than 30 countries owned of 66% of shares.

In that time, our company provided technical support, consulting services, project services and engineering expertise but also security studies in the field of fire safety of production, industrial and administrative buildings, prevention of dangerous industrial accidents, health and safety protection in the workplace, and assessment of industrial risks for Slovenske elektrarne due to the long-term contractual relationship. Revenues from the named service

provided to Slovenske elektrarne accounted for 50% of the overall revenues of the firm, and thus these finances were a major source of income of our company, and an income with the higher value added.

The years 2002 and mainly 2004-5 before the privatisation of Slovenske elektrarne were, however, marked by numerous personnel, organisational but also societal changes. Before the privatisation, Slovenske elektrarne had to significantly cut down operations costs, and reduce its work force. Practically speaking, they allowed the elderly managers to retire early in order to minimize also salary costs.

Despite the signed framework agreements with Slovenske elektrarne, there was no one to sign the prepared addendums to those agreements because leaving managers did not want to sign and the new ones tried to postpone it in attempt to minimize the supplies from external suppliers and thus reducing the operations costs.

As a consequence, our company was also attempting to reduce mainly general costs and operations expenditures, but it had also tried to save on education of our employees (courses, trainings, conferences, etc.). Despite the mentioned attempts, the deteriorating situation could not be handled anymore and thus, the Global economic crisis started not in 2008 but already in 2005-6 because the company started to spend its financial reserves instead of dismissing its personnel.

The balance of financial reserves deteriorated and ultimately in 2009 the company reported a loss of more than 20,000€ in its VAT declaration. Luckily, it was the only loss of profit in its existence.

This loss and the eventual no profit distribution from the previous years forced the executive managers to accept subsequent stern repressive measures that had led to termination of contracts with 4 excellent scientific personnel and engineers in December 2010 despite the slowly stabilising situation and a few new financially interesting orders due to the previous diversification activities.

I, as an executive manager of the company consider this period as one of my worst experience with privatisation and one of my most severe personal failure. I have realised that during those 3-4 years, I was prolonging the agony instead of taking immediate action early in 2005. In the anticipation of change, we were left with depleted sources and reserve fund. We did not have finances to cover and to pay-out the 3-months' severance pay for the employees that had to be laid off. In the emerged situation we, as executive managers had to deposit the personal finances on the company's account which only worsened the relationships among us, situation in the company and ultimately caused a long-term stagnation.

2. In your opinion, how well or poor did the government handle it?

From July 2006 until July 2010, the country was governed by the 1st government of Robert Fico, which had no intention to help small entrepreneurs, because during its establishment there was still a lot to privatise. The focus of the new government was mainly on the cases of the Dzurinda's previous government, hence on the privatisation of Slovenske elektrarne, and further attempts to reverse it. When it became clear that it could be a very long process, the government privatised what was left. The Global Economic Crisis hit us unprepared, the government started to look for culprits in the previous government. Corruption, clientelism, and party affiliation did not create favourable climate for a respected, however not a politically active small company. And thus, we could not expect any support, not even from a new government in 2010, which presented a few good initiatives for small companies, but all these initiatives were left as a words only.

If I am to say my opinion on potential option to get a support for small companies from any government after the year 1990, then I have to sum it up into the following conclusion:

“Never expect any help or support from any government, because if you want your business to survive, you are the only one to help it to survive!”

3. During and after the crisis, did the government come up with measures or incentives to help your business in any kind of way.

So, I will repeat once again:

“Never expect any help or support from any government, because if you want your business to survive, you are the only one to help it to survive!”

Personally, I do not know of any small company, working in our field of expertise that would receive any kind of support from any government without the corruption, clientelism, nepotism, and party affiliation.

4. Did entering the Schengen area bring opportunities and/or threats to your business? Can you name some and explain why they were a threat or an opportunity?

Personally speaking, I think that entering Schengen area have brought more opportunities than threat for our company. The problem here is that we have not made use of these opportunities yet.

Currently, we are cooperating with numerous companies from EU countries, however, we operate as a cheap “engineering” labour force, because each of the EU countries, except for Slovakia protects its operating activities with added value. It protects the engineering activities and projects in a way that the respective country requires the authorization, certifications, qualifications and incomprehensible authorisation decisions and opinions from trade unions, insurance companies and other organizations and councils.

In the closest EU countries, we (as “routine” specialists aware of the respective national legislation in the field of industrial security) do not dare to send our firm’s proposition because clients from Hungary, Austria, Germany

and Czech Republic immediately asks us for valid “hosting”, national authorization or consent from insurance companies, whereas the insurance is already required within our firm’s proposition itself.

So, we can succeed only as subcontractors of mentioned activities with a condition; that we will not be referred to and confidentiality of 10 year a minimum.

5. How would you describe the economic environment in the period of 2006 until 2010 pertaining to small and medium business enterprises?

Simply said: It was just the way we managed to carve it out, at least to manage to survive. So frankly speaking:

Small enterprises got notified about offers of medium-sized enterprises, and consequently decreased their prices to beat them, which at the end led to the stagnation of all.

The following questions pertain to the period 2010-2012

1. Provide your opinion on the appointment of the cabinet of the prime minister Iveta Radicova in terms the economic growth of small and medium business enterprises?

I do not think that the government of Iveta Radicova had even a chance to influence the economic growth of decimated SMEs after the crisis. It was rather a light of hope that something could change and that not everything is lost. That how I perceived it and so I tried to maintain the company in operation, albeit 12 hours spent at work. Personnel, accounting and also IT services were externally supplied. We had eliminated tasks that required signing the contracts of service and we had only focused on fields, that we could maintain ourselves.

Trained by the crisis, I had started to intensively take care of regular check of the company’s economic state. We had stopped accepting the orders that could

not cover our costs. In the beginning, we had lost a few customers, but they had return shortly after they had seen the results and the quality of work of those who they had chosen after us.

We had started to receive positive references about our company also outside our field of expertise and from the firms we have not heard of ever before.

There were no significant activities, and, in many cases, we were just doing what we once did. We have started to slowly recover, as shown below in the table from this period:

Rok / Year	2010	2011	2012
Mena / Currency	EUR	EUR	EUR
Ročný obrat / Annual turnover	93 043,77	96 261,64	122 282,08
Zisk pred zdanením / Pre-tax profit	16 414,96	10 822,71	29 959,59
Celkové aktíva / Total assets	51 373,00	19 640,00	46 092,74
Celkové obežné aktíva / Total short-term assets	50 724,00	18 755,00	45 314,39
Celkové záväzky / Total liabilities	51 373,00	11 197,00	21 493,89
Krátkodobé záväzky / Short-term liabilities	20 580,00	9 852,00	19 473,28
Vlastné imanie / Equity	29 432,00	8 443,00	24 598,85

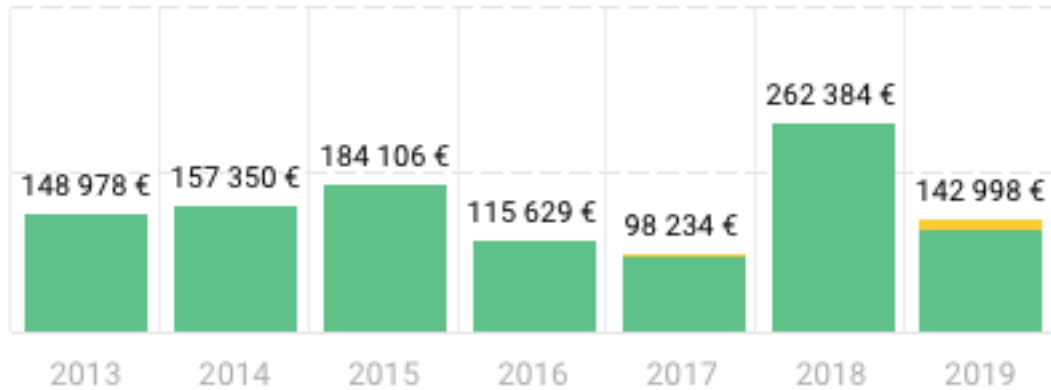
2. What was the approach of Iveta Radicova in the economic sense? Was it different to the previous government? If yes, how?

As a technician I may not judge it well, but I accepted her because she, as opposed to previous PMs, understood what the economics is all about and was able to work with what she “inherited” from the previous governments. So, she served as an example: “Do only what you know to do!”

The following questions pertain to the period 2012-2018

1. Comparing the last 2 periods (2012-2018) of PM Fico’s government to the one before (2006-2010), how did your business perform economically?

From the table below (retained earnings) it is obvious that in the period 2012-2018 and in 2019-2020, the company was fully stabilised on the market.



It cannot be said that the measures introduced by the government had any effect on our company and its economic welfare. Our, previously most important client until 2003-4 (Slovenske elektrarne) who requested our technical consultancy services during the construction of the 3rd and 4th block of power plant in Mochovce has no impact on the the turnover of our company as it no longer orders consulting services.

Based on the framework agreement with Slovenske Elektrarne, our company is still obliged to prolong valid accreditations, authorisation, certificates, allow the external authorities to conduct an audit of managerial qualities. When requested, it has to be present in various meetings otherwise it would breach the agreed terms and conditions.

From what was said before, it is obvious what the approach of Fico's government was, with regards to the support of small and medium sized businesses. To the best of my knowledge, many of those companies who were recruited for various jobs on those 2 blocks in Mochovce do not exist anymore. So also, in this case it can be said: "Never expect any help or support from any government, because if you want your business to survive, you are the only one to help it to survive!"

2. Were there any measures that the government at that time employed that benefitted or harmed your business in any way?

I do not know of any measures of reforms that would help our small company. As one of its executive managers I can just accept absolutely incomprehensible measures and reforms focused on further extending the bureaucracy, that drains our resources that we have to secure for ourselves.

I fully acknowledge that it is the united European bureaucracy and because we are part of the united Europe, there is nothing else that we can do.

The overall approach towards SMEs not only in Slovakia but in the EU in general can be described as scandalous, because as we are seen as self-employed, we are equally seen as deceitful entrepreneurs and non-payers of taxes and levies.

The payment of taxes and levies is, however, the first and the very fundamental obligation of a small company, even if it has no money left for salaries and wages because out of these taxes the state can live, and from the salaries it is only the people!

3. Within the mentioned period above, did bureaucracy affect how your business work on the day-to-day basis? Explain.

It did but I do not want to go into that. I just accept it as an inevitable evil!

The following questions pertain to the period 2018-2020

1. Prime Minister Pellegrini was in the position circa 2 years, similar to Radicova, what changed that affected small and medium business enterprises?

If I said that yes, that something has changed it would be the truth because our company had the best economic results (2018-2020) in its whole existence. We have not been affected by the COVID19 pandemic.

Objectively speaking, however, it has nothing to do with the government of Peter Pellegrini. It is the old and the proven once again: "Never expect any

help or support from any government, because if you want your business to survive, you are the only one to help it to survive!”

The following questions pertain to the period 2020 after the election

1. PM Matovic took the lead in late winter 2020 when the COVID19 pandemic started. Some measures were already introduced by the previous PM. What are your thoughts on the implementation of those measures when you consider your business operations? How did they affect your business? Are they beneficial or harmful? Explain.

So again, in this instance the same can be said: “Never expect any help or support from any government, because if you want your business to survive, you are the only one to help it to survive!”

Up until now I understand it that in the context of what our company does there has been a lot said, a lot of nice words from our new prime minister in regard to the support of entrepreneurial activities, in regard to the bombastic Brussels project gifts. Actually, some of those SMEs got some financial support within the ‘support incentives’ which, however, do not support their entrepreneurial activities but their downfall.

It is not possible to evaluate it differently. Once you close the entrepreneur’s business, it does not matter if it is a shop, hotel, restaurant, motel,... and think you compensate him and keep him alive by providing him one slice of a salted bread, you are mistaken. By doing this you make him an unemployed person waiting for a social benefit. And I have given my opinion on that in the beginning of this question.

2. Are you receiving any economic support from the government during the current COVID19 pandemic?

No, and in the sense of my entrepreneurial philosophy, I would never accept it. If you know the “Danaian gift”, this term is adopted from democratic ancient

Greece, and it refers to the ‘destructive gift’. So why should I be digging my own grave?

3. Please provide your future predictions and assumptions on the economic state of your business?

I have sacrificed myself and from 2009-2010 I have worked more than 12 hours a day, to build the business up again so it stands stable. Now we have the doors opened to more than 50 significant businesses in Slovakia. These are no Brussels’s projects. It is just honest engineering work paid in the way that is accustomed here because technical engineers and designers just work, they do not go striking, they do not complain, they do not expect support from the state. They see their job as an everyday “challenge”.

I believe that my kids do not let it fall to its knees and that they do not let those open doors to close!

Appendix 2: Interview with a medium-sized company’s entrepreneur

1. Please can you introduce your company, the nature of your business. – e.g. What’s your business portfolio, how many people do you employ etc.

The company was established in 1955. Since then, it produces furniture, for the domestic market and foreign market, and so thus it pursues exporting activities. After the change of the political system in 1989, in 1990 it was privatised and bought from the National Property Fund. Before the 1989, the company was focused on the export into the Soviet Union. It was mainly the living room furniture. After the ’89 when the conditions regarding the entrepreneurship changed (also the there was a markets diversification and Slovak Republic went through changes) so doing business with Soviet Union was disrupted and has ended. It was necessary to look for other markets in the Western Europe. Also, during the socialism, our firm pursued minor export activities in the west, it had the advantage to continue and expand further there.

We are located in the Eastern Slovakia. Our current portfolio consists of the following: Production and Sale of the furniture, and other products made out of wood such as wooden templates for other industries.

The following questions pertain to the period 1998 - 2006

2. Can you describe your company's operations in 1998-2006?

So of course, it was a production of the furniture. The 90% of our production was exported, mainly to the western markets, specifically to Germany. We had exported mainly dining tables there. And obviously we were trying to reach other markets. We have done a few price calculations for Ikea. The goal was to achieve effectiveness and come up with a favourable price calculation to become attractive for potential clientele in those foreign markets. As part of the company's activities were attending various exhibitions where we were mapping new trends and changes on the markets and evolution of consumer needs. This had helped us to figure out what to focus on next. It can be said that through new technologies we managed to introduce the production of new styles of furniture and thus we had easily succeeded on the markets. We have implemented vacuum pressing innovation (kitchen) and NC (Numerical control) machines. It has helped us to follow the trends introduced back then such as rounded edges. We were thus competitive on those markets. Through the new technology brought to the firm, we were able to secure work for people in the Eastern Slovakia (which is still struggling with high unemployment).

3. How did you perceive privatisation in Slovakia during this period? As an entrepreneur, did you experience any effects of privatisation during this period on your business?

We had experienced no direct impact of privatization on our firm; however, we have experienced it indirectly - the pressure of competitive environment. New private firms were established, and they also tried to win the market over.

So, there was a new competition emerging, here, on the domestic market but there was a huge competition outside too, mainly in Poland.

4. With an economy open to foreigners, investors, foreign firms and foreign workforce coming to Slovakia, did you see these foreign entities as a threat or an opportunity for your business?

Because those foreign investors were getting familiar in the Slovak market...It is something that I have mentioned in the previous question. There was a certain threat of the competition. But what prevailed was the opportunity because we had new emerging markets to enter. Investors were confident, and so the entrepreneurial environment in the country was quite favouring as it offered stability. That was all because during the first government of Dzurinda, we have become a part of European system, and thus also for our firm there were new opportunities created. In a broad sense, the world has started to see us in a different light, as a stable country. Our clients have started to accept us as equal partners. They were not afraid to order as they knew we were fully operating and able to fulfil the ordered quantities.

Additional question – Was the firm open to foreign investors? Did the company ever consider welcoming foreign capital?

No. If someone invests, he/she claims to have some percentage of ownership. We were 100% private company, and we did not want or need the entry of foreign capital. We did not want to lose the firm. So, we have never considered that. But because of those investors coming to Slovakia, we could access various new materials which started to be closer to our production plant. The country was open to foreign investors and so they came and started to sell materials we needed. It was all suddenly very accessible and close to us. Because of the accessibility of the material within the country, it was all very economically feasible; it was cheaper. If you import the particleboard from abroad, your transportation costs increase the price overall. If you can get it from a town that is 25km away from the production plant, the price is lower.

So, the investor contributed to our welfare. They invested, produced here, and so these activities affected positively our firm's operations.

5. The economic conditions introduced at that time, did they affect your business favourably or unfavourably? Why? Can you name those affecting your business and categorize them?

During the 2 government periods of PM Dzurinda, the accession of Slovakia into European Union, the new perspective of foreign partners on Slovak business (I have mentioned before) had positively affected our business. They were aware of diminished risks of doing business with Slovak partners on all levels. It was the stability that the government of Dzurinda accomplished in the 1st government. In the 2nd government, the huge reform and accomplishment was the 19% flat tax rate reform. Before, there were different tax rates on various products and materials. And then, the uniform 19% tax was implemented which was perceived as a low one. It had simplified the whole economic activities within firms; mainly accounting. So, the uniform conditions applied equally to us and also to our competition. I can provide an example here; there was a construction company selling construction material as well as building houses. The company bought the material (e.g., Building blocks) with the 8% tax, then these blocks were used on a building. The company, however, counted for 20% of a tax because it had increased its value by using the raw material that it turned into a building. So, the price increased at the end. The law allowed the company to sell the final product with a tax of 20%. So, without any additional input (on the raw material), the company ended up charging higher margin which resulted in a higher profit, without any additional work. The flat tax of 19% made the conditions uniform for all so no one can speculate on how to manipulate the tax (I made a purchase of raw material with a lower tax and sold the final product with a higher tax). The flat tax reform "cleaned up" the economy. It was also a low tax which made the business environment in the country very attractive. That was the period when the foreign automobile companies opened its plants here. The workforce was

qualified enough, the salaries were lower compared to other EU countries and prosperous economic environment.

For our company, the flax tax reform simplified the pricing strategy. The accounting system and operations were efficient. We were able to cut costs on personnel in the economic department. So overall, it has simplified economic operations in the firm. This reform had helped us a lot.

I have to mention that there is no direct influence of the government on the businesses in general. We have not experienced any direct support from the government. What we have experienced were either bettered or worsened conditions of the entrepreneurial environment. There was never any offer by the Ministry of Economy of Slovak Republic. For example, the offer could be the release of debt from the Soviet Union which has owed us a significant sum after the revolution. E.g., for the release of the debts it is needed to produce, I do not know, furniture for 800,000 thousand SKK (Slovak Koruna – previously used currency). So, this way we could had exported there and thus we could get the owed financial means paid-up. This could had been done by the government.

When we have met with Miklos, we have declared that we do not expect any financial support from the government. What we said we needed was the export. It is still an issue the company deals with. Where to sell, what to sell. We do not struggle to produce. We struggle to sell. So, government did not help us directly. What they could do was to set up the conditions which were favouring any entrepreneurial activities.

The following questions pertain to the period 2006 - 2010

1. What was the impact of the Global economic crisis in 2008 on your business?

It is important to mention that firms that were fully oriented on the domestic market struggled to succeed and be profitable during the crisis. The domestic

market is very small. The firms that had survived were mostly pro-export firms. We have been one of them with 90% of sales from export. That way we have managed to stay on the market. As a result, any deflections on the global market, e.g., in the US stock market, could affect relatively small firm in eastern Slovakia as it is a part of global economy. So, the crisis has automatically affected us by reduced orders from the Europe and other foreign markets. Because we were producing for other international companies, our products were exported to the Chinese, Japanese and US markets. When the crisis started, people started to buy less, and we could see it in our order system. The orders went down by 40%.

2. In your opinion, how well or poor did the government handle it?

The government did not help much to survive the crisis period. We did not experience it in any way. As we are a small country, our economy is dependent on the large economies, mainly the German one as most of the GDP is made up mainly of automobile industry (e.g., Volkswagen). Our economy stabilised simultaneously with the German economy. When the rest of the EU countries started to recover, we were recovering too. When they enter the crisis, our economy enters the crisis. So, our government is an element that only deals with business environment but most of the deflections it cannot really influence as the businesses are endangered from the outside.

3. During and after the crisis, did the government come up with measures or incentives to help your business in any kind of way?

The government did not come up with any stimuli that could had help us during and after crisis. Firms had to adapt to the situation, to the conditions that crisis created. When there was a decline in orders from abroad, we have started to sell more to the domestic market. We were more initiative in looking for the customers in the domestic market. We have opened new showrooms, increased the quality of the assortment (new materials). We have provided complete service of the ordered kitchens, design consultations in the stores, on-site measuring of the space, production, delivery and assembly of the

kitchen. And thus, we have started to sell more on the domestic market as we did not have much to produce for the foreign markets. Generally speaking, the firms adapted to the present conditions at that time. The crisis has impacted our business negatively, but at the same time it has brought new opportunities. Despite the fact that the expenses were not fully compensated for, we were able to survive hard times. To sum up, we have not experienced any beneficial incentives offered by the government. The opposite is true. In my opinion, in this period 2006-2010 the imposed tax and levies had worsened the entrepreneurial environment.

There was one thing that has helped us a lot in this period during the crisis. That was the impact of the initiatives of the previous governments, especially the 2nd Dzurinda's government that undertook all the necessary steps and procedures that were needed to be accomplished before we could have been become another member state in the Eurozone. In 2009 we have officially started to use Euro currency. Even though this very important milestone for Slovakia in part of the 1st Fico's government, all the steps that led to successful adoption of Europe were taken by the 2nd government of Mikulas Dzurinda. We did not struggle to shift to Euro as our prices were slowly accommodating to the ones in the countries of Eurozone. It was a very swift and smooth transformation. This had had a positive impact for our firm as we did not lose any more on the exchange rate differences. We did not have to account for the exchange rate differences when we were doing the pricing of our products, so it had simplified our lives to the great extent. Also, our costs and expenses for the materials were subjected to changes of the exchange rates. We had to modify our already approved pricing strategy, which did not please our clients.

This step has ensured economic stability, increased transparency in pricing and calculations and the overall positively impacted the economy of the business. This was the good thing that the government did, however, it can be said that it was the last final step of years long journey.

4. Did entering the Schengen area bring opportunities and/or threats to your business? Can you name some and explain why they were a threat or an opportunity?

Schengen area, of course, represented stability and so the opportunity for Slovak companies. We have become a significant member of geopolitical space that provided us with this stability. The border with Ukraine was a minus, as it had to be guarded. What was endangered was the continuous supply of gas in the winter season and also its price stability.

5. How would you describe the economic environment in the period of 2006 until 2010 pertaining to small and medium business enterprises?

The government that has flaunted itself to be social had increased the taxes and levies, not only the ones that businesses had to pay but also the ones that employees, or private entities had to pay. The gap between the gross wage and net salary started to increase eventually. As a result, firms had to increase salaries. Nevertheless, the net salaries were still lower as there was the tax obligation towards the state. So, any increase in salaries meant that the significant amount of it had to be paid out to the state in a form of taxes and levies. So, the employees did not really realize the wage increase from the employer as they could, if the tax burden was not increased. The worsened conditions due to the new tax system made the businesses less competitive as they found themselves in the unfavouring economic conditions. Another thing to mention is that it was not systematically done. Within one year there were multiple modification of a tax. We have already held price negotiations with our partners. And when they kept changing the tax, we had to redo the calculation of prices that were already negotiated and agreed. Our expenses and cost were increased but we could not add it to the price which resulted in the decreased profit.

Another negative aspect was the insufficient use and allocation of EU funds. We have tried to receive those through various projects, but the excessive bureaucracy made it all very hard.

The following questions pertain to the period 2010 - 2012

1. Provide your opinion on the appointment of the cabinet of the prime minister Iveta Radicova in terms the economic growth of small and medium business enterprises?

The government of Iveta Radicova promoted the transparent economic politics. She managed to decrease the number of Slovak work force working abroad. This was necessary as there was an insufficient work force here in the country.

Sub question: Did you perceive that? Was it easier to employ qualified workforce?

Yes, the pool of applicants was larger. The candidates either applied for the jobs or went sent from the Office of Labour, Social Affairs and Family.

Through an EU project that we had applied for that aimed to increase the employment in the various regions, we had been given financial means to employ additional workforce. So, the employment rate during her government had increased by more than 1%, whereas during the previous government it was something around 0.2%. In order to stabilize the state budget, Radicova have increased the value added tax by 1%, from 19% to 20%. This had to be done as the previous social government handed out a lot and the state budget reported a deficit of 7% (but EU claimed that it should not be more than 3%). So, to help the economy, she had increased the VAT by 1% only temporarily. After some time, it should have returned to the uniform 19% tax. However, that could not had been accomplished as she was in the office for only two years.

2. What was the approach of Iveta Radicova in the economic sense? Was it different to the previous government? If yes, how?

As mentioned before, she had tried to decrease the state deficit. So, she had cut the costs to stabilise the budget. Because the employment rate increased, the

social benefits decreased as people earned the money by working and thus the state need not to finance them. So, by implying these measures she had tried to reduce the state expenses. That was her main task after the measures of the previous government.

The following questions pertain to the period 2012 - 2018

1. Comparing the last 2 periods (2012-2018) of PM Fico's government to the one before (2006-2010), how did your business perform economically?

We can say that these years weren't bad. The economic performance of the firm was quite good because it was already after the World Economic Crisis. The economic conditions got stabilized after Radicova's government. I will repeat myself once again. We are a part of global economy so new markets and opportunities emerged. We are a small country and quite a small company that exports a lot. Once again, the GDP of a country started to raise, as a result of foreign automobile industries opening their production plants in the country. The production in the country went up and thus the unemployment decreased and so, it got harder to employ specialized work force in our firm. But the economy overall did well, so we could also increase the volumes of production. Because of this increased production, the "fight" with our competitors got tougher. The way to succeed in the foreign market was through the investment in a technology. We have invested a lot in the technologies that could make the packaging processes effective. So, a lot of money was put into those packaging machines. This way we could reduce the hard human work by implementing robots. We have managed to cut the costs, to be competitive on the market, and maintain the strong position.

As the production increased, the overall good economic situation led to a decreased deficit during the second government of Fico. But the lowered deficit was, in reality, the success of the firms doing business in Slovakia. It was not a success of the government though. Because there was an inflow into

the state treasury, the government could act socially and provide social benefits.

2. Were there any measures that the government at that time employed that benefitted or harmed your business in any way

The measures weren't really benefiting entrepreneurs and businesses. The taxes and levies were increasing, the minimum wage was increasing. It is not that we would not want to pay increased wages to our employees. The issue here is that these measures need to follow a certain trend. The tax that needs to be paid to the city/town when you have your business based increased too. Through these few reforms that the government introduced rather harmed the businesses. The government did not help the businesses through these reforms. Businesses had to manage on their own in these conditions that the government set up. But what was bad (as it was before), was the difficulty to access the financial means from the EU – EU funds.

3. Within the mentioned period above, did bureaucracy affect how your business work on the day-to-day basis? Explain.

Yes, it had affected our business to the large extent. The huge bureaucracy in the attempt to receive those mentioned financial means from the EU funds. The time to receive the money was just abnormal. When we wanted to buy a machine, we needed it let's say within a half a year, we struggled to get it within the 2 years through the submitted EU project that we had to write down. The whole process was that long that at the end, we did not need it anymore. So, we did not attempt to apply through those projects anymore. It was really discouraging us of the possible absorption of EU funds in the future. This process was also the corrupt one. And we were against these practices. We had to accept the fact that for us those funds (which could had helped us) were unavailable.

Another bureaucracy struggle was the cooperation with Social Insurance (institution). The institution stores all the information about the employees

such as their wages, taxes and levies, etc. it had asked us to provide those documents that were all already submitted in the system. For us, it was the same work done twice which was very ineffective as our accounting department had a lot of other work. This information was already stored in those systems, as required. It still remains unclear... why the unnecessary bureaucracy.

The specific case was, the new employee came on the first day, he had an injury and thus asked to have a status of “temporary incapacity for work” which allowed him to get paid the sickness benefit. The Social Insurance could get all of the employee’s information from the system, including the information submitted by the previous employer about the wages, to determine the sickness benefit. But the institution had required that we send them all those details. So, our employees had to call the previous employer to send those documents which they had to send once again to the Social Insurance. However, the institution had already had access to these documents. That’s just one example. But there is more unnecessary bureaucracy work which we have to accept even though it’s absurd. For this kind of work, we needed to employ another people to deal with it.

To conclude, in my opinion, the state does not know and does not use the software and all those systems that it invested in effectively.

The following questions pertain to the period 2018 - 2020

1. Prime Minister Pellegrini was in the position circa 2 years, similar to Radicova, what changed that affected small and medium business enterprises?

In such a short period of time it is difficult to make any substantial changes. He took over the power in the very unfortunate and sad times. The atmosphere in the country got escalated after the murder of the journalist Jan Kuciak and his fiancé in 2018. A few weeks after, the PM Fico and other politicians resigned, and Pellegrini took over the position of the PM.

With the corona outbreak in the late 2019 the number of orders from abroad decreased. As a consequence of crisis, we have lost our biggest client.

With regards to the government, the temporary cabinet operated in the same way as the one elected in 2016.

The following questions pertain to the period 2020 - present

1. PM Matovic took the lead in late winter 2020 when the COVID19 pandemic started. Some measures were already introduced by the previous PM. What are your thoughts on the implementation of those measures when you consider your business operations? How did they affect your business? Are they beneficial or harmful? Explain.

The country had shut down in March 2020 when the first citizens got infected with a COVID19 virus. This has automatically affected all the firms in the country, including our company. We have stopped the production for several weeks. Because the firm have lost a few markets, we have decided to restructure and look for some other opportunities. We have found them in the increased focus on the production of the upholstery products.

Additional question: What markets demanded these products?

Germany. Before we have produced these upholstery goods for the domestic market only. And thus, the firm has its tradition in the upholstery production. But because we have lost our biggest client, due to Covid19 outbreak, we were forced to expand in a different way and restructure the production. We have increased the production of sofas, bed, chairs and succeeded with this furniture in the foreign markets, mainly in the German one. Those decisions helped us to survive the crisis. Despite these restructuring actions, the volume of the production is still decreased as the upholstery sector did not fully make up for the loss of the orders from our previous client.

The firm has to follow the safety guidelines that are in place during the pandemic.

2. Are you receiving any economic support from the government during the current COVID19 pandemic?

We are. The support that the government offers such as the compensation for the wage of the employees to maintain job positions is highly appreciated and we have applied for it. We keep following what support the government offers. And we try to ask for those means later on in accordance with the law and the current rules. We can only ask for the support that we are allowed to get as determined by the government in these times. Of course, we have to submit relevant documentation when asking for the support.

3. Please provide your future predictions and assumptions on the economic state of your business?

It is really hard to predict how the situation turns out to be after the crisis. What the consequences will be. Because the vaccination has already started, it is expected that the pandemic will slowly retreat and the economic situation together with the businesses will slowly get back to pre-Covid conditions, even though it will not be the same. But as a result of the released restrictions, it is expected that the demand will eventually increase. For example, people who have lost their jobs will be employed again, they will be paid, and they will buy the furniture that they could not afford during the COVID19 crisis.

Additional question: Does the company already has new opportunities at hand, which look promising in the near future?

It is a constant process of the firm to negotiate new business opportunities with potential clients, to draft calculations. It is a procedure that is ongoing, with or without COVID19' presence. It's the firm's endeavour to look for potential buyers and negotiate with them. It all depends on how well can be price the ordered quantities. So, in this time we continue those procedures and negotiations with potential partners.

Additional question: Does the company plan to introduce a new product?

Because the firm found a new client and also invested into a new technology – click furniture. We are the only producer of this kind of furniture in the country. With this kind of technology and unique product we aim to succeed on the US market. We are, however, exporting it to the Scandinavian countries. The current initiatives are focused on being able to export it to the American market. With this new technology we aim to increase the volume of the production in the near future.