



Global
Entrepreneurship
Monitor

National Entrepreneurship Assessment for Lithuania

2023/2024



Authors:

Saulė Mačiukaitė-Žvinienė,
Robertas Skliaustas,
Deimantė Vasiliauskaitė



VILNIUS
UNIVERSITY
BUSINESS
SCHOOL

MOODY'S



**Global
Entrepreneurship
Monitor**

National Entrepreneurship Assessment for Lithuania

2023/2024

Lithuania Team Founding Organisation:



Lead Sponsor:

MOODY'S

Partner Sponsors:



Disclaimer

This report is based on data collected by the GEM consortium and the GEM Lithuania team; all responsibility for the analysis and interpretation of the data is the authors' sole responsibility.

Saulė Mačiukaitė-Žvinienė, Robertas Skliaustas, Deimantė Vasiliauskaitė

Published by the Vilnius University Press.
Design: blackandwhite.lt

© Vilnius University Business School, 2024

All rights of this publication are reserved, and therefore this publication cannot be reproduced in its totality, or in part, recorded or transmitted by any information retrieval system in any way, by any means mechanical, photochemical, electronic, magnetic, electrooptical, digital, photocopying or otherwise, without explicit written permission of the authors.

CONTENTS

| | |
|--|-----------|
| INTRODUCTION | 13 |
| About the Global Entrepreneurship Monitor (GEM) | 13 |
| Research under GEM | 15 |
| Lithuanian Economy in 2023 | 17 |
| Chapter 1. Impact of Global Challenges on Entrepreneurship and Established Business Ownership | 23 |
| Chapter 2. Business Phases | 27 |
| Entrepreneurial Activity | 30 |
| Established Business Ownership | 33 |
| Business Closure | 35 |
| Entrepreneurial Intentions | 37 |
| Chapter 3. Entrepreneurial Impact | 40 |
| Industry Sector Participation | 40 |
| Technology and Innovation | 41 |
| Job Creation and Growth Expectations | 45 |
| National and International Scope | 47 |
| Chapter 4. Societal Attitudes and Self-Perceptions about Entrepreneurship | 50 |
| Societal Attitudes | 50 |
| Self-Perception | 51 |
| Chapter 5. Gender in Entrepreneurship | 53 |
| Rates among Business Phases | 53 |
| Societal Attitudes and Self-Perceptions | 55 |
| Entrepreneurial Motives | 56 |
| Industry Sectors | 58 |
| Innovations | 60 |
| Job Creation Expectations | 62 |
| Chapter 6. Social and Environmental Sustainability | 65 |
| Sustainability and the Role of Entrepreneurs | 65 |
| Prioritising Social and Environmental Impact | 65 |
| Steps to Minimise Environmental Impact | 67 |
| Steps to Maximise the Societal Impact of Business | 69 |
| Chapter 7. The Context of Entrepreneurship | 72 |
| GEM Lithuania Sponsors | 79 |

TABLE OF FIGURES

| | |
|---|-----------|
| Picture 1. The Entrepreneurial Process and GEM Operational Definitions | 14 |
| Figure 0.1. GDP Change in Lithuania | 15 |
| Figure 0.2. Inflation rate in Lithuania from 2014 to 2023 | 15 |
| Figure 0.3. Lithuania’s export and import dynamics 2014–2024 Q1 | 16 |
| Figure 0.4. Foreign direct investments 2014–2023, EUR million | 16 |
| Figure 0.5. Change of foreign direct investments from 2022 to 2023, EUR million | 17 |
| Figure 1.1. Average disposable income per month in 2014–2022, EUR. | 18 |
| Figure 1.2. At-risk-of-poverty rate, absolute poverty rate, and at-risk-of-poverty gap in Lithuania in 2020–2023 | 18 |
| Figure 1.3. Unemployment in Lithuania in 2014–2023, percent | 18 |
| Figure 1.4. Unemployment by region in 2022–2023, in 1,000s | 18 |
| Figure 1.5. Total Early-Stage Entrepreneurial Activity (TEA) and Established Business Ownership (EBO) (both % adults) | 20 |
| Figure 1.6. Percentage of Adults Reporting a Change in Household Income in 2023 | 21 |
| Figure 2.1. Total Early-Stage Entrepreneurial Activity (TEA) plotted against Established Business Ownership (EBO) (both % adults) | 23 |
| Figure 2.2. Established Business Ownerships in Advanced Economies (GDP per Capita over 25,000 USD) in 2023. Average: 7.5% | 24 |
| Figure 2.3. Entrepreneurial activities Ownerships in Advanced Economies (GDP per Capita over 25,000 USD) in 2023. Average: 10% | 24 |
| Figure 2.4. Business Exit and Closure in 2023 | 24 |
| Figure 2.5. Entrepreneurial Activity, Established Business Ownership and Discontinued Business Percent in Ownerships in Advanced Economies (GDP per Capita over 25,000 USD) in 2023 | 25 |
| Figure 2.6. Entrepreneurial Activity share among Adults by Age Groups | 26 |
| Figure 2.7. Entrepreneurial Activity among Adults 2014, 2022, 2023 | 26 |
| Figure 2.8. Entrepreneurial Activity by Employment Type | 26 |
| Figure 2.9. Entrepreneurial Activity by Income | 26 |
| Figure 2.10. Are you Expecting to Start a Business in the Next Three Years? (% of adults responding yes) | 27 |
| Figure 2.11. Expectations for Business Growth and Conditions to Start a Business (1 – much lower expectations; 5 – much higher expectations) and difficulty to start a business compared to the previous year (1 – much less difficult; 5 – much more difficult) among Entrepreneurs (TEA) in Lithuania, 2022–2023 | 27 |
| Figure 2.12. Percentage of People Having Entrepreneurial Intentions, 2014, 2022–2023 | 27 |
| Figure 2.13. Share of Entrepreneurial Activity by Region: a) in 2022; b) in 2023; c) Change of Share of Entrepreneurial Activity by Region from 2022 to 2023 | 28 |
| Figure 2.14. Percentage of Entrepreneurial Activity in Lithuanian regions: a) in 2022; b) in 2023; c) Change of Entrepreneurial Activity in Each Region from 2022 to 2023 | 28 |
| Figure 2.15. Established Business Ownerships among Adults by Age Group 2014, 2022–2023 | 29 |
| Figure 2.16. Established Business Ownerships 2014, 2022–2023 | 29 |
| Figure 2.17. Evaluation of expectations for business growth (1 – much lower expectations; 5 – much higher expectations) and difficulty to start a business compared to previous year (1 – much less difficult; 5 – much more difficult) among Established Business Owners in Lithuania, 2022–2023 | 29 |
| Figure 2.18. Share of Established Business Ownerships among Lithuanian regions in 2022 (a) vs. 2023 (b); change of the share of established business ownership among regions: 2022 vs. 2023 (c) | 30 |
| Figure 2.19. Percentage of Established Business Ownerships in Lithuanian regions in 2022 (a) vs. 2023 (b); change of Established Business Ownership in Regions: 2022 vs. 2023 (c) | 30 |

| | |
|---|-----------|
| Figure 2.20. Discontinued Business in Lithuania | 31 |
| Figure 2.21. Share of Business Closure by region in Lithuania in 2022 (a) vs. 2023 (b); change of the share of business closure by region: 2022 vs. 2023 (c) | 32 |
| Figure 2.22. Business Closure by region in Lithuania in 2022 (a) vs. 2023 (b); change of business closure in regions: 2022 vs. 2023 (c) | 32 |
| Figure 2.23. Motivation for Starting a Business in Lithuania, 2022–2023 | 33 |
| Figure 2.24. Share of Motivation “To earn a living because jobs are scarce” for Starting a Business in Lithuanian regions in 2022 (a) vs. 2023 (b); change of the share of motivation in regions: 2022 vs. 2023 (c) | 34 |
| Figure 2.25. Share of Motivation “To earn a living because jobs are scarce” for Starting a Business in Lithuanian regions in 2022 (a) vs. 2023 (b); change of motivation in regions: 2022 vs. 2023 (c) | 34 |
| Figure 3.1. Total Entrepreneurial Activity in Industries in Lithuania | 36 |
| Figure 3.2. Industry Breakdown for Total Entrepreneurial Activity in Lithuania | 37 |
| Figure 3.3. Percentage of Adults Starting New Businesses Using Technologies or Processes that are New to their Area, New to their Country, or New to the World | 38 |
| Figure 3.4. Percentage of Total Entrepreneurial Activity and Established Business Ownership Participating in Tech Sector in Advanced Economies (GDP per capita is over 25,000 \$), 2023 | 38 |
| Figure 3.5. Level of Innovativeness* for Total Entrepreneurial Activity in Advanced Economies (GDP per capita over 25,000 \$), 2023 | 39 |
| Figure 3.6. Job Creation Expectations for Total Entrepreneurial Activity in Advanced Economies (GDP per capita over 25,000 \$), 2023 | 40 |
| Figure 3.7. Expected Job Growth for Total Entrepreneurial Activity and Established Business Ownership in Lithuania | 41 |
| Figure 3.7.1. Share of Entrepreneurs who Expect Job Growth by Lithuanian Regions (National level) in 2022 (a) vs. 2023 (b); Change of Share of Entrepreneurs (c) who Expect Job Growth among Regions from 2022 to 2023 | 41 |
| Figure 3.7.2. Percentage of Entrepreneurs who Expect Job Growth within Each Lithuanian Region (Regional level) in 2022 (a) vs. 2023 (b); Change of Percentage of Entrepreneurs who Expect Job Growth in Each Region from 2022 to 2023 (c) | 42 |
| Figure 3.8. Percentage of Those Starting or Running New Businesses in Each Economy and Anticipating 25% or More of Revenue Coming from Customers Outside that Economy. | 43 |
| Figure 3.9. Percentage of Entrepreneurs who have Strong International Orientation (More than 25% of revenue from outside the country) and Weak International Orientation (More than 1% of revenue from outside the country), 2014, 2022–2023 | 43 |
| Figure 4.1. Societal Attitudes about Entrepreneurship in Lithuania, 2014, 2022–2023 | 45 |
| Figure 4.2. Self-Perception among Adults in Lithuania, 2014, 2022–2023 | 46 |
| Figure 4.3. Fear of Failure among Adults in Lithuania, 2014, 2022–2023 | 46 |
| Figure 5.1. Total Entrepreneurial Activity by Gender in Advanced Economies (GDP per capita over 25,000 \$), 2023 | 48 |
| Figure 5.2. Total Entrepreneurial Activity Ratio between Men and Women in Advanced Economies (GDP per capita over 25,000 \$) (average – 0.72), 2023 | 49 |
| Figure 5.3. Established Business Owners by Gender in Advanced Economies (GDP per capita over 25,000 \$), 2023 | 49 |
| Figure 5.4.1. Entrepreneurial Self-Perceptions and Attitude by Gender in Lithuania, 2014 | 50 |
| Figure 5.4.2. Entrepreneurial Self-Perceptions and Attitude by Gender in Lithuania, 2022 | 50 |
| Figure 5.4.3. Entrepreneurial Self-Perceptions and Attitude by Gender in Lithuania, 2023 | 50 |
| Figure 5.5. Entrepreneurial Intentions and Developments by Gender in Lithuania, 2014, 2022–2023 | 51 |
| Figure 5.6. Entrepreneurial Motives by Gender in Lithuania, 2022–2023 | 52 |

| | |
|---|-----------|
| Figure 5.6.1. Business Discontinuation Reasons by Gender in Lithuania, 2022–2023 | 53 |
| Figure 5.7. Industry Sectors by Gender in Lithuania, 2014, 2022–2023 | 53 |
| Figure 5.7.1. Detailed Industry Sectors by Gender in Lithuania, 2022–2023 | 54 |
| Figure 5.8. Innovativeness* define by Gender in Lithuania, 2022–2023 | 54 |
| Figure 5.8.1. New Product or Process Development for the Market among Entrepreneurs by Gender in Lithuania, 2023 | 55 |
| Figure 5.8.2. Digital Technology Adoption in the Future by Gender in Lithuania, 2023 | 55 |
| Figure 5.9. Expected Job Growth of more than 10 New Employees and More than 50% Existing Force in Total Entrepreneurial Activity by Gender in Lithuania, 2014, 2022–2023 | 56 |
| Figure 5.10. Expected Job Growth in Total Entrepreneurial Activity by Gender in Lithuania, 2014, 2022–2023 | 56 |
| Figure 6.1. Percentage of Entrepreneurs and Established Business Owners who Prioritise Social and Environmental Impact of Business Above Profitability and Growth 2022–2023 | 60 |
| Figure 6.2. Share of new and established business owners who have taken steps in the past year to minimise the environmental impact of their business (% TEA and % EBO) | 60 |
| Figure 6.3. Percentage of Entrepreneurs and Established Business Owners who Prioritise Social and Environmental Impact of Business Above Profitability and Growth by Gender, 2022–2023 | 61 |
| Figure 6.4. Percentage of Entrepreneurs and Established Business Owners who Minimise the Environmental Impact of their Business, 2022–2023 | 62 |
| Figure 6.5. Percentage of Entrepreneurs and Established Business Owners who Minimise the Environmental Impact of their Business by Gender, 2022–2023 | 62 |
| Figure 6.6. Percentage of Entrepreneurs and Established Business Owners who Maximise the Societal Impact of Business, 2022–2023 | 63 |
| Figure 6.7. Percentage of Entrepreneurs and Established Business Owners who Maximise the Societal Impact of Business by Gender, 2022–2023 | 63 |
| Figure 6.8. Percentage of Innovative and Non-Innovative Entrepreneurs and Established Business Owners who Minimise Environmental Impact and Maximise Social Impact in Lithuania, 2023 | 64 |
| Table 7.1. National Entrepreneurship Framework Conditions (EFCs) | 66 |
| Figure 7.1. Entrepreneurial Framework Conditions in Lithuania in 2023 Average of Level B countries Lithuania. | 67 |
| Figure 7.2. Government Policies and Programmes | 68 |
| Figure 7.3. Entrepreneurial Finances | 68 |
| Figure 7.4. Entrepreneurial Education | 68 |
| Figure 7.5. Internal Market Dynamics | 68 |
| Figure 7.6. Research and Development Transfer and Professional Infrastructure | 69 |
| Figure 7.7. Physical Infrastructure and Social Norms | 69 |
| Figure 7.8. National Entrepreneurial Context Index (NECI), 2023 | 70 |

ACKNOWLEDGMENTS

The authors are especially grateful to the following people who have contributed their time and support to make this report possible:

Birutė Miškinienė, Vytenis Mockus, Ieva Druktenė, Miglė Marija Galvonaitė and Vilnius University Business School marketing and administration team

Auksė Žukauskienė, Darius Daugvila, Justinas Juknys and Moody's communication team

Jonė Kalendienė and Romualda Stragienė and Innovation Agency communication team

Deimantė Žegunė and the Education and Research Committee of the Parliament of the Republic of Lithuania

This report would not have been made possible without the Consortium of GEM National Teams who participated in the 2023 GEM Global survey: Canada, France, Germany, Italy, Rep. of Korea, Luxembourg, Netherlands, Norway, Qatar, Saudi Arabia, Slovenia, Sweden, Switzerland, United Arab Emirates, United Kingdom, United States, Argentina, Chile, Croatia, Cyprus, Estonia, Greece, Hungary, Israel, Japan, Latvia, Lithuania, Oman, Panama, Poland, Puerto Rico, Romania, Slovakia, Spain, Uruguay, Brazil, China, Colombia, Ecuador, Guatemala, India, Iran, Jordan, Mexico, Morocco, South Africa, Thailand, Ukraine, Venezuela.

Unless otherwise noted, GEM data were used to prepare this report.
Their interpretation and use are the sole responsibility of the authors.



Over the past 25 years, the Global Entrepreneurship Monitor (the GEM) has made a significant impact on societies, economies, and academic circles worldwide. The GEM stands as living proof that a long-term scientific research, vital for informed decision-making, can be cultivated through collaboration with over 300 global experts, all the while upholding independence and objectivity, and in certain cases, playing a role in economic recovery post-war, as in Croatia, or in-war, as in Ukraine, which has joined the GEM this year.

My sincere greetings go out to the hundreds of researchers and business experts who have dedicated their efforts to the 2023/2024 study, and I am truly impressed by GEM's growth, now representing 70% of the world's Gross Domestic Product. It brings me particular joy to witness Lithuania's return to this important study after more than a decade's break.

In today's uncertain global landscape, governments seek fresh insights and innovative solutions to drive economic opportunities and financial prosperity. Entrepreneurship holds the key. GEM-generated data will never lose relevance as long as countries, including Lithuania, aspire to enhance their competitiveness. I take pride in Lithuania's position among the top five entrepreneurial nations, surpassing peers not only in Europe but also in the United States and Asia.

The original GEM indicator continues to serve as a benchmark for a healthy society and a competitive economy in Lithuania. This year, Lithuania's entrepreneurship has earned one of the highest scores, however, challenges remain, particularly in entrepreneurship in education, transfer of scientific knowledge, business digitalisation in new product development, and the fostering of new entrepreneurs in the regions.

The people of Lithuania are our nation's greatest asset. Hence, the revelation from the GEM that one in three Lithuanians opts out of entrepreneurship not due to inadequate skills or lack of state support, but rather out of fear of potential failure, underlines the imperative to enhance our current business ecosystem.

As the sole global study of its kind, the GEM and its data enable us to better understand the current economic trends and the evolution of entrepreneurship under diverse circumstances. Moreover, it will empower the Lithuanian Government to make science-informed decisions, both nationally and in bolstering regional policies.

Ingrida Šimonytė
Prime Minister of the Republic of Lithuania



GEM is a beautiful research example of the collaboration of hundreds of scientists and almost two hundred institutions worldwide. It has grown over the years, constantly seeking a more in-depth analysis, and understanding of the entrepreneurial ecosystem. Since the first survey in 1999, over 120 national teams joined GEM and continually enhanced the study to provide novel insights about how entrepreneurs impact the world.

GEM's advanced exploration of entrepreneurship reveals a complex ecosystem influencing opportunities and motivations of communities where well-established businesses often rely on entrepreneurs in the value chain for supply, innovation, and market access. In Lithuania, GEM has allowed scientists to engage with national and regional policymakers to develop better evidence on policy performance and the development of the entrepreneurial ecosystem.

After twenty-five years of international collaboration, GEM has become academics' most frequently used data source on entrepreneurship, publishing in the most influential peer-reviewed journals. The unique nature of the GEM methodology not only allows Lithuanian scholars, policymakers, businesses, and investors to understand the current dynamics of entrepreneurship in various contexts but enables us all to make scientifically based improvements in national and regional entrepreneurship ecosystems.

Without the team of Vilnius University Business School and the belief of the Ministry of Economics and Innovation, Moody's and Innovation Agency GEM Lithuania would not have been born. They brought together an incredible volume of knowledge about the entrepreneurship ecosystem in Lithuania and worldwide. They showed the importance of research to entrepreneurs, academics, governments, and all people in our communities whose lives are fulfilled and enriched by the entrepreneurial activities around them.

It is only the second year for Lithuania, but with advanced research to be continued over the years, GEM's original metric of total entrepreneurial activity has the potential to become the most significant indicator of the importance of entrepreneurship to a competitive Lithuanian economy.

And congratulations to everyone who is or has been affiliated with the Global Entrepreneurship Monitor on the 25th anniversary of GEM.

prof. Rimvydas Petrauskas
Rector of Vilnius University

INTRODUCTION

The GEM Lithuania Report 2023/2024 is the 2nd year of a comprehensive science-based survey and analysis of entrepreneurship in Lithuania. This report is based on data drawn from the Adult Population Survey (APS), which investigates the attitudes toward entrepreneurship of the general population and, more specifically, individual entrepreneurs' perceptions, activities, and aspirations. Lithuania is among 46 economies, they are all representing nearly 60% of the current world population and 70% of the global GDP. Lithuania also participated in the National Expert Survey (NES) in 2023, which examines the quality of entrepreneurial framework conditions in each participating country.

As acknowledged in the GEM 2023/2024 Global Report, within the period of 25 years, around 4 million people will have been surveyed across 120 different countries, and views have been sought from nearly 50,000 national experts. Entrepreneurship, defined by GEM as the act of starting or running a new business, matters. It matters not only to the people involved, who are taking brave steps to secure their livelihoods, shape their futures, and, sometimes, change the world. However, entrepreneurship also matters to the broader economy and society.

A key objective of the GEM Lithuania Report 2023/2024 is to present new insights that can guide efforts to equip the Government of the Republic of Lithuania, businesses, and individuals with the capabilities they need to launch and run businesses and create environments in which business ventures can thrive. The GEM method differs from most other sources of information about entrepreneurship, which are based on firm-level data. GEM probes individuals, by focusing on their role as entrepreneurs, experts and Lithuanian inhabitants in general within their respective entrepreneurial ecosystem. The following section presents a brief overview of the Lithuanian economy in 2023 to provide further context for the Report.

About the Global Entrepreneurship Monitor (GEM)

The Global Entrepreneurship Monitor (GEM) is the world's largest entrepreneurship-related research instrument, focusing on early-stage entrepreneurship and its essential role in driving societal health, wealth, and economic growth. The global GEM research consortium has been measuring the entrepreneurial activity of working-age adults across a wide range of countries in a comparable way since 1999.

GEM's three primary objectives are to measure differences in entrepreneurial attitudes, activities, and aspirations across countries, to identify factors determining the nature and level of entrepreneurial activity, and to formulate conclusions relevant to socio-economic policy, including support for entrepreneurship. GEM has been instrumental in addressing some of society's greatest challenges, such as the United Nations Sustainable Development Goals (SDGs) and the economic shockwave after both the turmoil of the pandemic and, subsequently, the effects of the Russian invasion of Ukraine. GEM employs a uniform data collection methodology, by conducting quantitative surveys on representative samples of adult populations and qualitative surveys involving entrepreneurship experts annually in each participating country. National Teams, primarily composed of representatives of higher education institutions, closely supervise the data collection process, whereas the central methodology team strictly monitors data collection and processing.

With a highly credible track record, in numbers, GEM represents:

- 25 years of data;
- 3,700,000+ GEM Adult Population Survey interviews since 1999;
- 170,000+ interviews annually with experts and adult populations including entrepreneurs of all ages; 2,000+ expert interviews for the 2023 GEM National Expert Survey;
- 120+ economies since 1999;
- 370+ specialists in entrepreneurship research (GEM National Team members);
- 150+ academic and research institutions;
- 150+ funding institutions;
- 1,000+ publications in peer-reviewed journals.

In 2023, 46 countries, representing more than 70% of the global GDP, conducted the GEM survey.

The consortium publishes the GEM Global Report annually, along with various national and special topic reports providing policymakers with valuable insights on fostering entrepreneurship and promoting healthy entrepreneurial ecosystems worldwide.

By becoming involved with GEM, academics, educational institutions, policymakers, entrepreneurs, investors, and international organizations benefit from unique methodological approaches, better-informed decisions, access to robust data, and opportunities for collaboration with a highly networked organization.

Lithuania's first attempts to participate in GEM began in 2011, and, after almost a decade, Lithuania started contributing again since 2021. Lithuania has been represented in GEM by the Vilnius University Business School research team.

Research under GEM

Research under the GEM project comprises two components: a quantitative Adult Population Survey (APS) conducted on a representative sample of the working-age population, and a qualitative National Experts Survey (NES) which collects expert opinions on establishing and operating new businesses in each country.

Adult Population Survey

The APS is conducted annually in each participating country on a sample of at least 2,000 adults aged 18–64, typically by using the CATI (Computer-Assisted Telephone Interviewing) method, accounting for the usage of landline and mobile telephones in the households of these countries. Beyond measuring the Total Entrepreneurial Activity (TEA) indicator, the APS provides information on growth pursuits through employment, innovation, internationalisation, and economic activity funding. In 2023, over 136,000 individuals completed the GEM APS interview globally, representing nearly 60% of the current world population and 70% of the global GDP, contributing to an existing GEM database of more than 3 million respondents across 120 economies since the first APS survey in 1999. In 2021, GEM introduced new APS questions related to the role of social and environmental considerations in the long-term

decision-making of entrepreneurs concerning new businesses. These questions have been repeated in the following years, allowing for comparisons, and were expanded to include questions about awareness of the UN Sustainable Development Goals (SDGs) and their influence on business priorities and strategies.

In Lithuania, the quantitative survey was carried out from 2011 to 2014 and from 2022 to 2023 on a representative nationwide sample of Lithuanian adults aged 18–64. Each year, 2,000 interviews were conducted by using the CATI technique. The entire data acquisition process undergoes multiple reviews by Vilnius University Business School (VU BS), and the mission of the GEM methodology team is to ensure consistency in characteristics such as region, gender, and age with the population distribution.

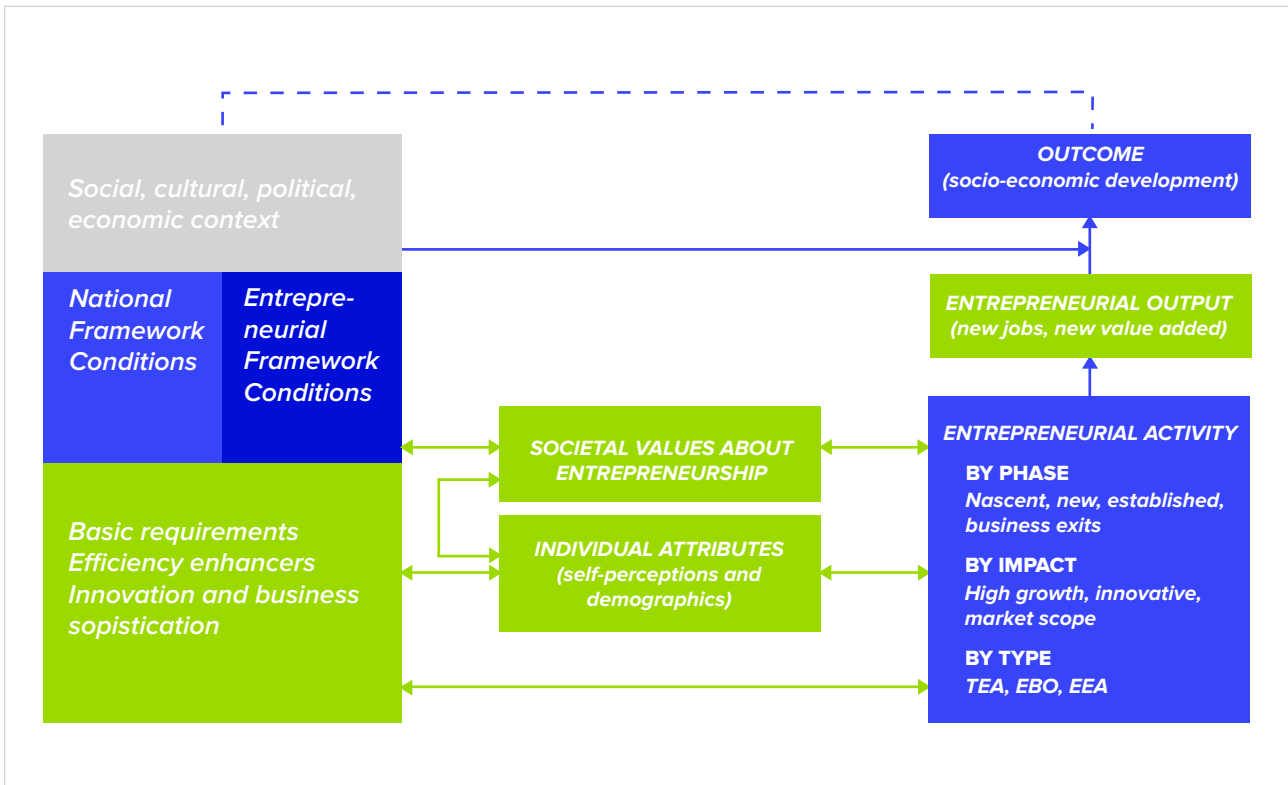
National Expert Survey

The NES, an Expert Assessment of National Framework Conditions, is a qualitative study involving at least 36 professionals from various fields directly or indirectly related to entrepreneurship. These experts assess the performance of 12 areas which constitute the business environment in the given country, including business financing, government policies and public programs, education, R&D transfer, access to legal and accounting services, the market, and the sociocultural norms. In each country, the expert group is selected based on the same criteria, with the primary factors being the specialisation (corresponding to the 12 areas), the type of activity (scientist, entrepreneur, government employee, politician, journalist, etc.), and the experience related to entrepreneurial activity (entrepreneur or non-entrepreneur). In 2021, the questionnaire was expanded to include questions related to the pandemic and sections on sustainable development and women's entrepreneurship.

In Lithuania, the qualitative study is conducted annually with the involvement of around 40 selected experts. The preliminary anonymised list of experts is approved by the GEM methodology team. Since 2011, the survey has been implemented by using the CAWI (Computer-Assisted Web Interviewing) technique, coordinated by the Vilnius University Business School team. The resulting database is verified by the GEM methodology team. In 2023, 36 experts participated in the NES.

The GEM Global 2023/24 Report was published on February 14, 2024, and it can be downloaded from www.gemconsortium.org.

From the APS survey, the Lithuania GEM Team examines individual entrepreneurs at three key stages: nascent entrepreneurs (NAE), new business owner-managers (NBO), and established business owner-managers (EBO). In addition, the Team researches whether there is the general intention to start a business. Those individuals who have sold, shut down, discontinued, or quit a business are also explored. Therefore, it is essential to understand that the main subject of study in GEM is entrepreneurs rather than the businesses that they run (see Picture 1).



Picture 1. The Entrepreneurial Process and GEM Operational Definitions

Source: Hill et al., 2022, p.23

GEM 2022 Classification of Participating Economies

In the 2023 GEM Global Report, the participating economies were categorised solely by income based on the World Bank data for the Gross Domestic Product per capita (GDP/cap). For the first time, GEM introduced its own definitions of low, medium, and high income. These categories have been retained in the current year and are as follows:

- **Level A:** economies with a GDP/cap of over \$50,000;
- **Level B:** economies with a GDP/cap between \$25,000 and \$50,000;
- **Level C:** economies with a GDP/cap of less than \$25,000.

The boundaries between the categories are arbitrary and have been chosen to create three reasonably even groups while maintaining consistency with the previous year. However, it is of importance to note that rising incomes have led to an increasing number of participating economies being classified in the high-income group. Consequently, in future reports, the boundaries will require upward revision.

In 2023, Lithuania was categorised as a Level B economy, with a GDP/cap of \$48,400, which moved down from its previous classification as a Level A economy.

Lithuanian Economy in 2023

Economic conditions significantly affect the entrepreneurial activity in Lithuania. An economy's status and its future prospects measured as economic growth, disposable income, consumer confidence, unemployment, inflation, trade, and investment can affect entrepreneurial incentives, perceived opportunities, and, eventually, entrepreneurial activities. Therefore, the GEM Lithuania report briefly discusses Lithuania's economy in 2019.

The global economy faced some stability after the COVID-19 pandemic and the Russian invasion of Ukraine, but the effects of these two factors could be noticed in 2023 as well. Lithuania's GDP for 2023 was 0.3% lower than the previous year. This downturn was attributed mainly to a decrease in the manufacturing output.

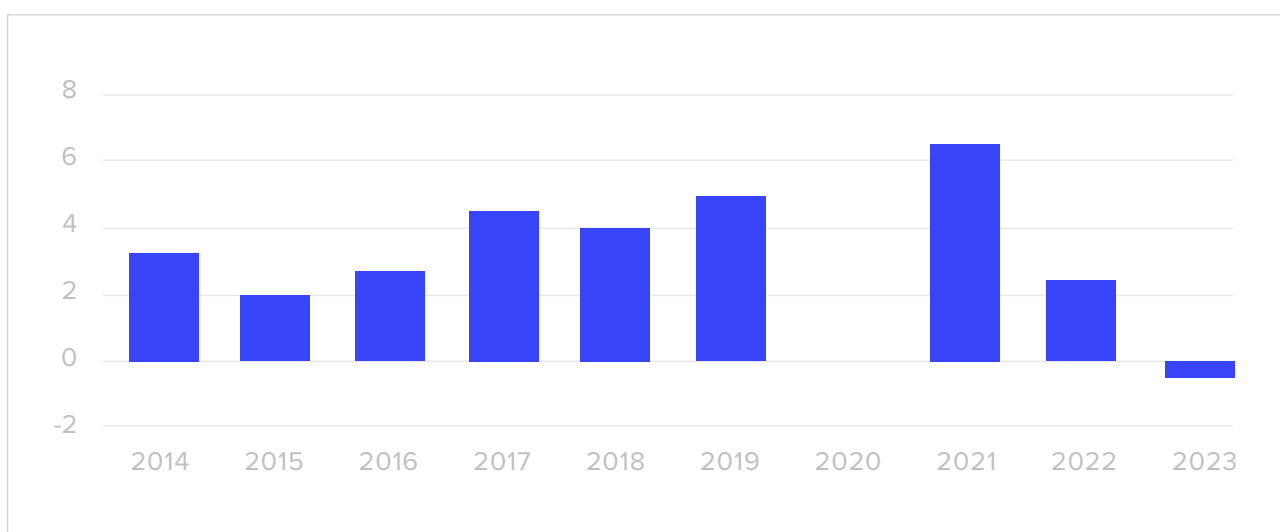


Figure 0.1. GDP Change in Lithuania
Source: National Statistics Bureau Lithuania, 2024

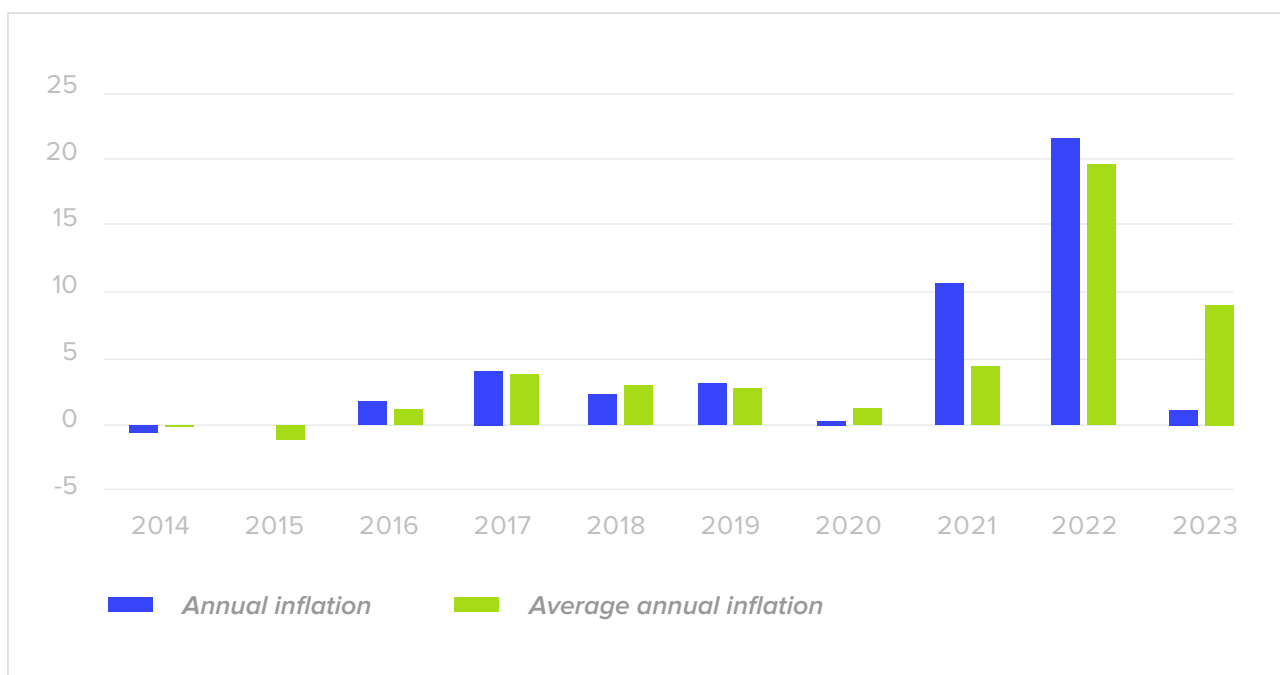


Figure 0.2. Inflation rate in Lithuania from 2014 to 2023. Annual inflation — the relative change in the average price level between the reporting month and the corresponding month of the previous year. Average annual inflation — the relative change in the average price level between the last twelve months and the corresponding previous twelve months.
Source: National Statistics Bureau Lithuania, 2024

Factors such as rising interest rates, reduced investment, subdued global consumption, slower real estate activities, and growing inventory levels negatively impacted demand for Lithuanian exports and adversely affected the country's industrial sectors. Industrial production decreased by 5.3%, and retail trade contracted by 1.2% in 2023.

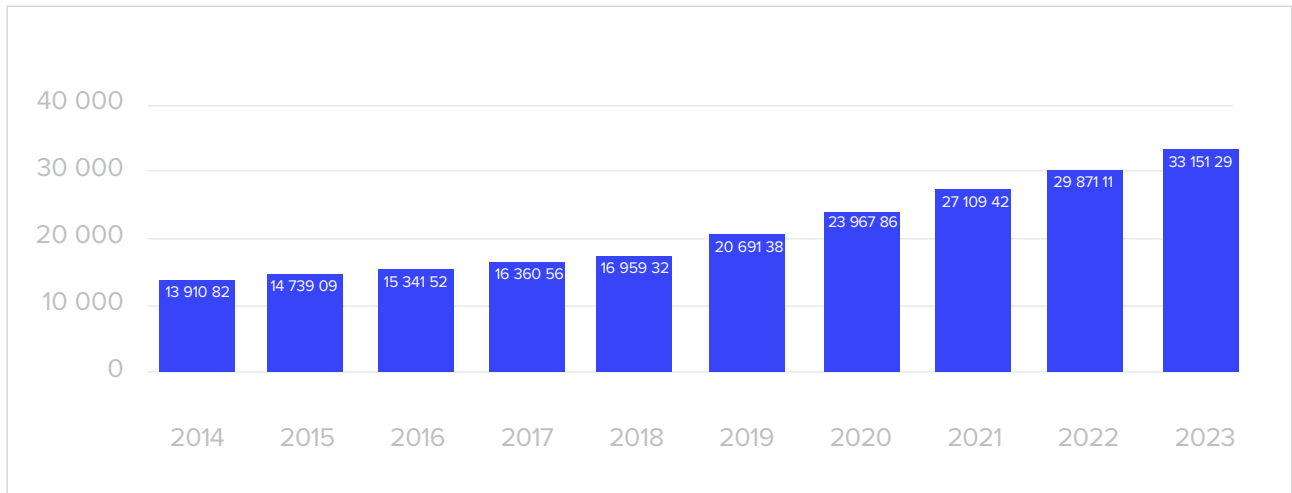


Figure 0.3. Foreign direct investments 2014–2023, EUR million
 Source: National Statistics Bureau Lithuania, 2024

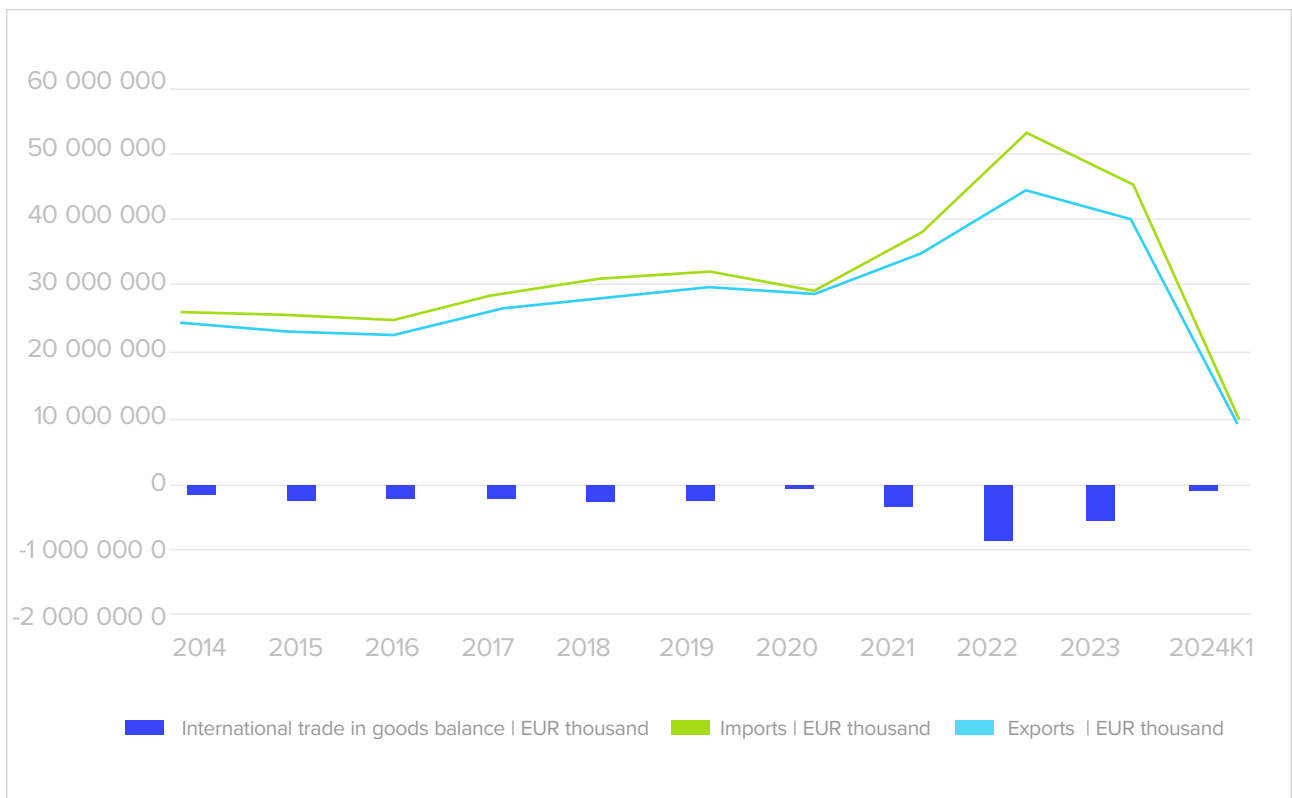


Figure 0.4. Lithuania's export and import dynamics 2014–2024 Q1
 Source: National Statistics Bureau Lithuania, 2024

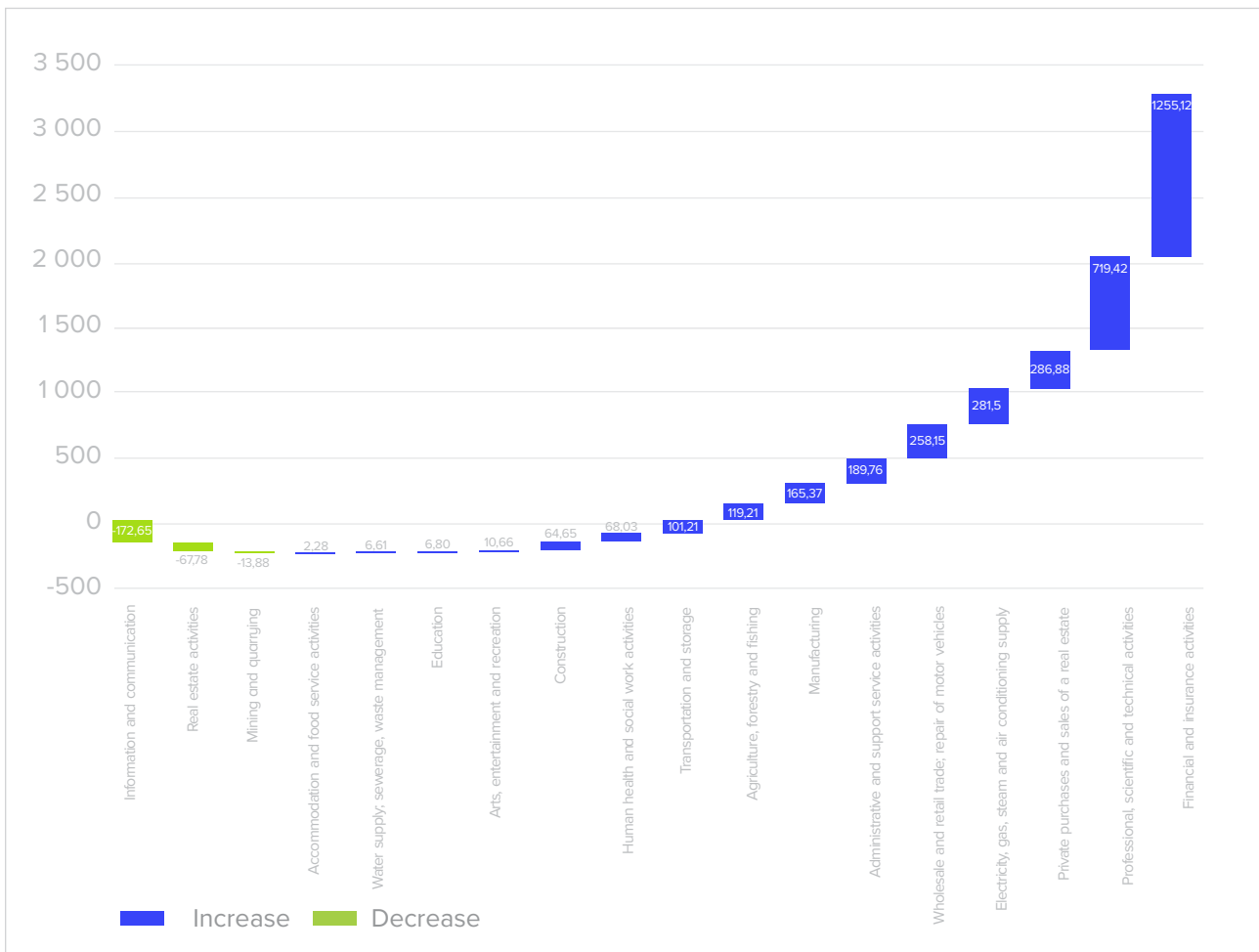


Figure 0.5. Change of foreign direct investments from 2022 to 2023, EUR million
Source: National Statistics Bureau Lithuania, 2024

The export of goods decreased by 11.0% in 2023. The main reason was the changing view of trading partners. A low growth in European trading partners weakened the demand for consumer goods and played a role in the decrease in exports in 2023. Meanwhile, the import of goods decreased by 14.7%. Weak external demand limited re-exports, and an adjustment in export market shares influenced the reduction in exports of goods and services. The adjustment in export market shares primarily stemmed from structural factors that significantly impacted certain product groups, such as exports of wood and furniture products, and which also resulted in the decline of demand for chemical products, and a one-fifth decrease in agricultural products compared to 2022 (Bank of Lithuania, 2024).

Lithuania's economic activity increased the construction output by 11.9%, and investments into tangible fixed assets reached 17.1% yearly growth. In 2023, the rising domestic demand was boosted by both investments and household consumption. The largest share of foreign direct investments was observed for financial and insurance activities (35%), manufacturing (15%), wholesale and retail activities and motor vehicles (10%), and professional, scientific, and technical activities (8%). The bulk of the investment came from the general government and industrial sectors, notably, the reconstruction of an oil refinery, which comprised about one-third of the investment. Household consumption began to rebound towards the end of 2023. Its revival was primarily driven by improving the purchasing power, which had been rising for several consecutive quarters, a stable job market. Nevertheless, households remained cautious and were hesitant to incur higher financial costs. (Bank of Lithuania, 2024)

The inflation pressure was intense worldwide, including in Lithuania, and the average annual inflation level remained high in 2023 at 8.7%. The labour market remains strong, and Lithuania currently has its highest employment level since the end of global financial crisis. Significant shifts in migration trends have spurred the employment growth. In 2023, the influx of foreigners and returning Lithuanians

surpassed the number of departures, thereby offsetting the adverse effects of the natural population decline. Consequently, Lithuania’s population grew by over 29,000 in 2023. The annual change in the average gross monthly wage in 2023 was 12.2%, which was lower than the previous year. The unemployment rate was 6.8% and 0.9 p.p. higher than in 2022.

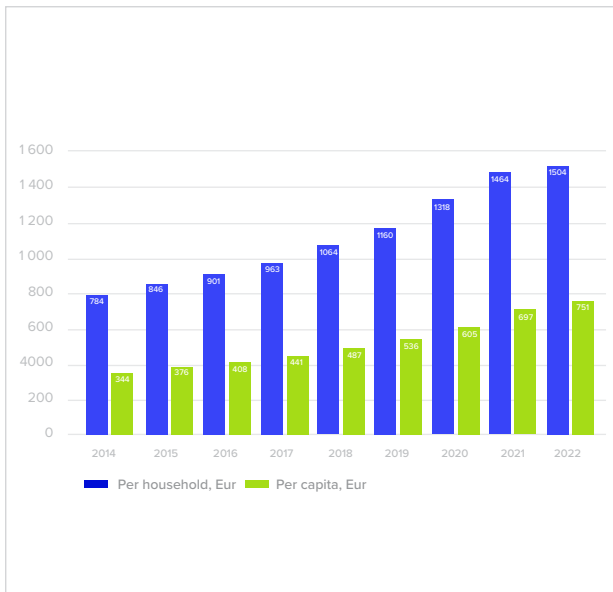


Figure 1.1. Average disposable income per month in 2014–2022, EUR
Source: National Statistics Bureau Lithuania, 2024

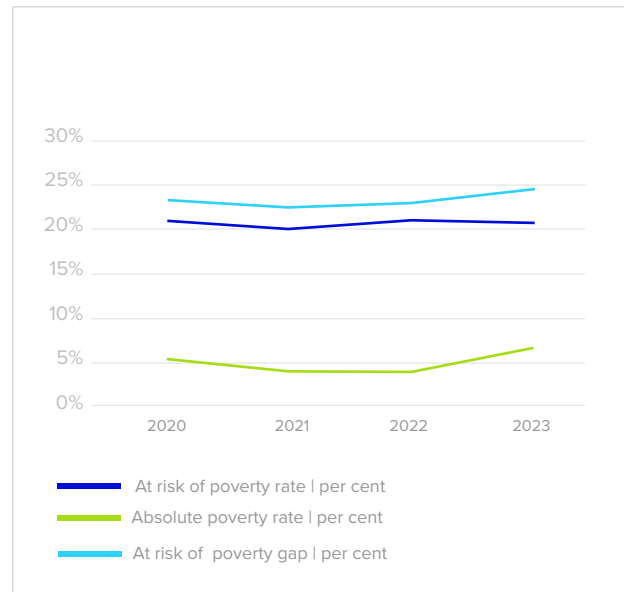


Figure 1.2. At-risk-of-poverty rate, absolute poverty rate, and at-risk-of-poverty gap in Lithuania in 2020–2023
Source: National Statistics Bureau Lithuania, 2024

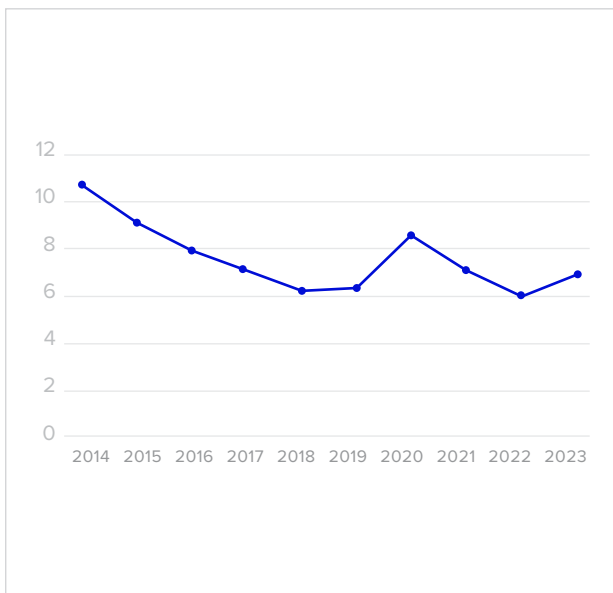


Figure 1.3. Unemployment in Lithuania in 2014–2023, percent
Source: EUROSTAT, 2024

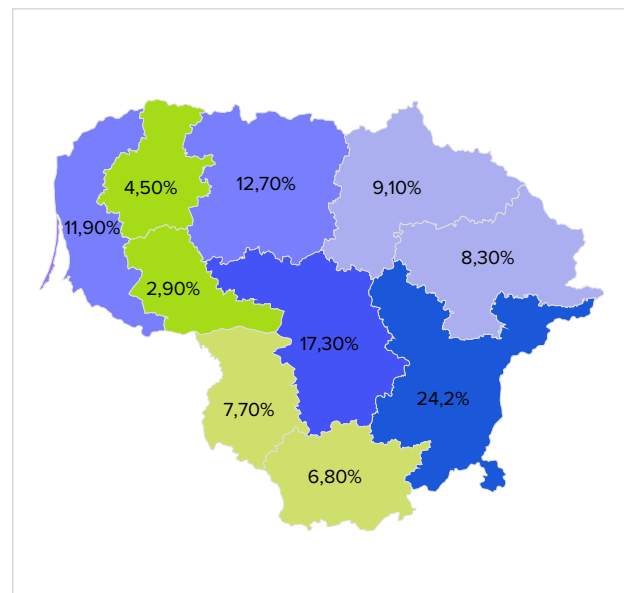


Figure 1.4. Unemployment by region in 2023, in 1,000s
Source: National Statistics Bureau Lithuania, 2024

The recent report by the Ministry of Finance of Lithuania and the Bank of Lithuania reveals that businesses’ efforts to retain their workforce have fueled a strong wage growth, even though the labour productivity has not improved. This situation is unsustainable: without a rebound in economic development and productivity, it might become increasingly challenging for businesses to maintain the current wage increases without reassessing their workforce numbers.

Despite the complicated economic environment and contracting, consumer confidence increased in 2023, thus showing significantly better expectations for 2024. Business confidence increased slightly compared with the previous years, but remained weak.

2023 was mixed with hope and anxiety for many sectors, including entrepreneurs. Still, the post-pandemic and war conflict continued to offer new opportunities for entrepreneurship, mainly as accumulated personal savings increased the aggregate demand for goods. The Lithuanian economic growth continued through 2023, but the fear of inflation and difficulty hiring also affected businesses.

This GEM Lithuania report 2023/2024 provides a baseline on the status of entrepreneurship after COVID-19 and within the Russia-Ukraine military conflict. Although GEM could not reliably predict what lay ahead as this report was being written, it is possible to analyse data around 2014, when Lithuania was also a member of GEM Global, to help guide understanding of the effects of worldwide environmental changes on entrepreneurship, while acknowledging differences between 2022 and 2023. Longitudinal data in this report will enable analysis and provide additional information on the effects of the sectoral situations and the military conflict on entrepreneurship.

Chapter 1. Impact of Global Challenges on Entrepreneurship and Established Business Ownership

In 2023, the impact of global challenges was relatively strong. Companies faced significant challenges due to economic uncertainty. Factors such as geopolitical tensions, inflation, currency fluctuations, and disruptions in supply chains affected business financial outcomes. The inflationary effects caused by Russia's war against Ukraine and the weakened external demand resulted in a mild contraction of the Lithuanian economy in 2023. According to the International Monetary Fund (IMF), while external demand recovers and the labour market remains strong, the economy will return to the growth path (IMF Report, 2024).

In 2023, the global economy appeared to be heading for a relatively 'soft landing' after the tumult of previous years. The Global GDP growth was expected to fall from 3.5% in 2022 to just under 3% in 2023 and 2024. Interest rates had been creeping steadily upward to combat inflation, with the latter expected to fall from nearly 9% in 2022 to 7% in 2023 and then 6% in 2024 (Global GEM 2023/2024, 2023).

A global comparison of the total early-stage entrepreneurial activity (TEA) and the established business ownerships rates (EBO) among the medium-income economies participating in the Global Entrepreneurship Monitor (GEM) 2023 survey reveals that Lithuania features one the highest EBO rates in the highly developed economies, exceeded only by the Republic of Korea (high-income economies) and Ecuador (low-income economies)

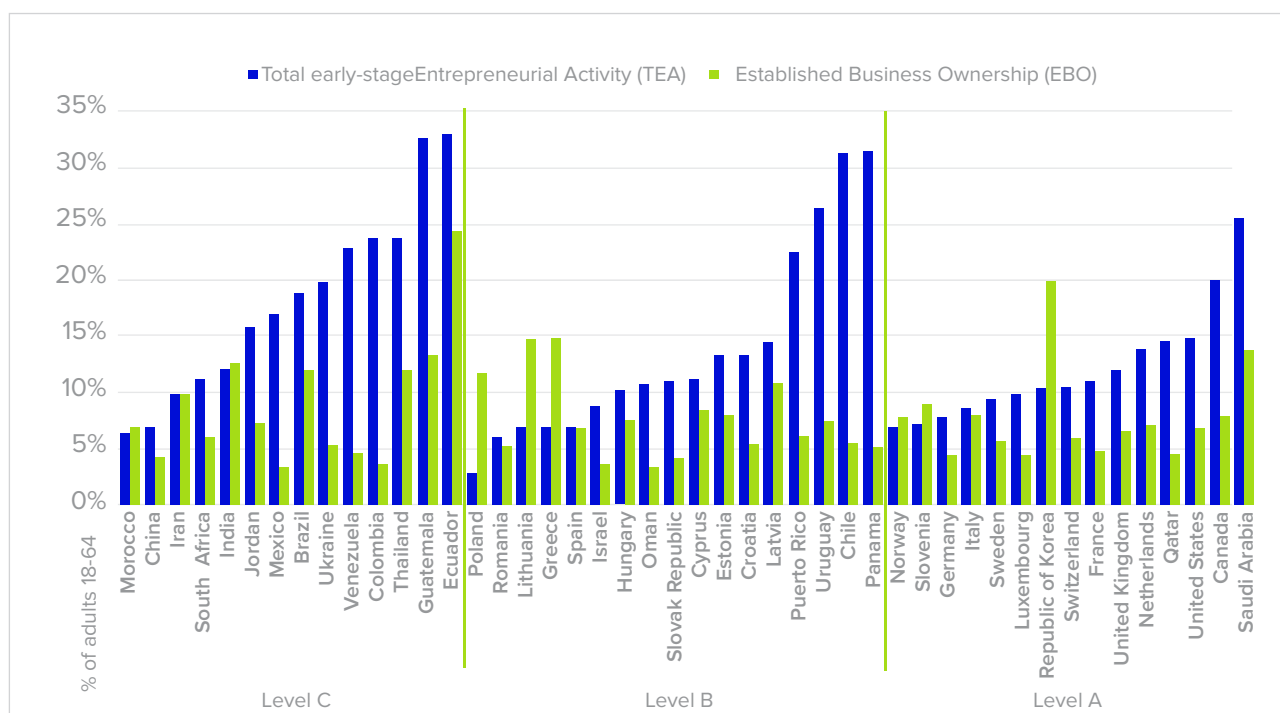


Figure 1.5. Total Early-Stage Entrepreneurial Activity (TEA) and Established Business Ownership (EBO) (both % adults)
Source: GEM Adult Population Survey, 2023

The high rank in EBO activity likely shows a lagged effect of the upward development in TEA during the last decade. It has provided a foundation for businesses that could mature under the right circumstances. Mature business activity depends on many legal and environmental aspects, including the capabilities of the entrepreneurs. Despite the improving entrepreneurial environment, the percentage of adults starting or running their own business in Lithuania in 2023 (6.7%) is among the lowest percentages in medium-income economies, like the developments in Greece or Spain.

A low unemployment rate in Lithuania (6.8% in 2023) means that there were available jobs to compete with the option of starting a business. Still, also, if the business environment improves, it benefits all types of companies, but unevenly (see Chapter 7). In this respect, the GEM index shows that the conditions were optimal for starting a business in 2023, and low unemployment meant a pool of job alternatives if start-up ideas failed to work out.

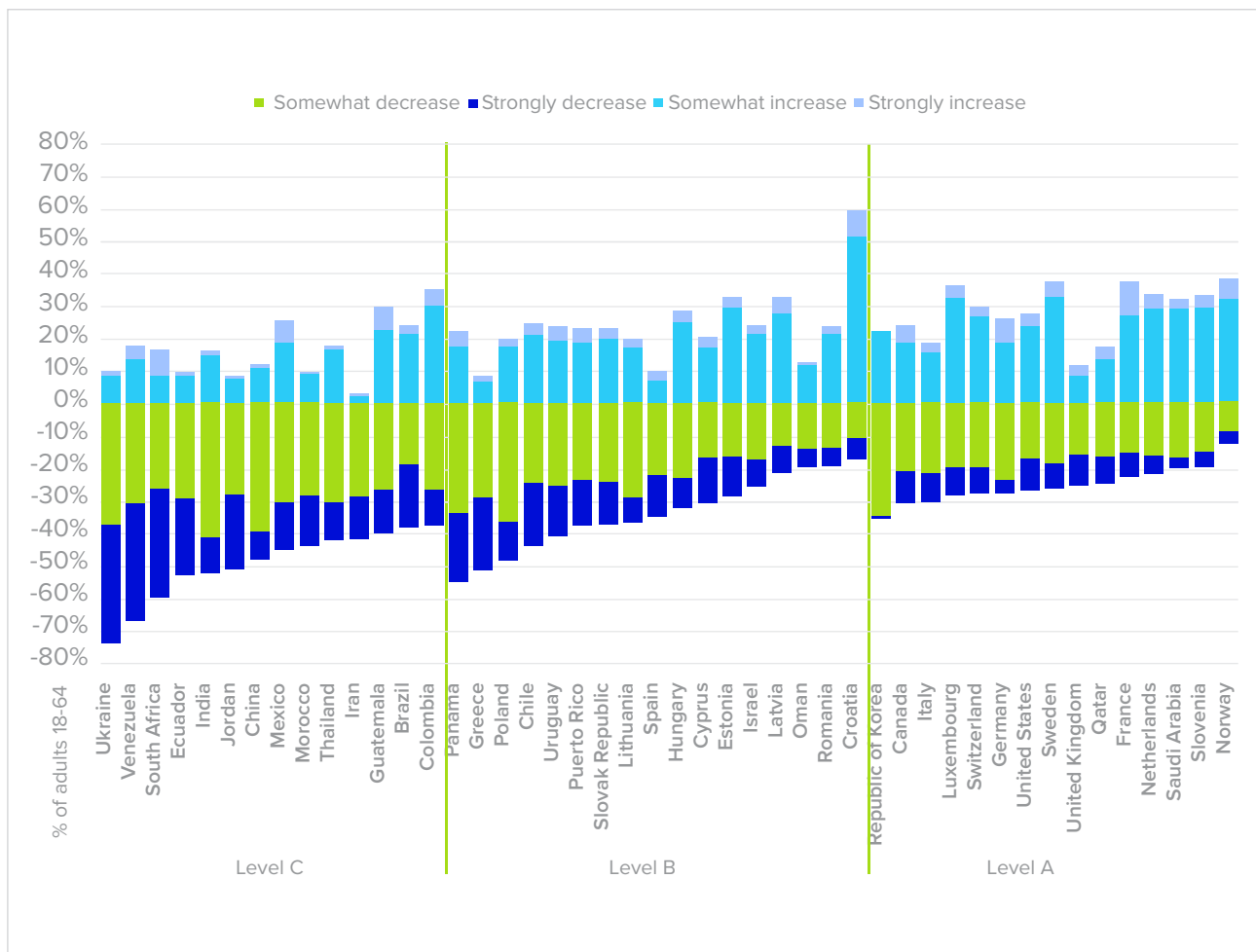


Figure 1.6. Percentage of Adults Reporting a Change in Household Income in 2023
Source: GEM Adult Population Survey, 2023

The rising concerns about equality, climate actions, and poverty are evident globally, especially given the impact of the recent crises. These pressures are fully reflected in the United Nations Sustainable Development Goals (SDGs), which are slowly but surely making their way into the business environment and entrepreneurs' consciousness. GEM contributes to the SDGs by exploring the impact and changes in entrepreneurial behaviours that can be related to the goals. Since 2020, GEM has been including SDG-related questions in its research instruments (see Chapter 6).

AUKSĖ ŽUKAUSKIENĖ

Moody's Lithuania Capability Center Country Head



Aukse Žukauskienė, Moody's Lithuania Capability Center Country Head, is a seasoned leader with a wealth of experience and unique insights from across the financial services and corporate sectors globally.

In a world shaped by increasingly interconnected risks, credible data becomes a vital tool for governments, businesses, and other stakeholders. It empowers them to make decisions that foster sustainable business practices and robust economic ecosystems.

Understanding business creation at the grassroots level is crucial, not least in Lithuania. It sheds light on the challenges and opportunities faced by new enterprises,

the innovation they bring, and their potential impact on the economic landscape.

Notably, initiatives like GEM have stimulated scientific research and generated up-to-date data on Lithuania's entrepreneurial landscape. This has inspired local researchers to delve into this rich source of information, creating a positive ripple effect that extends to the broader community.



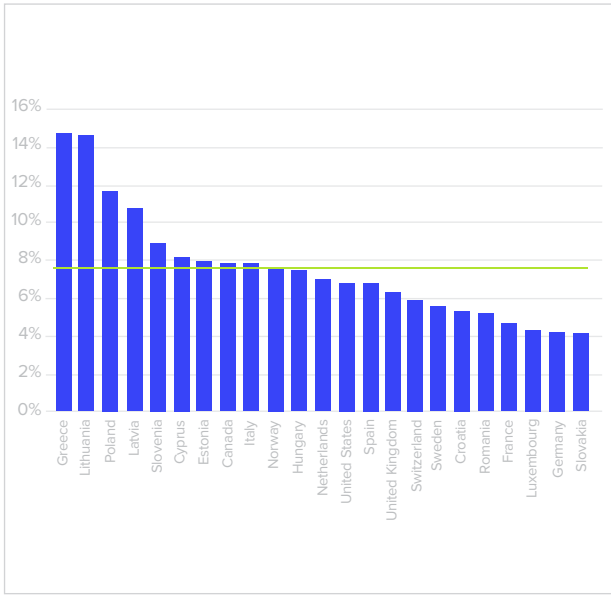


Figure 2.2. Established Business Ownerships in Advanced Economies (GDP per Capita over 25,000 USD) in 2023. Average: 7.5%
Source: GEM Adult Population Survey, 2023

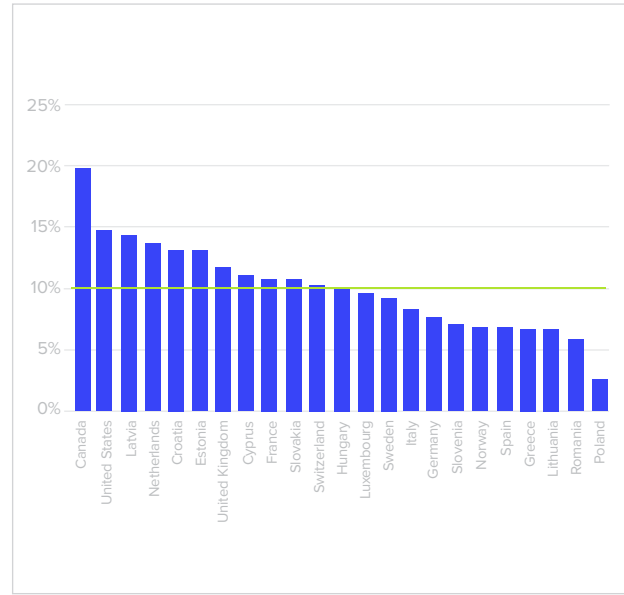


Figure 2.3. Entrepreneurial activities Ownerships in Advanced Economies (GDP per Capita over 25,000 USD) in 2023. Average: 10%
Source: GEM Adult Population Survey, 2023

Business owners may quit their businesses for a variety of reasons: they may have sold or merged their businesses, or may have passed them on to others. The business exit rates, at which a business continues, are slightly higher in Lithuania compared to discontinued rates. Furthermore, one of Lithuania's lowest business closure rates can be seen as a gauge of business survival and resilience, hinting at effective support mechanisms for businesses as they navigate past their nascent stages and both local and global hardships or challenges.

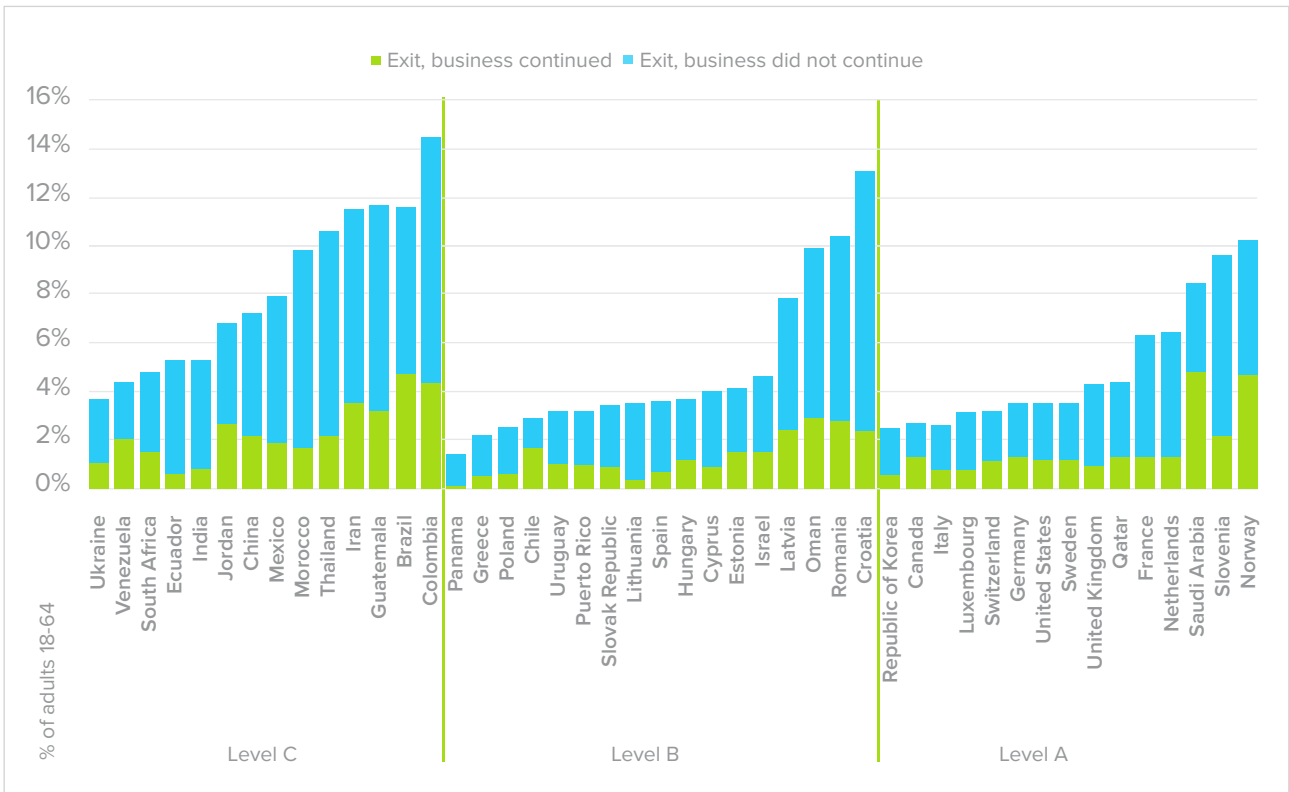


Figure 2.4. Business Exit and Closure in 2023
Source: GEM Adult Population Survey, 2023

Various analyses show that an ideal entrepreneurial society contains people willing to start businesses, some of whom are exiting. In contrast, their businesses continue, with some people maintaining businesses into maturity and some allowing their companies to fail. However, Lithuania's entrepreneurial activity rate is one of the lowest compared to other advanced economies, thus suggesting potential areas for policy intervention, such as an improved access to funding, more robust entrepreneurial education, and support programs aimed at fostering start-up growth.

On the one hand, Lithuania's business landscape of 2023 demonstrated a moment of stability, firmness, and consistency. On the other hand, a lack of entrepreneurial activity indicates stagnation within the economy and a lower willingness to support higher-risk ideas or rising businesses during fluctuating times. This can influence the economy's overall innovativeness and competitive advantage in the coming years; for example, other countries that are at the top of the general business activity, like Canada or the United States, demonstrate high entrepreneurial activity and slightly lower established business ownership. However, analysis shows that entrepreneurial activity also moderately correlates with the percentage of discontinued businesses, therefore, the flourishing entrepreneurial activity is followed by much higher business closure rates, and all these factors contribute to a more dynamic and iterative business landscape providing a higher chance of creating breakthrough businesses with a higher return on investment.

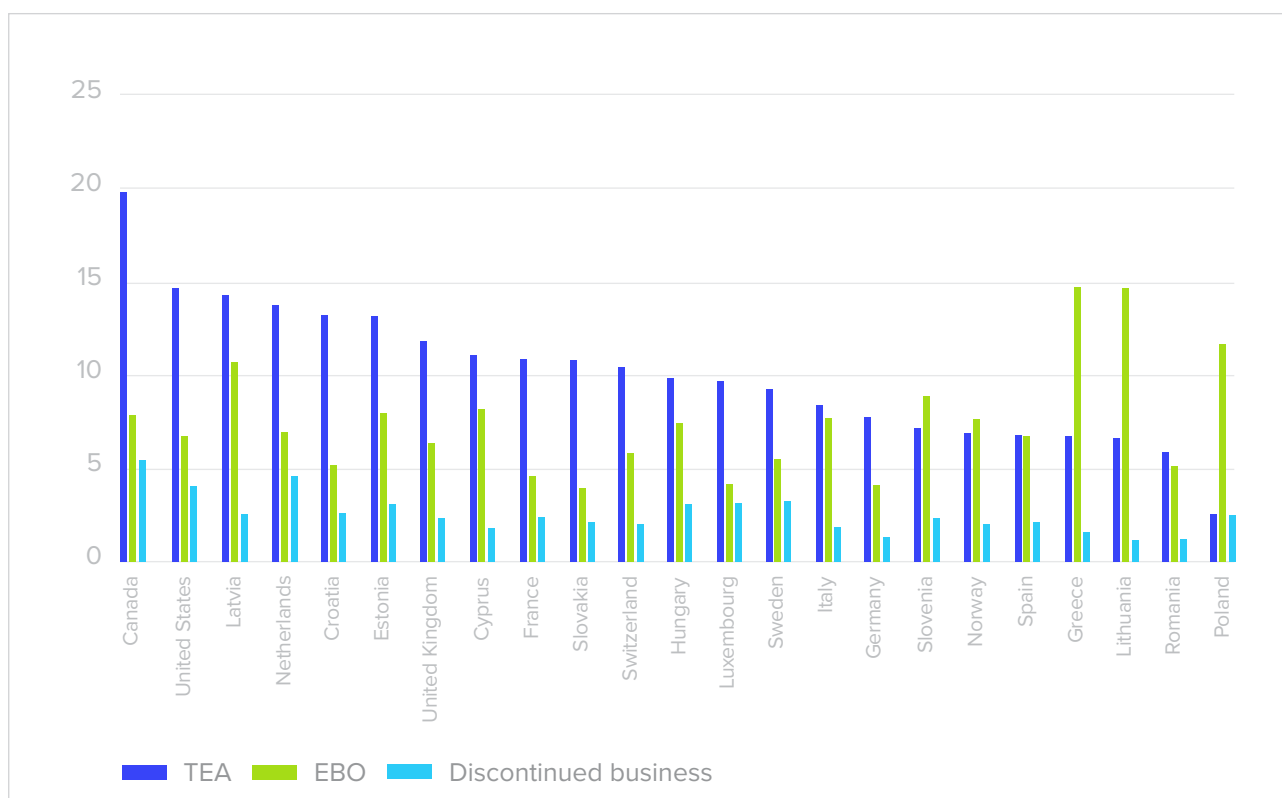


Figure 2.5. Entrepreneurial Activity, Established Business Ownership and Discontinued Business Percent in Ownerships in Advanced Economies (GDP per Capita over 25,000 USD) in 2023
 Source: GEM Adult Population Survey, 2023

Entrepreneurial Activity

In 2023, entrepreneurial activity dropped to a new low compared to 2022, which was even lower than the data reported by GEM in 2014. Surprisingly, entrepreneurial activity has been gradually falling since 2014 among the 45-64-year-old population, and, since 2022, also among 35–44-year-olds. Fortunately, an increase in entrepreneurial activity is being observed among the younger population (18–34 years old), which could also be influenced by governmental support with respect to both funding instruments and educational programs, whereas the 25–44-year-old age group has one of the highest shares of entrepreneurial activity resulting in more than half of entrepreneurs belonging to this age range.

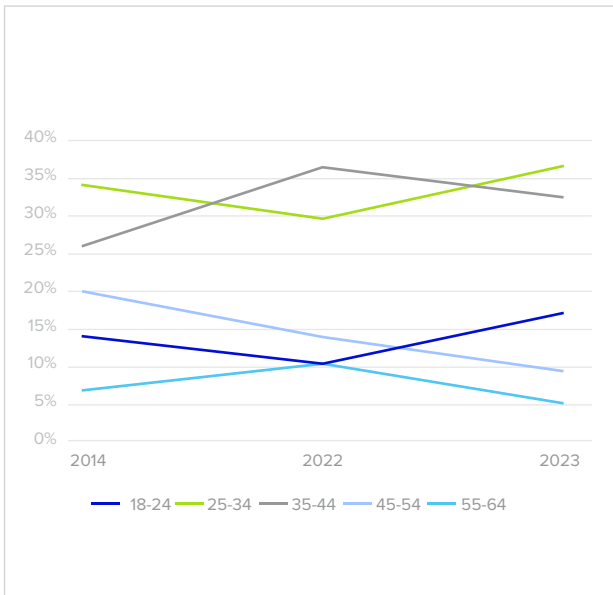


Figure 2.6. Entrepreneurial Activity share among Adults by Age Groups
Source: GEM Adult Population Survey, 2023

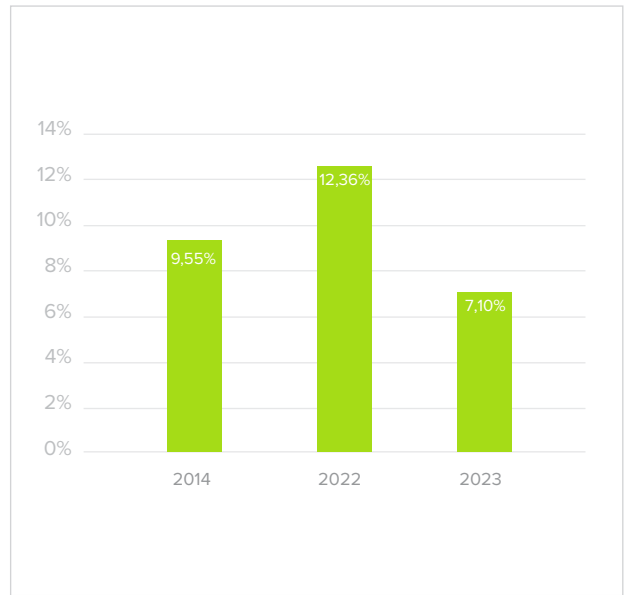


Figure 2.7. Entrepreneurial Activity among Adults 2014, 2022, 2023
Source: GEM Adult Population Survey, 2023

A gradually increasing share of entrepreneurial activity is also observed among self-employed individuals. However, the uncertain economic environment, fears of losing a job in an increasing unemployment environment, and recognition of the higher amount of time needed to start a successful business could impact the sudden decrease of entrepreneurial activity among full-time and part-time employees.

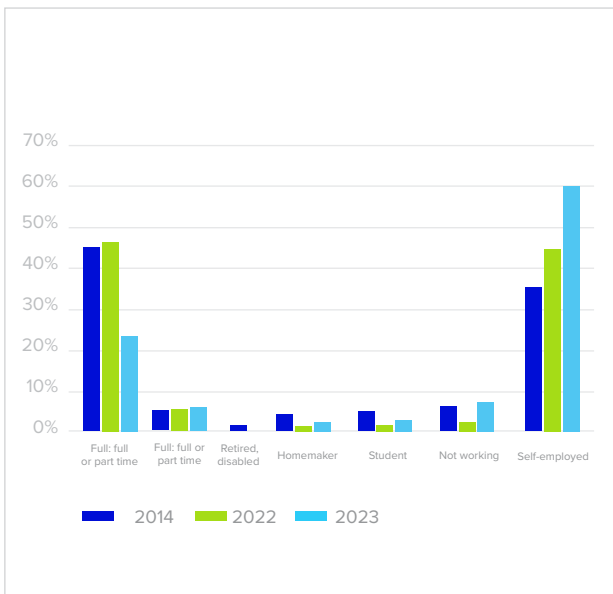


Figure 2.8. Entrepreneurial Activity by Employment Type
Source: GEM Adult Population Survey, 2023

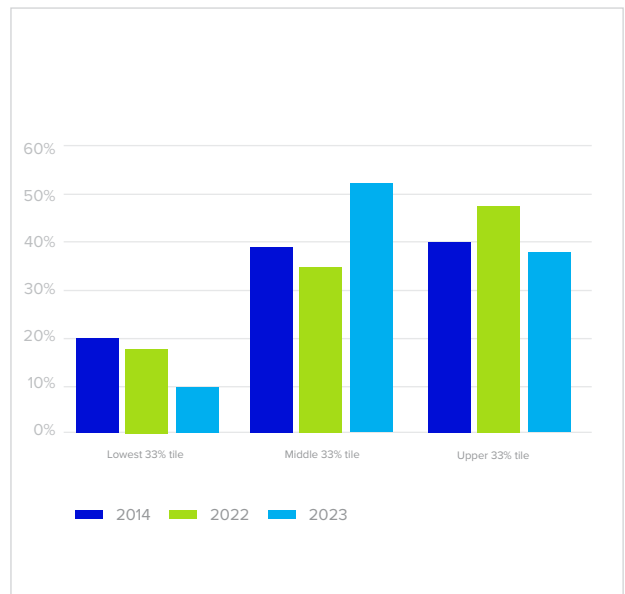


Figure 2.9. Entrepreneurial Activity by Income
Source: GEM Adult Population Survey, 2023

In 2023, motives for starting a business showed notable differences compared to 2022 and prior years. The most frequently cited motivation was the fear of losing a job or a higher income. As Chapter 1 reported, over 40% of the respondents saw their household income decrease during 2023, which might also explain the motivation to generate higher revenue. While entrepreneurial activity among self-employed people increased due to the need for business diversification in a risky economic environment, at the same time, it was affected by the fear of losing the source of income for living.

Those showing entrepreneurial intentions but not yet taking steps to start a business manifest the extent to which potential entrepreneurs exist in a population. In many countries, intentions are consistently higher than TEA, suggesting that people may want or plan to start a business, but fewer people are taking the steps to launch. There is some evidence that intentions are inversely related to income; conversely, two out of five adults or more intended to start a business in lower-income economies, such as Latin America and Caribbean regions.

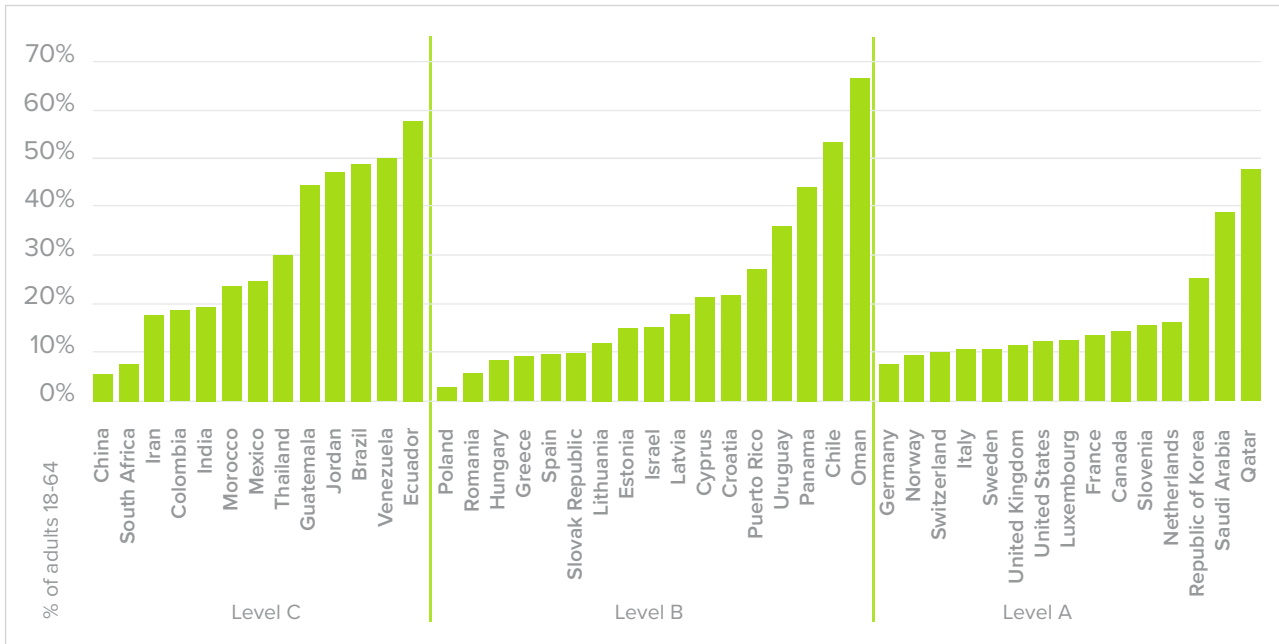


Figure 2.10. Are you Expecting to Start a Business in the Next Three Years? (% of adults responding yes)
Source: GEM Adult Population Survey, 2023

Entrepreneurs have also indicated much lower expectations of business growth in 2023 compared to 2022. However, in 2022, the average score suggested a significantly more complex business start, which might have affected entrepreneurial activity in 2023. In contrast, in 2023, the score leaned more towards a far less complicated business start, thereby indicating more favourable prospects for 2024.

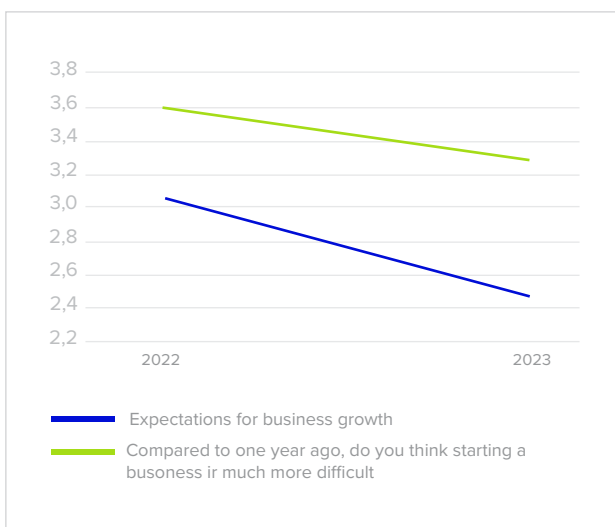


Figure 2.11. Expectations for Business Growth and Conditions to Start a Business (1 – much lower expectations; 5 – much higher expectations) and difficulty to start a business compared to the previous year (1 – much less difficult; 5 – much more difficult) among Entrepreneurs (TEA) in Lithuania, 2022–2023
Source: GEM Adult Population Survey, 2022–2023

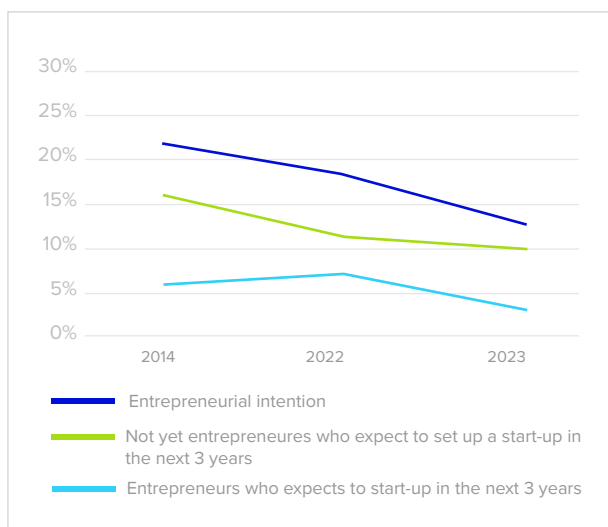


Figure 2.12. Percentage of People Having Entrepreneurial Intentions, 2014, 2022–2023
Source: Source: GEM Adult Population Survey, 2014, 2022–2023

Looking into the share of entrepreneurial activity across Lithuanian regions, Vilnius, Kaunas, and Klaipeda remain the leading areas with the highest share of activity. However, upon investigating each region's entrepreneurial activity, Alytus Region outperforms Lithuania's largest cities. Furthermore, significant differences appear when comparing changes in the share and growth from 2022 to 2023, for example, considering the shrinking share of entrepreneurial activity in Vilnius and Klaipėda; however, the highest negative share shift was observed in Šiauliai Region.

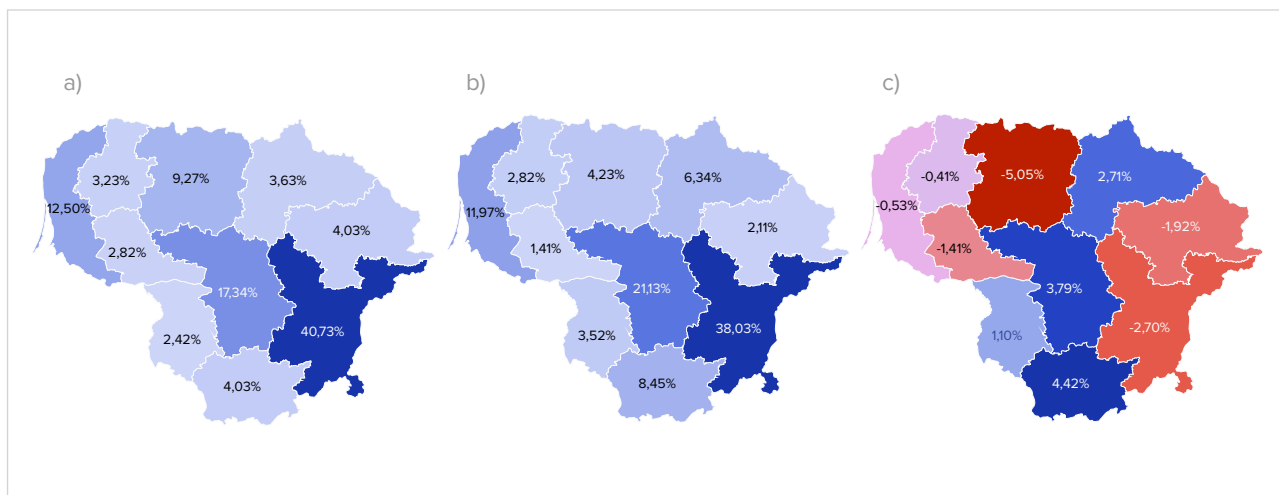


Figure 2.13. Share of Entrepreneurial Activity by Region: a) in 2022; b) in 2023; c) Change of Share of Entrepreneurial Activity by Region from 2022 to 2023
 Source: GEM Adult Population Survey, 2023

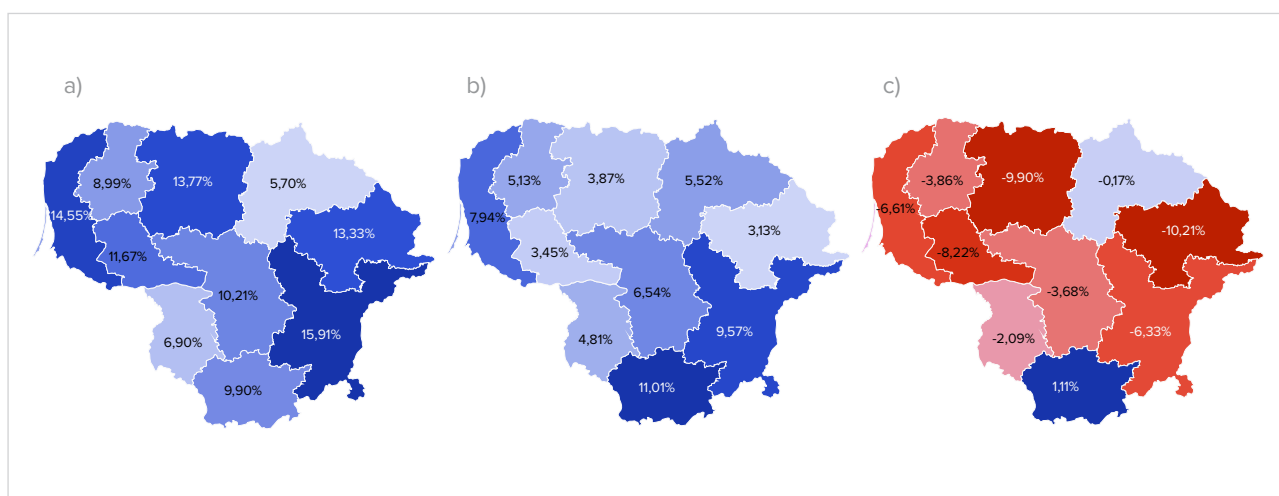


Figure 2.14. Percentage of Entrepreneurial Activity in Lithuanian regions: a) in 2022; b) in 2023; c) Change of Entrepreneurial Activity in Each Region from 2022 to 2023
 Source: GEM Adult Population Survey, 2023

Furthermore, Kaunas and Panevėžys experienced an increase in entrepreneurial activity. Alytus increased its share of entrepreneurial activity, and it is the only region in Lithuania which experienced growth in the entrepreneurial activity overall.

According to the Lithuanian Startup Ecosystem Report (2023, 2024), Lithuania ranks 2nd among CEE for 2023 venture capital (VC) investment. However, the last three years show decreased VC investments in early-stage companies from 474 million EUR in 2021 to 292 million EUR in 2023. Meanwhile, many Lithuanian regions, as well as the overall data, experienced a decrease in entrepreneurial activity, with the highest drop being observed in the Utena and Šiauliai regions.

Established Business Ownership

The GEM Lithuania analysis shows that, on the other hand, the established business ownership rate has steadily increased from 2014 and a rapid jump from 2022 to 2023 by 5.73%. Interestingly, most established business owners are between 35 and 64 years old. However, the share of younger, 25-34-year-old established business owners has been steadily increasing since 2014, indicating the possible successful growth of mature entrepreneurs.

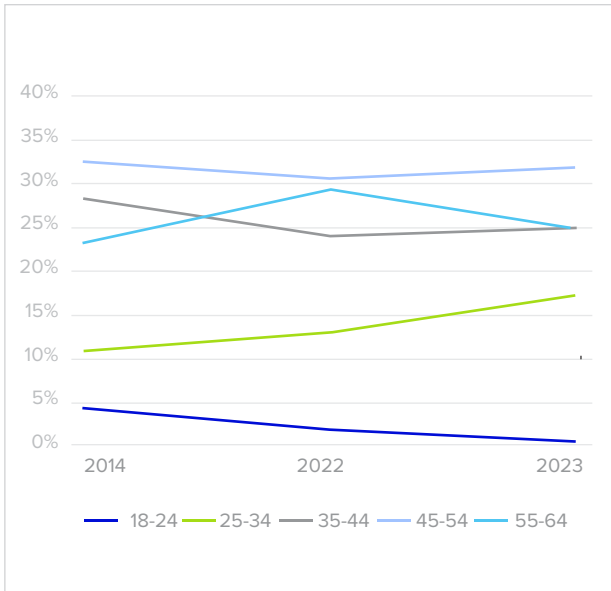


Figure 2.15. Established Business Owners among Adults by Age Group 2014, 2022–2023
Source: Source: GEM Adult Population Survey, 2023

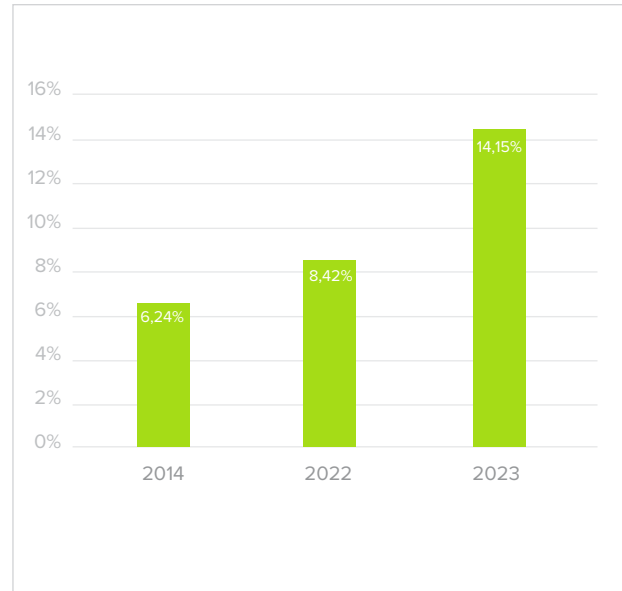


Figure 2.16. Established Business Owners 2014, 2022–2023
Source: Source: GEM Adult Population Survey, 2023

The data show that the established business rates are higher than the TEA rates in Lithuania. This may indicate a recent decline in entrepreneurial activity. Alternatively, this is also mainly an ongoing result; it is likely that people keep their businesses running for a long time, and environmental conditions are favourable enough to enable them to do so. Unfortunately, owners of established businesses indicate lower expectations for business growth in 2023 compared to 2022.

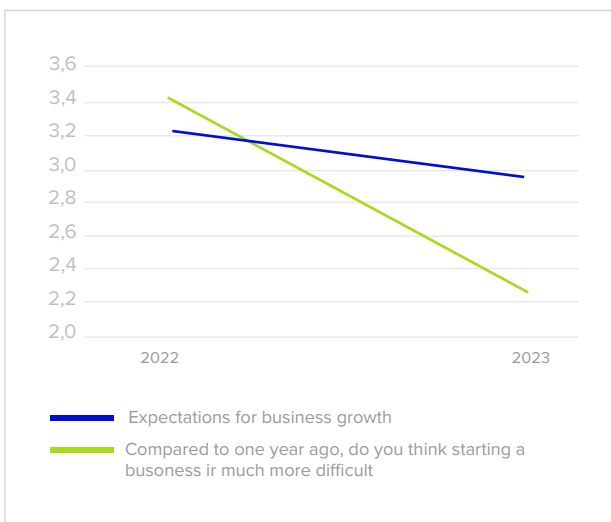


Figure 2.17. Evaluation of expectations for business growth (1 – much lower expectations; 5 – much higher expectations) and difficulty to start a business compared to previous year (1 – much less difficult; 5 – much more difficult) among Established Business Owners in Lithuania, 2022–2023
Source: Source: GEM Adult Population Survey, 2022–2023

Looking into the share of established business ownership across the region, Vilnius, Kaunas and Klaipėda are the frontrunners with more than half of the established business owners. However, Vilnius has also seen the most significant loss of share compared to 2022, whereas Klaipėda has the largest increase of share over the year and the second highest score of established business ownership compared to other regions along with the most significant increase in the area itself. Furthermore, Alytus and Marijampolė regions stand out with the highest established ownerships within their regions and continue to increase yearly.

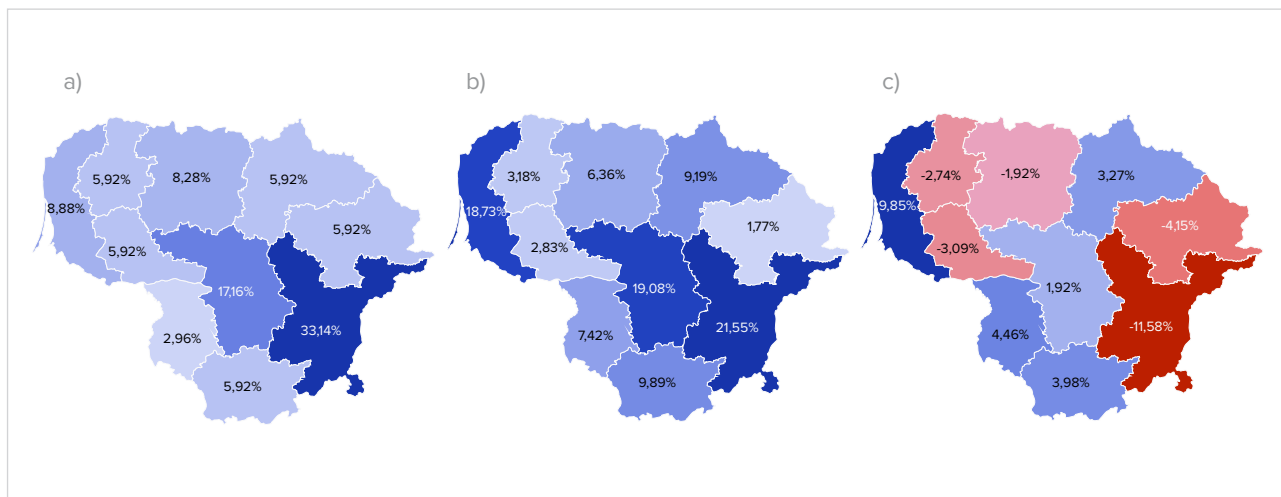


Figure 2.18. Share of Established Business Ownerships among Lithuanian regions in 2022 (a) vs. 2023 (b); change of the share of established business ownership among regions: 2022 vs. 2023 (c)
Source: GEM Adult Population Survey, 2023

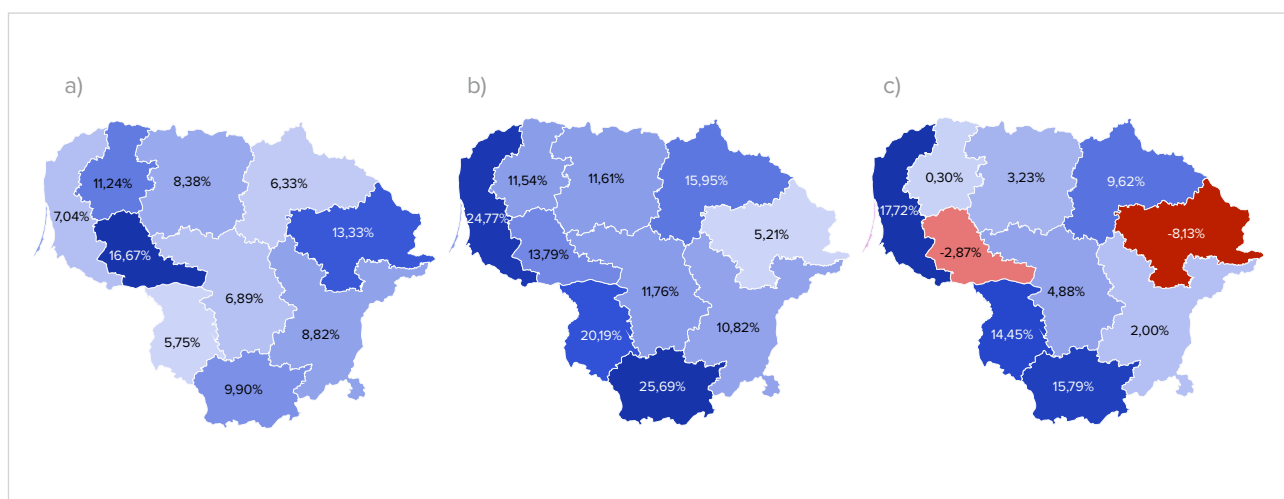


Figure 2.19. Percentage of Established Business Ownerships in Lithuanian regions in 2022 (a) vs. 2023 (b); change of Established Business Ownership in Regions: 2022 vs. 2023 (c)
Source: GEM Adult Population Survey, 2023

Business Closure

Business owners may leave their businesses for various reasons, not necessarily because they closed them. As previously mentioned, they may have sold or merged their businesses, or otherwise passed them on to others. The business closure rate decreased in 2023 compared to 2022, and the overall percentage is one of the lowest compared to other high-income economies.

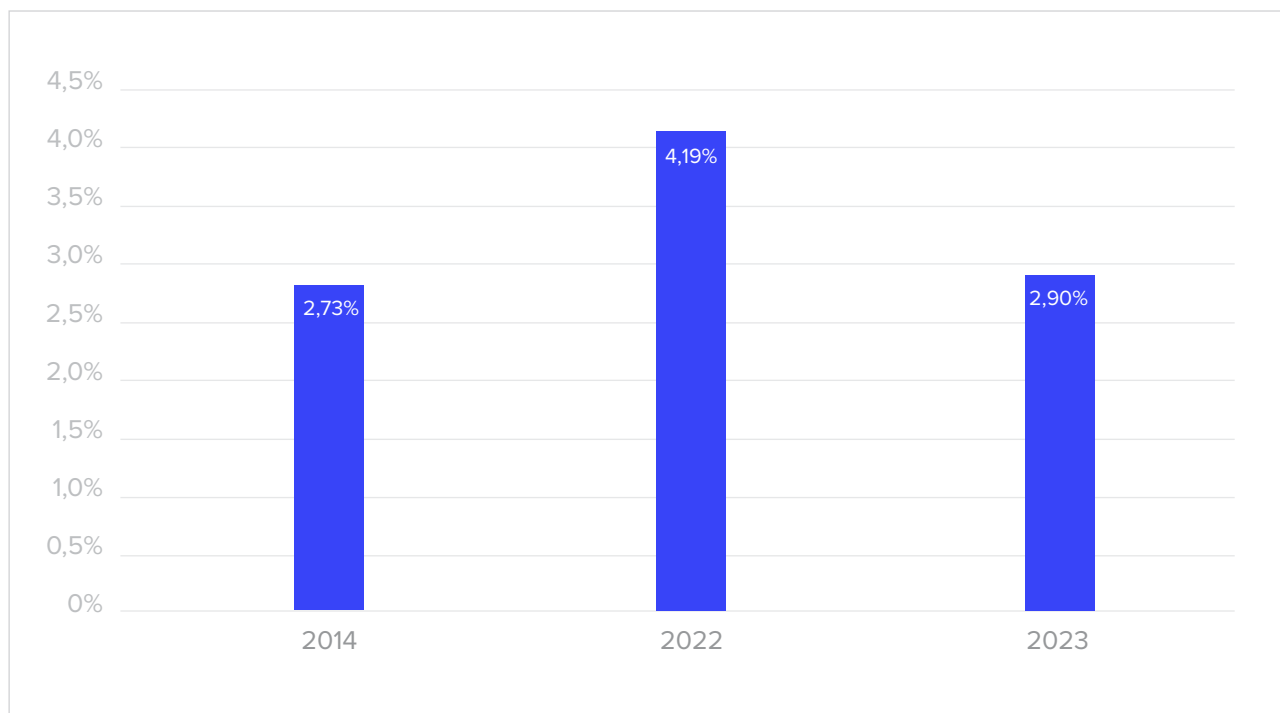


Figure 2.20. Discontinued Business in Lithuania
Source: GEM Adult Population Survey, 2023

In 2023, the most significant share of business closure was determined in Kaunas and Vilnius regions, contributing to a total of 68% of all the instances of closed businesses; however, looking into the change compared to 2022, Kaunas and Marijampolė stand out as gaining the biggest share of closed businesses compared to other regions. A similar pattern has been observed when looking into each region's business closure rate with only one difference being present – the only region that has seen an increase in business closure is Marijampolė. In contrast, other areas have seen a decrease compared to 2022.

Therefore, business closure cannot be highlighted as a problematic area in Lithuania. On the other hand, compared to other successful advanced economies, Lithuania's business closure percentage is relatively low, which suggests a low circulation of entrepreneurial ideas that might be supported by higher fear of failure, resulting in an attitude of not trying to start a business without having more guarantees for success.

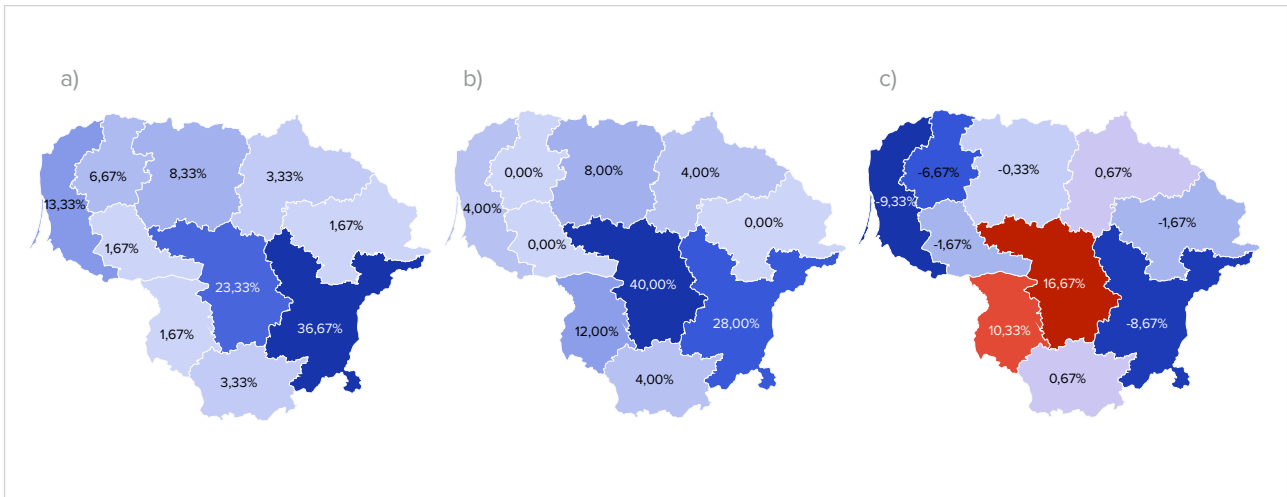


Figure 2.21. Share of Business Closure by region in Lithuania in 2022 (a) vs. 2023 (b); change of the share of business closure by region: 2022 vs. 2023 (c)
Source: GEM Adult Population Survey, 2023

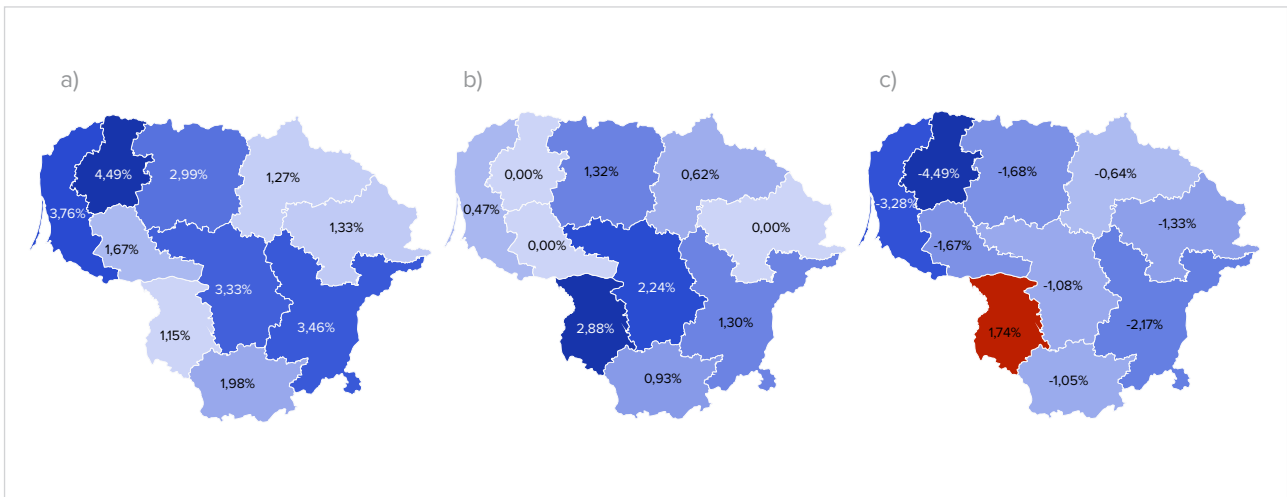


Figure 2.22. Business Closure by region in Lithuania in 2022 (a) vs. 2023 (b); change of business closure in regions: 2022 vs. 2023 (c)
Source: GEM Adult Population Survey, 2023

Entrepreneurial Intentions

Drivers of entrepreneurial behaviour can be found in the motivations of those starting and running new businesses. By recognising that entrepreneurs may have multiple motives for starting a business, GEM in 2023 was asking respondents whether they started their businesses for one or more of the following reasons: (1) because jobs were scarce, (2) to build significant wealth or a very high income, (3) to make a difference in the world, and (4) to continue a family tradition.

The decrease in entrepreneurial activity can be explained by a decreasing entrepreneurial intention among adults. The highest motivation is earning a living due to job scarcity. This motivation is also supported by an increase in the number of people who are not yet entrepreneurs but expect to start a business in the next three years. The prevalence of financial motives illustrates the allure of entrepreneurship with respect to higher-income prospects. It is also assumed that successful entrepreneurs seen in the media serve as examples of the aspirations of many Lithuanians.

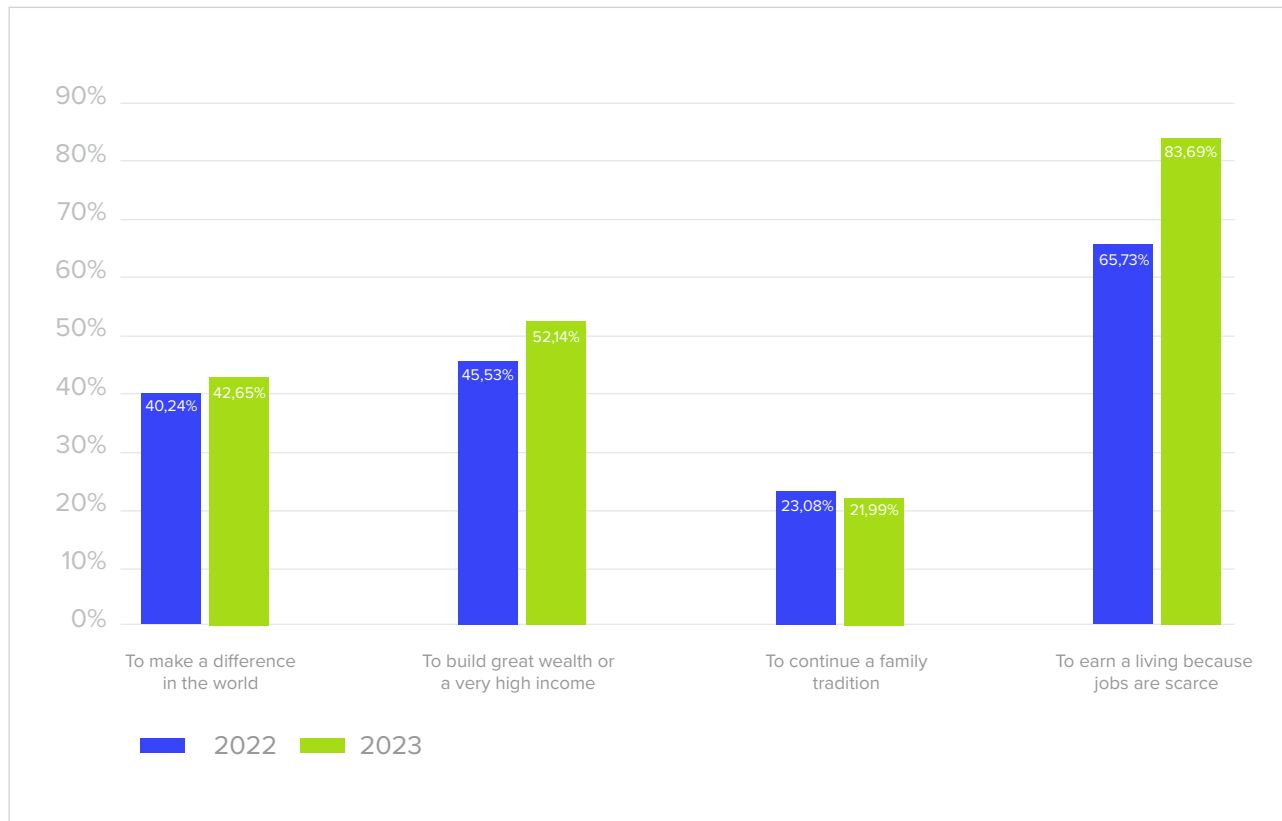


Figure 2.23. Motivation for Starting a Business in Lithuania, 2022–2023
 Source: GEM Adult Population Survey, 2023

Overall, a higher association to the indicated motivators has also been observed for creating differences worldwide, but a decrease has been defined in family business continuation. While pursuing financial objectives motivates over 80% of entrepreneurs, a high proportion (42%) cite impact motives, such as having a goal to make a difference in the world.

Family reasons for starting a business (21%) are less frequent, but still statistically significant. In stating that individuals continue a family tradition, family entrepreneurship may receive less recognition in the media, but it gradually becomes prominent in the community.

Looking into the regional share of the most regarded motivator, Vilnius, Kaunas, and Klaipėda are again the front runners. Vilnius is ahead of all other regions regarding the share of material gains motivation; Vilnius showed the highest increase by 5.53% from 2022 to 2023. And, looking further into the data for Vilnius, motivation for material gain has increased by 30%, outpacing all other regions in terms of confidence. Such an increase can only be explained by an increasing standard of living in the capital region, as well as rent prices, and expectations for the quality of life.

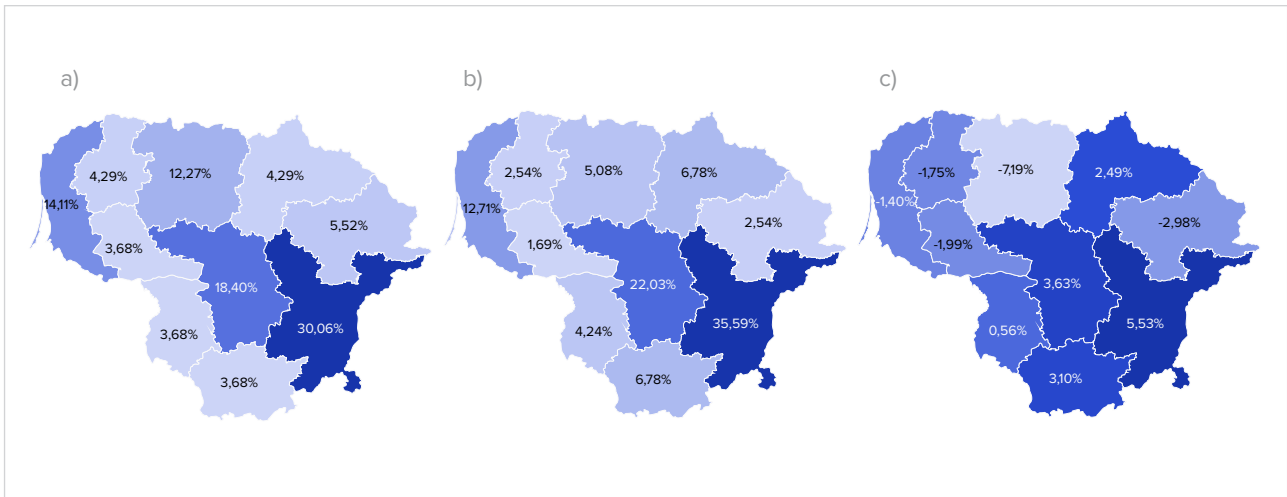


Figure 2.24. Share of Motivation "To earn a living because jobs are scarce" for Starting a Business in Lithuanian regions in 2022 (a) vs. 2023 (b); change of the share of motivation in regions: 2022 vs. 2023 (c)
 Source: GEM Adult Population Survey, 2023

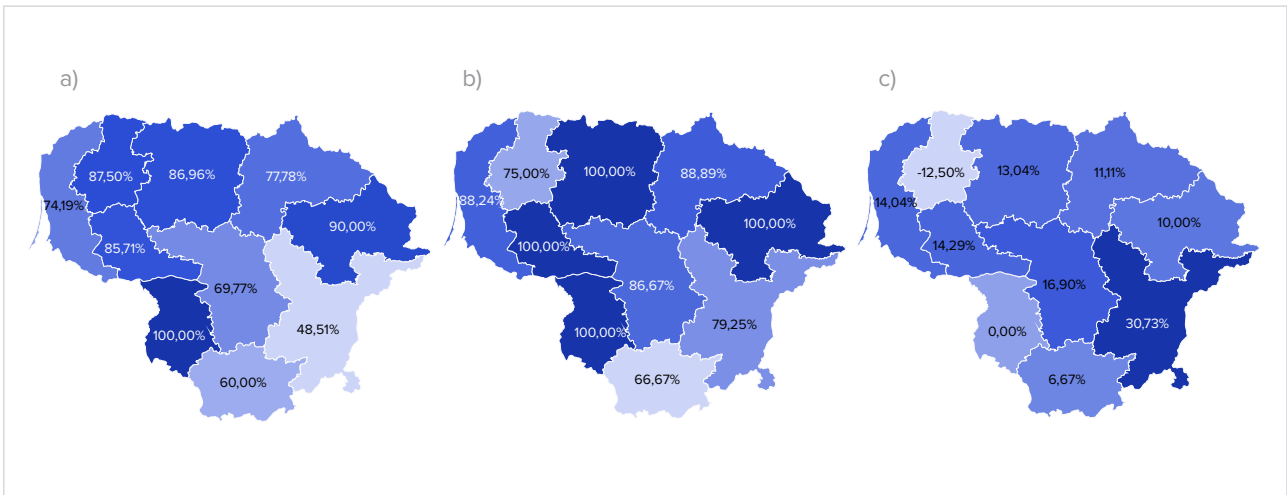


Figure 2.25. Share of Motivation "To earn a living because jobs are scarce" for Starting a Business in Lithuanian regions in 2022 (a) vs. 2023 (b); change of motivation in regions: 2022 vs. 2023 (c)
 Source: GEM Adult Population Survey, 2023

While these two motives may appear inconsistent, it can be assumed that entrepreneurs expect to make a huge impact and accumulate great wealth. In this respect, making a difference could mean that they achieve something massive to change the world somehow. On the other hand, entrepreneurs with these motives may also seek to solve a problem which would improve lives or the environment in small ways.

An increase in motivation related to material wealth gain can be an effect of the increasing cost of living in Lithuania and economic uncertainties. A negative relationship is observed when comparing the inflation rate with the entrepreneurial intention. The higher is the inflation rate, the lower is the intention

to start a business. Furthermore, the record-high inflation rate in 2022 might have echoed the intention and motivation for increased material gain in 2023. Family connections thrive in a range of businesses in Lithuania, from small retail or service operations to large manufacturers and technology ventures.

In summary, although the scores for combining TEA rates and established business rates remain similar to those of 2022, TEA showed a significant decrease in 2023. The top motivation for entrepreneurship was to increase the income due to job scarcity, whereas this motivation went up compared to the prior years. Notable results in 2023 include high intentions, TEA among the younger generation, and business closure rates, with the overall percentage being one of the lowest compared to other advanced economies.

Chapter 3. Entrepreneurial Impact

Industry Sector Participation

Technological advances, consumer preferences, educational challenges, and other factors can affect industry sectors positively or negatively. This constant fluidity makes tracking entrepreneurship by industry sector a vital development to watch. The Total Entrepreneurial Activity (TEA) across industry sectors offers a better understanding of the current opportunities and gives a sense of the possible future of business activity.

While some economies worldwide encourage particular industries to exploit unique natural resources or past advantages, Lithuania has prioritised knowledge-intensive and service-based industries for the last decade. Therefore, seeing higher TEA rates in sectors like ICT, fintech, or educational technologies is not surprising.

Over the years of GEM reporting, the business services sector has experienced a stable share increase of entrepreneurial activity, with 2023 reaching its new peak of 28% and the consumer-oriented sector keeping its leading position. However, extractive and transforming sectors have been rapidly decreasing.

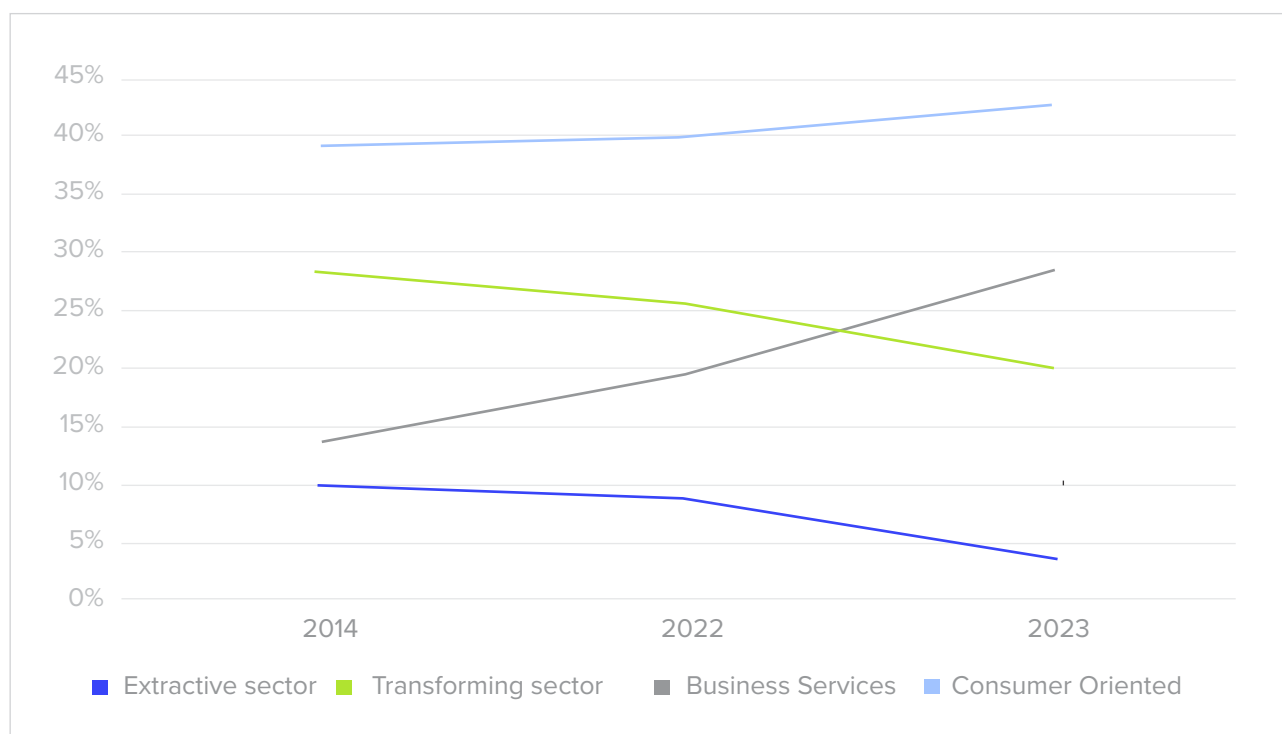


Figure 3.1. Total Entrepreneurial Activity in Industries in Lithuania
Source: GEM Adult Population Survey, 2023

* Extractive (agriculture, forestry, fishing, mining, construction); Transformative (manufacturing, utilisation, transport, storage, wholesale trade, mining, construction); Business Services (information and communication, financial intermediation, real estate activities, professional services, administrative services) or Consumer Services (wholesale trade, retail trade, hotels and restaurants, government, health, education, social services and personal/consumer services)

Figure 3.2 shows TEA rates for Lithuania across industry sectors and demonstrates the approach to supporting entrepreneurship in all types of industries. However, the entrepreneurial economy continues to see more opportunities being pursued in services and technology, with more than half of all entrepreneurs starting businesses in professional services, hotels and restaurants, health, education, government, social and consumer services, information and communications technologies. The agricultural, mining, construction, and manufacturing sectors decreased during the previous year.

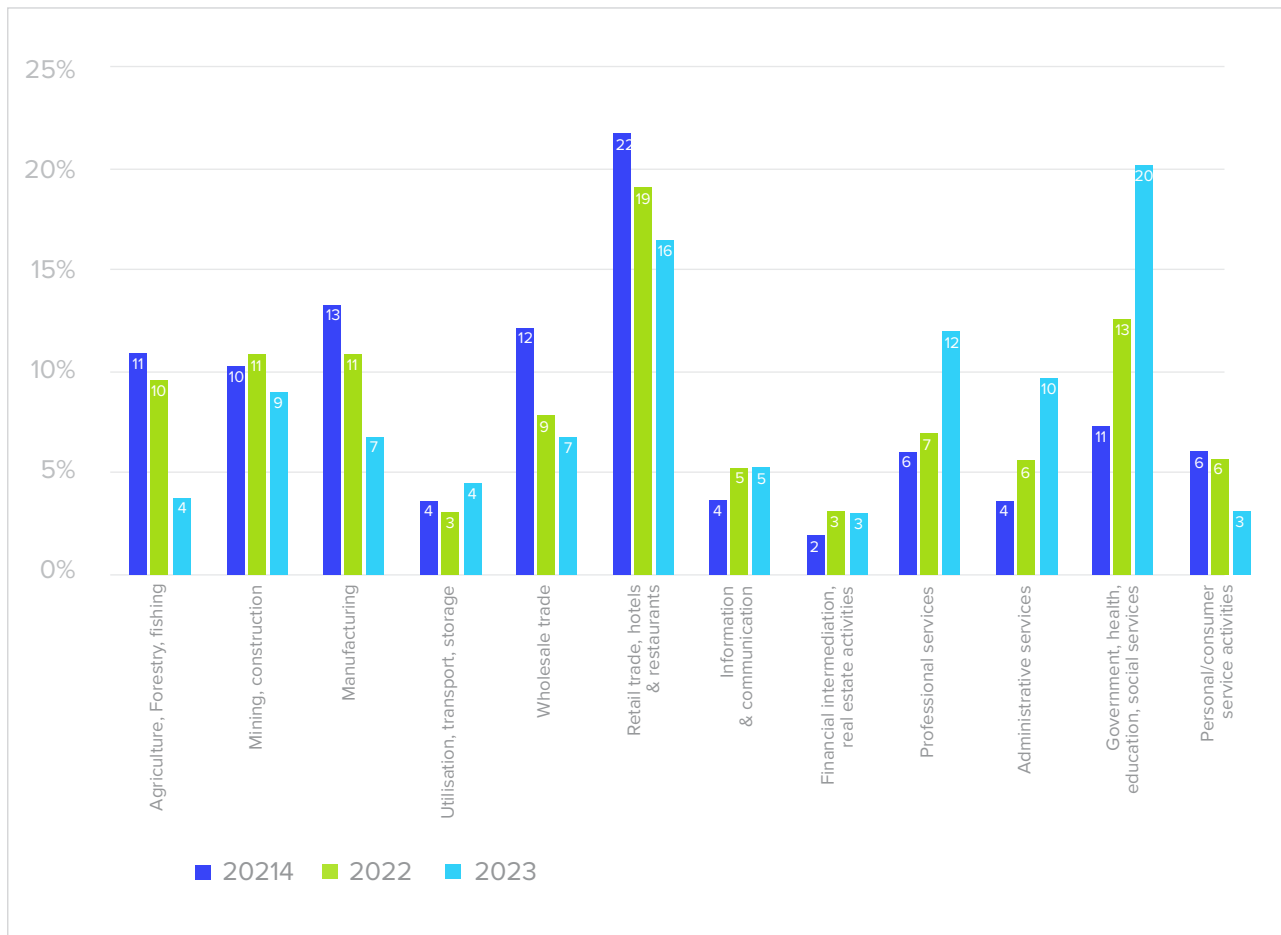


Figure 3.2. Industry Breakdown for Total Entrepreneurial Activity in Lithuania
 Source: GEM Adult Population Survey, 2023

Technology and Innovation

Lithuania lags behind in terms of the tech sector growth compared to other advanced economies and must still do due work to reach the average. However, Lithuania is one of the few countries with more entrepreneurial activity than established business ownership in the tech sector. Figure 3.3 presents similar results for new technologies or procedures for the market. Overall, the share of adults starting or running a new business with technologies or processes that are new to the world exceeds one in 100 in merely a few economies: Chile, Panama, Cyprus, Canada, and France (Global GEM report 2023/2024).

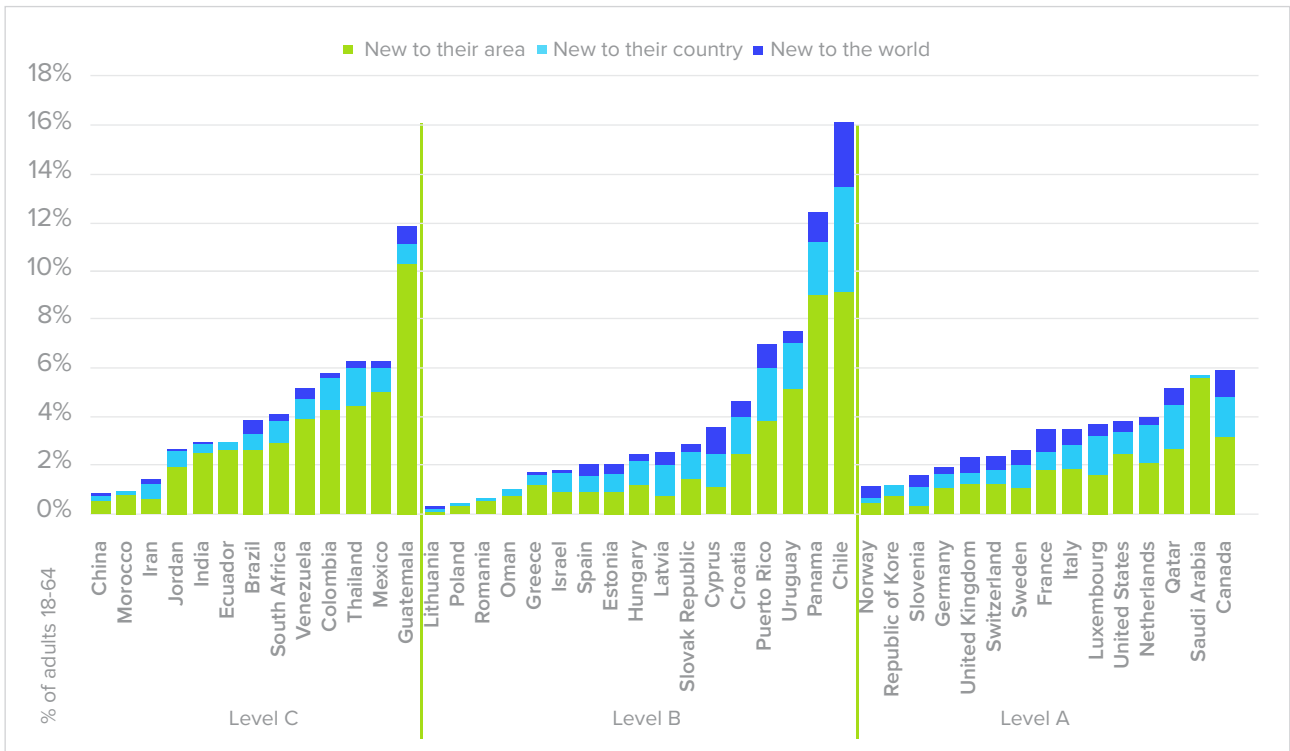


Figure 3.3. Percentage of Adults Starting New Businesses Using Technologies or Processes that are New to their Area, New to their Country, or New to the World
 Source: GEM Adult Population Survey, 2023

Technology is an industry unto itself for many entrepreneurs and a tool that early-stage entrepreneurs use to mobilise start-ups. Unfortunately, Lithuania appears to be on the shortlist with respect to new entrepreneurs using or introducing new technologies or processes. The global trends reveal that a high-income level is not a necessary condition for entrepreneurial innovation, nor is a low income necessarily a constraint.

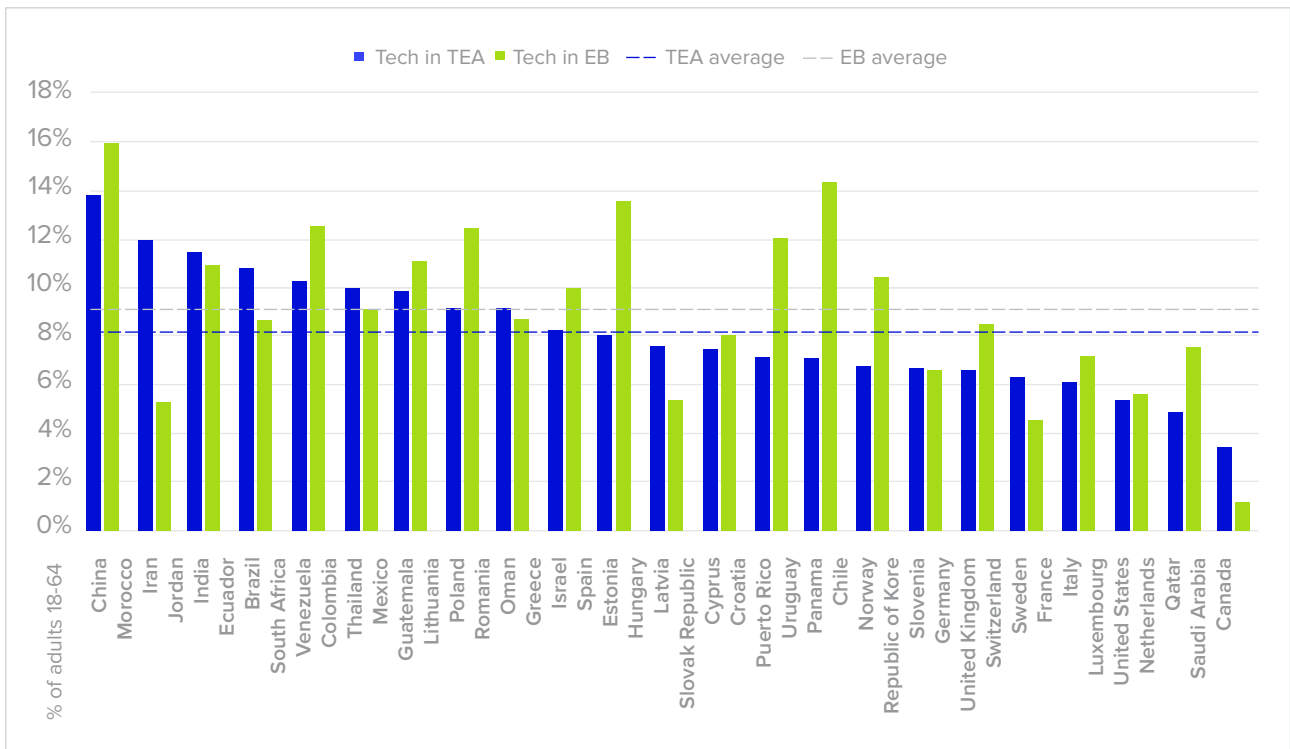


Figure 3.4. Percentage of Total Entrepreneurial Activity and Established Business Ownership Participating in Tech Sector in Advanced Economies (GDP per capita is over 25,000 \$), 2023
 Source: GEM Adult Population Survey, 2023

Among the industries that entrepreneurs and established business owners operate in, 6.3% of entrepreneurs and 4.6% of established business owners participate in medium-to-high-technology sectors. When compared to advanced economies, the view for Lithuania is mixed at best. Figure 3.4 highlights that participation in technology sectors among Lithuania’s entrepreneurs as well as established business owners is at the lower end of the advanced economies. This shows Lithuania as keeping up with countries one would not expect to find in the same frame, such as Canada or the United Kingdom.

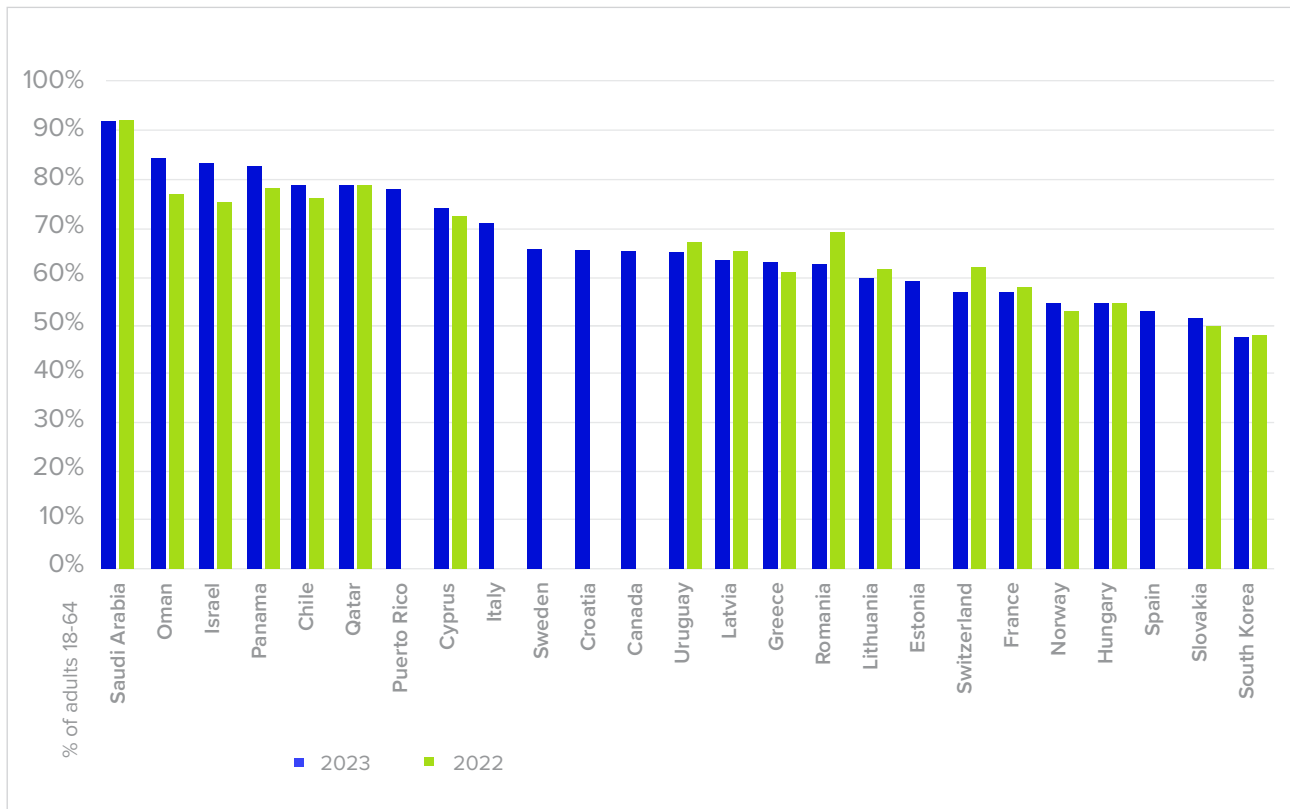


Figure 3.5. Level of Innovativeness* for Total Entrepreneurial Activity in Advanced Economies (GDP per capita over 25,000 \$), 2023
 * Businesses are identified as innovative by their stakeholders
 Source: GEM Adult Population Survey, 2023

For one of the acknowledged top digital countries in the world, these relatively low numbers may seem surprising. They may reflect the size and diversity of Lithuania, with many types of businesses being started. However, despite the nation’s efforts to become a start-up technological leader, more entrepreneurs appear to be using technology to develop products or services than participating as creators in technology sectors. While technology and innovations in general are essential, a strong economy in Lithuania may need more entrepreneurs in the long term to create new technology-oriented businesses.

Regarding innovation, Lithuania remains a moderate innovator according to the European Innovation Scoreboard in 2023, and this status is like that of the earlier years; the GEM Lithuania data may still indicate that innovativeness could decline in the coming years. As Figure 3.5 indicates, Lithuania’s innovation level is slightly below the average of its advanced economy peers. Again, it could be argued that, given the size of Lithuania and the geopolitical challenges Lithuania is facing, innovation levels are high in absolute terms. Still, this warrants further consideration, given the importance of innovation to economic competitiveness and social value creation.

Job Creation and Growth Expectations

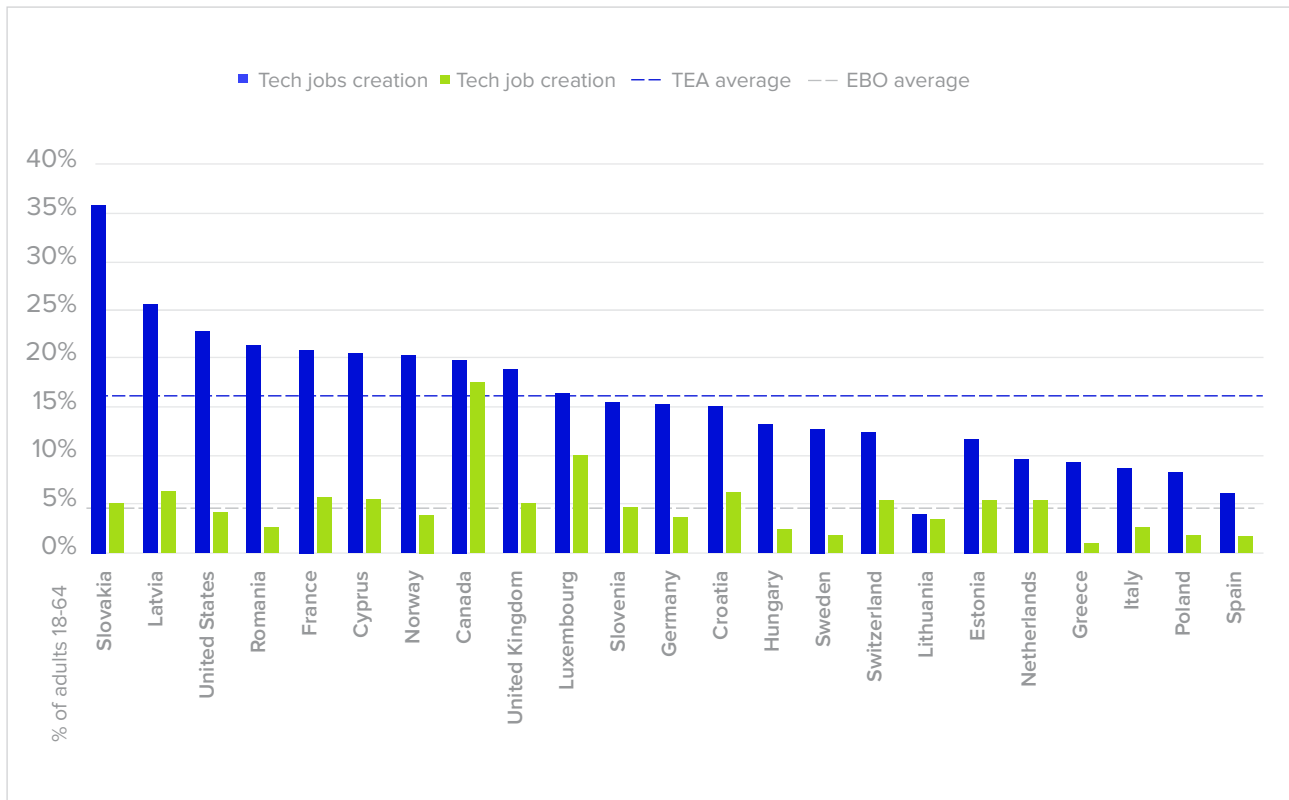


Figure 3.6. Job Creation Expectations for Total Entrepreneurial Activity in Advanced Economies (GDP per capita over 25,000 \$), 2023

Source: GEM Adult Population Survey, 2023

* Expecting ten or more jobs five years after the business has started

Figure 3.6 shows a decreasing trend for entrepreneurial businesses across the years. That might have been influenced by record-high inflation from 2022 through 2023. Even though job growth in established businesses has not been high across the years, it shows a positive increase in 2023 compared to 2022, which demonstrates higher resilience and faster recovery during the challenging times. However, in the context of other advanced economies, Lithuania’s perspective on job growth is falling behind the average both for TEA and established businesses.

Still, among established business owners, around 96% expect no new jobs to be created or to eliminate the currently existing ones. Many may be struggling after the pandemic and because of the still-continuing Russian-Ukrainian military conflict, and these trends signal vital concerns for the future. At the same time, these results suggest different ways of operating businesses, where business owners can use technology and engage with international and national companies to operate their businesses, thereby reducing their need to hire more employees.

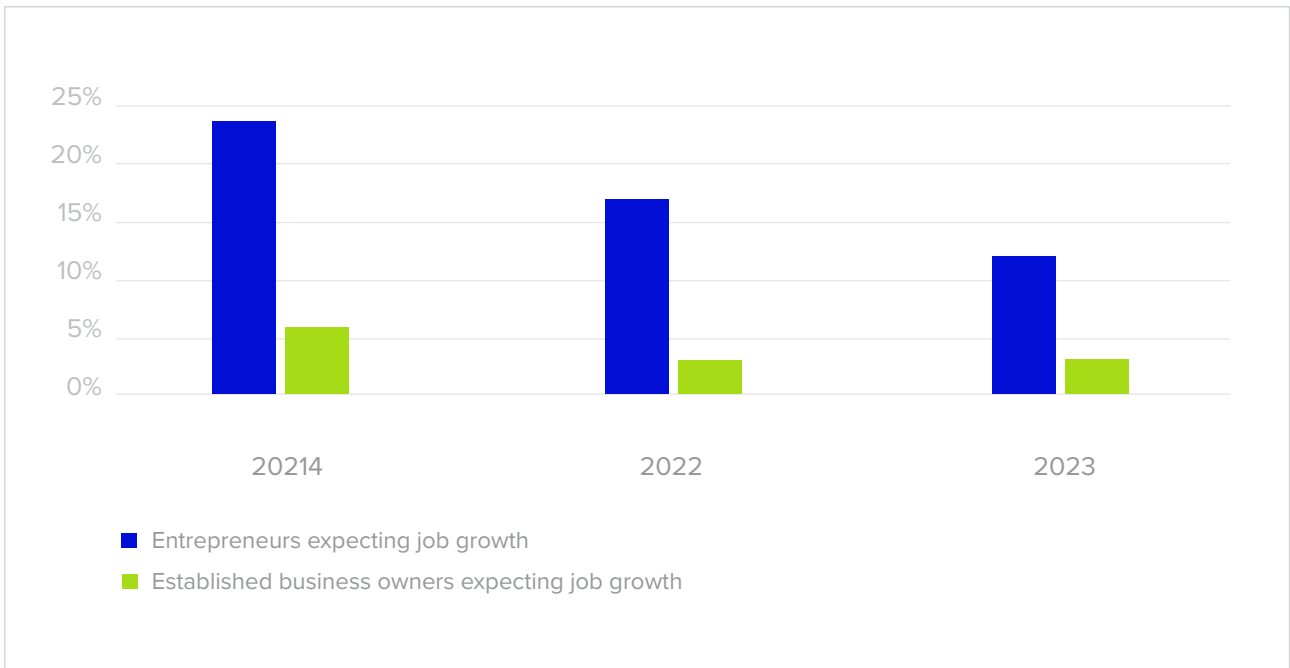


Figure 3.7. Expected Job Growth for Total Entrepreneurial Activity and Established Business Ownership in Lithuania
 Source: GEM Adult Population Survey, 2014, 2022, 2023

With all the attempts to strengthen the development of entrepreneurial activity in the regions, especially in rural areas, Vilnius remains the centre of entrepreneurial activity and job creation, by virtue of having the highest share of expected new job creation among all of the regions, as well as due to being the only region which experienced growth compared to 2022 on the individual level in the regions. Surprisingly, only four regions (Vilnius, Kaunas, Klaipėda, and Šiauliai) expected job growth in 2023, compared to 8 regions in 2022. Even though Tauragė region had one of the lowest shares among other regions, it had the most prominent individual expectation of job growth nevertheless, since 29% entrepreneurs of Tauragė region expected job growth.

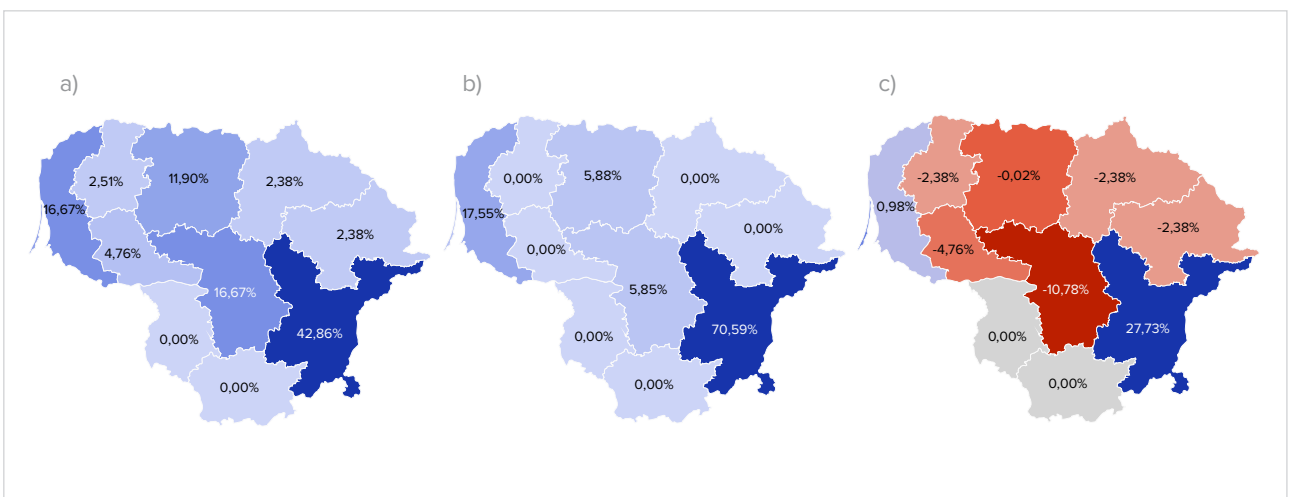


Figure 3.7.1. Share of Entrepreneurs who Expect Job Growth by Lithuanian Regions (National level) in 2022 (a) vs. 2023 (b); Change of Share of Entrepreneurs (c) who Expect Job Growth among Regions from 2022 to 2023
 Source: Source: GEM Adult Population Survey, 2023

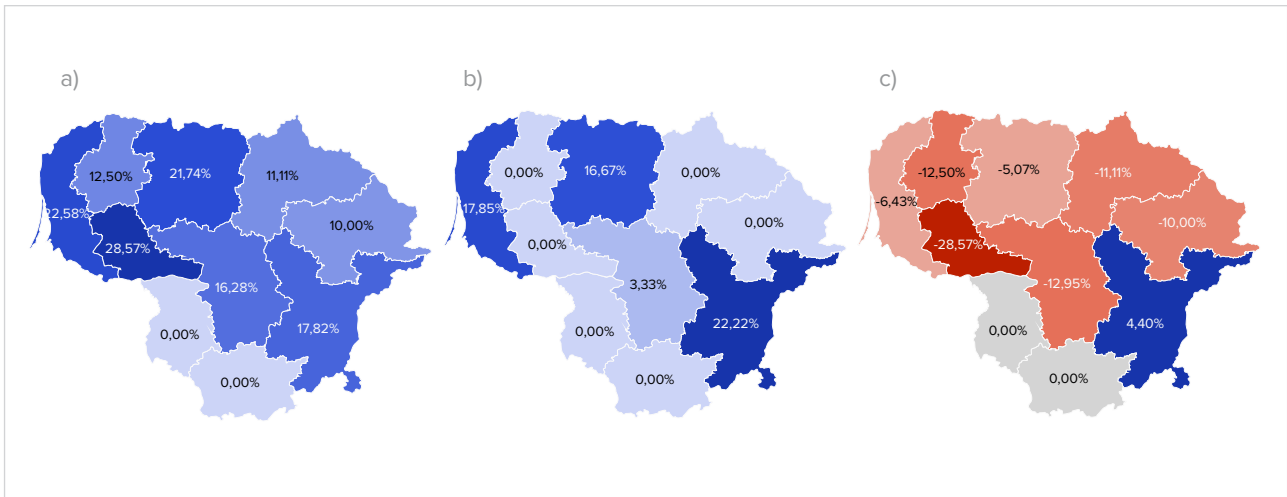


Figure 3.7.2. Percentage of Entrepreneurs who Expect Job Growth within Each Lithuanian Region (Regional level) in 2022 (a) vs. 2023 (b); Change of Percentage of Entrepreneurs who Expect Job Growth in Each Region from 2022 to 2023 (c)
 Source: GEM Adult Population Survey, 2023

Established business owners in Lithuania have been operating long enough that many have achieved a relatively stable employment level, thereby indicating existing employment levels in Lithuania. Currently, most established business owners participating in GEM Lithuania are either sole operators who are the only employees (19%), or they are employing fewer than five people (37%).

However, the data are more optimistic, as reported by TEA respondents based on their job creation expectations over the same period. Regulatory change or other changes of any type can be difficult for some businesses, but changes may open up opportunities for others. New entrants in the TEA category may find opportunities despite the recent challenges affecting Lithuania’s market. Although almost half of those starting or running a new business are solo entrepreneurs, around one in five new entrepreneurs are expected to employ another six or more people over the next five years.

National and International Scope

Lithuania is a small country in terms of geography and population, which confers a disadvantage because the internal market size cannot allow early-stage entrepreneurs and established business owners to grow their businesses only within Lithuania’s economy. Considering that Lithuania’s TEA continues to grow majorly in different types of service provision overall within the country, there is a possible lower need for TEA and established business owners to sell beyond national borders.

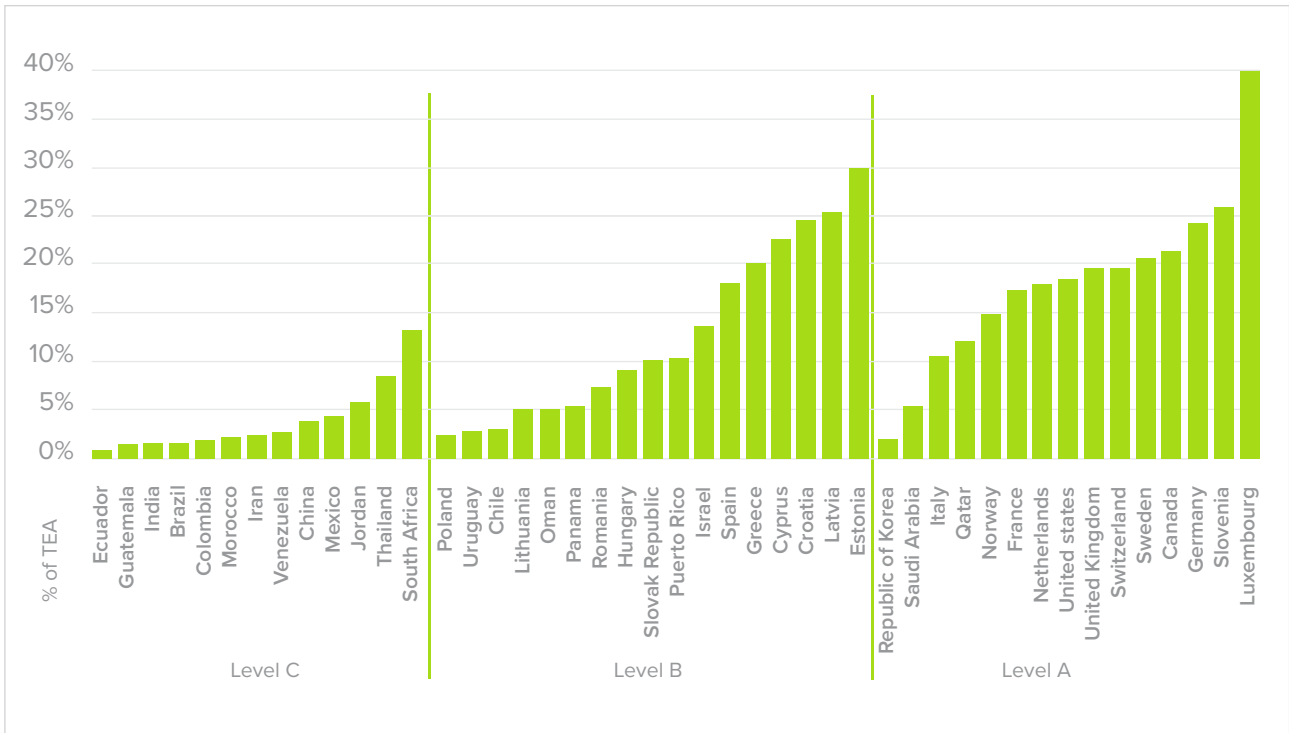


Figure 3.8. Percentage of Those Starting or Running New Businesses in Each Economy and Anticipating 25% or More of Revenue Coming from Customers Outside that Economy.

Source: GEM Adult Population Survey, 2023

However, for Lithuania, which aims to increase the competitiveness of its national economy, changes in regulation to enhance internationalisation may increase interest in developing international sales which are needed for small countries compared to initiatives undertaken by larger countries, such as the United States or France, where entrepreneurs have a larger local market available to them.

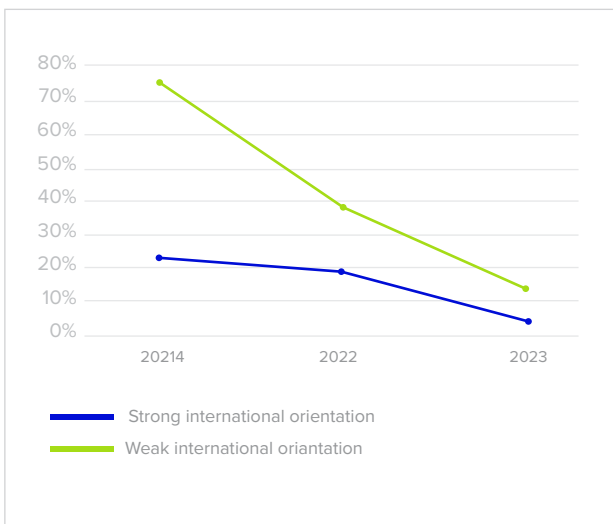


Figure 3.9 . Percentage of Entrepreneurs who have Strong International Orientation (More than 25% of revenue from outside the country) and Weak International Orientation (More than 1% of revenue from outside the country), 2014, 2022–2023

Source: GEM Adult Population Survey, 2014, 2022–2023

In summary, Lithuanian entrepreneurs start businesses in diverse industries with solid participation in services. The slight increase is defined in technology businesses, but still more employ technology in developing and delivering their products and services. Although innovation trends are promising, the level remains below the average of the advanced economies participating in GEM. The results show that many established business owners employ only themselves or a few employees, and many expect no new jobs in the next five years. However, new entrepreneurs are more optimistic about future job creation, although the projection level has decreased during the last years. Attention should also be paid to the fact that most entrepreneurs expect to sell within the Lithuania market versus internationally.

ALIUS KUBILIUS

Co-Founder @ Billoka



As the co-founder of Billoka, a health tech startup leveraging artificial intelligence to revolutionize nutrition monitoring, Alius has dedicated the last three years to advancing technology and deepening his knowledge in longevity. He holds a Deeptech Entrepreneurship master's degree from Vilnius University. Previously, he served as Commercial Director and Branch Manager at Hranipex Group, overseeing furniture materials sales in the Baltic countries. With a solid track record of founding and managing successful companies, Alius is committed to driving innovation and creating impactful solutions (Authors note):

Lithuania's market size is relatively small, which inherently limits the potential for domestic growth. However, this constraint also compels us to look beyond our borders and to innovate with a global perspective from the very beginning.

To effectively test our technology and attract international investors, we have developed a strategic plan that includes expanding into larger markets. This approach not only allows us to validate our ideas on a broader scale but also to refine our offerings to meet diverse consumer needs and regulatory environments. Our goal is to make Billoka a compelling choice for health-conscious consumers worldwide, offering personalized dietary insights through advanced AI analysis of grocery purchases.

Furthermore, as Lithuania transitions from being known as a country of low-cost labor to one recognized for its technological prowess, companies like Billoka are at the forefront of this transformation. We are leveraging technology not just as a sector within the economy but as a fundamental driver of economic growth. The future of Lithuania's economy will increasingly depend on our ability to innovate, automate, and robotize processes, making businesses more efficient and globally competitive.

Through startups just like Billoka, we are demonstrating that technology can dramatically improve how people manage their health, making healthier living accessible and actionable. Our commitment to innovation aligns with the broader trends within Lithuania, where there is a growing recognition of the critical role technology will play in our economic future. By focusing on technological advancements, we are not only contributing to the health and well-being of individuals but are also helping to propel Lithuania's economy forward.



Chapter 4. Societal Attitudes and Self-Perceptions about Entrepreneurship

Societal Attitudes

In 2023, positive societal attitudes about entrepreneurship improved in Lithuania over 2014 and 2022 levels. In fact, perceptions that starting a new business is a desirable career choice increased to reach an all-time high (see Figure 4.1). In 2023, almost 68% of people perceived entrepreneurship as a good career choice. Pandemic-driven economic uncertainty, energy prices, and the Russian-Ukrainian military conflict forced many people to adopt new perspectives due to layoffs from previously stable organisations, or even their closures. This may have increased the desirability of an entrepreneurial career in which individuals perceive the value of self-control rather than relying on an employer's ability to be more resilient due to unpredictable economic conditions.

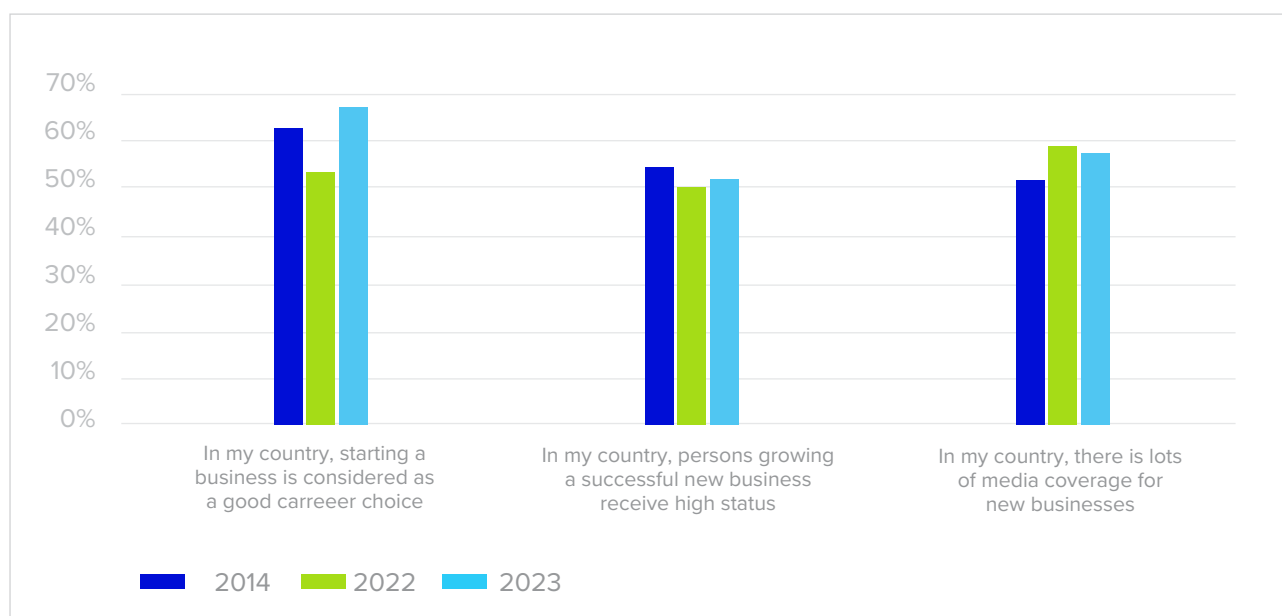


Figure 4.1. Societal Attitudes about Entrepreneurship in Lithuania, 2014, 2022–2023
Source of Data: Global Entrepreneurship Monitor, Lithuania, 2014, 2022–2023

The changes indicate that media coverage of new businesses has slightly decreased compared to the previous years. However, perceptions of attaining a high level of status and respect through entrepreneurial success and perceptions of the frequency of media stories about successful entrepreneurs remain high.

Another notable trend is that while more people continue to believe that starting a business is a good career choice in comparison to the number of those who believe that entrepreneurs have a high status in society, the gap between these two measures has further increased over time. This gap may be rising because people believe that an entrepreneurial path also requires hard work and does not necessarily guarantee a status.

Self-Perception

In 2023, we observed a significant increase in confidence and self-perception about starting a new business. Compared to 2022, the number of people seeing a good opportunity to start a new business in the next six months has grown by 20% and doubled compared to 2014. Such results come together with a significant decrease in fear of failure among adults who see an opportunity and have the skills to create a new business.

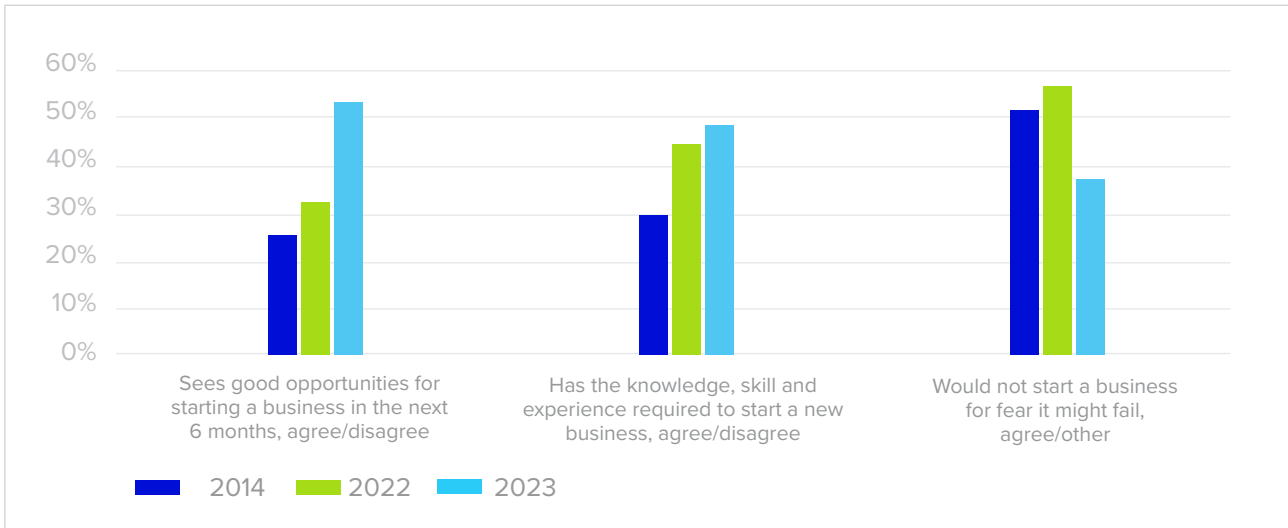


Figure 4.2. Self-Perception among Adults in Lithuania, 2014, 2022–2023
Source: GEM Adult Survey, 2014, 2022–2023

Given the optimism shown by the increased perceptions of available opportunities, entrepreneurship as a favourable career path, and confidence in one’s ability to start a new business, it was unsurprising that the fear of failure among those seeing opportunities is higher than among those who have skills and see opportunities. Of those who saw good opportunities, around one in three would not start a business because of fearing that it might fail. The fear of failure is a significant deterrent to starting a business in most GEM economies, with two in five or more of those seeing good opportunities agreeing that they would not start a business for the fear it might fail.

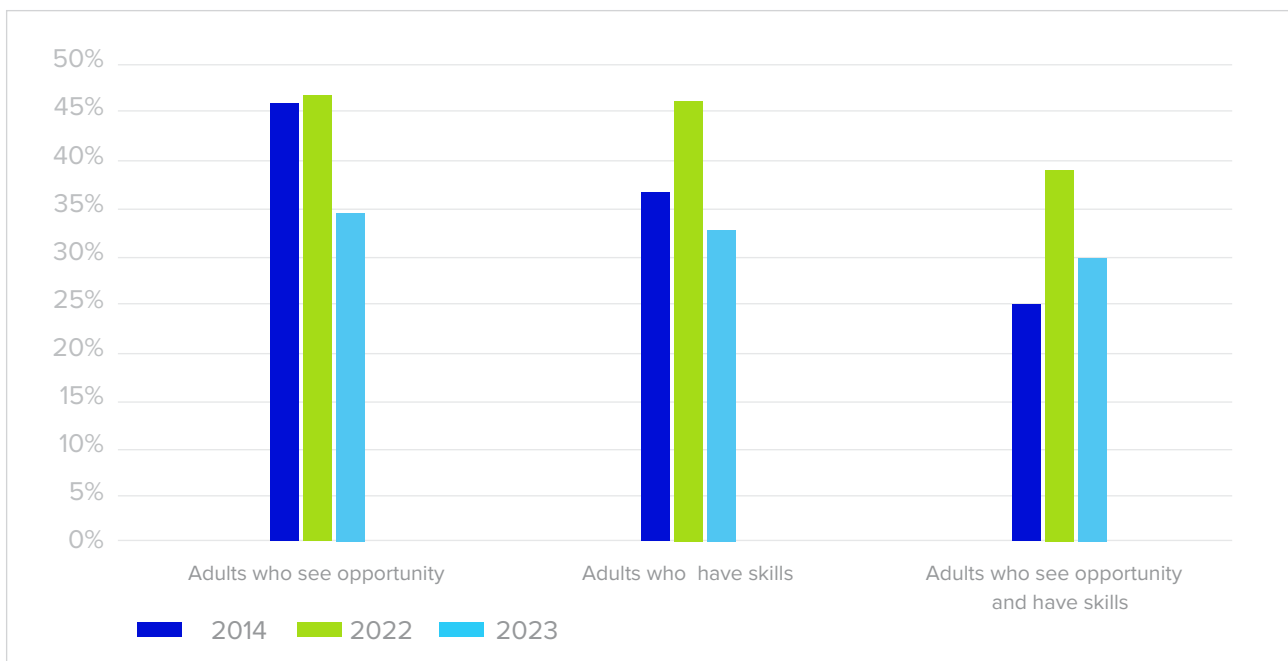


Figure 4.3. Fear of Failure among Adults in Lithuania, 2014, 2022–2023
Source: GEM Adult Survey, 2014, 2022–2023

In summary, societal attitudes improved in 2023, and capability perceptions continued at the higher levels reported in 2014 and 2022. Although the fear of failure decreased and is much lower than in other economies, it still remained high in 2023.

ILONA BERNOTAITĖ

Council Member at Forbes Human Resource Council

Chief People Officer at Kilo Health



Ilona Bernotaitė is a seasoned HR professional with nine years at a Big 4 consulting firm, where she managed global teams. An adventurer at heart, she has lived in over 40 countries, learning to create extraordinary experiences from simple basics. As Chief People Officer at Kilo Health, Europe's second-fastest-growing company, she ensures the company's essence remains intact while scaling rapidly. Ilona also serves as a Council Member at Forbes Human Resources Council, sharing her HR insights and best practices (Authors' note)

How would you describe the current state of the entrepreneurial ecosystem in Lithuania from a human resources perspective in 2023?

From a human resources perspective, this growing trend to seek entrepreneurship increases talent shortage and competition in the market for the best talents as fewer people want to be employed and go on a journey to create their own businesses. On the other hand, Lithuania has a great start-up ecosystem, offering excellent career and learning opportunities, which often, for such professionals, can be a great starting point for their future entrepreneurial plans.

In Lithuania, highly educated and skilled people seek innovation and, most importantly, are hungry for success.

What role do human resource strategies play in fostering innovation and growth within the Lithuanian business ecosystem?

Our focus is on developing people's skills and providing continuous learning opportunities. The right skills and knowledge are followed by confidence and business success. It is also essential to invest in an inclusive and diverse business environment, driving initiatives aimed at supporting women in tech, minority groups, and attracting international talent. Diverse and skilled talent placed in a working environment where they can test and fail will lead to innovation and growth.



Chapter 5. Gender in Entrepreneurship

Rates among Business Phases

Lithuania is a leader in female engagement in entrepreneurial activity compared to other advanced economies, with more women entrepreneurs than men. However, fewer women are engaged in established business ownership than men, but the female-male ratio remains high above average compared to other economies. Relative to other advanced economies, Lithuania shows the highest TEA rates among women and high gender parity between women and men. For every 100 male entrepreneurs in Lithuania, there were 119 women entrepreneurs in 2023.

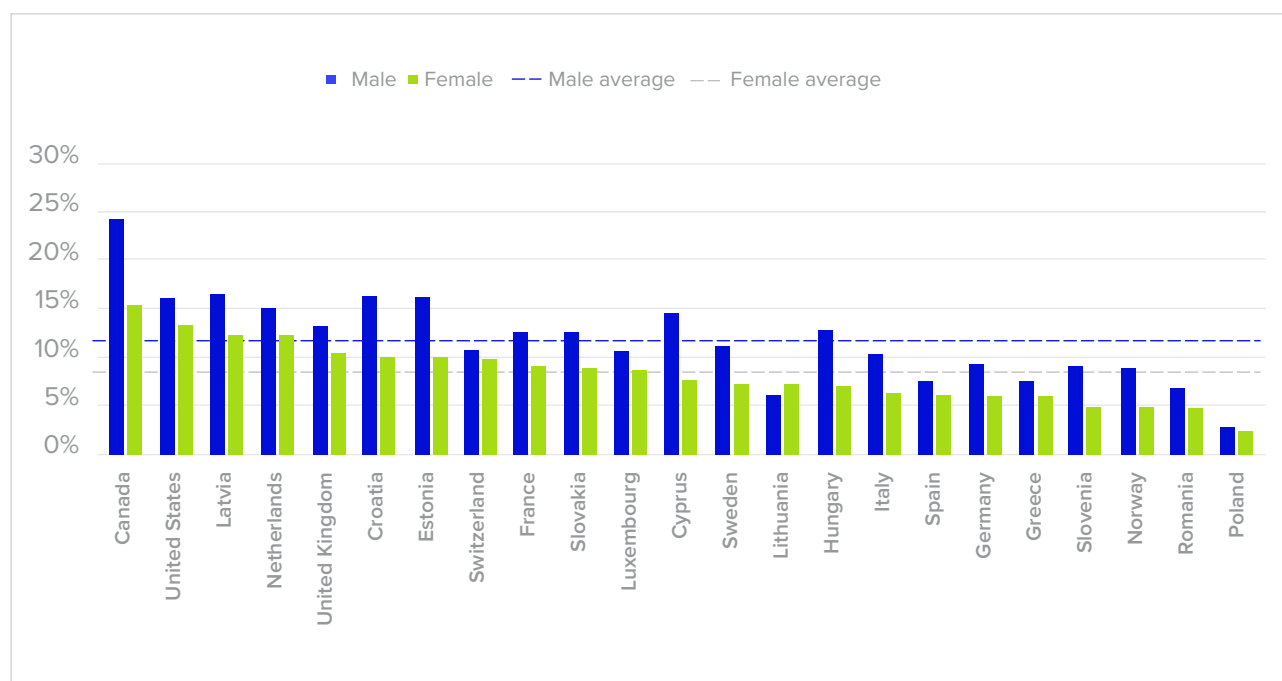


Figure 5.1. Total Entrepreneurial Activity by Gender in Advanced Economies (GDP per capita over 25,000 \$), 2023
 Source: GEM Adult Population Survey, 2023

Despite the improving entrepreneurial environment, the percentage of adults starting or running their own business in Lithuania in 2023 (6.7%) was well down compared to the value of 12.7% of the year before. Much of this decline was found to be manifested in male entrepreneurship, falling from 16.6% to 6.1% in just one year, while female entrepreneurship fell from 9.0% to 7.2%. So, from having more than three men starting businesses for every two women doing the same in 2022, just one year later, the rate of women entrepreneurs exceeded that of men.

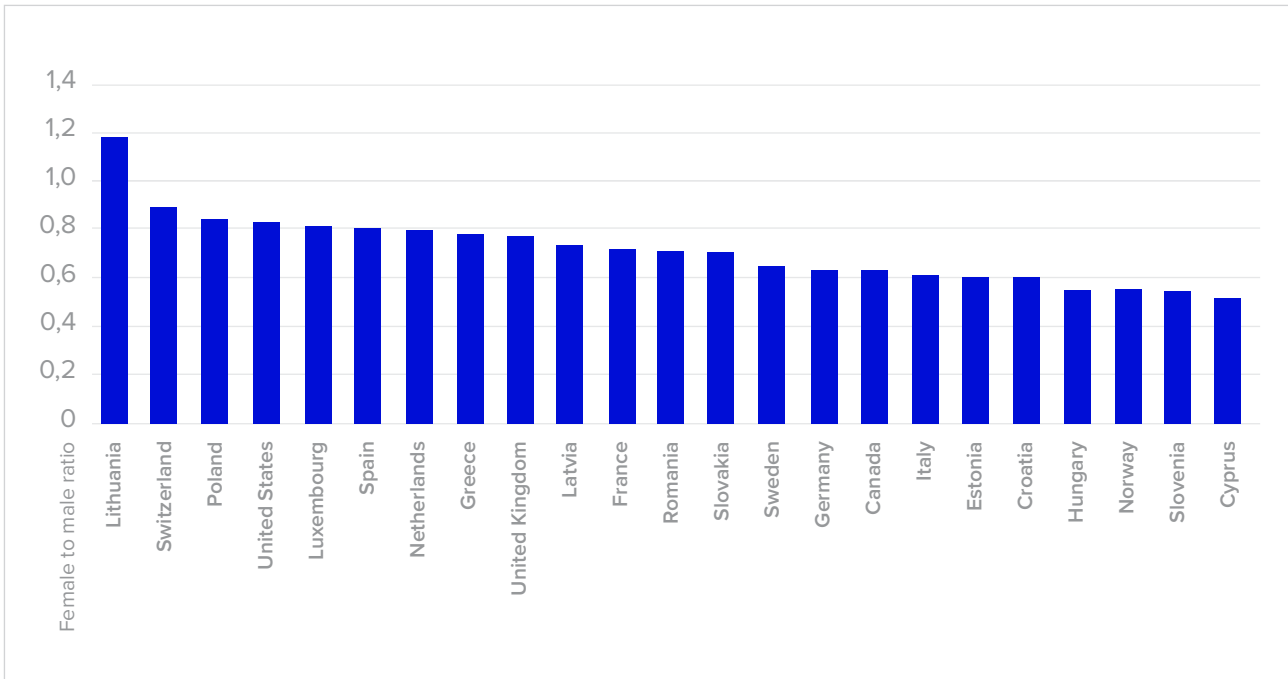


Figure 5.2. Total Entrepreneurial Activity Ratio between Men and Women in Advanced Economies (GDP per capita over 25,000 \$) (average – 0.72), 2023
 Source: GEM Adult Population Survey, 2023

A different observation can be made relative to established business ownership. Lithuania shows high rates and high gender parity on this indicator. For every 100 male established business owners, there are 77 women established business owners.

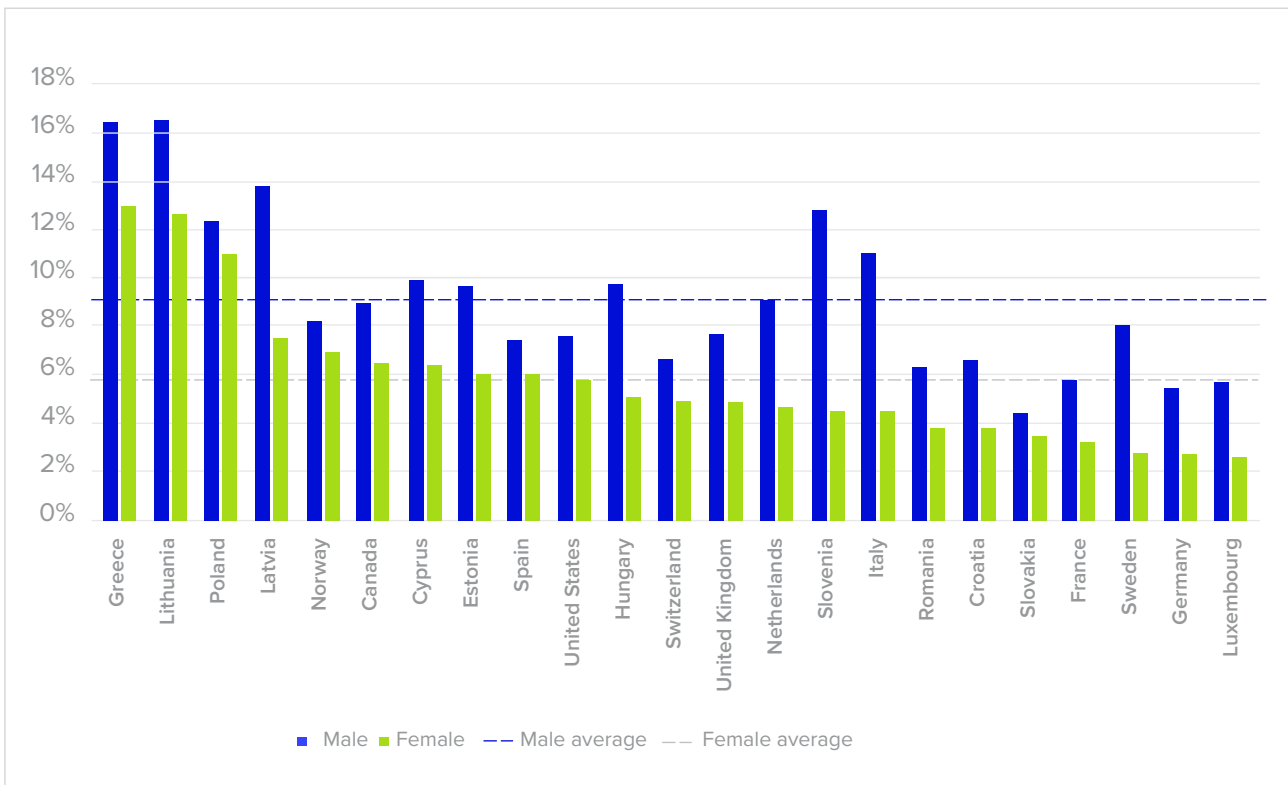


Figure 5.3. Established Business Owners by Gender in Advanced Economies (GDP per capita over 25,000 \$), 2023
 Source: GEM Adult Population Survey, 2023

Societal Attitudes and Self-Perceptions

Lithuania has come a long way in changing societal perceptions of women and the biases associated with them, as well as women’s self-perception and role in society, especially in the business landscape. However, with societal perception leaning more in favour of women than ever before, the main challenge remains – notably, women’s self-perception of their capabilities and abilities to be an active participant in the Lithuanian business landscape as well as women’s empowerment after a long period of negligence and fighting to prove their competence.

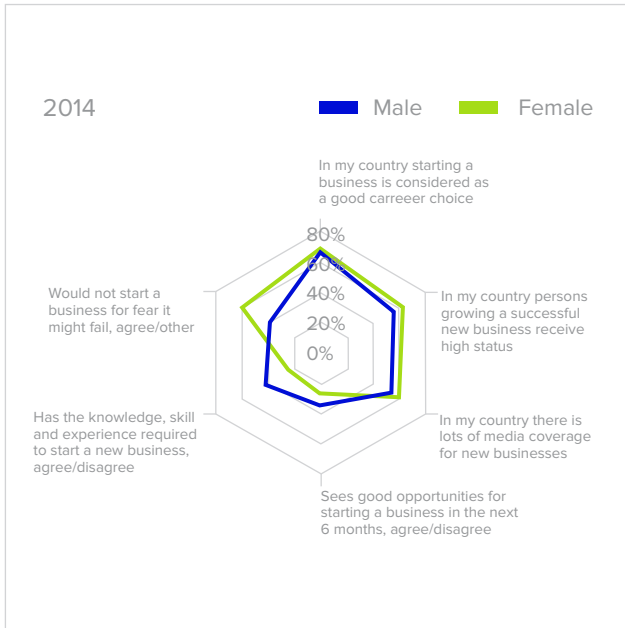


Figure 5.4.1. Entrepreneurial Self-Perceptions and Attitude by Gender in Lithuania, 2014
Source: GEM Adult Survey, 2014

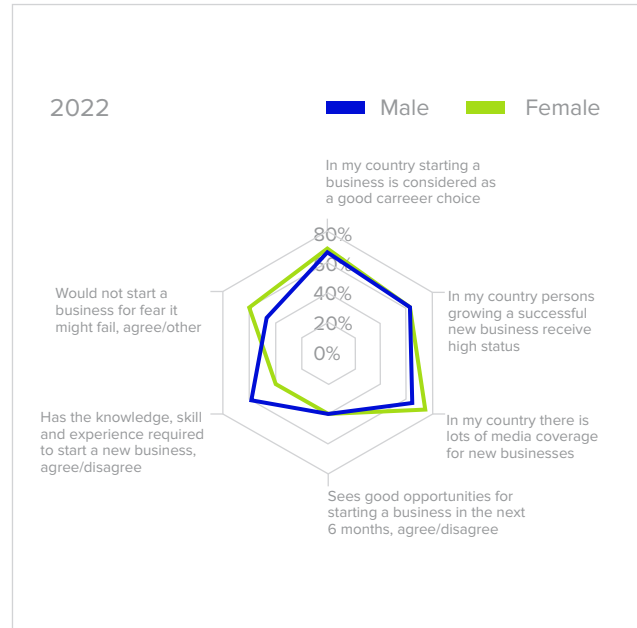


Figure 5.4.2. Entrepreneurial Self-Perceptions and Attitude by Gender in Lithuania, 2022
Source: GEM Adult Survey, 2022

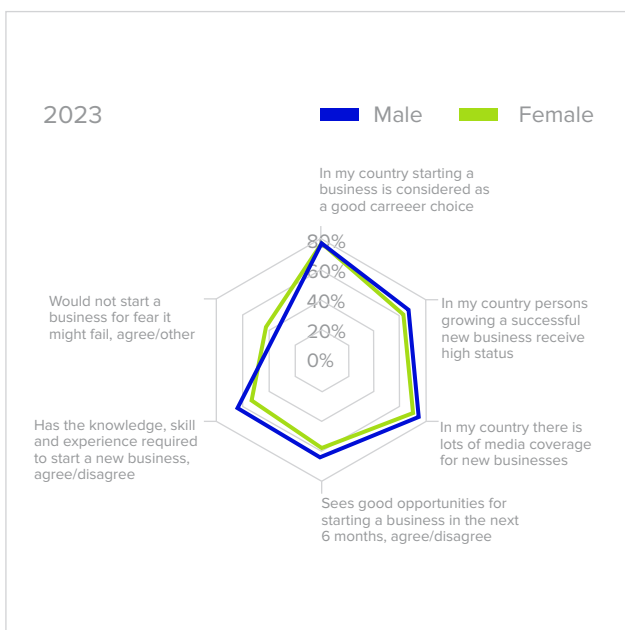


Figure 5.4.3. Entrepreneurial Self-Perceptions and Attitude by Gender in Lithuania, 2023
Source: GEM Adult Survey, 2023

In general, women in Lithuania perceive entrepreneurship as a good career choice. From 2014 to 2023, this perception grew by 10%, with 79% of women now considering it a good career choice. However, their self-perception of their skills, knowledge, and prospects to start a business in the next six months remains lower than that of their male counterparts.

Compared to 2022, Lithuanian women’s self-perception has drastically changed, which is manifested by the reduction from 60% of women in 2014 not daring to start a business due to fear of failure to 41% in 2023, followed by an increase of 13% in self-evaluation of skills and knowledge required to start a business. In this context, male counterparts had a much lower fear of failure throughout the years, and, in 2023, only 35% of males would not start a business due to fear of failure as well, and men have higher confidence in their own skills and knowledge compared to women.

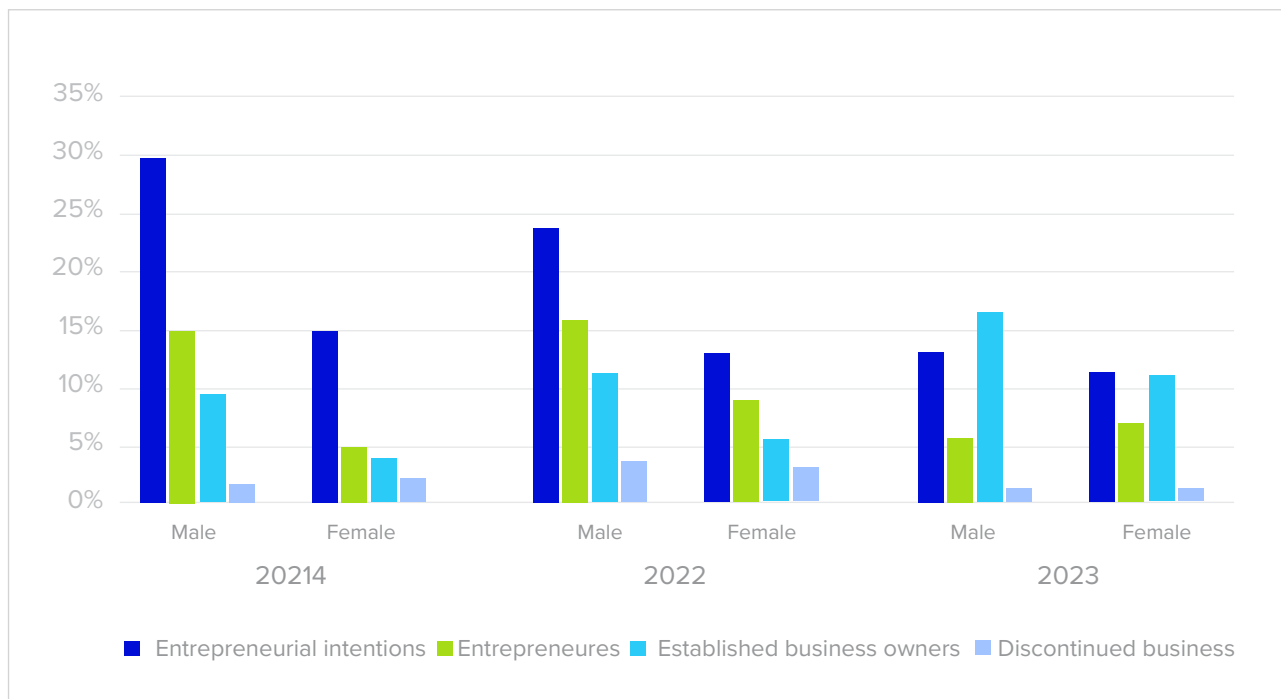


Figure 5.5. Entrepreneurial Intentions and Developments by Gender in Lithuania, 2014, 2022–2023
 Source: GEM Adult Survey, 2023

Looking at an entrepreneurial intention based on gender, an interesting dynamic is observed. From 2014 to 2023, women had a somewhat stable percentage of entrepreneurial intention, which showed a trend of a slight decrease from 15% in 2014 to 12% in 2023. However, the male counterparts experienced a significant drop over the same period, from 30% in 2014 to 13% in 2023. It is justifiable to suggest that the reason for Lithuania’s drop in entrepreneurial intention lies in the decrease in male interest in starting a business.

Although a significant drop in the number of male entrepreneurs with the intention of starting a business is observed, and established business ownership has increased, this suggests the potential conversion of some entrepreneurs to established business owners.

Entrepreneurial Motives

With regard to motivations for starting a business, women (35.2%) and men (44.2%) entrepreneurs are less equally likely to be motivated to make a difference in the world. While consistent with previous years, men entrepreneurs are slightly more likely to be encouraged by building significant wealth or having a high income, while women are more likely to be incited by making a difference in the world. It is worth noting that more men are motivated by the continuation of family business than women. They also differ in terms of motivation levels regarding job scarcity, with 61.3% for men and 69.8% for women.

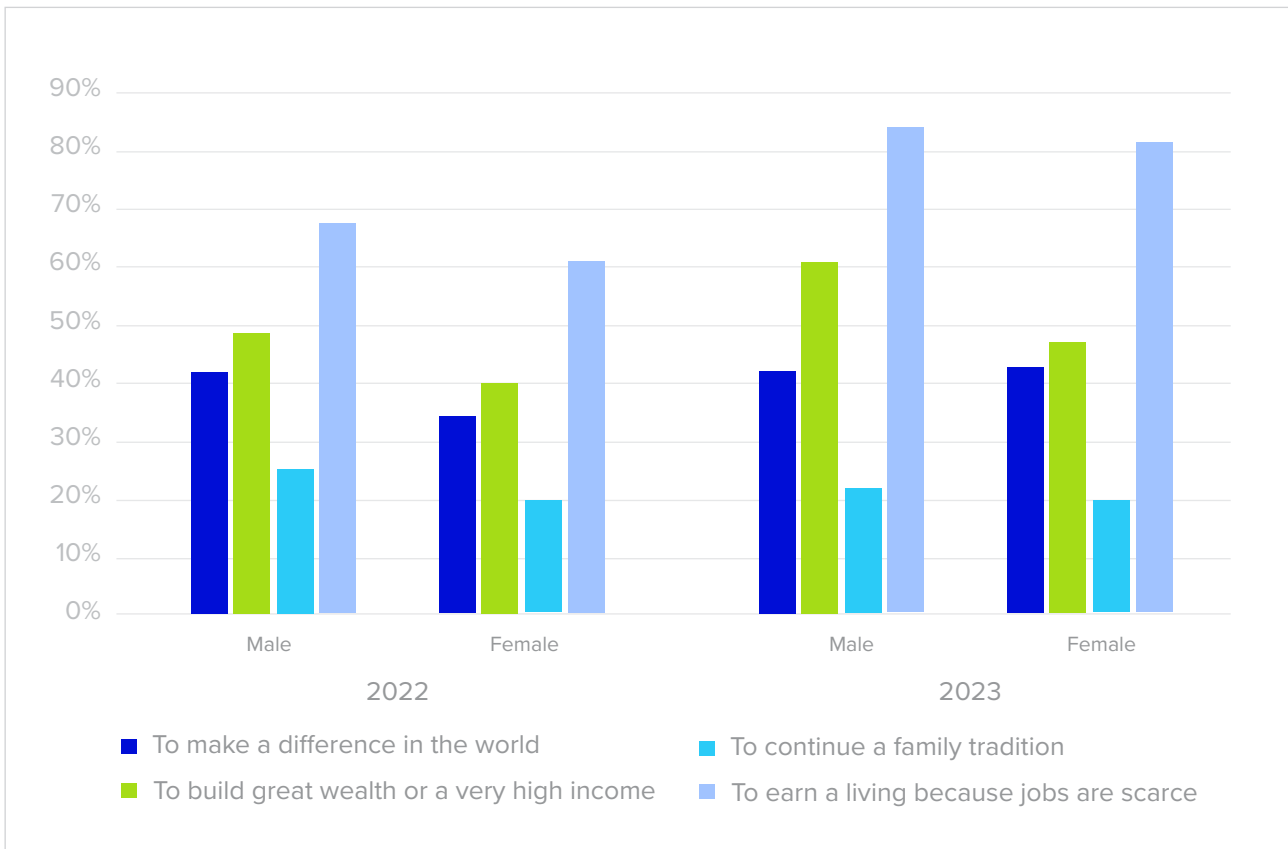


Figure 5.6. Entrepreneurial Motives by Gender in Lithuania, 2022–2023
 Source: GEM Adult Survey, 2022–2023

The most frequent reason for business discontinuation among males and females is lack of profitability. However, for women, it has decreased from 36% in 2022 to 21% in 2023, followed by a rapid increase in pursuit of finding another job, from 6% in 2022 to 29% in 2023. It can thus be suggested that, before closing a business, women tend to secure their financial safety by finding another source of income as a substitute for their previous business. Meanwhile, among male counterparts, business discontinuation due to lack of profitability increased to 23% in 2023. Furthermore, males tend to discontinue their business for family or personal reasons much less frequently than females. Even though the gap between females and males discontinuing their businesses due to family or personal reasons narrowed down in 2023 compared to 2022, there is an evident disproportion among female and male roles within the family in terms of responsibility distribution. This suggests that higher female sensitivity to family dynamics could contribute to business discontinuation.

However, an interesting pattern can be observed in Figure 5.6.1. Undoubtedly, in 2022, both female and male business owners experienced the persisting consequences of the pandemic, with business closures for both genders averaging 8% and hopefully marking it as the last year of the pandemic-induced issue as, in 2023, no reported business closures due to the pandemic were observed. However, a new discontinuation reason has started emerging: problems with supply. This provides evident insights into the consequences of geopolitical unrest, the Ukrainian-Russian military conflict, and the increasing fragility of the global supply chains.

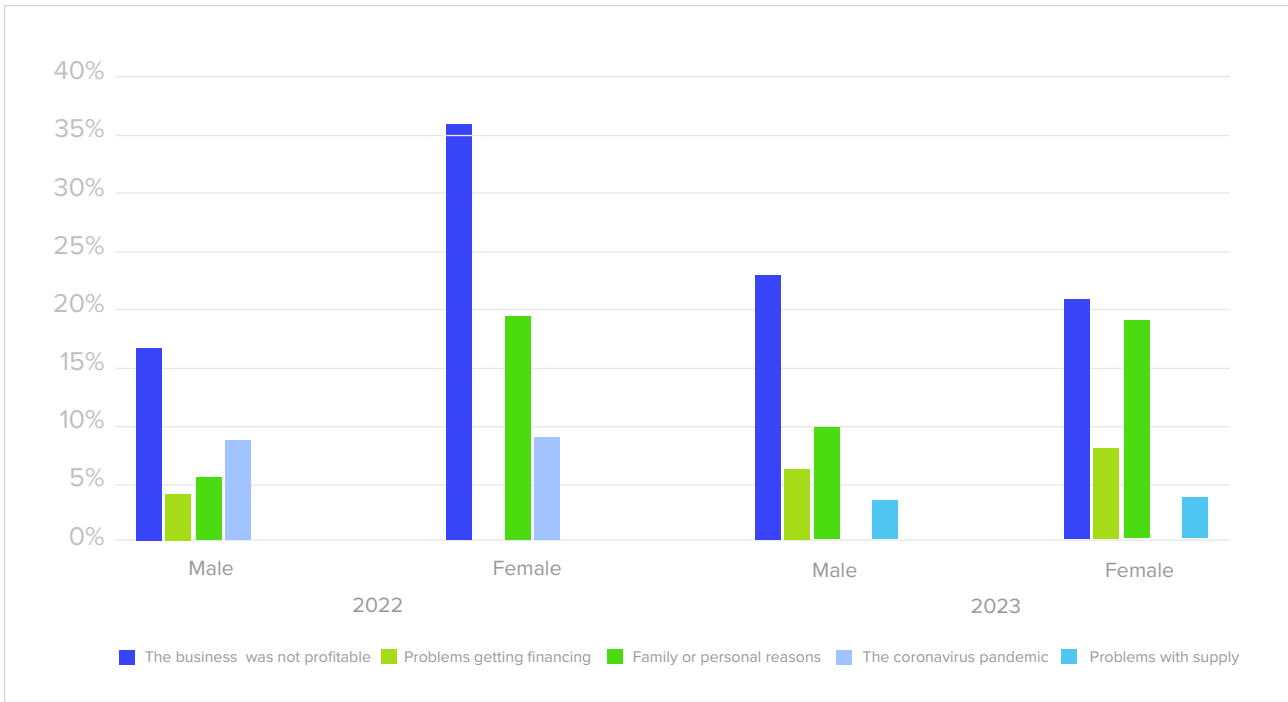


Figure 5.6.1. Business Discontinuation Reasons by Gender in Lithuania, 2022–2023
 Source: GEM Adults Survey, 2022–2023

Industry Sectors

The market focus is an indicator of both the size of the potential market and the growth aspirations of entrepreneurs. While many men and women entrepreneurs (around 23%) in Lithuania run wholesale or retail businesses, gender differences do exist across industry sectors. Especially popular among women entrepreneurs are businesses in government, health, education social service sectors (28% of women entrepreneurs) and professional service and retail trade sectors (15% of women entrepreneurs each). Meanwhile, the most popular sectors for male entrepreneurs were found to be the retail trade (18%), wholesale trade and mining, and construction sectors (15% of male entrepreneurs each).

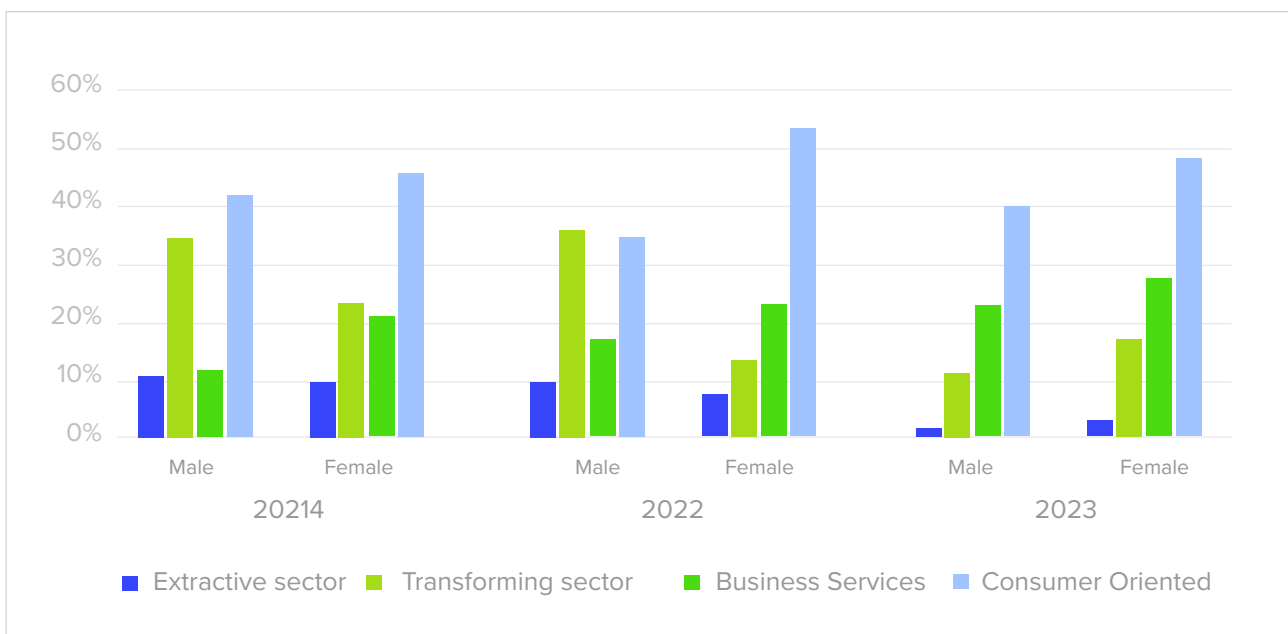


Figure 5.7. Industry Sectors by Gender in Lithuania, 2014, 2022–2023
 Source: GEM Adult Survey, 2014, 2022–2023

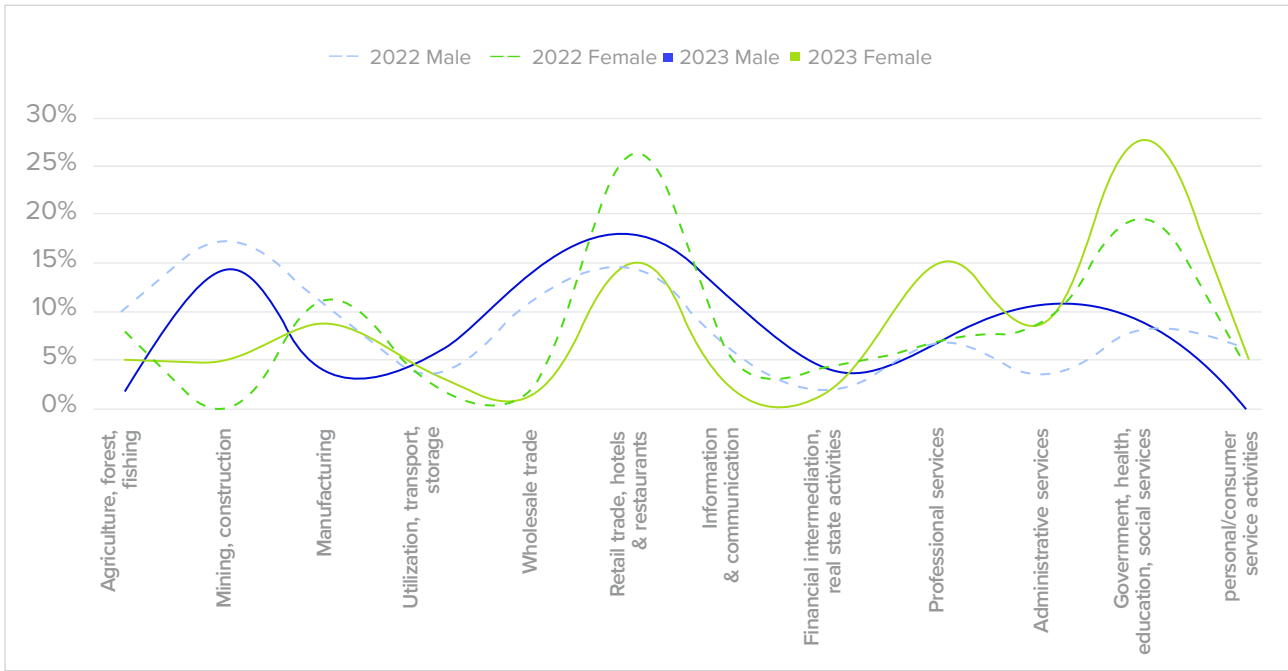


Figure 5.71. Detailed Industry Sectors by Gender in Lithuania, 2022–2023
 Source: GEM Adult Survey, 2022–2023

Globally, women are typically far less active in the ICT sector, with women about half as likely as men to report TEA in ICT. Still, in some countries, women are highly engaged in ICT, where they surpass men, and Lithuania is one of these countries (for more information, see GEM 2022/2023 Women’s Entrepreneurship: Challenging Bias and Stereotypes).

Innovations

Entrepreneurs of both genders are about equally likely to state that their products or services exhibit some level of novelty to customers. However, when looking at innovativeness by gender, the innovativeness level for both genders was determined to be relatively high. It has significantly increased compared to 2022. In 2023, 89% of males and 80% of women were perceived by different stakeholders as ‘innovative’.

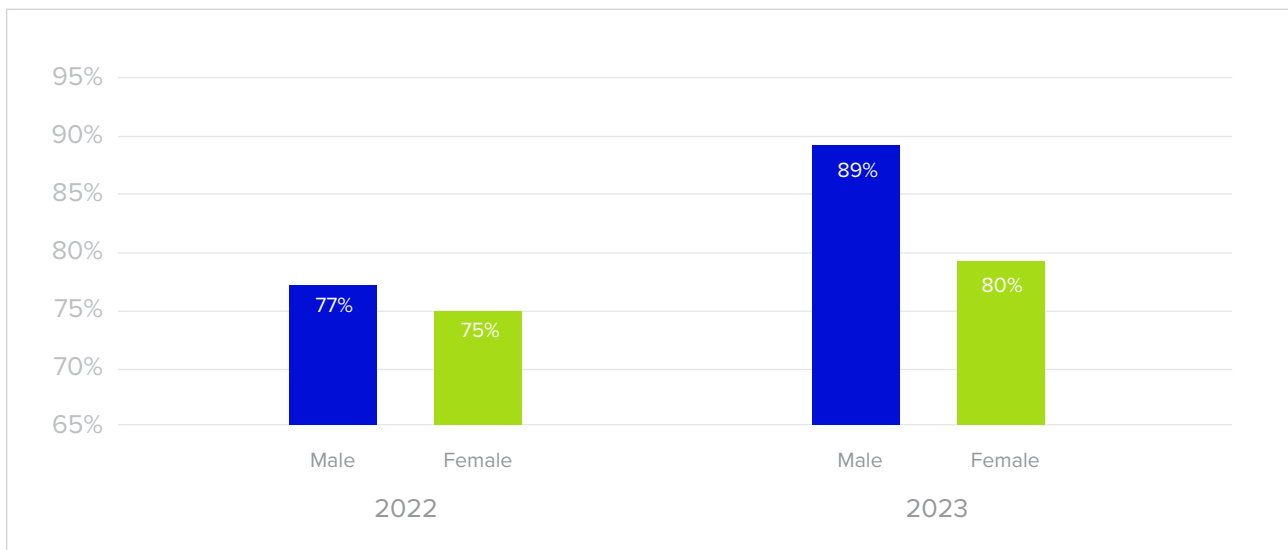


Figure 5.8. Innovativeness* define by Gender in Lithuania, 2022–2023
 * Businesses are identified as innovative by stakeholders
 Source: GEM Adult Survey, 2022–2023

Another critical dimension of entrepreneurship involves critical innovation in products and services and process innovation. In Lithuania, women entrepreneurs in early-stage companies create new innovative products (9%) and new innovative processes (4%). This is, by roughly estimating, higher than the values communicated by men who reported new product innovation at 4% and new processes at 2%.

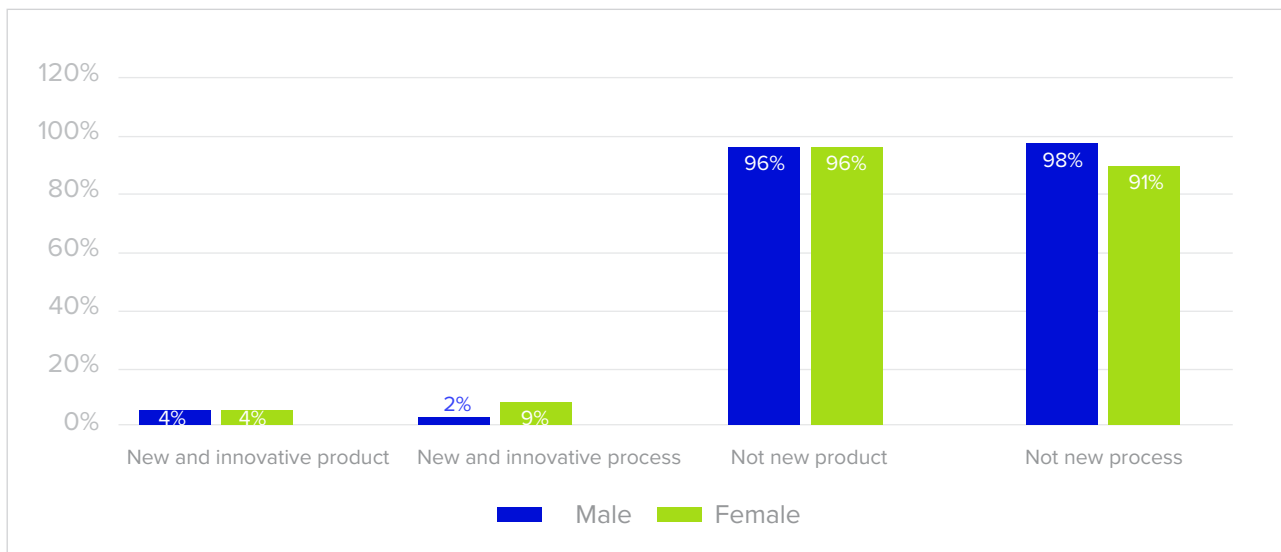


Figure 5.8.1. New Product or Process Development for the Market among Entrepreneurs by Gender in Lithuania, 2023
 Source: GEM Adult Survey, 2023

International Survey of Adult Financial Literacy (OECD, 2023) findings revealed differences in financial literacy, digital literacy, and well-being based on various individual characteristics by gender. While this often includes individuals with low incomes and education levels, women are also affected and were found to need targeted financial and digital education. Actually, fewer than one in five women reported plans to adopt digital tools.

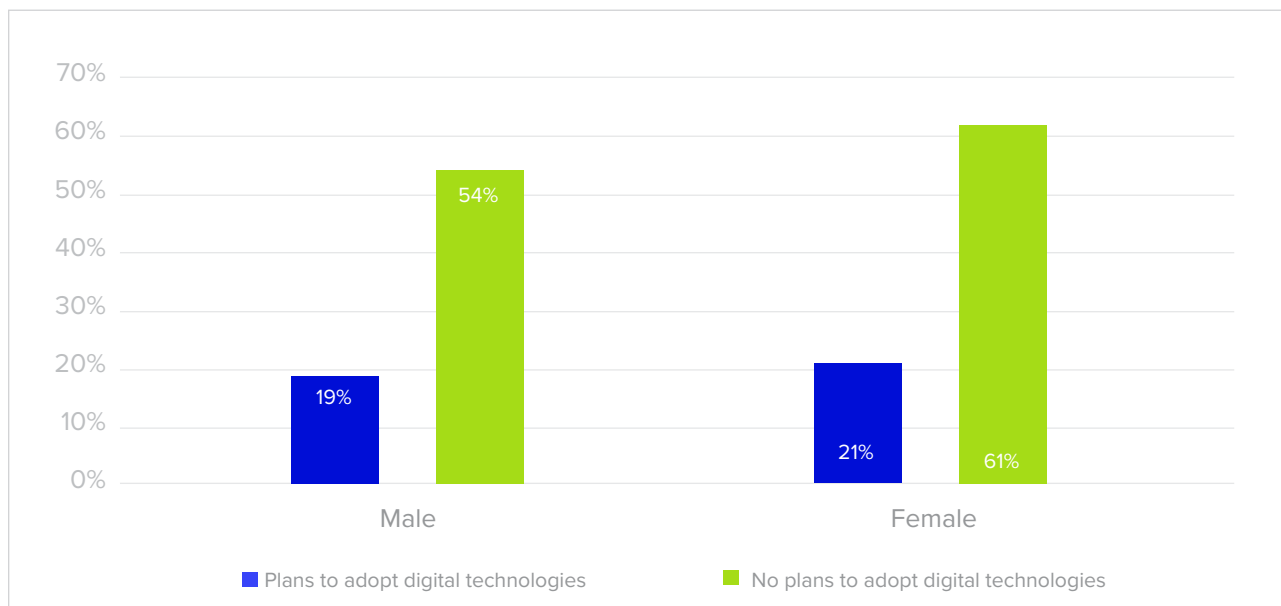


Figure 5.8.2. Digital Technology Adoption in the Future by Gender in Lithuania, 2023
 Source: GEM Adult Survey, 2023

Job Creation Expectations

Most women entrepreneurs (80%) expect to create at least one new job in the next five years. Meanwhile, men are more likely to state that they are job creators, and even 94% of men expect to create at least one job in the next five years. On the other hand, the rate of women expecting job loss or no new jobs rose in 2023, while the rate for men decreased by almost 7% compared to 2022.

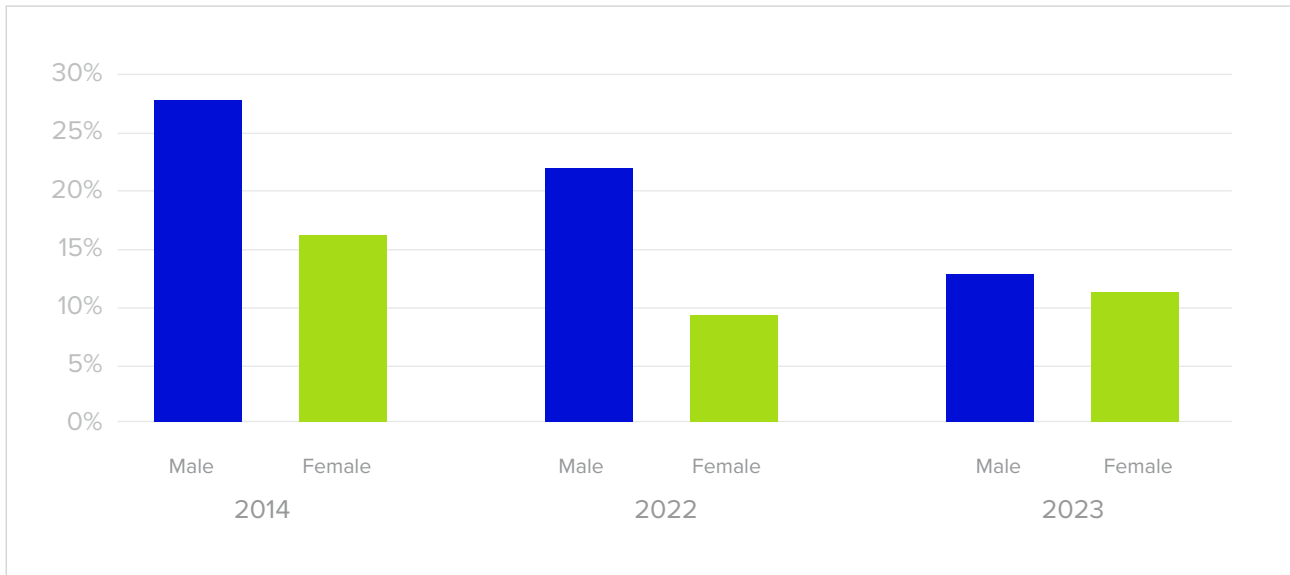


Figure 5.9. Expected Job Growth of more than 10 New Employees and More than 50% Existing Force in Total Entrepreneurial Activity by Gender in Lithuania, 2014, 2022–2023
Source: GEM Adult Survey, 2014, 2022–2023

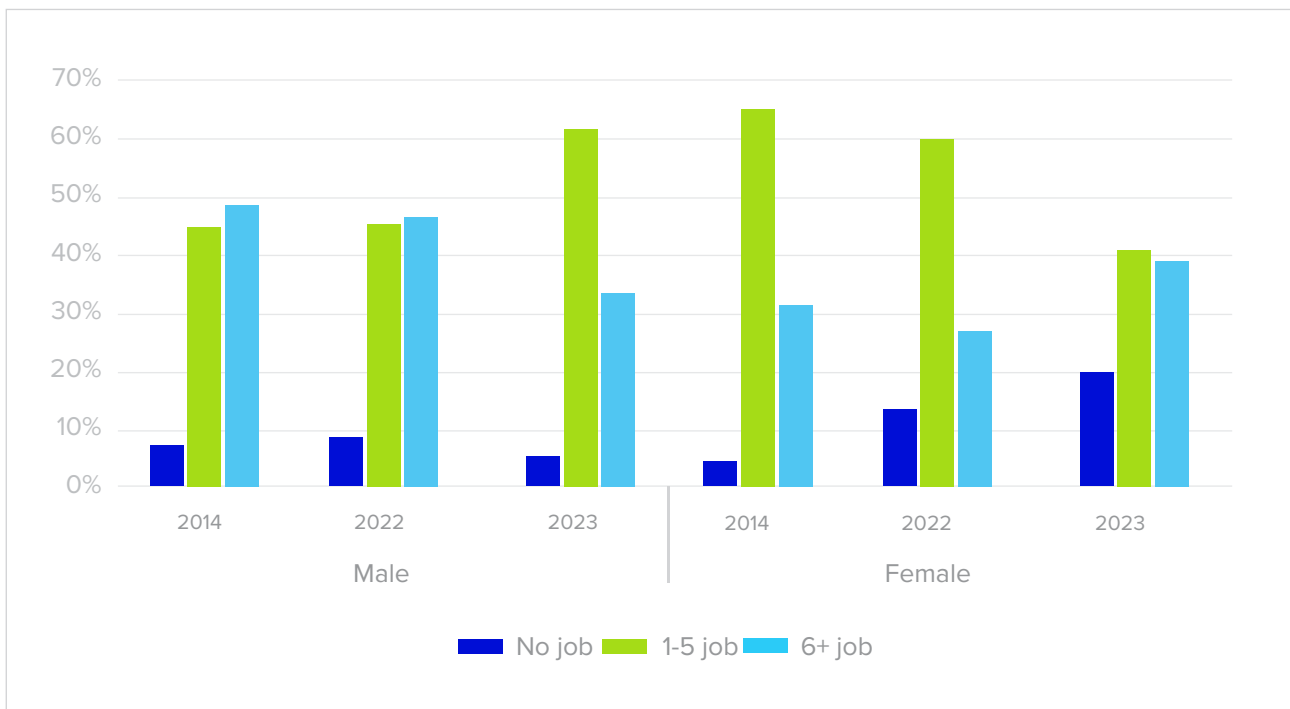


Figure 5.10. Expected Job Growth in Total Entrepreneurial Activity by Gender in Lithuania, 2014, 2022–2023
Source: Global Entrepreneurship Monitor Lithuania, 2014, 2022–2023

In summary, key results show that women continue to have positive perceptions about entrepreneurship and show decreased fear of starting a business, especially compared to 2014.

Female entrepreneurial intentions reached an all-time high for gender parity for TEA. The motivation most frequently cited for women entrepreneurs was job scarcity. Men reported having higher values in terms of building wealth or making a difference in the world.

Industry differences include relatively high female participation in many service sectors and comparatively high male participation in retail trade. Both men and women expect to grow their businesses, but a rising number of women do not expect to add a significantly higher number of employees. Both genders are equally likely to state that their offerings are new and innovative in the market. However, this rate still remains low.

RITA SAKUS

Board Member at European Business Angel Network EBAN



Rita Sakus returned to Lithuania 20 years ago to develop her business. She co-founded the Lithuanian Business Angels Association (LitBAN), represents Lithuania in the European Business Angels Association (EBAN), and is an active investor. She has brought the spirit of Western entrepreneurship to Lithuania and has been a strong advocate for women's entrepreneurship in the country. She provides valuable insights into the Lithuanian women entrepreneur ecosystem.

Many exceptional women are making strides in the Lithuanian innovation and start-up ecosystem. From my current vantage point in Switzerland at a Lithuanian Venture Capital Fund's AGM (Contrarian Ventures) on the beautiful grounds of UBS Warburg where the Swiss President happens to be visiting, I am so proud of women entrepreneurs who are continuously raising the bar.

Monika Paulė of Caszyme, Agnė Selemonaitė of Connect Pay, of course, Milda Mitkutė of Vinted, and even as I look across the room here, Jekaterina Govina of Amlyze and many others.

Women are also making great strides in building not only products but also our strong innovation ecosystem. These champions include Inga Langaitė at Unicorns LT; Romualda Stragienė of LT Innovation Agency; Jonė Vaitulevičiūtė of First Pick; Daiva Rakauskaitė, a pioneer of venture capital in Lithuania; Viktorija Trimbel of ColInvest Capital; and our very own Roberta Rudokiene, director at LitBAN.

Women are also increasingly investing in early-stage asset classes as well, and adding their professional experience to board rooms through organizations, such as Lyderė.

We are also thrilled to have women who have made Lithuania their home, like Erin Gainer who successfully sold her pharma startup and is now investing in, sharing knowledge and time here with the Lithuanian ecosystem, also Sandra Golbreich of Baltic Sandbox who is finding Lithuanian deep tech innovation at its earliest stages to invest in. However, in order to keep momentum, it is imperative we don't overlook tax incentives for business angels – the way most of Europe is going in order to maintain a healthy business angel environment. More than 90% of European early-stage investments came from angel investors' capital in 2019. The size of the angel investment market is more than EUR 10 billion in Europe.

By strengthening the ecosystem and the regulatory regime, we can enable more angel investors in Lithuania and unlock more opportunities in this still untapped segment of the tech sector.

I'm proud to represent Lithuania as a newly elected board member of the European Business Angel Network. This is the first time Lithuania has had a seat on this board. At EBAN, some of our top priorities include working on facilitating more cross-border investment and encouraging more women and diversity to the whole ecosystem: from founders to investors, advisors, and board members. It's crazy to realise that women founders still only received a mere 1.5% of venture capital last year, this year it's finally increased to about 5%. (Source: <https://pitchbook.com/news/articles/the-european-vc-female-founders-dashboard>)

We continue to surprise with our strong and diverse ecosystem grabbing headlines like leading startup revolution (Source: <https://workinlithuania.com/blog/lithuania-leading-startup-revolution/>)

I wish for us in Lithuania to identify opportunities, embrace a culture of failure that is necessary for entrepreneurship: trial, error and success and constantly assess ourselves against global best practices and challenge what we face in order to strive for continuous and never-ending improvement and innovation to keep our competitive edge not only in Europe but worldwide.

Chapter 6. Social and Environmental Sustainability

Sustainability and the Role of Entrepreneurs

Focusing on social and environmental sustainability remains a challenge for 2023 and beyond. In today's rapidly changing world, integrating sustainability into business strategy is no longer optional. Since the Paris Agreement of 2015 became effective in 2016, based on the United Nations Framework Convention on Climate Change (UNFCCC of 1992) and signed by 196 parties, entrepreneurs have increased their focus on sustainable practices.

Entrepreneurs are pivotal in advancing sustainability by driving innovation, creating market demand for eco-friendly products, and fostering social and environmental responsibility. They develop new technologies and business models prioritising long-term environmental benefits, such as renewable energy and zero-waste practices. The persistence of pandemic and the Russian-Ukrainian military conflict has brought continued focus on health and the challenge of meeting increasing needs with limited resources in Lithuania. By raising consumer awareness and offering accessible, sustainable options, entrepreneurs help shift market preferences towards greener choices. Additionally, they set high standards for corporate social responsibility, while ensuring greater transparency and accountability.

Social and environmental sustainability is becoming an integral part of the business landscape. By recognising the role of entrepreneurs in sustainability practices, GEM has been including questions about environmental and social impact since 2021. In Lithuania, seven out of ten businesses have identified social development goals (SDG) as a priority for that business.

Prioritising Social and Environmental Impact

Almost half of entrepreneurs in Lithuania prioritise the social and/or environmental impact of their businesses above profitability or growth. This suggests that entrepreneurs are taking a position on sustainability; however, there is a decrease compared with the level one year ago.

Slightly more established business owners (54.8%) are motivated to prioritise sustainability compared to entrepreneurs (40.71%).

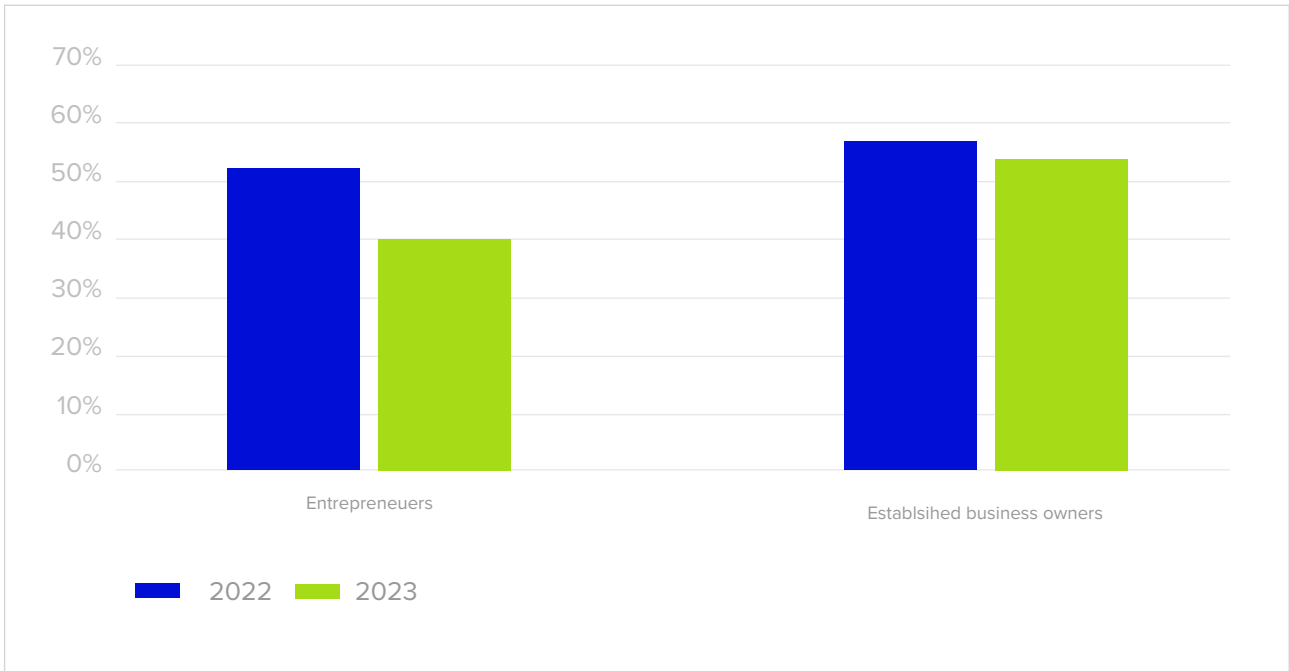


Figure 6.1. Percentage of Entrepreneurs and Established Business Owners who Prioritise Social and Environmental Impact of Business Above Profitability and Growth 2022–2023
 Source: GEM Adult Population Survey, 2022, 2023

In general, in most economies, one out of two entrepreneurs or established business owners have taken steps to minimise environmental impacts. No correlation exists between prioritising the SDG goals and the countries' income levels or geographic regions. There is explicit agreement among both new and established entrepreneurs that steps have been taken to mitigate the environmental effects, with the exceptions of Morocco and Iran (both TEA and EBO), Lithuania and France (TEA), and the United States (EBO).

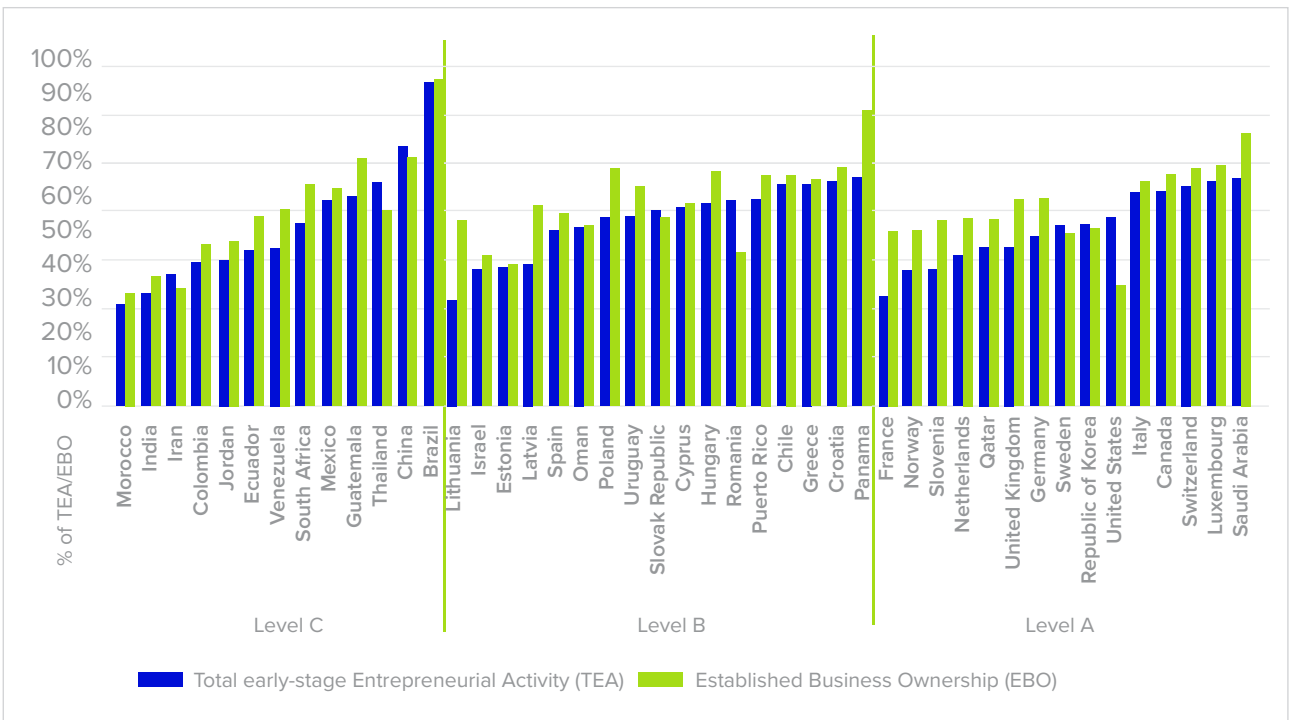


Figure 6.2. Share of new and established business owners who have taken steps in the past year to minimise the environmental impact of their business (% TEA and % EBO)
 Source: GEM Adult Population Survey, 2023

Established businesses are more capable of taking social and environmental actions while sustaining steady operations and revenue flows, and entrepreneurs increase their costs without a noticeable investment return. In Lithuania, a higher decrease among entrepreneurs is determined due to their susceptibility to fragility during economic uncertainty.

There was a wide variation in gender-related social and environmental responsibility; while there was a decrease in 2023, it was mainly due to the male population. Among women, there is an increase in prioritising social and environmental impact above profitability and growth. Among early-stage entrepreneurs, the percentage increased slightly from 46.74% to 47.5%, but, among women who own established businesses, the increase was found to be more significant, from 55.74% to 61.42%.

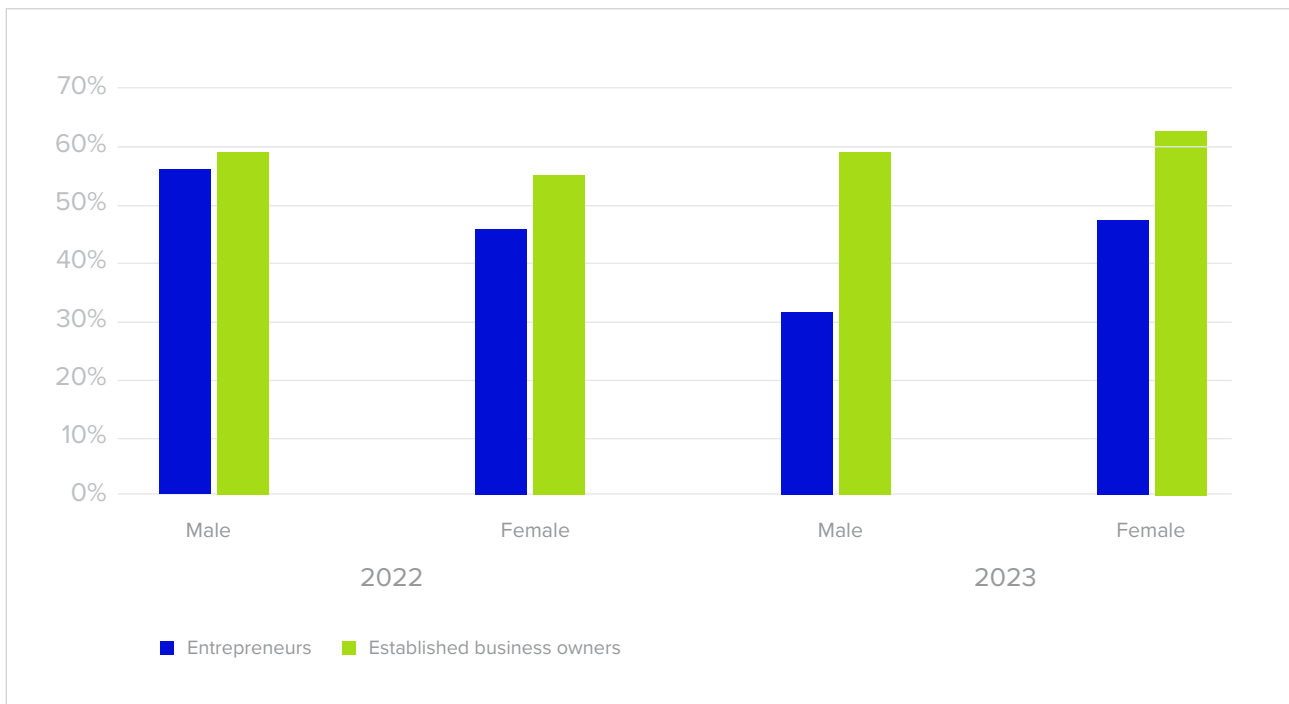


Figure 6.3. Percentage of Entrepreneurs and Established Business Owners who Prioritise Social and Environmental Impact of Business Above Profitability and Growth by Gender, 2022–2023
 Source: GEM Adult Population Survey, 2022, 2023

Steps to Minimise Environmental Impact

There is a growing understanding that every business has an environmental impact. Entrepreneurs are learning to take steps which positively impact the environment, such as saving energy, reducing carbon emissions, etc. Tendencies to take steps to minimise environmental impact have differed between entrepreneurs and established business owners in Lithuania. The results of 2023 compared to 2022 show that there is an increased involvement from established business owners by almost 3%, while, among entrepreneurs, it was determined to significantly decrease from 47.13% in 2022 to 31.54% in 2023. The main reason for such tendencies could also relate to high economic uncertainty, which is especially risky for young businesses.

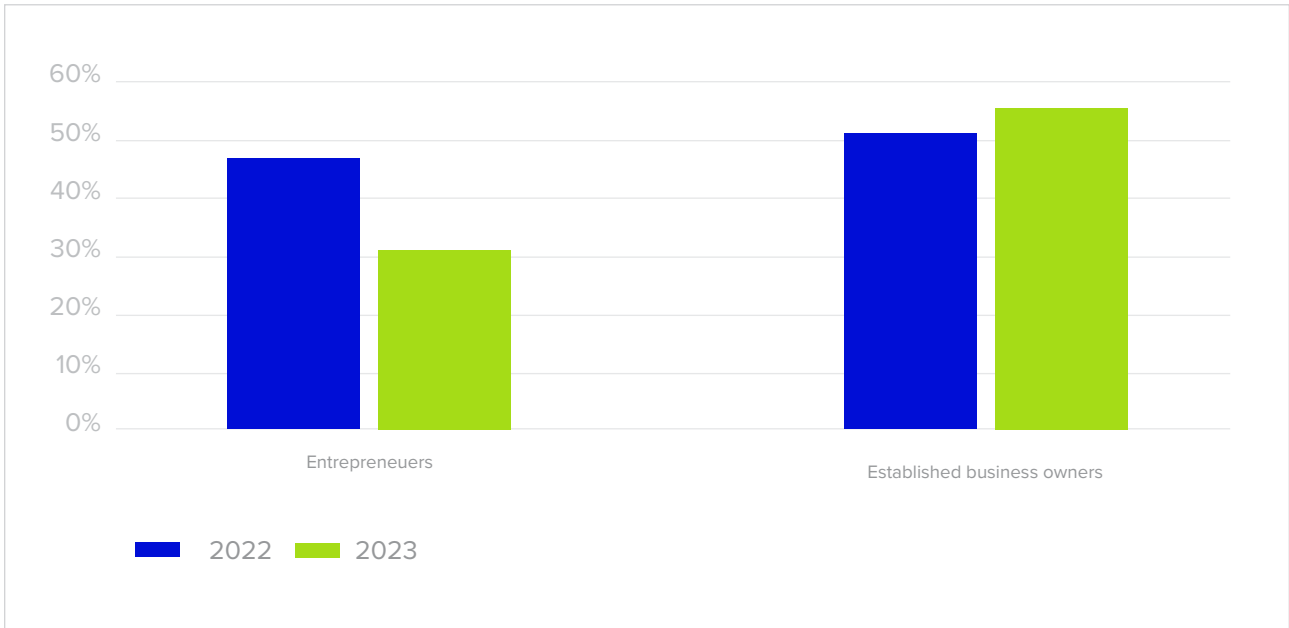


Figure 6.4. Percentage of Entrepreneurs and Established Business Owners who Minimise the Environmental Impact of their Business, 2022–2023
 Source: GEM Adult Population Survey, 2023

More women in established businesses were more active than last year, while men were significantly more passive. Changes in the early-stage entrepreneurs’ segment were similar among men and women: fewer steps were taken to minimise the environmental impact of business by men.

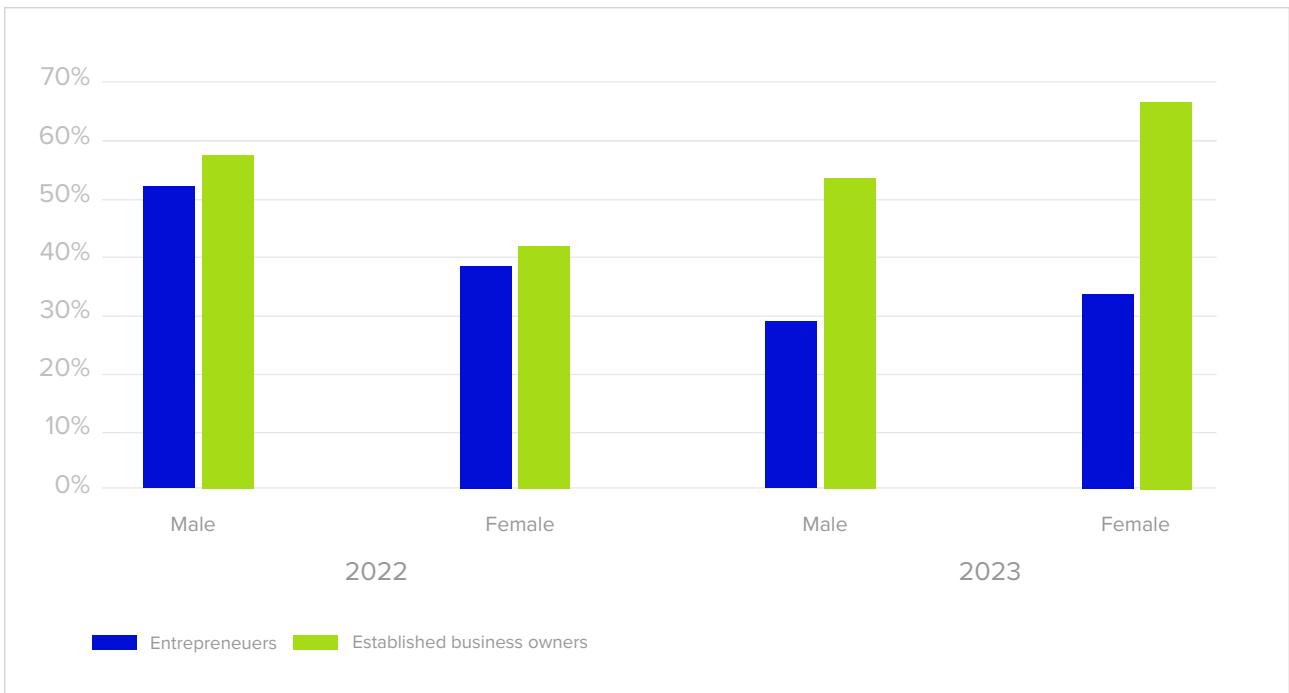


Figure 6.5. Percentage of Entrepreneurs and Established Business Owners who Minimise the Environmental Impact of their Business by Gender, 2022–2023
 Source: GEM Adult Population Survey, 2022, 2023

Innovative entrepreneurs are increasing their sustainability efforts, as 54% have taken action versus 31% of non-innovative entrepreneurs. However, established business owners with innovative products and services act with environmental sustainability in mind (50%), less so than those without innovative products and services (54%).

Steps to Minimise Environmental Impact

A key aspect of social and solidarity economy is balancing sustainability and profitability. The World Economic Forum encourages the youth to find the adoption and implementation of the Environmental, Social, and Governance (ESG) frameworks into future economic blueprints essential. The survey data show increased social impact maximisation among entrepreneurs and established business owners. Although economic uncertainty and market risks have persisted, social considerations are crucial among young businesses and established business owners. The activities in the maximisation of societal impact increased significantly from 37.42% in 2022 to 62.09% in 2023 among established business owners.

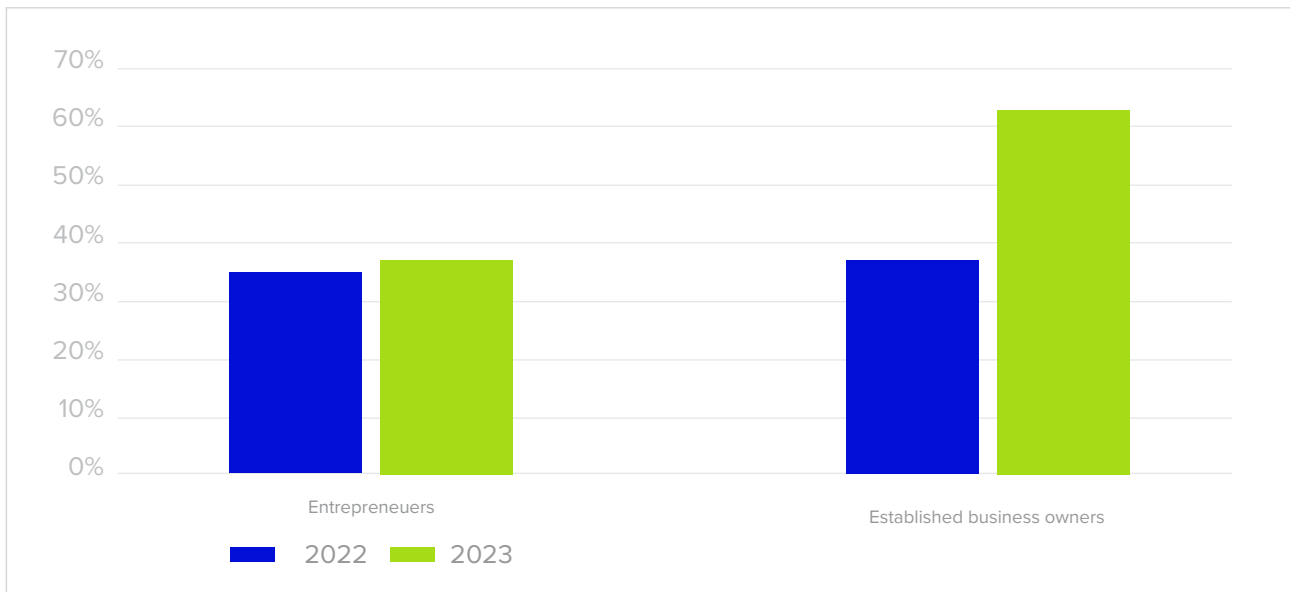


Figure 6.6. Percentage of Entrepreneurs and Established Business Owners who Maximise the Societal Impact of Business, 2022–2023
Source: GEM Adult Population Survey, 2022, 2023

Hereafter, in the established business segment, both men and women increased their activity in maximising the social impact of their business significantly. Among entrepreneurs, women were more invested in social action because of a possible higher involvement in community activities. However, men were more likely to take social action among established business owners than women.

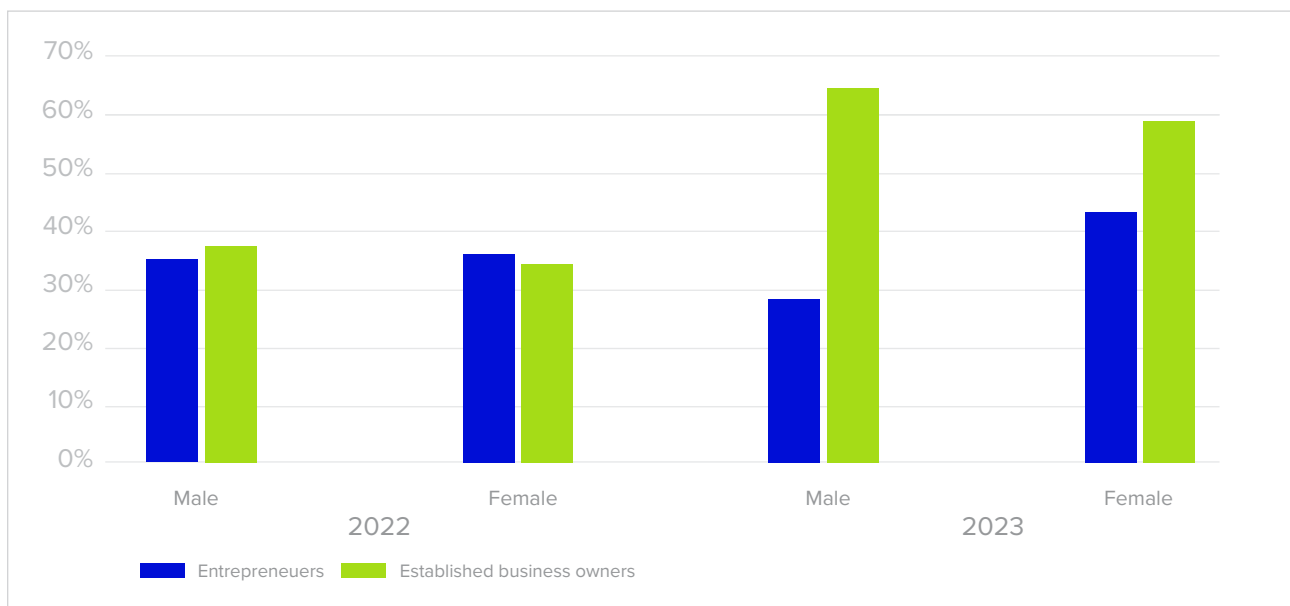


Figure 6.7. Percentage of Entrepreneurs and Established Business Owners who Maximise the Societal Impact of Business by Gender, 2022–2023
Source: GEM Adult Population Survey, 2022, 2023

Social entrepreneurship remains essential for understanding how each step in value-chain sourcing can be redesigned toward more equitable work practices when the goal becomes complete transparency of each product and service. GEM results show that social actions were more prevalent among innovative entrepreneurs and established business owners with products and services new to customers than among those without innovative offerings.

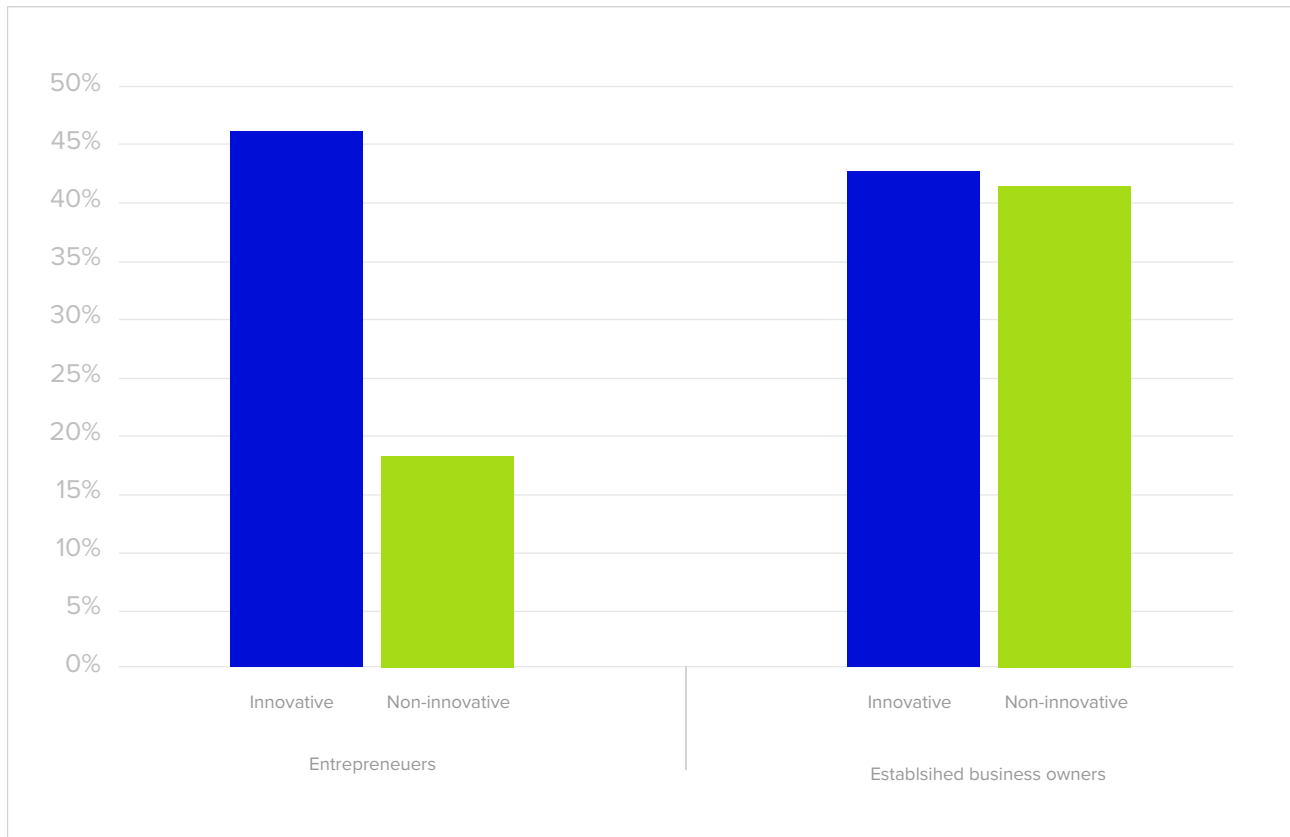


Figure 6.8. Percentage of Innovative and Non-Innovative Entrepreneurs and Established Business Owners who Minimise Environmental Impact and Maximise Social Impact in Lithuania, 2023
 Source: GEM Adult Population Survey, 2023

In summary, the results indicate that most entrepreneurs and established business owners in Lithuania believe that protecting the environment and addressing social considerations constitutes a priority. Distinct differences can be seen in the prioritisation of environmental and social actions among young entrepreneurs, and not only entrepreneurs, but also established business owners who are introducing innovations. Looking forward, new opportunities for entrepreneurs are opening while developing the circular economy, and here, entrepreneurs can take the lead in creating new sustainable practices.

INGA LANGAITĖ

CEO of startup association Unicorns Lithuania



Inga Langaitė, CEO of Unicorns Lithuania, is transforming Lithuania into a global hub for high-growth start-ups. With a rich background in finance and tech, she passionately advocates for Lithuania as the ideal place for unicorns. In 2023, her visionary insights inspired start-ups and the public to drive a future defined by innovation and a high value-added economy.

Lithuanian start-ups historically have already shown great examples of socially responsible behaviour: planting trees, and taking care of underserved parts of communities, not to mention the substantial amount of money donated and volunteer hours spent supporting Ukraine's defense efforts.

However, startups that prioritise sustainability as a core value of their product showed really impressive results in 2023, and I will highlight just two of many.

The first Lithuanian unicorn, *Vinted*, aims to remain a leader in the second-hand fashion market. In 2023, it reported a 61% revenue increase, reaching €17.8mn in net profit, compared to the previous year. While the second-hand fashion market remains relatively small compared to the overall fashion industry, recent results show the huge potential of this start-up, which encourages users to change their behaviour to decrease fashion consumption.

In the realm of 'heavy finance', European climate tech is on a mission to remove 1 gigaton of CO₂ emissions by 2050. The startup produces verified agricultural carbon credits, thereby providing additional financial benefits to farmers in their transition towards more sustainable soil management practices. In 2023, reaching a goal of financing over €50 million in agricultural projects showcases the impact the start-up is already making in fostering sustainable practices within the agriculture industry.



Chapter 7. The Context of Entrepreneurship

So far, the focus of this report has been on the decisions to start a new business and develop the existing one and on the attitudes and motivations that may drive this decision. However, the context in which these decisions are made also matters. The entrepreneurial environment encompasses various economic, political, institutional, financial, educational, and social conditions that may influence the decision to start a business. That context may be supportive – and it may encourage the decision to become an entrepreneur and facilitate the progression from a new entrepreneur towards an established business owner – or, on the contrary, may discourage it. The context for entrepreneurship may also be very much impacted by national and global events and societal changes, and it can also reflect government priorities.

| |
|---|
| A1. Entrepreneurial Finance: there are sufficient funds for new startups |
| A2. Ease of Access to Entrepreneurial Finance: and those funds are easy to access |
| B1. Government Policy – Support and Relevance: policies promote and support startups |
| B2. Government Policy – Taxes and Bureaucracy: new businesses are not over-burdened |
| C. Government Entrepreneurial Programs: quality support programs are widely available |
| D1. Entrepreneurial Education at School: schools introduce entrepreneurial ideas |
| D2. Entrepreneurial Education Post-School: colleges offer courses in how to start a business |
| E. Research and Development Transfers: research is easily transferred into new businesses |
| F. Commercial and Professional Infrastructure: quality services are available and affordable |
| G1. Ease of Entry – Market Dynamics: markets are free, open and growing |
| G2. Ease of Entry – Burdens and Regulations: regulations encourage not restrict entry |
| H. Physical Infrastructure: good-quality, available and affordable |
| I. Social and Cultural Norms: encourage and celebrate entrepreneurship |

Table 7.1. National Entrepreneurship Framework Conditions (EFCs)
Source: GEM (Global Entrepreneurship Monitor), 2023

GEM created a specific tool for assessing an economy’s entrepreneurial ecosystem against nine Entrepreneurship Framework Conditions (EFCs). These are based on twenty-five years of research and experience. At least 36 experts in each country, carefully selected according to their knowledge and expertise, participate in the national expert survey (NES) each year, with up to 170,000+ interviews, being annually conducted worldwide.

The scores representing each framework condition are evaluated on a scale of 0 to 10. The midpoint five may be seen as a threshold: EFCs taking a value below 5.0 are assessed by the experts to be an inadequate or insufficient condition to support entrepreneurial activity, and EFCs taking a value of 5.0 and above are regarded as adequate while still allowing differences in magnitude.

In 2023, most of the EFCs in Lithuania occupy the higher ground, by taking values over 6, with only a few out of 13 positions scoring less than 5.0. Figure 7.1 presents a more detailed picture by reporting the values and confidence intervals for each of the thirteen pillars describing the entrepreneurial context.

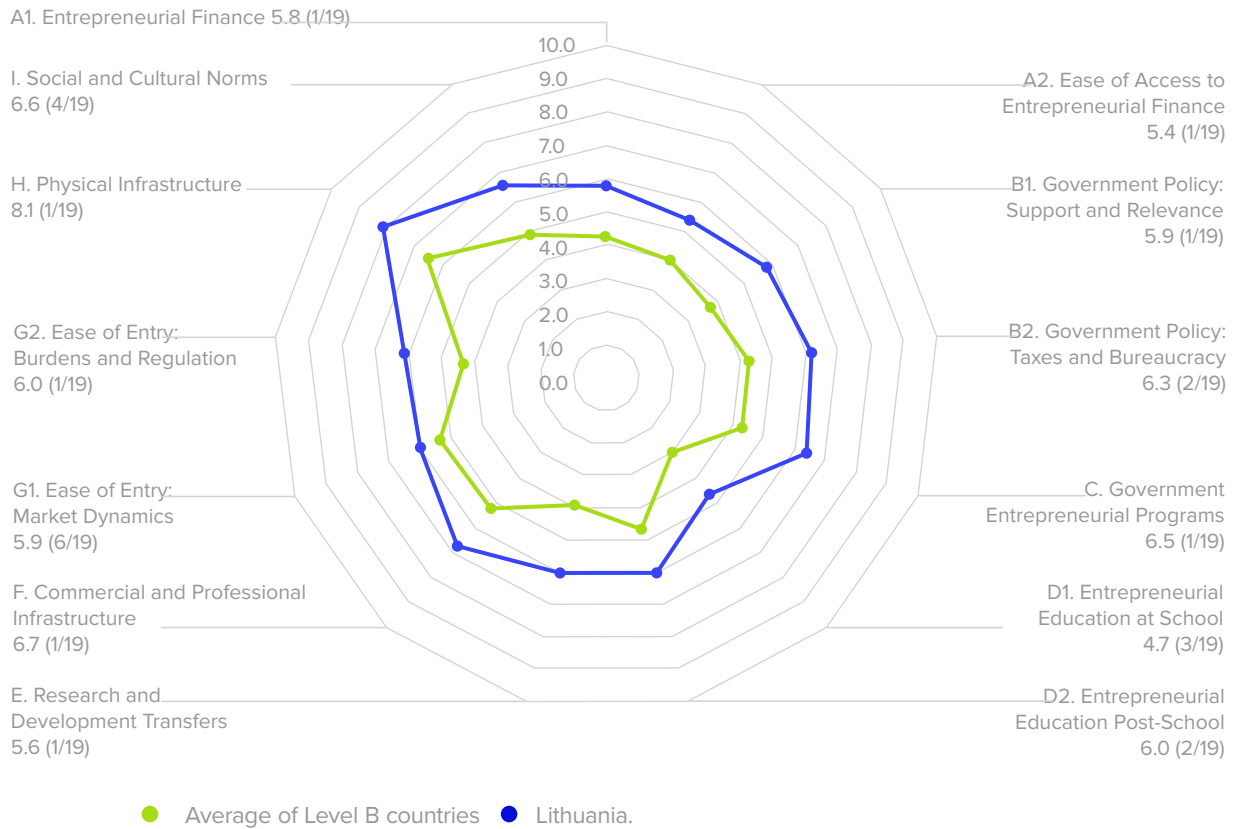


Table 7.1. Figure 7.1. Entrepreneurial Framework Conditions in Lithuania in 2023
 Source: GEM National Expert Survey, 2023

Lithuania’s high-quality entrepreneurial environment dipped slightly when the military conflict started in Ukraine. By 2023, it had been restored. From 2022 to 2023, 11 of Lithuania’s 13 Entrepreneurial Framework Condition (EFC) scores increased, with only two values experiencing reduction.

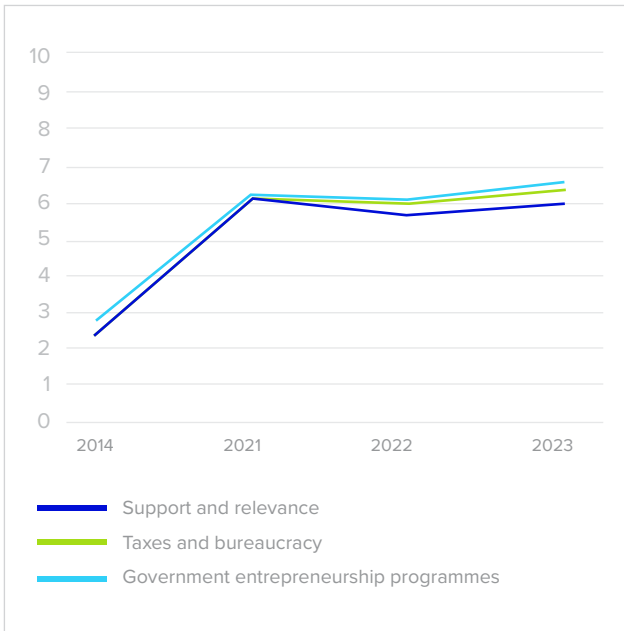


Figure 7.2. Government Policies and Programmes.
Source: GEM National Expert Survey, 2014, 2021–2023

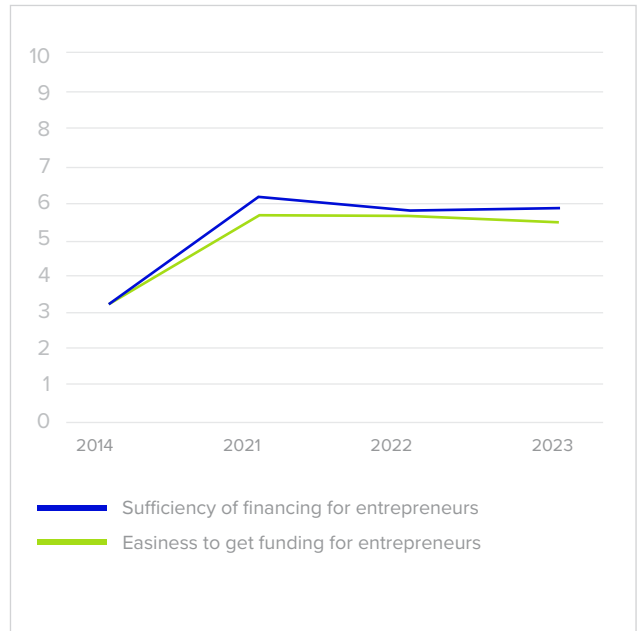


Figure 7.3. Entrepreneurial Finances
Source: GEM National Expert Survey, 2014, 2021–2023

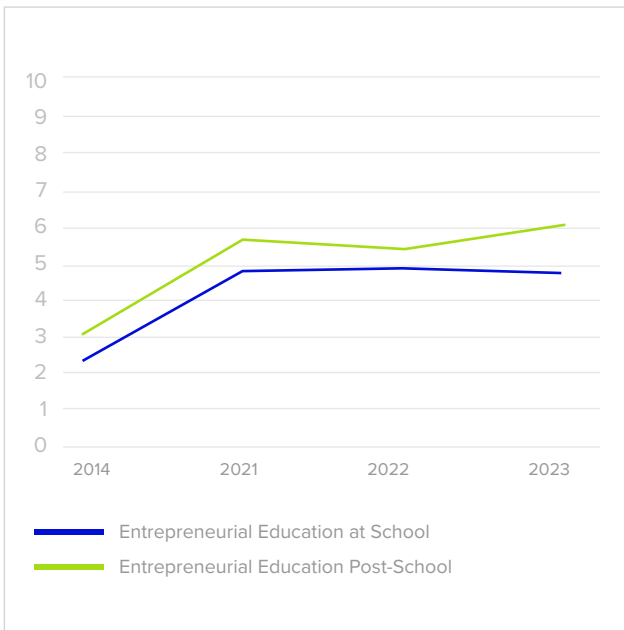


Figure 7.4. Entrepreneurial Education
Source: GEM National Expert Survey, 2014, 2021–2023

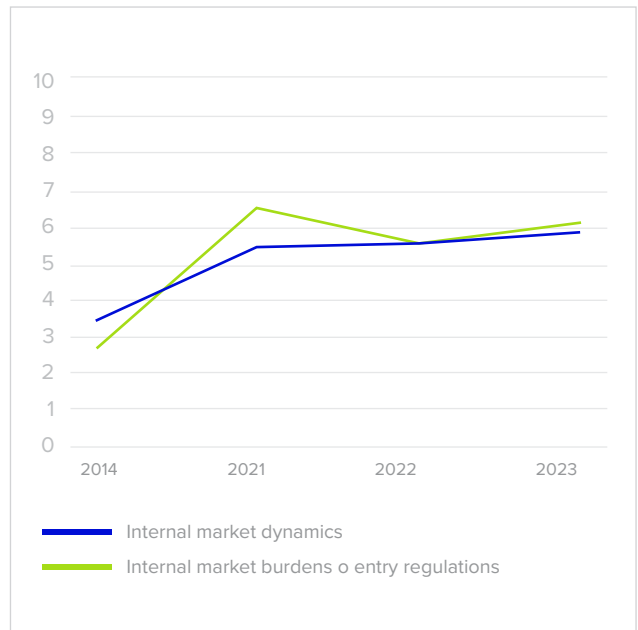


Figure 7.5. Internal Market Dynamics
Source: GEM National Expert Survey, 2014, 2021–2023

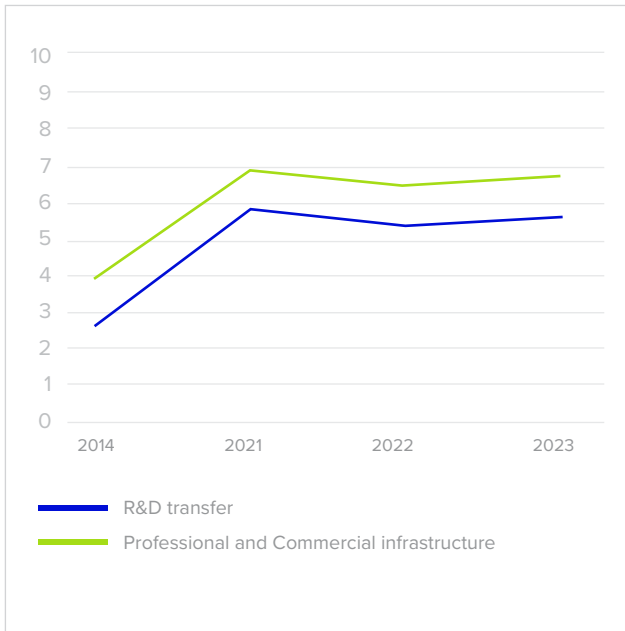


Figure 7.6. Research and Development Transfer and Professional Infrastructure
 Source: GEM National Expert Survey, 2014, 2021–2023

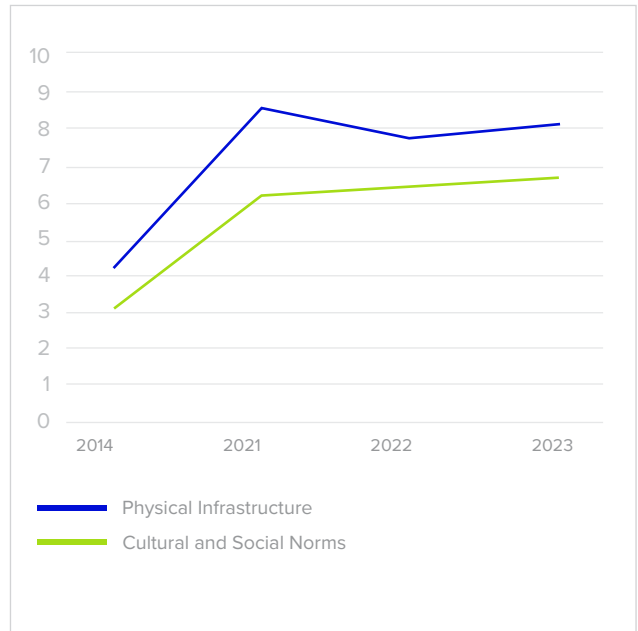


Figure 7.7. Physical Infrastructure and Social Norms
 Source: GEM National Expert Survey, 2014, 2021–2023

The most significant increases were for entrepreneurial education post-school, the ease of entry considering legal burdens and regulations, and government entrepreneurial programs. In 2022 and 2023, Lithuania had only one insufficiently scoring EFC value: entrepreneurial education at school. Another low score approaching the insufficiency scale is the research transferred to new businesses. Those two areas need vital improvement, especially considering that Lithuania has one of the lowest scores among countries regarding innovative entrepreneurs introducing new products.

As with many economies, entrepreneurial education at school had the lowest score; however, for Lithuania, changes in this area are crucial due to the number of new entrepreneurs, which decreased last year. The physical infrastructure had the highest scores for both 2022 and 2023. In 2021, Lithuania had a National Entrepreneurial Context Index (NECI) score of 6.1, placing it fifth among the 47 economies in GEM that year. This score fell to 5.8 in 2022 (rank 6), but recovered to 6.1 in 2023, putting it fourth among GEM economies covering more than 70% of global GDP.

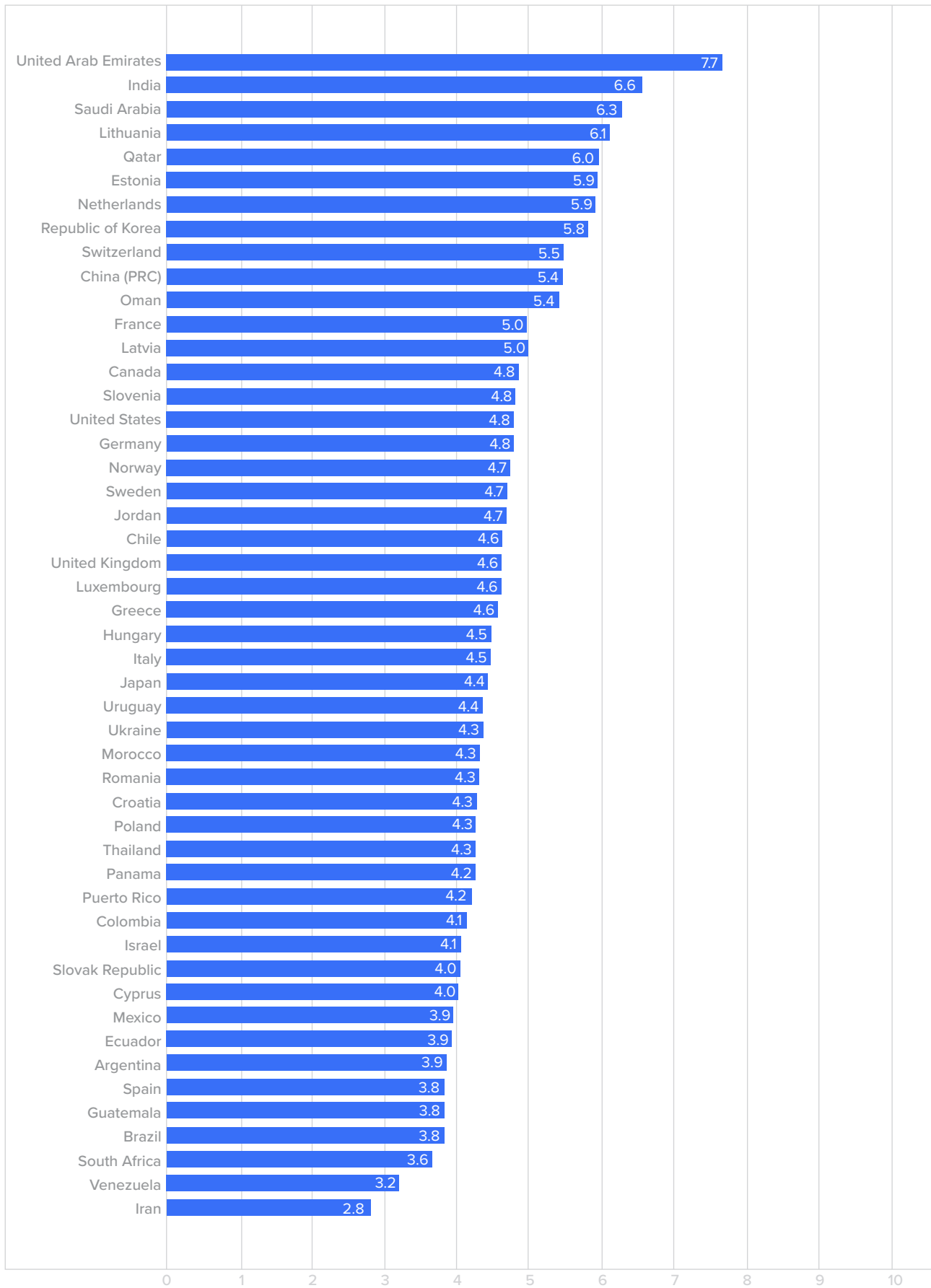


Figure 7.8. National Entrepreneurial Context Index (NECI), 2023
 Source: GEM National Expert Survey, 2023

Conclusions

The results of the GEM Lithuania Adult Population Survey (APS) and the National Expert Survey (NES) for 2023 provide a unique opportunity to lift the lid on a range of issues that lie at the core of the entrepreneurial process in Lithuania.

Looking back to 2023, some very positive indicators for Lithuania's economy can be defined despite the range of challenging economic pressures and global insecurity. Although Lithuania's entrepreneurial environment quality dipped slightly when the military conflict started in Ukraine in 2022, however, by 2023, it had been restored. From 2022 to 2023, 11 out of Lithuania's 13 Entrepreneurial Framework Condition (EFC) scores showed an increase.

More than one in three adults reported that their household income fell in 2023, which is a sharp change from the year before; however, Lithuania continues to have a high profile for entrepreneurship, with seven out of 10 adults personally knowing someone who had recently started their own business.

Three out of five adults saw good opportunities to start a business locally. However, despite the improving entrepreneurial environment, the percentage of adults starting or running their own business in Lithuania in 2023 (6.7%) was well down on the value of 12.7% of the year before.

Men and women have equal access to resources in Lithuania; however, having more than three men starting a business for every two women doing the same in 2022; however, as little as one year later, the rate of women entrepreneurs exceeded that of men as male entrepreneurship fell from 16.6% to 6.1% in 2023.

In 2023, the Established Business Ownership rate almost doubled compared to 2022, to nearly 15%, which was the second highest score in advanced economies, and around one in five new entrepreneurs expected to employ another six or more people over the next five years.

Scarcity to lose a job and higher income was by far the dominant motivation agreed upon by four out of five new entrepreneurs. Still, around 60% of entrepreneurs considered social impact and environmental conditions to be vital while starting a business or developing (an) already existing one(s).

However, some challenges need to be addressed urgently. The share of early-stage and established business owners in Lithuania who are engaged in various combinations of new product markets and exporting activities outside Lithuania is low and needs to be addressed.

Further, the Entrepreneurial Framework Conditions (EFC) show that entrepreneurship is facing some challenges ahead. In 2023, Lithuania was ranked 4th in the quality of the Entrepreneurship Framework Conditions. However, entrepreneurial education in schools and the transfer of research results into business remain low and continue to decrease further.

Overall, this report has provided a range of indicators of individual entrepreneurs' attitudes, activity, and aspirations during Lithuania's most challenging economic periods in the last decade. The analysis has shown that entrepreneurial fundamentals remain relatively strong in Lithuania in 2023 despite some differences being observed at the level of municipalities. However, several areas have taken notable knocks or are starting to show early trends of decrease that should be of policy concern.

Therefore, interventions by stakeholders in the private and public sectors are required to help strengthen the context and conditions for entrepreneurship, especially in relation to new entrepreneurs, the education sector, and research transfer, as well as issues related to digitisation and international business networks.

GEM Lithuania Sponsors

The Global Entrepreneurship Monitor in Lithuania is made possible through the generous support and collaboration of the following esteemed organizations:

Vilnius University Business School: As a leading business education and research institution, Vilnius University Business School fosters entrepreneurial thinking and innovation, while shaping Lithuania's entrepreneurial landscape. It is also the host and founding organisation of the Lithuanian GEM team, further demonstrating its commitment to entrepreneurship research and development.

Moody's: In a world shaped by increasingly interconnected risks, Moody's, a global integrated risk-assessment company, helps customers develop a holistic view of their world and unlock opportunities with its data, insights, and innovative technologies. Since its establishment in Vilnius in 2019, the Lithuania Capability Center has been instrumental in providing operational capabilities to a network of rating offices in EMEA and supporting global corporate functions, including HR, IT, Commercial, Corporate Affairs, and Finance.

Ministry of Economy and Innovation is responsible for overseeing government functions relevant to Lithuania's economic progress. It focuses on facilitating business development, supporting small and medium-sized enterprises (SMEs), ensuring access to capital, and promoting entrepreneurship. It also strives to streamline regulations to reduce the administrative burden on businesses, thereby creating an environment conducive to business growth. In addition, the Ministry is committed to improving Lithuania's investment climate by attracting foreign investors and supporting local investment initiatives, thereby strengthening the country's economic landscape.

Innovation Agency Lithuania: Enabling an ecosystem for innovation. The priorities of Lithuania's innovation policy are guided by smart specialisation. The Innovation Agency Lithuania was established in April 2022 and is tasked with developing a consistent, systematic, and clear innovation ecosystem. It provides assistance to businesses and promotes innovation at all stages of business development.

The Seimas of the Republic of Lithuania exercises legislative power in Lithuania. The powers of the Seimas are defined by the Constitution and the laws of Lithuania. The primary function of the Seimas is to consider, adopt and issue laws and amendments to the Constitution.



Global Entrepreneurship Monitor

