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Rialti, Riccardo, Pellegrini, Massimiliano M., Caputo, Andrea and Dabic, Marina (2017) Entrepreneurial education and internationalisation of firms in transition economies: a conceptual framework from the case of Croatia. World Review of Entrepreneurship, Management and Sustainable Development, 13 (2/3). pp. 290-313. ISSN 1746-0573

http://dx.doi.org/10.1504/WREMSD.2017.10003436

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Entrepreneurial Education and Internationalisation of Firms in Transition Economies: A Conceptual Framework from the Case of Croatia

Riccardo Rialti
Ph.D. Student in Management and Business Administration
DISEI-Dipartimento di Scienze per l'Economia e l'Impresa
Università degli Studi di Firenze
Firenze, IT
riccardo.rialti@gmail.com

Massimiliano M. Pellegrini, PhD
Lecturer in Business and Management
Claude Littner Business School
University of West London
London, UK
Massimiliano.Pellegrini@uwl.ac.uk

Andrea Caputo, PhD
Senior Lecturer in Strategy
Lincoln Business School
University of Lincoln
Lincoln, UK
acaputo@lincoln.ac.uk

Marina Dabic, PhD
Professor of International Business and Entrepreneurship
Faculty of Economics and Business,
University of Zagreb,
J.F. Kennedy Square 6,
10000 Zagreb, Croatia
and
Nottingham Business School,
Nottingham Trent University,
Burton street, Nottingham NG1 4BU, UK
Email: marina.dabic@ntu.ac.uk

Biographical notes:
Riccardo Rialti is a Ph.D. Student in Management and Business Administration from the University of Florence (IT). His main research interest is entrepreneurship, specifically how entrepreneurial characteristics relate to firm image and performance. Furthermore, he is also interested in business ethics, branding, and digital technologies for communication. In the last years, he attended a number of national and international conferences presenting various papers on these topics.

Massimiliano M. Pellegrini, is a lecturer in Business and Management at the Claude Littner Business School – University of West London. He received his Ph.D. from the University of Rome Tor Vergata and he has been Visiting Scholar at the Wharton school – University of Pennsylvania (US), and at the University of Erlangen-Nuremberg (Germany). He is currently

Programme Chair for the Strategic Interest Group of Entrepreneurship (E-ship SIG) at the European Academy of Management (EURAM). Massimiliano research interests are in entrepreneurship, ethical behaviors, and family business, with related international publications in e.g. JBE and BPMJ.

Andrea Caputo is Senior Lecturer in Strategy at the Lincoln Business School (UK). He received his PhD in Management from the University of Rome 'Tor Vergata', in Italy. He has also been Visiting Scholar at the University of Queensland Business School and at The George Washington School of Business. His main research expertise is related to negotiation, decision-making, entrepreneurship and strategic management. He has authored a number of international publications and his work has been presented at international conferences, such as the Academy of Management and the European Academy of Management. He is also an active management consultant and negotiator.

Marina Dabic is a full Professor of International Business and Entrepreneurship and at the University of Zagreb, Faculty of Economics and Business, Croatia and Nottingham Business School, NTU, UK. She edited five book series published in Poland, Slovenia, Croatia and the UK. She has edited several special issues on innovation, HRM and transfer technology. She participated in more than 80 conferences and published 50 papers appeared in wide variety of international journals including JIBS, JWB, JBE, IMR, EMJ, TBR IJPDLM and MIR among others. In her carrier, she achieved success in working on numerous projects, as well as the primary supervisor on the projects granted by European commission.

Entrepreneurial Education and Internationalisation of Firms in Transition Economies: A Conceptual Framework from the Case of Croatia

ABSTRACT

The aim of this paper is to offer an integrated perspective on internationalisation process in transition economies and the role that an entrepreneurial education can play in it. The context of a transition economy, such those countries belonging to the former Yugoslavian republic, deeply affect the entrepreneurial activities established. Internationalisation offers a viable advantage to entrepreneurs and their firms to overcome a limited internal market and hostile conditions faced in the local environment. Thanks to the results obtained by a stream of studies focused on the entrepreneurial context in Croatia, we build a framework to explore the problems faced by entrepreneurs when internationalisation is considered and possible solutions. Our main contribution is the proposition of an entrepreneurial education as facilitator of the process. Indeed, entrepreneurial education, considered as formal education and an entrepreneurial university context, can directly ameliorate the process of internationalisation. Simultaneously it can also affect the networking strategy that in literature is another prominent element tackled regarding the problem of internationalisation in transition economies. Thus, entrepreneurial education may represent a strong boost in which to invest with public policies and targeted interventions.

Keywords: Entrepreneurial Education, Entrepreneurship, Internationalisation, Transition Economies, Croatia, Network.

Entrepreneurial Education and Internationalisation of Firms in Transition Economies: A Conceptual Framework from the Case of Croatia

1. Introduction

Macro-economics and sociocultural factors are known to be major elements in shaping entrepreneurial activities and the mind-set to approach such problem (Welter, 2011).

Specific to those countries of the former Yugoslavia, hostile conditions for private initiative, planned economy, instability both social and political, civil war and limited size of the domestic market can be listed as some of the factors influencing the entrepreneurial evolution and diffusion (Dana, 1999; 2010; Ramadani, 2013; Ramadani and Dana, 2013; Ramadani, Hisrich & Gerguri-Rashiti, 2015).

In such conditions, entrepreneurship in transition economies has been exploited to overcome unemployment (Dana, 1997; Hoxha, 2008) and often rely on personal finance or on financing means from families and friends (Hitt *et al.*, 2000; Manolova *et al.*, 2014).

However, despite all these negative conditions, the entrepreneurial context nowadays is flourishing in these countries (Dabić *et al.*, 2012; Dana and Ramadani, 2015). Recently, with the advent of the globalisation era, many firms, even small and medium, have approached the compelling strategy of going international. The process of internationalisation for firms from a transition economy country is possibly different compared to what happens in developed countries. Indeed, internationalisation is almost a "necessary step" in evolutionary growth even in the early stage of the life cycle, and so, it is undertaken much more frequently (Ahlstrom and Bruton, 2010; Manolova *et al.*, 2010; Manolova *et al.*, 2014). On the other hand, these entrepreneurs face serious conditions such as a lack of precise information, the ability to recognise opportunities, and capital (Gorodnichenko and Schnitzer, 2013).

In order to overcome those relevant problems, entrepreneurs from transition economies started to leverage their personal networks (e.g., He, 2009; Musteen *et al.*, 2014a, 2014b; Ramadani *et al.*, 2015). Personal networks and relational strategy help in overcoming and leveraging liabilities related to smallness, foreignness, and capital shortages (Zahra, 2005). Networks, thus, are instrumental in allowing growth of small and medium enterprises in transition economies (Dana *et al.*, 2008).

Considering these facts, it is undeniable that major attention needs to be paid to this phenomenon (Ramadani and Dana, 2013). In order to respond to such a call we proposed an integrated framework built upon studies performed in Croatia.

Croatia is a country where entrepreneurship is a fairly diffused phenomenon; entrepreneurs historically started their ventures during the civil war between 1991 and 1994, and stabilisation of the country only made the growth of the number of enterprises greater (Dana *et al.*, 2012; Ramadani and Dana, 2013).

Our general framework explores in this internationalisation panorama how initiatives of entrepreneurial education can ameliorate the situation. In particular, we followed the guidelines offered by Fayolle (2008) on an effective entrepreneurial training, and we coupled these insights with the emerging studies on entrepreneurial universities, institutions deeply involved in entrepreneurship in a wide sense. We propose that an integrated approach to entrepreneurial education can directly influence the chance of success for internationalisation and at the same time favours the networking abilities.

Our contribution is at least twofold. On one hand, we proved a quite unexplored connection between internationalisation and entrepreneurial education. This approach, despite being quite new, is valuable enough to be examined further, since this type of education is very relevant to facing the problems of internationalisation, and specifically those experienced by entrepreneurs from transition economies. Secondly, we show how

entrepreneurial education can act both directly in the process, and on the network strategy that is often used to overcome deficiencies in the social and institutional domestic environment. Formal entrepreneurial education and the entrepreneurial university context for students seem to act upon both the process itself (internationalisation) and its facilitator (networking).

Further, one result of this paper is the development of a conceptual framework, illustrating the mediating role of entrepreneurial education and of entrepreneurial universities in stimulating the birth of new entrepreneurial firms and in facilitating internalisation of established firms in transition economies (e.g., Aaltio, 2008; Alon and McIntyre, 2008; Domadenik and Pastore, 2006; Varblane and Mets, 2010). These economies, in particular Croatia, have been deemed as the ideal field of investigation (e.g., Sohinger and Horvatin, 2005). In these economies, in fact, the birth, growth and internalisation processes of firms are heavily influenced by the context.

This paper is structured in the following manner. Apart from this introduction, in the next section we present a literature review about entrepreneurship and internationalisation, specifically that occurring in transition economies. In the third part, the possible role of entrepreneurial education and entrepreneurial universities as facilitators of the internalisation of firms is explored, with a specific focus on transition economies' current *status quo*. In the fourth section, we draw specific insights from the Croatia country-case. Thanks to this, in the fifth part, we develop a conceptual framework with propositions to interpret in a coherent manner the empirical evidence collected from the country-case study, and to present an exemplary model that can be used as a benchmark for other similar economies in transition. The framework clearly highlights how an integrated approach to entrepreneurial education can facilitate the internationalisation process. Finally, we briefly summarise implications, limitations and the value of this paper for future research..

2. Entrepreneurship and internationalisation in transition economies

Entrepreneurship has historically been one of the most widely investigated topics in economic literature (Shane and Venkataraman, 2000). Traditionally related with the creation and growth of economic activities (Davidsson, 1991; Lee *et al.*, 2004; Wright and Stigliani, 2013), entrepreneurship has been studied with multiple facets over the past years. It has been identified as one of the main elements of economic growth and GDP increases (Wong *et al.*, 2005); as a factor fostering the economical sustainability of developing countries (Ahmed and Mcquay; 2005); as a factor influencing regional development through jobs creation (Venkataraman, 2004; Fayolle, 2007; Baptista *et al.*, 2008); as one of individual responses to unemployment (Caputo, Lombardi *et al.*, 2016; Gohmann, 2012; Hoxha, 2008; Tipu, 2012) in times of economic recession (Fairlie, 2013); as a driver of innovation and new product creation (Audretsch and Link, 2012; Drucker, 2014; Joshi, 2010); as a means of female and youth empowerment in developing contexts (Caputo, *et al.*, 2016; Ramadani *et al.*, 2015). Thus, successful entrepreneurship has historically been addressed as a social phenomenon characterised as a social function for the development of communities (Wilton and Toh, 2012).

Key to such studies has been the philosophical speculation on the meaning of the word entrepreneur. Knight (1921), following a well consolidated stream of literature that begins with Richard Cantillon's (1755) theories, recognised the entrepreneur as someone that is willing to bear economic risk in order to commercialise a new idea. Schumpeter defined an entrepreneur as a person who is able to convert an idea into a successful innovation, creating a value (1942). While Marshall and Guillebaud (1961), similarly, identified the entrepreneur as a capitalist able to innovate and create new products. However, in spite of this constant

interest overtime of literature, some topics about entrepreneurship have started to be explored by scholars only in more recent times (Dana, Dana and Spence, 2004; Dana, Han, Ratten and Welpe, 2012; Wright and Dana, 2003; Young, Dimitratos and Dana, 2003). Among these topics it is possible to include entrepreneurship and internationalisation of entrepreneurial firms in transition economies (Dana, 1997, 1998, 1999, 2010; Dana and Ramadani, 2015; Pollard and Simberova, 2008; Ramadani, 2013; Ramadani and Dana, 2013; Ramadani *et al.*, 2015).

2.1 Entrepreneurship in transition economies as a field of study

The expression transition economy in economic literature is used to describe countries whose economic system has shifted, or is shifting, from being centralised and government controlled to a market economy (e.g. Dana and Ramadani, 2015; Gurau and Dana, 2010; Smallbone and Welter, 2006). Thus, transition economies are countries that are progressively opening their markets towards the global economy. Furthermore, in these economies economic growth is related to increasing contact with other economies (Dana *et al.*, 2012). Due to peculiarities of those economies, in recent time literature is dedicating an ever-growing attention toward the situation of entrepreneurship and small businesses operating in the economies of former communist regimes (Dana, 1999). In particular, in a first historical phase the evolution of entrepreneurship and the birth of SMEs have been explored in China and Vietnam (Dandridge and Flynn, 1988; Chau, 1995). Then, authors moved their attention towards former soviet countries like Kazakhstan, Czech Republic, Poland and Baltic Countries (Hisrich and Gratchev, 1993; Dana, 1997; Klonowski, 2008; Zapalska, 1997). Finally, mostly due to the more recent Yugoslavian dissolution, attention started to move in the late nineties towards the Balkans. The aim of the majority of these studies was

demonstrating that context is one of the principal factors influencing and modifying the motivations behind becoming an entrepreneur. Such studies outlined how entrepreneurs in transition economies are different from their developed countries counterparts. In the next sections, we will further explore such concepts (e.g., Gurau and Dana, 2010; Smallbone and Welter, 2006).

2.2 Entrepreneurs in transition economies: The principal differences from the general paradigm

Entrepreneurship diffusion and personal attitudes toward becoming an entrepreneur are heavily influenced by macro-economic factors and social-cultural factors (Dana *el al.*, 2012).

In developed western countries, characterised by business friendly environments and political stability since the Second World War, entrepreneurship have thrived and many have become entrepreneurs in order to capitalise on innovation and on existing market niches. For other countries however, such as those of the ex-soviet bloc or of the ex-Yugoslavian peninsula, the same cannot be said (e.g., Birzulis, 2002; Gurau and Dana, 2010). Problematic environments, a combination of political and economic instability, lack of effective policies supporting entrepreneurs, limited sizes of domestic demand and market, and conflicts have substantially altered motivational and intentional models to pursue such a career, and to some extent the concept of "being an entrepreneur" in these countries (Aidis, 2005; Dana, 1997, 1998, 1999, 2010; Dana and Ramadani, 2015; Ramadani, 2013; Ramadani and Dana, 2013; Smallbone and Welter, 2006).

Traditional literature focused on entrepreneurship in transition economies, paid much attention to the role of privatisation and liberalisation during peacetime. This element indeed has allowed private entrepreneurship to flourish, or in some cases even become legal (Dana

et al., 2012). Nevertheless, although these two processes are prerequisites, the phenomenon of becoming an entrepreneur or starting a company is much more complex than simply the statutory right for private citizens to engage with economic activities.

Accordingly, the academic debate has recently also moved forward, beyond the mere role of privatisation and liberalisation that remain elements studied for entrepreneurial diffusion (Dana, 1997; Dana *et al.*, 2004; Estrin *et al.*, 2009; Dana *et al.*, 2012; Ramadani and Dana, 2013). The expansion of the phenomenon of entrepreneurship in transition economies hence is related to the evolution of the context in time and it is influenced by several factors: the legacy of the communist period that created a hostile environment for private business, a series of new social needs, the tormented conflicts, and the instability of a relatively young and not well-balanced market (Hitt, Dacin, Levitas, Arregle and Borza, 2000; Wright and Dana, 2003). Firstly, "entrepreneurs" operating in a parallel, mostly illegal or informal, economy appeared (e.g. Williams, 2015). Secondly, "regular entrepreneurs" started doing business after wars. In particular, when and where economy was growing again (Julien, 1989).

During communist regime, the economy of transition economies was strictly regulated; central planning in effect did not left much space for private initiative (Hitt *et al.*, 2000). Private initiative in fact was forbidden by law in the majority of communist regimes (Smallbone and Welter 2001; 2006). In this situation, the allocation of resources and goods was utterly inefficient, and a black market, for foreign goods in particular, was thriving. Thus, doing business in parallel with the regulated economy became the first form of "entrepreneurship" in those countries. Private citizens, due to these inefficiencies, then started becoming "entrepreneurs" in the parallel economy, providing solutions to inefficiencies and gaining profits from that (Grossman, 1977; Lavigne, 1995). Such economic activities, mostly related to smuggling, continued to grow during the war and during the first

phases of transition, making the fortunes of many (Dana, 1998; Ramadani and Dana, 2013). Furthermore, this fact has contributed to shaping the post war economy in many transition economies with a high level of distrust toward institutions (Johnson *et al.*, 1997; Feige and Ott, 1998; Johnson *et al.*, 2000; Smallbone and Welter, 2006).

After the conflict, or eventually after the fall of a regime, frequently a phase of progressive normalisation of the situation began (Tridico, 2013). In this period, privatisation, liberalisationand economic development played a crucial role in the birth of the new business and in diffusion of entrepreneurship. Firstly, privatisation of national conglomerate caused increases in unemployment to a problematic level (Commander and Coricelli, 1995; Hoxha, 2008). Thus, many unemployed, as often happens during recessions or after the collapse of firms (Shepherd, 2003), began to create small businesses in order to work again as self-employed (Meager, 1992; Ramadani and Dana, 2013). Then, becoming an entrepreneur in the first phase of transition towards a market economy was effectively necessity driven (Ageev *et al.*, 1995; Tipu, 2012). Secondly, liberalisation and a market economy pushed the now privatised firms to achieve profitability and survive in an open market, to vacate many market niches, which were progressively served by new private entrepreneurs (Ramadani and Dana, 2013; Petković and Tešić, 2013).

In such conditions, entrepreneurship in transition economies flourished, often to overcome market inefficiencies and as a response to unemployment. Those entrepreneurs therefore rarely are Schumpeterian innovators (1942) in the traditional sense; frequently their businesses operate in traditional sectors of economy like agriculture, construction, manufacturing and distribution (Peng, 2001; Ramadani and Dana, 2013; Ramadani, 2013; Ramadani, 2015). Furthermore, in order to establish a new entrepreneurial venture, those entrepreneurs often rely on personal finance or on financing means from families and friends,

principally because in transition economies a well-structured financial system does not yet exist (Hitt *et al.*, 2000; Manolova *et al.*, 2014).

Those entrepreneurs often do not possess a traditional academic education (e.g., Aaltio, 2008; Alon and McIntyre, 2008 Domadenik and Pastore, 2006; Varblane and Mets, 2010). Principally, many new entrepreneurs in fact are former farmers that received lands formerly expropriated by the government, former communist party executive exploiting their political knowledge to start businesses, former enterprises' workers now unemployed and former operators in grey market (Ageev *et al.*, 1995; Peng, 2001:96). In addition, many innovative new ventures are indeed established by former migrants returning home after a period of work in a foreign country, during which they have acquired some knowledge on business administration and management (Ramadani and Dana, 2013). Apart from former unemployed people starting their own ventures, the principal motivation behind becoming an entrepreneur in transition economies is the desire for professional independence, the necessity to boost income and for personal fulfilment (Peng, 2001; Smallbone and Welter, 2001). In contrast to developed countries middle-aged entrepreneurs and entrepreneurs leading micro enterprises from transition economies show a high aversion to risk taking and prefer to operate in classical sectors of economies instead of differentiating or innovating (Smallbone and Welter, 2001).

Due to the particular context of origin of those firms, and of the peculiarities of those entrepreneurship venture like difficult financing, sector of operation and lack of innovativeness, for those firms it is difficult to compete on an international level and to internationalise their business (e.g., Pollard and Simberova, 2008).

2.3 Internationalisation in transition economies

Internationalisation has been defined as the process of expansion towards a different country market from the one where the firm has been established (Calof and Beamish, 1995). Internationalisation occurs in several forms; firms that have some relations with a foreign counterpart or that have some of their activities in a foreign country can be classified as internationalised, to some extent (Gurau, 2002; Kalinc and Forza, 2012; Pollard and Simberova, 2008). Many motivations may justify the decision to undertake a strategy of internationalisation: a cost-cutting strategy moving less value activities towards country with lower labour cost (Wolf, 1977; Lee and Makhija, 2009); fiscal benefits transferring part of the firm in a country with a lower taxation system (Swank, 2006); exploiting competitive advantages established in the home country in less developed countries (Westhead *et al.*, 2001); a strategic response to a competitor which is internationalising or already internationalised (Zucchella *et al.*, 2007); expanding business towards a new market in pursuing new market opportunities or after reductions in the internal demand (Kyläheiko *et al.*, 2011; Hessels and Parker, 2013).

In the last decades, the progressive phenomenon of the "global economy" has appealed many firms from developed countries toward international market (Dana *et al.*, 2012), and this is mostly due to business friendly environments and positive policies toward the international expansion of businesses (Dana, 2001). However, firms from transition economies did not follow such a trend; internationalisation for them is still a recent phenomenon even in the academic literature (Dana, 1997, 1998, 1999, 2010; Dana & Ramadani, 2015; Pollard and Simberova, 2008; Ramadani, 2013; Ramadani & Dana, 2013).

The process of internationalisation of enterprises from transition economies is a phenomenon with specific characteristics compared to those firms in developed countries. First, internationalisation in transition economies is mostly seen as a "necessary step" in evolutionary growth (Ahlstrom and Bruton, 2010; Pollard and Simberova, 2008) and may

occur in the first phases of firms' life cycle, contrary to the traditional pattern of their western counterparts (Manolova *et al.*, 2014). Second, firms from transition countries try to undertake processes of internationalisation more frequently than the ones from developed countries (Manolova *et al.*, 2010). Indeed, the business models of those firms are focused on creating value by exporting products produced at minor cost due to lower cost of labour (Manolova *et al.*, 2010). The principal motivations of these differences with respect to firms from developed countries thus are related to a smaller domestic markets of their countries of origins and lower manufacturing costs that allow them to export the majority of their products (Hitt *et al.*, 2000).

Such considerations are valid even when talking about SMEs and entrepreneurs of these countries who wish to internationalise. In developed countries, studies have indeed identified that one of the principal problems faced by entrepreneurs in internationalisation processes is the choice concerning the entry strategy, i.e. the best strategy to approach the new market (Andersen, 1997). Instead, in transition economies scholars observed that the main problems experienced by entrepreneurs are: a lack of precise information about the target market (Greenaway *et al.*, 2007), a lack of financial resources to be invested in internationalisation in combination with an impossibility of raising capital from the domestic financial market (Gorodnichenko and Schnitzer, 2013).

In order to overcome those three relevant problems deriving from the institutional context, entrepreneurs from transition economies started to leverage their personal networks (He, 2009; Musteen *et al.*, 2014a, 2014b). Leveraging personal networks appears as principal solution to institutional problem of transition economy, and thus the most interesting characteristic of the internationalisation in these economic systems. Networks help in overcoming and leveraging liabilities related to smallness, foreignness, and capital shortages (Zahra, 2005). On one hand, personal networks can assist in opportunity recognition (He,

2009), facilitating the development of international marketing strategy (Coviello, 2006; Tang, 2011), and increasing the quantity and the quality of knowledge resources needed to compete (Aldrich and Carter, 2004; Patton, 2014). Thus, they play an effective role in speeding up the process (Kiss and Danis, 2010). On the other hand, personal networks may also allow entrepreneurs to raise the capital necessary at the beginning of the internationalisation process or to absorb potential losses. Such "sources" of capital, in most cases, are non-institutional such as friends, family members or other partners (Musteen *et al.*, 2014a).

Thus, in transition economies, the role of financial institutions, that principally is limited to allocating some international subsidies for business, is only marginal and often completely replaced by private national or international networks (Musteen *et al.*, 2014b). For this reason, institutions should seriously reflect upon what kind of support, programs, and *ad hoc* policies offered to entrepreneurs and firms that are willing to internationalise. Some examples could be: implementing easier systems to access public funding; activating training courses on international trading and legal systems; encouraging formal courses focused on management, business administration and entrepreneurship (Manolova *et al.*, 2014).

A summary of these considerations is visually reported in figure 1

Figure 1 about here

Exactly in line with the last consideration, the third paragraph explores the role of entrepreneurship education as a facilitator for internationalisation of SMEs.

3. Entrepreneurial education as a key facilitator for internationalisation

A traditional approach to entrepreneurship implies that only some people with natural predispositions could eventually become entrepreneurs during their life (Cunningham and Lischeron, 1991), thus such a discipline cannot be taught (Thompson, 2004). However, more recently this concept is rapidly losing consensus; in fact, an ever-growing number of authors agree with Drucker's (1958) idea that some aspects of entrepreneurship can be effectively taught or at least trained (Kuratko, 2005). As proof of such achange in mind-sets, in recent years many universities all over the world have started offering a growing number of entrepreneurship-related academic programs (Fayolle, 2013); in the U.S. alone, more than two thousand courses have been activated (Kuratko, 2005).

Even in this favourable context toward entrepreneurial education, a standard method of how to teach entrepreneurship to students still does not exist in literature (Fayolle, 2008). Entrepreneurial programs are frequently driven by more educators' experiences than scientific theories (Fayolle, 2008). Anyways, as entrepreneurial education became a more mature field of research, a prevalent model has appeared. This model, which descends directly from traditional education science (Green and Rice, 2007; Fayolle, 2008), is based on five questions educators must answer to be effective: *Why it is necessary to teach entrepreneurship? What should be thought in terms of the content? Who is composing the audience? How could some facts of entrepreneurship be transmitted to them? What are the expected results?*

Following this model, the educator or the institution first has to identify which social needs s/he is answering, and has to focus on which goals entrepreneurial education program should achieve (Fayolle, 2008). According to Kirby (2007), making the student understand the entrepreneur's role in the society and the appeal of this career is one of the most important goals. Secondly, there is the design task i.e. selecting and organising contents of the program that can balance the two "souls" of the discipline (Fayolle and Gailly, 2008).

The educator has to simultaneously transfer knowledge of the "professional" dimension of entrepreneurship (hard skills), which consists of know-what, know-how and know-who, and of the "spiritual" dimension (soft skills), which is the know-why and know-when of acting, with a flavour of theories on entrepreneurship (Fayolle, 2008). Thirdly and fourthly, then, the educator should focus on the task of identifying the level of competence of the audience, and then select the methods of teaching and delivery. Fifthly, and finally, educators' focus on structuring an entrepreneurial education program has to determine methods for assessment of results (Fayolle, 2008; Fayolle and Gailly, 2008).

Entrepreneurial education programs, if well structured and organised following a validated framework, can potentially stimulate entrepreneurial latent propensity in students and can prepare them to entrepreneurship in real world (e.g., Aaltio, 2008; Varblane and Mets, 2010). Furthermore, *ad hoc* entrepreneurship education programs can also be instrumental in modifying the propensity of students and existing entrepreneurs toward internationalisation, particularly in contexts such as transition economies (Dabic *et al.*, 2012). For example, a program focused on a particular know-who could provide students useful insights that can help them in the process of internationalisation and in the formation of new networks (Aaltio, 2008; Johannisson, 1991). A program focused on know-when could be instrumental in preparing new entrepreneurs in taking decisions on when to change a strategy (Fayolle, 2008). Finally, a program with a great quantity of information on financial structures can be instrumental in teaching students how to build a balanced capital structure and how to raise capital for internationalisation (Johannisson, 1991).

Thus, education can theoretically be a facilitator of internationalisation. Specific programs aiming at teaching how to internationalise a firm furthermore can thus also be activated in their home country.

3.1 The state of entrepreneurship education programs in transition economies

After the fall of communism, principally due to an increasing awareness on the role of entrepreneurship for economic development, some entrepreneurship education specific programs have been promoted by governmental institutions. However, the quality of these first attempts was quite low. Indeed, although education has always been a priority in many of those countries even during communism, the education programs in entrepreneurship were based primarily on transferring knowledge on hard skills like chemistry and mechanics, and changing the mind-set of educators was almost impossible (Aaltio, 2008; Ibicioglu *et al.*, 2008; Varblane and Mets, 2010). Due to a greater need for entrepreneurial formation, as well as the new availability of foreign educated professional teachers and scholars (Matlay, 2001), the situation of entrepreneurship education in transition economies is rapidly changing (Varblane and Mets, 2010). In recent times, collaboration with universities from fully developed countries has had principal effects on the establishment of courses on the topic. The focuses are related to the stimulation of personal vocation toward becoming an entrepreneur, and naturally the development of entrepreneurial ideas, and academic programs on SMEs management (Jones *et al.*, 2008; Varblane and Mets, 2010). The role of education furthermore has become even greater after an increased legitimacy in the literature and in practice of the concept of the "triple helix", a paradigm in which university, industry, and government are necessary actors for rapid economic growth and innovation (Etzkowitz and Leydesdorff, 2000).

In spite of these huge changes in the education sector in transition economies, some problems persist. For instance, entrepreneurship programs are still limited; most of the time they are quite traditional management courses with few modules focused on entrepreneurship and an even smaller number aiming at developing entrepreneurial attitudes, vocation, and soft

skills and mind-set (Jones *et al.*, 2008). There is also a need for modules led by practitioners, i.e. "real life" entrepreneurs, due to their role model function and thus a more incisive involvement in teaching activities. Regarding the pedagogical aspects, teaching rarely is in English and there is still a too passive approach to learning (Verblane and Mets, 2010).

An effort should be made to remove such problems since students and entrepreneurs have shown positive responses towards attending vocation-oriented courses (Matlay, 2001). New academic programs on entrepreneurship specifically designed for a transitional economy environment should have a series of requisites. Regarding the "professional" dimension of entrepreneurship (Fayolle and Gailly, 2008) the programs should consider how to finance a firm, how to improve human relationships, how to plan a strategy and the creation of a business plan (Ibicioglu *et al.*, 2008; Jones *et al.*, 2008). Concerning the "spiritual" dimension (Fayolle and Gailly, 2008) new programs should contribute to making new and potential entrepreneurs proactive towards problems and decision-making and more favourable toward innovation (Lloyd-Reason *et al.*, 2002).

The implementation of policies to develop entrepreneurship education programs in transition economies can thus have a huge potential impact on economic development of those countries; especially if governments and universities will encourage and support the creation of on entrepreneurship programs where students have strong interaction with entrepreneurs and potential investors (Arthur *et al.*, 2012). However, teaching students and entrepreneurs how to internationalise their venture firm will be fundamental in the future to avoid the classical problem of a transitional economy, i.e. the relative small market and a lack of internal demand (Dana, 2001).

4. Context of research: Evidence from Croatia

Croatia is a country of 21,829 square kilometres in Eastern Europe. It borders with Bosnia-Herzegovina, Hungary, Montenegro, Serbia and Slovenia. Furthermore, Croatia also has a mainland coastline on Adriatic Sea, approximately 1,777 kilometres long. In 1991, in the same moment as Slovenia, Croatia became the first country of former Yugoslavia to declare its independence. This then caused a civil war that lasted until 1995. In the last phases of the civil war (1994), to prepare to be an independent country, Croatia started the transition from a planned economic system towards a market economy, privatising some of the national enterprises. This process, albeit often being defined as a "tycoon based privatisation" (Glas *et al.*, 2000), was relevant and represented the first step toward becoming a modern economy.

However, Croatia, while being one of the first countries in the Balkans to privatise public firms, was less reactive in implementing policies to favour entrepreneurship development, which was activated only some years later. In 1997, the state granted a concession for a free economic zone in Osijek and then in 2001, the Strategic Planning Office of the Government recognised entrepreneurship and technological activities as top priorities to be incentivised (Dana *et al.*, 2012; Sohinger and Horvatin, 2005). They also removed the existing barriers for foreign investments. Finally, in 2002, the first law promoting entrepreneurship was ratified.

As of 2010, the effects of these progressive policies are evident: Croatia nowadays counts more than 90,000 enterprises (Dana *et al.*, 2012; Ramadani and Dana, 2013). According to the FINA data set (Dabić *et al.* 2013), the ex-public Financial Agency for bookkeeping services, in the new millennia before the worldwide economic crisis around 9,000-10,000 new enterprises have been established in Croatia every year, especially in Adriatic Croatia where, between 2001 and 2007, there was an increase of 44.37% of newly opened firms. Despite this fact, the densest region of Croatia in terms of firms is North-West Croatia, a region that counts 23.8 enterprises for every 1000 inhabitants. The Adriatic region ranks second, counting 22.8 enterprises for every 1000 inhabitants, and the Eastern region

(*Pannonia*) is the one with the lowest number of enterprises, only 8.5 for every 1000 inhabitants. Zagreb city, the capital, counts a concentration of 35.3 enterprises for every 1000 inhabitants. Enterprises, furthermore, employ a significant part of population in Croatia: around 55% of men and circa 45% of women (Ramadani *et al.*, 2015).

Thus, Croatia is a country where entrepreneurship is a fairly diffused phenomenon. Entrepreneurs historically started their ventures during the civil war between 1991 and 1994 and stabilisation of the country only made the growth of the number of enterprises greater (Dana *et al.*, 2012; Ramadani and Dana, 2013; Sohinger and Horvatin, 2005). While the significant risks posed by internal political stability are no longer of a concern, entrepreneurs in Croatia still struggle with lack of financing, a heavily reliance on export and risks related to variability in legal environment as the most relevant threats to their regular operations (Bublic *et al.*, 2013). In particular, as also found in other transition economies (Iakovleva and Solesvik; 2014), lack of knowledge on how to finance a start-up firm has been identified as one of most relevant problems hampering the growth of a new entrepreneurial venture (Dabic *et al.*, 2012; Ramadani *et al.*, 2015).

Such a huge phenomenon of entrepreneurship seems to be tied to a well-developed entrepreneurial spirit and propensity of young generations, and many studies have been focused on this. The study of Dabić *et al.* (2013) showed how Croatian students in economics and management usually are more prone to start their own venture in comparison with students from other former transition economies. Even in terms of desirability of becoming an entrepreneur, results from a study on the University of Zagreb performed by Dabić *et al.* (2012) show how students would be enthusiastic in starting their own venture and how they feel to have support from their families. Similarly, Croatian students believe that they are more prepared than their counterparts from other countries (Dabić *et al.*, 2012). Contrarily, they also believe that managing a business may be overwhelming, and starting a business in a

former transition economy can be riskier due to problems related to financing and later to a successive internationalisation process (Dabić *et al.*, 2012). For the gender issue, differences in the propensity toward entrepreneurship between male and female still persist; male are still more positive about entrepreneurship, although this difference is decreasing in the last years (Dabic *et al.*, 2012); a matter that has also been found in other contexts (e.g. Caputo *et al.*, 2016; Ramadani *et al.*, 2015).

Due to the flourishing of entrepreneurial activities and the entrepreneurial mind-set of the young generation coupled with the difficulties encountered, Croatia represents an ideal context of analysis to develop a framework that can be adopted by other Balkan realities and in general for transition economies.

5. A framework on the role of entrepreneurial education and entrepreneurial university in transition economy.

As assessed by the literature on internationalisation in transition economies, the principal facilitator for SMEs and entrepreneurs oriented toward internationalisation are personal networks (Dana, 1997, 1998, 1999, 2010; Dana & Ramadani, 2015; Ramadani, 2013; Ramadani & Dana, 2013). However, despite apparent efficacy of this expedient, networks alone cannot be sufficient in ensuring open access to internationalisation processes. Firstly, business partners do not fully trust younger and smaller firms, thus such firms cannot raise capital from suppliers (Manolova *et al.*, 2010). Secondly, information on potential market and legal environment is frequently obtained from networks that are based on personal experience rather than from verified sources, hence often some information lack of some key particulars (Musteen *et al.*, 2010). Thirdly, some firms are not part of existing transnational

networks and internationalisation can be almost impossible (Musteen *et al.*, 2010; Musteen *et al.*, 2014).

Furthermore, another obstacle in starting the process of internationalisation for an SME can be identified in the fact that entrepreneurs lack theoretical information about entrepreneurship, internationalisation and ways of financing (Manolova *et al.*, 2010; Manolova *et al.*, 2014).

In order to overcome all these problems in a network-based approach to internationalisation (figure 1), the next paragraph is dedicated to demonstrating how entrepreneurial education can be one of the elements to ameliorate the situation of entrepreneurs from transition economies when approaching the internationalisation issue (figure 2).

5.1. Entrepreneurial education and the internationalisation phenomenon.

The function of entrepreneurial education in stimulating personal propensity toward becoming an entrepreneur has widely been analysed in literature (Dabic *et al.*, 2012; Van Der Kuip and Verhuel, 2004; Marques and Albuquerque, 2012). Furthermore, the role of entrepreneurial education in providing a fundamental theoretical background to manage an enterprise in a successful way has also been discussed (Elmuti *et al.*, 2012). Nevertheless, in a context characterised by a flourishing of studies, the topic of how a specifically formulated entrepreneurship education program can influence the success of an internationalisation process has scarcely been explored (Laukkanen *et al.*, 2000; Lee, 2008). Indeed, Ramadani and Dana (2013) stressed how some universities, in particular in transition economies and in Croatia, should focus more on entrepreneurship and less on business corporations. Despite

this scarcity, what we propose is that guidelines for an effective entrepreneurial program can work as well for what concerns internationalisation.

In particular, as we said, a program based on both the "professional" aspect of entrepreneurship (hard skills) and on "spiritual" aspect (soft skills) can be useful for entrepreneurs wishing to internationalise (Fayolle, 2008; Fayolle and Gailly, 2008; Fayolle, 2013). Concerning the professional aspect, an entrepreneurial program can provide precious information about implementing a successful internationalisation process (Fayolle, 2008). The program can teach students how other firms from a similar context realised internationalisation, and/or present how to finance a firm, and/or offer knowledge about normative contexts (Fayolle, 2008; Fayolle and Gailly, 2008). In addition, focusing on the professional aspect, entrepreneurial education programs could provide some important information about networking, the *who* dimension (Fayolle, 2008), and so provide a platform for stakeholders to implement a successful strategy of internationalisation. For the spiritual dimension of entrepreneurship, an entrepreneurial education program can stimulate reflective thinking from the students to help them wisely evaluate the situation (Fayolle, 2008; Fayolle and Gailly, 2008), helping them in selecting a proper strategy for the contingencies, i.e. *why* and *when* to implement a strategy of internationalisation.

Hence, building on this theoretical background, we propose that an entrepreneurial education program focused on both dimensions of entrepreneurship, i.e. "professional" and "spiritual", can improve the chances of success in an internationalisation process.

P1a: The focus on the "professional" dimension confers concrete knowledge on how to navigate an internationalisation process

P1b: The focus on the "professional" dimension confers concrete knowledge on how to network during an internationalisation process and the key stakeholders be partners with

P2: The focus on the "spiritual" dimension confers mental mind-set to evaluate the internationalisation process.

5.2. Entrepreneurial universities and the internationalisation phenomenon.

A final aspect that we want to tackle regarding entrepreneurship and internationalisation in a transition economy is integrated with a formal entrepreneurial education, but its focus is more on the institution itself. This is the concept of "entrepreneurial universities" that is also a nascent field in the literature (Slaughter and Leslie, 1997; Etzkowitz, 2004). We only briefly reviewed some of the major research avenues on this topic, but we consider it extremely important to start rising this concern also for contexts belonging to the transitional economies. A universal definition of entrepreneurial university still does not exist, but one of the most used identifies an entrepreneurial university as any academic institution with several characteristics. Its main purpose to stimulate the birth of new businesses (Chrisman *et al.*, 1995) is characterised by a prevalent activity of teaching enterprise development (Etzkowitz, 2000) and that it is directly involved in collaboration with existing enterprises in order to stimulate regional development (Sporn, 2001). In particular, entrepreneurial universities can have a crucial role in increasing their intention and vocation in becoming entrepreneurs (Blenker *et al.*, 2008) and, furthermore, it can be instrumental in helping students start their own venture, allowing them to start their enterprise as a university spin-off (De Cleyn and Braet; 2009; Berggeren, 2011).

Despite being a concept in continuous evolution, an entrepreneurial university context providing entrepreneurial education can have an instrumental role in providing young entrepreneurs the necessary knowledge to implement internationalisation successfully (Pfeifer *et al.*, 2014). First of all, entrepreneurial universities can stimulate contacts between

young entrepreneurs, managers and entrepreneurs that have already driven internationalisation processes, thus stimulating direct knowledge transfer between entrepreneurs (Dabic *et al.*, 2015). Secondly, since an entrepreneurial university is usually many potential capital providers and investors, as well as with other firms (Gaff *et al.*, 2012), it could help young entrepreneurs in creating a transnational network usable to implement a semi-classical process of internationalisation. Thirdly, an entrepreneurial university can potentially reduce the distance between enterprises and government (Dutt *et al.*, 2015).

Furthermore, the creation of an entrepreneurial university can be considered a direct intervention from institutions aiming at stimulating entrepreneurship.

Hence, from t the role of entrepreneurial university, we propose the following:

P3: An entrepreneurial university context can facilitate an internationalisation process providing a network of key stakeholders, institutions and business partners to their students.

P4: An entrepreneurial university context can facilitate an internationalisation process allowing transfers of fresh knowledge based on concrete experience to their students.

Our general framework on formal entrepreneurial education and entrepreneurial university context can be summarised in figure 2. Thus, what we are proposing is that an integrated approach to entrepreneurial education can influence directly the chance of success and internationalisation, and at the same time favour the networking abilities and the building phase of an international network. In other words, it seems possible to affirm that entrepreneurial education has an "accelerator" effect acting upon the process itself (internationalisation) and its facilitator (networking).

Figure 2 about here

6. Conclusions

This paper developed a conceptual framework that illustrates how an integrated form of entrepreneurial education, namely formal education and entrepreneurial universities, can be considered to have a mediating role in stimulating the birth of new entrepreneurial firms and in facilitating internalisation of established SMEs in transition economies. Transition economies are a particularly good context of analysis when it comes to entrepreneurship and internationalisation. Indeed, in such economies entrepreneurship left the informal and, sometimes illegal, arena of the pre-transition era and flourished thanks to the opening of such economies, which transitioned from socialism to capitalism (e.g., Ratten, 2014; Williams, 2011, 2015).

In developing our conceptual model, we first reviewed the literature about entrepreneurship, and particularly we focused on the peculiarities of entrepreneurs and entrepreneurial firms in transition economies. Here we reviewed the motives and factors fostering or hindering entrepreneurship and draw a portrait of the context conditions and how the interplay with reference to entrepreneurship. Second, we reviewed the literature on internationalisation of SMEs and entrepreneurial ventures and connected those studies with the peculiarities of transition economies. The internationalisation process is particularly important since it seems to be a necessary step for the development and growth of SMEs in these economies (Dana, 2001; Manolova *et al.*, 2010; Musteen *et al.*, 2014a). Next, we drew our attention on the entrepreneurial education literature, presenting a case study based on empirical evidence collected from Croatia. Finally, we integrated all those bodies of literature in a coherent conceptual framework based on five propositions. Through our framework, future scholars, researchers, entrepreneurs and students can read and understand the role of entrepreneurial education, both formal programs and the institutional approach (i.e. the entrepreneurial university concept), in entrepreneurship in transition economies. At the same

time, those interested in studying transition economies or in developing policies in such contexts can benefit from the application of our framework to different contexts.

Entrepreneurial education can be instrumental in helping younger entrepreneurs in internationalising their firms; first for their better approach to the process, second for their enhanced ability for networking. Furthermore, internationalisation can also have other beneficial effects in the original home economy as spill overs in the local system boost a general increase in regional development (Laukkanen, 2000; Baptista *et al.*, 2008).

This paper is intended as an exploratory investigation of the matter, and no quantitative analysis has been realised. Future research could build on our stream of research by populating our framework with actual data. Moreover, the framework could be applied in different countries and a longitudinal study might be undertaken.

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List of Figure

Figure 1 Traditional Network-based approach to internationalisation

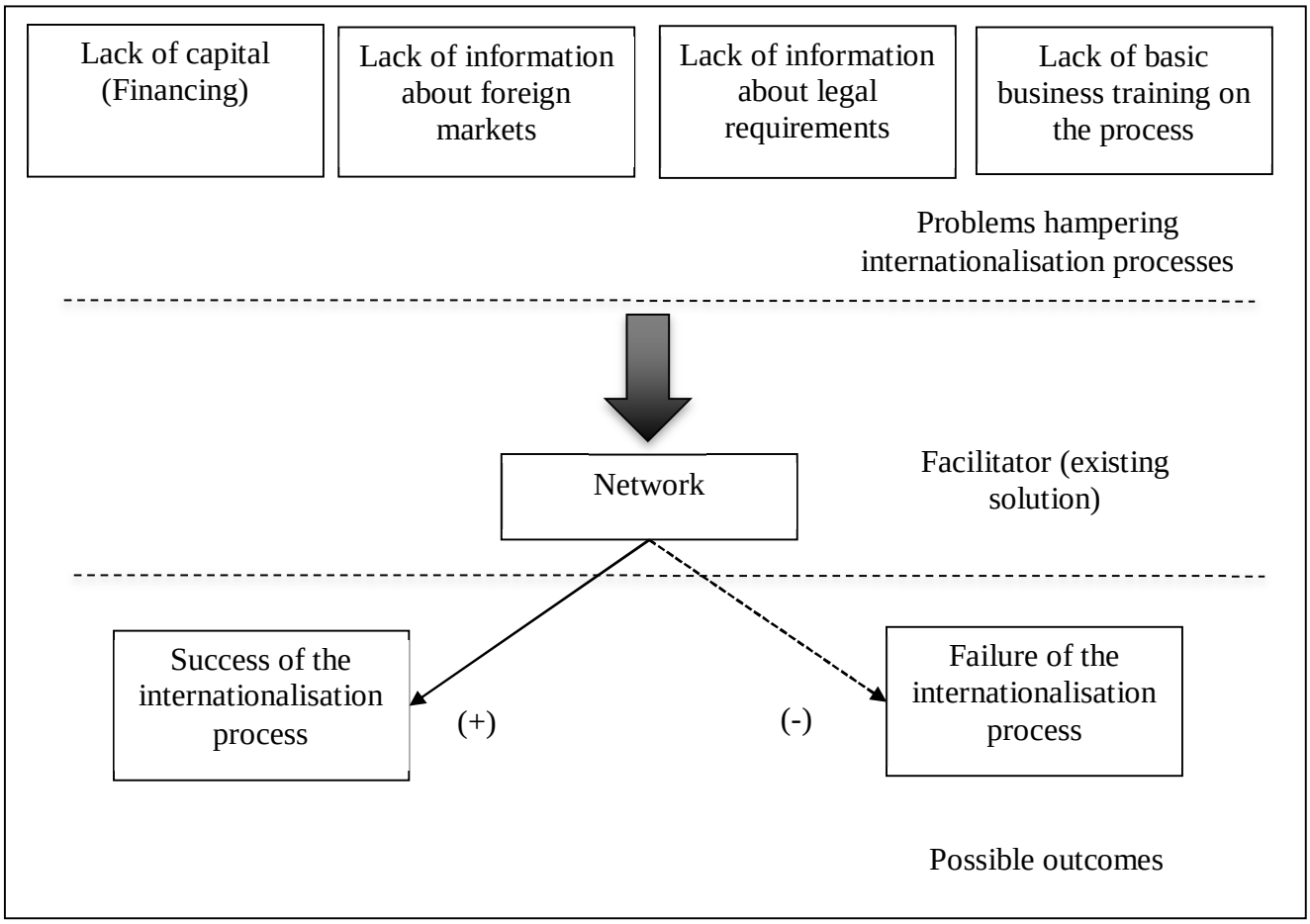
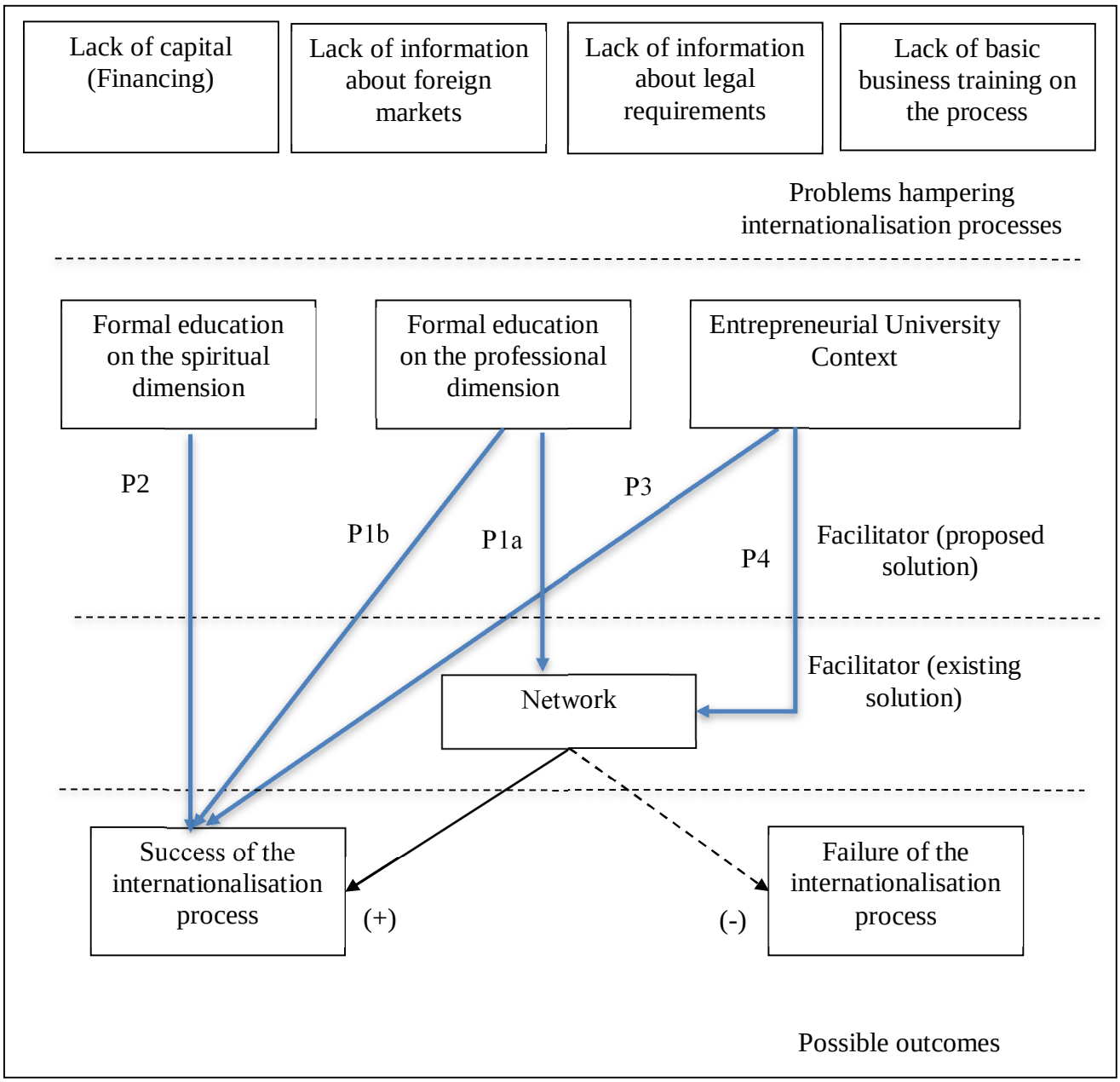
Figure 2 Integrated approach to internationalisation