TEMPUS Fostering Entrepreneurship in Higher Education - FoSentHE

The College of Management Academic Studies

THE UNIVERSITY OF ZAGREB FACULTY OF ECONOMICS & BUSINESS

Conference- Entrepreneurship without borders

The College of Management, Academic Studies, Rishon Lezion, Israel, November 16-18, 2009,

Scope and aim: This event was in fact the first conference of the 'Fostering entrepreneurship in higher education' (FoSentHE) project, granted by the Tempus project of the EU Commission. The conference was aimed at connecting with communities around the world so that we can all learn from each other, and develop business- and research-based projects and promote "borderless entrepreneurship" in higher education institutions among the countries participating in the Tempus project.

The conference was built around its aim to foster entrepreneurship and small business education, research and practice. We invited researchers, educators, practitioners and those working in business support and policy organizations to join us in exploring the leading perspectives in entrepreneurship and consider how they can be applied to learning, business management, enterprise and economic development support, policy and practice.
It included topics in: Globalization and Entrepreneurship, Entrepreneurship and Education, Entrepreneurship and New Venture Technology, Innovation and Entrepreneurship, Entrepreneurship Ventures: Knowledge, Innovation, and Diffusion, and more, separated into six divisions, as follows: Learning entrepreneurship—"micro-perspectives", chaired by the Grant Holder, Prof. Marina Dabić; Entrepreneurial characteristics, chaired by the Israeli recipient and coordinator of the Tempus project, Dr. Dafna Kariv; Cultural aspects of entrepreneurship, chaired by Dr. Shlomo Tarba, the School of Business Administration, The College of Management, Academic Studies; SME management, chaired by Prof. Vojko Potocan, Faculty of Economics and Business, University of Maribor, Slovenia; Learning entrepreneurship—"macro-perspectives", chaired by Galit Eizman, NTO, Israel; Innovation, chaired by Prof. Maciej Pietrzykowski, University of Economics, Poznań, Poland.
The Managing Committee consisted of: Dafna Kariv, the College of Management, Academic Studies—Contact Person; Seev Neumann, President, the College of Management, Academic Studies; Marina Dabić, University of Zagreb, Croatia, and Darko Tipurić, University of Zagreb, Croatia. The Review Board consisted of 22 researchers from the members' institutions.
All FoSentHE project members attended the conference.

Member of reviewer board:

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The conference was support by the Tempus Organization and organization by the College of Management, Academic Studies (represented by Dr. Dafna Kariv) with the assistance of the University of Zagreb.

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Plenary presentation
Learning by doing or learning by studying:
Teaching entrepreneurship in a MBA setting in Israel/ Tamar Almor

Key words: entrepreneurship education, MBA entrepreneurship courses, Israel, innovation-driven entrepreneurship, experiential entrepreneurship education

Aim: This paper examines what type of MBA course is more effective in encouraging entrepreneurship; an experiential course emphasizing the "how" or a classic academic entrepreneurship course emphasizing the "what". This research question is examined by means of a case study of two MBA courses taught in a leading Israeli business school. The two courses are different from each other in so far that one is based on experiential learning while the other is designed as a classical MBA course. Both courses were taught by the same lecturer. Results show that both courses are similarly effective in encouraging students to consider a career as entrepreneurs, however, MBA students that are initially inclined towards entrepreneurship prefer the experiential course.

Theoretical background: research shows that entrepreneurship can be taught. Therefore, questions regarding the efficacy of teaching entrepreneurship center on (1) "what" should be taught and which underlying theory, and (2) the process of "how" it can be taught best.

In regard to what should be taught, literature focuses, among others, on entrepreneurial strategies, corporate entrepreneurship and born global companies.

Whereas much literature regarding entrepreneurial education has emphasized the need for experiential learning, relatively little research exists regarding the efficacy of this approach in the business school as compared to more classical MBA courses. While the experiential approach intuitively makes sense, the question is if the students become more "entrepreneurial" as a result of this experience compared to other courses.

Setting: The experiential seminar provides students with the opportunity to work as business advisors to technological entrepreneurs who are planning to operate in international markets. Each entrepreneur is assigned a small group of students who, for one semester, become the entrepreneur's business advisors and eventually prepare a business plan for the entrepreneur, which they present at the end of the semester to a panel of potential investors. The seminar is closely monitored by two business consultants as well as the professor of the seminar who together act first and foremost as mentors to the

The open question resulted in four recommendations: (1) invite entrepreneurs to class to talk about their experiences, (2) allow students to work on their own entrepreneurial ideas under supervision of the academic staff, (3) establish an innovation center which can provide services for start-ups of students, (4) allow students to write business plans for their own ventures and provide them with feed-back.

Discussion and conclusions: While literature makes a strong case for experiential learning, most students who participated in the experiential course did not feel that the course helped them understand entrepreneurship better. Interestingly, most students who took the classical course felt that the course was effective that way. Efficacy of both courses in terms of increase of percentage of students interesting in the topic seemed to be similar. The main difference between the two could be found in the way students in each course perceived themselves. Thus, it seems that in this case, the experiential seminar attracted more 'would be' entrepreneurs. However in terms of encouraging the MBA students to become entrepreneurs down the road, both courses seem to be effective. Moreover, the classical course, which had a much stronger theoretical background, seemed to provide a stronger backbone for the students to want to become entrepreneurs.

students. Thus, while available on an ongoing basis, they allow the students to lead the way.

The classical course is based on the traditional in-class experience, which involves frontal lecturers as well as in-class case studies by means of videos and class discussions. The course is strategy based, emphasizing business strategy theories and relating them to venture establishment. During the semester students have to analyze (entrepreneurial) ventures and at the end of the course they may write a feasibility study for an entrepreneurial idea (which does not necessarily have to be their own).

Data and method: Both courses took place during the 2009 spring-summer semester. The experiential seminar included 31 students and the classical course included 37 students. Response rates for both groups were similar; the first group had a response rate of 36%, the second group of 41%. A total of 26 questionnaires was filled out and returned.

Results: The results of the survey are presented in Table 1. Despite the difference in initial inclination, interest in becoming an entrepreneur after both courses increased about 20%. Thus, while the experiential course initially attracted more entrepreneurial type students, both courses seem to be as effective in creating a positive attitude among those who did not consider entrepreneurship beforehand.

Professor Tamar Almor currently serves as Dean of Students at the College of Management and lectures at the school of Business Administration, the College of Management, Academic Studies, Rishon LeZion, Israel. She specializes in business strategy, international entrepreneurship, and international business, which she teaches in the MBA program.

She was elected Israel's representative of the European International Business Academy, was appointed member of the Editorial Board of Management International Review and serves as a member of various Boards. Her more recent research has focused on the international behavior and strategy of small, entrepreneurial, Israeli firms (Born Global firms) and high tech firms. She has received various awards for her research among them the L'Oreal award for excellence in research and the Yoram Rozenfeld award for research on high tech companies. She has published three books and tens of articles in leading international journals. Throughout the years she has been consulting to leading Israeli firms.

Students' attitudes on entrepreneurial educatio and intentions of starting their own businesses

Marina Dabic, Novak Ivan, Ivana Kovač, Rosemary Athayde

Keywords: entrepreneurship, gender, family background, creativity, financial risk, entrepreneurial intentions, entrepreneurial education

Aim: The main aim of this paper was to investigate influence of several variables on the students' intention of becoming an entrepreneur and preference to entrepreneurial education. Variables creativity, tendency to financial risk, gender and family background were used as the independent variables. Research on the crucial factors influencing the entrepreneurial drive appears as very important as it could be used as a mean for encouraging and developing entrepreneurial atmosphere and surroundings favourable for starting new businesses and driving the economy up front as the well know effect of SME.

Materials and methods: Research on the topic of Students' attitudes on entrepreneurial education and intentions of starting their own businesses has been conducted through survey on the sample of 82 students of the Faculty of Economic and Business in Zagreb. Out of 82 students, 36 of them were male, and 46 were females. Most of the students are in the fourth year of undergraduate study, 37 in the third year, one student in the second year, and 4 of them haven't answered that question. First part of the survey was consisted of 36 questions which were used to measure students': creativity (e.g. How creative am I?), personal control concerning future career (e.g. Am I in control?), achievement in project work (e.g. Problem perception and taking pride in their own project work), intuitive problem solving (e.g. Willingness to take risks in problem solving), leadership of others: colleagues and friends (e.g. Team work), and attitudes towards financial risks (e.g. Willingness to take risks in order to achieve bigger rewards). Other part of the survey refereed to students' personal data (gender, age, year of study, family background, and their intentions towards the future after the graduation and their opinion on entrepreneurial education. Data collected was used to test several hypotheses:

H1: *More creative students are likely to start their own businesses*

H2: *Students having less financial risk aversion are likely to start their own businesses*

H3: *Male students are likely to start their own businesses*

H4: *Male students have a higher preference towards entrepreneurial education*

H5: *Students with the family background are likely to start their own business*

H6: *Students with the family background have a higher preference towards entrepreneurial education*

For the hypotheses testing Mann Whitney test was used.

Results: During the examination of the analysis several interesting conclusions were found. As for the question of students' intention the average result on the Likert scale ranging 1 to 7, one being not probable and 7 very probable result was $\bar{x} =$3,573 and for the preference of entrepreneurial education $\bar{x} =$5,15. Hypothesis of creativity influence on entrepreneurial intentions was confirmed with the P-value of 0,005. Result for the influence of tendency towards financial risk on entrepreneurship intentions was not significant (P=0,08). Gender variable was found significant in the case of entrepreneurial education (P=0,0135) and not significant for the entrepreneurial intention (P=0,451). Furthermore it was possible to confirm the linkage between entrepreneurial family background and the preference towards entrepreneurial education (P=0,034) but the relationship between family background and intention for entrepreneurship was not significant (P=0,451).

Conclusion: On the basis of the previous results it can be concluded that more creative students are likely to start their own business, but for the preference towards financial risk there was not enough evidence to indicate significant relationship. Testing the variable of gender it was found that male students have a higher tendency towards entrepreneurial education, but it was not enough evidence to indicate the same linkage for the entrepreneurial intention. As for the relationship between family background, entrepreneurial intention and preference to entrepreneurial education it was found that the students with the entrepreneur in the family have a higher

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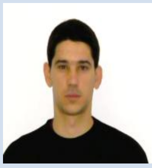

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Tuning the entrepreneurship education teaching methods to students' learning style/ Sanja PFEIFER Đula BOROZAN

The literature review suggests that focus of higher education has been switching to being learning (student) driven rather than teacher centred. There has been much discussion on the different methods that can be used to enhance the learning experience of students. This paper utilizes the experiential learning theory and explores impact of the individual learning style on the effective entrepreneurship learning.

The main aims of this paper were (i) to unveil the differences between learning styles among students enrolled in entrepreneurship education programmes; (ii) to discuss the implications that different learning styles have has on creation an effective pedagogy for entrepreneurship education programmes. Based on the Kolb's learning style inventory instrument (Kolb, 2005) the preliminary research of the student learning styles was conducted in 2009 on the convenient sample of 228 students from the various educational programmes at the Josip Juraj Strossmayer University of Osijek, Faculty of Economics in Osijek, Croatia. The main results indicated there are some differences in the learning styles among students of various levels of the study, age and working experience. The determination of the individual learning style can be a valuable tool for making learning more effective from the individual as well as organizational point of view. The paper suggested the various ways to enhance particular learning stage or learning outcome.

Key words: entrepreneurship education, learning outcomes, learning style, learning style inventory, entrepreneurial learning methods
in order to enhance learning effectiveness.

Sample, instruments, and data description The sample of 228 students enrolled in the undergraduate, graduate and postgraduate programmes at the University of Osijek was surveyed using the Kolb's LSI. The preliminary research of the student learning styles has been conducted from March to September 2009. The sample comprised convenient selection of the students at different programs (entrepreneurship, management, marketing, finance, etc). Students were asked to fill one page instrument – the LSI. It is reliable instrument previously recognized for its high validity and internal consistency (Kolb and Kolb, 2002; Pickworth and Schoeman, 2000). It comprises 12 sets of 4 statements. Each set should be graded using 4-points Likert scale to determine a preference for either information gathering or information processing. Since the majority of variables are ordinal, the analysis included mainly nonparametric and a few parametric tests, using the SPSS.

Analysis and results The distributions of the learning styles among students in the sample indicate that majority of students prefer pragmatic, practical and quite extrovert learning modes, and can well rely on abstract inputs. In addition, they are quite progressive in their learning cycles. The preference toward the particular approach to collection and processing of the information is quite stable and does not vary among students of different major fields of study.

In order to test the differences in the learning preferences of students, the Kruskal-Wallis test was applied. The results indicate that the distribution of the learning styles is significantly different among students of various levels of the study, age and working experience. The learning style does not vary significantly with respect to gender, major field of study, educational attainment, or field of previous education (sciences vs. arts). Among bachelor students, a lot of them show assimilating learning preference, while at the graduate level there are a very low percentage of those who prefer accommodating learning style. The lowest dispersion among 4 different learning styles was found among students above 31 years. There is more preference toward grasping information through abstraction than sensing; and students prefer active involvement rather than reflective involvement in the information processing.

Conclusion The paper summarizes a complex nature of entrepreneurship education content, aims, expected outcomes and methods found in entrepreneurship courses. Due to the limited empirical evidence on the effectiveness of various pedagogies implemented in the entrepreneurship education in Croatia this paper is a preliminary research attempting to fill the void between entrepreneurship education aims and the pedagogy. The main issue is whether determination of the individual learning style can make overall process of learning more integrated and entrepreneurial.

Main conclusion is that assessment of the student learning style can be a valuable tool for making learning more effective from the individual as well as organizational point of view. In order to make entrepreneurship education programmes more effective, learners, teachers, and entrepreneurship education institutions can benefit from systematic understanding of the alternative ways of delivering complex content. It can enable further refinement of the syllabus and program curriculum as well as teacher or participant preparation for higher learning outcomes.

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Not Born Here - Evaluation of the Country of Origin Effect on the Entrepreneurial Intentions of Israeli Engineering Students

Miri Yemini and Orly Yeheskel

It is widely accepted that entrepreneurship is one of the major sources of economic wealth (Thomas and Mueller 2000), and it explains a big interest in this field. Expanding the level of entrepreneurial activity within all nations is an increasingly important political and economic goal. In times of increasing concern about technological advance and strong international competition, entrepreneurial activities are regarded as a driving force of innovation.

The intentions towards entrepreneurship depend on several factors including education, social status, personality and environment. Entrepreneurship is also the main route for people who find difficulties in finding their way in the traditional workplace because of different types of discrimination existing in a formal work place. Our incentive in this study was to investigate the entrepreneurial intentions of students from different ethnic origin from groups usually discriminated in Israel.

Our sample comprised 556 undergraduate engineering students studying towards their first degree in Shamoon College of Engineering (SCE). SCE is the biggest engineering college in Israel with more than 4,000 students studying towards first degree in engineering. SCE is located in Israeli southern periphery and mostly consists of immigrant students (first to third generation) from former Soviet Union and Africa. The college population contains almost 40% of first generation immigrants, most of them originated from former Soviet Union.

Our results show significant differences in the intensity of entrepreneurial intentions between immigrants (from former Soviet Union) and Israeli born students. Moreover, differences were found in entrepreneurial intentions of Israeli born students from different ethnic backgrounds.

Our study aimed at contributing to the understanding of the entrepreneurial phenomenon, counting on existing literature, deriving from relevant perspectives within the accepted definitions of the boundaries of the field of entrepreneurship. In general, existing research in entrepreneurship field comes from different disciplines, such as psychology, behavioral studies, economy, business management and sociology. Our study focused on a specific phenomenon within the field of entrepreneurship, i.e., differences between immigrants versus those who were born in their homeland, with regards to intentions to be entrepreneurs. Trying to understand this aspect, has lead us to examine whether some of the differences are not connected solely to the question of being an immigrant or not, but also to specific differences between specific cultures, that might explain the variance of different sub groups within one society to be involved in entrepreneurial activities or not. Maybe a more sophisticated examination of our hypothesis, should not examine the difference between immigrants or non immigrants, but within specific ethnic groups as a result of their cultural heritage. No need to say, that along with the strengthening of the tendency for globalization, understanding cultural implications on entrepreneurial behavior – might offer a crucial contribution.

Our study suggests some practical implications for both educational leaders as well as for policy makers. From the Israeli point of view, understanding the importance of entrepreneurship as a major driving force for the Israeli economy, innovation and advancement – there is no doubt that promoting and encouraging motivation and ability of young people to innovate, is one of our national missions. The development of an educational system that will take care of the difference between the Israeli-born students and the new immigrants – can contribute for strengthening the abilities and motivation of those who needs such reinforcement. In other words: the educational system can create an entrepreneurial atmosphere as a part of its program (by special entrepreneurship courses, mutual networks of academic institutions and VCs for supporting ideas and dreams to become true, establishing connections between schools and relevant industrial, financial, or governmental institutions), and thus creating real opportunities for those groups that were found to be limited as a result of lack of network or access to required assets. Another practical implication might be creating working teams, during the period of studies, by which networks will be developed between all different groups that were studied. This might offer the immigrants to be a part of the local network that later on can leverage their opportunities to become integrated in the Israeli entrepreneurial community. Using Porters' (Porter 1990) classification of factors creating national competitive advantage – it is clear that the existence of both institutions as well as individuals that are directed to innovation – will enhance the local market ability to create a cluster of entrepreneurship community, that is a basis for national competitive advantage. For decision makers this means allocating special budgets for academic and non-academic institutions that will be able to promote innovation.

As for the general implications deriving from our study – decision makers can benefit from our results by taking into consideration the different needs of different ethnic groups in each country, and planning a supportive infrastructure that might enhance their opportunities to become entrepreneurs.

Dr. Orly Yeheskel got her Ph.D. in Management Science from Tel Aviv University. Dr. Yeheskel spent the 1999 academic year as a Visiting Professor in The Department of Economics at The University of Reading, UK. Her current research interests include management of international strategic alliances (especially international joint ventures and acquisitions), human resource management issues in multinational corporations, and managerial issues in Technological Start-Ups.

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2003 - Annual Award for research on "Managing Entrepreneurship and Technological Innovation", The Bengis Center for Entrepreneurship & Hi-Tech Management, Ben Gurion University

2004 - Annual Award for research on "Radical Changes, Ideological Embeddendness, Demographic Depletion and Financial Performance: A Macro Longitudinal Study", Kibbutz Fund, The Institute for Research of the Kibbutz, University of Haifa

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At present, Dr. Yemini is the head of

Students' entrepreneurship attitudes: survey at University of Zagreb
Marina Dabic, Novak Ivan, Maja Basic

Keywords: Entrepreneurship, behaviour, teaching, students, Croatia

Aim: Our study aims to identify the basic issues underlying entrepreneurial behaviour as a cognitive process in order to identify new educational opportunities for its development. A common feature of entrepreneurial behaviour is interpreted in its riskiness, while its vogue determination makes it difficult to compare motivating factors that influence it. Hence, the goal of this paper is to test the entrepreneurial drive of Croatian university students according to the students' behaviour based on desirability, feasibility and intentions which follows from the Shapero-Krueger model also employed in Wu and Wu (2008).

Materials and methods: Deriving from the work of Elenurm et al. (2007), social dimensions encompassed in the institutional framework of university imply the importance of education in enhancing entrepreneurial performance. Analysis has been carried out using SPSS software package on a sample of 695 students of all university years at the University of Zagreb. The model was tested according to several hypotheses with respect to gender and family background differences using cross tabulation, Mann-Whitney Test and Cronbach test. A new business desirability is characterized by the following questions (1)"I would love doing it"; (2)"My immediate family members would encourage me doing it";(3) "I would be tense"; (4)"I would be enthusiastic. Feasibility concept was represented with the questions: (1)"hard to start own business, (2)"certainty of success to start an own business", (3)"overworked in starting my own business"; (4) "know enough to start my own business" and (5) "sure of yourself". The question about the intention was given as a multiple choice: „After you have finished your studies at your academic institution (regardless of whether you obtain a degree), what do you intend to do?, while the answers could have been: start my own business, partner with someone to start a business, work for immediate family business, work in a small or new company and work for a large company or corporation.

Results: Variable (3) was excluded from the model of desirability and Cronbach's Alpha for the questions (1),(2) and (4) was 0,670. P-value of Mann Whitney test for gender difference concerning the desirability equals 0,273 and for family background 0,013. Model of feasibility contains variables (2), (4) and (5) and Cronbach's Alpha equals 0,740. P value of Mann Whitney test for gender difference on feasibility equals 0,029 and for family background 0,001. As for students with no entrepreneur in the family 14,2% stated intention of starting their own business and for those who had an entrepreneur in the family there was 21,6%. For the female students 14,6 % stated to have the intention of starting their own business while for male students this percentage was 20,5.

Conclusion: Concerning the gender variable on desirability no significant difference between male and female students was found. As for the desirability difference between students with and without entrepreneur in the family there was a statistically significant result. Students with an entrepreneur in the family consider entrepreneurship to be more desirable. Furthermore male students and students who had an entrepreneur in the family consider entrepreneurship to be more feasible in comparison with female students and students with no entrepreneur in the family. Hence, relatively more of male students state the intention of starting a new business as well as those who had an entrepreneur in the family.

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WOMEN ENTREPRENEURS IN TRANSITION ECONOMIES: THE CASE OF TAJIKISTAN/ Joëlle NISOLLE

Principal Topic, including the theoretical
At the fall of the Soviet Union, Tajikistan, a small Central Asian country was one of the 10 poorest countries of the world. Based on fieldwork conducted in the Sogd region and in Dushambe, this paper reviews the state of women's entrepreneurship and women owned small business enterprises (SBE) in Tajikistan, uncovering the cultural and social obstacles facing would-be female entrepreneurs. Starting from the results of a study conducted in 2003 it reviews the current evolutions which impact further development of women's owned businesses. The social and cultural demands imposed on women by their traditional environment seem to become more drastic as religious influences strengthen, poverty endures and education opportunities disappear, especially for young women

Research question(s).
Why does women's entrepreneurship carry a negative image in Tajikistan? Which cultural and social obstacles stand in the way of an increased participation of women in the economy? How is the situation currently evolving?

Method used- including sampling and instrument.
The methodology used was archival and ethnographic. American research on women's entrepreneurship helped clarify the model of female entrepreneurs used more or less consciously as a comparison with the Tajik reality. Analysis of aggregate statistical data published by various international sources such as the UNESCO, the IMF and the World Bank as well as Tajik sources helped stage the economic and social environment of local business. Fieldwork was conducted mainly in Khujand but also in smaller towns such as Kanibadam, Aini and Izfaravshan and several even smaller villages. The methods used for data collection included ethnographic work and focus groups. The ethnographic work took several forms, participant-observation and formal and informal Interviews. Participant–observation took place when living for two and a half months in a Tajik family, when assisting female business owners working on the market, and others applying for micro loans at a local micro-credit company.
Other qualitative data were gathered through semi-structured and in-depth, open-ended non directive interviews, generally conducted in Russian (with the help of an interpreter) or more seldom in English. The respondents were female business owners, from personal contacts, former and current customers of the micro-credit project administered by NABWT (National Association of Business Women-Tajikistan) and Mercy Corps, and other women would-be business owners, who were attending training seminars at NAWBT Khujand Chapter, thus resulting in a snowball and convenience sample. In addition to these interviews, two focus groups , were conducted with the assistance of a local moderator for which the participants were recruited on personal invitation using local business contacts.
Finally visits to Zacks were made in Khujand and Chkalovsk to collect marriage data.

Main results.
When compared to that of 2003 the current situation shows a crucial deterioration in the opportunities for women to become entrepreneurs. Because of the lack of work opportunities in Tajikistan for young, low skilled workers, many young men (officially 400,000-500,000 or 25% of the workforce, but estimates by the International Migrations Office reach 1,000,000) leave the country to seek employment in Russia. This results in
villages (around Aini for example), inhabited only by women and their children. And for young females nowadays, the husband race starts younger and younger, leading to early religious marriages (nicoh) well below the official minimum age of 16. Beyond the numerous health-related problems brought by early marriage, the female decreasing age of marriage in Tajikistan means that young women are not able to pursue their basic education nor to acquire professional skills, before they are enrolled in their absorbing if not abusing in-laws household and before they give birth to their children.

Conclusion and the implication of your findings to the conference.
In Tajikistan, being an entrepreneur is still a last resort occurrence, not a desirable position, especially for women, even more so for young women whose families' primary concern is to get them married and become mothers. Most women entrepreneurs are therefore older women, often single heads of their household trying to escape dire poverty. Women's entrepreneurship does not yet contribute actively to alter the Tajik social system reproduction process.

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ENTREPRENEURIAL ASPIRATION AND SOURCES OF MOTIVATION FOR ENTERPRENEURSHIP: PRELIMINARY RESULTS OF A STUDENT SURVEY

Marko Hell, Nikša Alfirević, Mira Krneta

AIM: The paper strives to answer the question of principal reasons for appearance of inclination toward entrepreneurship and motives for such an orientation in a representative sample of Croatian students on a population of business students at the Faculty of Economics in Split, Croatia.

MATERIALS AND METHODS: The study is based on a survey, which used the common FoSentHE questionnaire on student entrepreneurship. The questionnaire has been administered on a representative probability sample of 745 students (constituting appx. 40% of the student population) of the first and last year of undergraduate and graduate studies at the Faculty of Economics Split. The dataset has been analyzed by means of univariate and multivariate statistical analysis, performed in the SPSS computer software.

RESULTS: This paper provides initial evidence related to: (a) students' aspirations to start an entrepreneurial career, or to seek employment (either in the SME, or the corporate sector) and (b) students' sources of motivation for entrepreneurship Main results indicate a relatively modest amount of future entrepreneurs among the surveyed students, especially when their motives are examined, in order to identify the potential 'full-fledged entrepreneurs', defined in terms of individuals seeing the entrepreneurship as a potential source of self-actualization.

CONCLUSIONS: By comparing the obtained results with the results of the Global Entrepreneurship Monitor for Croatia, a divergence between the entrepreneurial motivation in adult and youth population has been suggested, calling for the further support to student entrepreneurship, both at the level of academic institutions, as well as at the policy level.

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How to Teach Entrepreneurship: Case Study Vern'
Ljiljana Bratnar Kovačević, Zrinka Gregov

Theoretical overview There are two sides of teaching entrepreneurship – the theoretical side of teaching entrepreneurship and the pedagogical side of entrepreneurship theory (Fiet, 2001).Theory is an essential part of what we teach, and it seems of essential to offer acoherent framework in terms of perspective, objectives, and contents ofentrepreneurship education. Fayolle (2006) distinguishes three areas of learning relating to mindsets (or culture), behaviours and situations. Hindle (as cited in Fayolle, 2006) proposes to articulate the definition of entrepreneurship teaching around the research object. In this light, if we define the field of entrepreneurship as the "examination of how, by whom, and with what effects, opportunities to create future goods and services are discovered, evaluated and exploited" (Shane, &Venkatamaran, 2000), then entrepreneurship teaching should be defined as knowledge transfer" of how, by whom and with what effects. All forms of knowledge must interact for real knowledge to be achieved.

Methodology Total of four workshops were held with three different groups/participants. One group was Tempus team as a focus group in which the participants were lecturers and the members of the management board of the Vern'. The second group consisted of the lecturers from different College Departments, and the third group was student group. In total, 38 lecturers and 25 students completed a matrix. The task they needed to fulfil was to place the courses (based on the title, goals and content of the courses) into the matrix and the learning circles that were designed and introduced by the expert, from the Levon Institute, at Vaasa University, Finland. The matrix tried to link personal learning to business development. It was adopted from the model of Gibb (2002), and it shows stages from orientation/identification, start-up, pioneering and SME-management phase in entrepreneurial development on the one side, and entrepreneur, firm, networks and environment from the society's point of view, on the other side.

Findings Lecturers placement of courses were influenced by their backgrounds. There was no consensus as to how an entrepreneurial process should be interpreted or how the subject should be taught according to the steps of entrepreneurial education and the learning circle. More emphasis was given to SME management courses, and when taking into consideration the views given by Gibb (2002), more emphasis has been given to orientation/identification stage. The findings showed that participants didn't know quite well in details the structure and content (and even the teaching methods used) in the courses. The model that was tested had to be constructed ab initio with more information and design criteria of the courses. Also, there were no significant differences in positioning of the courses among three different groups, although the focus group had more information than others.

Conclusion This research is the first to examine the perception of the nature and flow of entrepreneurship courses held by lecturers on entrepreneurship programmes in the first private business school, in Croatia. Although, there is increasing recognition that entrepreneurship is vital for growth, however, entrepreneurship education in Croatia is still in its infancy, as compared to its development in the United States, United Kingdom and Europe. VERN' has done its part by sowing the seeds of entrepreneurial imagination and it should be stressed that collaboration between universities to bring about an effective exchange of students, lecturers and course content can enhance entrepreneurship education.

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ENTREPRENEURIAL DEVELOPMENT THROUGH STANDARDIZATION OF SOCIAL RESPONSIBILITY

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Key words: social entrepreneurship, entrepreneurial development, standardization of social entrepreneurship, ISO.

Aim: This paper focuses on the importance of the concept of social responsibility for small and medium enterprises in the Republic of Croatia. Entrepreneur's social responsibility concept in SMEs is analogue with the corporate social responsibility of multinational companies. Corporate social responsibility in large companies is standardized on the global level under national laws; similarly to that in small and medium companies, and for every entrepreneur, there is an institutional framework that encourages socially responsible behaviour. In absence of such framework in Croatia, there is a need for developing of Croatian national standards for conducting business in socially responsible manner.

Materials and Methods: Analysis and synthesis methods, as well as induction and deduction methods were used in order to examine the role and importance of entrepreneurial development trough standardization of social responsibility. Additionally, theoretically relevant and methodological aspects of current international standards and principles, national laws and ethical codes regarding social responsibility, like OECD Principles, United Nations Norms, Caux Round Table (CRT) Principles, and Occupational Health and Safety Management Systems were analyzed.

Results: After analyzing the majority of international standards and principles it is evident that all of them represent a quality base for standardization of social responsibility in small and medium enterprises. When considering a fact that every entrepreneur acts in its own manner, governments should take into the consideration principles, standards and proposals for standardization of social responsibility in order to create legislative framework that would stimulate entrepreneurs to conduct business in socially responsible manner.

Conclusions: Based on the analyzed international standards and principles, Croatian entrepreneurs should realize the importance of standardization of social responsibility in a modern way of doing business. Therefore, proposal for the development of Croatian national standards for conducting business in socially responsible manner should be adopted, especially because of the fact that Croatia will soon enter the European Union where social responsibly plays a key role in entrepreneurial development.

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GLOBALIZATION AND COMPETITIVENESS OF SMEsnov

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Keywords: entrepreneurship, ethics, globalization, innovativeness, long-term development.

Aim: We investigate how entrepreneurial and innovative are SMEs, including appropriate development, especially SMEs in Central and Eastern European countries. To survive in modern environment, most SMEs must be economic rather than only legal enterprises. Demands over SMEs, too, have developed from efficiency by synergetically adding quality, range, uniqueness, and sustainability, in recent decades. Therefore, SMEs must cherish sustainable development even more than the bigger enterprises. Thus, most SMEs must innovate their management style, including application of ethics of interdependence within the organization, in the market, and in society at large, i.e. use the sustainable-enterprise ethics. Alternatives are suggested. Paper provides a reminder to diminish oversights in SME's practice/education.

Materials and methods: Experiences and international researches were desk-researched. The General Systems Theory and Dialectical Systems Theory was applied to attain requisite holism of approach and provide requisite wholeness of outcomes. Paper discusses two theses. (1) Improving SMEs' competitiveness by becoming sustainable enterprises to requisitely holistically meet requirements in social/business environments. (2) Improving business by helping SMEs members understand/implement "sustainable-enterprise (SE) ethics". SMEs' future depends on their innovating of individual/organizational values, culture, ethics, and norms very much.

Results: On the basis of various theoretical cognitions and our experiences from business practice we can define some findings about the influence of SE (and its ethics) on SME competitiveness. SME as SE may also be considered the most creditworthy and trustworthy of all enterprises. This level of reliability diminishes the need for lots of double-checking and related cost, thus increasing a SME's profit critically. Similar may be impact of converting innovation into total quality and attain ISO 9000 and similar certificates: they help customers trust their potential suppliers, because they do not risk much drop out of material etc. coming from their suppliers. Provision of a range of products and services helps SME approach more customers; thus the invested capacities can be utilized better, initiatives for new innovation processes can be received and accepted, etc. Provision of uniqueness may lead its supplier, for a period of time, to a more or less monopolistic position, which leads to higher margins and profits. Provision of well-know care for natural environment provides a SME a well-accepted image, resulting in new customers, in bargaining power concerning suppliers. All of them together cause cost, as well, of course, but in medium period of time, this cost is outweighed by expectable benefits. The general preconditions may read: lower cost, better quality, better image must result from innovation rather them from causing unemployment etc.

Conclusion: Entrepreneurship education must include social responsibility, innovation and requisitely holistic behavior. That is possible, if SMEs innovate their ethics, e.g. by transition of ethics along with transition of business (pre)conditions. SMEs' future depends on their innovating of individual/organizational values, culture, ethics, and norms very much. Details cannot be addressed here.

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Entrepreneurship and labour market
Aleksandra Gawel

Keywords: entrepreneurship, entrepreneurial motivation

Aim: The main aim of this paper is to investigate the relationship between entrepreneurship and labour market. To solve this problem, first, entrepreneurs were divided into two groups, quasi-entrepreneurs and proper entrepreneurs, and second, business cycle time perspective was used. The relationship between entrepreneurship and labour market has at least two natures. First, the situation on labour market, especially connected with unemployment, is often treated as negative motivation to undertaking entrepreneurship for quasi-entrepreneurs. Second, labour is one of production factors, so paid workers influence on the proper entrepreneurs by the possibilities of enterprises' growth.

Materials and methods: Research on the relationship between entrepreneurship and labour market were conducted through the econometrical analysis of time series based on Polish data covered years 1993-2008. Two dependent variables were taken: rate of quasi-entrepreneurship (self-employed) in the non-agricultural sector in labour resources (RQE) and rate of proper entrepreneurship (both entrepreneurs and employers) in the non-agricultural sector in labour resources (RPE). Five independent variables were taken: sold production of manufactory as reference cycle (REF), rate of the newly registered unemployed in total unemployment (RNU), rate of the signed off unemployed in total unemployment (RSU), rate of long-term unemployment in total unemployment (RLU), average monthly wages in enterprise sector (WAGE). To describe the relationship between entrepreneurship and labour market, the following research steps were done: all the time series were converted into natural logarithms; the time series were subject to the procedure of seasonal decomposition by CENSUS X-11 method and cleared of the influence of seasonal, random fluctuations and trend to identify business cycle fluctuations in time series. Next, Dickey-Fuller unit-root test were used to define the stationary character of the time series and Granger's causality analysis between particular pairs of the variables were applied in order to identify the possible time lags between the explaining and explained variables. Last research step were the estimations of the parameters and fit of the regression function between dependent and independent variables of the model are realized in order to finally verify the relationships between the variables and their directions.

Results: Results of estimation of regression function parameters allow to suppose that business cycle reacts differently on the activity of quasi-entrepreneurs and proper entrepreneurs. Improvement of business cycle influences the increase of proper entrepreneurs' activity and the decrease of quasi-entrepreneurs' activity. Among factors connected with labour market, the rate of the newly registered unemployed influence directly proportional on both groups of entrepreneurs during business cycle, but with different time lag of reaction. Additionally, the rate of long-term unemployment has directly proportional impact on the rate of proper entrepreneurship, while average monthly wages in enterprise sector – diversely proportional. Cyclical changes of the rate of the signed off unemployed are not statistical important variable.

Conclusions: On the basis of the previous results it can be concluded that the dominance of entrepreneurial motivation depends on the phase of business cycle and the membership of entrepreneurs. The quasi-entrepreneurs are motivated by negative stimulus from labour market during business cycle, because the labour market situation indicates the alternative possibilities of occupational choice for them. The proper entrepreneurs react on positive motivation connected with business opportunities during the business cycle, because the labour market situation influences the activity of proper entrepreneurs as production factor.

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Work-family conflict of women entrepreneurs in Israel
Sibylle Heilbrunn, Liema Davidovitch

Studies on women entrepreneurs revealed that the tension between the personal life of women entrepreneurs and their professional career as entrepreneurs established a major problem. Our exploratory study adds an additional angle to the existing literature by comparing the intensity of work-family conflict between three groups of women entrepreneurs in Israel: Arab women entrepreneurs, immigrant women entrepreneurs from the Former Soviet Union and Israeli- born women entrepreneurs.
Based upon the resource theory maintaining that class, ethnicity and gender interact in various combinations for different groups, two main research questions emerge:

1. Which factors influence the intensity of work-family conflict of women entrepreneurs in Israel?
2. Is the intensity of the work family conflict sensitive to differences between the groups?

Data were collected in 2007 via a comprehensive questionnaire administered to a convenient sample of 111 women entrepreneurs in Israel. Data analysis includes regression and Anova models.
Family support influences intensity of the work-family conflict for all three groups of women entrepreneurs, but those from FSU experience the lowest intensity of the conflict, which can be explained via particularities of gender status in their country of origin. Thus, work/life balance establishes a major issue also for self-employed women. Policy makers should keep in mind group particularities and programs aimed at fostering female entrepreneurship should be adapted in accordance.

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Creative Communication Management Within Complex Entrepreneurial Innovation Processes: a Transdisciplinary Systems Approach

Gerald Steiner and Filippina Risopulos

The development of highly innovative start-ups is characterized by a high level of complexity. This complexity can only be mastered by a suitable communication system. One of the most challenging duties within a start-up process is to deal with the varying perspectives of different stakeholder groups at the various stages of the start-up process and beyond. These may include (potential) customers, business partners, investors, employees and others. In this paper we suggest that for communicating complex issues, means such as traditional business plans are no longer sufficient; they need to be extended by methods that enable the communication of complex issues, such as the emergence of highly innovative business models, but also issues involving radical product, process, and social innovation as part of the entrepreneurial process. Consequently, an extended methodology that includes systems and stakeholder analysis is discussed; in particular, the methods of story-telling-based personas and user scenarios, as well as story-boarding-based rapid prototyping are introduced. These are all systems-thinking-based tools and are used together with traditional entrepreneurial methodology to reduce innovation complexity, so that the communication process can take place at an appropriate level between all involved stakeholders.

The introduced methodology has already been applied in several real-life cases. As an example, a real-life case investigation of a very recent Austrian high-tech start-up called *Xohana* is analyzed in the second part of the paper. Using this case study, not only are communication methods applied within the entrepreneurial innovation and start-up process introduced, but the peculiarities of the underlying case are examined initially, since the case itself is based on the generation of a new market paradigm that leads to innovation within market communication. In a cybernetic sense, communication is simultaneously the driver and content of the system

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How to Start Up HR in a Startup:
Seven Proven Principles for Squaring the Triangle
By Sarah KARU and Shlomo MAITAL

Key words: Human Capital; Human Resource Management; Entrepreneurship; Startup; Grounded Theory.

Entrepreneurs who launch startups tend to attach relatively little importance to human resource management (HR). Indeed, the standard model for a startup is that of the triangle. The three key skills needed, it is said, to launch a startup are those of a **manager;** those of a **salesperson/marketer**; and those of a **technologist**, at least for technology-driven entrepreneurship. HR? It can wait - often, for years. In this paper, we argue that this 'triangle' model needs to be squared. The fourth side, **human resource management (HR)**, is crucial, at least as important as the other three dimensions of a startup business. Moreover, key HR principles must be established *at the outset*, when the startup is founded -- something that is rarely done. As a result of our qualitative case-based inquiry we have identified seven principles for effective Human Resource management in startups, principles that can help grow global businesses that are "built to last". In the past 15-20 years startup companies in Israel have proved unable to evolve and transform into global, multinational companies that generate jobs and exports. *From 1995, only four Israel companies were founded that sell abroad in 2008/9 more than $100 m. yearly*. **What role can HR play in transforming 'built to exit' to 'built to last'?** Many startups fail, or 'exit' prematurely, because they are unable to change and adapt to rapidly evolving market conditions. Often senior leadership teams are unable to evolve their organizations from startup to small, medium and large size. HR management must address this issue from Day One. *To foster entrepreneurship in higher education, the skill of human resource management merits more importance than, we believe, it receives at present, in many academic programs.*

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FACTORS DETERMINING ENTREPRENEURSHIP INTENTIONS AMONG BUSINESS STUDENTS

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Keywords: entrepreneurship intensions, personal psychological characteristics, personal non-psychological characteristics, environmental conditions, Lithuania.

Theoretical overview. Individual entrepreneurial intent has proven to be an important and continuing construct in entrepreneurship theory and research (Carr & Sequeira, 2007; Hmieleski & Corbett, 2006; Wilson et al., 2007). The lack of a clear definition of individual entrepreneurial intent and the absence of a systematically derived and reliable metric for its measurement have hindered progress in identifying the individual cognitions, personality traits, personal circumstances, and micro- and macro-environmental conditions associated with entrepreneurship (Bruyat & Julien, 2001; Gartner, 1985; Low & MacMillan, 1988; Shane & Venkataraman, 2000). Scientifically discovering and examining the effect of such moderating and mediating factors on intending individuals' decisions finally either to start of not to start new firms requires a prior assessment of those individuals' intent to become entrepreneurs.

The research **hypotheses** are: **H1**: Financial independence relates positively to individual entrepreneurial intention; **H2**: Autonomy relates positively to individual entrepreneurial intention; **H3**: Achievement orientation relates positively to individual entrepreneurial intention; **H4**: Uncertainty avoidance relates positively to individual entrepreneurial intention; **H5**: Entrepreneurial experience relates positively to individual entrepreneurial intention; **H6**: Entrepreneurial knowledge relates positively to individual entrepreneurial intention; **H7**: External environment relates positively to individual entrepreneurial intention; H8: University environment relates positively to individual entrepreneurial intention.

Methodology: Previous studies (Shane, 2003) found that age, education level, marital status can influence entrepreneurial intensions, our study was designed to control for these three variables by focusing on a homogeneous population, Lithuanian undergraduate first or second years business students below 25 years old. The questionnaires were delivered for students during the courses in order to increase the return. Overall 238 questionnaires were returned. After editing the responses 230 questionnaires were analysed.

Results. There are no statistical important differences (Kruskall-Wallis test) in the entrepreneurial intents between students which parents have theyrs own business and students, which parents work for someone else. We do not confirm the results of other entrepreneurship studies (Brockhaus and Horwitz, 1986; Brush, 1992; Cooper, 1986; Krueger, 1993), which found that students from families with entrepreneurs have a more favourable attitude toward entrepreneurship than those from non-entrepreneurial backgrounds. Concerning the gender of the students, there is no statistical important differences (Kruskall-Wallis Test) in the entrepreneurial intents between male and female.

Conclusion: The findings of this study have important implications for practice. The results clearly show the importance of psychological, non-psychological, and environmental factors for entrepreneurship intensions and provide support for university entrepreneurship programs. Thus, educational institutions in order to nurture students' entrepreneurship intensions have to focus on university environment, entrepreneurial knowledge, and non-psychological characteristics of the students. The research also demonstrates how other variables, for example external context, financial independence, autonomy, achievement orientation and

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The Role of Local Government in Fostering Competitiveness of Companies Through Support of Cluster Development

Barbara Jankowska, Maciej Pietrzykowski

The role of clusters in supporting regional and local development is clear. Clusters are a crucial component of the next European Commission initiatives—building Regions of Knowledge. The origins of the cluster concept go back to neoclassical economy and Alfred Marshall who, in his book entitled "Principles of economics" used the term industrial district. The most popular definition of a cluster was proposed by Michael Porter, according to whom a cluster is "a group of companies existing in geographical neighbourhood and the institutions which are related to them and deal with particular activity, connected by similarities and completing one another." Currently, the problem of clusters is discussed by many researchers who define the concept in different ways, but all of them agree that it can shape firm innovativeness and location. Bearing in mind the various attributes of clusters, one can state that a crucial characteristic of the phenomenon is cooperation between its participants. The foundation of any cluster is a cooperation among companies, and between companies and education, the R&D sector and business-support institutions. The dynamics and intensity of the cooperation are crucial for fostering innovativeness of companies and regions. None of these processes occur in a vacuum, but in specific local environments.

Local government cannot replace entrepreneurs in building sustainable and successful clusters and in accustoming of innovation. The basic role of local government is to shape and preserve a good environment for the development of innovation and entrepreneurship. The most important components of this environment are easy available, consisting of a high-quality infrastructure, a friendly office, competent clerks, consistent guidelines, foreseeable procedures, promotion of good practice, indication of potential financial resources, spreading information, and undertaking actions to improve the integration of research players and institutions in local economies. Building a cluster is a very slow, but effective process. Every local cluster has its own specifics and its own path to creating the interactive network which is a key factor in its successful development. Training and research centres, financial institutions, innovation consultants, local and regional agencies, local and regional authorities and other support organizations are key players in maximizing firms' innovative and entrepreneurial business potential. The smooth functioning of this network also depends on social capital. The local government's task is to recognize the structure of this capital, foster entrepreneurial behaviour, and encourage local leaders, clerks and politicians to act for entrepreneurship and innovation.

The following paper presents the importance of local environment, which is shaped to a great extent by local government activity, in the competitiveness of companies, taking into account that clusters are pro-innovative phenomena and can be used by local authorities to foster competitiveness and innovativeness. The authors pay special attention to cooperation within a cluster which may be perceived as a mechanism of increasing competitiveness. The discussion is based on the literature on this subject and on an analysis of some of the results of empirical research conducted among enterprises participating in cluster initiatives in Poland

SME's Performance in International Export Channels: Relying on Relationships as a Competitive Advantage

Claude Obadia and James Reardon

Entrepreneurs typically suffer from resource disadvantages, both capital and managerial, compared to their larger competitors. This is especially true in the international arena, which typically requires significantly more resources. Therefore, SMEs must rely on other competitive advantages, particularly relationship development and responsiveness. This study examines the importance of leveraging international export relationships for SMEs.

The results suggest that relationship norm development is a major contributing factor to economic export performance for SMEs. Specifically, developing relational norms of cooperation, equity, and continuity expectations has a positive effect on economic performance, with opportunism acting as a moderator of these relationships. The model was tested longitudinally to examine these effects over time

CONTROL OF ABSENTEEISM BY EDUCATION OF THE EMPLOYERS: COST-BENEFIT ANALYSIS

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Key words: preventive health examination, cost-benefit analysis, absenteeism

Aim: High costs of payments for sickday leaves in Croatia, and financial burden that is imposed on country economy due to absenteism, are evident in statistical dana. For example, sick day fees paid by obligatory health insurance in Croatia for period Jan-June 2008 were approximately 86.297.478,00 E and the participation of the costs of health care in BDP averaged at app. 7% in the period from 1998-2004 (Statistical reports of HZZO, various years). Average number of absence days in Croatia were from 53922 in 2005 to 61332 in 2007, showing trend to increase (Statistical reports of HZZO).The absenteism could significantly affect productivity of small and medium entrepreneurship and is of interest to them to decrease the rate of absenteism of their workers. The aim of this study was to determine the rate of absenteeism in the SMEs and the effects of education of employers related to preventive health examinations of employees on the rate of absenteesm. The cost-benefit analysis was undertaken (B.T. Yates in Evaluation and Program Planning 32 (2009) 52–5).

Materials and Methods: 18 SMEs (size of 10-50 employees) were included in the study. Data on the rate of absenteeism in 12 months before and after the medical education of employers were collected. The undertaken interventions were: lectures on need for preventive health examination for employees and education on management of human resources for employeers. All employees underwent preventive health examination (physical examination and advising on health diet, blood tests, ECG, audiometry, abdominal ultrasound, RTG, and the exams by cardiologist, ophtalmologist, in female: gynecological exam and breast ultrasound; in men: ultrasound of prostate). All examined persons were employed at least 12 months before and after the period of study. The cost-benefit analysis was conducted after 12 months of activites.

Results: Before intervention: the number of employees was 411, with the average number of working days 248 and the number of sick days on average 12.93 per person (rate of absenteeism 5.12%). After intervention for the same number of employees and average of 232 working days, the number of sick days was 7.92 per person (the rate of absenteeism 3.21%). The cost of preventive medical examination for 411 employees was 328800 kn, the cost of education 18000 kn). The loss of employers for sick days was: before intervention 248.68 kn x 5.315 sick days = 1321734.20 kn; after intervention 248.68 kn x 3.256 sick days = 809702.08 kn. Even with the cost of preventive examinations, employers saved 165232.12 kn (conversion rate 1E = 7.4 kn).

Table 1 shows the qualification structure of the employees in regard of the number of sickdays. The least number of sick days were int he group with university education.

Conclusions: This study confirmed the financial benefits of introducing regular yearly preventive medical examination for employees, resulting in reduction of sick days, earlier detection of diseases and better health of working population. It also proved that education of employers can result in benefits not only for the companies in terms of financial stability and profit, but also benefit the health of employees and country's economy in whole.

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Internationalization - a "life-belt" for Modern Higher Education Systems/ Galit Eizman

In recent decades, a growing number of countries have faced the phenomenon of massification of higher education, as reflected in the growing numbers of applicants, students and institutions. One of the principal challenges is that the demand for higher education has increased more rapidly than the ability or will of governments to provide the necessary public resources to meet this demand. Many public academic institutions and systems have been brought to a threshold of crisis, threatening the quality and achievements of research and teaching.

A common solution to this problem is "over-privatization": private institutions at which students pay much higher tuition fees; non-publicly-funded programs in public institutions, utilizing publicly financed infrastructure to provide unique programs (sometimes of dubious quality), and increasing the number of students in popular fields of study. There are higher education systems, such as Israel's, in which the percentage of privately-financed higher education has increased to more than 50% in a few years (according to OECD comparative data).

The theory proposed in this paper is that there exists a more efficient and better solution than privatization, with the potential to lead to a new, superior equilibrium, both economically and academically. The proposed solution is derived from Ricardo's 19^{th} century classical theory, as well as more advanced models of the 2008 Nobel Laureate, Paul Krugman: international trade brings an economy to a higher level of consumption possibilities due to specialization and comparative advantage. Extensive recent academic literature, shows that following the internationalization of trade in goods and products and of financial capital, trade has now become a main channel for promoting the benefits of knowledge and higher education. This solution already adopted by many countries, realizing that global academic system, wherein each country promotes selected fields of study and research, could benefit everyone.

The Israeli higher education system is served as a test case. The level of Israeli universities according to research parameters in international rankings (THE, SJTU) is relatively high, but the level that reflects student and staff mobility is very low. The hypothesis is that the income and advantages accruing to Israeli institutions from investments in globalization will be much privileged and long-term rather than just short-term, than those from investments in privatization.

The paper is divided into two parts- theoretical and empirical. The theoretical section describes the economic model proposed for the improvement of the higher education system. In addition, a cyclical loop model is proposed: the impact of increases in the international parameters is endogenous in the model and double. The more international programs and students/staff mobility, the higher the ranking received by Israeli institutions in international rankings, thus enabling them to attract even more international students as well as donations and fellowships. The empirical section applies the proposed model for calculating the economic and academic benefits to be derived from increasing the number of foreign students in international programs. A comprehensive calculation of this nature has already been carried out by Dr. Yaakov Sheinin, but this paper adds an empirical comparison with non publicly-funded programs in a field of study in which Israel has a relative advantage. Furthermore, in order to examine the cyclical hypothesis, the paper presents a practical example in view of statistical survey of the parameters used in the academic ranking of Israeli institutions over time.

In conclusion, this paper shows, by economic theoretical and empirical tools, that a significant increase in internationalization, through the promotion of programs for student and staff exchanges and academic cooperation, will bring academic and financial benefits to higher education systems and will be a "life-belt" in a time of crisis.

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The Effects of R&D and FDI on GDP per Capita Growth in EU and EU Accession Countries

Marina Dabic, Tomislav Herceg and Davor Vlajcic

The aim of this paper is to show how the gross domestic product (GDP) per inhabitant (measured in euros) of 30 European countries, including Croatia, depends on investments in research and development (R&D) in the country, and on the openness of the economy to foreign direct investment (FDI). Secondly, we try to show which of the investment sectors (enterprises, households, government) is most effective in the GDP per i capita boost. Furthermore, we investigate our assumption of a strong correlation between the R&D ratio in the GDP and the ratio of R&D staff in the overall workforce. Finally, we examine Croatia’s position in the European trends and provide some suggestions on how to reach higher levels of per capita income in Croatia.

Materials and methods- In this survey, we used cross-sectional data on FDI, R&D and GDP for 30 European countries, mainly from the EU, and including Croatia. The data are from 2006.The estimates were made using secondary data collected from several trustworthy sources. Mathematical, statistical (both inferential and descriptive) and econometrical methods are used. Along with quantitative methods, we conducted a short overview of the literature on the matter of FDI and R&D effects on growth. Finally, we used deduction, induction, analysis and synthesis to reach the final conclusions.

Results- It is shown that per capita income has a strong positive dependence on the levels of FDI and the ratio of R&D expenditures in the observed country's GDP. Secondly, we found no correlation between R&D and FDI. The estimates show a strong connection between overall volume of R&D in a country and the number of staff employed, as well as with the number of patents registered by that country. Further, the regression results show that corporate investments in R&D have the strongest impact on the GDP per capita, among all sectors (government, higher education institutions). Final analysis confirmed our hypothesis that Croatia is not an outlier in the analysis conducted up to this point.

Conclusions- R&D and FDI can be used as two separate instruments of economic policy for increasing GDP per capita, the first being the most effective if conducted by enterprises. An effective way of triggering R&D spending growth might involve the creation of incentives for companies to employ more R&D staff. The closing conclusion is that Croatia's lower level of GDP per capita is related to the low R&D share in total production, as well as to the unsatisfactory levels of FDI. Hence Croatia should try to remove the barriers to entrance of FDI, and to induce higher R&D spending in order to reach a higher level of income per inhabitant

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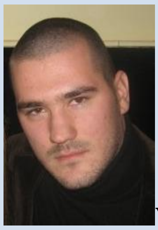

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