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Cross-Border Entrepreneurship: Evidence from Czech and Estonian Start-Ups

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Abstract

The paper tries to investigate the relationship between online networking and face-to-face knowledge sharing in order to prepare the future students to endeavor cross-border entrepreneurship. Knowledge transfer is needed for revealing cross-border entrepreneurship opportunities that are influenced by diversity of cultures and habits, sources of knowledge and business co-operation opts. Majority of the growth-oriented start-ups are created by cross-border teams and crowdfund their innovation in cross-border collaborations with business angels. Paper's model is based on the facts that globalization leads to higher internationalization of entrepreneurs and active cross-border search of business opportunities. In the paper are employed action research methods in order to reflect contributions and challenges of educational practices that represent different ways of knowledge transfer meant as online networking and learning with face-to-face knowledge sharing. For the purpose of the paper, there are more than 300 questionnaires, which have been filled out by master students from Estonian Business School and University

of Finance and Administration in Prague in the period of 2016-2017. Action research results indicated that less structured approaches to online project team formation allow students to understand self-regulative features of social networking and related needs to align their priorities with other networkers and cross-border entrepreneurship project stakeholders such as busy entrepreneurs that are less active online. More supervised and structured approaches however gave to students regular feedback from other online team members and mentors in order to understand their strengths and weaknesses in cross-border networking and teamwork. Implications of our research for educational policies in the field of entrepreneurship is that integration opportunities between cross-border online social networking and business networking processes have to be used more actively by educational institutions when combining face to face and online learning. Value of the paper is in specifying, how pre-knowledge and earlier experience, attitudes and future aspirations of students should be taken into consideration, when applying self-organization or pre-determined rules of international team formation for cross-border entrepreneurial learning.

Key words: cross-border entrepreneurship, knowledge transfer, networking.

Introduction

Globalization and cross-border entrepreneurship opportunities change the knowledge base for successful entrepreneurship. Kyrö (2015) refers to the consensus that the core of entrepreneurship is related to the process of using opportunities, new venture creation, growth, risk and acquisition and allocation of resources in order to make things happen. Globalization leads to international mobility of entrepreneurs and to intensive cross-border transition of business concepts. Cross-border entrepreneurship assumes positioning learners in the context of international business opportunities, challenges and risks. Resources in cross-border entrepreneurship depend on international networking competencies for enhancing synergy of new business knowledge sources, cost-efficient outsourcing of business activities, access to broader markets and new cross-border partnerships.

Entrepreneurs that have international growth ambitions and innovation focus often rely on knowledge sharing with people arriving from other countries while entrepreneurs that are domestically focused trust more their

close friends and spouses as business knowledge sources (Venesaar et al., 2014).

This paper is mainly driven by the objective to develop the concept for entrepreneurship education in the Czech Republic and Estonia. The research question is: How to prepare students for cross-border entrepreneurship by finding the right combination between different types of online networking and face-to-face unplugged knowledge sharing?

1 Entrepreneurship and cross-border business

Cross-border business activities had already starting from the disintegration of the Soviet command economy at the end of eighties of the 20th century substantial role in shaping the entrepreneurship landscape in Central and Eastern Europe and it offered knowledge sharing and learning by doing opportunities to Estonian entrepreneurs as well. In Central Europe in the last couple of years the cross-border cooperation between Western European countries and the Czech Republic have increased several times (Huber, 2003). In 2015 exports of goods from Estonia accounted for 11.6 billion euros and imports to Estonia for 13.1 billion euros. Foreign trade deficit amounted to 1.5 billion euros. At the same time Estonia outperforms several large European countries such as France, Italy and United Kingdom, when comparing exports per capita (Statistics Estonia, 2016, 38-39). Increasing the role of new entrepreneurs that are capable themselves to choose foreign target markets for their innovative products is needed in order to diversify Czech and Estonian exports and to diminish dependence on subcontracting services to small number of the main export partners and industry-specific cyclical risks. Penaluna et al. (2015) refer to World Economic Forum global competitiveness report, when stressing the need to link design thinking and entrepreneurship education. Aalto University in Finland is an example of implementing interdisciplinary approach to entrepreneurship education that links business, art and technology specializations. Interdisciplinary entrepreneurship education can also use

advantages of cross-border co-operation between students, when designing and commercializing new products.

Walter and Block (2015) use their comparative study results of 32 countries to draw attention to the paradox that entrepreneurship education has more often increased intention of young people to create enterprises in countries that represent hostile environment for entrepreneurship and has given less direct positive results in countries, where entrepreneurs enjoy positive environment for new start-ups. Young people are supposed to be more technically experienced and active users of social media than older generation. They are able to be mentors for older colleagues in capacity building for online social networking competencies (Tapscott, 2008). Younger generation's focus can be short-term, but learning and working are not perceived as separated processes in a social media environment. Stanton and Stanton (2013) however raised the question of business students being digital natives or digital neophytes in the context of using course-based Web 2.0 applications and online networking opportunities for professional self-development and career. According to their survey evidence, 38% of students had never heard of online collaboration tools such as Google Docs, 40% had never heard of LinkedIn and 65%, of social bookmarking tools.

Networking among students is influenced by their enrolment in higher education institutions or other formal networks that enable learning communities. Wenger et al. (2002) already more than a decade ago explained the importance of communities of practice and stressed the role of peripheral participation in such communities in order to develop competencies required for networking. Social media is at present daily creating numerous participation opportunities that may be more or less relevant for education and self-development. Kedia and Englis (2011) stated that globalisation of businesses has occurred faster than the internationalisation of business schools. Globalisation trends and contradictions have to be taken into consideration when developing the national entrepreneurship education system. Sharing economy phenomena, such as Uber taxi drivers, are among global trends that expand digital entrepreneurship business models across

borders and turn around established entrepreneurship patterns (Richter et al., 2015).

1.1 Cross-border entrepreneurship learning opportunities and challenges

The Uppsala internationalisation model developed by Johanson and Vahlne (1990) has been a well-known concept for explaining how moving to more advanced internationalisation stages and to new markets depends on organisational learning. Moving from one internationalisation stage to the next stage assumes learning and new knowledge acquisition through practice of international business relationships. The building of trust and the acquisition of culture-specific knowledge as elements of business relationship learning (Johanson and Vahlne, 2003) are crucial internationalisation challenges that according to the internationalization stages model assume step by step learning by doing, when moving from more familiar markets to more distant markets and to more sophisticated international business operations. However, studies focusing on born globals (Knight and Cavusgil, 1996; Cavusgil and Knight, 2009) demonstrated that technology-based new ventures with global ambitions can and also need to internationalise more rapidly in order to keep their first-mover-advantage. That may mean abandoning the incremental learning logic and utilizing cross-border networking opportunities for rapid growth. Born globals must activate new international business channels in order to penetrate “new business space” where learning opportunities can be accessed from the global market (Gabrielsson and Kirpalani, 2004). Small entrepreneurs can rely on their previous foreign customer networks when they acquire and utilize knowledge in diverse foreign markets (Lindstrand et al., 2012). Mainela and Puhakka (2011) suggest that a new international venture emergence assumes an entrepreneurial process involving four major elements that link networks to international business opportunities: venture drafting, resourcing, learning & creation and finally legitimising the emerging venture. Bingham and

Davis (2012) differentiate direct and indirect approaches to developing global growth competencies.

1.2 Linking experiential learning to cross-border business readiness

Co-operation between universities and entrepreneurs assumes leaving the academic ivory towers and overcoming time allocation and information hoarding obstacles in order to involve academics in communities of practice (Buckley and Du Toit, 2010) and in networking supported by knowledge sharing on the Internet. Knowledge acquisition and learning through networks are important for successful entrepreneurial initiatives (Ruiz-Arroyo et al., 2012).

Morris et al. (2015) explain that already during the first stages of entrepreneurship initiative potential entrepreneurs should understand the diverse portfolio of possible growth routes of their venture, including co-operation with business angels and involvement in international networks, although preliminary priorities can change during their entrepreneurial journey. Ramoglou and Zyglidopoulos (2015) reflect discussion about business opportunity search and identification versus constructivist approach to new business opportunity creation. In the cross-border entrepreneurship context business opportunity search can be interpreted as finding new foreign markets for business ideas that have been already validated at domestic markets or searching for established business practices at more advanced markets abroad that can be imitated at emerging markets. Business opportunity creation corresponds to development of innovative products and innovation ecosystems (Adner, 2012) that may assume open innovation readiness to encourage new ideas from outsiders, and co-creative efforts in cross-border entrepreneurial communities. Learners also need reflective learning in order to recognize critical events (Lindh and Torgen, 2016) that reflect risk and uncertainty related to cross-border business.

Kwong ja Thompson (2016) have pointed out the contradiction that although learning through practical entrepreneurship has been a key element

of curriculum in many universities during recent decades, students focused on long-term product development often prefer to learn from experience of established entrepreneurs, create some financial basis and broaden their network before starting their own business in practice.

Method

For the purpose of this applied research we have used the learning cycle of Kolb as a method in entrepreneurship studying. added value of universities will be higher if learning about entrepreneurship, for entrepreneurship and through entrepreneurship are integrated in experimental learning cycles that can be adjusted to different types of entrepreneurship, taking into consideration earlier business experience of students and their readiness to start or continue their entrepreneurial journey. Kolb's experiential learning cycle is a good framework for discussing connection between educational practices supporting learning about, for and through entrepreneurship, including networking, study visits to other countries, involving cross-cultural teams to project work and business competitions, to pre-incubation and incubation services. When applying learning for entrepreneurship or through entrepreneurship, students can benefit from action learning experiences that apply both more supervised and less supervised networking and teamwork in business development projects. Less structured approaches allow students to understand self-regulative features of social networking and related needs to align their priorities with other networkers and project stakeholders such as busy entrepreneurs that are less active online. More supervised and structured approaches give to students regular feedback from other online team members and mentors in order to understand their strengths and weaknesses in cross-border networking and teamwork.

Experiential learning includes reviewing learning outcomes and re-defining learning priorities in each cycle. Experiential learning as the process of acquiring knowledge through the transformation of experience in the learning cycle of experiencing, reflecting, thinking (conceptualizing) and acting (Kolb and Kolb, 2005) is an educational approach that tries to

link the identification of new entrepreneurial opportunities to exploiting the opportunity that was considered to be the best when using the knowledge that was available when starting the action and later learning from after action feedback. Kolb's learning cycle and the role of relationship-centred versus student-centred approaches to experiential learning is still a topical issue for academic debate and different modifications (Tomkins and Ulus, 2016). We suggest that entrepreneurship education for cross-border entrepreneurship can apply several modifications of the experiential learning cycle.

Hydle et al. (2014) discuss transnational communities that are focused on work and tasks and communities of learning who jointly share and create knowledge. In the cross-border entrepreneurship context a crucial experiential learning challenge is to apply transnational teams at the active experimentation and concrete experience stages in order to learn in more task-focused project work modes and to specify joint learning priorities during the stages of reflective observation and concept forming.

Practical examples on enhancing entrepreneurship studies at Estonian Business School

Estonian Business School has already starting from the year 2000 conducted Student Enterprise courses as part of its bachelor-level curriculum, where students learn through team-based entrepreneurship projects to develop their business idea and to start their entrepreneurship in practice. Student enterprises courses have created competence to start a limited liability company and do basic business planning and accounting, hire employees and sign contracts. Students have developed abilities to communicate with investors and to arrange team work. Skills for presenting a business idea and sales skills have been among learning outcomes. Follow-up information about continuity of student enterprises gives evidence that for student teams it has been easier to continue their entrepreneurship initiatives in services and in trading than to implement their business ideas in physical products. Among successful and sustainable student enterprises

are represented online marketing and gaming, specialized financial services, photography, parking applications, 3D printing services and importing consumer goods. Ideas that inspired students at the beginning of studies tend to change in the process of learning about new entrepreneurship opportunities and student teams are often not sustainable. Lack of cross-disciplinary knowledge in design and technology fields have limited innovative scope of proposed business ideas. Teams have not had foreign members that could represent insider knowledge about foreign markets and distribution channels. Foreign Erasmus exchange students stay in Estonia usually for one semester and their involvement in student enterprises has so far been difficult to align with more extensive learning in enterprise development processes of local Estonian students.

Incoming Erasmus exchange students have been however involved to joint team with Estonian students for acting as international business information “gatekeepers” for Estonian and some Finnish entrepreneurs interested to screen and compare international business opportunities. During the period from 2006 to 2016, as part of the course International Business Opportunities in the Baltic Region, international student teams of the Estonian Business School conducted field projects for 71 Estonian SMEs in order to support their internationalization efforts. Each team consisted of 4-6 students representing different nationalities. Among the business sectors represented in these team projects, the most active were innovative entrepreneurs involved in start-ups in ICT, design, and tourism. During several years these teams mainly worked in face-to-face communication mode, both inside classroom and visiting their project enterprises, although Moodle e-learning was also applied to train students for online teamwork.

Conclusion

In order to promote a start-up enterprise that has globalisation ambitions, online knowledge sharing about new technologies and business models is an essential learning need for developing cross-border entrepreneurship. Networking has become an important business model and co-creation

tool under the influence of internet-based learning communities and open innovation networks. Educational policies in the field of developing competencies for entrepreneurship should take into consideration that cross-border online social networking and business networking processes have become more integrated than some decades ago. Entrepreneurship education is not limited to individual skills for developing a business idea, compiling a business plan and creating an enterprise.

Digitalization and online learning should not be treated as an intrinsic value but rather as tools for developing cross-border networks and synergy based on diversity of business and social experiences that are essential for using cross-border business opportunities. Choosing useful online networks and selective involvement in cross-border entrepreneurial networks that correspond to self-development and business development vision of an entrepreneurial student can be among important learning outcomes of blended and interactive entrepreneurship education.

Development of the Czech and Estonian national entrepreneurship education system should not be limited to promoting basic knowledge for becoming an entrepreneur as a standard component of university-level education. Needs of students that represent different work and entrepreneurship experience, such as family entrepreneurs or students that have already experienced learning through early entrepreneurship initiatives in high school Junior Achievement programmes and also needs of master's students that already have managerial experience but prepare themselves for entrepreneurial career change should be addressed. Potential technology-based entrepreneurs, social entrepreneurs and entrepreneurs in creative industries, intrapreneurs in large corporations, entrepreneurs in sharing economy and several other target groups need learning processes and methods that correspond to their self-development needs and readiness to take next steps to start or continue their entrepreneurial journey. Cross-border entrepreneurship is essential for such target groups that need international partners or investors and broader markets than Czechia and Estonia. Cross-border entrepreneurship also contributes to knowledge sharing between

Estonian and foreign entrepreneurs for innovative entrepreneurship. Vakkayil and Chatterjee (2016) describe four globalization routes of business schools: moving from local distinctiveness to global conformity, infiltration of global norms, global expansion and moving from global conformity to pursue distinctiveness. Entrepreneurship education in a small open economy has limited resources for global expansion but cross-border entrepreneurship learning module linked to a massive open online course can facilitate access of young Czech and Estonian entrepreneurs to new global business opportunities by broadening their online network for tracing new cross-border business opportunities together with students in other countries.

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