International Review of Entrepreneurship, Article #1535, 14(3): pp. 265-288.

Indicators of Start-Ups' Adoption of Blue Ocean Strategy: Empirical Evidence for the Danube Region

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Abstract. We empirically explore the differences between early stage entrepreneurs from the Danube Region who enter markets with high competition (red oceans) or low competition (blue oceans) in terms of their aspirations for innovation, internationalisation and job growth expectations. The data are derived from the 2013 Global Entrepreneurship Monitor Adult Population Survey. We build a binary logistic regression model assuming that the criterion variable—perceived level of competition—is a linear combination of four predictors (product innovation, process innovation, export intensity, and job growth expectation) and five control variables (age, educational level, gender, knowledge, skills and experiences, and country). The findings show that early stage entrepreneurs who innovate, are internationally oriented and aspire to create new jobs are overrepresented in markets with limited competition (blue oceans). We also find that gender, age, educational level, and knowledge, skills and experiences are no significant indicators of an early stage entrepreneur's decision to enter a market with low competition (versus high competition).

Keywords: Global Entrepreneurship Monitor, competitiveness level, process innovation, product innovation, international orientation, firm growth aspirations, blue ocean strategy.

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Acknowledgement: An earlier version of this paper was presented at the REDETE 2015 conference. The authors would like to thank the Editorial Board member Dr. André van Stel for his thorough and valuable comments and suggestions.

1. Introduction

Although EU policy strives to unify the EU market as much as possible, extensive country as well as regional differences in economic growth and prosperity still exist. In April 2011, the Council of the European Union adopted the EU Strategy

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for the Danube Region (EUSDR, 2015). The Danube Region, located mainly in the south-eastern part of Europe, is home to more than 100 million people, covers one fifth of the EU's surface, and is the most international river basin in the world. The region's main challenge is improving cohesion and increasing competitiveness through cooperation. After the EU expansion, most of the Danube Region countries became part of the EU. The Danube Region consists of very diverse countries with different developmental levels, and the region's strategy is of vital importance for all of Europe (Tominc et al., 2015). The region's diversity of countries and varied developmental levels offer opportunities for less developed countries to take advantage of cooperation opportunities with highly developed countries to achieve faster economic development and catch up with other countries (ZEW, IAW, and WIIW, 2014a).

Entrepreneurship and start-ups have the potential to play a major role in increasing the competitiveness of the Danube Region and its particular countries. Entrepreneurs can be regarded as "agents of change" because they bring new methods, processes, products and services to the market, thereby challenging existing firms and their business models (ZEW, IAW, and WIIW, 2014b). The development of any economic and social system is undoubtedly grounded to a large extent in the development of entrepreneurship (Acs and Szerb, 2011; Bosma and Levie, 2010; Acs, 2002; Baumol, 1990; Leibenstein, 1968; Von Mises, 1949; Schumpeter, 1934). Entrepreneurship has become one of the most important factors for economic development due to the creation of new enterprises and employment as well as the creation of jobs within existing companies (Wennekers and Thurik, 1999; Carree and Thurik, 2003; Van Stel et al., 2005; Wong et al., 2005). Therefore, strengthening the knowledge of regional and individual differences in entrepreneurial activity and its determinants—the main focus of the present research—is of the utmost importance.

When comparing entrepreneurial activity across regions, it is important to consider the heterogeneity of factors linking entrepreneurship to economic growth of a specific country or region. Basically, entrepreneurship has to do with individuals, including both their traits and their actions (roles) (Wennekers and Thurik, 1999). In the process of linking entrepreneurship to economic growth, thereby contributing towards the increase of regional competitiveness, the most relevant factors are newness through start-ups and innovations as well as competition (Wennekers and Thurik, 1999, p. 34). Entrepreneurs who are in the process of setting up their own business can enter markets with more limited or higher levels of competition (Van der Zwan et al., 2012), thereby affecting the country's economic development in different ways. This reasoning follows the two contrasting schools of thought within the field of strategic management that differ in their views of the importance of competition that companies face: the traditional competitive strategy school (Porter, 1980, 1985) and the more recent blue ocean strategy school (Kim and Mauborgne, 2005), see Burke et al. (2016). Proponents of the first school argue that, although it is possible for companies to

generate high profits and temporarily avoid competition by means of innovation, imitation and the erosion of profits will occur relatively quickly, and the long-term state is one of competition with close rivals (Porter, 1980, 1985). Meanwhile, proponents of the blue ocean strategy school take a more optimistic view of the impact of innovation on firm profitability (Burke et al., 2016). They argue that, by exploiting untapped markets through innovation, it is possible for firms to structurally avoid competition by continuously creating new market demand (Kim and Mauborgne, 2005). The blue ocean strategy is the general framework of the present study, which assumes that firms/entrepreneurs can find sufficient untapped markets where they can retain and grow their profits without competition. The main strategic concern for these entrepreneurs is managing innovation (Burke et al., 2016, p. 125). Therefore, our research concentrates on the relationship among companies' innovation activity, international orientation, growth aspirations in terms of future employment and the level of competition they are facing.

The analysis is based on the individual level (early stage entrepreneurs), whose decision about entering markets facing different levels of competition eventually may affect macro-level indicators of the economy. In the policymaking context, economic development, along with the creation of employment as well as overall well-being, rely (among other factors) on the quantity and, even more importantly, quality of entrepreneurial activity and entrepreneurial eco-system within the economies (Kelley et al., 2011; Bosma and Levie, 2010; Acs and Szerb, 2011; Baumol, 1990; Leibenstein, 1968, etc.). The literature provides much evidence for this claim (e.g., Audretsch, 1995; Audretsch and Fritsch, 2002; Wong et al., 2005), including Global Entrepreneurship Monitor (GEM) based research by Van Stel et al. (2005) showing that the level of entrepreneurial activity is related to economic growth. They argue that this effect is dependent upon the level of economic development. Increased entrepreneurial activity is especially beneficial to well-developed economies. Less well-developed economies appear to benefit less from additional new entries of entrepreneurial initiatives that are often very small. An important reason is the abundance of necessity entrepreneurship in these countries (Carree and Thurik, 2010, p. 583), which might also be the case in some of the investigated Danube Region economies.

According to Chang (2010) a good blue ocean strategy is one that favourably affects cost structure and creates value for consumers. We believe that the implementation of the blue ocean strategies presents advantages at different levels—namely, the individual entrepreneur, the consumer and national economies. Entrepreneurs create more income in the long term. Consumers' gains stem from their ability to satisfy their needs that have not previously been adequately fulfilled. Gains for the national economies are created through innovative products and processes that contribute to a greater GDP, generate more jobs, decrease costs of production and contribute to a better standard of

living for all the people. However, the privileged market position requires continuing superior performance that makes imitation difficult and imposes high costs and risks (Kim and Mauborgne, 2006). Thus, there are advantages as well as weaknesses for implementation of the blue ocean strategy.

The literature shows a rather limited operationalisation of the blue ocean strategy. Burke et al.'s (2008, 2010 and 2016) seminal testing has been followed by only one additional statistical analysis of the efficiency of the blue ocean strategy by Parvinen et al. (2011). To date, most studies supporting the blue ocean strategy rely on case studies (e.g., Chang, 2010; Lindič et al., 2012; Becker, 2014 in Burke et al., 2016). To our knowledge, the present study offers the first attempt to statistically analyse characteristics of early stage entrepreneurs pursuing such a strategy. Our paper makes two contributions to the literature. First, it contributes to a better understanding of the individual level determinants of entering markets with different levels of competition and highlights the possible differences among the Danube Region's early stage entrepreneurs. Second, we apply our research to the GEM dataset, whose contribution to the knowledge and understanding of the entrepreneurial process is unique as it is the only existing dataset that can provide consistent cross-country comparisons and information on entrepreneurial activity. We derived data from the GEM research for the year 2013. The Danube Region countries that participated in GEM and in which we were interested included Bosnia and Herzegovina, Croatia, the Czech Republic, Germany, Hungary, Romania, Slovak Republic and Slovenia.

This paper is divided into six sections. Section two presents the basic characteristics of the Danube Region countries. Section three describes the theory background and research hypotheses. Section four presents the data, variables and model. In section five, the results are explained. Section six presents the discussion and conclusion.

2. Basic Characteristics of Danube Region Countries

This section provides a basic overview of all countries in the Danube Region to show the broader context in which the entrepreneurship processes take place. Basic economic data, such as population, GDP per capita, unemployment and employment rates, as well as the year of accession to EU for all countries of the Danube Region are presented in Table 1. Some data on the business supportive environment are included—namely, rankings on competitiveness, innovation and sophistication factors, the ease of doing business and the ease of starting a business. As Table 1 indicates, considerable differences exist among these countries.

Table 1: Demographic and Economic Data of the Danube Region Countries

Country	**Population (millions), 2015***	**GDP per capita (current US$), 2015***	**Employment rate, 2016****	**Unemployment rate, 2016****	**World competitiveness ranking,** (among 140 countries)**, 2015-16***	**Innovation and sophistication factors,** (among 140 countries), **2015***	**Ease of doing business rank** (among 189 countries)**, 2015*****	**Ease of starting business rank** (among 189 countries)**, 2015*****	**EU membership**
Austria	8.6	47,249.89	70.4	8.10	23rd	14th	21	106	1995
Bosnia and Herzegovina	3.9	10,491.80	43.2	41.72	111th	120th	79	175	-
Bulgaria	7.2	19,097.26	48.5	8.72	54th	94th	38	52	2007
Croatia	4.2	21,581.43	54.9	13.6	77th	90th	40	83	2013
The Czech Republic	10.5	31,549.49	71	5.2	31st	32nd	36	93	2004
Germany	81.9	46,893.17	74.2	4.2	4th	3rd	15	107	1958
Hungary	9.9	26,221.99	56.7	5.5	63rd	69th	42	55	2004
Moldova	3.6	5,006.24	37.6	6.2	84th	128th	52	26	-
Montenegro	0.6	16,123.14	55.6	17.23	70th	86th	46	59	-
Romania	19.9	20,786.86	59.8	6.6	53rd	84th	37	45	2007
Serbia	7.1	13,671.43	42.7	19	94th	125th	59	65	-
Slovak Republic	5.4	29,720.06	64.1	9.45	67th	59th	29	68	2004
Slovenia	2.1	31,007.44	64.2	11.1	59th	39th	29	18	2004
Ukraine	42.6	7,970.75	63.4	10.3	79th	72nd	83	30	-

Sources: * WEF, The Global Competitiveness Report (2015)
** http://www.tradingeconomics.com
*** World Bank (2015), Doing Business 2016

The Danube Region is characterised by significant socioeconomic disparities, but also by strong existing links among countries. The countries in the region have varied backgrounds. The rule of law, transparency, democracy, the market economy and general political stability have emerged for different systems and traditions. Building competitiveness of the macro-region relies primarily on developing a knowledge and innovation society (Panorama inforegio, 2011). Improving productivity levels and competitiveness are key challenges for many Danube Region countries in order to achieve higher growth rates in the medium to long run and, hence, for substantially reduced unemployment. The inherent structural weaknesses on both the goods markets and the labour markets across the region lead to relatively low competitiveness in some parts of the region. In less developed countries, the limited role of innovation contributes significantly to low competitiveness. Public sector

expenditures on research and development are well below 1% of the GDP in most Danube Region countries (exceptions are Austria, Germany, Slovenia, the Czech Republic and Hungary) (World Bank, 2013). In addition, businesses in this region spend less on innovation than those in other regions of Europe.

Table 2 represents the Danube Region countries according to stages of economic development defined by The Global Competitiveness Report (GCR). Based on GDP per capita and the share of exports comprising primary goods (WEF, 2015), three stages of economic development classify Austria, the Czech Republic, Germany, Slovenia and Slovak Republic as innovation-driven economies. The majority of countries in the Danube Region are in the efficiency-driven stage or in transition to innovation-driven economies. Only one country in the Danube Region (i.e., Moldova) is still among factor-driven economies, but this country is also in a transition phase from the factor-driven to efficiency-driven level of economic development.

Table 2: The Danube Region Countries and Stages of Economic Development, 2015-16

Stages of economic development	Countries
Transition from Factor-driven to Efficiency-driven countries	Moldova
Efficiency-driven countries	Bosnia and Herzegovina, Bulgaria, Montenegro, Serbia, Ukraine
Transition from Efficiency-driven to Innovation-driven countries	Croatia, Hungary, Romania,
Innovation-driven countries	Austria, the Czech Republic, Germany, Slovenia, Slovak Republic

Source: WEF (2015, p. 38)

3. Previous Research and Hypotheses

Our research relies on the idea presented within the Netherlands GEM National Report 2011 (Van der Zwan et al., 2012) using GEM data for testing the validity of the blue ocean strategy (Kim and Mauborgne, 2006). The GEM data can be used to test the extent of competition that firms face when entering markets, which is a popular topic within the field of strategic management. The basic concept has already been described within the introduction, but the seminal work behind this reasoning goes back to Kirzner (1973), who explained the functioning of markets in disequilibrium, where existing profit opportunities stimulate entrepreneurs to exploit them and eventually bring markets to equilibrium. However, with respect to the blue ocean strategy, Kirzner did not address whether new entrepreneurs choose to enter markets with low or high levels of competition (Van der Zwan et al., 2012, p. 37). The presence of many competitors might stimulate the entrance of new entrepreneurs in their willingness to exploit existing profit opportunities. Such actions mostly contribute to an adjustment process towards equilibrium by means of imitation. On the other hand, Schumpeter

(1934) assigned to the entrepreneur the role of innovator. His definitions of entrepreneur and enterprise are clear: "The carrying out of new combinations we call 'enterprise'; the individuals whose function it is to carry them out we call 'entrepreneurs'" (Schumpeter, 1934, p. 74). The definition of enterprise as a carrying out of new combinations stresses the importance of a very specific human property: the ability to think, be creative, and innovate. For an enterprise to exist, an entrepreneur is needed. For an enterprise to grow, prosper, and develop, an entrepreneur must constantly carry out new combinations of resources at his/her disposal. He/she must innovate (Rebernik, 2002). Therefore, entrepreneurs might decide to enter markets with limited competition in which they are able to take—at least temporarily—some kind of monopoly position (Schumpeter, 1934). In this way entrepreneurs contribute to creating disequilibrium by introducing innovations. Over time, other entrepreneurs imitate these actions, and the temporary profits enjoyed by the innovator are eroded. Hence, entrepreneurs might contribute to both creating disequilibrium (e.g., by introducing innovations which make extant technology obsolete—creative destruction) and making adjustments towards the (new) equilibrium through the diffusion of innovation and imitation (Schultz, 1975 in Burke and Van Stel, 2014, p. 176).

Our discussion will follow the proponents of the blue ocean strategy school of thought (Kim and Mauborgne, 2006), arguing that it is possible to find sufficient untapped markets and that imitation occurs more slowly so that innovators can enjoy higher profits for a longer period of time. Burke et al. (2008, 2010 and 2016) provided evidence that the blue ocean strategy is a sustainable strategy for a sufficient number of firms by using a model from the Dutch retailing industry.

In the next sections, we will theoretically explore whether any differences exist between early stage entrepreneurs who enter markets with high competition (red oceans—many competitors) or low competition (blue oceans—few or no competitors) in terms of their aspiration for innovation, internationalisation and job growth expectations. This will then subsequently enable us to empirically explore the extent to which entrepreneurs with different aspirations enter different types of markets (i.e., high versus low competition markets). In the GEM Adult Population Survey (APS), entrepreneurs are asked whether the market in which they (will) operate is characterised by many competitors or only few or even no competitors. The answers to this question give indications of how entrepreneurs perceive competition in the market but do not necessarily correspond to the level of actual market competition (Van Stel et al., 2014, p. 29); they measure self-perceived levels of competition. As such, it is possible that entrepreneurs in the early stages of their entrepreneurial activity are subjectively projecting lower levels of competition within markets they are entering than those who have been entrepreneurs for a longer period. This phenomenon of self-perception has been extensively explored in the literature (Bager and Schott,

2004; Tominc and Rebernik, 2007a, 2007b). Research results indicate that some early stage entrepreneurs' estimates might be inaccurate due to incompetence or over-optimism, whereas others are more modest.

With this caveat in mind, in our research, the potential of early stage entrepreneurs' ventures to compete in a more or less competitive market was linked to their opinions about the newness of their products and age of technology they are using, their export intensity and new job creation.

3.1. Innovation Activity and Competition

Entrepreneurial innovativeness depends on both individual factors and the environment in which the individual acts. In our paper, the important question is the identification of the specific ability of an individual (early stage entrepreneur)—namely, his/her ability to innovate. If innovations are defined as the transformation of ideas or knowledge into a new or improved activity, process, or product, the ability to innovate must consist of at least two parts: the "willing" part or the motivation to innovate (innovation stimulus) as well as the "can" part—the presence of opportunities and the potential to innovate (innovation capacity). In this context, the definition of an organisation's innovation capacity (Prajogo and Ahmed, 2006) as well as a country's innovation capacity (Furman et al., 2002; Radosevic, 2004) can be found in the economic literature. However, innovation stimulus and the innovation capacity of an *individual* as factors connected to his/her decision to enter low competitive markets (blue oceans) have not yet been discussed in the literature, to our knowledge. The measurement of the innovation capacity of a given country or firm is usually performed using a set of proxy variables, but a measurement tool that calculates the individual's willingness and potential to innovate has not yet been developed. In order to include this meaning of innovation as a factor connected to an individual's entrepreneurial activity (entering less versus more competitive markets), the proxy included in our model is the GEM measure of innovativeness—namely, newness of products and age of technology entrepreneurs are using. Although the innovation capacity of a firm or business may be measured, for example, by the skills and strengths of a firm's R&D and technology (Prajogo and Ahmed, 2006), in our paper the newness of products or services and age of technology used are utilised as the proxies for an individual's "will" to innovate. The "can" part of an individual's ability may be partly measured by the individual's level of education.

An analysis of openness towards innovation among individuals was first conducted in 2007 in GEM research (Levie, 2008). The analysis of citizens' receptivity to innovations was based on Bhide's (2008) suggestion that this could be one reason for the relative economic success of the United States compared to Europe. This statement is based on the assumption that innovative entrepreneurs

need customers who are willing to buy new products and services and to try products and services that use new technology. Customers receptive to such innovations tend to believe they will improve their lives. The research results (Levie, 2008) demonstrated that innovation confidence was greater among individuals showing any form of individual engagement in entrepreneurial activity. However, this general pattern was not observable in every nation (12 countries participated in this part of the GEM research).

Levie's (2008) study is highly relevant in investigating differences within the level of competition and innovative activity of early stage entrepreneurs in diverse Danube Region countries. According to Koellinger (2008), the distribution of innovative and imitative entrepreneurship varies across countries. Entrepreneurs in highly developed countries are significantly more likely to engage in innovative rather than purely imitative activities. The objective existence of business opportunities in general, whether innovative or imitative, is influenced by environmental factors such as changes in technology, politics, regulation and demographics or by other trends in society, such as changes in culture, fashion and urbanization (Koellinger, 2008), all of which are extremely diverse within the Danube Region. An individual's probability of exploiting an innovative business idea is a function of various factors, such as entrepreneur proactiveness (Shabbir et al., 2010), individual creativity and the alertness to business opportunities. In addition, individual preferences, opportunity costs, cognitive styles and the use of particular decision heuristics influence the probability that someone who developed an innovative business idea actually decides to exploit it (Koellinger, 2008). According to market process theory, both imitators and innovators are entrepreneurial in the sense that they play an important role in disequilibrium (Kirzner, 1973; Schumpeter, 1934). Although innovators compete primarily on quality, imitators compete mainly on price (Van der Zwan et al., 2012, p. 40).

Our analysis follows previous research on innovation (Jiménez-Jiménez and Sanz-Valle, 2011; Yang et al., 2009) that distinguishes between product and process innovation. Specific differences exist between product and process innovation in terms of the size of resources that entrepreneurs invest in either (Fritsch and Meschede, 2001): Product innovations have the typically larger potential of technological diffusion (Ornaghi, 2006) and are more easily commercialised and sold to external parties whereas process innovations are less saleable (Nieto and Santamaria, 2010), but can contribute greatly to declining production costs. As both product and process innovations present a prerequisite to enter untapped blue ocean markets, we propose:

H1a: Product innovation is significantly related to the extent of market competition, with more innovative early stage entrepreneurs adopting blue ocean strategies.

H1b: Process innovation is significantly related to the extent of market competition, with more innovative early stage entrepreneurs adopting blue ocean strategies.

3.2. International Orientation and Competition

In today's globalizing economy, economies' global trade is increasingly important. Multinational enterprises are not unique in their international orientations; start-ups and SMEs are using the latest technologies to become increasingly well equipped to expand the scope of their businesses. Small entrepreneurs seek international markets when their products or services are unique. In the early stage of an industry, their products or services satisfy only a small fraction of the overall market which requires them to become internationally oriented. Several theories from the international business literature have been presented to explain why firms engage in international operations. The monopolistic advantage theory suggests that firms will internationalise when they can use their established advantages of unique products or services, which have to be spread across as many potential markets as soon as the opportunity window is opened (i.e., be the first to markets). Through internationalisation, broader leverage of substantial investments in businesses is possible. Geographic factors (e.g., country size, location) and connections with strategic partners in new locales can also affect cross-border activities (Kelley et al., 2011; Močnik and Širec, 2010). Meanwhile, product cycle theory suggests that firms internationalise to protect their existing markets for their mature products or services. Finally, the stage theory of internationalisation suggests that a firm's international operations will gradually increase as it gains knowledge and experience in the international arena and develops relationships across international boundaries (Westhead et al., 2001). When contrasting the described theoretical approaches with the blue ocean strategy propositions, no common explanation could be found. The key idea behind the blue ocean strategy perspective is searching for new customers and creating a new value proposition for customers instead of relying on imitation or incremental improvement over competitors (Lindič et al., 2012, p. 928). Thus, a company can create an uncontested market space in which it is the first in the market, thereby giving it a temporary monopoly in power; it can quickly create economies of scale and exploit positive feedback effects, which offer the company an opportunity to internationalise more quickly. For example, it is well known that, in some high-tech industries, a firm producing innovative products that has only a few (if any) potential domestic clients must internationalise if it is to stay in business. Kafouros et al.'s (2008, p. 63) argument goes further to state that "firms need to have a sufficient degree of internationalisation, i.e., be active in many markets, to capture successfully the fruits of innovation". The literature

indicates that technological resources could also significantly influence firms' internationalisation (Kyläheiko et al., 2011).

A specific GEM measure assesses the extent to which entrepreneurs sell to customers outside their economies. Internationalisation is—on average—lowest in the factor-driven economies and increases with the economic development level (Bosma et al., 2012; Pete et al., 2011). Stages of economic development for the Danube Region countries are presented in Table 2. Terjesen et al. (2016, p. 309), who systematically examined comparative international entrepreneurship research, clearly stated that "internationalisation decisions are based on features of the entrepreneur, firm, and external environment". International markets may speed up the growth process of a start-up company as they offer new business opportunities. Companies that employ the blue ocean strategy have new products that early buyers, called innovators and early adopters, want. However, these groups of buyers are not large (they represent in general only six percent of the overall market), so companies must also find these buyers in international markets (Hill and Jones, 2004, p. 197). In line with the discussed circumstances, we presuppose a significant relationship between the international orientation of early stage entrepreneurs and the level of market competition they assume they are facing. Our second research hypothesis (H2) reads:

H2: International orientation is significantly related to the extent of market competition, with more export-oriented early stage entrepreneurs adopting blue ocean strategies.

3.3. Growth Aspirations and Competition

Entrepreneurship research and practice emphasise company growth as a measure of entrepreneurial success. One reason why society values entrepreneurs is their potential to create employment opportunities for others. According to Davidsson (1991), firm growth is an indication of continued entrepreneurship (Gundry and Welsch, 2001). Penrose (1959) argued that growth-oriented firms might be more likely to attract extraordinary management talent as well as financial support from investors, allies and competitors. Thus, growth is assumed to be beneficial and something that firms should seek to achieve (Markman and Gartner, 2002).

Two main streams of thought can be found in the existing literature. The first is based on longitudinal research designs studying actual growth (Liao and Welsch, 2003; Gundry and Welsch, 2001); the second focuses on the growth expectations of those entering into entrepreneurship (Bager and Schott, 2004; Delmar and Davidsson, 1999; Tominc and Rebernik, 2007a, Močnik and Širec, 2016). Our paper focuses on those entrepreneurs who are in the start-up phase of the entrepreneurial process, where actual growth cannot yet be established. Therefore, we studied their growth aspirations. In a small firm, the importance of

an owner's or manager's willingness to grow is likely to be relatively greater than in a large firm, but not all entrepreneurs are willing to grow their business as they might expect some consequences of growth to be negative and in conflict with their personal goals (Kolvereid, 1992; Storey, 1994).

We included the variable of firm growth aspirations in our investigation as growth enables small companies to achieve a competitive advantage which can be developed and is implicated by innovation (Obeng et al., 2014). Van der Zwan et al. (2012) suggested that a considerable majority of ambitious entrepreneurs expect to realise their ambition by increasing their market shares in new niche markets. In terms of the blue ocean strategy, it seems that the majority of ambitious entrepreneurs believe that sufficient untapped markets (blue oceans) exist or can be created; succeeding in these markets will require more employees in the future. Hence, the third research hypothesis (H3) reads:

H3: Firm growth aspirations are significantly related to the extent of market competition, with more new jobs being expected by early stage entrepreneurs adopting blue ocean strategies.

4. Data, Variables and Model

4.1. Data

Research data were derived from the GEM research. Bosma et al. (2012) fully explained the GEM study's content and procedures. GEM is a large-scale entrepreneurship research programme launched with ten countries in 1997. In 2013, the coverage was extended to 69 countries. Our research data were derived from the GEM's pooled Adult Population Survey for 2013. Table 3 indicates the total number of interviewed adults, 18 to 65 years old, in selected countries. Interviews were conducted using the Computer Assisted Telephone Interviewing (CATI) method. Our analysis is based on a sample of 1,666 to 1,759 early stage entrepreneurs from eight of the Danube Region countries. Table 3 presents the data for the criterion variable (number of competitors) and predictors of early stage entrepreneurs by country, in alphabetical order of countries' names.

Table 3: Sample data for criterion variable and predictors across the Danube Region, 2013 Frequencies

Variable	Category	Bosnia and Herzegovina	Croatia	The Czech Republic	Germany	Hungary	Romania	Slovak Republic	Slovenia	Total
Number of competitors	Many	99	75	216	160	121	125	128	56	980
	Few or none	108	90	152	138	73	79	63	74	777
	Total	207	165	368	165	194	204	191	130	1757
Export intensity	None	86	24	69	129	67	57	24	32	488
	Under 25%	74	64	226	107	75	74	121	58	799
	25%-75%	26	32	39	31	30	39	28	13	238
	More than 75%	16	30	18	14	11	22	11	19	141
	Total	202	150	352	281	183	192	184	122	1666
Job growth expectation	It is not expected to have more than 5 employees in next five years (No)	134	115	265	232	142	115	135	84	1222
	It is expected to have more than 5 employees in next five years (Yes)	73	51	103	66	52	90	56	46	537
	Total	207	166	368	298	194	205	191	130	1759
Process innovation	Technology is more than five years old	93	87	237	238	157	109	119	96	1136
	Technology is one to five years old	48	45	90	40	26	62	40	20	371
	Technology is newer than one year	67	34	40	20	11	34	32	14	252
	Total	208	166	367	298	194	205	191	130	1759
Product innovation	Product is not new to all or some customers (No)	143	116	176	177	141	109	93	68	1023
	Product is new to all or some customers (Yes)	64	49	191	121	52	96	98	62	733
	Total	207	165	367	298	193	205	191	130	1756

4.2. Variables

This section describes measurements for all investigated categories drawn from the GEM research. We presented the criterion variable (i.e., the intensity of competition) and four predictors (i.e., export intensity; job growth expectation; process innovation; product innovation). For further clarity, we added five control variables (i.e., age; educational level; gender; knowledge, skills and

experiences; and a set of dummies for individual Danube Region countries). We built a model for early stage entrepreneurs from the sampled countries of the Danube Region. Early stage entrepreneurs are defined as individuals who are personally involved in the creation of a new venture and/or are the owner–manager of a firm that is less than three and a half years old.

Criterion variable

Early stage entrepreneurs were asked to answer the following question:

- *How many businesses offer the same product?* Possible answers were "many", "few" and "none". Because of unexpected singularities in the Hessian matrix,[3] we merged the categories of "few" and "none" into "few or none". The final coding of this variable was "many" (red ocean) versus "few or none" (blue ocean). "Many" represents the reference category.

Predictors

The estimation model for binary logistic regression included four predictors:

- *Export Intensity.* Respondents chose from among four categories: more than 75%, 25%–75%, under 25% or none (reference indicator).

- *Job growth expectation.* Respondents indicated whether they expected to hire more than five employees in the next five years. Possible answers were "no" (reference category) or "yes".

- *Process innovation.* Respondents indicated the category of technology age. Possible answers were very latest technology (newer than one year); new technology (one to five years); and no new technology (more than five years) (reference category).

- *Product innovation.* Respondents answered the question "Is the product new to all or some customers?". Possible answers were "no" (reference category) or "yes".

4.3. Binary Logistic Regression Model

We built a binary logistic regression model for the year 2013. In the model, we assumed that the criterion variable is a linear combination of the four predictors and five control variables. The model for estimation reads:

3. The criterion variable had only one value observed in 1547 (96.7%) subpopulations.

$$Logit\ [P(y=1)]_i = a + B_{1k}\ (Export\ intensity)_{ki} + B_2\ (Job\ growth\ expectation)_i + B_{3l}\ (Process\ innovation)_{li} + B_4\ (Product\ innovation)_i + B_{5m}\ Age_{mi} + B_{6n}\ (Educational\ level)_{ni} + B_7\ Gender_i + B_8\ (Knowledge,\ skills\ and\ experiences)_i + B_{9o}\ Country_{oi} + e_i \quad (1)$$

where *Logit [P(y=1)]* is the criterion variable (i.e., the binary logit estimate for few or no competitors); *a* is the binary logit for the regression constant; *B* is the vector of binary logit estimates for the regression coefficients of predictors and control variables (added as dummy variables); *k* is the index of three categories of export intensity (k = 1, 2, 3); *l* is the index of two categories of process innovation (l = 1, 2); *m* is the index for four categories of age (m = 1,.., 4); *n* is the index of three categories of educational level (n = 1, 2, 3); *o* is the index of seven countries (o = 1, …, 7); *i* is the index for the number of entrepreneurs ($i = 1, ..., N$; N = 1,700); and e_i is the binary logit estimate for the error term.

5. Results

In this section, we analyse the results presented in Table 4 in greater detail. First, we checked standard errors to uncover possible numerical problems. As all standard errors (third column of Table 4) are less than 2, there is no problem interpreting the results.

The results show that all the main predictors—namely, export intensity in the range of 25% to 75%, job growth expectation, process innovation (for technology that is newer than one year) and product innovation—are positive and statistically significant. Only one of the seven Danube Region countries, Romania, had no significant impact on competitiveness, whereas the other six countries significantly affected competitiveness (relative to Slovak Republic), which early stage entrepreneurs face in their own country. The control variables (i.e., gender, age, educational level, and knowledge, skills and experiences) did not prove to be significant indicators of competitive intensity.

The odds ratio [Exp(B) column in Table 4] for exports between 25% and 75% was 1.479. Thus, the likelihood is almost 50% higher for early stage entrepreneurs to have few or no competitors compared to early stage entrepreneurs with no exporting. Remarkably, export intensity higher than 75% was not significantly related to adoption of blue ocean strategy.

The odds ratio for job growth expectation was 1.363, which means that the likelihood of having few or no competitors is almost 40% higher for early stage entrepreneurs expecting to offer new jobs to more than five employees in the next five years compared to those entrepreneurs who did not expect such job growth.

The odds ratio for process innovation considering the latest technology was 1.577. This means that the likelihood is almost 60% higher for early stage

entrepreneurs to have few or no competitors when using the latest technology compared to those whose technology is older than five years.

The odds ratio for product innovation was 2.914, indicating that the likelihood is around 190% higher for early stage entrepreneurs to have few or no competitors when they have a product new to all or some customers compared to those whose product is not new to all or some customers.

Regarding the odds ratios for countries, Table 4 shows that the likelihood of having few or no competitors for an early stage entrepreneur is more than three times larger in Croatia, almost 3-times larger in Bosnia and Herzegovina, and Slovenia than in the Slovak Republic, whereas in Germany it is more than twice as big and around 1.6 times bigger in Hungary and the Czech Republic compared to the Slovak Republic.

In summary, based on the four predictors (export intensity, job growth expectation, process innovation and product innovation) showing a 65% correct predicted overall percentage, we explained 14.3% of the variability of the competitive intensity of early stage entrepreneurs from the Danube Region countries.

Table 4: Results of the binary logistic regression for the Danube Region countries, 2013 (Number of competitors: Few or none competitors (blue ocean) = 1)

	B	S.E.	Wald	df	Sig.	Exp(B)
Export intensity			6.165	3	.104	
Under 25%	.016	.131	.014	1	.905	1.016
25 to 75%	.391	.177	4.878	1	.027	1.479
More than 75%	.024	.213	.013	1	.911	1.024
Job growth expectation (Yes)	.309	.118	6.827	1	.009	1.363
Process innovation			7.957	2	.019	
1 – 5 years	.075	.137	.297	1	.586	1.077
Newer than 1 year (latest technology)	.456	.162	7.914	1	.005	1.577
Product innovation (Yes)	1.069	.114	88.147	1	.000	2.914
Age			2.535	4	.638	
18-24	-.218	.240	.823	1	.364	.804
25-34	-.163	.208	.619	1	.431	.849
35-44	-.035	.213	.026	1	.871	.966
45-54	.016	.221	.005	1	.942	1.016
Educational level			5.782	3	.123	
Secondary	-.023	.170	.018	1	.895	.978
Post secondary	.271	.183	2.191	1	.139	1.311
Graduate expanded	.232	.233	.990	1	.320	1.261
Gender (Males)	.083	.114	.524	1	.469	1.086
Knowledge, skills and experiences (Yes)	.096	.150	.413	1	.520	1.101
Country			44.768	7	.000	
Hungary	.472	.240	3.868	1	.049	1.603
Romania	.257	.239	1.150	1	.284	1.293
Germany	.826	.224	13.604	1	.000	2.283
Croatia	1.238	.251	24.264	1	.000	3.448
Slovenia	1.030	.263	15.341	1	.000	2.802
Bosnia and Herzegovina	1.076	.237	20.641	1	.000	2.933
The Czech Republic	.452	.206	4.826	1	.028	1.572
Constant	-1.706	.332	26.426	1	.000	0.182
-2Log Likelihood	2050.520					
Nagelkerke R Square	.143					
Model χ^2	183.388					
Model χ^2 significance	.000					
Overall predictive accuracy (%)	64.8					

Notes: N = 1,700 (missing cases 129; total 1,829). The reference category of the criterion variable, which represents the number of competitors, in the estimation, is represented by the answer Many (red ocean). Reference categories for other variables are as follows: Export intensity (None); Job growth expectation (No); Process innovation (More than 5 years); Product innovation (No); Age (55-64); Gender (Female); Educational level (None and some secondary); Knowledge, skills and experiences (No); Country (Slovak Republic). In the model, there is no problem of multicollinearity, which was tested by correlation matrix. This matrix is not included in the paper but is accessible on request.

6. Discussion and Conclusion

The Danube Region is characterised by broad differences in a range of socioeconomic indicators, such as economic development and income levels, labour market situation, foreign trade openness and specialisation. Economic and income gaps have even widened during the recent crisis, and the labour market situation deteriorated (ZEW, IAW, and WIIW, 2014a). All these characteristics of the Danube Region countries pose a number of challenges to the formulation of a coherent regional development strategy, as many opportunities for fostering regional development and competitiveness exist. The current paper identified features related to the Danube Region as well as early stage entrepreneurs' strategies regarding the type of market they enter, in terms of the level of competition. The identified differences strongly support the need for the sound development and implementation of a smart specialisation strategy, which should include innovation as well as internationalisation strategies on both the country and regional levels. Countries and their regions need to focus their efforts on building economic strengths and developing innovative ways to face global competition. Continuous innovation is inevitably dependent on new knowledge creation—a process that is multidimensional in nature and "must be managed at the individual and organisational level, as well as in the societal, cultural, economic and political context" (Rebernik and Širec, 2007, p. 408).

Innovation activity, international orientation and companies' growth aspirations—the focus of our research—are directly linked to most governments' important objectives. Previous studies have demonstrated that such objectives are complex and multidimensional, in both scope and character. Thus, a better understanding of the described phenomenon is important for different target groups, including policymakers, entrepreneurs and academics. This paper explored the relationship between the type of market (low or high competition) entrepreneurs enter, and characteristics of these entrepreneurs. These entrepreneurs can choose to enter new or untapped markets (blue oceans) in which the amount of competition they face is limited or enter markets with strong competition (red oceans) to capture some of the profits of other entrepreneurs (van der Zwan et al., 2012). Our data show that early stage entrepreneurs in the Danube Region enter both types of markets to a similar extent: 44.2% enter markets in which they perceive limited competition and 55.8% enter markets in which they perceive a high number of competitors (see Table 3).

The empirical results confirmed our three hypotheses. Hypothesis H1 presupposes that more innovative early stage entrepreneurs face lower competition. We confirmed hypothesis H1 using the process innovation and product innovation predictors. The results confirm that, first, if an early stage entrepreneur is using technology that is newer than one year, competitive intensity is much smaller than for early stage entrepreneurs using older technology (i.e., more than five years old). Second, if an early stage entrepreneur

has a product that is new to all or some customers, the competitive intensity is smaller than early stage entrepreneurs with no such product. The findings show that early stage entrepreneurs who innovate by means of introducing new products or services (product innovation), or by using new technologies (process innovation), are overrepresented in markets with limited competition (blue oceans). The finding concurs with van der Zwan et al.'s (2012) study in the Netherlands, who claimed that blue ocean strategies are more viable than red ocean strategies for innovative entrepreneurs, possibly because their innovations tend to be hard to copy.

Furthermore, the intensity of internationalisation, measured by the share of customers living outside the country, was investigated. We confirmed research hypothesis H2, assuming that strong internationally oriented early stage entrepreneurs more often enter new niche markets (blue oceans) while weak internationally oriented early stage entrepreneurs more often enter highly competitive markets (red oceans). This hypothesis was confirmed as the results indicated that early stage entrepreneurs whose exports ranged from 25% to 75% faced fewer competitors than those with no exports. Remarkably, export intensity higher than 75% was not significantly related to adoption of blue ocean strategy. Future research may look further into this non-linearity. Finally, early stage entrepreneurs who aspire to create five or more jobs in the next five years are also overrepresented in markets with limited competition, suggesting that the majority of these growth-aspiring entrepreneurs expect to realise their growth ambitions in untapped markets or blue oceans. Thus, our last research hypothesis (H3) was also confirmed.

Implementation of blue ocean strategy is beneficial to individual entrepreneurs, consumers and society at large. For the entrepreneur, exploiting a new product in a blue ocean market brings more income in the long term. However, creating blue oceans is not a static achievement, but rather a dynamic process. Once a company creates competitive advantages and its superior performance is shown, imitators sooner or later begin to appear in the market (Kim and Mauborgne, 2006). A good blue ocean strategy is one that is not easy to imitate. However, such strategy typically imposes high costs and risks. Company actions that favourably affect its cost structure and value proposition to buyers create value innovation. A great value innovation effectively prevents imitators from entering the market, and cost savings occur by reducing and/or eliminating the factors on which an industry competes (Chang, 2010).

For the consumer, a new product or service is an advantage because it satisfies his/her hitherto unmet needs. For society, the blue ocean strategy creates innovative products and processes that both contribute to a greater GDP—the former through higher prices and the latter with decreasing costs of production, enabling lower prices but higher sales volumes. Greater GDP assumes more jobs, more profits and more collected taxes for the realisation of better lives for people.

Overall, certain characteristics of early stage entrepreneurs in the Danube Region differ between countries. The results leave room for further investigation. Policymakers need to bear in mind that, in some fields (especially in innovative, internationally oriented and ambitious companies), differences among countries do exist. Therefore, the entrepreneurship policy needs to take into consideration the many specific needs of the companies willing to innovate, export and consequently grow their companies. Thus, policymakers should focus on encouraging entrepreneurship among well-educated individuals with the potential to establish innovative, internationally oriented companies. Establishing appropriate incentives and promoting role models are crucial tasks. Entrepreneurs differ, and further research is needed to distinguish policy instruments for innovation-driven early stage entrepreneurs who—according to our research—more often operate in blue oceans and need to be treated separately; to support innovative-driven and internationally oriented early stage entrepreneurs, their characteristics should also be considered.

Finally, we address the limitations of our study. First, competition might be observed from a variety of aspects. The findings could be replicated using a different type of competition. In particular, future research may use more objective measures of competition than our current measure of perceived competition. The same holds true for the predictor variables, innovation activity, internationalisation and growth aspirations. Second, this study utilised GEM data at the individual level for various Danube countries. To present additional results, future research should encompass national level measurements in order to provide aggregate level distinctions and reasoning behind differences within regions and countries. Another interesting avenue for future work on companies' competition might focus on the comparison of regions that differ significantly in both the level and history of their entrepreneurial activity.

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