

Characteristics of ambitious entrepreneurs in Southeast Europe region: high-growth expectation concept

Карактеристике амбициозних предузетника у Југоисточној Европи: концепт очекивања високог раста подухвата

Миодраг Петровић*

Докторант, Универзитет у Новом Саду, Економском факултету у Суботици, Суботица

Бојан Лековић**

Универзитет у Новом Саду, Економски факултет у Суботици, Суботица

Abstract: The main objective of this paper is to determine the factors of influence on high-growth expectations in order to determine the characteristics of these entrepreneurs in SEE region. For the purpose of this research, data from the Global Entrepreneurship Monitor was used. For the purpose of this research, the authors included six countries in research sample of South East Europe: Slovenia, Croatia, Hungary, Romania, Bosnia and Herzegovina, and FYR of Macedonia. An exploratory sample of the mentioned countries was 12027 respondents and 231 entrepreneurs with high-growth expectations. Data analysis was made through the SPSS program for statistical analysis. Nature of the observed variables has conditioned usage of Logistic regression. Our findings demonstrate that entrepreneurial motives, entrepreneurial KSA's, innovation and internationalization activity have a positive relationship with high-growth expectations.

Keywords: entrepreneurship, growth, innovation, motives, internationalization

Сажетак: Циљ овог истраживања јесте детерминисање фактора од утицаја на развој аспирација према расту предузетничког подухвата, како би се утврдиле карактеристике ове групе предузетника на територији Југоисточне Европе. За потребе овог истраживања коришћена је база података *Global Entrepreneurship Monitor*-а. Истраживачки узорак чини шест земаља Југоисточне Европе: Словенија, Хрватска, Мађарска, Румунија, Босна и Херцеговина, БЈР Македонија. Број испитаника на територији ових шест земаља износио је 12.027 појединаца, од којих 231 предузетник са аспирацијама ка високом расту предузетничких подухвата, засновано на броју запослених. Анализа података вршена је уз помоћ статистичког алата SPSS, а сама природа посматраних варијабли условила је коришћење логистичке регресије. Резултати истраживања указали су на позитиван утицај предузетничких знања, вештина и способности; мотивације; иновације и интернационализације пословања на предузетничкова очекивања у правцу високог раста предузетничког подухвата када је у питању број запослених у посматраном периоду од наредних пет година.

Кључне речи: предузетништво, раст, иновације, мотиви, интернационализација

* ✉ mr.miodrag.petrovic@gmail.com

** ✉ bojan.lekovic@ef.uns.ac.rs

Introduction

Entrepreneurship represents the basis of the economic activities of developed countries. It has an influence on economic development and an increase in employment rates by generating new jobs. Creating new jobs is the entrepreneurial aspiration for achieving the growth of an entrepreneurial venture. The impact of personal characteristics of entrepreneurs on the development of entrepreneurial venture aspirations in the form of high growth is evident. However, not only the influence of psychological characteristics but also the influence of demographic characteristics, the characteristics of the entrepreneurial enterprise and the business environment within which it exists, is evident. Why do some entrepreneurs show a greater tendency towards the aspirations for the growth of an entrepreneurial enterprise, which factors influence the development of this type of entrepreneur's aspiration? These research questions represent the unlimited potential for future research ventures, at least as far as entrepreneurial aspirations are concerned, a more concrete growth of entrepreneurial endeavors.

The main objective of this paper is to determine factors that have an influence on high-growth aspiration in order to determine the characteristics of these entrepreneurs in SEE region. This paper aims to contribute to existing literature which studies the effect of entrepreneurial knowledge and skills (KSA's), as well as entrepreneurial motivation, innovation, and internationalization as an entrepreneurial aspiration, positioning it in the context of developing countries of SEE region, which is generally understudied. An exploratory sample of countries is selected based on their affiliation to the region, close proximity, and similar historical heritage since they are post-socialist. The paper consists of three parts. In the first part, we presented the main theoretical sources that are dealing with the high-growth expectation concept. The second part of the paper is related to our empirical research and the last part reflects our discussion on reached results, as well as suggestions for future studies and some practical implication.

1. Theoretical background

Individual KSA's are one of the causes that determine the entrepreneurial intentions. Some authors (Sanchez, 2013) have recognized education as an influential element that can affect entrepreneurial KSA's. However, high educational attainment can also allow a greater recognition of a variety of business opportunities and provide the individuals with the skills required to exploit these opportunities as well as the confidence to become entrepreneurially active (Wilson et al., 2007). Baum et al. (2001) have identified the knowledge, skill, and abilities of a potential entrepreneur. Identified KSA's can be recognized as a basis for potential entrepreneurial intentions as well as for nascent entrepreneurs who are already involved in business start-ups.

Human resource discipline recognizes KSA's as a human capital asset at individual and firm level (Cabello-Medina et al. 2011) and some previous studies have identified it as competency with a significant influence of entrepreneurial growth expectations (Bosma et al., 2004). In the attempt to include the category of human capital, which is intangible, the most commonly used level of education as a non-task related human capital attribute (Cassar, 2006). Besides education, self-efficacy can be observed as another human capital attribute. Self-efficacy can compensate for lack of resources, such as financial resources, which is a constraint for many entrepreneurs (Chandler and Hanks, 1998). Individuals who have a high dose of self-efficacy in performing a particular task have more chances to pursue and then persist in that task than individuals who have a lower level of self-efficacy (McGee et al., 2009). In addition to human capital, the importance of influence on high-growth expectations also has social capital, as confirmed by Bosma et al. (2004). Beside self-efficacy, it is also necessary to mention networking as one of the skills of entrepreneurs from the social category, which has an unambiguous influence on the growth of entrepreneurial venture.

H1: Entrepreneurial KSA's has a significant positive influence on high-growth expectations of entrepreneurs in Southeast Europe region.

Motivation based on stimulants can occur in several different forms. According to Giacomini et al. (2007), three motivational factors influencing entrepreneurship as a result of the observed chances are observed market opportunities, social status, and profit. The observed market opportunity is an opportunity to start an entrepreneurial endeavor and to convert ideas or inventions with the aim of profitable exploitation. Taking into account the motive for starting an entrepreneurial enterprise, according to GEM methodology, we distinguish two basic types of entrepreneurs, in question, are necessity-driven and opportunity-driven entrepreneurs. Opportunity-driven entrepreneurs are the people that drive entrepreneurial ventures for the sake of profitable exploitation of perceived chances while necessity-driven entrepreneurs represent the people who run the venture out of the absence of alternatives. Thus, it is evident that opportunity-driven entrepreneurs have more human and financial resources (Caliendo and Kritikos, 2009), predict a more profitable chance (Block and Wagner, 2010), which leads to higher earnings. This concept has been supported by many authors from the field of entrepreneurship (Williams/Williams, 2014; Block et al. 2015; Fairlie/Fossen, 2017; Angulo-Guerrero et al. 2017). Characteristics of necessity-driven entrepreneurs create the assumption of lower aspirations and high-growth intentions. That does not mean that the enterprise has no potential for growth or that it will not achieve growth. Mainly, entrepreneurial venture growth, in terms of increasing the number of employees, is mainly related to opportunity-driven entrepreneurs (Lecuna et al., 2017).

H2: Entrepreneurial motivation (opportunity-based) has a significant positive influence on high-growth expectations of entrepreneurs in the Southeast Europe region.

If we look at the long-term, innovations are treated as a prerequisite for competitive advantage, enterprise survival, its development, and growth. The innovative capacity of the enterprise is largely determined by human resources, knowledge, and skills. When we talk about highly educated, qualified, trained, capable individuals, future entrepreneurs, we think of entrepreneurs who are guided by perceived opportunities, who are developing new products and launching new entrepreneurial ventures with a view to profitable exploitation of their ideas. Entrepreneurial firms reach for growth by launching new products or attracting new customers or effecting a combination of both (Kyläheiko et al. 2011). More innovation generates more growth which promotes higher levels of employment and job creation (Colombelli et al. 2013). A larger number of studies that have studied the specific relationship between innovation and growth intentions have confirmed its positive influence (Coad and Rao, 2008; Corsino and Gabrielle, 2010; Colombelli et al. 2013).

In today's globalization of business and under the conditions of evident market liberalization, entrepreneurs and their businesses have to make use of all the facilitated conditions for appearing in other markets. The ability to access other markets, tailoring the business offer to consumers' demands, is an opportunity for achieving the growth of an enterprise, which sometimes appears to be within the boundaries of national borders. Internationalization of business not only influences company business growth, but it inevitably affects the development of product/service or process innovation. Along with the strengthening of the world economy globalization process, an interest in the internationalization of entrepreneurial ventures is noticed in the last decade (Cavusgil and Knight, 2015; González-Pernía et al. 2015; Amoros et al. 2016). According to the research of Verheul and Van Mil (2011) internationalization is positively associated with growth aspiration. Creation of a global market has opened up numerous chances of achieving growth due to the international presence (Carpenter and Fredrickson, 2001) and on the basis of increased sales on foreign markets. Some research studies have confirmed the positive influence of internationalization on the entrepreneurial venture growth (Hessels and Parker, 2013; McCormick and Fernhaber, 2017).

H3: Entrepreneurial aspirations (innovation and internationalization) has a significant positive influence on high-growth expectations of entrepreneurs in the Southeast Europe region.

2. Research methodology

For the purposes of this research, the authors included six countries in research sample of South East Europe: Slovenia, Croatia, Hungary, Romania, Bosnia and Herzegovina, and FYR of Macedonia. An exploratory sample of the mentioned countries was 12027

respondents, which is presented in Table 1. The total number of high-growth entrepreneurs within this sample was 231.

Table 1 – Research sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Hungary	2000	16.6	16.6	16.6
	Romania	2021	16.8	16.8	33.4
	Croatia	2000	16.6	16.6	50.1
	Slovenia	2002	16.6	16.6	66.7
	Bosnia and Herzegovina	2004	16.7	16.7	83.4
	Macedonia	2000	16.6	16.6	100.0
	Total	12027	100.0	100.0	

Source: Author's calculations

Authors chose *TEA: Exp. job growth ≥ 10 persons and ≥ 50 percent* (TEAyyJOB) as a dependent variable which symbolizes high-growth expectations which were measured by the following answers: (0) no, (1) yes. Since the subject area of this paper includes KSA's, entrepreneurial motives, innovation and internationalization of new business venture, the authors of the paper decided to include the following variables in the study of this problem area. Influence of entrepreneurial knowledge, skills and abilities were measured by the following questions: 1. *Do you know someone personally who started a business in the past 2 years?* (knownt) 2. *Do you have the knowledge, skill, and experience required to start a new business?* (suskill) (Lecuna et al., 2017). Based on a previous study (Arroyo et al. 2016; Močnik and Širec, 2016; Širec and Tominc, 2017) innovation as an entrepreneurial aspiration, was measured with the following question: *product is new to all or some customers* (TEANEWPR). Internationalization of new business venture was measured by entrepreneurs strong export orientation *TEA: strong international orientation - more than 25% of customers from outside country* (TEAEXPST). In accordance with previous research (Lecuna et al. 2017) entrepreneurial motives were measured by the following question: *are you involved in this start-up to take advantage of a business opportunity or because you have no better choices for work* (motives). For the purpose of logistic regression, we recoded variable of entrepreneurial motivation in 0 = opportunity motive and 1 = necessity motive. The analysis of entrepreneurial motives was made on the basis of a question "Are you involved in this start-up to take advantage of a business opportunity or because you have no better choices for work?. The available answers to this question were voiced: "(1) take advantage of the business opportunity; (2) no better choices for work; (3) combination of both of the above; and (4) have a job but seek better opportunities". We chose answers 1 and 4 and recoded them in order to create a new value 0, which indicates opportunity motives. We have also recoded answers 2 and 3 in order to create new value 1, which represents necessity motive. Other variables were taken as they are created in the GEM database 2013, such as categorical vari-

able *knowent* which represents networking measured through question *Do you know someone personally who started a business in the past 2 years?* Also, we used variable *suskill* which represents entrepreneurial self-efficacy measured through question *Do you have the knowledge, skill, and experience required to start a new business?* Entrepreneurial aspirations (innovation and internationalization) are represented through the usage of variables *TEANEWPR* (product is new to all or some customers) and *TEAEXPST* (more than 25% of customers from outside country). For all of this previously mentioned categorical variables, available answers were 0= No and 1=Yes. Based on previous research (Širec & Tominc, 2017) authors included the following control variable: gender (1=male,2= female) and age.

3. Results of analysis

In order to test the research hypothesis a binomial logistic regression was performed to ascertain the effects of entrepreneurial KSA's, motivation and aspiration (innovation and internationalization) high-growth expectations of early-stage entrepreneurs. Table 1 contains estimates of the logistic coefficient, identified as predictors in block one (column B). Asymptotic standard errors for individual logistic coefficients has represented in column S.E. The column "Wald" contains the results of Wald statistics and chi-square test, column "df" as the degrees of freedom and the column "Sig" presents the probability from the Wald test hypothesis that the logistic coefficient for the predictor variable is equal to zero. The column "Exp (b)" contains all exponential logistic coefficients that are important for the interpretation of logistic regression.

Table 2 – Set of determinants that influenced high-growth expectation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	knowent(1)	-,008	,192	,002	1	,969	,993
	suskill(1)	,114	,280	,165	1	,001	1,121
	gender(1)	,651	,205	10,057	1	,002	1,918
	age	-,001	,008	,011	1	,916	,999
	Motives(1)	,552	,186	8,760	1	,003	1,736
	TEANEWPR	,422	,185	15,219	1	,000	1,525
	TEAEXPST	,314	,193	1,223	1	,015	1,368
	Constant	-1,073	,404	7,038	1	,008	,342

a. Variable(s) entered on step 1: knowent, suskill, gender, age, Motives, TEANEWPR, TEAEXPST.

Source: Author's calculation

The logistic regression model was statistically significant, $\chi^2(7) = 41.872, p < .0005$. The explained variation in the dependent variable has based on ranges from 11.9 % to 14.2% according to Cox & Snell R^2 or Nagelkerke R^2 methods. Respectively,

Negelkerke is a modification of Cox & Snell, so in this research, we report Nagelkerke R^2 . Therefore, the model explained 14.2% of the variance in high-growth expectations of early-stage entrepreneurs, and correctly classified 71.3% of cases. According to the Wald test (which is used to determine the statistical significance for each of the independent variables), the statistical significance of the test was found. Following variables added significantly to the model: (suskill) $p=.008$; (gender) $p=.002$; (motives) $p=.017$; (TEANEWPR) $p=.000$; (TEAEXPST) $p=.002$. Other variables such as (knowent) and (gender) did not add significantly to the model. According to the probability, predicting of an event occurring based on a one-unit change in an independent variable we can highlight that the odds of high-growth expectation are 1.121 times greater for those entrepreneurs who believe that they have knowledge, skills, and experience to start a new business venture. When it comes to entrepreneurial motivation, we can highlight that the odds of high-growth expectation are 1.736 times greater for those entrepreneurs with opportunity-driven motivation. According to the probability, predicting of an event occurring based on a one-unit change in an independent variable we can highlight that the odds of high-growth expectation are 1.525 times greater for those entrepreneurs which products are new for all or some customers. When it comes to exporting activities, we can highlight that the odds of high-growth expectation are 1.368 times greater for those entrepreneurs who have more than 25% outside national economic borders.

4. Discussion and conclusion

As the aim of this paper was to determine the factors of influence on high-growth expectations in order to determine characteristics of these entrepreneurs in SEE region, the authors conducted a detailed analysis by observing knowledge and skills, motivation, innovation and internationalization as an entrepreneurial aspiration. The contribution of this research is reflected in the combination of entrepreneurial competencies, its motives, as well as innovation and internationalization in a model that can point to the characteristics of high-growth entrepreneurs in the SEE region. It should be emphasized that this research covered high-growth expectations, which does not imply the evident growth of the enterprise in terms of a number of employees. It is a prediction of entrepreneurs when it comes to the number of employees over the next five year period.

The authors of this paper do not want to use a defined model to claim that these are the only characteristics of high-growth oriented entrepreneurs. There are many factors influencing high-growth orientation as well as a broad set of characteristics of high-growth oriented entrepreneurs. These characteristics were selected on the basis of the aforementioned research with the aim of explaining the set of characteristics of these entrepreneurs in the SEE region. By conducting the research, the authors confirmed the following hypotheses:

Hypothesis H1 was partially confirmed, as no statistically significant impact of networking on high-growth expectations was identified. A statistically significant effect occurred only in the case of knowledge and skills of individuals expressed as self-efficacy. With the results, we did not manage to fully confirm H1 as we anticipated. Observing the knowledge and skills of entrepreneurs in the form of self-efficacy, the obtained results are in complete accordance with the previous research (Lecuna et al., 2017). Entrepreneurship skill-set consists of technical, management and entrepreneurship skills (Cooney, 2012). As entrepreneurial skills are based on the aforementioned skills, it is a recognizable source of high self-efficacy for entrepreneurs. Since it is a research sample composed by opportunity-driven entrepreneurs, they are mostly highly graduated when it comes to the level of education. The SEE region's education system is systematic in areas such as planning, decision making, marketing, finance, communication, design, etc. Along with the personal character of an individual who is prepared to take a risk, innovate, and who is changed oriented, a high dose of self-efficacy is created to drive the enterprise and its expected rapid growth. What is obviously missing is the networking of entrepreneurs? One possible explanation can be evident existence of informal and insufficient number of formal networks, such as business incubators, business-technology parks, clusters, etc. There is a clear benefit of their existence, recognized as the successful business of tenants of business incubators, but there is an evident lack of capacity in relation to the entrepreneurial potential of the region. Unlike the previous one, Hypothesis H2 was fully confirmed. When it comes to entrepreneurial motivation, we have pointed out that opportunistic motives influence the high-growth expectations. Results of the conducted statistical analysis unambiguously confirmed its positive relationship and they are in full accordance with some previous studies (Reynolds et al. 2002; Verheul and Van Mil, 2011). The obtained results are expected, given that opportunity entrepreneurs are guided by the exploitation of opportunities from the environment that most often lead to the growth of an entrepreneurial venture. Unlike them, necessity-driven entrepreneurs do not engage with the intent of venture rapid growth. They are starting their entrepreneurial venture because of the lack of alternatives, most often for the purpose of self-employment and provision of basic household income. As well as the previous, Hypothesis H3 was fully confirmed, given that the results of the statistical analysis confirmed the research assumptions that innovation and internationalization of business have a positive influence on high-growth expectations. The obtained results were confirmed in previous research (Colombeli et al. 2013; McCormick/Fernhaber, 2017). Although the individual impact of the two observed variables is evident, the relationship between innovation and internationalization of business is more than complex. We are talking about their complementary relationship, which in synergy effect gains significant influence on high-growth expectations of entrepreneurs. By developing new products and the appearance on new foreign markets, this group of entrepreneurs is more than anchored in the rapid growth of their entrepreneurial ventures.

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Summary

Entrepreneurship represents the basis of the economic activities of developed countries. It has an influence on economic development and an increase in employment rates by generating new jobs. Creating new jobs is the entrepreneurial aspirations for achieving the growth of an entrepreneurial venture. The impact of personal, demographic as well as the characteristics of the entrepreneurial enterprise and its business environment within which it exists, is evident. Authors of this paper were interested in understanding growth orientations of entrepreneurs in South East Europe region. For the purposes of this research, the authors included six countries in research sample of South East Europe: Slovenia, Croatia, Hungary, Romania, Bosnia and Herzegovina, and FYR of Macedonia. An exploratory sample of the mentioned countries was 12027 respondents. Within this sample there were 231 entrepreneurs with high-growth expectations. Nature of the observed variables has conditioned usage of Logistic regression. Data analysis was made through the SPSS program for statistical analysis. Results of analysis showed that entrepreneurial self-efficacy has influence on high-growth expectations, while networking as a social category of entrepreneurial KSA's didn't show significant influence. When it comes to entrepreneurial motivation, we have confirmed our predictions, so opportunity motives influence the high-growth expectations. As well as the previous, results of the statistical analysis confirmed the research assumptions that innovation and internationalization of business also have a positive influence on high-growth expectations. The contribution of this research is reflected in the combination of entrepreneurial competencies, its motives, as well as innovation and internationalization in a model that can point to the characteristics of high-growth entrepreneurs in the SEE region. It should be emphasized that this

research covered high-growth expectations, which does not imply the evident growth of the enterprise in terms of a number of employees.