

Entrepreneurial Mindset and SMEs' Sustainability



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Abstract The chapter aims to describe an entrepreneurial climate in small and medium enterprises (SMEs) in Bosnia and Herzegovina. The study is based on a qualitative approach, using interviews for data collection. It portrays the path way how the *entrepreneurial mindset* is created in SMEs. Each part of the path is elaborated in the way how this mindset is understood, established, and maintained throughout the entrepreneurial cycle. Interviewees are business owners or CEOs of SMEs who are competent to elaborate answers for asked questions. Results show that entrepreneurial mindset and spirit are created out of entrepreneurial orientation (EO) dimensions along with the internal marketing and networking. Contribution and other implications are further discussed.

Keywords Entrepreneurial mindset · Sustainability · Entrepreneurial orientation · Internal marketing · Networking · Bosnia and Herzegovina

1 Introduction

Entrepreneurship is in focus for decades. It is a phenomenon that creates values to the socioeconomic development of a country by satisfying customers' needs and wants, offers solution for problems in the society, creates new jobs, and boosts the economy's GDP. Simply, it is an "engine" (Fayolle, 2007) that nurtures the "creative destruction" (Schumpeter, 1934) in society. How much positive destructions can entrepreneurship do depends at what level of social development one country is. Western Balkans or former Yugoslavian region is a very specific and complex region due to different contextual factors as discussed earlier by many authors from this region (Dana & Ramadani, 2015; Palalić, 2017; Palalić & Bičo, 2018; Palalić,

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53

Dana, & Ramadani, 2018; Ramadani, Gërguri, & Fayolle, 2015). These surrounding factors are more or less the same in those countries, but at the same time very unique and specific for each country. As different cultural and religious identities, this region lack of mutual understanding, which sometimes creates barriers to move on, toward prosperous economic development.

For instance, entrepreneurship in Bosnia and Herzegovina (B&H) has many opportunities, but also barriers to create a new venture (Rialti, Pellegrini, Caputo, & Dabic, 2017). In the early stage of the inception of modern Bosnia, the sole entrepreneurs started to rebuild the country's infrastructure (Dana, 1999). In this hard time, they were the first who moved forward the entrepreneurship development in B&H. Despite the fact of very rigid rules while opening a new business, entrepreneurs in these countries are real heroes whose voice is still not well heard by the Government, the one who can make more favorable business environment. With such hard legal barriers, it is difficult to sustain a business in this country, unless the business is working on developing the entrepreneurial mindset that can be the key driver toward the long-term success of SMEs. This perspective is not enough to be sustainable, but we believe that is one of main pedestals in SMEs' growth and development.

For this study, our conviction is that the entrepreneurial mindset made at the first place of EO dimensions: innovativeness, proactiveness, and risk-taking; (Covin & Slevin, 1988, 1989; Miller, 1983). The entrepreneurial mindset is "thinking" and "doing" (Scarborough & Cornwall, 2016, p. 97) *entrepreneurial*. This thought is impossible without the three EO dimensions that leverage the creative thinking, applying new things proactively, observing an uncertain risk in the market.

EO dimensions were examined in many SMEs regarding business performance. With the different sample sizes of SMEs, many of them found that EO has a great positive influence on business performance (Covin & Slevin, 1988/1989; Kraus, 2013; Lee et al., 2001; Miller, 1983; Palalić & Busatlic, 2015; Wiklund & Shepherd, 2005). Similarly, in family firms, the EO is playing one of the crucial roles in long-term sustainability (Mullens, 2018) of its business. Additionally, if family business activity is at the international level, the EO has its contribution to its business performance (Hernandez-Perlines, 2018). If EO is higher, the higher is business performance (Abebe, 2014). Likewise, this study is based and built on the theory discussed in the next section of this chapter.

Our study contributes to the theory above in the sense of bringing new insights from the field, from the region with the specific factors in which EO dimensions, along with networking and internal marketing, create the key survival in the long term of SMEs.

1.1 Study Objective

The study aims to investigate factors that create and sustain the entrepreneurial mindset or spirit in small and medium enterprises in Bosnia. Taking into consideration that Bosnia is in a big need of entrepreneurial activities, it is necessary to

analyze successful SMEs to show what factors can bring the prosperity to firms, and further development of the region and the country. Beside the key factors of the SMEs' long-term success, the study emphasizes the importance of entrepreneurial mindset and spirit to get along the challenges and being successful.

1.2 Scope of Study

Researchers examined eight SMEs that have a successful business history. The SMEs classification is done according to European (EU) Commission (2013) where the least number of employees is 10 and maximum 249. The study has focused on a region in Bosnia, which is known for entrepreneurial activities and contributes to the whole economy. This region belongs to Tuzla Canton, and the city is "Gradačac."

The chapter proceeds as follows. Following section describes the theory and framework with proposed research questions. Second, research approach is introduced through the methodology used in the study. The third is result and discussion part, proceeded with conclusion section that elaborates the findings with recommendations, future works, and limitations.

1.2.1 Overview of "Gradačac" City

"Gradačac" is a municipality located in the northeastern part of Bosnia and Herzegovina, in Tuzla Canton, Federation of Bosnia and Herzegovina. It has population of 39,340 inhabitants.¹ More precisely, it is located on the "Gradišnica" river, between mountains of "Majeвица" and "Trebava." Municipality of "Gradačac" occupies the area of 218 km², and it is on the altitude of 129 m that gives this area the convenient factors for development of agriculture, as well as other industries.

When it comes to industry, "Gradačac" is characterized by a highly developed processing industry such as wood industry, metal industry, and food industry. "Gradačac" is the micro environment that reports figures on a continuous growth regarding entrepreneurial activities of both, domestic and foreign investors. There are many reasons why "Gradačac" is a good option to invest in, among which already exist like qualified workforce, entrepreneurial spirit, and entrepreneurial tradition industrial zones, a great geographical location (Exhibit 1).

"Gradačac" was first mentioned in 1302 as "župa,"² while as town it was mentioned (also as "Gračac") in 1465. It became part of the Ottoman Empire in 1512.

Historical development of the town is identified with the family of Gradašćević. Among them was Husein-Kapetan Gradašćević, who was known as the "Zmaj od

¹<http://www.investingradacac.ba>

²Župa is the term that means district.



Exhibit 1 Coat of arms of “Gradačac.” Source: Municipality of “Gradačac” (<http://www.investingradacac.ba>)



Exhibit 2 “Gradačac” Castle (fortress); Photo © 2018 Azra Bičo

Bosne” (Dragon of Bosnia), as the most known figure during that time. “Husein Kapetan Gradašćević” was a ruling beg, and a leader during the Ottoman times, who led an uprising that raised to arms most of the Bosnian captains in 1831.³

Now as the legacy reminding us of the times when he has ruled, the fortress (Exhibit 2) built in 1824 remains as testimony of those times.

During the Bosnian war (1992–1995), “Gradačac” was severely bombed.

The entire economy of the country was severely damaged and collapsed. Yet, regardless of inefficient country’s development and reconstruction politics, this region was characterized by low unemployment, high productivity, and of the best example of a positive practice regarding the entrepreneurial activities.

³<http://www.bhtourism.ba/eng/gradacac.wbsp>

Municipality of “Gradačac” has recognized its entrepreneurial potentials. Currently, it runs projects that follow the growth trends, propose and implement changes, which will boost the present growth even more, and it will make “Gradačac” more desirable place to invest in. For instance, one of the project’s aims is infrastructural development, that is part of the strategic development plan of the municipality of “Gradačac,”⁴ and largely infrastructure was improved by putting industrial zone into the function.

The modern “Gradačac” has four existing Industrial zones: Industrial zone I, Free industrial zone II, Economic zone “Vučkovci,” and Economic zone “Porebrice.”⁵ Having established an industrial zone with good infrastructure is an excellent precondition for potential investors who are interested in investing in “Gradačac.”

Evidence on favorable business climate is the figures on export and import. For instance, in the 2017, data on the first 11 months are only available, and import was amounting to 297,843,932 BAM, while export was 330,978,707 BAM.⁶ Therefore, it is noticed a positive trade balance or trade surplus in the Municipality of “Gradačac.” It signals to potential investors that “Gradačac” is the right place to invest in. Moreover, these figures give positive hopes for the future development of this small region, and it is blossoming due to an increasing trend of entrepreneurial activities.

2 The Theory

SMEs around the globe face the challenging calls for its competitiveness and sustainability in the market. Rapid development of the technology and communications pose even more challenges than they used to be. While adapting to external changes, SMEs need to maintain the entrepreneurial spirit which will be sustainable enough so that it will keep them as competitive as it is necessary. In order to achieve this, there should be EO (Covin & Slevin, 1988/1989; Runyan & Swinney, 2008; Wiklund & Shepherd, 2005), but also organizational or leadership’s willingness to establish such atmosphere. While defining EO as the key firm survival (Covin & Slevin, 1991; Miller, 1983), Miller (1983) argues that innovation should be used proactively as well as risk-taking, which opened door for the further development of the EO. The *EO’s fantastic trio* (innovativeness, proactiveness, and risk-taking) was amended with additional dimensions, like *environmental turbulence*, *entrepreneurial style*, *organization structure*, *mission strategy* (Slater & Narver, 2000), *strategic decision-making*; *participativeness strategy formation mode*; *strategic learning from failure* (Covin, Green, & Slevin, 2006), *autonomy*; *competitor aggressiveness*

⁴http://investingradacac.ba/images/pdf/strategija/Izvjestaj_izvrsenje_2017.pdf

⁵<http://investingradacac.ba/images/pdf/0302/Brosura%20-%20Pregled%20industrijskih-privrednih%20zona.pdf>

⁶http://investingradacac.ba/images/pdf/strategija/Izvjestaj_izvrsenje_2017.pdf

(Casillas & Moreno, 2010; Lee & Lim, 2009). Earlier than those, Lumpkin and Dess (1996) argued that “aggressiveness” and “proactiveness” are far different despite all their similarities. Today, the world has changed the paradigm even when market needs are concerned. The market is no longer satisfying needs, but pushing wants to customers. In that sense, the aggressiveness (Casillas & Moreno, 2010; Covin et al., 2006; Lee & Lim, 2009) has the pitch and it helps SMEs to survive in the market.

Lumpkin and Dess (1996) define *innovativeness* as eagerness of an SME to be engaged in new and creative things practically proved, which will have a positive impact on business performance in the future. In other words, investigating new things and implementing them on their own processes needs bravery and belief in what they do. The top management must be willing to pursue novelty things and implement them in their own processes. Similarly, the *proactiveness* is an ability of an SME to conjecture and visualize how the market or external environment can be changed (Covin & Slevin, 1989), and foreseeing possible problems that could be turned into business opportunities (Lumpkin & Dess, 1996). Such anticipations are reflected in being the first mover in the market. Well, the first mover brings a dose of risk, whose exact amount cannot be predicted. How much of such risk will be taken depends on a manager’s attitude toward the risk per se (Venkatraman, 1989). In this context, the EO dimensions play the vital role in SMEs’ success (Brettel & Rottenberger, 2013) explaining their entrepreneurial behavior at firm and individual level (Krueger & Sussan, 2017). Such importance of EO as a positive impact on firms’ business performance confirmed previous research (Covin & Slevin, 1988/1989; Kraus, 2013; Lee et al., 2001; Miller, 1983; Palalić & Busatlic, 2015; Rauch, Wiklund, Lumpkin, & Frese, 2009; Wiklund, 1999; Wiklund & Shepherd, 2005; Zahra & Covin, 1995; Zahra, Hayton, & Salvato, 2004).

The entrepreneurial mindset has been discussed recently by Krueger and Sussan (2017). They associate mindset with strategic thinking, which is, in fact, entrepreneurial thinking. A parallel exists between the entrepreneurial mindset and entrepreneurial behavior, which have built the basis for the EO. This brief discussion goes along the line of Slevin and Terjesen (2011) who argue that entrepreneurial behavior is anticipated by EO dimensions (Covin & Slevin, 1991; Lumpkin & Dess, 1996). So, having in mind of these arguments (Krueger & Sussan, 2017; Slevin & Terjesen, 2011), entrepreneurial mindset can be defined as *a state of mind (of entrepreneurial leaders: CEOs, business owners, executive directors) that envisions and anticipates future (innovative but risky) opportunities in the market, which brings down its contour to all employees in an organization, and creating a positive attitude and thoughts regarding the firm’s image, internally and externally*. Of course, the entrepreneurial mindset is subject to other views and perspectives. However, such definition is free from dark sides of this phenomenon that can lead to viral and compulsive narcissism (Kets de Vries, 1989; Krueger & Sussan, 2017).

In creating an entrepreneurial mindset and entrepreneurial spirit, a firm additionally needs to have a good networking base. This cannot be neglected because, in its cooperation and collaboration, the firm gains a lot. Firm’s suppliers and clients are a good base for the firm to survive and even to compete in the market. If the firm establishes good cooperation with these two entities, it brings its perspective in the

future. Such synergy has been discussed by Dana, Etemad, and Wright (2000), Dana (2001) and Etemad, Wright, and Dana (2001), emphasizing on “symbiotic life” among the firm and other partners and clients. Additionally, Aldrich and Zimmer (1986) stressed the importance of social networks on the implementing entrepreneurial spirit in SMEs. Along the same line, Ramadani et al. (2015), Rialti, Pellegrini, Caputo, and Dabic (2017) emphasize that even personal network is very important, which could be interpreted a good tool in creating a firm’s external status. Moreover, since this region of former Yugoslavia is, from one side, culturally and ethnically similar (Ramadani, 2013; Ramadani & Dana, 2013), there is an opportunity to establish such business networks (Aldrich, Jones, & McEvoy, 1984; Aldrich & Zimmer, 1986). Simply, it is necessary to keep them as partners, and in regard to large firms, SMEs can serve as “suppliers,” “assemblers,” “distributors,” and “service providers” (Etemad et al. 2001, p. 483) as much as needed to be competitive and survive in the market.

Internal marketing (Bansala, Mendelson, & Sharma, 2001; Kim, Song, & Lee, 2016; To, Martin Jr., & Yu, 2014) is also a very critical aspect of creating an entrepreneurial atmosphere in an organization. It helps and keeps a positive attitude of employees toward the overall picture of the organization. Sharing important information related to the firms’ future perspective eagers employees to be committed and to participate in bringing new solutions. This makes them more critical and creative at the same time, which might result in proposing new things for the company. A positive attitude among employees and managers brings them to the mutual goals, to be competitive and successful, individually, and as the collective.

Besides the operational factors, like the EO, networking and internal marketing, in creating the entrepreneurial mindset, it is important to note that this country, in this region, has rigid Legal procedures and policies regarding entrepreneurship development. For a long time it is present and discussed by many authors on this topic (Bičo & Bajram, 2012; Dana & Dana, 2003; Dana & Ramadani, 2015; Džafić, Zahirović, Okičić, & Kožarić, 2011; Palalić, 2017; Palalić & Durakovic, 2018; Palalić et al. 2018; Palalić, Ramadani, & Dana, 2017). Such rules perhaps affect entrepreneurial spirit and motivation in implementing new ideas and businesses.

Based on the above discussion, we propose the following research questions (RQs):

- RQ 1:** Has entrepreneurship, at the State level, been developed enough that can contribute to overall development of entrepreneurship in this country?
- RQ 2:** Do SMEs have advantages if they are considered entrepreneurial over those who are not?
- RQ 3:** How top management implements the entrepreneurial mindset and spirit in their organizations?
- RQ 4:** How to establish entrepreneurial mindset or spirit in SMEs?
- RQ 5:** Do networking and internal marketing contribute to establishing an entrepreneurial mindset and spirit in SMEs?

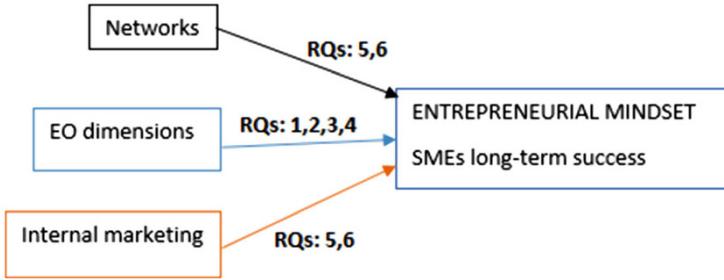


Fig. 1 Research framework. Source: Authors' compilation

RQ 6: Do networking and internal marketing contribute to long-term maintenance of the established entrepreneurial mindset and spirit in SMEs?

The framework of RQs is depicted in Fig. 1.

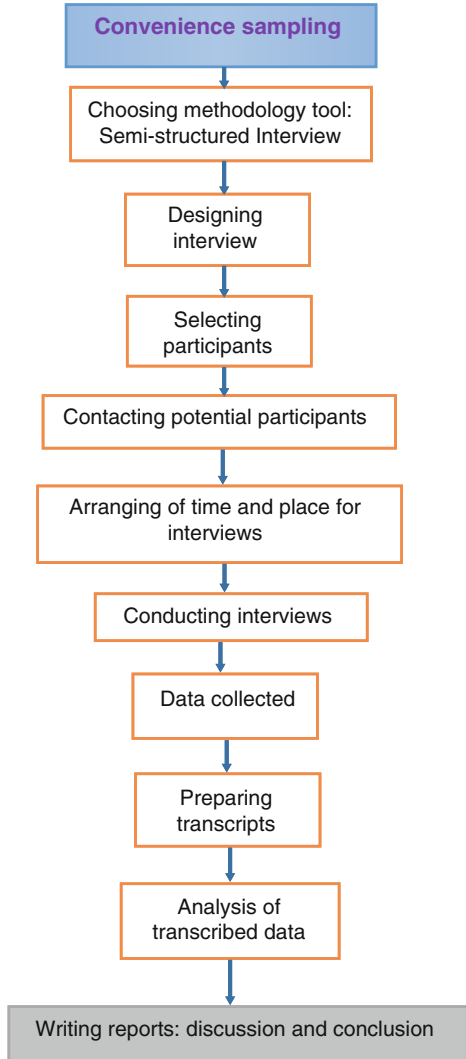
3 Methods

This study has implemented qualitative methods relying on convenience sampling method. The choice of this method has prevailed to others due to specific factors in this region (Palalić, 2017), which make difficult when collecting the data even if this is about the qualitative approach. Similarly, the study has been challenged by the sample size, which in this case is kept small (Cooper & Schindler, 2014), but enough to explore and initiate this wink of the entrepreneurship research field. Implementation of this method has concerned the ethical issues relevant to this research case, and we tried to be very clear with the “benefits” of the research, their “rights” and their final “consents” on the whole implementation of interviews (Cooper & Schindler, 2014, p. 28).

Figure 2 portrays the whole method steps the research is performed.

Once the sampling method was chosen, the semi-structured interview, along with open-end questions, was used. With the design of interviews, the next step was selection of the most appropriate participants. After the participants are picked, they have been contacted and asked for their appropriate date and time. This has been done through existing network of the researchers. Then, the time and place were arranged in which the interviews were intended to be performed. After that, the collected interviews were prepared as transcripts, which have been analyzed and prepared for the report, discussion, and conclusion.

Fig. 2 Methodology framework. Source: Authors' compilation



3.1 Questionnaire Design

To design questions which will represent or be the milestone for the entrepreneurial spirit and mindset in organizations, we have chosen the EO developed by Miller (1983), Covin and Slevin (1988/1989). A firm is considered as entrepreneurial if it has been exposed by the organizational culture in a way that promotes proactivity, innovation, and risk-taking (Barringer & Ireland, 2010). In this case, the questionnaire was designed in the way that it treats the three main questions of entrepreneurial spirit in their respective firms. The following questions are constructed:

(I) Understanding the phenomenon “entrepreneurial”. What is it?

- (a) How would you define entrepreneurship?
- (b) How do you see this phenomenon in BiH?
- (c) Is your organization entrepreneurial?
 - (i) If yes, how it works?
 - (ii) If no, why is not?
- (d) What are the benefits and advantages of being an entrepreneurial organization?
- (e) Do you support innovative changes in your organization, and how do you that?

(II) A pathway to success. How to establish?

- (a) How do you establish your organization as entrepreneurial?
- (b) Is it because you are innovative, proactive, and risk taker, along with your employees?
- (c) Who should sacrifice more, CEO or employees to achieve entrepreneurial atmosphere in your organization?
- (d) Does networking help your organization to be entrepreneurial?
- (e) How do you keep up your vision? Is it necessary to scale up (in terms of new investment) your business?

(III) Long-term success. How to maintain?

- (a) What is your main concern for the company?
- (b) Could you, please, tell us top 5–10 things that every organization should do/have/think of/sought to maintain that entrepreneurial mindset?
- (c) Should employees understand/feel/foresee the brand or only Top Management?
- (d) Is internal marketing helpful in creating a good image?
- (e) How do you keep them motivated, creative?
- (f) Do you provide professional development for your employees?

The first set of questions is posed to introduce the topic to participants and get their thoughts on entrepreneurship and the term *entrepreneurial*. Before any response, researchers explained what exactly it is meant by those terms and questions.

The second set of questions is taking participants deeper into the entrepreneurial mindset of their firms. The intention was to make them thoroughly think of their views regarding innovativeness, proactiveness, and risk-taking, as the milestone of entrepreneurial mindset and spirit. Additionally, we introduced “networking” (Dana, 2001; Dana et al., 2000; Etemad et al., 2001) as a very important factor in creating the entrepreneurial environment that will help the firms in establishing and maintaining the entrepreneurial venture in the long term.

The third set is looking forward to answering the maintenance of such entrepreneurial mindset through the *internal marketing* (Bansala et al., 2001; Kim et al., 2016; To et al., 2014).

In each set of questions, there were ancillary questions to open the participants' mind on the topic of an entrepreneurial mindset.

Besides the core questions, the interview contained questions related to firms' general information, which are intended not to be too sensitive for them while revealing them. These are as follow:

1. Company name
2. Industry
3. Type of ownership
4. Year of establishment
5. Number of employees
6. Market orientation
7. Sales in the last 3 years (optional to answer)

3.2 Data Collection

Data collected for this study was performed using the cross-sectional approach. Before implementation of interviews, researchers spent several weeks to arrange time and place that will fit participants. After arranging the time and space, the final data collection was done in 1 month. These arrangements and data collection lasted for two consecutive months.

4 Data and Results

4.1 A Brief Profile of SMEs

1. *Gradex d.o.o. Gradačac is a family business, established in 1991 (before that operating in Germany from 1989 to 1991) with 100 employees. It is a construction company. Market orientation is local and foreign.*
2. *Voće tranzit d.o.o. is a privately owned business (100%) in the sales industry, established in 1989 with 34 employees. The company does sales locally, as well as internationally.*
3. *Balagem d.o.o. is a family business in the construction industry, established 1996 with 150 employees. The company does services locally. The sales in the last 3 years was an increase 4–7%.*

4. *Mlijecna Industrija 99 is a family business, established in 1998 with 94 employees. It is a producer (milk industry). Market orientation is BiH, EU, Serbia, region, Middle East.*
5. *Jordan Castings, d.o.o. is a family business, established in 1999 with 102 employees. It is a manufacturing firm (lighting production). Market orientation is foreign (Germany 100%).*
6. *Ammar, d.o.o. is a family business, established in 1992 with 16 employees. It is a manufacturing firm (metal processing). Market orientation is local (40%), and foreign (60%, Germany).*
7. *Hanibal d.o.o. is a family business, established in 1999. It is a manufacturing firm (furniture design and production), with 51 employees. Market orientation is local (20%) and foreign (80%). It has an increase in sales, in the last 3 years, as of 40%.*
8. *Namjestaj d.o.o. is a privately owned business (96%), established in 1956. It is a manufacturing firm (furniture production and design), with 154 employees. Market orientation is foreign.*

The average of participants' age is 44. Most of them have university degrees. Gender distribution is six males and two females who actively participated in interviews. Their working experience is on the average 19 years.

The following is a discussion of results.

5 Discussion of Results

Entrepreneurial orientation is the heart of the entrepreneurial behavior on which the firm's growth is built. This phenomenon was extensively inspected by many authors who brought a clearer perception of relationship between the EO and firms' growth (Brown, Davidsson, & Wiklund, 2001; Casillas & Moreno, 2010; Covin & Slevin, 1991; Lumpkin & Dess, 1996; Stevenson & Jarillo, 1990; Wiklund & Shepherd, 2005). Our study concentrates on the qualitative approach to depict entrepreneurial mindset in SMEs, based on EO, which has a positive effect on performance and growth. Moreover, to support such entrepreneurial mindset, we believe that networking (establishing a network with clients, business partners, distributors, and another kind of cooperation) as argued by Dana et al. (2000), Dana, (2001), Etamad et al. (2001), will nurture entrepreneurial spirit within the company. Similarly, internal marketing (Bansala et al., 2001; Kim et al., 2016; To et al., 2014) can play a motivational role in establishing the entrepreneurial mindset that will turn into a positive effect to business growth of SMEs.

The following results of the study are distributed into three separate studies to answer the research questions and confirm or otherwise, the grounded theory of entrepreneurial behavior, which we named as entrepreneurial mindset or spirit. Each study represents the interview outcome with business owners and CEOs, responsible

for tracing the ideal pathway to success. Some of the questions may not fit the content, and in that case, they will not be included in the discussion.

5.1 Study 1: Understanding the Phenomenon “Entrepreneurial.” What Is It?

Study 1 is an introduction of the discussion on the entrepreneurial mindset in SMEs. We wanted to introduce the audience, the interviewees, with the phenomenon of entrepreneurship and the entrepreneurial spirit by asking questions related to understanding the entrepreneurship from their perspective—how do they see it in Bosnian context, and are their organizations entrepreneurial and how do they implement that.

Company 1: “Gradex d.o.o.”

The owner of Gradex d.o.o., Mr. Šefik Močić, defined entrepreneurship as “a set of all activities organized with the aim to achieve the best possible financial results,” dealing with different processes like “process of production, managing processes of production, managing human resources, managing finance, managing development and projects related to investments. All of them together are practically the synergy that needs to create one positive effect in one organization.”

CEO of Namjestaj d.o.o., Mr. Emir Huskic, defines entrepreneurship as “challenge.” He continues and explained why he sees the entrepreneurship as challenge:

“In these surroundings where we live, it is a challenge. Due to different reasons: *Firstly*, the current situation is an overlap between capitalism and socialism. *Secondly*, entrepreneurship is a challenge that we need to overcome to succeed in the market. In other words, to develop our brands and products for the long-term sustainability. A constant challenge all the time, which has to be overcome to succeed and afloat in the business. A challenge because of a huge deficit of knowledge that modern business requires.” Others see the entrepreneurship as: (1) “Entrepreneurship is a process through which an individual is building him/herself, by trying to make his/her ideas into reality, so that at first he/she achieves his/her goal, and later on the goals of his employees, or even the society’s” (Deputy Director, of Voce Tranzit, d.o.o.). (2) “Entrepreneurship is undertaking the organization and ownership of a business and taking risk in order to get the financial gain” (Muhamed Bilajac, business owner and CEO of Ammar, d.o.o.). (3) “Willingness of a person or a group of people to take a risk for an activity with the expectation of achieving profit” (Mr. Nahid Topalovic, Technical Director of Hanibal, d.o.o.).

In overall, they see entrepreneurship as a process of taking care of all resources to achieve set goals (financial and nonfinancial), which is very similar to definition brought by Hindle (2009/2010), Barringer and Ireland (2010).

How this phenomenon is seen in Bosnia, they say that the main obstacle is the State bureaucracy toward its development (RQ1). When they asked are their companies entrepreneurial, they all agree that their firms are entrepreneurial, because of the way they run the business and the whole atmosphere in them. They all support

innovations and proactivity and give a space for creative thoughts (RQ3), which give them advantages over competitors and competitive advantage for long-term sustainability (RQ2). Basically, they emphasized the three EO dimension's presence in their business confirming our answer for the proposition that EO is crucial in creating the entrepreneurial mindset and spirit in SMEs. That mindset is a predecessor, which will be reflected in the business output altogether (employees and management) they achieve. In other words, this entrepreneurial mindset will positively influence a performance of SMEs in the long term, as argued before by Miller (1983), Covin and Slevin (1988/1989), Lumpkin and Dess (1996), Lee et al. (2001), Wiklund and Shepherd (2005), Runyan and Swinney (2008), Casillas and Moreno (2010), Kraus et al. (2012), Kraus (2013), Palalić and Busatlic (2015). Most of them believe that EO is very important to get a competitive advantage and succeed in the market. This implies that EO is associated with the growth of a company (Brown et al., 2001; Casillas & Moreno, 2010).

Despite the fact that this country has a very specific factors (Palalić, 2017; Palalić & Bičo, 2018), and deviation exists from the free market mode (due to remained policies from the old Yugoslavian system, (Dana, 2010), the reality shows that people are free-market oriented and having an entrepreneurial mind and spirit. They (existing and potential entrepreneurs) eagerly overwatch the market to identify the right opportunity for the right market to serve.

5.2 Study 2: How to Establish? A Pathway to Success

The second part of the study is related to a way how to establish it which is the milestone for future success. Researchers asked them how it is established, through the EO dimensions (Covin & Slevin, 1988/1989; Miller 1983), networking (Dana, 2001; Dana et al., 2000; Etemad et al., 2001), and whether the sacrifice should be from the top management or employees. Interesting thought of one of the CEOs in this area stated:

As we discussed aforementioned, at first place it is an empowerment to all employees. This is the way to success. For instance, I removed the Technical Director because he wanted to control all the things; no one could do other things unless he said so. That was horrible! It has suppressed creativity and innovation. (Mr. Emir Huskic, CEO of Namjestaj d.o.o.)

Others are with similar views:

Entrepreneurial company is based on innovation. You always have to try new things. Out of many trials, you will eventually succeed. (CEO of Ammar d.o.o.)

Such attitude opens the door for employees to be creative (innovative), proactive, and upon all risk-takers. The tolerance of ambiguity and failure is tolerated as discussed by Scarborough and Cornwall (2016). This suggests us that in order to establish an entrepreneurial mindset, business owners and CEOs should support innovativeness, proactiveness, and risk-taking by employees and managers, in a way that all of them will contribute to the growth and development of their organizations.

Thus, motivation and commitment will also be high. This is the answer to our research question 4 (RQ4), which explains how the Management implements this establishment of an entrepreneurial mindset in their respective companies.

Regarding responsibility, who is more responsible for this establishment of an entrepreneurial mindset, the management or employees, we observed different views.

The CEOs of Gradex doo and Ammar d.o.o. hold the view that the management (CEOs) is the key mover toward it, while others (CEOs of Balagem d.o.o.; Namjestaj d.o.o.; Hanibal d.o.o.; Jordan Castings d.o.o.; Mlijecna industrija 99; Voce transit d.o.o.) see this as the joint sacrifice, the management and employees, like the team. Both sides have justifications. Astute managers are the leaders who provide the vision and pave the way for their peers (Bass & Avolio, 1992; Bass & Riggio, 2006; Palalić & Durakovic, 2018), and thus it is necessary that someone leads that process. Conversely, the real teamwork is always fruitful and worthwhile. It gives a powerful motivation to employees to be committed to their daily tasks (Fletcher, 1999).

Networking is important for the progress, and sometimes, companies depend on each other, living together like rivals, or sometimes business partners. Other networks from the State are helping to increase the entrepreneurial setting and give support to SMEs (Dana, 2001; Dana et al., 2000; Etemad et al., 2001). The following statements (*Does networking help your organization to be entrepreneurial?*) are recorded regarding networks and its impact on the overall performance in SMEs.

Yes, but not fully available! (Balagem d.o.o.)

Due to the nature of the company, perhaps, it is not able to have easily a network that will help the company to grow. But, it seems like the imperative.

Yes! That helps the most! Usually, we get new Contracts via previous clients or business partners. Similarly, we recommend our partners to some clients too. (Hanibal d.o.o.)

Collaboration is always welcomed, regardless of customers and business partners. Upon all, mutual recommendations, as well as worth of mouth (WoM), can be a firm's long-lasting business advantage.

Yes, of course! And we do work on networking, involving, like eight firms to make a strong network towards suppliers, clients, and the State institutions. (Namjestaj d.o.o.)

Using both networks, from the private sector and the State gives a fantastic portfolio and prospects for the future business perspective. For instance, this company skillfully builds the future milestones for sustainable business development.

Networking is very important. You should always meet people. We have cooperation inside that network; they help us gain knowledge that they can provide. We visit our clients abroad or fairs where we can get knowledge. (Ammar d.o.o.)

Not only business networks, but customers play their role in creating a business image internally and externally. In the firm, employees are motivated because their performance is recognized by their customers, as the key factor in creating a sustainable entrepreneurial spirit. Simply, employees are motivated more when it comes to creativity and innovation, once they see the results externally.

We already belong to the network. Jordan castings have three factories in China, two in England, two in Germany and BiH. We cooperate among ourselves. It would be very good to have a network of all BiH producers to present themselves better and more professional in the international market. (Jordan Castings d.o.o.)

Even international network can be of great value for the entrepreneurial mindset. Such companies will be able to translate the business models for their organizations in Bosnia, which somehow for this region, they may be different from their competitors.

We belong to the network of the milk industry. We all have to help each other. We are also networked with all our suppliers (1500 farmers) and work together on the quality of grasslands, livestock, and milk. (Mliječna industrija 99 d.o.o.)

Some industries are in a network by the default of the businesses they do, as presented by this milk industry. They need to be tightened to each other with a mutual correspondence and understanding. In return, the whole organization is better off while employees and management can think of further development that will involve the EO dimensions as the key steps for thinking and implementing entrepreneurial (Scarborough & Cornwall, 2016).

Eight CEOs confirmed the “symbiotic network” (Dana et al., 2000) importance for organizations to be entrepreneurial, which answers our research question number 5 (RQ5). It has its weight if we take into consideration the global market nowadays, and it seems impossible that a firm does not have any network, which will indirectly leverage in the overall performance of that firm. Likewise, once an organization is performing well, the internal motivation and working spirit will be increasing. Moreover, the common sense of belonging to an organization means taking care of all problems, challenges, and successes. Thus, the entrepreneurial mindset is increased if a worthwhile network an organization has.

5.3 Study 3: How to Maintain? The Long-Term Success

Many businesses fail due to different external and internal factors that affect organization’s performance. A big challenge if not the most crucial, is how to maintain an entrepreneurial mindset that leads to long-term success? Several questions are related to this part in which the most emphasized is internal marketing (Bansala et al., 2001; Kim et al., 2016; To et al., 2014), as another key ingredient of the successful entrepreneurial mindset in organizations.

Internal marketing is an important driver in creating a good image of the company in the eyes of employees that conceive the motivational aspect of employees’ commitment.

An exciting fact that was brought by these SMEs (family businesses) was that they are very much worried (besides other things of the long-term success) is the human capital, which in this country is slowly and steadily fading. They are afraid of the “brain drain” (Dodani & LaPorte, 2005; Gë Rmenji & Milo, 2011; Odhiambo,

2013; Rizvi, 2005) that happens in this region (Western Balkan) lately, and apparently, B&H's employees feel it substantially.

To keep a good image of the company, its brand, the internal marketing and communication among employees and managers must be established. Everyone has to feel like their organizations and feel free to add values in anyhow, as per their positions and job descriptions in their organizations. The following thoughts are observed from the field and important to the internal marketing that creates a good image/brand and helps in maintaining the entrepreneurial mindset and spirit of the company (they were asked as: *Is internal marketing helpful in creating a good image?*).

Yes. Absolutely! To help employees to trust the firm. (Belagem d.o.o.)

Yes! For instance, we involve our employees in all processes. They like to be involved internally in establishing the firm's brand. They like challenges, and we support challenges and creativity. (Hanibal d.o.o.)

All innovations are encouraged. Employees are never criticized for unsuccessful trial but encouraged to continue innovating. Mistakes are tolerated. If people do not try, they will never invent anything. (Ammar d.o.o.)

Yes. We all work together toward the same goal. I trust my employees entirely. I do control just to check if everything goes as we agreed. (Jordan Castings d.o.o.)

Our employees participate in all decision. We have regular meetings with supervisors once a week and with all employees once a month. More often if it is needed. But everybody can come any time to me or stop me in the factory with proposals or anything. I said to all employees that it is their factory and they all have to work to make it a comfortable place for everybody. (Mlijecna industrija 99 d.o.o.)

Yes. The satisfied worker is the one that creates a strong brand. (Voce transit d.o.o.)

From the statements, we can see that most of them apply this internal marketing in different ways. The pitch is to motivate them so that employees see the company as their own. This brings the long-term commitment of employees, which by its nature builds a good atmosphere in the company emulated in a good image and brand of the company. With this, the entrepreneurial mindset is maintained, and the entrepreneurial spirit goes on. The synergy of the teamwork is powerful, regardless of different leadership styles in organizations (Nurmi, 1996). Moreover, the teamwork at all levels is crucial. It smoothly establishes an entrepreneurial mindset, through the synergetic effect.

6 Conclusion

Based on the primary research results, we conclude that small and medium companies (SMEs) in "Gradačac" region are with entrepreneurial mindset and spirit, described as entrepreneurial, innovative, proactive, and willing to take the risk (Krueger, 2009; Krueger & Sussan, 2017). They are also well networked locally, regionally, and internationally, and constantly investing and growing. Their employees are innovative, creative, and very well motivated. They are involved in making decisions, and they consider the brand/company as their own. This is truly

entrepreneurial state, and such entrepreneurial atmosphere requires “entrepreneurial thinking,” as argued earlier by Krueger and Brazeal (1994); Krueger (2000/2009). The firms’ state fulfilled these requirements by disseminating the entrepreneurial atmosphere vertically (from the top to bottom) and horizontally (via all departments in mutual collaboration). However, the companies are afraid mainly of external/environmental factors that they cannot influence, like a change of regulations in BiH and export markets, future financial crises and lack of qualified employees. The following subsections will explore the three levels of entrepreneurial mindset that this research has focused on.

6.1 Understanding the Phenomenon “Entrepreneurial”

Entrepreneurship is a way of living in “Gradačac” area. It is the driving force for the economy and life in the region. Some people became entrepreneurs as they had no job and had to take care of their families. Some were willing to take a risk to make a profit. However, people in this area think that entrepreneurs are born. They have ambitions and constant drive for innovations; very often that spirit has been in the family, and many of them come from entrepreneurial families.

It is disputable if Bosnian people are entrepreneurial. However, people in this region are positive that Bosnian people have an entrepreneurial spirit. Only, this spirit was somehow suppressed in Yugoslavia. Laws did not encourage the entrepreneurship. It was not socially acceptable behavior in BiH at that time. Also, people might have an entrepreneurial idea, but they did not have very often the money to finance it. Even today, it is felt that the public and the state have a negative perception of entrepreneurship. That is why media often present entrepreneurship and entrepreneurs through negative examples such as tax frauds or greedy people who take care only about their profit.

6.2 A Pathway to Success

Innovations are the key to the success of all firms. They often state if not for innovations, they would have been already closed. It may be innovation regarding technology, raw material, market, quality, equipment, and processes. Products are constantly improving, new brands launching, innovations are constantly introducing. Sometimes innovation is to apply for the first time something that has been implemented in western countries. Some companies have R&D division exclusively for innovation. However, every employee is expected to make innovations. Innovations are rewarded monetary, as a lump sum or salary increase. However, innovators often receive public recognition in the company for their work. Some companies have a selection of the best innovative idea every month. People are not criticized for

unsuccessful innovations, but encouraged to continue with trials. Also, no idea is considered stupid but worth to try.

Companies pay attention mostly to their core business. Some functions are outsourced, very often it is marketing activity. All companies are knowledge based. They develop their staff; however, as they all do business in a fast-changing environment, this might be slow. Firms do not hesitate to buy the necessary knowledge from experts.

All companies are market oriented and in most cases export oriented, proactively engaged with flexibility, they adapt quickly to the market. They can produce different products or variation of the same products even in smaller quantities and ship quickly to EU markets, especially Germany. They have an advantage in comparison to Chinese companies that are able only to produce a big quantity of the same products. Transportation costs from China are high and time to reach Europe is quite long.

All companies are dedicated to the high quality of products. There are laboratories to control quality at each stage of the value chain. Quality control is done internally and often externally. In some cases, universities are involved in doing analyses. Firms have all certificates from their fields.

There is a strong awareness inside companies that they can accomplish their goals only if they are all together in it. However, this awareness is also extended outside. Companies are networked within their specific industry, with companies in "Gradačac" area or even region and with suppliers and clients. Sometimes companies are networked with universities and chamber of commerce. Entrepreneurs in this area have a strong sense for the community. If own foreign company doing business in the region decide to close the facility, the local entrepreneur will often step in and take over the whole business to preserve jobs for employees and suppliers. If some company has a problem, other companies will help it. This responsibility is not limited only to "Gradačac" region, but to the whole BiH and often to the whole region. Entrepreneurs do not compete here but cooperate.

Almost all companies, we have interviewed, have been investing all the time with the outcome of a significant company's growth. Investments are made in new machines, factories, divisions, and land.

6.3 The Long-Term Success

All companies in the "Gradačac" region agree that people are the most important for long-term success. The care for the people is in the first place. Salaries and payments to the suppliers are a priority and have to be executed on the agreed date. Any problem with liquidity because of late payments from customers has to be solved by the director of companies without affecting employee or supplier. The employee has good, regular salary, all benefits paid, good working conditions; generous vacation time and very often extra money for a vacation, sometimes even for the whole family. Meals, work apparel, and commuting means are usually provided by the

company. Managers have cars at their disposal 24 h, mobile phone, computer, good accommodation, and per diems for business travel. Salary has constantly been increasing regularly and also based on performance. Employees often receive bonuses at the end of the year. Employees are considered as a family. Employees in some cases could take a loan from the company without any interest, fees, and complicated banking procedures. There is no firing. Mistakes are tolerated and considered as lessons learned.

Employees participate in management. Employees are encouraged to solve problems themselves and make decisions without or with minimal involvement of managers. There is a policy of open door in all interviewed companies. The employee may come to the director at any time and put forward his/her idea. There are also boxes for employees' ideas that are checked regularly by supervisors and directors and decisions are made quickly. Meetings with all employees are held regularly, often once a month. The top management never makes any decision unless it has discussed with its employees. Companies consider in most cases that both management and employees are responsible for creating an entrepreneurial atmosphere. They all should work together in obtaining vision and goals that they have established together.

Employees are strongly encouraged to take specializations and master each the company's interests and activities. High school or graduate students are taken as soon as they finish school. Interns are often; they are hired automatically if their performance is satisfactory. There is a lot of training, internally and externally.

Organizations from the region are pretty confident that they can solve any internal problem. However, companies are afraid of threats from the environment that they cannot influence. It is a case when export market countries change regulations like increasing customer duties or introducing new high-quality standards. However, all these obstacles are challenges to find new markets that companies successfully do. Moreover, they are afraid that the BiH government can change regulations that will negatively affect them. Additionally, the next financial crisis (unofficially announced) is a new threat, and they are prepared for it. The main concern in many firms is the lack of labor, which has been substantially decreasing over time, and each coming year represents a headache for the companies.

6.4 Limitations, Future Work, and Implications

This primary research has its *limits*. It employed a sample of eight companies. These companies are from the field of metal processing, constructions, milk industry, furniture production, and trade. We cannot exclude the possibility that the other companies might give different answers. It remains for future research to investigate more companies and from different industries. The research was concentrated on the area of "Gradačac" area only. It would be interesting to explore the other regions in BiH with successful SMEs like "Tešanj," "Gračanica," "Brčko," "Goražde" and determine key factors for their success. It also remains for *future work* to research

stagnant regions in BiH and see if SMEs can be solutions for the employment and economic development and if successful model of “Gradačac” model can be applied to them.

All interviewed companies stated that government institutions do not support entrepreneurship. They do not offer any assistance for startups, for further development or later on for improving the business climate. Entrepreneurs do not expect any help from the government. They do expect institutions to let them do their own business without interferences. They pay taxes regularly, but complain about high social security contribution.

Additionally, they complain about the extensive, slow, and complicated bureaucracy that requires a lot of papers. Financial institutions also do not support entrepreneurship. Loan's approval requires a lot of time, complicated procedure, and papers even for the successful and solvent companies.

Our *recommendations* go to government institutions and SMEs. Institutional and business environment for SMEs should be improved. The government should assist SMEs by creating favorable regulations for SMEs, providing administrative, financial, and educational support. Due to the complicated administrative system of BiH, government institutions at State, entity, cantonal and municipality level should work together to create a favorable environment for SMEs. All these measures and regulations should be harmonized with EU acquis, as BiH is on its path to the EU and all these companies have been already exporting to the EU. However, all firms should be more proactive in putting forward their requests and lobbying with governments and parliaments to get better regulations for SMEs. International donors like the EU, USAID, SIDA, etc. have been investing a huge amount of money for SMEs. No company from “Gradačac” area reported that they have ever received any support from international donors. Firms should be more proactive in attracting grants from international donors.

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