

# Human Capital and Entrepreneurial Intentions in Bosnia and Herzegovina

Ramo Palalić, Azra Bičo, Veland Ramadani, and Léo-Paul Dana

**Abstract** Historical phenomenon of human capital is being discussed through centuries. This important pillar in socioeconomic development is necessary to be monitored, analyzed, and debated by every country. So is for Bosnia and Herzegovina. The chapter tries to explain human capital from students' perspective in Bosnia and Herzegovina. The current situation of human capital in Bosnia and Herzegovina is investigated and discussed. Based on the theoretical background, the study explores the main pillars of human capital depicted by an exploratory case study of students population, from the International University of Sarajevo. Several exciting insights were derived from the research, which are elaborated further as the study implications, recommendations, and the future work. Limitations, as well as other study phenomena, are also discussed.

**Keywords** Human capital · Human resource · Migration · Brain drain · Youth · Students · Bosnia and Herzegovina

---

R. Palalić (✉) · A. Bičo

Faculty of Business and Administrations, International University of Sarajevo, Sarajevo, Bosnia and Herzegovina

e-mail: [rpalalic@ius.edu.ba](mailto:rpalalic@ius.edu.ba); [abico@ius.edu.ba](mailto:abico@ius.edu.ba)

V. Ramadani

Faculty of Business and Economics, South-East European University, Tetovo, Macedonia

e-mail: [v.ramadani@seeu.edu.mk](mailto:v.ramadani@seeu.edu.mk)

L.-P. Dana

Dalhousie University, Halifax, Canada

e-mail: [lp762359@dal.ca](mailto:lp762359@dal.ca)

© Springer Nature Switzerland AG 2020

J. Leitão et al. (eds.), *Intrapreneurship and Sustainable Human Capital*, Studies on Entrepreneurship, Structural Change and Industrial Dynamics,

[https://doi.org/10.1007/978-3-030-49410-0\\_8](https://doi.org/10.1007/978-3-030-49410-0_8)

## 1 Introduction

The synonym of “human capital” that is being used in the twentieth century is known as “human resources.” Human capital theory was described in detailed by Marx<sup>1</sup> in his works, and it has become the basis for human capital theory for centuries. According to Marx, human capital is not like natural capital, which could be expressed, for example, in equipment and managed as you like. Conversely, while human capital is also very important in any organization, it is very difficult to manage because of its originality; “human beings.”

Marx said that the notion of human capital is used in “bourgeois economics” as a subset of the term capital, which includes “skills, knowledge, trust and effectiveness of employees,” to eventually make profit. He argues that human capital is constituted of the physical strength and intellectual capabilities of human beings. Due to this fact, a human being has the choice to use these assets (physical strength and intellectual power) for the organization or to withhold them as he or she wants. However, the ownership of human capital’s “form” and “values” is managed by a company, which makes decisions regarding its utilization within the company. Marx also points out the difference between human capital and “labor power,” with the latter depicted as the use of almost the same human capacities and measured by the hour. Similarly, he contends that certain knowledge and skill of employees’ activities, such as art, hobbies, interests, sport-skills, etc., are not part of human capital and cannot be used for profit (to be included in the profit measurement).

Smith defines the human capital as “The acquisition of . . . talents during . . . education, study, or apprenticeship, costs a real expense, which is capital in [a] person. Those talents [are] part of his fortune [and] likewise that of society” (Smith 1776). This may partially imply that human capital is very difficult to develop. It takes time and money, and this is why it seems to be costly. Both time and money, in today’s terminology, represent an investment. The HC is not simple, short-term investment, but it is subject to long-term investment portfolio, in which, if not managed properly, will be wasted and a country will be worse off. Well, this waste happens when a nation is not aware of human capital and its importance in socioeconomic development.

Human capital (HC) plays an important role in every society. Its importance was discussed and debated by many sociologists and scientists a few centuries ago. Some of them are Adam Smith and Karl Marx. Both of them had criticized and uphold credentials of human capital, which is now known as human resource (Armstrong 2009). Human resources, in the practice, sometimes have a negative prefix like “costs.” So in the industry when any downs happened, the responsibility goes to the people, and they have been justified as the cost that should be cut. Unfortunately, every financial and economic crises and recession are followed by huge layoffs of employees around the globe.

---

<sup>1</sup>Available at <http://www.marxists.org/>.

The study aims to explore views of young people (students) who are subject to *brain-drain* process, especially in developing country like Bosnia and Herzegovina (B&H). Based on the theory, the research provided basic information on the life in the country and migration issues.

The following sections are constituted of theoretical background, followed by methodology, data analysis and results, and concluding remarks with discussion.

## 2 The Theory Background

As every coin has two sides, human capital theory also has its opponents and critiques. Bowles and Gintis (1975) observed the main three areas of the theory's shortcomings in the areas of "demand and supply for human capital by firms and schooling." Also, they came up with additional shortfalls of the Marxian capital theory, which could be seen in "accounting growth distribution and public policy."

Smith (1776) observed human capital as other machinery in a firm, known as fixed capital. He pointed out that the source of human capital is "experience," which reflects its specialization to the related work and "education" that is implementable in educational institutions. However, it illustrates that there is a possibility of "costliness and suboptimal use of human capital," where these two notions are observed in any human development or training under the "apprenticeship system" (Spengler 1977). Hence, human capital is important, and if it is given the opportunity to be developed, the end results should be in parallel with investment in other fixed assets (Smith 1776). However, sometimes there are no remedies against poor performance of human capital.

Human capital plays a very important part in economic development. The literature suggests negligible significance of the relationship between human capital and economic development (Lucas 1988; Romer 1986; Schultz 1961). In recent times, there has been empirical debate on whether the education level of human capital has impact on economic growth (Mankiw et al. 1992). Meanwhile, other empirical evidences have shown that education level and economic growth are not strongly related and its relationship is marked as weak and insignificant (Jess and Spiegel 1994; Islam 1995; Pritchett 2001).

A recent empirical study from China by Zhang and Zhuang (2011) shows that education plays an important role in economic development ("tertiary" education) and the human capital constitution at a regional level affects the economic growth of a country. Since SMEs are drivers for economic development, human capital will inevitably be closely analyzed and examined.

According to Todaro and Smith, basic objectives of human development and vital components of growth and development are education and health, and they are considered to be significant issues of human capital (2009). One of the educational problems is brain drain, which is rendered through global migration of highly educated workers. The implication of Todaro and Smith's (2009) argument is that this migration represents a substantial cost at expense of a home country, which is

especially applicable to engineers, scientists, and physicians. This trend, for instance, has tremendously increased in Bosnia and Herzegovina in last few years.

In every organization it is important to recognize key drivers and use them properly. Even from ancient times, humans have been the basis for any business startups. We believe that the SME structure, if employees are more educated and professionally developed and advanced, has the basis for further growth and development in the market. Accordingly, human capital correctly applied to the SME structure opens the door for creativity and innovation and their further development.

Therefore, we may say that human capital is one of the main pillars in companies and is necessary to be treated correctly by adding essential “additives,” such as professional development in the areas people are involved. By reflection, the company will have a better chance to gain competitive advantage over its competitors and a better position in the market. Human capital consists of intellectual, social, and organizational capital.

## ***2.1 Intellectual Capital***

Intellectual capital results from matching the tangible and intangible resources of human beings. Armstrong (2009, p. 68) defines intellectual capital as “stocks and flows of knowledge” that are on disposal for the use of an organization. These resources provide an output that ultimately results in the business value of that organization. Since human capital is strongly related to intangible resources, we can say that it could be regarded as one of the main factors that create value for an organization, in the short- and long-term perspective, in addition to all necessary financial and tangible or intangible assets (Bontis 1998).

Intellectual capital is mixture of human capital that comprises of knowledge, skills, and experience; structural capital that is a form of a support to human capital through information technologies; and consumer capital that represents an interaction between company and its clients (Sundać and Fatur 2004).

## ***2.2 Social Capital***

According to Putnam (1995), social capital is defined as “features of social organization such as networks, norms and social trust which puts members to undertake necessary steps together to have a common welfare.” This common goal drives a whole society and its members to pursue happiness and welfare for the short and long term in their lives. The term is derived from the network knowledge obtained from social relationships by employees and other structures within an organization (Armstrong 2009, p. 68). In the societal context, we are witnessing that people are gathering into different associations and movements to promote mutual welfares and

economic development and we can assume this happens in industrialized societies, while this action is regarded as very poor in developing countries (Krishna 2002, p. 3). In this work, Krishna (2002, p. 27) throughout its hypotheses points out that social capital really “matters a lot.” This argument is related to what impact its development can have: “strong society, strong economy” or in other words “strong society, strong state” (Krishna 2002, p. 23). This indicates that no country worldwide is able to grow and develop without a strong society that implies a key driver towards a country’s overall prosperity. Despite extensive definitions given by many researchers, the concept of social capital seems to remain “illusive” (Osborne et al. 2007, p. 79). It is not easy to define and give an exact concept and structure of this phenomenon because of its complexity. It is connected and incorporated into many elements of a society which, by acting together, establish synergy for society’s well-being. The most critical attribute of social capital is trust (Sunderland 2007, p. 1). When two or more parties involved enter into a certain transactional relationship, obviously either of them might be at risk, and protection from this risk is trust, such as perceived security in furthering the relationship and the process of accomplishing given goals and objectives. If there is no trust in this transactional relationship of interests, there will be no further communication, nor future prosperity and development. Hence, this case could be applied to the whole society. Sunderland (2007) further elaborates that many historians “overlooked trust” in comparison with “power” as the most important means in society. However, he puts a strong emphasis on trust, which is the key for any further interactions and relationships among people who seek to produce positive results based on mutual interests.

### ***2.3 Organizational Capital***

Organizational capital is defined as institutionalized knowledge within an organization, which is distributed throughout the organization and is documented in soft or hard copy within the organization (Youndt 2000). Edvinsson and Malone (1997) define organizational capital as “structural capital” in an organization (Armstrong 2009, p. 68). Today, organizations strive to develop and broaden this capital by innovation of their products and services, resulting in a new documented knowledge upgraded from that previously held. This means their “structural” or “organizational capital” is advancing, improving, and broadening in all ways from the contribution of intangible human capital or intellectual abilities of employees to apply their knowledge and skills in their day-to-day operations. Every SME tends to have a properly documented archive for all business activities, processes, and operations.

## 2.4 *Human Capital as Human Resource Management*

An organization consists of several departments which function together to make a synergy and, by all means possible, strive to achieve goals and objectives of the organization to attain competitive advantage. The agency that matches employees' expectations of management (in terms of any kind of reward or return of value provided to organizations) with management goals and expectation from employees is the human resource management department. This term entered into the vernacular for the first time in 1972. Before the early 1970s, HRM was known as human capital.

A HRM department takes overall care of several key factors in organizations, including how people are assigned to certain tasks within an organization and what are the end results of its HR management strategy. Overall, a HR strategy contains a business strategy checklist (Eigenhuis and Dijk 2007, p. 11) by which organizational priorities are determined. It plans, recruits, trains, and develops employees to deliver the best possible added value. In very competitive organizations, we perceive the HR department as a key strategic player. It monitors, evaluates, screens, analyzes, and determines what the organization is missing in terms of personnel and what is misaligned in regard to current human capital in that organization.

In today's modern world, HRM is implemented in both the private and public sector (Pinnington et al. 2007, p. 26). This is evidence that HRM plays a vital role regardless of the ownership in organizations. Moreover, a better HR strategy designed towards human capital development will result in organizations that are more competitive and progressive. HRM may have different "managerial styles," and it has always been at the heart of an organization (Pinnington et al. 2007, p. 66). It is integrated in management itself that shapes organizational growth and development through its vision and strategy.

## 2.5 *Human Capital Development in B&H*

A body that collects information related to human capital development is the Global Human Development Organization,<sup>2</sup> which collects over 600 reports across the globe regarding human capital development. This organization opens its website with the words "People are the real wealth of a nation."<sup>3</sup> According to a UNDP report (2013), B&H is among those EU countries where its population lives in rural areas (after Montenegro, Ireland, and Finland), comprising 60% rural residents from the country's whole population. Usually these rural areas are older than urban settlements, but there is a tendency of annual change in migration from rural to urban areas. This is mostly due to the greater availability of jobs in urban areas.

---

<sup>2</sup> Available at <http://hdr.undp.org/en>.

<sup>3</sup> Available at <http://hdr.undp.org/en>.

Since urban areas are typically more equipped with opportunities such as education, jobs, commerce, and communication, it is logical that these areas could be far more developed compared with rural ones. However, as far as human development (HD) is concerned in B&H, rural areas have significantly improved in terms of the aforementioned opportunities, and it has been confirmed that rural persons, despite coping with special challenges, are not far behind urbanites (HD Report 2013). Rural persons somehow overcome distance to urban areas and other communication necessities. It is reported that rural persons are in need of the following, “jobs, services and infrastructure” (HD Report 2013, p. 12).

Having the fact that 60% of the B&H population resides in rural areas, its development will comprehensively contribute to human development of the whole country in terms of “health, education, employment, services, life choices” (HD Report 2013), etc.

Human development capital for B&H is measured by the UNDP’s “Human Development Index” (HDI), which is used worldwide. The HDI uses “three axes of human development, *health* (life expectancy at birth), *income* (Gross National Income per capita at purchasing power parity), and *education* (average of the “mean years of schooling” that each adult has actually achieved and the “expected years of schooling” that a child should normally receive)” (HD Report 2013<sup>4</sup>).

According to the HDI, B&H is ranked 81st out of 186 countries, which is within the second quartile and considered as a “Country with high human development” (first quartile belongs to countries with highest HDI) (HD Report 2013). As a potential EU accession candidate by placing in this ranking, life expectancy at birth for B&H is 75.8. The average “years of schooling” are 8.3, while “expected years of schooling” are 13.4. GNI per capita is \$7713 (in 2005), which belongs to the cohort of “upper-middle-income countries” (Keegan and Green 2008, pp. 49–52). As a brief comparison, B&H is the least developed country relating to human development and behind all five ex-Yugoslavian republics: Slovenia, Croatia, Macedonia, Serbia, and Montenegro (HD Report 2013). Also, the UNDP human development report (2011) stated that B&H was in 74th position of its HDI at that time, which has unfortunately fallen back to 81st position (HD Report 2013). Obviously, this is due to political issues that hold the country back in depression and the undeveloped economic landscape of the whole country.

However, Bosnia and Herzegovina have improved its rank (Table 1); the HDI was 0.768, which is 77th since 2013. The best score was Slovenia (0.896, 25th) followed by Croatia (0.838, 46th) and Montenegro (0.814, 50th), while Macedonia (0.757, 80th) is the worst one (HD Report 2017). Nevertheless, this is not the desired level for Bosnia and Herzegovina. Many works should be done to improve both the HDI and HCI.

Finally, B&H, as rural country, has several points to be mentioned due to misbalanced challenges and opportunities in comparison with urban life, which in many ways contribute to human capital development. Firstly, according to the Rural

---

<sup>4</sup> Available at <http://hdr.undp.org/>.

**Table 1** Human Development Index (HDI) of ex-Yugoslavia republics, in 2017

Country	Human Development Index (HDI)	HDI rank
Bosnia and Herzegovina	0.768	77
Slovenia	0.896	25
Croatia	0.838	46
Serbia	0.787	67
Montenegro	0.814	50
Macedonia	0.757	80

Source: Human Development Report, 2017, authors' interpretation

Household Survey (2012), there are benefits and shortcoming of rural life. In addition, taking into consideration that there is support from the EU for activities in terms of life expectancy and entrepreneurship learning activities, this reinforces the idea of promoting an entrepreneurial mindset as a key driver of human capital and economic development of the country. Also, these activities should be controlled and revised from time to time.

A big advantage of rural living is that it seems to be better for health, which is achieved through eating healthier food that affects human life. Conversely, all other things such as income, employment, infrastructure, services, education, and social life are deemed to be much better in urban areas. All these aspects affect the development of human capital of this country.

Hence, in the context of B&H, human capital has its essential parallel that is in the lifestyle choice of people. This could be achieved through increasing opportunities for rural residents to remain there or to move to urban areas. Either way should not limit their existence or exacerbate existing problems, rather to develop all necessary things for the rural population (everything that positively affects human capital development) and to let them choose their desired way of life. Then they will be given the opportunity to have potentials suited to them. There might be some cases where some rural residents must move to the city (e.g., in case of work), while conversely some rural residents must remain due to the higher cost of living in urban areas.

Nonetheless, the Rural Household Survey (2012) has proposed to the government of B&H that it should work on all infrastructure and services needed in rural areas and it should not have an exclusive objective to keep rural persons in their areas but provide for every citizen equal opportunities in lifestyle throughout the whole country. Lastly, since B&H is a rural country, it is necessary to change policies in regard to human development, especially in rural areas, at the state level because of a paradox that exist in B&H which is: "while almost half of rural households are involved in some kind of agricultural production, less than 10% generate any cash income from this source" (HD Report 2013).

Therefore, this should be changed as soon as possible. Pursuing low-cost migration will create better opportunities for education and employment, and it will eventually improve economic development across the whole country, resulting in



increased human capital development. As positive examples, this country must look to countries with the highest human capital development.

The following section is a brief case study done among university students. The objective of the case study was to observe students' thoughts and views regarding the human capital in Bosnia and Herzegovina. This population is chosen because they represent the highly skilled population (Todaro and Smith 2009) and youth, this the most expensive asset for every country (Sundać and Fatur 2004), so is for B&H. Besides the general information, the research has emphasized four areas of regular life in B&H. These areas are education, living standards, legal framework, workforce, and employment (World Economic Forum). Additionally, in the end, students were asked their general view on these four areas, for which they provided great insights.

### 3 Methodology

#### 3.1 *The Survey Design*

An online questionnaire was used to collect data on human capital. The questionnaire is designed on the basis of the World Economic Forum (WEF 2014). The design corresponds to definition of the human capital index, which suggests that human capital index is comprised from four main pillars: *health and wellness, education, employment and workforce, enabling environment*. *Health and wellness* are actually can be treated under the umbrella of *living standards*. *Education* in this case includes primary, high school education, and university education with all three cycles. *Employment and workforce* imply employment in a country as well as opportunity to be employed. The *enabling environment* implies legal issues that facilitate businesses and development of entrepreneurship in a country, especially new born startups or new ventures. These are four elements we redesigned in the way of posing questions that portray the HCI components.

The survey was constructed of a total of 30 questions, out of which first 7 are general questions, such as to which faculty students belong to, what is their nationality, and from which canton/city they are. Questions 8–29 were subject to the Likert scale assessment, scaling it from 1 to 7, where *1 is completely disagree, 2 disagree, 3 partially disagree, 4 neutral, 5 partially agree, 6 agree, and 7 completely agree*. The last question was (no. 30) an open-ended question, in which students were given a chance to present their point of view on human capital and provide us with useful comments.

#### 3.2 *Study Population and Sample Size*

The students' population (International University of Sarajevo-IUS, Bosnia and Herzegovina) is taken as relevant one since it is part of youths (Schultz 1961) that

are subject to migration and brain-drain process around the globe, so is in B&H. They were asked to participate in online survey and give their opinion on human capital in Bosnia and Herzegovina. A total number of respondents were 276 students, while the number of respondents of Bosnian nationality was 206. Other students who participated in the survey were residents of following countries: Croatia, Egypt, Ghana, Libya, Montenegro, Palestine, Saudi Arabia, Serbia, Syria, Tanzania, Turkey, and the United States.

In this case study, we analyze responses only of local students. It is because we deal with the topic of human capital issues in Bosnia and Herzegovina and we wanted to get feedback on views of youth on the topic, especially to see their standpoints on this issue of migration and brain drain.

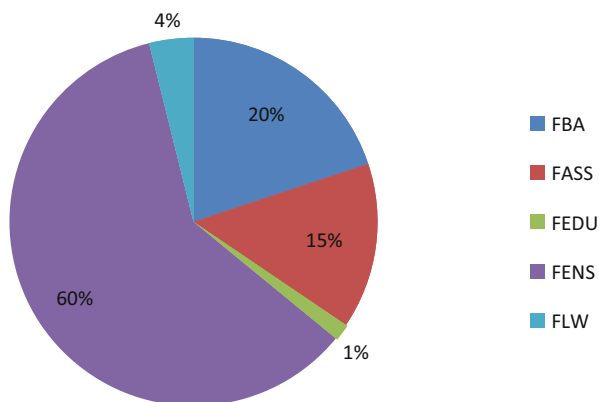
## 4 Findings

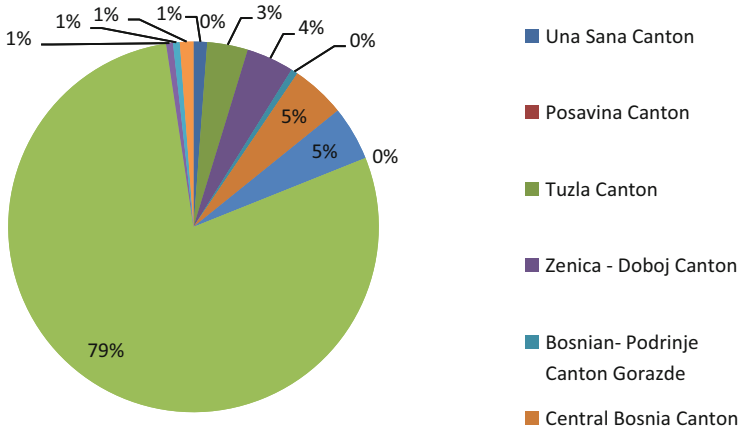
Results are presented by descriptive statistics such as bar charts, table, as well as open-ended questions' answers. A 30-question survey was given to students. The core answers on those questions are results of students' views regarding the general life in Bosnia and migration and why youth, such as students, would like to migrate to other countries. The following figures and table will elaborate students' views on human capital's pillars.

Figure 1 depicts the composition of students according to the faculties of IUS. The IUS is composed of five faculties: FBA (Faculty of Business and Administration), FASS (Faculty of Arts and Social Sciences), FEDU (the Faculty of Education), FENS (Faculty of Engineering and Natural Sciences), and FLW (Faculty of Law). Corresponding percentages show the percentage number of students who participated in our survey, by faculty composition.

Gender distribution of survey participant was equal; 50% participants were male, and 50% were of the female gender. The 95% of our participants were undergraduate

**Fig. 1** Student survey participants' distribution according to IUS faculties





**Fig. 2** Student survey participants’ distribution according to IUS faculties

students, 4% were master’s students, and only 1% were doctoral students. Figure 2 shows the distribution of survey participants according to cantons where they reside. Most of the students are from the Sarajevo Canton, which is the biggest populated area in Bosnia and Herzegovina (Fig. 2).

Among the questions that students were asked, we have highlighted the once are of the most concern. These questions are related to *education, employment opportunities, legal framework infrastructure, and living standards*. Results of these questions that the survey has revealed are interesting insights, which together comprise and, at the same time, affect the development of human capital. For instance, Table 2 shows the very exciting findings regarding questions of the HC’s pillars and student’s decision whether they would or would not migrate to another country, due to different motives.

Results are as follows. The 32.04% of students partially agree that *life is joyful in Bosnia and Herzegovina*. Taken this into account, they also believe that *current salaries* are not enough to live it up, where 64.08% of answers are distributed among 1–3 scale (disagree prefixed scaled responses). Students do not believe in *education* quality being at the same or almost the same level as in the EU (Table 2).

Regarding the survey statement: “University education in this country is good enough so that graduates can perfectly serve a regional or global labor market?” 25.73% students partially agree with this statement, while 8.74% disagree. The most critical finding in this survey is related to the question: “If I would migrate to another country, it will be because of low living standards.” It is because Bosnia and Herzegovina have already tackled problems of major brain drain. Students’ answers on this question were 18.45% partially agree, 21.36% agrees, and 29.61% completely agrees. The total is 69.42% of youth who consider to migrate to other countries. As the final finding, we can conclude that students (*our future highly skilled labor force*) recognize the lack of *living standards as well as the support* for the right business conditions for young entrepreneurs.

**Table 2** Results of selected questions on human capital in B&H survey

Question/Likert scale 1–7	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)	6 (%)	7 (%)
Life in Bosnia and Herzegovina is truly joyful	3.40	9.71	10.68	19.42	32.04	13.59	11.17
Current salaries in this country are enough to live it up	18.93	22.82	22.33	22.33	7.77	4.85	0.97
Living standards in this country are very acceptable	12.62	19.90	22.33	21.36	14.56	6.80	2.43
Education in this country is quite good, almost the same as in the EU	14.08	16.99	22.33	19.90	10.19	12.62	3.88
University education in this country is good enough so that graduates can perfectly serve a regional or global labor market	3.88	8.74	16.99	26.70	25.73	10.19	7.77
I believe that this country somehow appreciates the talents of a workforce in many different ways	18.45	25.24	18.93	14.08	15.53	4.37	3.40
If I were given an opportunity to go abroad for higher education, I would accept it	1.94	4.37	5.83	9.22	14.56	22.82	41.26
If I would migrate to another country, it will be because of the low level of education	18.45	15.53	20.87	19.42	9.71	7.77	8.25
If I would migrate to another country, it will be because of low living standards	4.85	7.28	8.74	9.71	18.45	21.36	29.61
If I would migrate to another country, it will be because of no job security	3.40	6.31	9.22	17.48	18.93	22.82	21.84
The legal framework in this country is so comprehensive that it provides quite good business conditions for young entrepreneurs	11.17	17.96	24.27	32.52	11.65	1.46	0.97

Students' responses to the questions, "I believe that this country somehow appreciates the talents of a workforce in many different ways," were in total 62.62% partially disagree, disagree, and completely disagree. It is majority who think regardless of a talent, local companies are not ready to embrace creative young, fresh graduates to give them chance to add values.

Similarly, for the question: "If I was given an opportunity to go abroad for higher education, I would accept it," they responded as majority of 78.64% (partially agree and completely agree) will take this chance to educate themselves abroad. This is very intriguing since they said that education is good for the time being. However, it seems that if they have that chance and miss it, it will be opportunity cost for them. Consequently, most of them would take chance for abroad education if it comes.

Besides the numerical expression of students regarding asked questions, it is given a chance to students to describe their thought on human capital in Bosnia and Herzegovina. Students' statements on human capital are as a final remark to this case

study. There are ten highlighted students' points of view on the last question: "In overall, are you satisfied with the current situation of education, employment, living standards, and legislation? What can you say as your final words on this topic?"<sup>5</sup>

**Student A:** "Companies in Bosnia do not want to hire students for a part-time job, and it is with a reason. At least in Sarajevo, there is no student service for the jobs that are made by the State or the universities, so contracts have no legal background. This keeps many students from having more work experience."

This may imply that the academia and the industry are not well connected. It should be found what causes this disconnection? Students should be ready for after graduation challenges, and the industry does not pay attention. On the other hand, universities do not care either.

**Student B:** "Education in our country is good but should be improved. Today's living standards are very low, and I am not sure if I will stay in Bosnia to build my future."

This observation leads to conclusion of this view that students are somehow satisfied with education, which is still subject to more advancements. Living standards obviously are the key of staying in this country to build their future, which are for now very low.

**Student C:** "Overall, in deeply dissatisfied with this country's education, employment, living standards, and legislation. With new legislative measures, if we ensured a more educated society, the rest would progress as well. The country needs a rebirth in education and vocational advancement."

This thought is negative concerning the human capital. All pillars are in jeopardy and shall be rescued as soon as possible. Legislation along with education builds up the society. Otherwise, these two could cause the quicker brain-drain process, which is already in B&H.

**Student D:** "Given the situation in country's comprehensive administrative apparatus, huge bureaucracies and inefficient management, constant political turmoil as a result of constitution etc. does not provide a hope for a perspective future if no structured change is going to take place soon. Trend of 'brain drain' will just continue to flourish, what no one wants."

The above observation and view are clear-cut that the brain drain already exists. The current political, economic, legal, and other factors enormously contribute to this process. A transformational change in the society is required to help the country to stop the brain-drain process and to develop in the near future.

**Student E:** "I am satisfied with education. But it does not mean that I am satisfied with employment, living standards and legislation. They should work more on employment, improve living standards and legislation."

The pillars shall be improved all four. Education is still considered as a bit better compared to other components that constitute human capital.

**Student F:** "I am satisfied with any above. The situation could be better if entrepreneurs were given better chances. Paperwork in our country is such a long

---

<sup>5</sup>It should be noted that this question is anonymously answered.

process that pushes entrepreneurs away. The situation is not satisfying. People are not motivated and it seems like the country is not working to fix it.”

As opposite of previous one, this shows that a few of them may think differently. From this statement, it is obvious that this student has a kind of entrepreneurial mindset. In that sense, no situation is bad but could be a great opportunity. The government is the basis to improve some of these pillars. Actually, this view implies that there are still people that are ready to develop the country, but the basis must be postulated by the state.

**Student G:** “I am not satisfied with the current situation especially when it’s about the position of young people ... because there is no opportunity for self-improvement.”

As a young person, the student above does care about the youth’s future perspective. Such desperate view cannot be changed unless the current situation is changed. Otherwise, youth will look forward to settle somewhere else other than B&H.

**Student H:** “Overall, I’m not satisfied with any of these points, but what I’m most annoyed about are the general living standards in this country. For now, it seems like it will not get any better and that is the greatest frustration.”

All pillars of human capital must be satisfied in order to attract young people to live their future in B&H.

**Student I:** “I really don’t want to become average as everyone here have that satisfy themselves with whatever is given here. I think I deserve more and that is why I would leave this country mainly.” This shows another frustrating view based on the facts that this country does not really care about young generations. The policy makers along with other decision-makers must understand that the bell alarm has announced migration waves a long time ago.

**Student J:** “If you want to live 10x better life, you have to work 10x harder, no matter which country.” Nonetheless, there are some young people that see the life as devotion to the life in every sense. This signifies that, considering all constraints and factors which create a situation in a country, everybody must putt effort to create its life better. How much you devote for your betterment that much will be deserved. Actually, this entails that everyone can be happy if an effort is put in right things and every time and space are good ones. The point is only how someone will use those constraints and factors.

## 5 Discussion and Concluding Remarks

Human capital is an essential asset in every organization. If we analyze any organization, we will realize that human capital has enormous ongoing costs compared with fixed or other assets. No other physical asset can perform without humans applying their expertise and skills that are needed in daily operations, as well as in managerial decision-making. Being constituted of three main parts, intellectual,

societal, and organizational capital, human capital plays an important role in economic and human development in general. It has a twofold relationship: with entrepreneurship development and economic growth (Baptista and Leitão 2015), which in both cases can be reflected in the society's welfare.

Consequently, to be appropriately managed to provide the best possible outcomes for organizations and the society, human capital must be adequately measured. There are several ways on how to measure it from organizational perspective and what may be included as measuring elements: total rewards and accountability, collegiality, flexible workforce, recruiting excellence, and communication integrity (Watson 2002); people, work processes, management structure, information and knowledge, decision-making, and rewards (Guzzo et al. 1994); and employment cost  $\times$  individual asset = human asset worth (Mayo 2001). In modern time, human resource management, known as HRM, plays an integral part of management in any organization. It is present in both private- and state-owned organizations and is always a crucial segment of an organization's management styles (Pinnington et al. 2007, p. 66).

Skilled human capital was always in focus for successful organizations. They tried to get best human resources as inputs to achieve best outputs. Demographic shift nowadays helps them to get best human capital around the globe, through migration of people, from one region to another.

Human resources or human capital from the Western Balkan was always an attractive source of import of hardworking and dedicated youth and middle-aged people. In the early 1960s and 1970s, people were migrating from these areas to the Western Europe constantly (Vracic 2018). In case of B&H, this emigration was mainly for the job purposes. Such emigration is being always justified by the government, with remittances value that diaspora provide to their families, relatives, and friends. From the economic point of view, it is very much cherished source of income.

Unemployment is one of the current issues in the Western Balkan (Svetlik et al. 2010). A high unemployment rate causes emigration from this region to mainly Western Europe. Bosnia and Herzegovina are witnessing a huge emigration of people who are looking for a better life.

In the context of this study, we have to note that B&H is mostly rural, notwithstanding the significant opportunity to develop and educate people more about "entrepreneurial leadership,"<sup>6</sup> Increasing awareness of entrepreneurial leadership among the rural population could stimulate more of the people to be involved in business startups and creating new jobs. To increase the consciousness of young people in rural areas, the state government should support rural development and be engaged fully in the development of the entrepreneurial leadership process in these areas.

Additionally, B&H has retraced its HDI position from 74 in 2011 to 81 in 2013 (UNDP Report 2013), and going back again to 77th place in 2017 is still not

---

<sup>6</sup>It is meant for education to develop an entrepreneurial mindset of people.

promising. The situation is not better than it was in 2011 (74th rank). Also, the paradox exists that B&H is mostly a rural country, while only 10% of its revenue is generated from agricultural activities (HD Report 2013). Therefore, there is an urgent need for the state government to improve the current situation.

The study has shown the tendency of young people to think of emigration as the alternative of the currently joyful life in Bosnia. The work has explored main reasons why young people are leaving the country. These are the current living standards, employment opportunities (unemployment), salaries, legal system, and education. According to World Economic Forum, these are the main pillars of human capital index. Regarding the ranking of B&H, it is still in a very bad position (77th, Table 1) among ex-Yugoslavia republics.

The youth students (the study sample) are excited about the life in Bosnia in which they can enjoy. Most of them think that the life in this country is joyful. Conversely, they think that current salary is not enough that would make their life joyous. Besides salaries, the current living standards are not promising, which youth consider very important for their current and future life. Regarding the education, they mostly think that it is not like in the EU but enough (university education) of being employable in the local market. Certainly, most of them confirmed that they will not migrate because of education but they will do so due to low salaries, job security, as well as living standards in general. Moreover, they think that talents are not really appreciated in this country, giving additional reason for emigrate from the country. Additionally, the legal system does not ensure that those with entrepreneurial mindset are truly welcome to create new enterprises with jobs and contribute to the socioeconomic development of the country. This study confirms previous studies (Palalić 2017; Palalić et al. 2017; Palalić and Bičo 2018) that have shown weakness, if not *laggardness*, of the B&H's government in creating a better entrepreneurial environment, in which youth at first place will find the future, lighthearted life. Nonetheless, the state should bear in mind that this population is crucial in creating the social capital, which should be wisely used (Light and Dana 2013) for the development of the country. Additionally, Bosnia is not a usual country but very specific in terms of entrepreneurship ecosystem (Dana 1999), and, thus, the government should play the main role in advancing that ecosystem.

The highlights of this work justify arguments of Vracic (2018) that this region of B&H is a valuable pool of good human capital. The reason is the atmosphere which is reflection of a very complex state structure (3 presidents, over 10 governments, cantonal entity, and districts; over 130 ministries) which consumes a lot of energy of people of this country. Ramadani and Schneider (2013), as well as Ramadani and Dana (2013), noted that there has been a considerable economic growth between 2001 and 2010. However, it should be noted that as important as economic growth, the migration or shift of the Bosnian human capital is also important. The economic growth of B&H will not be sustainable in the future if the human capital is not any more available as needed. The trends in Bosnia show that people are emigrating from the country (Vracic 2018). The human capital in Bosnia, regardless how it is defined (Osborne et al. 2007), whether it is intellectual capital (Sundać and Fatur 2004),



social capital (Putnam 1995), or organizational capital (Edvinsson and Malone 1997; Youndt 2000), is imperative to keep it for the society's future. For now, human capital of Bosnia and Herzegovina, and even of the whole Western Balkan, is the future for the developed countries, like the EU at the first place and the brain drain for Bosnia and the rest of the Balkan countries.

## ***5.1 Contribution of the Study***

The primary contribution of the research is the extension of the currently wide literature on human capital (Baptista and Leitão 2015), which treats the intellectual capital (Sundać and Fatur 2004); future organizational capital, like students' population (Edvinsson and Malone 1997; Youndt 2000); and social capital as explained by Putnam (1995). As the primary research, it brings the flesh to the research literature related to ex-Yugoslavia region. Moreover, it opens doors for the future works in this research field and in this region. Similarly, from some other perspectives, it adds values on trends that are happening to developing countries, particularly the Western Balkan, as a worthwhile pool of human resources for developed countries.

## ***5.2 Practical Implications with Recommendation***

This exploratory study has revealed important signals for the B&H government what they must be done. Although young people like to live in Bosnia, however, they are forced to think of emigration to countries where they will replace the Bosnian joyful life instead. In this regard, there should be given recommendations to policy makers and educators to respond to this trend of emigration of Bosnian human capital to other countries.

*Policy and decision-makers* should hardly work on policies that will prevent young people to willingly stay in B&H. Perhaps, they can establish a legal framework that will ensure an entrepreneurial spirit to freely flow across the country. It will positively affect the economic growth and entrepreneurship development (Baptista and Leitão 2015), by creating new jobs and improving and advancing living standards for all citizens. This will not only prevent brain drain from the country, but also it will change people's view on the general life in the country.

*Educators* shall give the best to hone youth's (students) knowledge, skills, and competence so that it will be the synergy, which will yield in future well-prepared entrepreneurial mindset. This mindset should serve the society and provide welfare to all.

### 5.3 *Limitations*

Limitations of this research are a few. Firstly, the population could involve other young people together with students. It could be young newly graduated students who are employed as the first job. In addition, it would be great to hear from the young people who are registered at the employment agencies. So having three segments of study, it would give a better picture on this topic. Finally, deep statistical analysis could be done to inspect the causes of migration and/or the joyful life in B&H.

### 5.4 *Future Work*

The future work can be derived from the study limitations. If included two more demographic segments (freshly employed and unemployed-registered at agencies of employment) it would give more strength to the future research. In addition, interviews can be done to have more in-depth meaning of human capital perspective in B&H. Lastly, policy makers can be involved in interviews to avoid any further bias concerning strategic moves of the government. In addition, business owners should be involved because of human capital status in B&H.

## References

- Armstrong, M. (2009). *Armstrong's handbook of human resource management practice* (11th ed.). London and Philadelphia: Kogan Page.
- Baptista, R., & Leitão, J. (2015). *Entrepreneurship, human capital, and regional development: labor networks, knowledge flows, and industry growth*. Cham: Springer.
- Bontis, N. (1998). Intellectual capital: An exploratory study that develops measures and models. *Management Decision*, 36(2), 63–76.
- Bowles, S., & Gintis, H. (1975). The problem with human capital theory: a Marxian critique. *The American Economic Review*, 65(2), 74–82.
- Dana, L. P. (1999). Business and entrepreneurship in Bosnia and Herzegovina. *Journal of Business & Entrepreneurship*, 11(2), 105–117.
- Edvinsson, L., & Malone, M. S. (1997). *Intellectual capital: realizing your company's true value by finding its hidden brainpower*. New York: Harper Business.
- Eigenhuis, A., & Dijk, R. V. (2007). *High performance business strategy: Inspiring success through effective human resource management*. London: Kogan Page.
- Guzzo, R. A., Noonan, K. A., & Elron, E. (1994). Expatriate managers and the psychological contract. *Journal of Applied Psychology*, 79, 617–626.
- Islam, N. (1995). Growth empirics: A panel data approach. *The Quarterly Journal of Economics*, 110(4), 1127–1170.
- Jess, B., & Spiegel, M. M. (1994). The role of human capital in economic development evidence from aggregate cross-country data. *Journal of Monetary Economics*, 34(2), 143–173.
- Keegan, W. J., & Green, M. C. (2008). *Global marketing* (5th ed.). London: Pearson Prentice Hall.

- Krishna, A. (2002). *Active social capital tracing the roots of development and democracy*. New York: Columbia University Press.
- Light, I., & Dana, L.-P. (2013). Boundaries of social capital in entrepreneurship. *Entrepreneurship Theory and Practice*, 37(3), 603–624.
- Lucas, R. E. J. (1988). On the mechanics of economic development. *Journal of Monetary Economics*, 22(1), 3–42.
- Mankiw, N. G., Romer, D., & Weil, D. N. (1992). A contribution to the empirics of economic growth. *Quarterly Journal of Economics*, 107(2), 407–437.
- Mayo, A. (2001). *The human value of the enterprise: Valuing people as assets*. London: Nicholas Brealey.
- Osborne, M., Sankey, K. K., & Wilson, B. (2007). *Social capital, lifelong learning and the management of place, an international perspective*. London: Routledge.
- Palalić, R. (2017). The phenomenon of entrepreneurial leadership in gazelles and mice: A qualitative study from Bosnia and Herzegovina. *World Review of Entrepreneurship, Management and Sustainable Development*, 13(2/3), 211–236.
- Palalić, R., & Bičo, A. (2018). Entrepreneurship in Bosnia and Herzegovina. In R. Palalić, L. P. Dana, & V. Ramadani (Eds.), *Entrepreneurship in former Yugoslavia: Diversity, institutional constraints and prospects*. Heidelberg: Springer.
- Palalić, R., Ramadani, V., & Dana, L. P. (2017). Entrepreneurship in Bosnia and Herzegovina: Focus on gender. *European Business Review*, 29(4), 476–496.
- Pinnington, A., Macklin, R., & Campbell, T. (2007). *Human resource management: Ethics and employment*. Oxford: Oxford University Press.
- Pritchett, L. (2001). Where has all the education gone? *The World Bank Economic Review*, 15(3), 367–391.
- Putnam, R. D. (1995). Tuning in, tuning out: The strange disappearance of social capital in America. *Political Science and Politics*, 28(4), 664–683.
- Ramadani, V., & Dana, L. P. (2013). The state of entrepreneurship in the Balkans: Evidence from selected countries. In V. Ramadani & R. Schneider (Eds.), *Entrepreneurship in the Balkans* (pp. 217–250). Berlin: Springer.
- Ramadani, V., & Schneider, R. (2013). *Entrepreneurship in the Balkans*. Cham: Springer.
- Romer, P. (1986). Increasing returns and long-run growth. *The Journal of Political Economy*, 94(5), 1002–1037.
- Schultz, T. (1961). Investment in human capital. *The American Economic Review*, 51(1), 1–17.
- Smith, A. (1776). *Wealth of nations*. Scotland, Kingdom of Great Britain: William Strahan and Thomas Cadell.
- Spengler, J. J. (1977). Adam Smith on human capital. *The American Economic Review*, 67(1), 32–36.
- Sundać, D., & Fatur, I. (2004). Cimbenik stvaranja konkurentskih prednosti i logističkog poduzeca. *Ekonomski Pregled*, 55(1/2), 85–96.
- Sunderland, D. (2007). *Social capital, trust and the industrial revolution: 1780–1880*. London: Routledge.
- Svetlik, I., Barisisc, A. F., Kohont, A., Petković, M., Mirić, A. A., Slavić, A., Vaupot, Z., & Poór, J. (2010). Human resource management in the countries of former Yugoslavia. *Review of International Comparative Management*, 11(5), 807–833.
- Todaro, M. P., & Smith, S. C. (2009). *Economic development*. London: Addison-Wesley.
- Vracic, A. (2018). *The way back: Brain drain and prosperity in the western Balkans, May 2018 – ECFR/257*.
- Watson, W. W. (2002). *Human capital index: Human capital as a lead indicator of shareholder value*. Washington DC: Watson Wyatt Worldwide.
- Youndt, M. A. (2000). Human resource considerations and value creation: the mediating role of intellectual capital. In *National conference of US academy of management*, Toronto, August.
- Zhang, C., & Zhuang, L. (2011). The composition of human capital and economic growth: Evidence from China using dynamic panel data analysis. *China Economic Review*, 22(1), 165–171.

## Websites

- HD Report. (2013). Accessed Nov 19, 2018, from <http://hdr.undp.org/en/2013-report>
- HD Report. (2017). Accessed Nov 19, 2018, from <http://hdr.undp.org/en/composite/HDI>
- Rural Household Survey. (2012). Retrieved Jan 4, 2019, from [http://www.ba.undp.org/content/dam/bosnia\\_and\\_herzegovina/docs/Research&Publications/NHDR/2013/Annex%205%20-%20Rural%20Household%20Survey%20-%20Analysis%20and%20Data.pdf](http://www.ba.undp.org/content/dam/bosnia_and_herzegovina/docs/Research&Publications/NHDR/2013/Annex%205%20-%20Rural%20Household%20Survey%20-%20Analysis%20and%20Data.pdf).
- The World Economic Forum. (2014). Retrieved Jan 4, 2019, from <https://www.weforum.org>.
- UNDP. (2011). *Human development report*. Retrieved Jan 4, 2019, from <http://hdr.undp.org/en/content/human-development-report-2011>.
- UNDP. (2013). *Human development report*. Retrieved Jan 4, 2019, from [http://hdr.undp.org/sites/default/files/reports/14/hdr2013\\_en\\_complete.pdf](http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf).