
MODELING OF THE INSTITUTIONAL SYSTEM OF ENTREPRENEURSHIP PROMOTION: THE CASE OF LITHUANIA

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Abstract. The purpose of the article is to review the institutional system of entrepreneurship promotion that exists in Lithuania and to offer guidelines to improve it. The research results show that the unified institutional system of entrepreneurship promotion in Lithuania does not present: responsible institutions coordinate single measures and their implementation, but do not follow long-term general strategy. According to research findings, in order to improve the entrepreneurship promotion system of Lithuania there is a need to create the main institutional system out of responsible ministries (the Ministry of Education and Science, the Ministry of Economy, the Ministry of Agriculture, the Ministry of Social Security and Labour) and define the boundaries of their responsibilities.

Keywords: entrepreneurship, entrepreneurship promotion, institutional system, EU funding, National Program of Youth Entrepreneurship Education and Encouragement.

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1. Introduction

The influence of entrepreneurship as one of the main factors of economic growth and competitiveness of a country is underlined in the literature: “entrepreneurship, in the wide sense, is central component of economic growth” (OECD 1998: 41). After Lithuania joined the European Union (EU) and integrated into the EU market, the realization the objectives of the Lisbon strategy (2000) to stimulate country’s competitiveness became a target of the country.

The peculiarities of member states are respected and cherished in the EU. There is no unified system according to which competitiveness would be developed in the member states. Every state autonomously foresees measures that are urgent to it and

are financed by national budgets as well as EU structural support funds. This denotes that every EU member state has to take responsibility and choose strategic measures for long-term promotion of entrepreneurship and economic growth that determines it by taking into consideration the national levels of economic and cultural and social maturity and resources that they have. Lithuania includes entrepreneurship promotion as a foundation for stable economic growth into the main strategic documents: State Long-term Economic Development Strategy until 2015 (2002), State Progress Strategy (2012), National Program of Youth Entrepreneurship Education and Encouragement for 2008–2012 (2008), State Education Strategy for 2003–2012 (2003), State Programme for Equal Opportunities between Women and Men of 2010–2014 (2010), etc. The State Long-term Economic Development Strategy until 2015 (adopted in 2002 by the Seimas of the Republic of Lithuania) identifies the directions and tools for Lithuania's economic growth. The index of Lithuanian entrepreneurship was 2,3–3 times lower than the EU average and tools to improve it were foreseen. Since Lithuania's entrepreneurship potential is not sufficient, the Long-term Economic Development Strategy of Lithuania until 2015 (2002) foresaw to increase entrepreneurship putting it as the main priority in the policy of small and medium-sized business development. International states competitiveness research (IMD 2013) shows that the index of Lithuania's competitiveness is increasing steadily: in 2012 in comparison with 2011 the index grew 9 points – from 45th place to 36th among 59 states that were researched. According to the research, Lithuania gets among such most developed countries as Switzerland, Canada, Denmark, Israel and Great Britain (IMD 2013). It is important to note that this data correlates with Global Entrepreneurship Monitor (World Economic Forum 2013) data that exhibit global context where Lithuania distinguishes itself by an especially large volume of newly started businesses, having the greatest number of young businessmen (under 24), as well as one of the highest indexes of intra-entrepreneurship. Such data creates preconditions to project the tendencies of Lithuania's competitiveness growth and to analyze the institutional system, as on of the major actor's, defects of entrepreneurship promotion.

So *the purpose* of this article is to review the institutional system of entrepreneurship promotion that exists in Lithuania and to offer guidelines to improve it. The purpose is realized through the means of three research *tasks*: 1) to substantiate the importance of entrepreneurship to the country's competitiveness, 2) to analyze institutional entrepreneurship promotion system in Lithuania by reviewing entrepreneurship promotion programs and measures that are realized by the state institutions, 3) to present recommendations for improvement of institutional entrepreneurship promotion system at national level. The tasks are achieved by applying the following *research methods*: analysis and systemic analysis of the Lithuanian and foreign authors' research, documents regulating entrepreneurship promotion and statistical information.

There is an expectation that the problem analyzed in the article and the presented results would stimulate research in this area and contribute to the improvement of the institutional entrepreneurship promotion system in Lithuania.

2. The influence of entrepreneurship on country's competitiveness

2.1. Dimensions of entrepreneurship conception

Entrepreneurship conception is manifold: it distinguishes itself by polysemy, changes depending on the context, economic environment, type of organization and other factors. It is determined by the origin of theoretical sources – entrepreneurship is linked to the theories of economy, psychology, sociology and anthropology and their empirical substantiation. Among various theories it is important to mention opportunity-based theory that substantiates that entrepreneurs develop change by taking advantage of diverse opportunities (Drucker 1985; Schenkel, D'Souza, Matthews 2012). Opportunities to realize entrepreneurship arise from the perception of people's differences, or, according to Alvarez and Busenitz (2001) entrepreneurship is realized due to the heterogeneity of the evaluation of resources. In resource-based theory there are three main resource categories that determine business success singled out: financial, social and human (Shane 2000; Davidson, Honing 2003; Bell, Dyck 2011; Costa, Cool, Dierickx 2013).

Lautenschlager and Haase (2011), Schenkel, D'Souza and Matthews (2012) emphasized the connections of these theories by indicating that financial opportunities and support are not the only conditions that guarantee success when establishing business and developing it. Not only are the knowledge and experience of an entrepreneur necessary, but also characteristics that guarantee that entrepreneur initiative will be directed according to the changing requirements of environment. Entrepreneurship is treated not only as personal characteristic, but also as a characteristic of enterprise staff that is necessary to achieve growth. In the literature entrepreneurial behaviour is defined as generation of innovations, risks-taking and initiativeness, or, in other words, the one that unites in itself the features of a personality that is described as innovative by Schumpeter (1934), as taking risks and the position of uncertainty, and creative by Knight (1921) and perceiving profit opportunities by Kirzner (1973). Entrepreneurship initiatives are linked to activities of creation, risk-taking and renewal that are realized both inside an enterprise and outside.

According to Zakarevičius and Župerka (2011), entrepreneurship conceptions that dominate in the scientific literature can be connected with the groups of three phenomena that as a matter of fact conform to conceptual element of Gartner (1988): 1) characteristics and abilities of an entrepreneur; 2) activity of a person establishing/developing business (joining new markets, overcoming of market shortcomings, creation of new government structures and improvement of the present ones and the like); 3) business process (creation of new enterprises, introduction of new products or their analogs into the market, effective utilization of resources and the like). Differently from Gartner's (1988) conception, the importance of environment context is not named here. On the other hand, the description of entrepreneurship phenomenon described without environmental context that is presented by Zakarevičius and Župerka is identical to the one used in the strategic and recommendation documents of the European Union

that reflect the initiatives of entrepreneurship development policy. In “Green Paper: Entrepreneurship in Europe” (European Commission 2003) the conception of entrepreneurship is described in three aspects: 1) the use of creativity and innovations when creating value – mode of thinking; 2) the totality of characteristics characteristic to an entrepreneur; 3) the realization of business: its establishment and development.

So phenomenon of the entrepreneurship is linked to the totality of features that are characteristic to a person as well as business process realization in the public and private enterprises of different types emphasizing economic, financial and social and cultural factors. The importance of entrepreneurship is substantiated due to its essential input into economic progress, which is expressed in a few ways: a) by ascertaining, evaluating and taking advantage of entrepreneurial opportunities; b) by establishing new enterprises and/or renewing those that are already operating by imparting dynamism to them; c) by affecting economic progress – through competitiveness, innovations, creation of new jobs and other activities that create welfare of the society (Cuervo, Ribeiro, Roig 2007; Junco, Bras-dos-Santos 2009; Pilipavicius 2012; Mueller, Volery, von Siemens 2012).

2.2. The links between entrepreneurship and state competitiveness

According to Hafer (2013), Hudson and Kuhner (2009) and others the connection between entrepreneurship and economic growth have a long tradition, and the policy implemented by the EU illustrates the attitude that entrepreneurship enhancement will help to solve economic problems that arise due to the decrease in economic growth of separate member-states. Numerous empirical researches substantiate the connections between entrepreneurship and economic growth in a long-term perspective (Audretsch, Fritsch 2002; Acs, Bosma, Sternberg 2008; Ng 2012). On the other hand, part of the researches create the preconditions to reject the substantiation of those connections, i.e. indicate negative connection between economic growth and establishment of an individual enterprise (Schultz 1990; Yamada 1996), however this number of such researches is significantly smaller.

In the empirical research literature the links between entrepreneurship and economic growth is examined on various levels. Part of the research analyze and substantiate positive influence of entrepreneurship on economy on institutional level: economic activity is evaluated when an enterprise is growing and reaching various life cycle stages (Kobylanski, Szulc 2011). Other research concentrates on the analysis of entrepreneurship initiatives on regional level analyzing their influence on regional economic situation (Tamasy 2006; Grande, Madsen, Borch 2011; Jaksic, Jaksic 2012). Third part covers the establishment of entrepreneurship influence at national or international level, in which the data of Global Entrepreneurship Monitor and other reports are analyzed (van Stel *et al.* 2004; Acs, Bosma, Sternberg 2008). The research reveal that the links between entrepreneurship and country’s economic growth are explained by different variables (innovations, variety of catering chains, competitiveness in the market and the like) as well as their interrelations.

The results of entrepreneurship processes (on individual level – self-realization, personal welfare, on institutional level – positive changes of enterprise activity, at national level – competitiveness and economic growth) depend on the environment conditions. Entrepreneurship is influenced by state's or its regional social and cultural environment, political context, favourable legal base (simplicity, unambiguousness, clarity, etc.), the opportunities of labour market to adapt to changes, the openness of country's market. The lack of entrepreneurship reveals itself through low innovations index, unused opportunities to get economic profit, attitude intolerable towards risk that lead to a weak economic development (Dallago, Blokker 2008; Triantafyllopoulou 2012).

Thus economic growth and competitiveness of a country depend on two in parallel intertwined aspects: 1) the general structure of a country and environmental conditions influenced by it, 2) structures of entrepreneurship promotion and support; both of them are influenced by social, cultural and political context of a country (GEM 2004; Naude 2008). The management of these aspects is often described by the models of entrepreneurship promotion. Chlivickas and Petrauskaite (2011) present analysis of three theories: “National innovation system”, “Sabato triangle” and “Triple helix”. The role of government in development of entrepreneurship differs according to the level of leadership. The government is treated as a leading force in “Sabato triangle” and “Triple helix”, whereas “National innovation system” theory states that government has a only a coordinating role in entrepreneurship promotion. “Triple helix” theory, which is regarded as the most advanced, indicates that the main role of government and public sector is development of policy and its implementation through responsible authorities using “soft” (education, counselling, development of culture) and “hard” (finances, infrastructure, legislation) political measures.

Institutional system of entrepreneurship promotion of the country possesses national characteristics. Based on arguments from institutional theory (Meyer *et al.* 1997), one should be aware that duplication of worldwide models or best practices elements is not internally consistent and fits poorly to local environment. Besides, implementation of best practices elements are often adopted eclectively and diffused at various levels (Drori 2003). Nevertheless, it does not cover theoretical models since the proper use of theories helps to maintain important aspects.

According to Xheneti and Smallbone (2008: 8–19), conditions for entrepreneurship in the country depends on institutional framework, there institutions and organisations are developed at three major levels are: macro, meso and micro. The institutions responsible for development and implementation of entrepreneurship policy function at the macro level. Institutions at the meso level provide governments actions to create financial infrastructure that supports entrepreneurship and develop legal, regulatory framework for business opportunities and growth. “At the micro level, the role of the state is first, to create the conditions in which a network of business support organisations can develop; and second, to develop a governance framework which enables policy actions to be shaped by regional needs” (p. 25).

This multi-level analysis provides insights for the structure of institutional system of entrepreneurship promotion since effective institutional structure is the main precondition for entrepreneurship development in the country.

3. Institutional system of entrepreneurship promotion in Lithuania

Židonis (2012), while examining the problem of entrepreneurship promotion in Lithuania, identifies entrepreneurship promotion (realized through support activities) as intervention of the state into market relationships by which an attempt is made to spur the establishment of new enterprises, the growth of the existing ones, increase employment of the population, generating innovations and their application. According to Židonis, the entrepreneurship support model in Lithuania is “enabling”, just as in the majority of EU countries, i. e. attempting to create as favourable as possible conditions for business development in order that entrepreneurship (on enterprise and country level) would create new economic, social and cultural value. Economic value is linked to the growth of economy, productiveness and other indicators, social value is linked to better realization of person’s abilities, reduction of exclusion and creation of new jobs, whereas cultural value is described as raising the level of society’s creativity and openness to novelties.

In Lithuania entrepreneurship is stimulated both at national level and at the initiative of business itself. This article covers the programs and measures of state institutions aimed at stimulating entrepreneurship. It is notable that there is no one consistent national program of entrepreneurship promotion in Lithuania: entrepreneurship is supported when implementing the Action Programmes for the EU Structural Funds use and when implementing the National Program of Youth Entrepreneurship Education and Encouragement for 2008–2012 (2008). Thus, while examining the institutional structure of entrepreneurship promotion, its two main schemes become apparent. *The first scheme* reflects institutions that are responsible for the implementation of the EU Structural Funds absorption strategy and action programmes (Fig. 1), *the second one* reflects institutions that are responsible for youth entrepreneurship promotion (Fig. 2). Such duality of the system burdens a proper evaluation of the progress and the effectiveness of the projects that are implemented and reduces the possibilities for effective use of resources.

The institutional system of entrepreneurship promotion that is supported by the EU structural funds directly reflects the accountability structure of the implementation of strategy and action programmes (Fig. 1). Projects devoted to entrepreneurship promotion are implemented in the framework of two action programmes – Human Resources Development (HRD) and Economic Growth. Entrepreneurship promotion is realized by three responsible institutions and three implementing institutions. The Ministry of Education and Science (MES) and the Ministry of Social Security and Labour (MSSL) are responsible for the implementation of HRD tools that are aimed at entrepreneurship promotion. The Ministry of Economy (ME) is responsible for the measures of Economic

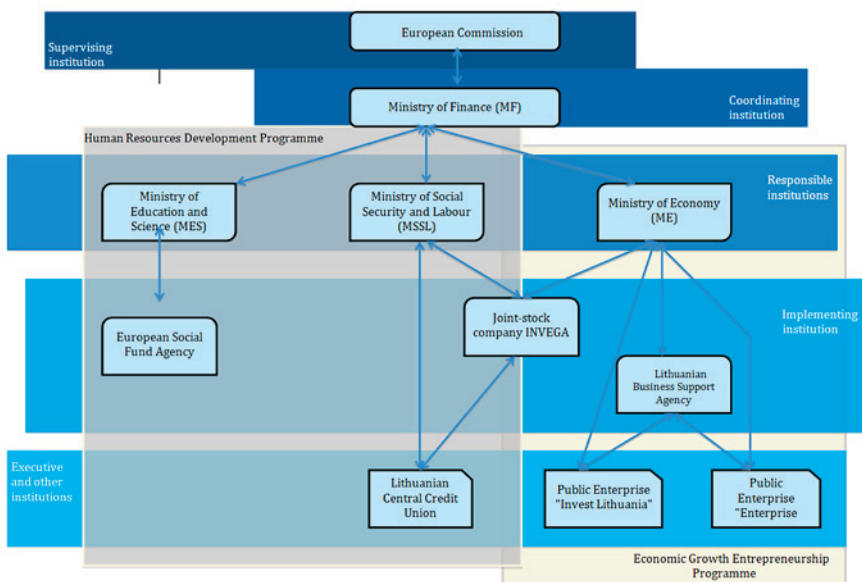
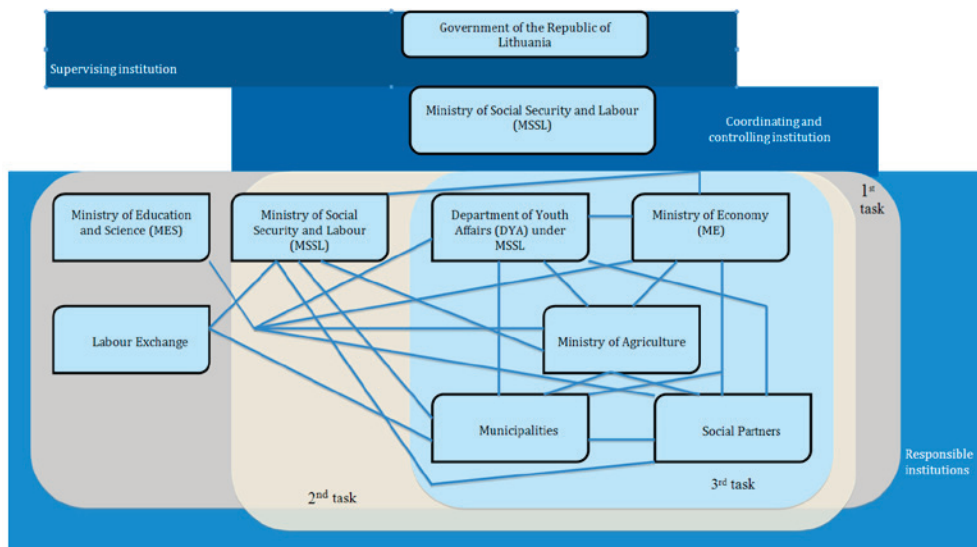


Fig. 1. Institutional scheme of Lithuania's entrepreneurship promotion: EU structural support (Source: prepared by authors)



— Designates institutions that are jointly responsible for the implementation of individual measures

Fig. 2. Institutional scheme of youth entrepreneurship education and promotion (Source: prepared by authors)

Growth Action Programmes. To implement the measures three implementing institutions are employed: MES works with the European Social Fund Agency, MSSL and ME work with joint-stock company “Investicijų ir verslo garantijos” [Guarantees for Investment and Business] (INVEGA), and the Lithuanian business support agency is responsible for assistance when implementing ME measures. Other institutions, as the Lithuanian Central Credit Union, is appointed as a manager of the entrepreneurship promotion measure, whereas public institutions “Invest Lithuania” and “Enterprise Lithuania” which were established by ME are foreseen as the only possible applicants of one of the tools (Assistant–3) and implementers of the projects run under this measures. The functions of institutions are defined in “The Rules of Distribution of Responsibilities and Functions among Institutions for Implementation of the Lithuanian Strategy for the Use of European Union Structural Assistance for 2007–2013 and of Operational Programmes” (Government of the Republic of Lithuania 2012).

The institutions introduced above are responsible for entrepreneurship promotion within limits of their competencies: MSSL works with entrepreneurship promotion and subsidies for entrepreneurship promotion measures, MES is responsible for the measures connected with education and studies, ME is responsible for the measures aimed at increasing the vitality of existing enterprises and implementations of the task to spur entrepreneurship.

The scheme of Youth Entrepreneurship Promotion and Institutional Responsibilities is substantially more intricate (Fig. 2). Despite the fact that the National Program of Youth Entrepreneurship Education and Encouragement (2008) clearly identifies which institutions are responsible for the implementation of the tasks and measures of particular programs, clear distribution of the responsibilities and inter-institutional requirements for their implementation had not been foreseen.

The implementation of the program of Youth Entrepreneurship Education and Promotion in Lithuania is supervised by the Government and coordinated and controlled by MSSL. The program is implemented by using general appropriations of the state and municipal budgets and EU structural funds and other funds. The program is implemented by six main institutions (MSSL, Department of Youth Affairs (DYA), MES, ME, MA, Labour Exchange), municipalities of Lithuania and indefinite number of social partners. It is notable that MSSL is both coordinating and implementing institution at the same time. All the named institutions are responsible for the implementation of the first task of the program to create, introduce and improve the measures of entrepreneurship promotion. Three ministries (MSSL, ME and MA), municipalities and social partners are responsible for the implementation of the second task. This task is aimed at stimulating the start and development of the business by the youth and young farmers. The third task is implemented by DYA, ME and MA, municipalities and social partners. It is aimed at carrying out the monitoring of the situation of youth entrepreneurship and entrepreneurship promotion, informing the state institutions and the society about entrepreneurship promotion in Lithuania.

Although the distribution of responsibilities according to the implemented measures thematically corresponds to competencies of the institutions, it is not clear how every of the institutions specifically contributes to their implementation, i.e. there is a lack of explicit functional distribution among the institutions in the pursuit of using the funds provided for the tools as effectively as possible and in attaining of the established indicators. The general responsibilities of the institutions are defined: the plan of the implementation measures of the Plan of National Youth Entrepreneurship Education and Promotion for 2008–2012 indicates only the implementers of the tasks and measures, however the definition of inter-institutional cooperation and functions and responsibilities is not presented. There is no other document which would fill the gap created by the lack of this definition. It can be stated that it determines the lack of mutual coordination and responsibility for reaching results. Three ministries (MES, MSSL and ME), implementing the program, are also responsible for the implementation of the measures of EU structural support, however it is not clear how the consistency of the financing of all the entrepreneurship projects is guaranteed and in what measure they compliment each other and in what measure they duplicate by the result they create. There are no regulating documents or descriptions that would indicate how the measures of the national program are connected with the tools that are implemented using EU structural support funds.

The presented data attests that there is no unified institutional system for entrepreneurship promotion in Lithuania: the ministries and the institutions subordinate to them are responsible for single measures and their implementation, but there is not one mutual inter-institutional mechanism that would guarantee the effectiveness of the activity.

4. Programs and tools to stimulate entrepreneurship

The presented institutional scheme is based upon the programs and measures that are implemented in Lithuania, the purposes of which reflect the content of entrepreneurship promotion in Lithuania. The funding of these measures and its absorption and the goals and indicators of the measures can properly reveal advantages and shortcomings of the existing system, allow to establish whether there is no functional duplicating among different institutions and whether the resources they possess are properly used.

4.1. Funding of entrepreneurship promotion and its mastering

The allocation of over LTL 550 mln was foreseen to implement nine tools for entrepreneurship promotion during the period of 2007–2013, 96 per cent of which are EU funds. The allocated funding reaches 96 per cent of the foreseen sum and almost 67 per cent of these funds have already been paid. 512 projects were presented to receive support, 261 (50.9 per cent) of them were funded and are implemented or are still being implemented (Table 1).

Table 1. Entrepreneurship tools for entrepreneurship promotion measures funded by the eu structural funds (Source: prepared by authors based on data of the website www.esparama.lt of August 12, 2013)

| Number of the Measure | Foreseen funding | | Allocated funding | | Delivered funds | | Number of Applications | Fun-ded projects |
|---|------------------|-----------|-------------------|-------------|-----------------|-------------|------------------------|------------------|
| | Total | EU funds | Total | EU funds | Total | EU funds | | |
| VP1-1.1-SADM-08-K Entrepreneurship Measures for Entrepreneurship Promotion | 50000000 | 50000000 | 50000000 | 50000000 | 50000000 | 50000000 | 1 | 1 |
| VP1-1.1-SADM-12-V Subsidies to Stimulate Entrepreneurship* | 10000000 | 10000000 | 0 | 0 | 0 | 0 | 0 | 0 |
| VP1-2.2-ŠMM-05-K Language Teaching, Promotion and Creation and Introduction ofInnovative Education Methods | 42219843 | 37243125 | 42219554,66 | 37242879,8 | 39851516,04 | 35156745,2 | 155 | 53 |
| VP2-2.2-ŠMM-07-K Improving Study Quality, Increase of Internationalization | 158989613 | 143227969 | 156631367,55 | 141657542 | 118376783,07 | 105978183 | 259 | 163 |
| VP2-2.2-ŪM-01-K Assistant-1 | 15265749 | 15265749 | 14447164 | 14447164 | 6298520,68 | 6298520,68 | 31 | 22 |
| VP2-2.2-ŪM-02-V Assistant-2 | 64518576 | 64518576 | 44081352 | 44081352 | 33136714,49 | 33136714,49 | 16 | 8 |
| VP2-2.2-ŪM-03-V Assistant-3 | 126506894 | 126506894 | 122420779,3 | 122420779,3 | 65324476,78 | 65324476,78 | 14 | 13 |
| VP2-2.2-ŪM-02-K Assistant-4** | 10000000 | 10000000 | 0 | 0 | 0 | 0 | 35 | 0 |
| VP2-2.2-ŪM-02-V Partial Compensation of Interest | 74000000 | 74000000 | 104000000 | 104000000 | 43734387,9 | 43734387,9 | 1 | 1 |

* Invitation to present applications for this measure was announced on August 29, 2013, valid till May 31, 2014.

** The applications of projects presented for the measure “Assistant-4” are presently being evaluated, funding will be allocated and the selected projects will be implemented.

It is notable that the amount of the asked support reaches even LTL 892 mln and exceeds the foreseen funding almost by 62 per cent. Such figures point to the imbalance of supply and demand of the support, i.e. the need for the support of entrepreneurship promotion is much greater than the funding that is planned to allocate for this area. Only for three out of the nine measures the asked sum corresponded to the foreseen funding or was minimally smaller (Fig. 3). The funding foreseen for the measure of entrepreneurship promotion corresponded to the asked funding, however that was most probably determined by the content of the measure, i.e. it is aimed at establishing a controlling fund and implementing the measures of financial engineering. A few million less than it was foreseen for that were asked for the measure Assistant–3 which is devoted to the public services for business and other activities related to it. Subsidies for the measure of entrepreneurship stimulation funding was not allocated, although the foreseen funding reaches LTL 10 ml, whereas according to the indicators of the measure “Partial Compensation of Interest” a great need is foreseen for a similar support.

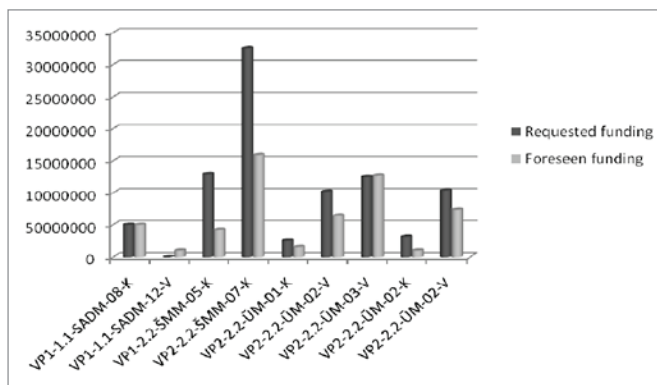


Fig. 3. Difference between the requested and foreseen funding for the measures of entrepreneurship promotion (Source: prepared by authors based on data of www.esparama.lt of August 12, 2013)

Such gap between the supply and demand of the support (Fig. 3) emphasizes the need to guarantee the effectiveness of the distribution and the use of the allocated funding, safeguarding of the continuity for the projects that are implemented and the effective cooperation of the institutions responsible for the measure. It also shows the necessity to guarantee that the projects that are presented and funded under different measures, although they differ in final goals which they try to achieve, would not duplicate when it comes to their content.

In the plan for the implementation measures of the program of the National Youth Entrepreneurship Education and Promotion the foreseen funding demand for 2008–2012 was over LTL 120 mln litas (Plan for the Implementation Measures of the Program of the National Youth Entrepreneurship Education and Promotion for 2008–2012). It is impossible to properly evaluate the allocated funding and its absorption due to the

lack of consistent information and the progress reports. The main information about the funding devoted to the implementation of the program is reflected in the yearly reports of the activity of MSSL, but only the reports for 2011 and 2012, and the summarized information of the appropriations of MSSL for 2009 are publicly available. Thus the presented figures can reflect the real situation inadequately. On the basis of the available data during the period of 2009–2012 only 54.6 per cent of the foreseen demand was satisfied, i.e. LTL 65.8 mln. The distribution of funds among the goals of the program is also not representative, e.g. although the foreseen demand for funding to implement the third goal of the program was even LTL 400 000, it can be seen from the available data that the sum of the allocated appropriations is LTL 5,000 litas (Table 2).

Table 2. The funding of the plan of national youth entrepreneurship education and promotion

| Program Goal | Foreseen Demand for Funding* | Allocated Appropriations** |
|---|------------------------------|----------------------------|
| To create, introduce and improve entrepreneurship promotion measures | 9460000 | 2991200 |
| Stimulate the start and development of business of the youth and young farmers | 110578611 | 62816770 |
| Carry out monitoring of youth entrepreneurship and entrepreneurship stimulation, inform state institutions and society on entrepreneurship promotion in Lithuania | 400000 | 5000 |

* Data from the Plan for the Implementation Measures of the Program of the National Youth Entrepreneurship Education and Promotion for 2008–2012

** Presented figures are based on the publicized data from yearly activity reports for 2011 and 2012 of MSSL and the information presented in the document “Information of the Coordinating Institution on the Implementation of the Inter-institutional Program according to the Information Obtained during the Period under Review of 2009”, therefore they can be incomplete.

The Implementation of the Program of the National Youth Entrepreneurship Education and Promotion was finished in 2012. The shortage of the availability of the information on the funding of the program that exists at the present time (Table 2) indicates that there is a lack of an in-depth evaluation of the implementation progress of the program and systematization of the achieved results. It is also notable that inter-institutional cooperation when implementing this program cannot be evaluated as sufficiently effective. The remark of ME regarding the presentation of the information on the program implementation of 2009 can serve as an example of that: it is indicated in the remark that the implemented measures are not intended only for the implementation of this program, therefore the ministry cannot present the data on the use of the funding.

The lack of a consistent evaluation of the program confirms that the measures of youth entrepreneurship stimulation are not implemented through proper coordination of action, distribution of the funding of projects and evaluation of the progress of the reaching of the foreseen goals. That, in turn, indicates the shortcomings of the model of

the general institutional system of entrepreneurship promotion. The existence of general system, including control and accountability, especially when a corresponding program is implemented by different institutions, is necessary in order to avoid heterogeneity of implementation and duplicating of actions.

4.2. The goals and indicators of entrepreneurship promotion programs and measures

Clear goals and indicators that have to be reached after the implementation of projects and the absorption of allocated funding are foreseen for the measures of entrepreneurship promotion funded by EU structural funds during 2007–2013 (the end of part of the programs and indicators to evaluate progress and indicators to evaluate progress are foreseen for 2015). Nine tools are directly provided for entrepreneurship promotion (see Table 1).

The goal of the Action Program for Human Resources Development (APHRD) “Entrepreneurship Promotion” is to create conditions for very small and small enterprises and natural persons to establish their own business and also for social enterprises to develop their own business, using financial engineering measures, stimulating entrepreneurship and autonomous employment by it. To this end the establishment of the Entrepreneurship Support Fund was supported and the measures of financial engineering were implemented coordinating them with teaching and counseling. In order to evaluate progress and measure of the achievement of results, the measure was provided four indicators that have to be reached by 2015: 1) the number of new created workplaces (N = 1000), 2) the number of people that have successfully completed training (N = 4500), 3) the number of people and enterprises that have taken advantage of the measure of financial engineering (N = 1200), 4) the number of the people that have taken part in the training (N = 5000). It can be stated that the selected indicators are appropriate to measure the achievement of the goal of the measure, because they reflect the measurement of the product and result. The indicator “number of the people that have taken part in the training” measures the product created by the projects, whereas the indicator “number of the people that have successfully completed training” names the result of the mentioned product. “Number of people and enterprises that have taken advantage of the measure of financial engineering” is the indicator of the product, whereas “number of new created jobs” is the indicator of its result, respectively. It can be stated that, when planning the indicators, the attitude was held that successful participation in training reduces flaws in competency of the target group and increases possibilities of their success. Taking advantage of the measures of financial engineering directly contributes to the increase of the possibilities to create new jobs.

The APHRD measure “Subsidies to Stimulate Entrepreneurship” was provided as an auxiliary measure to boost entrepreneurship and had to be devoted for subsidies to partially compensate the salary to the recipients of the Entrepreneurship Promotion Fund loans. It was thought that by 2015 subsidies would be used by 600 people. It is noteworthy that up till now none of the projects under this measure are being imple-

mented, because invitations to present applications for projects under this measure had not been announced till August 29, 2013.

MSSL is responsible for the implementation of these two measures. Generally, according to the content of the measures, they could be defined as the measures of financial engineering aimed at entrepreneurship promotion.

The third APHRD measure aimed at entrepreneurship promotion is the measure “Language Teaching, Entrepreneurship Promotion and Creation and Introduction of Innovative Education Methods”. It is aimed at improving the system of education. One of the supported activities of the measure is the creation, introduction and improvement of entrepreneurship promotion measures. The measure is provided with indicators that are connected with the improvement of the competencies of teachers, students, administration employees of the system of lifelong learning and education assistance employees: teachers (general and vocational education) that 1) received qualification recognized by the state, part (80 per cent), 2) received the certificates of the completion of informal education program, part (90 per cent), 3) studied according to the informal education programs (N = 13000), 4) studied according to the formal education programs (N = 250); students (general education and vocational education) that 5) received qualification recognized by the state, part (80 per cent), 6) studied according to the formal education programs (N = 35000); administration employees of the system of lifelong learning that 7) received the certificates of the completion of informal education program, part (90 per cent), 8) studied according to the informal education programs (N = 1000); education assistance employees that 9) received the certificates of the completion of informal education program, part (90 per cent), 10) studied according to the informal education programs (N = 1000).

Although there are even 10 indicators provided for this measure, none of them is directly related to the evaluation of the progress and effectiveness of entrepreneurship projects. All the provided indicators are related to the recognition of qualification and the receiving of the completion of programs of formal and informal education and the like. It is not clear how these indicators measure the results of the activity of creation and introduction of entrepreneurship promotion measures, i.e. there is no indicator provided to measure how many such measures have been introduced or created – real product of this activity and the result is not measured, therefore there are no instruments to evaluate the effectiveness of the implementation of these activities/projects properly. If, when providing indicators, there was attitude held that raising qualification/qualification recognition are directly related to the creation and introduction of entrepreneurship stimulation measures, the indicator of the foreseen result has not been named.

The fourth APHRD measure is “Improving Study Quality, Increase of Internationalization”. There are 11 indicators that have to be reached by 2015 that are related to the number of students that received qualification, students and teachers that improved competencies and the number of prepared, renewed and positively evaluated studies programs. One of the goals of this measure is to strengthen entrepreneurship of

students by promoting their practical skills through practice and traineeship not only in Lithuania, but also abroad. Once again there is no separate indicator provided to measure the results of these activities, it has to be understood as a constituent part of the indicators that measure the number of students that received qualification and/or the certificates of the completion of informal education programs. The formulation of an appropriate indicator would not cost additional resources, because the information on traineeships and practice of the students is aggregated in the institutions of education and science. As in the case of the third measure, the effectiveness of separate projects is not evaluated, because it is not clear how the involvement of students into practice and traineeships fluctuates.

MES is responsible for the implementation of the latter two measures. They can generally be named as measures aimed at fostering entrepreneurship through adequate entrepreneurship promotion measures and improvement of practical skills.

Other five measures are ascribed to Operational Programme on Economic Growth. The measures “Assistant-1” – “Assistant-4” are aimed at implementing the task of the programme regarding the improvement of the vitality of enterprises and entrepreneurship fostering.

The measure “Assistant-1” is aimed at increasing the accessibility of services provided by associated business structures to the enterprises of the country. The activities supported under it are related to events organizing, feasibility studies and hiring of experts in order to facilitate the start-up and growth of the business of enterprises, and the development of foreign markets. 10 indicators are foreseen to monitor the implementation of the measure. They have to be attained by 2015: 1) enterprises that export to new markets after the implementation of the project (10 per cent); 2) enterprises that have expanded their present export markets after the implementation of the project (30 per cent); 3) the increase of export of the enterprises that have taken part in the activities of the project (20 per cent); 4) jobs created or preserved in the enterprises that have taken part in the activities of the project (N = 100); 5) business environment improvement projects (N = 10); 6) the number of enterprises that have taken part in the events organized by the applicant (N = 100); 7) the number of enterprises that have taken advantage of expert services provided by the applicant (N = 50); 8) the number of enterprises that took advantage of the performed feasibility studies (N = 30); 9) the number of enterprises that have taken part in international exhibitions (N = 50); 10) the number of enterprises that have taken part in the contact fairs and business missions (N = 80). It is noteworthy that the indicators to evaluate the effectiveness of the implementation of the projects of these measures are foreseen appropriately, because the foreseen product indicators are directly related to the result indicators that reflect the supported activities, i.e. the indicators have been formulated on the logical assumption that participation in the projects, events, consultations and the like create positive results – allows to expand export markets and capacities, to create and preserve jobs. The establishing of such indicators allows assessing the effectiveness of projects fostering entrepreneurship implemented under this measure properly.

The measure “Assistant-2” is aimed at creating and developing art incubators in which small/medium-sized businesses can settle and expand. The funding of this measure supports so called “hard” activities aimed at the construction, reconstruction and furnishing of incubator buildings. There are four indicators foreseen in this measure: 1) constructed, reconstructed and furnished art incubators (N = 12); 2) small/medium-sized business entities that have settled in the art incubator within 3 years after the implementation of the project (N = 100); 3) business environment improvement projects (N = 12); 4) the space of the buildings of art incubators the construction of which were supported by EU structural support funding (18000 square meters). The foreseen indicators are directly linked to the activities that have to be supported, however some shortcomings can be perceived in the indicators themselves, e.g. 3 year term regarding the settlement of small/medium-sized businesses in the incubator foreseen in the indicator will not allow in 2015, the year by which the indicator has to be attained, to evaluate its attainment, because the projects are still being implemented. The indicator regarding the incubators space that was supported by EU funding is also not sufficiently purposeful, because the space of operating incubators does not reflect the effectiveness of the projects, if it is not filled up by small/medium-sized business entities. If it were established that a substantial part of the premises of incubators is unoccupied, it would be possible to reasonably talk about ineffectiveness of the use of funds.

The measure “Assistant-3” is aimed at the activities of supporting public services for business, increasing entrepreneurship, fostering of the development of small/medium-sized business, expansion of foreign trade and export, attraction of investments and creation of economic image of Lithuania and increase of the awareness of her. Ten indicators are foreseen for this measure: 1) evaluated operational plans for increasing competitiveness of branches (subbranches) (N = 12); 2) the increase of export and (or) workforce productivity of the consulted enterprises (10 per cent); 3) the increase of the awareness of Lithuania (10 per cent); 4) newly established enterprises (N = 100); 5) enterprises that started to export their production and (or) expanded their export to new markets (N = 280); 6) created jobs (N = 1500); 7) business environment improvement projects (N = 15); 8) carried out evaluation studies on the competitiveness of branches (subbranches), comparisons of the conditions of Lithuania’s and foreign markets and (or) sectors (N = 112); 9) implemented marketing measures (N = 1560); 10) business entities consulted on business expansion questions (N = 4000).

The indicators of the product and the result are not fully interbalanced. A question also arises regarding several methodologies for indicators calculation, e.g. the increase of the awareness of Lithuania by a respective per cent. It is noteworthy that part of the indicators of this measure coincides with the indicators of the measure “Assistant-1”, i.e. the indicators that measure the expansion of the export of an enterprise, creation of jobs and the number of business environment improvement projects. Such duplication of the indicators raises a reasonable question regarding the necessity for existence of different measures, if their activities are similar and

the result has to be the same (the difference is only in numerical expression). Taking into consideration the great imbalance between demand and supply, it is recommendable to evaluate the joining of several separate measures in order to increase the effectiveness of support absorption. The same institution is responsible for the implementation of all these measures.

The measure “Assistant-4” is aimed at activities that foresee informational events that foster entrepreneurship (especially that of women and the youth), start-up and expansion of new small/medium-sized business entities, formation of business partnership networks and the provision of high-quality consulting services. Four indicators are foreseen for the measure: 1) newly created and preserved jobs in the enterprises that have taken advantage of the provided services (N = 200); 2) newly established small/medium-sized business entities (N = 60); 3) participants that received services (N = 5000); 4) business environment improvement projects (N = 5). These measures, as well as the indicators of other “Assistant” measures, partially overlap. There are no clear indicators foreseen to measure the effectiveness of all the projects, e.g. the effectiveness of informational events that foster entrepreneurship or a project can be hard to evaluate using the enumerated indicators.

The fifth measure of the Operational Programme for Economic Growth “Partial Compensation of Interest” is aimed at making the financial burden of small/medium-sized business entities easier and by doing that to foster their expansion. One indicator is foreseen for this measure – small/medium-sized business entities the number of which has to be 2400 by 2015. The selected indicator measures the effectiveness of the supported activities properly.

Thus five measures of the Operational Programme for Economic Growth are aimed at improving business environment for small/medium-sized business entities, expanding export markets and consulting. ME is responsible for the implementation of all of them.

National Youth Entrepreneurship Education and Promotion Programme foresees 3 tasks and 22 measures (Table 3). The other way round than in the case of the EU structural support, the indicators system for this program is not foreseen, the progress of their attainment is not evaluated on a centralized basis. Only in a few of measures indicators are formulated (e.g. to establish not fewer than 10 junior achievement young enterprises, to initiate the start-up of 10 practical business training firms), but it is not clear who and to what extent is responsible for the measurement of their attainment, because almost for all the measures a few institutions that do not have a general plan for the implementation of a measure are responsible. It is not clear how institutions distribute responsibilities in the case of every measure. Such situation does not allow evaluating the effectiveness of the projects for entrepreneurship fostering, measuring progress and evaluating reasonably whether the program that was finished to implement in 2012 was successful.

Table 3. Tasks and measures of the National Program of Youth Entrepreneurship Education and Encouragement for 2008–2012 (2008)

| Tasks | Measures |
|---|--|
| 1. To create, introduce and improve the measures of entrepreneurship promotion | 1.1. To prepare and publish the program and methodological material of the integration of entrepreneurship promotion into the subjects of secondary education schools |
| | 1.2. Additionally, to establish not fewer than 10 junior achievement young enterprises |
| | 1.3. To develop the Lithuanian model of practical business training firms in the schools of various groups and types |
| | 1.4. To initiate the start-up of 10 practical business training firms in the schools of various groups and types |
| | 1.5. To prepare the program of teachers entrepreneurship education and organize the teaching |
| | 1.6. To initiate and organize participation of entrepreneurs in the projects of entrepreneurship promotion |
| | 1.7. To develop informal education of youth entrepreneurship by implementing projects of the youth and the organizations working with the youth |
| | 1.8. To provide the services of informing about possibilities to start own business and vocational orientation to the youth |
| | 1.9. To prepare and publish a yearly publication about successful youth business and disseminate it in the institutions fostering entrepreneurship |
| 2. To foster the start and development of business of the youth and young farmers | 2.1. To organize public services of business information, consulting, training and the like through business information centres and business incubators to the youth |
| | 2.2. To create and expand the informational and mentorship network of the youth entrepreneurship |
| | 2.3. To conduct a research regarding the purposefulness to prepare the project of the youth enterprise law of the Republic of Lithuania |
| | 2.4. In case the research establishes the purposefulness to prepare the project of the youth enterprise law of the Republic of Lithuania, to prepare and present the project of the youth enterprise law of the Republic of Lithuania to the Government of the Republic of Lithuania |
| | 2.5. To select and award the authors of the best youth business ideas and the best young businessmen |
| | 2.6. To organize the preparation of the projects of youth business research, and training and sharing of the good experience |
| | 2.7. To provide guaranties to get loans to the young farmers and other young people to develop agricultural and alternative to agriculture activity in the rural locations |
| | 2.8. To compensate the part of interest of loans provided to young farmers by the banks to develop agricultural and alternative to agriculture activity in the rural locations |
| | 2.9. To compensate part of voluntary insurance for the crops, animals, agricultural equipment and production buildings from unfavourable natural conditions and payments for illnesses of animals and plants to the young farmers |
| | 2.10. To provide fit-out support to young farmers according to the measure of the Rural Development Programme for Lithuania 2007–2013 “Young Farmers Settlement” |

End of Table 3

| Tasks | Measures |
|---|--|
| 3. To carry out monitoring of the situation of youth entrepreneurship situation and entrepreneurship promotion, to inform state institutions and society on entrepreneurship promotion in Lithuania | 3.1. To conduct researches to evaluate youth entrepreneurship and the situation of youth business in Lithuania |
| | 3.2. Having conducted researches to evaluate youth entrepreneurship and the situation of youth business in Lithuania, to prepare recommendations for fostering youth entrepreneurship in municipalities and introduce them to the representatives of municipalities |
| | 3.3. To organize events in which state institutions and social partners would be able to share the experience of entrepreneurship promotion, to acquaint the society with the program, its measures and results, to hold events and actions that form youth and society opinion that is favourable to business |

Although all the measures are aimed at a particular group of the society – the youth, by their tasks they do not differ from the measures that are supported by EU structural funds when it comes to quality. Entrepreneurship is boosted through the projects of promotion (especially practical) and education, information, consulting, financial support. Part of these measures is implemented by employing the EU structural support (e.g.: to organize the provision of the public services of entrepreneurial information, consulting, training and the like through informational business centres and business incubators), but how these two schemes are united is not clear – the projects of which measures of a program become projects to master EU structural support, how they conform to the goals set by the measures of operational programmes and whether their input into the attainment of the indicators of measures is measured? These two existing schemes lack integrity and broader outlook to the final goal of entrepreneurship promotion.

It would be possible to maintain generally that within the limits of their thematic competencies institutions are properly distributed among the measures to promote entrepreneurship, but it does not necessarily allow avoiding duplication of functions and the lack of inter-institutional cooperation.

4.3. Duplicating of the functions of institutions

Having analyzed the institutional system of the projects entrepreneurship promotion that are funded from the EU structural funds, it can be seen that the functions of the institutions are properly distributed and in essence they do not duplicate them. MSSL is responsible for financial engineering measures, MES works with entrepreneurship promotion measures and the improvement of practical skills for the participants of the system of Lithuanian education, ME implements measures aimed at improving business environment for small/medium-sized business entities and consulting of these entities (Table 4). It could be stated that non-duplication of functions among the ministries is avoided due the existence of a very detailed scheme of the absorption of the EU structural support that encompasses also the mechanism of accountability and supranational control.

Table 4. Duplicating of the functions of the institutions (Source: prepared by the authors on the basis the Programme of National Youth Entrepreneurship Education and Promotion 2008–2012)

| Number of the Measure* | MES | DYA | ME | MA | Labour Exchange | Municipalities | Social Partners | MSSL |
|------------------------|-----|-----|----|----|-----------------|----------------|-----------------|------|
| 1.1 | ■ | ■ | | | | | | |
| 1.2 | ■ | | | | | | | |
| 1.3 | | | ■ | | | | | |
| 1.4 | | | ■ | | | | | |
| 1.5 | ■ | | ■ | ■ | | | | |
| 1.6 | ■ | | | | | | ■ | |
| 1.7 | | ■ | | | | ■ | | |
| 1.8 | | | | | ■ | ■ | | ■ |
| 1.9 | | ■ | | | | | ■ | |
| 2.1 | | | ■ | ■ | | ■ | | ■ |
| 2.2 | | ■ | ■ | | | | ■ | |
| 2.3 | | | ■ | | | | | |
| 2.4 | | | ■ | | | | | |
| 2.5 | | ■ | ■ | ■ | | | ■ | ■ |
| 2.6 | | ■ | | | | ■ | | |
| 2.7 | | | | ■ | | | | |
| 2.8 | | | | ■ | | | | |
| 2.9 | | | | ■ | | | | |
| 2.10 | | | | ■ | | | | |
| 3.1 | | ■ | ■ | | | | | |
| 3.2 | | ■ | ■ | ■ | | | | |
| 3.3 | | ■ | | | | ■ | ■ | ■ |

* titles of measures are presented in Table 3

The duplicating of functions reveals itself when implementing entrepreneurship promotion program at national level (Table 4), because there is no clear and consistent mechanism of inter-institutional cooperation. A few institutions are responsible for number of measures, but the model, according to which they would have to attain the goals of the measures without duplicating the implemented projects, was not foreseen. Concrete functions of every institution and the input of each of them into the final attainment of the goal of the measure were not defined. It can be stated that a few responsible institutions operate trying to achieve the same goal without having warrants named in detail (implementation is left to the responsibility of each responsible institution) and finally there is no one that is responsible for the final result and the general effectiveness of the implemented project.

5. Suggestions to optimize the present system

In order to optimize the present model of entrepreneurship promotion and avoid duplicating of the functions of the institutions, it has been suggested properly integrating the measures of the programs of national entrepreneurship promotion and the programs funded by the EU structural support funds. Firstly, it is suggested preparing the program of national entrepreneurship promotion for 2014–2020 which would also integrate the equivalent of the present program of youth entrepreneurship promotion. Due to the fact that the planning of EU structural support for 2014–2020 is already underway, it is believable that the national program would be created having the initial goals, measures and indicators of operational programmes. It is suggested creating national strategy on the basis of them, the strategy that, if there is a need, could be expanded by additional measures and indicators, i.e. the national program and the EU operational programmes could include not only general, but also separate activities. Operational programmes and the national program should constitute a consistent set of the measures of entrepreneurship promotion. Each of the responsible ministries should guarantee and substantiate the conformity of the measures offered by them to the strategic goals of Lithuania and EU. The implementation of the set of these measures, as well as the implementation of all structural support, would be coordinated by the Ministry of Finances to which other ministries would be accountable. It is necessary to choose proper, measurable and reflecting activities supported by measures indicators, because only due to them it is possible to reasonably evaluate the effectiveness of the implemented projects.

The main institutional scheme of entrepreneurship promotion should consist of four ministries – MES, ME, MA and MSSL, the limits of responsibilities of which should be clearly defined. The institutions subordinate to municipalities and ministries should provide the information on the present entrepreneurship situation and set forth needs to the ministries within the limits of their competencies. If ministries entrust, they could be responsible for the implementation of certain measures adhering to all the requirements of effective evaluation of measures implementation, and, if need be, to guarantee inter-institutionalism.

Institutional model of the optimization of the entrepreneurship promotion system with definition of the main areas and functions of the general responsibilities of the ministries is presented in figure 4.

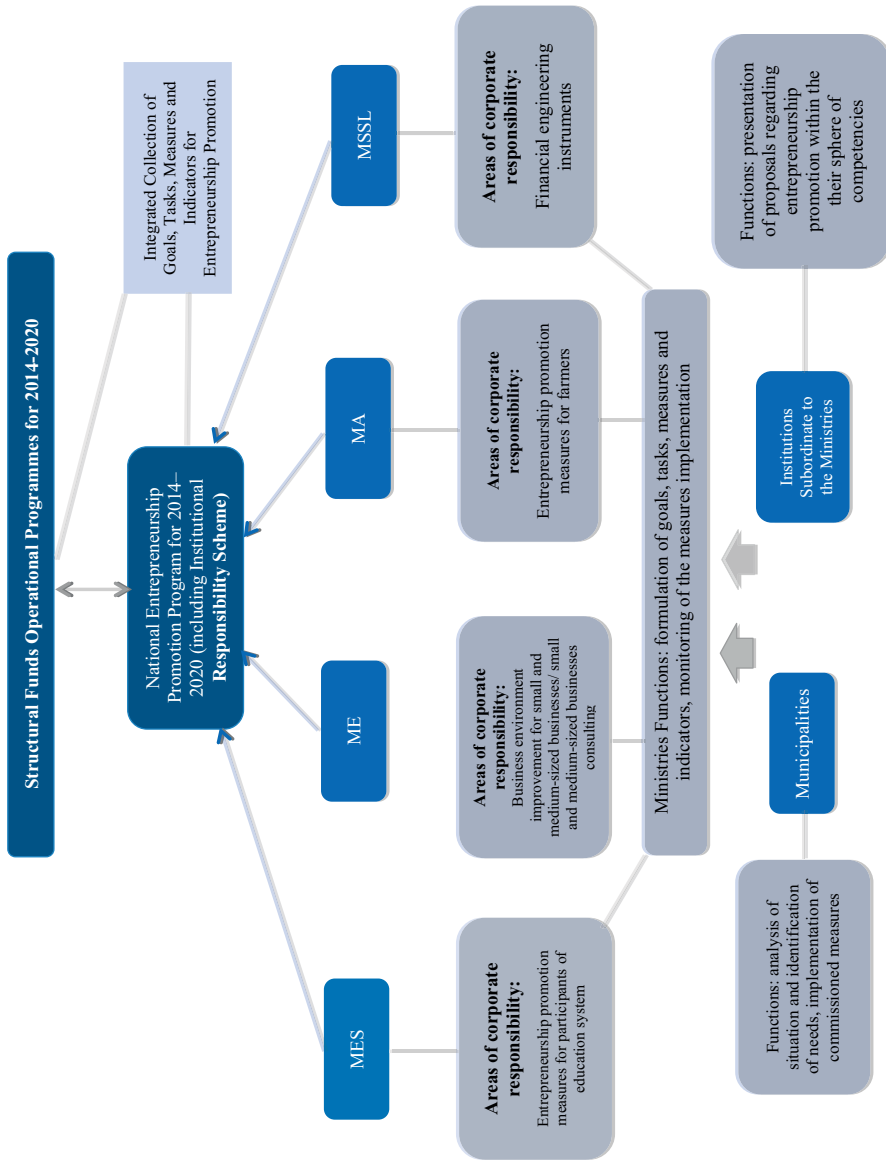


Fig. 4. Model of the optimization of entrepreneurship promotion system (Sources: prepared by the authors)

6. Conclusions

In Lithuania entrepreneurship is supported by implementing operational programmes of the EU structural funds and implementing the National Program of Youth Entrepreneurship Education and Encouragement for the period 2008–2012. The goals of the measures funded by the EU structural support funds are formulated clearly, the lists of supported activities are presented in a proper manner, but the indicators to measure the effectiveness of the projects are not sufficiently substantiated: part of the indicators do not measure the progress of implemented activities (neither of the product, nor of the result), the other part of the indicators are not properly interbalanced, quite a few indicators are of a general nature. The indicators' system should be improved in order not to evaluate the results of particular activities and their effectiveness but not the general progress.

The goals and tasks set for the National Program of Youth Entrepreneurship Education and Encouragement are clear, nevertheless the suitability of measures is under discussion; quite often they reflect different level of measures (some measures are of general nature, some are detailed). The indicators for the youth entrepreneurship projects' evaluation are not foreseen; therefore not clear if the progress and the attainment of result are assessed. When developing the Program of youth entrepreneurship for the next period, it is necessary to formulate the measures of equal particularity in it and foresee the system of indicators.

There is no unified institutional system for entrepreneurship promotion in Lithuania at the present. The institutions responsible for the entrepreneurship promotion funded by the EU structural support and national program funds (MSSL, MES, ME, MA and institutions subordinate to them) coordinate single measures and their implementation, and do not follow the long-term strategy for entrepreneurship promotion. A single general inter-institutional mechanism that would guarantee optimal use of the resources to implement the goals has not been developed either. It determines the complexity of the progress evaluation, since the evaluation shall be carried taking into account the results of programs and measures evaluations. An assumption is made that the heterogeneity of the entrepreneurship definition contributes to the absence of a proper system. Quite often entrepreneurship is perceived as a common word and a goal that has to be sought, a derivative product of other activities. The aspect is also confirmed by the content abundance of the measures aimed at promoting entrepreneurship promotion in Lithuania – it starts with support to small and medium-sized business, export promotion and ends with trainings and researches.

In order to improve the system of entrepreneurship that presently exists in Lithuania, it has been suggested to create the single institutional system out of four ministries – MES, ME, MA and MSSL clearly defining the limits of their responsibilities. Every ministry are to be responsible for the implementation of separate measures integrating the measures of the programs of national entrepreneurship promotion and of the programs funded by the EU structural support funds. When carrying the evaluation of the effectiveness of the implemented projects, the indicators are to be minutely measurable, since they hold an availability to assess progress and design improvement actions.

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