

# Creative entrepreneurs' perceptions about entrepreneurial education

**Creative Entrepreneurship Training Network -project**  
**Päivi Karhunen, Urve Venesaar et al**





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# Foreword

The economic potential of creative industries has been recognized in many countries, including the Nordic countries and the Baltic States. The development of creative entrepreneurship has been taken on the agenda of national governments in Finland, Sweden, Estonia and Latvia alike. Moreover, there are a number of EU-funded initiatives, which aim at promoting international collaboration in creative industries in the Baltic Sea Region.

Creative industries and creative entrepreneurship are in many terms different from traditional industries and enterprises. Enterprises in the creative industries are often small, and identified with the owner-entrepreneur and his or her artistic profile. Hence, many creative entrepreneurs need to balance between artistic ambitions and business goals. In addition, creative business is often based on projects and temporal teams rather than permanent organizational structures. This highlights the importance of professional networks for creative entrepreneurs. The role of connections and networks is particularly crucial in the context of international business. Here, educational institutions and other support organizations may provide valuable support in terms of fostering international networking.

This publication reports the results of a study, which was implemented as part of the Creative Entrepreneurship Training Network CREAENT project addressing the above-mentioned issues. The project was financed by the Central Baltic Interreg IV A Program 2007-2013 (European Regional Development Fund) with national co-financing from the State Provincial Office of Southern Finland. The lead partner of the project was Aalto University School of Economics (Aalto ECON) Small Business Center (SBC) (Finland), and the partners Tallinn University of Technology and University of Tartu (Estonia), and Stockholm School of Economics (SSE) in Riga (Latvia). The purpose of the project was to develop a best practice model of entrepreneurial education and networking for creative industry for universities in the region.

The project partner responsible for this study was Tallinn University of Technology, represented by Katrin Arvola, Merle Küttim and Urve Venesaar.

The following individuals from the other project partner organizations contributed to the study: At Aalto ECON Natalia Narits (SBC), Päivi Karhunen (SBC & Center for Markets in Transition CEMAT), and Katja Ruutu, Aleksander Panfilo and Piia Heliste (CEMAT); at University of Tartu (Centre for Entrepreneurship) Tõnis Mets, Mervi Raudsaar, Leeni Uba, Triin Kask and Uno Puus; at SSE Riga Arnis Sauka, Kārlis Krēslīņš and Ieva Ūbele.

I thank the research team for its good work.

Mikkeli 20 September 2011

Pentti Mustalampi, director

Aalto University School of Economics Small Business Center

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# 1. Introduction

This report presents results of a study, which was implemented as part of the project “Creative Entrepreneurship Training Network – CREAENT”, financed by the Central Baltic Interreg IV A Program 2007-2013 (European Regional Development Fund). National co-financing was granted by the State Provincial Office of Southern Finland. The three-year project was started on 1 November 2009, and ends on 31 October 2012. The objective of the project was to develop a best practice model of entrepreneurial education and networking for creative industry in Finnish, Swedish, Estonian and Latvian universities. In doing so, the project provides universities with tools to better promote entrepreneurial thinking among their students, and to support innovative business start-ups from creative cluster and their development into high growth companies.

The project activities were carried out and have impact on four countries of the Central Baltic region: Finland, Estonia, Latvia and Sweden. The lead partner of the project is Aalto University School of Economics Small Business Center (Finland), and the partners Tallinn University of Technology (Estonia), University of Tartu (Estonia), and Stockholm School of Economics in Riga (Latvia). The associate partners of the project represent the local governments and business support organizations<sup>1</sup>.

The objective of the study, the results of which are presented in this report, was to produce information and understanding about what kind of support needs young entrepreneurs in creative industries have in their entrepreneurial activities and in view of going international, how they rate their entrepreneurial capabilities and entrepreneurial education and training currently available. The data, which was collected through semi-structured interviews, were applied in the design and implementation of the educational activities implemented in the project. In addition, the study results are applicable beyond the project by universities and other institutions offering entrepreneurial education and training in creative fields.

The report starts with the theoretical background for the study, including the main features of creative industries, which need to be taken into account when designing education and other support measures for creative entrepreneurs. Next, the data and methodology used in the empirical study are described. The

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<sup>1</sup> City of Helsinki, Economic and Planning Centre (Finland); Tartu City Government (Estonia); Baltic International Centre for Economic Policy Studies (Latvia); CONNECT Latvia and Parkudden AB (Sweden).

presentation of the research results is structured according to the interview guide, starting with background characteristics of the interviewees, and proceeding with the motivational factors and the process of business idea formulation. Next, the start-up process and issues related to business development are discussed, after which the entrepreneurs' views about internationalization are analysed. This is followed by the discussion about the interviewees' assessment of their own entrepreneurial skills, entrepreneurship education and training needs. In addition, suggestions and development ideas presented during the interviews for a future model of entrepreneurship education for creative industries are presented. Finally, the report is ended with conclusion and discussion.

### **1.1. Theoretical background for the study**

Creative industries constitute an important part of the knowledge economy through the accumulation of knowledge, technology, tolerance and finances. They constitute an important sector of exports and employment, and are often the driver of urban and regional development. The creative and cultural industries exhibit a strong growth in European economy, but this is regionally uneven (in 2001-2006 the Baltic States were one of the areas with higher level of growth, while in Scandinavia only some regions showed higher growth rates) (Power and Nielsen, 2010). In order to unleash the economic potential of creative industries, the state can implement a wide array of support measures. These include means that contribute to the development of entrepreneurial competences of creative entrepreneurs.

The creative industries sector is fragmented as it is dominated by a large number of small enterprises. Therefore, the challenges in creative industries are in many terms the same as in the small business sector in general. Many people working within the creative industries are self-employed and/or work part-time, sometimes in addition to full-time occupations. In addition, many are driven by quality of life imperatives. Therefore their dedication to business management is low and they often lack time for the development of business processes. There is also a strong indication that the creative industries are very much rooted at the local level, that they have a sense of place and that localities are important in fostering enterprise and synergies and in facilitating mutually supportive partnerships and networks. (Jones et al., 2004: 134)

For the reasons mentioned above, it becomes obvious that different ways of intervention are needed in order to support the development of the creative

industries. Jo Foord (2008) has divided practical interventions of creative fields into six broad categories: 1. Property and premises strategies; 2. Business development, advice and network building; 3. Direct grants and loans schemes to creative business/entrepreneurs; 4. Fiscal incentives; 5. Physical and IT infrastructure, and 6. Soft infrastructure. These categories are not exclusive, but they provide a profile of the main types of intervention and therefore the mechanisms used to promote and support creative enterprise in particular localities. Foord's study showed that the soft interventions of advice, skills and enterprise training for start-ups and entry level employment are dominating. Higher level interventions in technology infrastructure, international marketing and IP legal frameworks were rare (Foord, 2008). In the current study, the second category of intervention „Business Development, Advice and Network Building” in terms of entrepreneurship education is investigated.

Studies have shown that there exists a link between entrepreneurship training programs and the perceptions of the desirability and feasibility of starting a business (Levie et al., 2009: 5; Peterman and Kennedy, 2003), the intentionality of engaging as an entrepreneur (Pittaway and Cope, 2007: 498; Volery and Mueller, 2006: 13-14; Degeorge and Fayolle, 2008: 23) and the business start-up activity (Levie et al., 2009: 9; Henry et al., 2004: 265; Clercq and Arenius, 2006: 350-351).

According to the competence theory such elements as knowledge and experience, motivation, capabilities, characteristics enable a person to undertake and succeed in entrepreneurship. Knowledge and experience include understanding about market, environment, people, production and finances. Motivation could be internally driven (autonomy, achievement, power) or externally driven (unemployment, gap in the market, interest in subject, certainty of clients). The required capabilities depend on the company's life cycle, concentrating more on market orientation, creativity and flexibility during the early phase and on managing, motivating, organising/ planning, or financial administration during the mature phase. Characteristics can include such traits as achievement, autonomy, power, affiliation, effectiveness, endurance, taking risks and thinking styles. (Driessen and Zwart, 2007: 2-5) An entrepreneurial competency consists of a combination of skills, knowledge and resources that entrepreneurs largely acquire on an individual basis. For student-entrepreneurs to master a competency in the classroom, they must be fully engaged in activities that will teach it to them (Fiet, 2000: 107).

There are a number of issues to overcome in institutional and course development level in order to successfully combine business and creative

disciplines. On institutional level the universities and other educational institutions should take into account that cultural entrepreneurs are interested in modular, flexible and demand-led education, in distance form and taught by peers (Leadbeater and Oakley, 1999: 42-43). Another issue on the institutional level is the difficulty of advancing inter-disciplinary teaching and learning as institutional realities do not favour it (Wilson, 2009: 185-186). There is also a need for closer relationships with external organisations, industry and practitioners (Carey and Naudin, 2006: 522-525).

On course development level enterprise education in creative industries should be embedded into every-day teaching process, it should involve competent staff and relevant textbooks (Ibid: 522-525) as the skills needed by creative entrepreneurs are wider than the term 'entrepreneurship' generally contains and include a range of 'soft' skills such as communication, team-working, customer handling, presentation or project management (Developing..., 2006: 21). Also the nature of entrepreneurial learning needs to be incorporated into teaching and learning taking into account such components as the connectedness of the individual with their social context, including personal and social emergence, contextual learning and the negotiated enterprise (Rae, 2004: 494-500).

## **1.2. Data and methodology of the study**

The empirical data for this study was collected through semi-structured interviews with entrepreneurs from Finland, Sweden, Estonia and Latvia. Due to the priorities and structure of the project, the main emphasis of the data collection was in Finland, Estonia and Latvia, whereas the Swedish data were applied more as a reference. In order to make comparisons between the three main target countries, the indicative number of interviewees was set beforehand between 20 and 25 interviews per country. Moreover, a thematic interview guide (Annex 1) was developed jointly by the project consortium under the leadership of Tallinn University of Technology (TUT), which carried the main responsibility of the research activities in the project.

The interview guide consisted of five thematic sections addressing different aspects of the entrepreneurial activity of the interviewee and his or her perceptions about entrepreneurial education. The first section focused on the background of the interviewee and his or her enterprise, the motivation of becoming an entrepreneur, and future plans. The second block focused on the start-up phase, including the challenges faced and support needs. The third

block consisted of questions related to the respondent's perceptions about internationalization, and his or her international experience. The fourth theme was the role of education in providing entrepreneurial knowledge and skills, and the fifth block of questions sought for recommendations for the organization of a new model for entrepreneurial education in creative fields.

The total sample of the study consisted of 74 creative entrepreneurs from 4 countries divided as follows: 21 from Finland, 21 from Estonia, 25 from Latvia, and 7 from Sweden. The main criterion for selection of interviewees was that they represented as different areas of creative industries as possible (e.g. architecture, design, entertainment IT, visual/ fine arts, music production, or advertising). Each national team was responsible for the identification of the interviewees and conducting the interviews in its own country. This was made in the form of face-to-face interviews, which were recorded and later transcribed. The average duration of the interview was one hour. Furthermore, interviews in Finland, Estonia and Latvia were conducted in the native language of the respondent and the interviewer, whereas the Swedish interviews were conducted in English by a Finnish interviewee. Furthermore, based on the complete transcripts, summaries highlighting the key findings were made and translated into English. To ensure the comparability of the data, guidelines for the summaries were provided to other partners by the research leader TUT.

The method of data analysis was thematic content analysis (Anderson 2007) of the interview data based on categories derived from the literature review, and thematically structured according to the interview guide. The NVivo software designed for qualitative data analysis was applied as a tool for retrieving and structuring the essential information from the interview data. In the analysis of interview results further presented in this report, direct quotations from the interviews are marked with a letter referring to the country of the respondent (F=Finland, S=Sweden, E=Estonia, L=Latvia) and the number of interview in the respective country sample.

### **1.3. Background characteristics of the interviewees and their enterprises**

The main target population of the interviews was creative entrepreneurs in Finland, Estonia, Latvia and Sweden, whose business has been started relatively recently. Hence, the term "young entrepreneur" in this case refers rather to the age of the entrepreneurial activity rather than the physical age of

the entrepreneur him or herself. Moreover, in the case of Finland, where the tradition of creative entrepreneurship is older than in Estonia or Latvia, the sample of interviewees included also more mature enterprises, which are in their growth phase. Table 1 summarizes the key characteristics of the interviewees for the whole sample (74 persons).

**Table 1: Main characteristics of the interviewees, number and %**

<b>Age</b>	<b>N</b>	<b>%</b>
18-35 years	46	62
36-50 years	26	35
51-65 years	2	3
<b>Gender</b>	<b>N</b>	<b>%</b>
Male	40	54
Female	34	46
<b>Position in the enterprise</b>	<b>N</b>	<b>%</b>
Sole owner	55	74
Co-owner	11	15
Manager/director	7	9
N/A	1	1
<b>Education</b>	<b>N</b>	<b>%</b>
Vocational education	8	11
Secondary education	5	7
Obtaining higher education	9	12
Higher education	52	70
<b>Entrepreneurial education*</b>	<b>N</b>	<b>%</b>
No	17	23
Yes, of which**	57	77
• Courses as part of degree studies	23	40
• Other courses	37	65
• Not specified	5	9

\*The respective question was formulated as whether the interviewee had attended entrepreneurship courses.

\*\*Shares of interviewees answering “yes”. Some interviewees had attended courses of both categories.

As shown in the table, a majority of the entrepreneurs interviewed can be characterized as young also in terms of their own age. Approximately two thirds of them were below 35 years of age, whereas only two interviewees from

Finland were older than 50 years. In addition, the share of interviewees representing the age group from 36 to 50 years was higher (ca. 50%) in the Finnish sample in comparison to the other country samples. Furthermore, as regards the gender, the interview sample as a whole was relatively evenly divided between male and female respondents. The share of males was the highest (67%) in Finland, whereas the female respondents clearly dominated only in the Estonian sample with a 62% share.

The interviewed persons were mainly the sole owners of their enterprises, more than 70% of interviewees falling to this category. Those interviewees, who shared the ownership with another person(s) were from Finland or Latvia. Moreover, the Latvian sample included persons who identified themselves not as owners of the enterprise but managers or directors. Furthermore, the educational level of the interviewees was in general relatively high with 70% of interviewees having higher education. The nature of higher education degrees held by the interviewees, however, varied from artistic to business or technical ones. Finally, there were persons with only vocational education (mostly in the Finnish sample), and persons who worked as entrepreneurs in parallel to their studies towards higher education degree. Most of these student-entrepreneurs were in the Latvian sample.

Moreover, an absolute majority (77%) of the interviewed entrepreneurs had taken entrepreneurial courses. Participation in entrepreneurial courses provided as part of degree education at university or other educational institution was less common than participation in other kinds of courses. The participation in entrepreneurial courses was most common in Estonia, Finland and Sweden, where only few interviewees had not taken any courses. In contrast, the corresponding share in the Latvian sample was as high as 40%.

**Table 2: Main characteristics of the interviewees' enterprises, number and %**

<b>Age of the enterprise</b>	<b>N</b>	<b>%</b>
Less than 1 year	7	9
1-2 years	28	38
3-4 years	25	34
5-6 years	9	12
Over 6 years	4	5
N/A	1	1
<b>Legal status of the enterprise</b>	<b>N</b>	<b>%</b>
Self-employed person/sole trader	5	7
Limited liability company	58	78
Other	4	5
N/A	7	9
<b>Field of business</b>	<b>N</b>	<b>%</b>
Design	16	22
Audio-visual activities	11	15
Architecture	11	15
Entertainment IT	8	11
Visual/fine arts, performing arts, cultural heritage	7	9
Music production and event services	6	8
Advertisement and marketing communication	5	7
Other	10	14

When analyzed the entrepreneurial activity of the interviewees in terms of the age of the enterprise, it can be concluded that most of the enterprises represent categories 1-2 years and 3-4 years, each of which comprises slightly more than a third of all enterprises. There were, however, some enterprises that have existed less than one year and can thus be characterized as start-ups. Most of these were found in the Estonian sample. In contrast, 17% of enterprises have existed minimum 5 years. Practically all of these were from the Finnish sample, where the oldest enterprise has operated already for 13 years.

As for the legal status of the company, the organizational form of a limited liability company clearly dominated in all country samples. In addition, the sample included some interviewees who had the status of individual entrepreneur or sole trader. Other organizational forms included cooperative,



partnership or foundation. In the Finnish sample, where the enterprises had been operating in average longer than in the other studied countries, the organizational form had in some cases changed from a sole trader to a limited liability company in the course of entrepreneurial activity.

The distribution of the enterprises across various creative industries was relatively heterogeneous. This is in part demonstrated by the relatively large share of the category 'other', combining fields with just few observations. The largest group, design, comprised a fifth of all enterprises. It was followed by the groups of audiovisual activities and architecture, which held a 15% share each. The category entertainment IT was most often represented in the Finnish sample, whereas the industrial distribution in the other country samples correspond relatively well to the whole sample.

Finally, regarding the size of the company (not included in the table), many of the enterprises had no paid employees in addition to the entrepreneur him or herself. In those enterprises, which had paid employees, their number was usually less than ten. Moreover, the annual turnover of the firm (not included in the table) was as a rule less than 2 million Euros. It should be noted, however, that many of the interviewees (particularly in Estonia and Latvia) were reluctant to give information about the financial indicators of their enterprise.

## 2. Motivational factors and business idea formation

After giving an overview of the background characteristics of the interviewed entrepreneurs and their businesses, the report now moves to the more detailed analysis of the interview results. The analysis is structured according to the main themes of the interview guide, starting from the examination of motivational factors leading to entrepreneurship, and the pre start-up phase of the enterprise, including identifying and formulating the business idea.

### 2.1. Motivational factors

The factors motivating an individual to become an entrepreneur can be classified in different ways. The primary approach has been to classify entrepreneurial motivations into push and pull factors (Hakim, 1989; McClelland et al., 2005; Schjoedt and Shaver, 2007; Segal et al., 2005; Kirkwood, 2009). Push factors include both personal and external factors (including a marriage break-up, or becoming unemployed), and often have negative connotations (Kirkwood, 2009). In contrast, pull factors are those that draw people to start businesses – such as seeing an opportunity (Hakim, 1989). Furthermore, the reasons why an individual may view starting one's own business as an opportunity may vary from intrinsic rewards to financial or social factors (Moy et al., 2003). Intrinsic rewards include factors such as opportunity for personal growth on the one hand, and by independency and decision-making freedom on the other (Karhunen et al., 2008). Financial factors are associated with the higher profitability of own business versus paid employment, whereas social factors include external factors (such as role models in the family), or desire to benefit the society as an entrepreneur. (Moy et al., 2003)

The motivational factors identified by entrepreneurs interviewed for this study almost entirely fell to the category of pull factors. Push factors were mentioned only by a few interviewees per each country, and were mainly external ones. One's problematic employment situation was mentioned: *"In the Finnish clothing industry it was difficult to get other employment than through one's own firm."* (FO3) Moreover, some entrepreneurs, who had been working as freelancers, had faced a certain watershed in their activity, where

the establishment of a legal entity was perceived as necessary: *“There appeared a big customer and I needed legal status in order to write bills”* (L19). In some cases the entrepreneurial motivation was a combination of push and pull factors: *“We had lost our day jobs and decided to make our own company, because we are good at what we do, and why earn money for other people.”* (E09)

The main pull factors for entrepreneurship in all countries can be classified in the category of intrinsic rewards. In Finland and in Sweden, they include the opportunity for self-realization, freedom and independence. The self-realization included both artistic freedom, and the opportunity to use one’s own skills in full: *“I was working in a large company, and got fed up with the problem that you cannot exploit your own ideas or own competences in full.”* (FO8) Moreover, some Finnish and Swedish interviewees had entrepreneurial role models in the family or among friends, who provided external social motivational factor: *“Establishing a firm was a natural choice for me. My extended family owns 10 different companies, and also many of my friends are entrepreneurs.”* (FO2) Interestingly, none of the Finnish or Swedish interviewees directly mentioned financial rewards as motivating factors for entrepreneurship.

The most common pull factors among the Estonian entrepreneurs represented intrinsic rewards as well, although with a slightly different emphasis than for the Finnish or Swedish interviewees. The Estonian entrepreneurs emphasized the interesting tasks and duties of an entrepreneur, and the freedom in the sense of liberty in managing one’s own work and working hours. *“The main motivational factors included the desire to be one’s own boss, possibility to select work, to be a creator, not an employee in some company.”* (E15) Moreover, some Estonian interviewees mentioned the financial opportunities provided by starting one’s own business as motivational factor. This included first, the opportunity to convert one’s hobby into business: *“Photography had been my hobby before, and when I stayed at home with my baby I thought that it would be a great thing to earn some money through the hobby.”* (E11) Alternatively, the financial opportunities in entrepreneurship were viewed as better in comparison to paid employment, as the person could exploit his or her competences in full and earn the money to him or herself.

Similarly to the other country samples, the main factors pulling the Latvian interviewees to entrepreneurship were found in the category of intrinsic rewards. This includes the opportunity for artistic and professional self-realization: *“I wanted to make movies, and own enterprise was a way of*

*expressing myself freely*". (L13) Moreover, similar to the Estonian respondents, the Latvians emphasized the independence and freedom of being one's own boss: *"I did not want to work for somebody else for all of my life."* (L23) Interestingly, when compared to the other country samples, the Latvian interviewees mentioned more often social motivations, and viewed entrepreneurship as means to benefit the society, or just "to make the world better" as formulated by one Latvian respondent. More specific motivations included, for example, *"helping the country by bringing in some foreign thinking"* (Lo8).

## **2.2. Identifying and formulating the business idea**

The business ideas of the interviewees had born in different ways. In broad terms they can be classified into supply-driven and demand-driven ones. Supply-driven business ideas are mostly built on the entrepreneur's own skills and capabilities, whereas demand-driven ideas emerge from market opportunities identified by the entrepreneur. The identification of the business idea went often hand in hand with the motivational factors for starting one's own business. This was the case particularly for those interviewees, whose primary motivation was to exploit one's own professional competences in full as entrepreneur. Hence, it was natural to convert one's own professional experience into business. The competences and skills acquired in paid job or through studies were in fact the main source of business idea in all countries. Many interviewees described starting one's own business as a natural step after having been gaining working experience in the field of specialty: *"The business idea evolved, while I was working in another architectural bureau for 10 years."* (Lo3) According to the interviewees, the working experience gave them the necessary contacts, knowledge of the field and confidence for starting independently. In addition, some entrepreneurs built their business directly to the knowledge and skills acquired from the education without working as paid employee first: *"I found my business idea while I was studying in the art and design university."* (F12) In some cases the professional skills forming the basis of the business idea had been acquired through a hobby, such as photography or literature. Interestingly, in the Finnish sample there were entrepreneurs, who described their business idea and ending up as an entrepreneur as an 'accident' – projects implemented on a voluntary basis started to take more and more time from the paid job and at a certain point there was a need to formalize these activities into an enterprise.

Moreover, there were entrepreneurs in all country samples, whose business idea was clearly demand-driven. The entrepreneur him- or herself did not necessarily have professional experience or education in the selected business field, but he or she had come up with an idea to offer a novel kind of service or product in the selected market. This was particularly common to the Latvian interviewees, many of whom justified their business idea with the market opportunity provided by the lack of competitors in the specific field: *“There was no such professional studio in the Baltics”* (L16).

### **2.3. Testing the idea and time before starting the business**

The next critical question after formulating the initial business idea is, whether there would be market for the product or service. This includes both customer demand, and the competitive advantage of the enterprise vis-à-vis competitors. Interestingly, in all country samples those entrepreneurs, who had actually tested the feasibility of their business idea, were in the minority. There were several reasons for that, which are linked to the source of the business idea. Those entrepreneurs, whose business idea raised from their previous paid employment, often felt that they know the industry and its main competitors already so well, that no specific market research is needed. Moreover, some entrepreneurs, particularly in Estonia and Latvia, were confident that they would find their niche as there are no similar products or services in the market: *“No one is [on the market] with similar ideas and views and as young as we are”* (E10). On the other hand, there were entrepreneurs with a supply-driven business idea, who just wished that there would be demand for their product or service: *“[We wanted] to do something that we ourselves liked, and hoped that other people like it too”* (E15).

The most active entrepreneurs in terms of testing the business idea before starting were among the Finnish sample, where approximately a third of interviewees had assessed the market opportunities for their business idea at the start-up phase. This was done by testing the idea among friends and colleagues, or through professional networks built in the paid job: *“Before we started the company, we discussed our idea with more than 100 people, including potential suppliers and customers.”* (Fo8) Some entrepreneurs had assessed the future market opportunities by thorough scanning of the trends in the industry, and discussing with experts and former colleagues.

Nevertheless, most of the interviewees shared the confidence on their own ability to find their niche on the market due to their enthusiastic attitude and

solid knowledge in the own field. Moreover, flexibility was emphasized as a competitive advantage particularly by the Baltic interviewees: “[*Our competitive advantage lies in] being young and therefore innovative and not conservative, and flexible*“ (L25). Moreover, the flexibility was specified as the ability to adjust to the market demand: “*I am one person company with small costs, so I can be very flexible in price formation*” (E06).

The time required to realize one’s own business idea into a concrete entrepreneurial activity varied greatly from some months to several years. This was in part explained by the origin of the business idea, and its formulation. For those entrepreneurs, whose business was a natural continuation for their paid employment, the business idea had usually matured for some years. In Finland, the realization of the business idea into entrepreneurial activity took usually from one year to three years, but a few interviewees managed in less than one year. In Latvia, for the majority of the interviewees the time from the initial business idea to starting the enterprise was several years. It was influenced by personal readiness to start on one’s own and overall work situation, and also bureaucracy associated with opening an enterprise. Curiously, one Estonian interviewee had started the entrepreneurial activity without a clear idea what to do: “*First I started without a business idea and it just developed on its own.*” (E02)

## 3. The start-up process and business development

The next theme discussed in the interviews focused on the start-up process, including the role of the business plan, finding financing and other support for the entrepreneurial activity, and general challenges of the starting of the activities.

### 3.1. The role of business plan in the start-up phase

The first theme discussed in the interviews regarding the start-up phase was the role of business plan. This included issues such as whether the interviewee had made a business plan, and how useful he or she perceived it in the business.

#### Preparation of a business plan

The interviewees differed in terms of whether they had made a business plan, and what was the motivation for making (or not making) it. In the Finnish sample there were only two entrepreneurs (out of 21), who had not made a business plan. These respondents referred to the nature of their business, which is perceived rather as an evolutionary, than a linear process that can be planned beforehand. Those interviewees, who had made a business plan, were divided rather equally into those, who had made it independently, and those who had made the business plan during an entrepreneurial course or business incubation period.

Particularly in the Estonian and Swedish samples, the preparation of a business plan was perceived often as an external and obligatory task, which was needed to apply for financial or other entrepreneurial support: *“We prepared a business plan, because we wanted to apply for start-up subsidy.”* (E05) In Sweden, the business plan was a prerequisite to be accepted into a business incubator: *“It was a formal thing you have to do to get in the incubator.”* (S01) Moreover, some respondents in Estonia and Latvia stated that they did not need a business plan, as they knew the field very well, already had the first clients and orders, or the business activities developed gradually without a plan. *“We knew what we wanted to do, we had the first clients and we just started on that basis.”* (E09)

The Latvian entrepreneurs stated most often that they had not prepared a business plan. It was justified by a number of reasons, including the unpredictability of the business environment in creative industries, and the specific nature of creative activities that does not follow classical business rules: *"It is not possible to plan orders by clients and any projects in the future"* (L01). This was particularly the case in the architectural enterprises, where the interviewees said that it is not possible to forecast contracts for projects that will be signed, and competitions for the best architectural solutions that will be won. Interestingly, some of the Latvian interviewees also told that they had not made a business plan just due to the lack of knowledge how it should be made. Finally, one interviewee was sceptical about the usefulness of a business plan as means of getting financing: *"There is so much uncertainty, and financial support is granted subjectively, it is almost a lottery."* (L13)

When discussing the process of writing the business plan, most respondents had found it relatively easy, although it was viewed also a learning process: *"At first I wrote a lot of text, which was rubbish. Now I know how to concentrate on the most essential questions."* (F15) The challenge of writing the business plan was also linked to the nature of the business activity: *"It was not very difficult to prepare it, because our business does not require complicated equipment or specific resources."* (L20) Some Latvian and Estonian respondents mentioned the difficulties in writing the financial part of the plan, as it was challenging to calculate all costs and income. This was mentioned by Swedish respondents as well: *"It's hard to do a business plan, because I need to explain how I'm going to earn the money"*. (S03) Consequently, it was this area, where the entrepreneurs had used professional help from friends or from entrepreneurship support structures. These included university-based centres for entrepreneurship, and local and state offices responsible for promoting entrepreneurship and employment. In Finland, some interviewees had used the services of a creative business incubator as well.

### **Usefulness of the business plan**

In all country samples, the respondents were divided into two opposite camps in terms of whether they view the business plan as useful or not. There were, however, inter-country differences in the distribution of respondents into these camps. The Finnish respondents were most positive towards the existence of a



business plan, as only two (out of 21 interviewees) perceived that the business plan is not useful, as it was “*too strict and bureaucratic*“ (FO4).

In contrast, the Estonian and Latvian entrepreneurs were more sceptical about the usefulness of the business plan. In the Latvian case, this aversive attitude led to the refusal to write a business plan at all. In Estonia, in contrast, it was emphasized that a business plan written to meet rather external demand than the company’s internal needs was not very useful: “[*The business plan was*] *not authentic, rather meeting the funding agency’s requirements*“ (E19). Moreover, although the business plan as such would have been perceived as useful, it was not always viewed as realistic: “*I haven’t been able to follow it in real life*” (E03). On the other hand, particularly Finnish interviewees stressed that the business plan in creative fields is not a document that should be strictly followed, but rather adjusted to the situation: “*The business plan is useful, it is updated from time to time, and it is a backbone for the company.*“ (FO9)

Those interviewees, who saw the business plan as useful described it as a tool that helps the entrepreneur to clarify and visualize to him- or herself the overall logic of the business. Such comments were made mainly by Finnish and Estonian respondents. This is particularly important in the starting phase of the operations. In addition to helping the entrepreneur to draw the “big picture”, the importance of the business plan was found in the detailed planning of business processes: “*The plan was very useful, because it makes you think through all the details and allows you to see the weak points.*“ (E05)

### **3.2. Finding resources for financing**

The sources of financing to start and proceed with entrepreneurship can be divided into internal and external sources. The former refers to the entrepreneur’s own resources, such as personal savings, and at latter stage financing created by the entrepreneurial activity (cash flow). The latter includes both public and commercial sources, including start-up subsidies and loans from business support structures, and banks and other commercial financial institutions. In all countries in the focus of this study the majority of interviewees had financed their start-up phase from internal sources, mainly personal savings. Some entrepreneurs in Finland and Estonia had used external funding from public sources, such as start-up grants and in Finland business incubator grants. In Finland, the business incubator grants are not direct financing as such, but their purpose is to compensate costs of using

incubator premises and support services. In Latvia, in contrast, the use of public funding was practically non-existent.

In Latvia, the majority of respondents had used their personal resources for financing the establishment of the enterprise. None of them had used bank loans or other borrowing opportunities. However, the reasons for this varied considerably across the sample, varying from the small amount of capital needed to start up the activities to the complicated and time-consuming process of acquiring external financing, particularly as regards public sources. It was noted: *“It is not worth trying to get resources from the government, it involves too much bureaucracy.”* (LO6) Moreover, the mere existence of the financial opportunities provided by the state was questioned: *“While in other European countries there are mainly government-based support systems, there are almost no well-functioning alternatives in Latvia.”* (L12). Interestingly, the Latvian respondents’ negative attitude towards business plan resulted in a situation, where some interviewees noted that it would not be possible to get external financial support, because *“the business plan is needed everywhere”*. Nevertheless, some enterprises had managed to attract private investors to their enterprises. In some cases the start-up financing was secured with the future cash flow. For example, in the field of architecture contracts for future projects were signed already prior to the establishment of an enterprise.

The Estonian interviewees had mainly relied to their own financial resources as well, but some of them had used also public support. This included start-up subsidies from business support structures and municipal and state offices responsible for promoting entrepreneurship. Moreover, some Estonian entrepreneurs had minimized operational costs until the business had already started running: *“We started to purchase equipment and do some investments only after we had already generated a cash flow.”* (EO4) In Finland and Sweden, the main source of financing was personal savings as well. In comparison to the two Baltic States, the main difference was that the use of incubator grant was relatively common. In addition, both in Finland and in Sweden there were a few entrepreneurs, who had used scholarships granted to their artistic activity as a source for financing. Finally, some entrepreneurs had also taken personal loans to finance the early stage of the activity as supplementary funding: *“I got the main financing through cash flow, but I took also a personal bank loan of 5000 euro.”* (FO4) Getting a personal loan was not difficult due to the stable financial position of the entrepreneur, resulting from the long paid employment with regular income.

### 3.3. Support needed and received in the starting phase

The next issue in the interview guide was whether and what kind of support, other than financial, the entrepreneurs had used during the start-up phase. This can be divided into formal, i.e. support from governmental or other public business support structures, and to informal support, such as sharing experiences and getting advice from the family, friends or colleagues. In the Finnish sample, the main source of support was the business incubator, where the company had been a resident, or a 'virtual customer' using only the services other than premises provided by the incubator. In Estonia, advisory services had usually been granted in parallel to the financing from organizations, such as the unemployment insurance fund or the city government: *"A person from the unemployment insurance fund helped me a lot. The training courses also gave me the right support that I needed and also the opportunity to talk to people in the same situation."*(E03)

In Latvia, there were practically no interviewees, who would have received support from formal support organizations. Some respondents viewed that they did not need any support having the necessary knowledge and experience, and were confident in their ability to run the business: *"There was no additional support needed. There are problems all the time and they are there for being solved, that is all."* (L13) Alternatively, they relied on the assistance from informal sources such as family, friends or colleagues: *"The lecturers from the university helped and also parents helped, and definitely the exchange program in Tallinn helped to gain experience and understanding."* (L24)

The nature of public support used in Finland, Estonia and Sweden was mainly training or individual consulting in various aspects of entrepreneurship. In addition to consultants, support from peers and experienced entrepreneurs had been provided. In Finland this had often taken place in the incubator: *"The mentoring system was good in the incubator. It went through the growth, marketing, product development and recruitment issues. The incubator's networking and peer support was also good."* (F12) The Estonian interviewees also highlighted the importance of professional networks: *"Knowledge support was coming from colleagues, from other companies who are open for information exchange."* (E13) In addition, social networks in the Internet, such as blogs of fellow entrepreneurs, were mentioned as source for support and help.

Regarding the most important needs for support – which had not always been received – , Finnish interviewees most often mentioned consultancy in marketing, opportunities for networking with peers, and concrete services such as bookkeeping. The importance of getting more peer support was mentioned also in the Swedish data: *“You can also get help in the business incubator for example in business planning, but it’s more useful if to talk with someone working in the same field.”* (S05) Among the Estonian entrepreneurs there would be a need for a consultant or mentor, *“to whom the start-up could turn to with all different questions.”* (E07)

Notwithstanding their high self-confidence, some Latvian respondents admitted, too, that there are issues in which they would have needed support from formal sources. The possibility to use a juridical consultant and an accountant who was used to deal with legislation and accounting issues was frequently mentioned. Moreover, there was a high level of consensus about the support that would be needed for start-ups in creative industries: financial resources, accounting, legislation and marketing. One interviewee mentioned the business incubator as a logical provider for such services: *“Very useful are business development incubators that are currently emerging in Latvia, and if there was a possibility to have an economic structure located next to it providing consulting on entrepreneurship issues, it would be good.”* (L04)

### **3.4. Problems in business development**

The interviewees were next asked to describe, what kind of challenges they had faced after the establishment of the enterprise when starting to concretely develop the business. There were some differences between the country samples both in terms how challenging the business development had been, and what kind of problems there had occurred. In general, few Finnish or Swedish interviewees reported about particular problems in business development. The problems, when mentioned, were related to the challenges in finding customers, or recruiting and managing personnel. The selected sales channels had not proved as effective, or generating sales had appeared to be more difficult than expected: *“To establish contact, to sell you services, it’s a lot of work.”* (S06) In some cases this was due to the novelty of the product or service: *“People are not ready to pay for program agencies.”* (F07)

The problems with selling the products and services had been experienced also in Estonia and Latvia, including finding the right channels for selling and

convincing the customer. According to a Latvian interviewee, in the field of advertising and design the clients had appeared to be conservative, due to which it had been difficult to convince them about innovative solutions. In Latvia, the lack of transparency and grey economy were also mentioned as problems. Entrepreneurs in architecture referred to the lack of transparency in public purchases, including the evaluation criteria for the projects and remoteness of the client (the state) and the service provider (the enterprise). Moreover, grey competition was identified as a problem in Latvia: *“There is also a threat from illegal players in the market, who tend to do dumping with prices.”* (L11)

In contrast to the Finnish and Swedish interviewees, the Latvian and Estonian interviewees indicated a number of problems, many of which were related to the formal business environment, including bureaucracy and taxation. The bureaucracy was described as difficult to comprehend, and time-consuming: *“It is heavy task to get necessary certificates.”* (E13) In Latvia, the tax system as a whole was considered a severe obstacle due to the fact that enterprises in creative industries provide services and products with much higher value-added compared to, for example, manufactured goods. In addition, the frequent reporting requirements by the tax authorities were described as “disturbing”. The Latvian legislation on copyright issues was mentioned as a problem specific to the audio-visual industry, a representative of which succinctly labelled it as *“chaos in copyrights”* (L17).

In addition, there had been financial problems, part of which was related to the general economic situation, which worsened towards end 2008. This was reflected in the lack of demand: *“The establishment of the company fell to the same time with the beginning of economic downturn, due to which the market volume decreased. Therefore additional efforts were needed.”* (E15) Moreover, some entrepreneurs were forced to reconsider their original plans, when they did not get the intended financing: *“Due to the negative response from the business development agency, we had to give up the idea of the café, although the preparations and repair work in the premises had already begun.”* The tight financial situation in the start-up phase was also viewed an obstacle for the business development: *“I haven’t been able to pay myself a wage yet and therefore I have to have a day job in parallel. This takes up a lot of time.”* (EO1)

In both Estonia and Latvia, the availability of qualified labour was mentioned as a problem. In some cases this considered the limited pool of professionals in a particular field. On the other hand, the problem considered persons, who would possess both creative and business skills: *“It is difficult to find high*

*quality professionals in architecture, and even more difficult to find, for example, a business administrator who would also have some knowledge in architecture.*“ (L05) Moreover, the problems related to personnel included also human resource management and organizational issues. In Estonia, it was not clear within the enterprise *“who should take responsibility and how much”* (E14), and there were problems with sharing information within the organization. Latvian respondents referred to the *“lack of efficiency due to bad time management”* (L01), and the negative atmosphere in the working-place reflected in conflicts and lack of team-work. There were also ideological conflicts about how to combine business and art without becoming too commercial.

### **3.5. Future business development plans**

The plans of the interviewees about the development directions of their business varied. The Finnish sample was evenly divided into those, who planned to continue as usual, and those who were planning to expand either on the home market or internationally. Sometimes the main aim was to gain market leadership in the home market: *“To be the best consulting firm in social media and social media marketing in Finland.”* (F15) Others had their main target abroad: *“After the concept is tested in Finland, it will be brought abroad where wider markets exist.”* (F01) In the Estonian sample, majority of the interviewees was looking for expansion of the market, or were planning to further develop their products. The Swedish interviewees revealed plans of going international and increasing cooperation with other entrepreneurs in the same field to look for network-based growth.

Interestingly, the difficult economic situation in the time of the interviews strongly reflected in the plans of the Latvian respondents. The main future plan in the short term was to “survive the crisis”, and to establish a sound financial basis for the enterprise: *“Our theatre must survive without municipality financing, find sponsors.”* (L18) In the longer term, in contrast, many Latvian respondents were looking for international expansion: *“Participation in international competitions for the best architectural solutions, entering the international market by establishing cooperation with specialists in Europe and Scandinavia.”* (L05)

The future plans aiming at business growth most often implied increased emphasis on marketing and selling in order to enlarge the customer basis and generate more sales: *“The first thing that I want to concentrate on is*

*marketing. Before clients have come to me, but now I would like to put more effort into this process.*” (E02) Another direction was to expand into new activities or product groups: *“I would like to start designing children’s furniture and sell them.”* (E06) In addition, some entrepreneurs were aiming at increasing the size of the company in terms of employees: *“I want to hire more people later on because when doing it alone, the workload gets very heavy.”* (E06) Moreover, some interviewees mentioned the development of cooperation and networks with different professionals as a future aim.

## 4. Perceptions of internationalization

One of the goals of the CREAENT project, in the framework of which this study was conducted, was to promote internationalization and international networking among entrepreneurs from Finland, Sweden, Estonia and Latvia. Consequently, a block of questions in the interview guide was devoted to the issue of internationalization and its role in the interviewees' businesses.

### 4.1. General views about internationalization and its preferred direction

In all countries in the focus of this study, majority of the interviewed entrepreneurs view internationalization positively. As the home market in each of the countries is relatively small, in most cases going international is viewed as inevitable in order to get access to a larger market: *"The aim is to go abroad, where bigger markets and people are more interested in clothes."* (F03) Hence, the main motivation of going international can be classified as a "push" factor. However, in some cases the company's own business is yet so small that there is no need to internationalize: *"I still feel than I have lot of developing space in Estonia before I could go international."* (E11) In some industries the home market was just viewed as more promising than mature foreign markets: *"In Latvia there are much better opportunities for fast growth compared to foreign countries where everything is much slower."* (L02)

In addition to "push" factors for internationalization, there are also "pull" factors, such as the opportunity to get new ideas, knowledge and skills from markets that are perceived as more advanced than in the home country. These can then be applied in the development of operations in the home country as well. *"[Internationalization gives] professional development and the ability to implement the practices from highly developed countries in Latvia afterwards, also better work conditions, ability to work in a well regulated market with more transparent architectural procedures."* (L02)

Moreover, the interviewees identified also a number of barriers for going international. These included doubts about one's own competitive advantage in the tough competition on the foreign market, and the increased effort to adapt to the different business and regulative environment: *"[There are] different procedures in the competition for projects and different laws, which all is time and energy consuming to analyze and understand."* (L05) In addition to



regulation, also psychological barriers to entry were identified: “[*There may be] unwelcoming attitude from the Western society towards Latvians and non-residents in general.*” (L01)

### **Where to go international**

In all country samples the most preferred direction for internationalization was Europe in general and the Baltic Sea region in particular. This is logical in view of the traditional internationalization theory, which indicates that international operations are usually started from geographically and/or culturally close countries. The reasons for attractiveness of the European countries are, however, justified somewhat differently by the Scandinavian and Baltic interviewees. The Scandinavian respondents emphasize the similarity in tastes and cultural traditions in the neighbouring countries: “*In product design, in furniture, the Netherlands, Holland is very big. They have a very conceptual style that fits my work. Denmark seems interesting in the way of thinking about design.*” (S01) The Baltic respondents stress the market opportunities due to the well-developed stage of their particular industry, either through the existence of demand for high-quality products and services, or the easier business environment to work in: “*The society is more mature and the construction and architectural processes are better regulated*” (L02).

The market opportunities were also the driving force for those entrepreneurs, who identified other than European countries as preferred targets for internationalization. “*The US would be good too, also in the future to have an agency in New York, just to get bigger projects, more jobs, more money*” (S07). In addition, some Asian countries such as China or Japan were mentioned as interesting but perhaps not very realistic directions for internationalization.

Interestingly, the geographical and cultural distances do not always go hand in hand in the interviewees’ comments. Some Estonian interviewees identified themselves as culturally closer to the Scandinavian countries than the other neighbouring countries: “*We could also go to Russia, Latvia and Lithuania, but then we would have to force our own style down*” (E07) On the other hand, the nearest large potential market for entrepreneurs in the sample, Russia, was not mentioned too often as a preferred direction for internationalization. However, one Latvian respondent referred to it as being culturally close: “*Russia has been chosen to be the best fit for going abroad, because of the understanding of mentality the Soviet times have established, as well as the large and well-developed market.*” (L12)

## International activities and plans

In all country samples there were entrepreneurs, who already had on-going international cooperation in some form, ranging from business co-operation to professional networks. In addition, particularly in the Finnish and Swedish samples there were entrepreneurs, who had gained international experience by studying or working abroad for a longer time, and were now able to exploit these contacts in the entrepreneurial activities.

In creative industries, it is sometimes difficult to separate the commercial and artistic activities from each other, also in the case of international cooperation. The international activities of the respondents, which have a clearly commercial character, include traditional non-equity operation modes of international business such as import, export, subcontracting, or contract manufacturing. Equity-modes, which would imply capital investment abroad into a joint venture or subsidiary, had not been established yet. There were, however, interviewees who revealed plans of such investment. This is in most cases in the form of a joint venture with foreign partners: *“If this is starting to work, we would create our own company in a foreign market with local teams.”* (E09) On the other hand, some referred to the specific nature of the creative industries, which is often based on building international teams for a specific project rather than establishing a permanent organization: *“I do not see any sense in establishing a separate legal entity; most probably it would be just a predetermined term-based cooperation with specialists in enterprises abroad.”* (L05)

The existing commercial forms of international activity were most frequently mentioned by Finnish and Latvian interviewees. These included first, outward modes of internationalization, such as exporting one’s own products or services, or contracting manufacturing to a foreign supplier: *“Our company currently produces in China, and our transporting company is from Estonia.”* (L07) Moreover, for those companies, who are focusing on services, participation in international competitions, exhibitions and tenders is a way of getting export opportunities: *“Our latest [international experience] was winning a competition for making a documental film for the German television in 2008.”* (L13) Moreover, contractual relationships with a foreign sales agency, such as art gallery, can be perceived as a form of outward internationalization. In some cases such activity has been rather occasional: *“We have had contacts in Finland, but nothing very serious. Some galleries have had our things in.”*

(E05) In addition, some interviewees viewed the Internet as providing opportunities for promoting their products or services in the foreign markets without physical presence there: *“[I am planning to] use more social networks as LinkedIn, where I will have recommendations from existing clients.”* (L24)

Second, some firms had been engaged in international operations by inward internationalization modes, such as importing or working as a subcontractor for a foreign customer: *“We are making components for a Swiss firm. This is our first deal with a foreign customer.”* (F16) On the other hand, if having a contract with an agency abroad in order to sell one’s own products in international markets can be classified as outward internationalization, the other side of the coin is representing foreign customers on one’s own market: *“We are selling art from foreign artists.”* (E14)

In addition to commercial operations, some interviewees referred to international activities, which have more of an artistic than commercial character. In some cases, however, both are combined: *“The [international] cooperation is mainly with the other two Baltic States, for improving cost efficiency and, say, exchanging actors and actresses.”* (L11) Most often, the kind of international cooperation is participation in international networks among professionals in the same field. *“We have in our network about 30 different event organizers in Europe. We have such networks also on the performing arts side.”* (F07) The establishment of networks was perceived as an integral part of internationalization in creative industries, which serve as a tool for getting oneself recognized abroad. The establishment and maintenance of such networks is often implemented through participating in international exhibitions, fairs and other events, which are considered as a “must” in one’s field. On the other hand, some interviewees did not perceive the physical networking as necessary, as *“Contacts are never a problem, they are all on Google.”* (L13)

#### **4.2. Main barriers for internationalization**

One topic under the theme of internationalization in the interviews was the problems and barriers for internationalization. One of the key challenges in internationalization for small enterprises, which most of the case companies of this study represent, is the finding of foreign partners. This challenge was raised in the interviews as well, both in terms of resources and skills needed to communicate with foreign partners. In addition to identifying potential customers abroad, the interviewees did not always find it easy to convince

them to change their existing supplier: *“We have had meetings in London and Scandinavia with potential clients. But it was rather unsuccessful in Scandinavia; they like the ideas but, are not willing to change their existing partners.”* (L21)

Nevertheless, the main challenge was the lack of resources for searching international partners and investigating foreign market opportunities. Particularly in a company with no paid employees, the entrepreneur finds it hard to find any extra time from the running of the day-to-day business. This problem was addressed in a number of interviews: *“First of all, the problem is the lack of time. The majority of my time is devoted for domestic clients.”* (L21) Furthermore, the lack of resources for international networking and contact-building is particularly crucial for such businesses, where recommendations and reputation are important: *“I think just like in Estonia my clients mainly find me through recommendations. But because I am not than well-known abroad I don’t get many recommendations.”* (EO2) In addition, it was mentioned that finding financial resources for the investments that foreign entry would require is very challenging.

Another group of barriers for internationalization is related to the entrepreneur’s own capabilities to start international business, including the lack of international experience or knowledge how to enter foreign markets. This includes first, the knowledge on the formal business environment, such as government regulation: *“Think the different laws and taxes, billing, and stuff like that. If your company is in Sweden, how to deal with work-permits, etc.”* (SO3) These challenges were associated with, for example, the Russian market which was perceived as difficult to enter due to the heavy bureaucracy. Second, the knowledge of the foreign market in terms of culture and consumer behaviour was perceived as essential: *“It is hard to understand the native culture and people in other countries, which is a major factor for a successful advertising campaign.”* (L23)

On the other hand, some interviewees view the barriers for going international more as mental: *“The main gaps in Finland in the field of literature are in sales and marketing. People are too modest to go abroad.”* (F10) Interestingly, as some Baltic companies earlier referred to the Scandinavian states as preferred international locations due to their developed and transparent business environment, such maturity of the home market was perceived as a disadvantage by one Swedish interviewee: *“I believe that we in Sweden are a bit naïve, when it comes to business, and agreements, that is not the case in other countries.”* (SO1)

Moreover, some Latvian interviewees addressed the barriers for foreign entrants raised by protectionist attitudes, due to which domestic companies are favoured in international tenders. In addition, the country image of Latvia as a relatively young market economy was mentioned as a factor decreasing the trust of potential foreign customers to Latvian companies: *“The main problem is the lack of trust, international clients are not ready to pay prepayments, and are afraid of low quality service or fraud”* (L25). Moreover, some Baltic respondents questioned their ability to compete on foreign markets due to their modest experience on international operations and lack of high-quality specialists who master, for example, the latest technologies and software in the respective field.

### **4.3. Support needs for going international**

The needs for support identified by the interviewees reflect the problems and challenges described above. The two main fields of support needs among all country samples include assistance in finding business contacts and establishing international networks, and financing for exports and other international activities. In addition, some entrepreneurs in each country called for practical information on how to operate on the foreign markets, including information about regulation and on how to sell to foreign customers.

The needs for support in the establishment of international contacts included first, assistance in bringing the potential customers and suppliers together. This includes the organization of both concrete matchmaking, and virtual forums: *“Help to find international contacts, a virtual networking facility that integrates those who offer architectural services and those who need them would be a great facilitator for international work.”* (L03) Moreover, particularly in the Baltic countries the interviewees emphasized the importance of establishing contacts with those entrepreneurs from the own country, who already operate internationally: *“It would be good to have some knowhow from people who have had this experience before.”* (E08)

The support needs for financing reflected the current status of governmental support in the countries studied. In Finland, more flexibility was required: *“The small companies have difficulties to apply for the export support because of bureaucracy. Also the procedure of getting the support should be quicker, now the companies have to wait for months before the granted support is paid for them.”* (F19) In Latvia, more financial support in general from the government was requested. In addition to the financing of actual international

operations, financial support would be needed for the establishment of contacts and promoting one's own business abroad: *"Exhibition support would be helpful, or support for any kind of promotion."* (EO4)

The final group of support needs includes information and training services on various aspects of international business. These includes both practical aspects of international operations, such as training about customs issues related to importing of goods, or possibilities of acquiring European Union funding for international projects. In addition, support would be needed to catch-up with the latest international developments on one's own field of business: *"The newest technologies are being improved all the time, but there is no chance to study the newest tendencies in Latvia. This opportunity should be provided."* (L11)

## **5. Entrepreneurial competences and the role of education in providing them**

The next block of the interview questionnaire addressed the entrepreneurs' views about the most important skills and capabilities that a creative entrepreneur should have. This included the self-assessment of the respondent's own strengths and weaknesses, and the identification of potential problems in the business that had emerged due to the lack of skills. Moreover, the role of entrepreneurial competences in providing entrepreneurial skills was discussed.

### **5.1. Entrepreneurial competences and the ways of acquiring them**

The discussion of this theme started with the question, which are the main competences that an entrepreneur in creative industries should have. In addition, the interviewees' opinions about whether such competences can be learned were examined.

#### **Most important entrepreneurial competences**

According to the competence theory, such aspects of entrepreneurial competences as knowledge and experience, motivation, capabilities, and personal characteristics enable a person to undertake and succeed in entrepreneurship (Driessen and Zwart, 2007: 2-5). The main competences that entrepreneurs interviewed for this study mentioned include the motivational aspects, professional knowledge and personal characteristics. Interviewees particularly in Finland and in Latvia referred to the motivational aspects of entrepreneurship in combination with professional knowledge about one's own field of substance. Such motivation was described as a strong vision or passion for what the person is doing, combined with the desire to transform it into a business activity.

Moreover, there were a number of personal characteristics that entrepreneurs across all samples considered as essential. This included characteristics such as ambition, strive for achievement and self-confidence. A creative entrepreneur would need also self-discipline, as "*nobody is telling me when to be at work, there is no boss who would get angry at me*" (S07).

Moreover, the ability to take risks described as “*courage*” (E03) or “*entrepreneurial spirit*” (F11) was perceived as essential. Finally, the ability to be ethical in business conducts was mentioned, including “*openness, decency, unselfishness*” (L01).

Moreover, another important group of skills and capabilities that entrepreneurs in all country samples emphasized was communication and interpersonal skills. This includes the ability to create networks, and to promote and sell one’s own product. One vital aspect emphasized by a number of interviewees was the orientation towards the market and understanding how it functions, including “*the ability to see the trends in the society, the ability to predict these trends*” (L09). From the viewpoint of one’s own business, this requires the ability to “*see the opportunity of the changing situations*” (F12) and to recognize the potential for one’s own product or service.

Interestingly, the knowledge in other practical aspects of business than selling was not perceived as crucial as motivational aspects or personal characteristics. It was mainly Finnish interviewees, who referred to the understanding of the financial aspects of business: “*[One should understand] how to create cash flow and not just rely on subsidies.*” (F03) In addition, knowledge about the external business environment, including copyright issues and labour legislation, was occasionally mentioned in the Estonian sample. Some Latvian entrepreneurs for their part mentioned the organizational skills, including leadership and team work skills: “*The ability to attract and establish a team of people who share similar values.*” (L03) Finally, the role of experience was also mentioned as vital for a creative entrepreneur: “*I think experience is the most important skill. A creative person does not understand the business world before he/she has experience in it.*” (E01)

### **The ways to acquire entrepreneurial competences**

One of the central debates in the field of entrepreneurial education is about to what extent entrepreneurial skills and capabilities can be taught, i.e. whether entrepreneurs are “made” or “born”. Among the entrepreneurs interviewed for this study there were some supporters of the latter view: “*You have it or not, if you don’t have it and the skills, you would not make it - it’s a natural selection, you cannot learn them.*” (S02). Nevertheless, the prevailing opinion, irrespective of their country of origin of the respondent, was that entrepreneurial skills and competences can be acquired through education, but also certain personal characteristics are needed to make them operational. In



addition, it was emphasized that some skills and competences can be acquired not through traditional education methods, but rather learning on the job. Consequently, it can be summarized that the best way of “making entrepreneurs” would be a combination of education and experimental learning targeted to talented and motivated people.

The way in which skills and capabilities can be acquired according to the interviewees depends on their nature. Education was viewed as providing mainly practical skills, such as *“learning how to present your project correctly when applying for financing.”* (L13) Moreover, some entrepreneurs, particularly in Estonia, emphasized that the right moment of participation in entrepreneurial education would be when the person has already worked in his or her own professional field: *“These [entrepreneurial] skills are all learnable to some stage. Experience is always important. I think people should have a little experience before they start to learn something.”* (Eo8)

Furthermore, those interviewees who voted for the “learning by doing” approach justified it as follows: *“As I have learned everything I need through practice, I believe that it is the most appropriate way. This is because the academic skills need to be re-learned and somewhat re-invented once applied in practice”.* (L14) Moreover, experiential learning in the form of learning from one’s own mistakes was mentioned: *“I have had numerous problems, but now I know how to do it in a right way and can teach my employees.”* (L21). Finally, sharing experiences and networking with other entrepreneurs was viewed as a means of acquiring necessary skills and competences: *“You learn by talking to other people”* (So6).

Finally, there were respondents in each country sample who maintained that the entrepreneur does not need to have all necessary competences him- or herself. Instead, they can be brought to the organization by business partners: *“One of our owners-partners has a ten-year experience in entrepreneurship. I wanted to attract to the firm someone who has gone through the whole process and knows all the practicalities. This saves me from learning everything in the hard way.”* (Fo8) Moreover, it was noted that the understanding of which parts of the business (such as accounting) is better to outsource to professionals of that specific field, is a competence itself.

## 5.2. Assessment of one's own entrepreneurial competences

After presenting their views about the desired competences that a creative entrepreneur should possess, the interviewees were asked to assess their own strengths and weaknesses as an entrepreneur.

### Own strengths as an entrepreneur

The interviewees identified their own strengths in the different areas of entrepreneurial competences discussed earlier in this report, including knowledge and experience, personal characteristics and capabilities, and motivation. The strengths that were mentioned most often in all country samples included knowledge in terms of professionalism (i.e. strong skills and knowledge in the own substance), and networking and communication skills. In addition, the Finnish respondents frequently referred to their entrepreneurial attitude, whereas the Latvian entrepreneurs highlighted their general intelligence, and working morale. The Estonian interviewees added to the list strong organizational skills.

The professional knowledge was associated in the interviewees' comments both with the knowledge of one's own industry as operating context "*understanding my field thoroughly, seeing the complete picture*" (E08) and knowing one's own product and business model. The latter includes aspects, such as "*the ability to budget things.*" (F07). Not surprisingly, creativity was also mentioned as one's strength as entrepreneur in a number of interviews in a form or another. Some interviewees described themselves as having plenty of ideas or being versatile, whereas others highlighted their flexibility. In addition to being able to generate ideas, it was perceived as strength to have "*the ability to realize the ideas created, and the ability to predict trends in the society*" (L09). Moreover, the networking and communication skills were in many comments specified as the ability to communicate with customers in a way that takes the customer's needs into account and results in sales.

The entrepreneurial attitude mentioned by the Finnish respondents was specified as "*the ability to cope with uncertainty, and to work independently.*" (F04) Moreover, the high working morale emphasized by the Baltic respondents was described as the ability to work intensively, having self-discipline and keeping deadlines. Some respondents associated it also with long-term orientation: "*I am determined, and I have ambitions that I know how to achieve, I am ready to devote much of my time and sacrifice other*

*activities.*” (L24) The organizational and management skills mentioned by some respondents included abilities, such as *“the ability to make work exciting and get a self-excitement of it”* (L04).

### **Own weaknesses as an entrepreneur**

In addition to strengths, the interviewees were asked to identify their own weaknesses as entrepreneurs. Interestingly, some of the Finnish respondents had difficulties in naming any weaknesses. Those who were more self-critical mentioned issues such as lack of long-term orientation, low ability to manage stress, weak financial skills, and low risk tolerance: *“I don’t have the courage to do big projects with borrowed money.”* (F06) The Estonian and Latvian entrepreneurs, in contrast, referred most often to their lack of experience and business skills. Moreover, these respondents felt themselves more artists than entrepreneurs, and felt somewhat uncomfortable when they should sell their products or services. *“It is very difficult to sell something that you have created yourself.”* (E05) The same issue was raised by a Swedish interviewee, although from a somewhat different angle: *“Unwillingness to do what is the most selling thing.”* (S05) This comment refers to the challenge of creative entrepreneurs to balance between artistic and business ambitions. As it was aptly summarized by an Estonian interviewee: *“We don’t think like businessmen that we need to earn a lot of money quickly.”* (E07)

The lacking business skills were identified by the Baltic respondents in terms of knowledge about the business environment, such as legislation or the industry-level operating environment, and in terms of practical skills. Some entrepreneurs admitted that they are *“missing knowledge about basic things like accounting”* (E19). Usually, such entrepreneurs referred here to their educational basis, which is in other than business or economic studies. The business function, in which lacking skills were identified most often was, however, marketing and sales. As pointed out above, some entrepreneurs did not feel comfortable when selling their products or services. In addition, a number of interviewees referred to lacking skills in the art of selling, including *“persuasion skills and ability to clearly communicate the vision and standpoint to clients”* (L05) or unwillingness to make compromises with the customer if it would require changes in the offered product or service. On the other hand, some entrepreneurs described themselves as too soft in business negotiations.

Moreover, there were entrepreneurs in the Baltic samples, who identified their weaknesses in the strategic management of the enterprise. This included

lack of strategic thinking and planning, including time management and prioritizing tasks. The missing strategic orientation was, however, in some cases explained by the lack of motivation: *“Lack of goal oriented operation and the desire to earn high profits”* (E04). In addition, the lack of management and planning skills sometimes had resulted in an organizational structure, which was found not be the optimal one. Finally, some entrepreneurs felt as having too much “artistic freedom” for the running of enterprise operations: *“We would also need more structure in our everyday processes.”* (E10)

### **Problems faced due to lack of knowledge and/or skills**

In addition to identifying their strengths and weaknesses as entrepreneur, the interviewees were asked to assess to what extent the lack of entrepreneurial knowledge and skills had caused problems in their entrepreneurial activity. There were some differences among the country samples in this regards. The Finnish and Swedish respondents hardly mentioned any problems caused by lacking knowledge or skills. This may in part be related to the fact that most of them had attended entrepreneurial education, or been located in business incubators, and thereby a good access to knowledge and support. The respondents from the two Baltic States mentioned more frequently such problems, which in most cases were related to financial aspects of management.

The difficulties with financial aspects of entrepreneurship included the overall financial management of the organization, such as *“Problems due to lack financial accounting skills as there was no possibility to hire a person who would deal with these issues, problems of deciding on how to better distribute financial resources, planning and forecasting the distribution of financial resources with respect to individual specialists and materials used.”* (L02) In addition, some entrepreneurs mentioned concrete mistakes that they had made in accounting, due to which the financial status of the firm had suffered.

Moreover, some Latvian entrepreneurs had encountered problems in their operations due to lacking knowledge of the technical requirements of the customer: *“Technical standards differ among countries and there have been, for example, complaints about the sound levels in our shows from French partners.”* (L14) In addition, some interviewees mentioned that the lack of communication skills had caused *“problems in attraction and motivation of employees”* (L05) or *“problems in making people to understand what I’m actually offering to them.”* (S03)

## **6. Towards an improved model of entrepreneurship education for creative industries**

The final section of the interview guide challenged the entrepreneurs to think how an ideal creative entrepreneurial program should look like in terms of content, teaching methods and organization. This includes the assessment of the current availability of education in terms of quantity and quality, and suggestions for improvement.

### **6.1 Evaluation of the current training opportunities**

The interviewees were first asked to share their experiences from participating in entrepreneurial education, and to comment the usefulness of education currently available for creative entrepreneurs.

#### **Participation in courses or training programs on entrepreneurship**

As discussed in the introductory chapter of this report, approximately 75% of the respondents had taken some kind of entrepreneurial courses. This had, however, mainly taken place before starting the business. In addition, the share of respondents who had participated entrepreneurship education varied between the country samples. In Finland and Sweden only few respondents did not have any kind of entrepreneurial education, whereas in Latvia the respective share was as high as 40%.

In Finland, approximately a third of the interviewees had attended entrepreneurial training after starting up their business. The reasons for not participating in training after the start-up phase included lack of time or funds; many viewed existing courses as too expensive for small companies. In addition, there were respondents, who did not perceive any need for additional education. The institutions, whose entrepreneurial training had been attended, included mainly universities and other educational institutions, and business incubators.

In Estonia, the respondents had been relatively active in participating education as well. When compared to Finland, however, it was more common

in Estonia that such courses had been provided by other providers than universities or other higher education institutions, including municipal and state business support structures. Moreover, the participation in entrepreneurial courses after the start-up phase was the least common in Latvia. Hence, it was the Latvian respondents who had the most critical views about the usefulness of such education. Seminars provided by a professional association and international exchange programs were perceived as useful, though.

The duration of education that the interviewees had participated in varied from study programs to occasional lectures and seminars. Moreover, the content of the training varied from comprehensive courses in creative entrepreneurship, where *“we went through all topics of the business plan there and also accounting and documentation.”* (E06) to courses or seminars focusing on a specific part of the business. Most frequently mentioned thematic courses were devoted to management and leadership, human resources, financial management and marketing. In addition, some Swedish respondents referred to tutoring or coaching meetings as a specific form of training.

### **Assessment of current training opportunities**

The respondents were next asked to evaluate the current availability and quality of the training possibilities for creative entrepreneurs. The Finnish interviewees were in general aware of the training possibilities, although few of them could name any training provider. A major obstacle for many Finnish respondents in participating in training targeted to already operating enterprises was the price of the courses. In Estonia, in contrast, this was not perceived as a problem: *“There are enough opportunities. A lot of them are very cheap or even for free. I haven’t had time to go on all of them.”* (E02) Nevertheless, Estonian respondents called for more offering tailored to creative entrepreneurs. The same problem was raised in Latvia: *“There are not many possibilities for studies in our field in Latvia, because the available ones are mostly out-dated. Therefore I am now studying in a program abroad.”* (L12)

The opinions of the usefulness of the entrepreneurship courses available were rather contradictory. The comments addressed both the content of the courses, their duration and methods applied. In all country samples there were those who were satisfied with the education received, and those who did not view it as useful. However, in Finland, Sweden and Estonia the positive opinions prevailed, whereas the Latvian respondents were more critical. Moreover,

taken the low participation rate of the Latvian respondents in entrepreneurial training, their comments were based more often to perceptions than own experience when compared to the respondents from the other countries. In addition, the fact whether the participant had paid for the training or not may have influenced the degree of criticism: *“Since the course was subsidised I had to pay very little for it and got the opportunity to participate in a 8-day course. So it was very good value for money.”* (E11)

Those respondents, who viewed the entrepreneurial courses as useful, justified their opinion in a number of ways. Some entrepreneurs emphasized the practical skills acquired: *“I would have never been able to prepare a business plan on my own.”* (E06), whereas others appreciated the psychological benefits of the training, including increased self-confidence: *“The course created faith in doing own business.”* (F08) Moreover, the positive comments related to the methods applied in the education mainly addressed interactive and consultative methods rather than traditional classroom lecturing: *“There was good open dialogue in our course, and mentoring was also good”* (F09). In addition, some interviewees commented the practical applicability of the materials received during the course: *“The material (hand-outs etc.) from the salesmanship courses was very useful and still is.”* (L07) Furthermore, the courses had provided also contacts and a networking opportunity with other beginning entrepreneurs, which was considered as important. Some interviewees even pointed out that this was the main benefit from the education. Finally, the organizational form of the course attended had been suitable for the needs of the respondent *“The course that I attended was compact, it lasted couple of months.”* (F08)

Similarly, those interviewees who were unsatisfied with the usefulness of the entrepreneurial education criticized both content and teaching methods. The most frequently aspects were related to the low practical applicability of the knowledge provided and too theoretical teaching methods. A comment by a Latvian interviewee neatly summarizes these two aspects: *“There is too much theoretical knowledge provided that is not applicable in real life, because nobody has shown how. Much more practical learning should be provided.”* (L14) Moreover particularly Latvian respondents perceived the courses as providing only such basic knowledge that they themselves already possess, and called for cutting-edge knowledge: *“The program was out-dated, as I was looking for the opportunity to hear about the newest tendencies and technologies.”* (L13) In addition, it was criticized that the education does not approach entrepreneurship in a holistic manner: *“The education models do not*

*realize that the situation in Latvia requires the entrepreneurs often to be one-person-orchestras and thus do not provide as comprehensive education as needed.” (L14)*

Furthermore, a number of respondents criticized the teaching approach of the lecturers in the course as not suitable for teaching creative entrepreneurship: *“I do not know any entrepreneurship courses that would be particularly attractive to creative people.” (L05)* In addition to changing the teaching approach, the question of who should teach in such courses (lecturers versus entrepreneurs themselves) was raised: *“The people we had in this course they were not so inspiring, like some entrepreneurs are very inspiring to listen to, so it should be this kind of people.” (S04)* Moreover, as the increased self-confidence was mentioned above as a positive outcome of entrepreneurial training, the same issue was addressed from the negative side as well: *“The courses often do not give the feeling of confidence that other people have succeeded in the same field.” (E01)*

Finally, there were comments addressing the practical organization of the courses. Some respondents perceived the courses provided as too long and time-consuming, particularly if the entrepreneur has already started his or her business and time is scarce: *“Part-time studies would be the best way instead of full-time courses” (L02)*. Interestingly, those comments that addressed entrepreneurial education provided as part of degree studies at the university were divided into two opposite camps. Some viewed that such courses should be provided at an early stage of the education in order to stimulate the student to think about establishing a business and gradually develop the idea during the studies. Others emphasized the need to apply the received knowledge to practice as soon as possible, which implies timing the courses in the late phase of the studies: *“Maybe you should have the course right after you studies, not at the beginning. I’m a practical person, it’s easier for me to do things when they are real, I like learning by doing.” (S06)*



## **6.2 Suggestions for an improved entrepreneurship training program**

After assessing the current state of the art in entrepreneurial education from the viewpoint of creative entrepreneurs, the interviewees were asked what kind of suggestions they would have in order to improve the quality of training.

### **Content of the training**

The opinions concerning the preferred content of education in many terms reflected the support needs identified earlier in this report. Finnish respondents most often called for information about the everyday obligations of the entrepreneur (such as tax reporting), financial planning, and sales and marketing skills. In Estonia and Latvia the opinions were more dispersed, including a number of topics which should be included in the training program. These ranged from specific areas such as accounting to more general areas such as strategic management. Moreover, the Latvian respondents emphasized the professional component of education targeted to creative entrepreneurs. Here, the purpose of the education would not be in teaching entrepreneurial skills as such, but rather to keep the creative entrepreneurs up-to-date about the newest technologies and methods used in their respective industries, and the events and opportunities that should not be missed. Estonian entrepreneurs for their part often mentioned that entrepreneurial characteristics, such as courage and self-esteem, should be supported by the training.

A common issue raised by the interviewees was that the content of the entrepreneurial training should be adapted to the needs for creative entrepreneurs. In other words, general issues should be taught, but from the perspective of creative industries: *“The courses should include copyright issues, patents, trademarks, and especially for creative people.”* (E20) On the other hand, it was acknowledged that many skills are such that are needed by any entrepreneur: *“It is important to study the basic concepts of, say, microeconomics, macroeconomics and marketing also for the creative industry entrepreneurs.”* (L12) In addition, the basic issue of balancing between art and business is an area, which should be addressed in training: *“The training should help you in finding the identity of your company and your professional identity, and seeing the difference of yourself from the company.”* (S01) In more practical terms, a “roadmap” for running the enterprise would be appreciated: *“As artists are quite chaotic, education*

*should provide some kind of formula or guidance to stick to [...], reminding what one must not forget when trying to save time.” (L10).*

Another principal issue related to the content of entrepreneurial education was the need for taking the practical applicability of the knowledge taught into account. This includes using more real life examples in the education, and teaching practical skills: *“Practical skills, such as writing project proposal, say, for the European Union funds, should be taught.” (L13)* Furthermore, the suggestions for the practical content of entrepreneurial education were dependent also from the phase of the respondent’s own entrepreneurial activity. Some interviewees, particularly in Estonia, mentioned the importance of information about how to start a business. On the other hand, there were others who stressed the importance of approaching the taught issues in the international context instead of focusing only in the home country: *“[There should be topics] linked to the processes in Europe, and their understanding since the practices are different country by country.” (L06)*

Financial issues were mentioned from various points of view. Some entrepreneurs viewed that entrepreneurial education should provide information about opportunities for financing, and how to exploit them. On a more practical level, various aspects of financial management such as accounting and taxation were mentioned as important part of education: *“Special attention should be paid to accounting because it is extremely difficult to creative people.” (E01)* In addition, the importance of teaching communication skills was mentioned both in the context of personnel management, and in relation to customers: *“How to network, how to cooperate with other people and companies, how to contact them.” (S01)*

## **Methods of teaching**

As already discussed above, the knowledge provided should be applicable in practice. In terms of teaching and learning methods, the practical aspect includes both interactive and participatory methods, which enable learning by doing. Concretely, such methods include group works, and working on concrete business cases: *“In these courses, students should have many presentations and do a lot of work on their own: find information, analyse it, find financing opportunities, etc.” (E07).* It was also noted that working in groups serves the aim of building networks among the participants in addition to learning different skills. Moreover, it was emphasized that successful entrepreneurs and professionals should be engaged as teachers: *“Guest lectures*

*held by professionals from whole world, and workshops should be included.”*  
(L23)

### **Format and duration of the program**

The final aspect in the discussion about preferred models for entrepreneurial education was the format and duration of the training program. Here, different opinions were presented. The preferred format of education was in part linked to the status of the entrepreneurial activity of the participant. In addition, some interviewees (particularly in Estonia) mainly commented the entrepreneurial education provided as part of university studies, whereas others understood it as training provided to persons already running an enterprise.

As regards education provided as part of university education, there was the same division of opinions as above concerning the timing of entrepreneurial courses in the curriculum. Some think that entrepreneurship courses should be towards the end of the studies, as then the students need to think about their future after studies and know already whether they would be engaged in entrepreneurship: *“I think that during the first year no-one would take it seriously”* (EE\_Ento6). Others find that the entrepreneurship courses should be provided at an early stage of studies in order to raise awareness of entrepreneurship as an employment option. According to a respondent: *“Even before going to study creative subjects people should know that there aren’t many jobs available and they have to be prepared to become entrepreneurs.”* (E05) On the other hand, it was stressed that entrepreneurship as a subject should be integrated to every subject of the university and *“not just have one intensive course that is easily forgotten afterwards.”* (E10) Alternatively, entrepreneurial courses should run continuously throughout the studies as electives.

When discussing the entrepreneurial courses provided to persons already working as entrepreneurs, the main question was how to balance studying and working. Many interviewees viewed that entrepreneurship courses should be organised in intensive 2-3 day periods spread for the overall duration of up to one year. According to a respondent *“I am definitely against 2-3 year full time program and against courses once a week, they should be intense and at the same time allow an architect to work 6-8 hours a day in his own business.”* (L01) On the other hand, as regards entrepreneurial training focusing on the start-up phase, it was viewed that the participants would be able to commit more time to the education in order to get an overview of the basic aspects of entrepreneurship.

## **Interest in own teaching and coaching activities**

The final question addressed to the interviewees was whether they would be interested in contributing to entrepreneurial education themselves as teachers or coaches. As for many other questions in this study, the respondents' opinions diverged in this respect. In the Finnish sample, only few interviewees expressed interest in teaching. The topic would in these cases be the own professional substance rather than entrepreneurial skills as such. In contrast, most of the Estonian and Latvian interviewees would be interested in teaching. The preferred form would be sharing one's own entrepreneurial experience as a success story, or sharing practical tips "to help others to avoid the mistakes that I have done". Moreover, the format of teaching would in general be very practical, including providing students with real-life cases to solve.

As it comes to motivations for feeling positively about teaching, some interviewees felt that it is their obligation to teach the young, and to show that entrepreneurship is not hard and motivate them to become entrepreneurs: "*It is great if I can be inspiring to people that want to be inspired.*" (S04) Moreover, some respondents viewed teaching as beneficial for one's professional development: "*[I would say yes to teaching] if it ensures self-development in the professional sphere and contacts to be established.*"(L02) and. The entrepreneurs are also prepared to act as consultants in student projects.

Some interviewees were against teaching just because they did not like to perform in public. Others, who felt that they were not ready to teach, would be willing to do it later when their business is doing better and is successful. There were entrepreneurs, who themselves had benefitted from presentations from practitioners, and would like to continue the tradition: "*In our faculty I really appreciated that every now and then, there was a former student, who very casually talked what he did after graduation, just to see an example how to manage. That something I want to contribute in a couple of years from now.*" (S05)

## 7. Summary and conclusions

This report presented the results of a qualitative study, the data for which was collected by interviewing young, creative entrepreneurs in Finland, Sweden, Estonia and Latvia. The purpose of the study was to provide information applicable in the development of a cross-border training program in creative entrepreneurship. The final section of the report summarizes the key findings of the study, and their implications to the development of such training program.

### **Background characteristics of the interviewed entrepreneurs and their enterprises**

The majority of the entrepreneurs interviewed were below 35 years of age, and the interview sample was relatively evenly divided between male and female respondents. The interviewed persons were in most cases (70%) the sole owners of their enterprises. Furthermore, 70% of interviewees had higher education, and majority of them had taken entrepreneurial courses. The age of the enterprise fell most frequently in the category 1-2 years or 3-4 years, and Limited Liability Company was the most common legal status. Many of the enterprises had no paid employees in addition to the entrepreneur him or herself. The distribution of the enterprises across various creative industries was relatively heterogeneous. The largest group, design, comprised a fifth of all enterprises. It was followed by the groups of audiovisual activities and architecture, which held a 15% share each.

### **Motivational factors and business idea formation**

The motivational factors fell almost entirely into the category of intrinsic rewards as pull factors, including the opportunity for self-realization, freedom and independence. Push factors, such as problematic employment situation, were mentioned only by a few interviewees per each country. The competences and skills acquired in paid job or through studies were the main source of business idea in all countries. Moreover, there were entrepreneurs in all country samples, whose business idea was clearly demand-driven, i.e. based on a niche on the market. The time required to realize one's own business idea into a concrete entrepreneurial activity varied from some months to several

years. In all country samples those entrepreneurs, who had tested the feasibility of their business idea, were in the minority. The most active entrepreneurs in this regard were among the Finnish sample. Few had, however, made market research as such but tested the idea among friends and colleagues.

### **The start-up process and business development**

The existence of a business plan was most common in Finland, and most uncommon in Latvia. The preparation of a business plan was often viewed as an external and obligatory task. The writing of the business plan had usually been relatively easy. Main difficulties had been faced in writing the financial part of the plan. Consequently, it was this area, where the entrepreneurs had used professional help from friends or from entrepreneurship support structures. The Finnish respondents were most positive towards the usefulness of a business plan, whereas the Latvian entrepreneurs were the most sceptical ones. Those interviewees, who saw the business plan as useful described it as a tool that helps the entrepreneur to clarify and visualize to him- or herself the overall logic of the business.

In all countries the majority of interviewees had financed their start-up phase from internal sources, mainly personal savings. Some entrepreneurs in Finland, Estonia and Sweden had used external funding from public sources, such as start-up grants and business incubator grants. In Latvia, in contrast, the use of public funding was practically non-existent. In the Finnish sample, the main source of other than financial support was the business incubator, where the company had been a resident. This included training, individual consulting and support from peers and experienced entrepreneurs. In Estonia, advisory services had usually been granted in parallel to the financing from public organizations. In Latvia, there were practically no interviewees, who would have received support from formal support organizations.

The most important needs for support for the Finnish interviewees included consultancy in marketing, opportunities for networking with peers, and concrete services such as bookkeeping. Among the Estonian entrepreneurs there would be a need for a consultant or mentor. The support that would be needed for Latvian start-ups in creative industries included financial resources, and consultancy in accounting, legislation and marketing.

Few Finnish or Swedish interviewees reported about particular problems in business development. The problems, when mentioned, were related to the

challenges in finding customers, or recruiting and managing personnel. Such problems had been faced also in Estonia and Latvia. The Latvian and Estonian interviewees indicated also problems such as heavy bureaucracy, taxation, and copyright legislation. In addition, there had been financial problems, part of which was related to the general economic situation. Regarding future plans, in the Estonian and Finnish samples majority of the interviewees was looking for expansion of the market, or was planning to further develop their products. In Latvia, the most common short term plan was to “survive the crisis”, whereas in the longer term many Latvian respondents were looking for international expansion.

### **Perceptions of internationalization**

Majority of the interviewed entrepreneurs viewed internationalization positively. The main motivation for going international was to get access to larger markets. The motivational factors “pulling” entrepreneurs to internationalize include the opportunity to get new ideas, knowledge and skills from markets that are perceived as more advanced than in the home country. The barriers for going international included doubts about one’s own competitive advantage in the tough competition on the foreign market, and the increased effort to adapt to the different business and regulative environment. The most preferred direction for internationalization was Europe, and the Baltic Sea region in particular. The Scandinavian respondents emphasize the similarity in tastes and cultural traditions in the neighbouring countries, whereas the Baltic respondents stress the market opportunities due to the well-developed stage of their particular industry.

The international activities of the respondents include traditional non-equity operation modes of international business such as import, export, subcontracting, or contract manufacturing. Equity-modes, which would imply capital investment abroad into a joint venture or subsidiary, had not been established yet. In addition to commercial operations, some interviewees referred to international activities, which have more of an artistic than commercial character. Most often, the kind of international cooperation is participation in international networks among professionals in the same field.

One of the key challenges in internationalization for the case companies was the lack of resources for searching international partners and investigating foreign market opportunities. In addition, it was mentioned that finding financial resources for the investments that foreign entry would require, is very

challenging. Consequently, the two main fields of support needs in internationalization among all country samples include assistance in finding business contacts and establishing international networks, and financing for exports and other international activities.

### **Entrepreneurial competences and the role of education in providing them**

The main competences that entrepreneurs interviewed for this study mentioned include the motivational aspects, professional knowledge and personal characteristics. Entrepreneurial motivation was described as a strong vision or passion for what the person is doing, and the desire to transform it into a business activity. The personal characteristics perceived as important included ambition, strive for achievement and self-confidence. Moreover, communication and interpersonal skills were emphasized. This includes the ability to create networks, and to promote and sell one's own product.

The prevailing opinion among the respondents was that entrepreneurial skills and competences can be acquired through education, but also certain personal characteristics are needed to make them operational. In addition, it was emphasized that some skills and competences can be acquired not through traditional education methods, but rather learning on the job.

The own strengths as entrepreneur included most often knowledge in terms of professionalism, and networking and communication skills. Regarding the weaknesses, Finnish respondents mentioned issues such as lack of long-term orientation, low ability to manage stress, weak financial skills, and low risk tolerance. The Estonian and Latvian entrepreneurs, in contrast, referred most often to their lack of experience and business skills. Moreover, some respondents felt themselves more artists than entrepreneurs, and felt somewhat uncomfortable when they should sell their products or services. The Finnish and Swedish respondents hardly mentioned any problems caused by lacking knowledge or skills, whereas respondents from the two Baltic States had experienced problems related to financial aspects of management.

### **Suggestions for an improved model of entrepreneurship education for creative industries**

The participation in entrepreneurial education after start-up phase was most common in Finland and in Estonia, and the least common in Latvia. The



duration of courses had varied from study programs to occasional lectures and seminars. The content of the training ranged from comprehensive courses in creative entrepreneurship to specific topics. Most frequently mentioned topics were management and leadership, human resources, financial management and marketing.

In Finland, Sweden and Estonia the positive opinions about the usefulness of education prevailed, whereas the Latvian respondents were more critical. Some entrepreneurs emphasized the practical skills acquired, whereas others appreciated the psychological benefits of the training, including increased self-confidence. Interactive and consultative methods rather than traditional classroom lecturing were appreciated, as well as contacts and a networking opportunity with other beginning entrepreneurs. The most frequently criticized aspects were related to the low practical applicability of the knowledge provided and too theoretical teaching methods. Some respondents perceived the courses provided as too long and time-consuming.

As regards suggestions for future training, Finnish respondents most often called for information about the everyday obligations of the entrepreneur (such as tax reporting), financial planning, and sales and marketing skills. In Estonia and Latvia the needs ranged from specific areas such as accounting to more general areas such as strategic management. A common issue raised by the interviewees was that the content of the entrepreneurial training should be adapted to the needs for creative entrepreneurs. Another principal issue was the need for taking the practical applicability of the knowledge taught into account. Furthermore, many interviewees called for interactive and participatory methods, which enable learning by doing. Moreover, it was emphasized that successful entrepreneurs and professionals should be engaged as teachers. Entrepreneurship courses should preferably be organised in intensive 2-3 day periods spread for the overall duration of up to one year. Some interviewees, mainly in Estonia and Latvia, would be interested in sharing one's own entrepreneurial experience as teachers.

### **Conclusions and implications for training program development**

The results of the research provide valuable insights for the development of entrepreneurial training and other support measures for creative entrepreneurs in the Central Baltic Region. This includes the content, methods and format of training alike. Moreover, the relatively large sample of young, creative entrepreneurs from the four target countries enables the identification

of common traits as well as differences among them, which need to be taken into account when designing education. The comments of the interviewees also give information about the different national contexts that the creative entrepreneurs are operating in, and the consequent challenges in business development.

First, the research shows that the motivational factors and paths towards entrepreneurship are relatively similar in all studied countries. Majority of the interviewees in all countries were creative professionals in their own field, and the entrepreneurial motivation and business idea had risen from the desire to exploit of one's own professional skills more in full than in paid employment. This desire was, however, often combined with the lack of business skills and the capability to transform the idea into self-sustaining business. Moreover, the non-traditional nature of creative businesses was reflected in some respondents' sceptical attitude towards business planning. The business plan was perceived as a bureaucratic document required by business incubator or funding agencies, but with no real use in everyday life. On the other hand, there were entrepreneurs who had managed to make the business plan into a useful tool, which evolves hand-in-hand with the business. Here, a central challenge for educators is how to teach creative entrepreneurs to approach the business plan as a useful and flexible instrument instead of a piece of paper with irrelevant and unrealistic standard calculations?

Second, the importance of networks and support from peers was highlighted throughout the study. A characteristic for creative industries is the non-linear nature of business, based on projects and teams built around a specific assignment instead of a permanent organization with standard production process. Consequently, the encouragement of networking of the participants – both among themselves and with other professionals - should be a central part of training programs for creative entrepreneurs. The Central Baltic countries provide a fertile ground for such networking, as in all four countries the most preferred direction for internationalization is in the other countries in the region. Moreover, the perceived cultural closeness in the region serves a basis for a common identity, which could be transformed as a selling argument when entering global markets.

Third, the discussions with the entrepreneurs underlined the importance of a 'hands-on' approach in educational measures targeted to creative entrepreneurs. This concerns both the methods and content of education. The entrepreneurs stressed the importance of learning by doing, and preferably through concrete business problems and situations. In an ideal case, the

learning material would be provided by the student's own enterprise, which would ensure the practical applicability of the knowledge and skills acquired in the training. Moreover, the involvement of experienced entrepreneurs as teachers would be appreciated. They would provide role models and share valuable experience, but also act as conduits between the young entrepreneurs and their own networks.

Finally, although there were many similarities among entrepreneurs from the four countries studied, there were also certain differences, which need to be taken into account when designing training initiatives. This concerns both the different level of business skills of the entrepreneurs, and the skills needed in order to cope with the local business environment. Although there were some skills that would need improvement in all countries, such as sales and marketing, the training needs in other areas were different. Consequently, when designing an international training model, it should have flexible modular structure rather than a standard program. This would enable the adaptation of the content as regards to practical skills by country.

To conclude, the research results show that there is a good potential for the collaboration among young, creative entrepreneurs in the Central Baltic Region. This study provided building blocks for support measures, which can contribute to the exploitation of this potential more in full in the future.

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# Annex 1: Interview guide for interviews with entrepreneurs

## Aim

On the basis of 20-25 interviews, the aim is to obtain the opinions of start-ups of Creative Industry

- factors facilitating/hindering to start a business, incl missing knowledge and skills from educational institutions
- on the content and key issues concerning the entrepreneurship education needful for obtaining knowledge and skills for starting a business
- special features of creative entrepreneurship, needful to consider in creating a model for creative entrepreneurship

## Guiding rules

The interview should deepen knowledge already gained from secondary sources.

All entrepreneurs approached for an interview will be acquainted with the aims of the project and the purpose of interview that is requested. They will be given assurance that any data they provide will not be used in a way that would enable them to be personally identified.

Upon agreement with the interviewees, the interviews will be recorded, for subsequent analysis. If they are not willing for the interviews to be recorded, the interviewer will make notes. After interview a detailed report in mother language and 2-3 page summaries in English will be prepared.

## Topic list

### 1. Short information about interviewed person and enterprise

The aim of this section is to produce general characteristic of the person and enterprise interviewed according to the topics listed below
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**1.1.** Name and status (e.g. owner, manager) of the respondent, age, education, speciality, training, courses taken.

**1.2.** Name of the enterprise, started (year) alone or with co-owners, field of activity, legal form, ownership (domestic/foreign), number of employees when

starting and change over last year (2009) (increase, same, decrease); change in sales (increase, same, decrease)?

**1.3.** What **motivated** to be an entrepreneur? (Relatives, friends, any other role models; critical incidence, the interviewer can also consult the list of motivational factors in the student questionnaire)

**1.4. Future plans** in general; growth perspectives; issues of networking, plans to reach to international markets (where?), etc?

## **2. The process of starting an enterprise and difficulties/problems faced.**

The aim of this section is to obtain the views of entrepreneurs of different specialities of creative industry about the process of starting an enterprise and the difficulties/problems faced in this process, and the factors influencing it.

**2.1.** Finding a **business idea**, assessing **market opportunities** and **competitive advantages**. Time from finding an idea to the starting with real work, influencing factors.

**2.2.** Did you prepare a **business plan** before starting with the business. Facing any difficulties in writing the business plan. Did you find the business plan useful? Who did you approach with help for the business plan.

**2.3. Finding resources for financing.** The use of support (public supporting programs; consultants, banks, friends, etc.)

**2.4.** Who offered you **support during the starting** phase and why? What kind of support would you have needed in the starting phase? What kind of additional measures would be useful for supporting entrepreneurship in CI? What other needs?

**2.5. Problems in business development after starting** (growing phase), incl support needs.

## **3. The experience of internationalisation**

The aim of this section is to obtain the experience of respondents concerning the internationalisation of enterprises and key factors to stimulate networking of young entrepreneurs from creative sector in CB region

**3.1.** Opinions and attitudes towards **internationalisation**.

**3.2. Where to go international** and why? Push and pull factors.

**3.3.** What kind of **international experience** do you have ( e.g. customers, suppliers abroad)

**3.4.** Do you have **general international networking experience**?

**3.5.** What **business structures** do you consider **for being international**? (For example branching, franchise, buying a local business etc.)

**3.6.** What are the **main problems and obstacles for internationalisation**.

**3.7.** What are the **needs for supporting doing international business**?

#### **4. The evaluation of the entrepreneurship education and training needs of SMEs**

The aim in this section is to obtain the experiences of respondents concerning entrepreneurship education and key issues needful for obtaining knowledge and skills for starting a business

**4.1.** What are the **most important skills** that an entrepreneur should have?

**4.2.** What is the **best way to get such skills**? (only through experience, from education)

**4.3.** What are your **strengths as an entrepreneur**?

**4.4.** What are your **weaknesses as an entrepreneur**?

**4.5.** Participation in the courses/training programs on entrepreneurship (before or during the start-up process).

**4.6.** The **evaluation of entrepreneurship courses** taken before or during the start-up process (e.g. content, duration etc)

**4.7. Problems faced due to lack of knowledge and/or skills** in the process of starting the business and further development/growth.

**4.8.** How do **you assess the training possibilities** from universities or from other institutions/ business supporting programs? Plans for the future educational development? (What courses would you attend?)

#### **5. The creation of a model of entrepreneurship education for CI?**

The aim of this section is to identify on the basis of the opinions of respondents the knowledge and skills needed to include into a model of entrepreneurship education for schools teaching CI or training courses



for start-ups and growth companies

**5.1.** How do you **assess the courses available** for start-ups, for university students etc. How to improve them?

**5.2.** The opinion of respondents about the **content (topics) of training program/courses.**

**5.3.** The opinion of respondents about the **duration of the program/course**

**5.4.** Would you like to do some **teaching/coaching activities.** In the case you should teach, how would you do that?





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