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## Home Country Institutional Context and Entrepreneurial Internationalization: The Significance of Human Capital Attributes

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(Article begins on next page)

# **Home country institutional context and entrepreneurial internationalization: the significance of human capital attributes**

## **Abstract**

The global economy involves enormous internationalization activities that provide untapped opportunities for entrepreneurs and businesses. This study sets out to improve the understanding of the role of the home country human capital on entrepreneurial internationalization. To advance this understanding, we conducted an analysis of data from 28 European countries using structural equation modeling (SEM) with partial least squares (PLS). The result of an empirical analysis revealed that the entrepreneurial intentions of the country's non-entrepreneurs has a positive and significant impact on effective business creation and the latter consequently has a positive and significant impact on the level of internationalization. Also, our findings indicate that the level of education has a negative impact on entrepreneurial readiness/awareness.

**Keywords** Internationalization, Entrepreneurship, Home Country Institutions, Human Capital.

**JEL Classification** L26, F24, M16

# **Contexte institutionnel du pays d'origine et internationalisation entrepreneuriale : importance des attributs du capital humain**

## **Abstrait**

L'économie mondiale regorge d'énormes occasions d'internationalisation encore inexploitées par les entrepreneurs et les entreprises. Cette étude vise à améliorer la compréhension de la relation entre le capital humain du pays d'origine de l'entrepreneur et l'internationalisation de son entreprise. Pour examiner cette relation, nous avons analysé des données de 28 pays européens en utilisant la régression PLS (Partial Least Square Regression). Le résultat de cette analyse a révélé que les intentions entrepreneuriales des non-entrepreneurs ont un impact positif significatif sur la création effective d'entreprises et que cette dernière a par conséquent un impact positif significatif sur le niveau d'internationalisation. En outre, nos résultats indiquent que le niveau d'éducation a un impact négatif sur la préparation / prise de conscience de l'entrepreneur.

**Mots-clés** Internationalisation, entrepreneuriat, institutions du pays d'origine, capital humain.

**Classification JEL** L26, F24, M16

**Research Purpose:**

This research debates improving the understanding of the function of the home country human capitals on entrepreneurial internationalization.

**Contributions of the paper:**

This research contributes to the literature not only by empirically testing the rarely acknowledged linkage between home country institutions and entrepreneurial internationalization but also through the expansion of the institutional perspectives by focusing on human capital attributes such as societal attitude toward entrepreneurship, level of education, and readiness/ awareness for entrepreneurial activities of business venturing.

**Methods and Data:**

For the empirical analysis, the data were taken from the Global Entrepreneurship Monitor (GEM), World Bank Doing Business Index (EDBI), and the Human Development Index (HDI) for the year 2012. As for the analysis, the data related to indicators and test the framework, the Partial Least Squares- Structural Equation Modeling (PLS-SEM) was utilized.

**Results/Findings:**

The total number of nine hypotheses tested through an empirical analysis. As such, the findings reveal that education discourages the propensity to self-employment and have a negative influence on the awareness and readiness of non-entrepreneurs to create a new venture. It is also seen that societal attitudes toward entrepreneurship have positive, but not significant, impacts on both readiness/ awareness and intention towards business creation. Entrepreneurial readiness/ awareness is shown to have positive and influence the intention. The linking intentions to business creations revealed that the higher entrepreneurial intention among the non-entrepreneur population of a country results in a higher level of business creation in that country. The significant link found between the increase in effective business creation in a country and the intensity of internationalization businesses. The moderating impact of the level of competition on the relationship between business creation and internationalization was significant while the moderating effect of the ease of doing business on the relationship between intentions and business creation was not significant.

**Limitations:**

A limitation of this study links to use national-level data from 28 European nations that naturally makes our sample small. Another challenge arising from the use of secondary datasets (GEM etc.) is the relevance of elements data as a specific measure that represents the assumed concept. Ideally, we would have used purpose gathered primary data, but this was not feasible. We believe our use of the selected secondary data has resulted in sound, justified findings.

## 1. Introduction

In recent decades, the business environment has been characterized by, among other phenomena, the liberalization of nations and their increasing contribution to the global economy (Aulakh and Kotabe, 2008). In line with this increase in globalization (Kiss et al., 2012), the interest in the field of international entrepreneurship (IE) has grown (e.g., Dana, 2017; Dana and Wright, 2009; Etemad, 2005; Hisrich et al., 1996; Jafari Sadeghi and Biancone, 2017a; Knight and Cavusgil, 2004; McDougall and Oviatt, 2003, 2000; Zahra and George, 2002).

In the IE literature, scholars have focused on factors that facilitate internationalization: some on the individual attributes (e.g., Manolova et al., 2002), others on firm attributes (e.g., Zahra and Garvis, 2000), and still others who have identified country attributes (e.g., Bruton et al., 2010; Busenitz et al., 2000). Those in the last group have tried either to identify the consequences of entrepreneurship on the country or to identify institutional factors that facilitate international entrepreneurship. In the first stream of this group, entrepreneurship is considered as one of the drivers of the economic development of countries (Acs et al., 2014, 2008; Beugelsdijk, 2007; Grigore and Dragan, 2015; Wennekers, Sander; Thurik, 1999). Acs et al. (2012), Bruton et al. (2008), and Kiss et al. (2012) emphasize the critical function of entrepreneurship in propelling ventures into global markets and thus facilitating the country's growth in the economy. In the second stream, the one to which the current study belongs, home country environments are often highlighted to be one of the significant pushing drivers for the international entrepreneurship (Etemad, 2009). According to Bruton et al. (2010: 422) institutions considered in terms of either regulatory, social, and cultural influences, either in terms of organizational and individual behavior, or in terms of the cognitive pillar, define “what is appropriate in an objective sense, and thus render other actions unacceptable or even beyond consideration”.

Some scholars have examined the country regulatory, cognitive, and normative dimensions that give some countries a competitive advantage in entrepreneurial activities over others (Busenitz et al., 2000; Manolova et al., 2008). Others have examined the importance of some country factors such as the governance (Grosanu et al., 2015), information asymmetries (Klapper and Love, 2011), and human and intellectual capital (Ugalde-Binda et al., 2014; Unger et al., 2011). Unger et al. (2011) for example highlight that for being successful in entrepreneurship, human capital attributes are critical resources. Human capital resources are not only perceived to be the most important element that an entrepreneur can bring to an

emerging business (Becker, 1993; Brush et al., 2017), but also as crucial contributors to the outcomes in international activities of the firms (Ruzzier et al., 2007).

As Bell et al. (2003) claim, a domestic market with unpropitious circumstances can provide motivational impetus for the internationalization of the domestic ventures which mostly stem from necessity (e.g. the desire to increase the profitability of venture against unfavorable home country environment). Oviatt & McDougall (2005) develop a model of the forces affecting the speed of internationalization. They argue that speed is motivated by competition, enabled by technology, and moderated by the knowledge level of the opportunity and the venture's international networks. A more general discussion is that entrepreneurial internationalization involves a self-reinforcing and time-sensitive cycle of relationships (Jones and Coviello, 2005). More recently, researchers have started studying the types of knowledge competencies that influence the entrepreneurial internationalization (Jones et al., 2011). Spence & Crick (2009) found that knowledge, market knowledge to be more precise, is crucial to shaping the initial and subsequent internationalization of new ventures; they also represent that knowledge and experience help fine-tune the firms' existing strategies, and market penetration is facilitated by experiential, buying and network knowledge.

Chiles et al. (2007) highlights that, in the national level, the institutional environment not only contributes significantly to the intensity but also the nature of entrepreneurship in its society. Literature has explored the influence of the institutional environment in (international) entrepreneurship (e.g., Gupta et al., 2014, 2012; Sambharya and Musteen, 2014). However, there is still a gap for studying the country human capital in terms of entrepreneurial knowledge and skills of the people of the country (Chen et al., 2017). Yet, DiMaggio and Powell (1991: 28) have recognized that “institutions are not only constraints on the human agency; they are first and foremost products of human actions”. The impact of the human action on institutions at the heart of institutional theory has been documented by different authors, some insisting on the importance of human actors to change institutions (e.g., Battilana et al., 2009), others examining the responses of the human agency to the pressures of competing institutional logics (Oliver, 1991; Pache and Santos, 2013; Vermeulen et al., 2016) or even, developing a theoretical explanation of the necessity to consider both agency and structure in the institutional theory (Cardinale, 2018; Harmon et al., 2018). There is still a need for empirical studies on this last trend to better understand the extent and limits of what Harmon et al. (2018: 2) have called “assumptions underlying the structure vs. agency debate” on the microfoundations for institutional theory.

In this paper, we build on the wealth of material on the human capital attributes associated with entrepreneurship to address the influence of the home country institutions on the successful creation and international performance of entrepreneurial businesses. The first contribution of this study is to empirically test the poorly understood linkage between home country institutions and entrepreneurial internationalization (Estrin et al., 2016a; Marano et al., 2016). The second contribution is an expansion of the institutional perspectives (Bruton et al., 2010; Khanna and Rivkin, 2001; Peng et al., 2008) by focusing on human capital attributes of business venturing (Dias and Tebaldi, 2012; Faria et al., 2016). By doing this, we respond to the wish expressed by Cardinale (2018: 148) “to solve the paradox of embedded agency... and to show how action within institutions can be reflective and yet influenced by structure”.

Empirically through a structural modeling method, we test the behavior of three human capital factors (societal attitude toward entrepreneurship, level of education, and readiness/ awareness for entrepreneurial activities) on the business venturing intention among the non-entrepreneurial population and ultimately on internationalization. We also examine how these links are affected by the ease of doing business and the perceived level of competition. We conducted our analysis using the Global Entrepreneurship Monitor (GEM) data and the Ease of Doing Business Index (EDBI). Focusing on twenty-eight European countries. The choice of these countries is motivated by the fact that Xavier et al. (2012) had found important differences between geographic regions and economic development levels in the GEM 2012 report. Out of all the 28 countries considered in this research, 22 are members of the European Union and six are Non-European Union members (Turkey from this group is not included in the study). Ten are in the efficient-driven economies and 18 are in the innovation-driven economies.

In the text that follows, we begin by defining the theoretical concepts of entrepreneurial internationalization and home country institution, which serve as the principal for setting up our conceptual model and developing hypotheses. Thereafter, we address the research methodology employed such as the data gathering, measurements, constructs and methods utilized in hypothesis testing. Further, we represent the empirical results for the structural model and give the discussion of the findings. We explain the limitations of this study and give some clue for the future research directions, and then provide a conclusion of the paper.

## **2. Theoretical framework and hypotheses**

### *2.1 Entrepreneurial internationalization*



The initial literature on internationalization referred to as the Uppsala internationalization process (Johanson and Vahlne, 1977), suggested that firms internationalize on a step by step process by exporting to develop their business activities (Ferreira et al., 2017). However, the Uppsala or stages model of internationalization has proven to be less relevant than previously considered. This is because the approach fails to offer insight into why some firms enter foreign markets in a fast and direct process rather than the expected step by step process (Ferreira et al., 2017). This meant that the previous research on the stages model and also internalization theory that argued firms go overseas to exploit their internally developed knowledge could no longer be applied to all firms (McDougall et al., 1994b). Rather, depending on the type of firm, the internationalization process can begin early in their evolution (global born or international new ventures) whilst others react to market trends (Hennart, 2014).

## *2.2 Home country institutional environment*

Traditionally, the concept of the institutional theory was used to discuss how different organizations secured their legitimacy and positions by complying with the norm and rules of institutional environment (Meyer and Rowan, 1977; Scott, 2007). Scott, (1995) classifies the institutions into three general categories: regulative, normative, and cognitive. Extant research provides an understanding of the country institutions on the entrepreneurship (e.g., Baughn and Neupert, 2003; Bowen and De Clercq, 2008; Hayton et al., 2002; Stephan and Uhlaner, 2010). Prior research regarding the institutions of entrepreneurship commonly investigates different contributors at the country level (e.g., Baughn and Neupert, 2003; Beugelsdijk, 2010; Grigore and Dragan, 2015; Gupta et al., 2014, 2012; Sambharya and Musteen, 2014). As such Kibler et al. (2014) find that entrepreneurial intention to create a business is positively linked to the social perception of the entrepreneurship to be a legitimate activity. In another study, Vaillant and Lafuente (2007) highlight that social traits such as reactions towards the failure of business creation is an important driver of entrepreneurship in the initial stages. It confirms that societal institutional environments are crucial for entrepreneurial activities within countries. In another stream of the research, education level perceived to be an important institutional factor that affects the individual's likelihood towards creating their own venture (Lafuente et al., 2007). In this vein, some studies indicate the fostering impact of schooling on the venture creation in countries (e.g., Peterman and Kennedy, 2003) while others reveal the opposite (e.g., Oosterbeek et al., 2010). Further, in line with this study, other contextual institutional norms such as entrepreneurial intention

(Tiago et al., 2015), ease of doing business (Stenholm et al., 2013), and readiness towards venture creation (e.g., Schillo et al., 2016) have been studied in entrepreneurship.

When looking at entrepreneurship in an international business context, the institutional theory has been used to explain the significant role of international rules and norms that establish the environment or setting in which the entrepreneurship takes place (Nasra and Dacin, 2010; Wright and Ricks, 1994). Use of this theory has resulted in concepts such as “institutional distance” among various nations (Gaur and Lu, 2007; Kostova, 1999; Phillips et al., 2009) and country-based institutional profiles for entrepreneurship (Busenitz et al., 2000; Kostova, 1999, 1997). Therefore, institutional arrangements are considered to be socio-environmental determinants that explain social, political and legal rules in macro-level that creates the foundation for creating and promoting the internationalization (Arregle et al., 2016; Cuervo-Cazurra et al., 2017; Gaffney et al., 2014; Sally, 1994). In fact, as Lindsay et al., (2017) argue, the institutional theory has been found to be one the most relevant foundations for clarifying how ventures enter the foreign markets. As such, building on the concept of institutional distance, Gaffney et al., (2016) contribute to the internationalization literature by indicating the tendency of emerging market multinationals (EMNEs) to participate cross-border activities when the foreign location is more developed and more protective of knowledge assets. Felício et al., (2016) incorporate cultural institutions and investigate how individual and corporate global mindset influence the internationalization of the firms. In another research, Matanda and Freeman (2009) address the contribution of the perceived environmental uncertainty on the export performance of international firms.

Building on the wealth of material on institutional theory and entrepreneurial internationalization, in this paper we propose a model to examine the role of institutional home country factors, on the new venture creation and entrepreneurial internationalization in the country level, by focusing on human capital factors related the home country institutional norms and rules (as illustrated in Figure 1). Referring to the sense given to this concept by Becker (1993), the country entrepreneurial human capital consists of individual capabilities knowledge, skills, and experience in the country about entrepreneurship. The framework suggests that it contains the country level of education, the societal attitude toward entrepreneurship, and its awareness/readiness for entrepreneurship, all institutional factors.

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Insert Figure 1 about here

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### *2.3 Hypotheses development*

Prior studies deeply investigated the influence of the education on entrepreneurship (e.g., Davidsson and Honig, 2003; Ertuna Zeliha and Eda, 2011; Gorman et al., 1997; Saffu et al., 2008; Tiago et al., 2015; Welsh et al., 2017). Human capital theory in entrepreneurial studies is largely based on the assumption that investment in education leads to higher income (Barney, 1991; Jayawarna et al., 2014) which stimulates individuals to start new ventures (Jafari Sadeghi and Biancone, 2017b).

Although the initial literature discussed that level of education among entrepreneurs is lower than common people (Jacobowitz and Vidler, 1982), more recent studies found that people who start businesses are better educated than people who do not (Bates, 1995; Bowen and Hisrich, 1986). Related to the latter finding, several studies revealed that those with better education are more innovative and more likely to accept new ideas (Brush and Hisrich, 1991; Cooper, 1981; Kimosop et al., 2016). Moreover, according to Daneels (2008), education is related to capacities such as skills, knowledge, and confidence. Although some studies indicate that formal education suppresses innovativeness and entrepreneurship (Chamard, 1989; Peterman and Kennedy, 2003; Plaschka and Welsch, 1990) but some other findings show that it prepares individuals for developing the “take-a-job” mentality (Kourilsky, 1995). Studying how to create a venture can increase the level of confidence required to start an independent career among normal people (Robinson et al., 1991). Moreover, entrepreneurial education improves the individuals’ competencies to be more successful in opportunity recognition and consequently increases the likelihood of entrepreneurship (DeTienne and Chandler, 2004). Therefore, a high-level of education not only enhances the individuals’ intention to start a new venture (Galloway and Brown, 2002) but also fosters the readiness and awareness of an-entrepreneurs for new venture creation, through developing entrepreneurial capabilities (Rae, 2010). However, in this study, we consider the entrepreneurial intention as the likelihood of starting a business in future and address readiness/awareness toward business creation as the required knowledge/ kills to for entrepreneurship as well as fear of failure for starting a business. As a consequence, countries can increase the entrepreneurial intention as well as readiness and awareness of entrepreneurship through the normal people by promoting an individual’s level of education. Hence, based on these arguments we propose two hypotheses:

***H1: The higher the level of education, the greater the readiness/ awareness to starting a business in the country.***

***H2: The higher the level of education, the greater the level of entrepreneurial intentions among the non-entrepreneur population in the country.***

With respect to the Max Weber's concept of "double sociality of entrepreneurship", the social environment has an influence on the entrepreneurial actions and entrepreneurial actions influence the social environment (Steyaert and Hjorth, 2006; Welter, 2011). Entrepreneurship is a part of the routine life, contributing to society (Davidsson, 2003) while at the same being influenced by institutional environments and social norms (Scott, 2007). The normative pillar of institution factors Scott (1995) refers to organizational and individual behaviors with respect to the interaction between professional and social situations (Bruton et al., 2010). Hence, normative societies are constructed by the norm (how thing to be performed), and value (what is properly considered to have significance) as well as rules to which people comply (Scott, 2007). By this virtue, some contexts have social norms that encourage and admire entrepreneurial activities (Busenitz et al., 2000), whereas in some other contexts it is discouraged making the process of new venture creation difficult (Baumol et al., 2007; Bruton et al., 2010; De Soto, 2000). Consequently, the societal attitude toward entrepreneurship positively contributes to the intentions to become self-employed if the business creation is perceived as a value in the society (Lüthje and Franke, 2003). In addition, societal attitude toward becoming a business founder influences the entrepreneurial readiness (Lüthje and Franke, 2003). For instance, mass media, as a societal influence, can impress the attention in markets by setting the agenda for public discourse (Kosicki, 1993; McLeod et al., 1991). The media function as information intermediaries can be particularly crucial for venture creation due to creating awareness regarding entrepreneurship an increasing their salience (Petkova et al., 2013). These discussions lead us to the following two hypotheses:

***H3: The more positive societal attitude towards entrepreneurship in an economy, the higher the readiness/ awareness to starting a business in that country.***

***H4: The more positive societal attitude towards entrepreneurship in an economy, the higher the level of entrepreneurial intentions among the non-entrepreneur population in that country.***

Entrepreneurship literature emphasized on the crucial role of the individual willingness to be self-employed (Baum and Locke, 2004; Mitchell et al., 2000) and

employment of social resources (Castro Abancéns et al., 2014; Ding et al., 2015; Driga et al., 2009; Estrin et al., 2016b; Maula et al., 2005) in new business creation. In addition, it is to mention that entrepreneurial cognition is a critical resource for predicting entrepreneurship (Busenitz and Lau, 1996; Mitchell et al., 2002, 2000). These resources that can be found in entrepreneurs willingness, as well as their individual capability, positively influence the decision making for business creation (Mitchell et al., 2000; Schillo et al., 2016). In accordance with this discussion, we adopt the Lau et al. (2012)'s concept of entrepreneurial readiness that is defined as "an individual's cognitive attributes of capability and willingness to direct behavior in an entrepreneurial context".

The Lau et al. (2012)'s entrepreneurial readiness suggests three assumptions of individuals' self-efficacy (Indarti and Langenberg, 2004). The first element is related to the need for self-achievement, which serves as a motive to start a new business (Olugbola, 2017). The second component is associated with the skills, knowledge, and capabilities required for new venture creation (Lim et al., 2010). Eventually, the last assumption is the entrepreneurial opportunity perception, which impresses the readiness of individuals to be involved in the entrepreneurial activities (Renko et al., 2012; Schillo et al., 2016). Consequently, self-efficacy, which refers to entrepreneurial readiness/ awareness, contributes to the intention of individuals to become an entrepreneur (Indarti and Langenberg, 2004; Kristiansen and Indarti, 2004). By this mean, economies can foster the entrepreneurial intention among the normal population through the fostering the readiness/ awareness of entrepreneurship. Thus, we hypothesize:

***H5: The higher entrepreneurial readiness/ awareness in a country, the greater the level of entrepreneurial intentions among the non-entrepreneur population in that country.***

Considering the humans as the representatives of their own development (Brandtstadter and Lerner, 1999), they get involved in the new business creation intentionally as the result of their choice, not accidentally (Krueger, 2007). In fact, entrepreneurial intention, as the key of understanding the process new venture creation, is the first step of the complex process of entrepreneurial activity (Kolvereid, 2016; Krueger and Carsrud, 1993; Miranda et al., 2017). As Moriano et al. (2012) represented, the entrepreneurial intention is "the conscious state of mind that precedes action and directs attention toward entrepreneurial behaviors such as starting a new business and becoming an entrepreneur". However, the entrepreneurial intention is influenced by formal education (Kuratko, 2005). The aim

of entrepreneurial education is to elicit relevant behaviors/ actions and entrepreneurial intention (Liñán, 2004). To be more precise, it bolsters an interest in entrepreneurial activities among youth students and emerging entrepreneurs (Adekiya and Ibrahim, 2016; Nwankwo et al., 2012). Therefore, entrepreneurial intention, as the crucial element of entrepreneurship, not only enhances the engagement of the individual in new business creation but even incorporates to the starting a high-growth business and effective entrepreneurship (Adekiya and Ibrahim, 2016; Hmieleski and Baron, 2009). In fact, the strengthening of the entrepreneurial intentions among normal people can be considered as a solution to effectively increase the level of entrepreneurship. Hence, we hypothesize:

***H6: The higher level of entrepreneurial intentions among the non-entrepreneur population in an economy, the higher the level of business creations in that country.***

The function of the governments on the business creation and entrepreneurial activities has been the subject of the literature in recent years (e.g., Bowen and De Clercq, 2008; Islam, 2015; Karki, 2012; Minniti, 2008; Smallbone et al., 2010). As a conventional wisdom, Mazzucato (2015), debates that there is a relationship between improving the economic dynamism of a country and having an interventionist government. While there is a belief that government can facilitate the opportunity recognition and entrepreneurship, the others consider the state as the barrier in the process of new venture creation which limits entrepreneurial activities (Yoon et al., 2018). For instance, leveraging the institutional theory, Stenholm et al. (2013) figure out that the government's regulative interventions significantly decreases the rate of entrepreneurial activities. McMullen et al. (2008) highlight that freedom from the government which refers to the less governmental interventions and restrictions enhance the engagement in the self-employment. In fact, according to Nyström (2008), less regulative restrictions and smaller government sector lead to increase the rate of entrepreneurial activities. In the context of our study, following Ruiz et al. (2017), the government intervention is taken into consideration by the index of ease of doing business published by the World Bank, which refers to the measures of business regulation. Therefore, we hypothesize:

***H7: The country level of ease of doing business will have an impact on the relationship between the level of intentions and the number of business creations in the country.***

It is generally declared that entrepreneurial activities positively interact with the performance of the ventures (Covin and Slevin, 1991). Entrepreneurship is conceptualized to be a crucial determinant for the value creation not only in the

domestic market but also in an international environment (Dimitratos et al., 2004; Hitt et al., 2001; Zahra et al., 1999). Entrepreneurial operations can enhance the venture with a competitive advantage in the existing or new markets (Miller, 1983; Zahra and Covin, 1995; Zahra and Garvis, 2000). This discussion is supported by the prior research on the ‘international new ventures’ in the field of international entrepreneurship (Dimitratos et al., 2004).

One important reason for ventures to enter the global markets is to pursue innovative projects (Florida, 1997). In this regard, Fuller and Stopford (1994) highlight that ventures can review their operation and increase their profitability due to innovative projects for the international markets. In addition, as Porter (1990) discussed, the preemptive entrance into international marketplaces, which is probably linked to the entrepreneurial efforts, may lead to an improvement in the international performance of the firm. Regarding the small ventures, Knight (2000) argues that entrepreneurship positively influences the performance of the firms that effectively respond to the challenges of internationalization. Eventually, as researchers have confirmed (e.g., Dimitratos and Plakoyiannaki, 2003; McDougall and Oviatt, 2000; Zahra and Garvis, 2000), entrepreneurship and international performance of the ventures are positively associated. Thus, we hypothesize:

***H8: The higher number of effective business creations in a country, the higher the level of internationalization intensity of businesses in that country.***

The influence of the environment variables characteristics on the international performance of the ventures have been studied through the literature (e.g., McDougall, 1989; Oviatt and McDougall, 1994; Zahra and Garvis, 2000). Firms may perceive the environmental uncertainty through the competitive intensity (Castrogiovanni, 1991), environmental hostility (Kwandwalla, 1977) or volatility (Kohli and Jaworski, 1990), and market turbulence (Jaworski and Kohli, 1993). The perceived environmental uncertainty in the internal market influences the international performance of the ventures (Hitt et al., 1994; Matanda and Freeman, 2009; Porter, 1990). As the consequence of the uncertainty in the home country, ventures are stimulated to pursue opportunities in the international arena due to standing against these uncertain conditions (Das, 1994; Kuivalainen et al., 2004; Zahra et al., 1997). This influence can be also comprehended through the entrepreneurial ventures as uncertain internal environment incites them to enter the foreign markets so as to access to the additional revenues and resources (McDougall et al., 1994a; Oviatt and McDougall, 1994). Moreover, Cyert et al. (1963) address the behavior of entrepreneurial ventures in the uncertain domestic market through

the argument that organizational learning and experiential knowledge can manage the uncertainty. This indicates that the entrepreneurial venture that learns how to manage the domestic uncertainty can take advantage of this knowledge for the successful performance in another uncertain environment like the international market (Dimitratos et al., 2004). Accordingly, the perceived domestic competition, as an important component of environmental uncertainty, may positively enhance the internationalization-performance of the entrepreneurial venture. Therefore, we hypothesize:

***H9:** The level of perceived competition within the country will affect the relationship between the number of effective business creations and the internationalization intensity of businesses in the country.*

### **3. Research method**

#### *3.1 Data collection*

The sample data for this study were extracted from the results of ‘Adult Population Survey (APS) Global National Level Data 2012’ conducted by the Global Entrepreneurship Monitor (GEM, 2016). GEM is the world's foremost study of entrepreneurship, providing custom datasets, special reports, and expert opinion. To create a comprehensive database, GEM conducted numerous interviews the professors, researchers, specialists and entrepreneurs from more than hundred countries. The GEM database applies a homogeneous questionnaire that allows obtaining a broad range of primary data about entrepreneurs. It also defines the total early-stage entrepreneurial activity (TEA) as the proportion of the adult population (i.e., 18–64 years old) in each country (Bosma et al., 2008). Furthermore, using the tried-and-tested methodology and network of local experts, GEM attempts to measure the different characteristics of entrepreneurs, including socio-economic factors, which explain the differences among countries. Therefore, this study uses the items from the GEM-APS National Level data, which represents more than 2000 questionnaires in each country. In addition, in our study, we utilized the Ease of Doing Business Index 2012 (EDBI), which is published by the World Bank. The EDBI (DB, 2017) is a reliable dataset of business environment information (regulations, laws, and costs of doing business etc.) for about 180 economies (Pinheiro-Alves and Zambujal-Oliveira, 2012; Ruiz et al., 2017). Our sample includes the national level data of 28 European countries (See Exhibit 1). As for the educational index, the data extracted from the Human Development Index 2012 (HDI) released by the United Nations Development Program (UNDP, 2012).



### *3.2 Construct and variable measures*

In this study, human capital attitude covers three latent variables. First, societal attitude towards entrepreneurship (Societal attitude), which was measured by two indicators: the percentage of people (between 18-64) who consider starting a business as a good career choice (GoodJob) and the percentage of people (between 18-64) who state that in their country, there is lots of media attention for entrepreneurship (MediaAtten.). Second, readiness/ awareness for entrepreneurship (Awareness) that was operationalized with two variables: the percentage of people (between 18-64) who state that they have required knowledge/ skills to start business (Skill/Knwld.) and the percentage of people (between 18-64) who indicate that a fear of failure would prevent starting a business (FailFear). Third, the level of education (Education), which was measured by the average schooling and expected years of schooling (Education).

Intentions among the non-entrepreneur population (between 18-64) to become an entrepreneur (Intentions) was extracted from the GEM entrepreneurial intentions (Intention). Ease of doing business (Ease) calculated as the reversed country rank (183=1 and 1=183) in the 2012 Ease of Doing Business Ranking (Ease). Effective new business creation (Business creation) was operationalized with two indicators: Active entrepreneurs (between 18-64) in either nascent (SU), baby (BB) or established (EB) business (ActiveBusi.), and the percentage of people (between 18-64) currently involved in business start-up (Startup).

Perceived competition (Competition) was measured by two factors: First, the perceived competition within Total Early-stage Entrepreneurial Activity (TEA) (TEA-Compet.). The TEA-Compet. was built through the sum values weighted with 1=Teacm3 (% within TEA: None businesses offer same product), 2=Teacm2 (% within TEA: Few businesses offer same product), and 3=Teacm1 (% within TEA: Many businesses offer same product). Second, the perceived competition within EB (EB-Compet.). The EB-Compet. was created by the sum values weighted with 1=EB\_cm3 (% within EB: None businesses offer same product), 2= EB\_cm2 (% within EB: Few businesses offer same product), and 3= EB\_cm1 (% within EB: Many businesses offer same product).

International intensity (International), which represents the international performance (Export%), was operationalized with the sum values weighted with 1=AN12ye1p (% within ANY: No customers outside country), 2=AN12ye2p (% within ANY: Export: 1-25% of customers outside country), 3=AN12ye3p (% within ANY: Export: 25-75% of customers outside country), and 4=AN12ye4p (% within ANY: Export: 75-100% of customers outside country).

We have also utilized two moderating effects: Moderating Effect 1 investigates the joint effect of intentions among the non-entrepreneur population and ease of doing business, which is calculated by the result of Ease\*Intention. Moderating Effect 2 is supposed to investigate the joint effect of effective new business creation and perceived competition. It is constructed of four separate variables: EB-Compet.\* ActiveBusi., EB-Compet.\* Startup, TEA-Compet.\* ActiveBusi., and TEA-Compet.\* Startup.

The description of all variables, following the structural equation modeling (SEM) technique, is presented in Exhibit 2.

### *3.3 Data analysis*

To analyze the data related to indicators and test the framework in Figure 1, the Partial Least Squares Structural Equation Modeling (PLS-SEM) we used with the Software SmartPLS 3.0 (Ringle et al., 2015; Temme et al., 2010). The use of the PLS-SEM model by scholars from different disciplines is on the rise (Hair et al., 2012b). This technique of analysis combines formative and reflective variables and allows users to model the measurement errors along with the relationships between multiple dependent and independent variables in a single comprehensive analysis. In addition, it authorizes to confront a priori hypotheses and theory (Bowen and Guo, 2011; Gefen et al., 2000; Ullman and Bentler, 2003). Compared to the covariance-based SEM such as LISREL and AMOS used primarily to confirm or reject theories, “PLS\_SEM is primarily to develop theories in exploratory research” as is the case in the current study (Hair et al., 2014). It offers the advantage to handle small size samples, without being limited by distribution assumptions and “works with metric data, quasi-metric (ordinal) scaled data, and binary coded variables (with certain restrictions)” (Hair et al. 2014: 16).

This advantages of PLS-SEM for the small size and absence of normal distribution in data have been particularly stressed by Barclay et al. (1995); Monecke and Leisch (2012); Vinzi et al. (2010). The issue has even been discussed at length by Henseler et al. (2014) in response to criticisms made by some authors such as Rönkkö and Evermann (2013) to the PLS-SEM. Henseler et al. (2014) affirm (p. 198) that “As Reinartz et al. (2009) show, PLS demonstrates better convergence behavior in the case of small sizes than covariance-based SEM. Our simulations confirm this finding”. However, after recognizing the benefits of PLS-SEM for handling small size samples with no distribution considerations, Hulland (1999: 195) affirms that this technique “requires its own set of assumptions”. Two assumptions have been often mentioned. The first consists in the necessity for the sample size to be “ten

times the maximum number of arrowheads pointing at a latent variable anywhere in the PLS path model” and the second requires the measurement models to have “an acceptable quality in terms of outer loadings” (Hair et al. 2014: 20). Hair et al. (2014: 21) have even presented a table indicating a minimum size of the sample with regard to the maximum number of an arrowhead pointing at a construct, the significance level to assess the results and the minimum  $R^2$  to carry out this assessment. Furthermore, these requirements have already been integrated into the Software SmartPLS to prevent the researcher from continuing analyses if the data miss to address them adequately.

These assumptions were taken into consideration as it can be seen in our model on a sample of 28 subjects where, as it can be seen in the structural model in Figure 1, we have only one latent variable receiving 3 arrows. In addition, if the  $R^2$  of a construct receiving 2 or 3 arrows is 0.75 or lower, the findings will be assessed only at the significance level of 5% and 10%.

As all our constructs are reflective, we have first evaluated the measurement model on the basis of the internal consistency (composite reliability ( $CR$ ) $\geq 0.70$ ), the indicator reliability (Significance of loadings after the bootstrapping), the convergent validity (average variance extracted or  $AVE$  $\geq 0.5$ ) and discriminant validity (Fornell-Lacker criterion) (Hair et al., 2014, 2012a, 2012b; Henseler et al., 2016).

Thereafter, the structural model will be assessed on the basis of the coefficient of determination ( $R^2$ ), the predictive relevance ( $Q^2$ )<sup>1</sup>, the size and significance of path coefficients ( $p=5\%$ ;  $10\%$ ), and the effect size. To this end, bootstrapping and blindfolding calculations will be carried out. The framework in Figure 1 includes one mediating variable (Awareness/readiness) and two moderator variables (Ease of doing business and perceived competition). The moderator variables will be treated using the product indicator approach as suggested by Hair et al. (2014) for reflective indicators.

#### **4. Findings**

##### **4.1 Assessment of the measurement model**

After the first analysis of the data, high collinearity was found for Bus3Yrs (Futsup12: expecting to start a new business in the next three years) and Opportunity (Opport12: perceptions of opportunities), and Startup. Therefore, Opportunity and Bus3Yrs were removed from the Awareness and Intentions. Table 1 presents the

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<sup>1</sup> a  $Q^2$  with a value larger than zero for a reflective endogenous latent variable indicates the path model's predictive relevance for this particular construct (Hair et al. 2014: 178).

loadings, weights, and VIF of the remaining indicators. All the VIF are lower than 5, meaning that there is no collinearity. The loadings of all the indicators, except NBmed12 and the moderating effect 2, are either significant or with the weight value higher than .50. The indicator with the low loading and weight has been retained for theoretical reasons as suggested by Hair et al. (2014).

Table 2 presents the composite reliability (CR), the average variance extracted (AVE), and the discriminant validity (Fornel-Lacker criterion). The composite reliability of all the constructs, except the social attitude, is higher than 0.70. The social attitude will be kept in the analysis, first, for theoretical reasons (Hair et al., 2014) and, second, because it satisfies the other criteria as we will see. The convergent validity of all the constructs is satisfactory as all the AVE are higher than 0.50. And finally, the Fornell-Lacker criterion is satisfied as the square roots of the AVE of each construct is higher than the construct's highest correlation with any other construct. For example, for the awareness, the value 0.795 is the highest than any other correlation between awareness and any other construct. The closest correlation value is 0.422 between awareness and intentions.

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Insert Table 1 about here  
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Insert Table 2 about here  
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#### *4.2 Assessment of the structural model*

Figure 2 presents the results of the bootstrapping analysis. It should be remembered that “Ease” and “Competition” are moderator variables and their positions and those of their moderator effects on the Figure are just the consequence of the product approach used. Accordingly, the interpretation of their values and position should be done cautiously. The Figure 2 indicated  $R^2$  of 0.135; 0.434; 0.585; and 0.500 for respectively readiness/awareness, intentions, business creations, and internationalization. All the path coefficients are positive, except for the path from education to awareness/readiness and intentions as well as those related to moderator variables. The values of  $R^2$  for intentions, business creations, and internationalization are moderate and satisfactory for their predictive strength with regard to the Hair et al. (2014:21; 186)'s Table and suggestions. For the readiness/awareness, the  $R^2$  value is weak. B

ut it should be remembered that the  $R^2$  on this construct indicates just its mediating role towards intentions.

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Insert Figure 2 about here  
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Table 3 presents  $Q^2$  construct cross-validated redundancy (Total) and communality (total) from the blindfolding analysis. As all  $Q^2$  values, except for societal attitude, are larger than zero, the path model's predictive relevance for these constructs is satisfactory. The case of societal attitude will be tolerated for theoretical reasons.

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Insert Table 3 about here  
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Table 4 presents path coefficients and effects. Path coefficients and related effect between, on the one hand, intentions and business creation and, on the other hand, business creation and international intensity are positive and significant (1%). Also positive and significant are the total effects between intentions and international intensity. It is interesting to notice that the paths and/or effects on the links between "education" and awareness, business creation, and intentions are moderately significant (5%), but negative. Also interesting are the positive and high, but not significant, values of paths and/or total effects between social attitude and business creation and intentions. Path and total effects between awareness and business creation are also substantial, but not significant.

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Insert Table 4 about here  
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Regarding the moderating constructs, the path of ease of doing business to the effective number of business creation is very low ( $\beta = -0.017$ ) and the moderating effect is -0.104. As suggested by Hair et al. (2014), a medium level of "ease of doing business" is the reference point. For this level of Ease of doing business (-0.017), the relationship between intentions and effective business creation has a value of 0.726. If the Ease becomes higher (for example if it is increased by one standard point), this would imply that the relationship between intentions and effective business creation by the size of the interaction term and obtain  $0.726 - 0.104 = 0.622$ . Otherwise, the ease of doing business has a negative impact on the relationship between intentions and business creations. But this impact is minimized by the fact

that “Ease of doing business” has a very low impact on the “Business creation” in these countries.

Looking to the second moderating construct, the path coefficient between perceived competition and level of international intensity is  $\beta = -0.122$ . The corresponding moderating effect is 0.156. Using the same rationale than above and considering that the path coefficient between business creation and internationalization is 0.599, this means that if the competition becomes higher (for example if it is increased by one standard point), this would imply that the relationship between business creation and internationalization by the size of the interaction term and obtain  $0.599 + 0.156 = 0.755$ . Otherwise, the level of competition has a positive impact on the link between business creation and internationalization.

## **5. Discussion**

Among all hypotheses tested in this paper, three (H6; H8; H9) have been statistically supported. The high level of entrepreneurial intentions leads to a high level of business creation, and the latter consequently leads to a high-intensity level of internationalization. The increasing level of competition increases the intensity of internationalization. Hypotheses H2 is also significantly supported, but in an opposite direction to the expectation. The high level of education does not seem to favor the entrepreneurial intentions, business creations, and even awareness for entrepreneurship (H1; H2). Hypothesis H7 is weakly going in the opposite direction of the expectation too, meaning that the improvement of the ease of business environment might reduce the realization of entrepreneurial intentions into effective business creation. Among the hypotheses that were not supported, H4 and H5 have important values of path coefficient or total effects in the expected direction, but not statistically significant.

Prior studies deeply investigated the influence of the education on entrepreneurship (e.g., Davidsson and Honig, 2003; Ertuna Zeliha and Eda, 2011; Gorman et al., 1997; Saffu et al., 2008; Tiago et al., 2015; Welsh et al., 2017). Human capital theory in entrepreneurial studies is largely based on the assumption that investment in education leads to higher income (Barney, 1991; Jayawarna et al., 2014) which stimulates individuals to start new ventures (Jafari Sadeghi and Biancone, 2017b). With regard to the education, the opposite direction of our finding is consistent with the outcome of some studies such as those conducted by Oosterbeek et al. (2010), von Graevenitz et al. (2010), and Walter and Block (2016), which revealed that education discourages the propensity to create new businesses (H2). The result can probably be linked to the fact that people can have a better

insight of their own competencies and opportunities. Through this self-perception process, many individuals may possibly find that their interest is in employment or professional activities rather than creating a new business. Oosterbeek et al. (2010) confirm that entrepreneurship education leads to a more realistic self-perception that may slightly decrease the entrepreneurial skill levels among students. Consequently, can education play a negative role in awareness as well as the readiness of non-entrepreneurs to create a new venture (H1). Another possible explanation of this situation could be the level of prosperity at the moment the data were collected. If economic situation is very good and people can easily find jobs, they might sometimes avoid the risky situation of starting their own businesses.

While two of the components of the human capital, the societal attitude and the readiness/awareness did not significantly relate to the intentions, the substantial statistics values linking them to this construct suggests that more studies on a great number of countries could lead to finding significance of these values as previous studies have suggested (Busenitz et al., 2000; Lüthje and Franke, 2003; Manolova et al., 2008). Furthermore, our analysis could not find any support for the hypothesized relationship between societal attitude towards entrepreneurship and the readiness/ awareness to starting a business in the country. However, the positive impacts of societal norms highlight the findings of Lüthje and Franke (2003), in which they discussed that people can be pulled to start their own business if entrepreneurship is comprehended to be a positive social phenomenon in their society. Consequently, social triggers such as mass media attention and socio-cultural supports can imply the self-employment practices as a high-value activity in an economy. Hence, societal attitudes towards entrepreneurship may increase the readiness/ awareness for business creation (H3) through providing a proper social context that stimulates people to increase their knowledge and capabilities in business venturing and even influences the individual's mindset, in which fear of failure does not stop them to pursue entrepreneurial practices. Consequently, these societal attitudes can also contribute to the entrepreneurial intentions among the non-entrepreneur population in the country (H4), confirming that social acceptance plays as a crucial motive that can effect on the intentions among non-entrepreneurs to start their own business. Nevertheless, the individuals' self-achievement motive (versus fear of failure) as well as their skills, knowledge, and capabilities, as components of entrepreneurial readiness/ awareness (Indarti and Langenberg, 2004; Lau et al., 2012; Lim et al., 2010; Olugbola, 2017), foster the entrepreneurial intention among the normal population. Although the results of our analysis could not find a

significant evidence for this positive connection between readiness/awareness and intention but future studies can devote more attention to this hypothesis (H5).

Our findings of the H6 linking intentions to business creations revealed that the higher entrepreneurial intention among the non-entrepreneur population of a country results in a higher level of business creation in that country. Bird (1988) stresses that entrepreneurial intention is one of the most relevant predictors to carry out entrepreneurship. It explains that how an intensely individual is ready for establishing a new venture and how much effort an individual is planning to commit toward the entrepreneurship (Miranda et al., 2017). Krueger et al. (2000) emphasize that the lack of intention mostly will restraint people of being involved with the entrepreneurship, even if they have significant potential. Therefore, policy-makers can develop entrepreneurial behavior and successful venture creation in their countries by promoting self-employment intentions among their people.

The significant link found between the increase of effective business creation in a country and the intensity of internationalization businesses (H8) in that country is supported by the findings by Taylor (2013) and Mostafa et al. (2005). These authors found a positive correlation between entrepreneurship and internationalization. Entrepreneurship, in this case, can play the role of mediator in propelling enterprises into global markets and thus facilitating the country's growth in the economy (Acs et al., 2012). The more the endeavor of entrepreneurs to access the foreign opportunities result the higher the intensity of internationalization. In fact, one leading policy for nations looking for economic growth is to strengthen their effective entrepreneurial activities (Acs and Szerb, 2007; Audretsch and Keilbach, 2004; Prieger et al., 2016; Urbano and Aparicio, 2016).

The moderating impact of the level of competition on the relationship between business creation and internationalization (H9) is not surprising as it conforms to previous studies (Hitt et al., 1994; Matanda and Freeman, 2009; Porter, 1990). The most challenging finding in this study is the direction of the moderating effect of the ease of doing business on the relationship between intentions and business creation (H7). It will need further attention of scholars in the future.

## **6. Contribution, limitation and future research**

This research contributes to the literature through empirically testing the poorly understood linkage between home country institutions and entrepreneurial internationalization (Estrin et al., 2016a; Marano et al., 2016), by stressing on the impact of human capital attributes (Dias and Tebaldi, 2012; Faria et al., 2016). As such, empirically via an SEM approach, this paper examined the function of three



human capital attributes such as level of education, societal attitudes toward entrepreneurship, and readiness/ awareness for self-employment on the intention among the non-entrepreneur people for creating their own business, as represented in the hypotheses H1 to H5. As revealed in the results, the education level of education shows to have a negative influence while the societal attributes and the readiness/ awareness witnessed to positively (but not significantly) effect in the proposed model.

The findings above seem confirming the Cardinale (2018: 147)'s affirmation that "action as a whole combines the two types of motivations": the project and the protention that all depend on the encounter between position and habitus and can be reflective while being influenced by structure. According to this author (pp. 146-147), the project "reflects the motivation deriving from the pursuit of ends" and "it largely depends on current position but is also influenced by habitus". The protention, for its part, "is associated with the motivation to pursue self-evident possibilities, which derives mostly from socialization in positions over time, but also depend on current positions, which make some courses of action more pertinent". So, it should not be surprising to find that most educated people can feel more comfortable to pursue their current careers instead of starting new businesses.

A limitation of this study links to the impossibility of gathering a more complete sample and a larger amount of data. Accordingly, this research utilizes national-level data from 28 of European nations that naturally makes our sample to be small. Therefore, as Castaño et al. (2016) state, this limitation can inflate bootstrapping standard errors, and reduce the statistical validity of the method. However, a similar sample has been used in the past in other studies (Tan, 2002).

Another important restriction of the using secondary datasets (GEM etc.) is the relevance of the available data with the specific measure that represents the assumed concept. For instance, as one of the human capital factors, we used general education rather than focusing on entrepreneurship education in the countries or another close field of studies. For this study, the selected data was probably sufficient for our purposes; investigating the literacy level on the entrepreneurial awareness and intention. However, future studies could explore the most relevant educational level toward business creation and could also assist to reveal the mechanisms such as motivation, confidence, and skills, that connect higher education to entrepreneurship.

Another limitation of the secondary datasets such as GEM is the cross-sectional nature of the data that increases the concerns related the reverse causality. Their sampling mechanism aims at generating a representative sample of individuals

(“nascent entrepreneurs”) who are involved in an on-going start-up attempt (“nascent venture”) at a particular point in time. However, we have been vaguely aware that from a venture-level perspective, the mechanism over samples cases that take a long time from inception to a “final” outcome (when it is no longer “nascent”, i.e., the attempt has either been terminated or turned into an operational new business). In this regard, if substantive relationships are different for “short-duration” start-ups compared to “long-duration” start-ups, then all venture level, relational analyses will be biased without correction for the length of duration. Therefore, we recommend that in the future, all such analyses using this type of data set be run with weighing, at least as a robustness test. As for GEM dataset, due to its lack of venture-level follow-ups over time, GEM data do not provide a basis for assigning weights to the cases. As a second-best solution, researchers can run the same analysis within countries where panel data is available in order to get an indication of whether severe bias is present or not. Future research could address all these concerns and questions through the leveraging the suggested methods.

As many hypotheses relationships could not find support, we also raise the possibilities for future studies to enrich empirical understandings about the relationship between home country institutions and international entrepreneurship. Thus, research could expand the current endeavors to widen the scope of human capital with regards to the home county level for the use of advancement the international activities of ventures. For instance, future studies could consider the motivation for the self-employment as a country level factor.

## **7. Conclusion**

This study sets out to improve the understanding of what drives toward the country international entrepreneurship and reveals different considerable results. We investigate the role of home country institutions, focusing on human capital drivers on the effective business creation and international performance of the businesses in the country level. Employing an SEM analysis for 28 European countries in 2012, we found that intentions resulting from the human capital about entrepreneurship are strongly associated with effective business creation and that this one is strongly associated with entrepreneurial internationalization. Among the components of the human capital about entrepreneurship, contrary to our expectations, the level of education has a negative impact on the entrepreneurial readiness/ awareness, the entrepreneurial intentions among the non-entrepreneurs and on the effective business creation. The impact of societal attitude and readiness/awareness on intentions, although not statistically significant, have substantial values and expected

direction. The moderating effect of the ease of business on the relationship between intentions and effective business creation was weak, but with a challenging direction. However, the moderating effect of the perceived competition on the relationship between effective creation and international entrepreneurship is high and in the expected direction.

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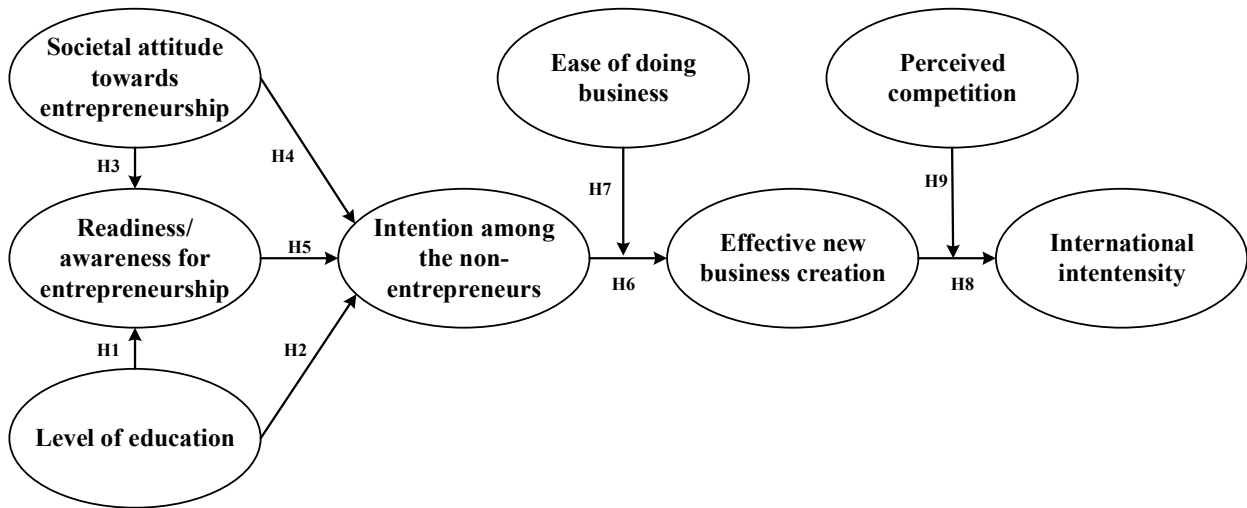
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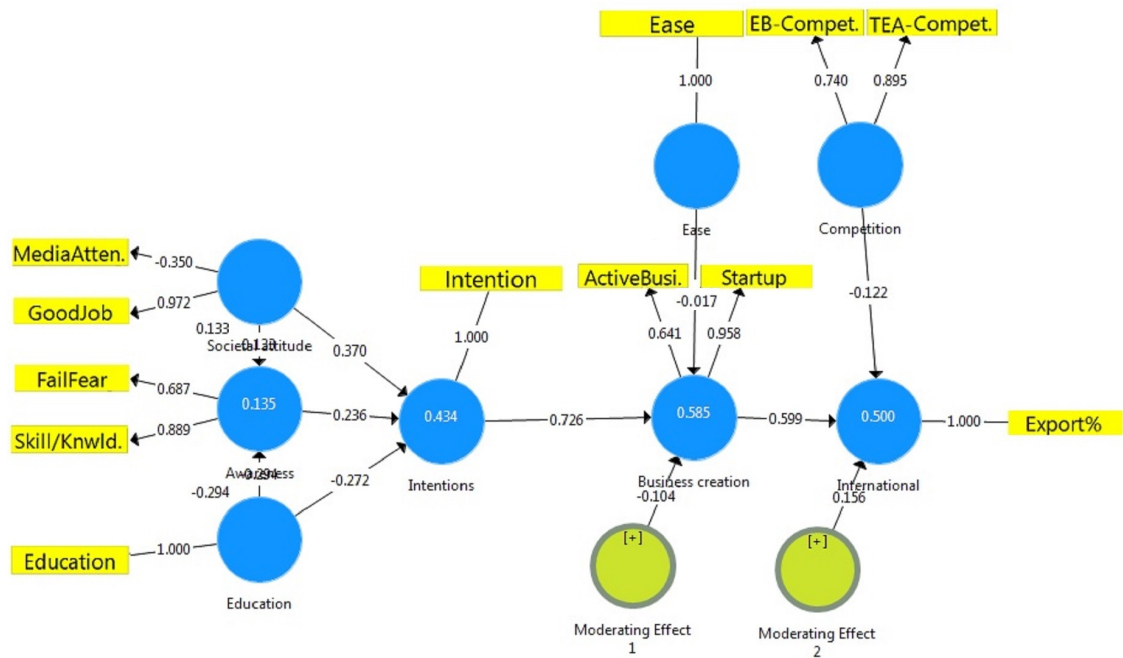
## **Exhibits**

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Insert Exhibit 1 about here  
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**Figure 1.** General model.



**Figure 2.** Estimated general model.

**Table 1:** Significance of loadings and VIF.

	Loadings	Weights	VIF
<b>Export% &lt;= International</b>	1.000	1.000	1.000
<b>ActiveBusi. &lt;= Business creation</b>	0.641***	0.313*	1.182
<b>Startup &lt;= Business creation</b>	0.958***	0.835***	1.182
<b>Ease &lt;= Ease</b>	1.000	1.000	1.000
<b>Ease * Intention &lt;= Moderating Effect 1</b>	1.205***	1.000	1.000
<b>EB-Compet. &lt;= Competition</b>	0.740***	0.3479	1.151
<b>EB-Compet.* ActiveBusi. &lt;= Moderating Effect 2</b>	0.744**	0.173	2.268
<b>EB-Compet.* Startup &lt;= Moderating Effect 2</b>	0.258	-0.272	1.448
<b>FailFear &lt;= Awareness</b>	0.687**	0.476	1.084
<b>Education &lt;= Education</b>	1.000	1.000	1.000
<b>Intention &lt;= Intentions</b>	1.000	1.000	1.000
<b>MediaAtten.&lt;= Societal attitude</b>	-0.350	-0.236	1.015
<b>GoodJob &lt;= Societal attitude</b>	0.972**	0.944**	1.015
<b>TEA-Compet. &lt;= Competition</b>	0.895***	0.722*	1.151
<b>TEA-Compet. * ActiveBusi. &lt;= Moderating Effect 2</b>	0.985***	0.517	2.150
<b>TEA-Compet.* Startup &lt;= Moderating Effect 2</b>	0.947***	0.536	2.469
<b>Skill/Knwld. &lt;= Awareness</b>	0.889***	0.757***	1.084

\*. Correlation is significant at the 0.1 level.

\*\*. Correlation is significant at the 0.05 level.

\*\*\*. Correlation is significant at the 0.01 level.

**Table 2:** Composite reliability, average variance extracted and discriminant validity\*.

	CR	AVE	Discriminant validity									
			1	2	3	4	5	6	7	8	9	10
<b>Awareness .1</b>	<b>0.771</b>	<b>0.632</b>	<b>0.795</b>									
<b>Business creation .2</b>	<b>0.792</b>	<b>0.664</b>	<b>0.384</b>	<b>0.815</b>								
<b>Competition .3</b>	<b>0.804</b>	<b>0.674</b>	-0.029	-0.221	<b>0.821</b>							
<b>Ease .4</b>	<b>1.000</b>	<b>1.000</b>	-0.202	-0.151	<b>-0.408</b>	<b>1.000</b>						
<b>Education .5</b>	<b>1.000</b>	<b>1.000</b>	<b>-0.347</b>	<b>-0.303</b>	-0.263	<b>0.470</b>	<b>1.000</b>					
<b>Intentions .6</b>	<b>1.000</b>	<b>1.000</b>	<b>0.422</b>	<b>0.755</b>	-0.202	-0.202	<b>-0.500</b>	<b>1.000</b>				
<b>International .7</b>	<b>1.000</b>	<b>1.000</b>	0.241	<b>0.663</b>	<b>-0.344</b>	0.155	-0.044	<b>0.628</b>	<b>1.000</b>			
<b>Moderating Effect 1 .8</b>	<b>1.000</b>	<b>1.000</b>	-0.068	-0.274	<b>0.394</b>	-0.095	-0.058	-0.206	<b>-0.337</b>	<b>1.000</b>		
<b>Moderating Effect 2 .9</b>	<b>0.798</b>	<b>0.534</b>	0.239	0.222	<b>-0.538</b>	<b>0.435</b>	0.089	0.196	<b>0.366</b>	<b>-0.601</b>	<b>0.730</b>	
<b>Societal attitude. 10</b>	0.294	<b>0.534</b>	0.250	0.238	-0.019	-0.576	<b>-0.397</b>	<b>0.536</b>	-0.027	-0.071	-0.078	<b>0.731</b>

\*We have put in bold values that either satisfy to the criteria (CR & AVE) or could be considered in the text for their high levels (discriminant validity of at least plus r minus 0.30)

**Table 3:** Predictive relevance  $Q^2$  for constructs

Construct	Cross-validated redundancy			Cross-validated communality		
	SSO	SSE	$Q^2 (=1 - \text{SSE/SSO})$	SSO	SSE	$Q^2 (=1 - \text{SSE/SSO})$
Awareness	56.000	54.039	0.035	56.000	53.590	0.043
Business creation	56.000	45.196	0.193	56.000	48.291	0.138
Competition	56.000	56.000		56.000	47.902	0.145
Ease	28.000	28.000		28.000		1.000
Education	28.000	28.000		28.000		1.000
Intentions	28.000	19.171	0.315	28.000		1.000
International	28.000	19.528	0.303	28.000		1.000
Moderating Effect 1	28.000	28.000		28.000		1.000
Moderating Effect 2	112.000	112.000		112.000	54.005	0.518
Societal attitude	56.000	56.000		56.000	56.476	-0.008

**Table 4:** Path coefficients and effects<sup>2</sup>.

	Indirect effects	Total effects	Path coefficients
Awareness => Business creation	0.171	0.171	
Awareness => Intentions		<b>0.236</b>	<b>0.236</b>
Awareness => International	0.103	0.103	
Business creation => International		<b>0.599***</b>	<b>0.599***</b>
Competition => International		-0.122	-0.122
Ease => Business creation		-0.017	-0.017
Ease => International	-0.010	-0.010	
Education => Awareness		<b>-0.294*</b>	<b>-0.294*</b>
Education => Business creation	<b>-0.248*</b>	<b>-0.248*</b>	
Education => Intentions	-0.069	<b>-0.341**</b>	<b>-0.272</b>
Education => International	-0.148	-0.148	
Intentions => Business creation		<b>0.726***</b>	<b>0.726***</b>
Intentions => International	<b>0.435***</b>	<b>0.435***</b>	
Moderating Effect 1 => Business creation		-0.104	-0.104
Moderating Effect 1 => International	-0.062	-0.062	
Moderating Effect 2 => International		0.156	0.156
Societal attitude => Awareness		0.133	0.133
Societal attitude => Business creation	<b>0.291</b>	<b>0.291</b>	
Societal attitude => Intentions	0.031	<b>0.401</b>	<b>0.370</b>
Societal attitude => International	0.174	0.174	

\*, Correlation is significant at the 0.1 level.

\*\*, Correlation is significant at the 0.05 level.

\*\*\*, Correlation is significant at the 0.01 level.

<sup>2</sup> Values Of 0.20 or higher, even if not significant, deserve some attention and have been put in bold. For hair et al. (2014: 177), “guidelines for assessing  $f^2$  are that the values of 0.02, 0.15, and 0.35, respectively, small, medium, and large effects of exogenous latent variables.

**Exhibit 1.** Name and the code of countries included in the study.

Name	Code	Name	Code	Name	Code	Name	Code
United Kingdom	GBR	Sweden	SWE	Croatia	HRV	Switzerland	CHE
Germany	DEU	Norway	NOR	Romania	ROU	Portugal	PRT
France	FRA	Poland	POL	Austria	AUT	Belgium	BEL
Spain	ESP	Greece	GRC	Lithuania	LTU	Slovakia	SVK
Russia	RUS	Ireland	IRL	Macedonia	MKD	Slovenia	SVN
Italy	ITA	Finland	FIN	Estonia	EST	Latvia	LVA
Netherlands	NLD	Hungary	HUN	Denmark	DNK	Bosnia & Herzegovina	BIH

**Exhibit 2:** Variable description.

Latent construct	Indicator	Source	Description
Societal attitude towards entrepreneurship ( <b>Societal attitude</b> )	GoodJob	GEM	% 18-64 pop: YES: People consider starting business as good career choice
	MediaAtten.	GEM	% 18-64 pop: YES: In my country, there is lots of media attention for entrepreneurship
Readiness/ awareness for entrepreneurship ( <b>Awareness</b> )	Skill/Knwld.	GEM	% 18-64 pop: YES: Has required knowledge/skills to start business
	FailFear	GEM	% 18-64 pop: YES: Fear of failure would prevent starting a business
level of education ( <b>Education</b> )	Education	HDI	General education = Country 2012 Education index
Intentions among the non-entrepreneur population ( <b>Intentions</b> )	Intention	GEM	Entrepreneurial intention in (2012 report)
Ease of doing business ( <b>Ease</b> )	Ease	EDBI	Reversed rank (183=1 and 1=183) of the countries
Effective new business creation ( <b>Business creation</b> )	ActiveBusi.	GEM	% 18-64 pop: Entrepreneurs Active in nascent (SU), baby (BB) or established (EB)
	Startup	GEM	% 18-64 pop: YES: Currently involved in business start-up
Perceived competition ( <b>Competition</b> )	TEA-Compet.	Tea12cm1	GEM % within TEA: Many businesses offer same product
		Tea12cm2	GEM % within TEA: Few businesses offer same product
		Tea12cm3	GEM % within TEA: None businesses offer same product
	EB-Compet.	EB_12cm1	GEM % within EB: Many businesses offer same product
		EB_12cm2	GEM % within EB: Few businesses offer same product
		EB_12cm3	GEM % within EB: None businesses offer same product
International intensity ( <b>International</b> )	Export%	AN12ye1p	GEM % within ANY: No customers outside country
		AN12ye2p	GEM % within ANY: Export: 1-25% of customers outside country
		AN12ye3p	GEM % within ANY: Export: 25-75% of customers outside country
		AN12ye4p	GEM % within ANY: Export: 75-100% of customers outside country