

## **When Contingency is a Resource: Educating Entrepreneurs in the Balkans, the Bronx and Beyond**

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### **Abstract**

The research project described in this paper began as an inductive field study of entrepreneurship education in two very different settings-- a university program for entrepreneurship in war-torn eastern Croatia and an entrepreneurship program in inner-city high schools in the United States. The rationale for studying these two organizations was simple. First, we reasoned that if there is such fervent interest in developing and fostering entrepreneurship in economically challenged environments, then perhaps it would be best to study entrepreneurship education programs not in traditional settings (e.g. business schools in the U.S) but rather in those more barren environments themselves.

Second, this research enterprise allowed us to examine an important theoretical issue as well. The very premise of entrepreneurship education—namely that you can teach entrepreneurial behavior and it will have a positive effect on society-- is itself controversial. A variety of scholars have argued for and against it. For example, William Baumol argued that there is a given amount of latent entrepreneurial talent at any point in time and it will flourish in those settings where it is allowed to flourish according to the “rules of the game,” or the established reward system within a particular society.

In contrast, Alexander Gerschenkron offered powerful historical examples where “productive entrepreneurship” flourished despite the prevailing rules of the game. Gerschenkron’s narratives provide strong evidence of how constructive entrepreneurship in society can arise in the absence of incentives or even when there exist incentives against it.

The two educational programs we studied simply took for granted the notion that entrepreneurship education is a worthwhile pursuit with the potential to benefit students and their communities. However, as we began to search for valuable content in entrepreneurship programs outside of traditional business schools, a glimmer of light began to emerge in the darkness of the above theoretical controversy as well – surprisingly through the stories of the entrepreneurs who founded the two programs under study rather than through the content of the programs themselves. Both programs are themselves entrepreneurial ventures, founded by “accidental” academic entrepreneurs whose narratives provide compelling evidence of the role of both personal and historical contingency as a resource in the entrepreneurial process. With support from institutional entrepreneurship, we argue that entrepreneurs’ response to contingency may therefore be the theoretical bridge that connects Baumol’s institutional story with Gerschenkron’s agentic narrative.

### **Introduction**

*There is an old story about a drunk looking for his keys under a lamppost. A passerby sees him stumbling around, and asks, "Is this where you lost your keys?" "No I think I lost them over there in that alleyway" answers the inebriated man. "Then why are you looking here?" "Because this is where the light is."*

A recent editors' forum in the *Academy of Management Journal* called on management researchers to carry the torch of the late Sumantra Ghoshal by creating more positive, relevant and valid research (Rynes, 2007). One of the essays therein (McGahan, 2007) recalls Ghoshal's reliable refrain when mulling over an idea, a paper, or a theory. "Where's the sizzle?" he would ask. "Sizzle" could mean any number of things, from generating counterintuitive insights or demonstrating that fundamental practices are changing to suggesting that a widely used management strategy violates important principles or presenting a specific theory to explain an interesting phenomenon. Most experienced scholars know that the sizzle tends to lurk in dark corners, rather than under the proverbial lamppost.

The research project described in this paper began as an inductive field study of entrepreneurship education in two very different settings, one a university program for entrepreneurship in war-torn eastern Croatia, the other an entrepreneurship program in inner-city high schools in the United States. The rationale for studying these two organizations was simple, and twofold. First, we reasoned that if there is such fervent interest in developing and fostering entrepreneurship in economically challenged environments (Busenitz, et. al, 2000, Peredo and Chrisman, 2006, Spicer, McDermott and Kogut, 2000), then perhaps it would be best to study entrepreneurship education programs not in traditional settings (e.g. business schools in the U.S) but rather in those more barren environments themselves. We felt that by examining the "lived experiences" (Glaser and Strauss, 1967, Charmaz, 1990, Lincoln and Guba, 1985, Locke 2001) of administrators, students and other actors integrally involved in the creation and operation of those programs, we could gain greater insight into how to create effective entrepreneurship education programs in other, similar settings. In short, we set out in search of the keys where they are, not under the convenient glare of street lights.

Second, this research enterprise allowed us to examine an important theoretical issue as well. The very premise of entrepreneurship education—namely that you can teach entrepreneurial behavior and it will have a positive effect on society-- is itself controversial. A variety of scholars have argued for and against it. For the purposes of our own investigation we draw upon two eminent scholars, William Baumol and Alexander Gerschenkron. Baumol has devoted much of his life's work to developing "a place in economic theory for the entrepreneur." (*Economist*: 68), However, while his "painstaking efforts" have been credited with making "more room for entrepreneurs in economic theories," one of his strongest and most persuasive arguments is that there is a given amount of latent entrepreneurial talent at any point in time and it will flourish in those settings where it is allowed to flourish according to the "rules of the game," or the established reward system within a particular society (Baumol, 1990). Depending upon the reward system that prevails, entrepreneurship can appear in one of three forms: productive, unproductive or destructive. This approach has parallels in institutional theory and more recently institutional entrepreneurship, where agents creating new institutions or dismantling old ones are largely depicted as products of their existing institutional environment.

In contrast, Gerschenkron offered powerful historical examples where what Baumol would have called "productive entrepreneurship" flourished despite the prevailing rules of the game. Gerschenkron's narratives provide strong evidence of how constructive entrepreneurship in society can arise in the absence of incentives or even when there exist incentives against it. Gerschenkron's work challenges the notion of a "given stock" of entrepreneurs – i.e. special individuals capable of creating and destroying value. Instead we have an emerging picture here of the possibility that all human beings can choose and learn to be entrepreneurs. Interestingly, whereas Baumol is widely cited in recent entrepreneurship scholarship, Gerschenkron has largely been forgotten. Perhaps it is time we took a good hard look at his compelling work again as we bring more intellectual content into entrepreneurship education.

The two educational programs we studied simply took for granted the notion that entrepreneurship education was a worthwhile pursuit with the potential to benefit students and their communities. As we began the search for our keys to valuable content in such programs outside of traditional business schools, a glimmer of light began to emerge in the darkness of the above theoretical controversy as well – surprisingly through the stories of the entrepreneurs who founded the two educational programs rather than through the content of the programs themselves. It turned out that both programs were entrepreneurial ventures, founded by "accidental" academic entrepreneurs. The narratives of these entrepreneurs describing the founding and evolution of these two entrepreneurship education programs provided compelling evidence of the role of contingency as a resource in the entrepreneurial process. The entrepreneurs used both personal and historical contingency as valuable inputs into the construction of their ventures. Further analysis showed that it is neither the mere occurrence nor the nature of the contingency itself that was of interest, but rather what the entrepreneurs did with contingency. In other words, the results of our investigations suggest that entrepreneurship may involve an acquired set of beliefs about human agency and the nature of the environment. In particular, by using contingency as a resource as opposed to an obstacle to be avoided or a trigger to adapt or quit, entrepreneurs learn to take a transformative stance toward the environment and develop strong beliefs in their own agency. Response to contingency may therefore be the theoretical bridge that connects Baumol's institutional story with Gerschenkron's agentic narrative.

We begin with Baumol's work on the role of entrepreneurship in society and link his approach to institutional theory and more specifically to institutional entrepreneurship. We then outline Gerschenkron's historical illustrations of constructive entrepreneurship in the face of unfavorable "rules of the game." Next, we describe the design of the current study and outline details of procedures used and data gathered. We analyze the data with a view to developing an inductive model of the role of personal and historical contingency both in creating new ventures and educating potential entrepreneurs. Finally, we offer insights from pragmatist philosophy to further enhance the induced model into a fuller exposition of contingency as an entrepreneurial resource and we derive its implications for future research.

## **Literature Review**

We begin our review of the literature with the dominant view that institutions drive entrepreneurship and that while institutions sometime emerge in response to actions by institutional entrepreneurs, the environment for the most part remains exogenous to individual action. We then present Gerschenkron's historical dissent.

### *Baumol's Rules of the Game*

William Baumol, a 20<sup>th</sup> century economist who is still living and working today well into his 80's, picked up on the conventional Schumpeterian wisdom that entrepreneurs are vital to economic development, that they "are always with us and always play some substantial role." (1990: 894). However, for him, the entrepreneur's role in society is a complex topic; Baumolian entrepreneurs can potentially play a variety of roles, even some that "do not follow the constructive and innovative script that is conventionally attributed to that person. Indeed, at times the entrepreneur may even lead a parasitical existence that is actually damaging to the economy. How the entrepreneur acts at a given time and place depends heavily on the rules of the game—the reward structure in the economy—that happen to prevail." (1990: 894, our italics). Taking entrepreneurial talent as a latent "given" in society, Baumol added the insight that this latent entrepreneurial capacity would be coaxed into various manifestations (or as he described it, "allocated") depending on those "rules of the game:"

*The notion that our productivity problems reside in the "spirit of entrepreneurship" that waxes and wanes for unexplained reasons is a counsel of despair, for it gives no guidance on how to reawaken that spirit once it has lagged. If that is the task assigned to policymakers, they are destitute: they have no means of knowing how to carry it out. But if what is required is the adjustment of rules of the game to induce a more felicitous allocation of entrepreneurial resources, then the policymaker's task is less formidable, and it is certainly not hopeless. The prevailing rules that affect the allocation of entrepreneurial activity can be observed, described and with luck, modified and improved. . ."* (Baumol, 1990: 894)

Baumol realized that there are "inescapable problems for empirical as well as theoretical study of entrepreneurship," and therefore he sought to investigate his hypotheses through historical illustrations encompassing "all the main economic periods and places (ancient Rome, medieval China, Dark Age Europe, the Later Middle Ages, etc.)" (1990: 895). In this analysis, he set out to show that relative rewards to various types of entrepreneurial activity have differed greatly throughout history and further that this difference has had a profound effect on patterns of entrepreneurial allocation between productive and unproductive activity.

To make his argument, Baumol showed how the prevailing rules shaped the allocation of entrepreneurial resources in one society after another. He did this by carefully laying out in chronological order the historical narratives of "all the great economic periods and places" mentioned above. It is worthwhile to look at a few of those here.

Baumol started by examining the situation in ancient Rome where, although there were no particular cultural reservations about the pursuit of wealth or of being wealthy, it was considered degrading to seek wealth in industry or commerce. There were three and only three acceptable ways to gain wealth: landholding, usury and political payments. Of these three, the latter was the most prevalent and the most lucrative; for example, Cicero, who was considered an honest governor of Cilicia earned an annual income that permitted him a life in the lap of luxury, achieved mostly from what we would now consider corrupt political payments. And Baumol notes (citing Finley, 1965) that the result of this system of rewards was an almost complete separation between "science and practice."

In order to illustrate this rift, he goes on to tell the memorable story (as recounted by Finley, 1965) of an unnamed inventor who invents unbreakable glass and demonstrates it to the emperor Tiberius who promptly asks the inventor if anyone else knows the secret of this invention. When the inventor assures him that no one else knows, he is immediately beheaded,

with the explanation being that Tiberius fears reducing gold to the "value of mud." (1990: 900) Perhaps the most interesting part of this story is that the inventor did not take his creation to an investor in search of the necessary capital and means of production, but rather to the emperor who promptly rewarded him with death. This only goes to show that the progress, growth, productivity and efficiency to which we are accustomed in the modern world were not the aims of most early societies. In fact in ancient Rome, "Economic effort 'was neither the way to wealth nor its purpose. Cato's gods showed him a number of ways to get more; but they were all political and parasitical, the ways of conquest and booty and usury; labour was not one of them, not even the labour of the entrepreneur.'" (Finley 1965:39, cited in Baumol 1990:901)

Baumol next examines medieval China where the "confiscation of the property of wealthy subjects was entirely in order" and where the most substantial rewards were reserved for those who were well-versed in subjects such as Confucian philosophy and calligraphy and who were in a position to climb the "ladder of imperial examinations." Again, corruption was rampant and enterprise was "not only frowned on, but may have been subjected to impediments deliberately imposed by the officials, at least after the fourteenth century A.D." (1990:901-902). He continues in the same vein with the Middle Ages, with fourteenth century England and France, and with early "rent seeking entrepreneurship" in the form of everything from land grants to monopoly patents granted by the monarchy. Using vivid historical accounts, Baumol makes compelling arguments for how the rules of the game were the driving influence on the level and type of entrepreneurial activity over centuries in various societies throughout the world.

### *Institutional Theory and Institutional Entrepreneurship*

Modern institutional theory has its roots in the work of Berger and Luckman (1967), who argued that social reality is a human construction created through interaction. According to Scott, a leader in the field, "Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Although the ostensible subject is stability and order in social life, students of institutions must perforce attend not just to consensus and conformity but to conflict and change in social structures (Scott, 1995, Scott, 2004).

The process by which actions are repeated and given similar meaning by self and others is defined as "institutionalization" and that through which institutions change or breakdown, "deinstitutionalization." Indeed, Scott's clear statement that institutional theory must not only be about how institutions persist, but also about how they change and eventually disappear, and also about how new institutions arise, is embodied in recent developments within the very institution of institutional theory itself. Concern that the field was "largely being used to explain both the persistence and the homogeneity of phenomena," (Dacin et al p.45) but not change and the emergence of new institutional forms (Garud, et al, 2002, Fligstein 1997, DiMaggio, 1988) gave rise to the more recent institution of institutional entrepreneurship. This new field which "emerged to help answer the question of how new institutions arise. . . represents the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or transform existing ones." (Maguire et al, 2004:657).

DiMaggio (1988) first introduced the notion of institutional entrepreneurship with a view to explaining how actors can shape institutions while being constrained and driven by them. In other words, scholars of institutional entrepreneurship have sought to introduce agency into institutional theory. After almost two decades it is not clear how well they have achieved this objective. Even very recently, Greenwood and Suddaby (2006) continue to grapple with the

"paradox of embedded agency" – that is, "the paradox of how actors enact changes to the context by which they, as actors, are shaped." Unresolved issues in this regard include the role of motivation (Anand and Watson, 2004), interests (Beckert 1999) and goals (Lawrence, 1999; Lawrence and Phillips, 2004), as well as the role of conflicts within and jolts from outside of institutional environments (Greenwood et al 2002; Durand and MacGuire, 2005).

In this stream of research, the individual is overdetermined through institutional structures and entrepreneurship is predominantly seen as a productive activity. Seo and Creed (2002) do provide a role for human praxis to explain responses to mutually incompatible institutional processes.

However, neither Baumol nor institutional approaches to the study of entrepreneurship have much to say about the content of entrepreneurship education or the academic entrepreneurs who create new entrepreneurship education programs. Hence the need for inductive theory development here.

### *Gerschenkron: Entrepreneurship against the Odds*

Alexander Gerschenkron, an economic historian working at Harvard through the 1950's and 1960's—and therefore a contemporary of Joseph Schumpeter-- added a unique historical perspective to the established story of entrepreneurship and economic development at the time, namely the simple idea that entrepreneurs are vital to economic development. In Gerschenkron's richly textured portrayal, entrepreneurs contribute true innovations to their own context, spark profound and even more rapid change in other contexts and also instigate social action that changes not only the prevailing industrial and economic structures in theirs and other cultures, but creates revolutions in cultural and societal norms as well. In short, Gerschenkron provides a number of strong arguments in favor of "making more entrepreneurs" as way to improving economic development.

Gerschenkron observed that the history of industrial development has tended to follow distinct and very different patterns in relatively more developed and relatively less developed societies. He noted that the "actual economic accomplishments of a few men of great entrepreneurial vigor" were less important than "their effect on their environment." (1962:12). What he meant by this was that entrepreneurial innovation had a profound effect not only on the immediate society in which it took place. Innovation had an even more profound—and much more rapid, even revolutionary—effect on what he calls "economically backward countries." He starts his argument with the recognition of Marx's central role in the discussion:

*A good deal of our thinking about industrialization of backward countries is dominated—consciously or unconsciously—by the grand Marxian generalization according to which it is the history of advanced or established industrial countries which traces out the road of development for the more backward countries. 'The industrially more developed country presents to the less developed country a picture of the latter's future.'* (Gerschenkron, 1962:6).

Gerschenkron goes on to say that while "there is little doubt that in some broad sense this generalization has validity," (1962:7), it only tells part of the story. In fact, the gist of Gerschenkron's argument is that the gap between the actual economic state of a country and its witnessed potentialities (e.g. what is has the chance of becoming) make for considerably different developmental paths in industrialized and "backward" countries.

*The typical situation in a backward country prior to the initiation of considerable industrialization processes may be described as characterized by the tension between the actual state of economic activities in the country and the existing obstacles to industrial development, on the one hand, and the great promise inherent in such a development, on the other. (1962:8)*

He recognizes that the potential for development in a backward country varies with the country's level of endowment with natural resources, and that no "tension" between the current and potential future state can exist as long as "certain formidable institutional obstacles" (such as the serfdom of the peasantry or the far-reaching absence of political unification) remain. However, assuming that there is indeed an adequate endowment of natural resources, and that those institutional obstacles are lifted, the actual opportunities inherent in industrialization "may be said to vary directly with the backwardness of the country. Industrialization always seemed the more promising the greater the backlog of technological innovations which the backward country could take over from the more advanced country." Borrowed technology—technology that was on the market thanks to the endeavors of entrepreneurs in the more advanced countries—assured a higher speed of development in backward countries engaging in industrialization.

Instead of berating backward countries for their lack of originality, as Gerschenkron accused many of his contemporaries of doing, he noted that the borrowing of both technology and models for industrialization from more advanced countries often served to set off a true "revolution" in less developed countries. And where progress was more gradual in the more developed countries, with development in one industry leading to the gradual development of another allied industry, the large gap in current and potential future states in more backward countries led to large-scale simultaneous development in a number of distinct but related industries (such as railroads, mining and shipping).

As an example, Gerschenkron highlights the banking industry in Europe in the second half of the 19<sup>th</sup> century. In particular, he discusses the powerful influence that the Credit Mobilier of the brothers Pereire in France had on the entire development of the banking industry throughout 19<sup>th</sup> century Europe. In creating a financial institution that would help to "build thousands of miles of railroads, drill mines, erect factories, pierce canals, construct ports and modernize cities," the Pereire brothers not only had a profound effect on their own immediate environment; they also challenged the entire "old wealth" structure of French banking, and in the process forced their archrivals the Rothschilds into creating an investment bank of their own, a bank devoted not to the "old fashioned banking enterprise," but rather to the "railroadization and industrialization of the country." (1962: 13). The new "universal bank" became thereafter the dominant form of banking and the relationships between banks and industry were exported from the relatively more advanced countries to the relatively more backward countries in Europe.

Gerschenkron also observed that, within the historical narrative about the general role of entrepreneurship as a catalyst for rapid industrialization in economically backward countries<sup>1</sup> lies the particular subplot of the rapid industrialization of newly emancipated peoples. One of his more detailed examples is of the Russian serfs of the early 1860's.

*After the emancipation of serfs in the early sixties of that century, former serfs and sons of former serfs are known to have engaged on an unprecedented scale in various entrepreneurial activities, including, it might be added, the magnificent venture of constructing and operating the merchant fleet on the Volga River. Again, there is little*

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<sup>1</sup> This sounds something like the punctuated equilibrium model described by Gould and Eldridge, 1977, and later applied by Gersick, 1988 in a management context.

*doubt that their activities were at variance with the dominant system of values, which remained determined by the traditional agrarian pattern. The Good Life which God intended for man to lead implied tilling the land, which belonged to God, and receiving the divine blessing of its fruit. The Good Life certainly did not mean craving for riches, did not mean laying up treasure on earth where moth or rust doth corrupt. In innumerable adages, fairy tales, and songs, the wisdom of the folklore insisted upon the unrighteous origin of wealth. And still the activities went on unchecked, great fortunes were amassed, and great entrepreneurial innovations were successfully launched. (1962:59-60).*

Here, Gerschenkron is making the point that entrepreneurial activities went on in spite of the prevailing cultural norms, not because of a change in those norms (below we present William Baumol's contrasting view). In fact, a chicken and egg argument comes in here—does the existence of favorable cultural norms allow for the flourishing of entrepreneurship, or does the existence of an entrepreneurial “counter-class” lead to new norms (McMillan and Woodruff, 2002)? It would seem that there are arguments for both phenomena in history, although some (like Gerschenkron) focus more on the latter, while others (like Baumol) emphasize the former.

For example, in the case of the former Russian serfs, Gerschenkron notes that after a prolonged period of suffering the stigma of life as outcasts in their agrarian society, and of a “profound malaise resulting from the discrepancy not between two value systems but between the dominant value system and a social action that was at variance with it. . . an independent value system of the entrepreneurial group indeed began to evolve.” Though the effects of this independent value system came late and were incomplete, the predominant picture of the “despicable mercenary” was replaced with admiration for “builders and innovators.” (1962:61).

### **Reconciling the Debate**

Baumol's overarching point is that the society and the rules of the game it establishes are the central factors in the allocation of entrepreneurial resources. In essence, things like the cultural acceptance of entrepreneurship, standards and norms regarding commerce in general, in short, the overall make-up and structure of the society such that it allows for productive entrepreneurship to flourish—for him, these are the true building blocks of positive (productive) entrepreneurship. Baumol came up with these rules though, by recognizing those anecdotes and facts in history that helped him to make his point, even while other historical anecdotes would seem to contradict his view. For example, some of the narratives that Gerschenkron presents—the French banking industry is a good example—would seem to fly in the face of Baumol's main premise.

Indeed, Gerschenkron is skeptical of any approach to entrepreneurship that rests on what he calls “prerequisites,” whether cultural, financial or any other. For example, he writes, “according to a widespread view. . . the times of rapid industrial progress—the great spurts of industrialization—were preceded country by country, by a more or less protracted period during which the ‘preconditions’ of modern industrialization were created. Such ‘preconditions’ or ‘prerequisites’ are taken then so seriously that some scholars are willing to speak of ‘necessary and sufficient’ preconditions, just as in a logical definition one speaks of conditions that are necessary and sufficient in order to define a given object.” (Swedberg, 2000:132)

Gerschenkron then proceeds to attack the idea that an accumulation of wealth over considerable historical periods is necessary to finance the capital investment of entrepreneurs during significant industrial spurts. He says that such arguments, “presented as propositions of ubiquitous validity, do not stand up under the test of confrontation with the empirical material,

even within the relatively restricted area of Europe of the nineteenth century.” (Swedberg, 2000:132).

And as to the emphasis on ideas such as “dominant value systems” or “social approval” as prerequisites for entrepreneurship, Gerschenkron has little time for those either. Theories of entrepreneurship “that center on social approval” can be criticized, because, in many societies, stratified and complex as they are, approval by some groups is paralleled by disapproval by others; and a single system of dominant social values is hardly more than a fiction.” (Swedberg 2000:136). And Gerschenkron provides multiple rich examples where the supposed prerequisites for entrepreneurship were not there, and still entrepreneurship flourished. In both Germany and Russia in the nineteenth century, “men succeeded in developing specific substitutions” in the absence of the financial social and cultural prerequisites for entrepreneurship. (2000:137).

So, is it that Baumol and Gerschenkron actually disagree? At first blush, Baumol’s rules of the game argument would seem to be at odds with Gerschenkron’s observations on societies where productive entrepreneurship flourished despite prevailing norms that failed to reward it, at least in terms of prestige or status, and despite a lack of “sufficient” financial capital to fund industrial innovation. But perhaps the two economists are not so much in conflict with one another, but rather Baumol’s view is somehow narrower and less inclusive than Gerschenkron’s.

Baumol seems to be saying that there are necessary conditions for “productive” entrepreneurship: namely, the rules of the game have to be right for productive entrepreneurship to flourish. Gerschenkron indeed leaves the door open for Baumol’s view in the sense that he too recognizes the potential importance of the political and cultural environment—conditions in those realms can make it relatively more difficult or relatively easier for entrepreneurship to flourish. However, Gerschenkron also asserts that, in essence, we cannot know or define the necessary conditions for entrepreneurship, but there are likely lots of different sufficient conditions. Maybe property rights will do the trick, for example, or maybe financial incentives would suffice. Or perhaps it would take nothing at all but the will of one person or a group of people trying something new to get out of a bad situation.

In other words, Gerschenkron has a more pluralistic view of entrepreneurship—he does not preclude people coming up with interventions that would be useful and sufficient but perhaps unnecessary. He also seems to allow for contingency, which Baumol would likely discount because it is unable to be measured or precisely understood. In short, Gerschenkron’s vision of entrepreneurship encompasses the existing “rules of the game,” but much more than that as well. Most significantly, Gerschenkron’s view seems to support the entrepreneur’s vast potential for creating new rules, and not just passively accepting the existing order.

## **Data Collection and Methods**

We pursued our research in two stages over a period of six years. One of the authors conducted a Stage One pilot study of the Croatian program from 2000 to 2003, visiting the University of Osijek Graduate Program for Entrepreneurship eight times over this period. The same author conducted a Stage Two research phase at the National Foundation for Teaching Entrepreneurship from 2004-2006. In both cases, qualitative methods were employed in order to gain insight into the processes—or the “lived experiences” of participants in these two entrepreneurship education programs, and not merely to gain a quantitative understanding of outcomes (Patton 1990). In the next section, we briefly describe the research settings and the data collection process employed for the purposes of this paper.

*Data Collection: The Graduate Program for Entrepreneurship at the University of Osijek*

The Graduate Program for Entrepreneurship at the University of Osijek in eastern Croatia was founded by Dr. Slavica Singer, a professor of economics at the University. Dr. Singer launched the Western-style, two-year MBA program as a response to the physical and emotional devastation the Balkan Wars had caused in her region. A case study was conducted on the organization during eight field trips to the university over a three year period. By "case study," we mean both a methodological choice and a choice of the particular object or "bounded system" to be studied (Stake, 1994, Locke, 2001). A case study methodology was well suited to our efforts in building theory in an area where little or no theory exists (Yin 1984). In addition, this case is both unique—in that it was the only program of its type in the region-- and instrumental-- in that it had potential to provide insight into, and advance theory about, how to support the development of entrepreneurship education programs in similarly challenged environments (Stake, 1994).

Qualitative methods typically consist of three types of data collection: open-ended interviews, direct observation and written documents (Patton, 1990). We employed all these of these types of data collection in this study, although because little was written in the press, in academia or elsewhere on the development and implementation of the Croatian graduate program, we relied heavily on primary research. Uncovering the story of how the program developed involved conducting extensive open-ended interviews with Dr. Singer, the program founder, with whom the author conducted some 40 hours of total interviews, informal interviews with some 20 students as they progressed through the program, and multiple interviews with Piotr Korynski, the Director of Economic Development at the Open Society Institute of the Soros Foundation, which financed the start-up phase of the program. In addition, the author had access to the limited reports, memos, articles and stories written about the program in regional media, and to a previous case study written on Dr. Singer and the program by one of her former students.

The author also made direct observations of students, instructors and administrators during visits to Osijek over the course of two years in working with the graduate program as an instructor, and recorded observations of these interactions.

For the purposes of the current analysis, only the interviews and other materials pertaining to the founding of the program have been used. Interviews were all conducted face to face (with the exception of the interviews with Piotr Korynski of the Soros Foundation which were conducted on the telephone) and were taped and transcribed according to the procedure described in Patton, 1990. Data coding and analysis are described in a subsequent section.

*Data Collection: The National Foundation for Teaching Entrepreneurship*

After conducting the Stage One pilot study in Croatia, and seeing preliminary evidence for the potential of entrepreneurship education in economically challenged environments, we wanted to conduct a more in-depth study on the content and process of a transforming entrepreneurship education program in another similarly challenged environment. We had heard about the National Foundation for Teaching Entrepreneurship ("NFTE"), which was founded in 1988 by Steve Mariotti after he experienced a traumatic mugging at the hands of a group of troubled young men. After that experience, Mariotti had chosen to become a teacher in a very rough inner-city high school in New York City. NFTE was borne of his desire to make something positive out of an unfortunate event, to teach his troubled students something that would capture their

attention. The organization was intriguing, both for its unique beginnings and also for its large size and broad geographic spread.

In addition, we became particularly interested in studying the content of the NFTE program after learning that NFTE had been the subject of a number of quantitative empirical studies, most notably one conducted at the Harvard Graduate School of Education in 2001-2002 with NFTE students in the New England area (Nakkula 2001). That study showed a sharp increase in occupational aspirations, college interests and independent reading in NFTE students, pre- and post-test as compared to a control group. The findings clearly pointed to the overall potential of the NFTE program. We reasoned that an in-depth qualitative investigation would help us to explain what it is about the NFTE program specifically that leads students to those brighter visions for their future.

The same types of data collection—namely direct observation, open-ended interviews and written materials—were employed in this study as in the study of the Croatian graduate program. In the study, however, we had broader and longer access to the organization (which is also much larger than the Croatian program and also geographically disbursed) and therefore many more students, instructors and administrators were interviewed, and a great deal more data was collected on the program. This data included articles from public sources, books on the NFTE program, letters and diary entries of students and recorded direct observation. However, again for the purposes of this the analysis in this paper, as with the Croatia project, we present only that part of the data pertaining to the establishment of the program (i.e. the founding process), not its content post-founding. This material consisted of written materials on the program founding, a book on NFTE with a foreword by Steve Mariotti, and multiple interviews with Mariotti himself.

### **Data Summary and Analysis**

We first present the early history of each venture as a textual summary of all the data we collected including interviews, materials from published sources and personal observations. Thereafter, we perform a comparative process analysis based on the key stages we identified through qualitative analysis of the interview data. In both cases, the two authors analyzed the data separately and critically reviewed each other's summary and process model to reconcile differences. The data spoke so clearly that the comparative analysis in Table 1 was rather self-evident. In fact, the results were truly inductive in the sense that it was the one-to-one correspondence in the two stories that led us to seek to understand the role of contingency in the first place. We provide raw quotes from the interviews and from external sources in support of our claim as to the ease with which it was possible to derive Table 1 from the data. These appear in Table 2 below. In addition, there is a narrative summary in Annex A at the end of the paper.

**Table 1**

<b>Stages</b>	<b>Steve Mariotti and NFTE</b>	<b>Slavica Singer and the University of Osijek</b>
Background	MBA, GE Consulting, sub-contractor etc	Professor, working on a survey
Initial contingency	The mugging	The war
Aftermath: Problems	Traumas and flashbacks	Big companies leave
Initial Solution	Therapeutic teaching	Therapeutic reading
Early steps	Started teaching in an inner city school	Started talking to humanitarian aid agencies
New contingencies	Problems in the classroom – almost hopeless	Rejections – “Too early” – almost hopeless
Leveraging contingencies into a new vision	Need to teach entrepreneurship, not stand content: Develop content for teaching entrepreneurship in inner city schools	Need to think in terms of development aid and need to act entrepreneurially: Build a business school that teaches entrepreneurship
Problems executing the new vision	“Subterfuge” while teaching in several inner city schools while continuing to evolve the curriculum and structure for the vision	Problems in finding funding – while continuing to evolve content and structure for a new business school
A productive contingency	Principal in South Bronx	Korinsky and the Soros foundation

**Table 2**

<b>Stages</b>	<b>Steve Mariotti and NFTE</b>	<b>Slavica Singer and Croatian Biz School</b>
Background	<p>“At Ford, I was near the bottom of the corporate hierarchy. In New York, I was making less money, but I was my own boss. It didn’t matter that I didn’t have high capitalization or thousands of employees. Being an independent businessperson had an immediate beneficial effect on my self-esteem and outlook. . . People would ship the stuff ahead—everything from shrimp, tuna and caviar, to shoes and nuts, and even snakeskins. I tried to sell thirty or forty products and was only successful and profitable on about three or four. It was very difficult to get the cost right, especially because I was dealing with second tier firms, not the big companies. Even though there was only about one product per thousand that you could make money on, it was a ton of fun--you don’t know the industry. You are starting from scratch. You call people, you try to sell the stuff.”</p>	<p>“My own background is that I . . . most of my life I spent in academia, but I was never actually only professor, so always was interested in real life problems. But also having experience with economy in former Yugoslavia where small businesses, where individual initiatives were neglected by the systems; and not only by economic systems. . . at the beginning of the 90’s, we started to do some surveys among businesspeople in Croatia trying to get information [on] what they consider as needs for training and education, what they feel that they lacked in their education and what they feel was needed to improve their businesses. . . it was just in the beginning of the war so we actually try to make the research but then the war started in 1991, so we actually could not make the whole research.”</p>
Initial contingency	<p>“One evening in 1981, while jogging on the Lower East Side, I was approached by a group of kids who demanded ten dollars. I was wearing a jogging suit and was carrying very little money. They roughed me up and humiliated me. . .</p>	<p>“It was physically impossible to function because we were being shelled every day by the Serbian Army. Osijek is located in Eastern Croatia – we were on the edge of occupied territory, actually some suburbs of Osijek were occupied. . . by [the] Yugoslav army at that time. . . and actually it was impossible to function in just a normal way. For example, some foreign trucks delivering humanitarian aid were not allowed to come to Osijek; they stayed in Hungary because insurance did not want to cover the risk of coming here.”</p>
Aftermath: Problems	<p>“Becoming an urban statistic was a traumatic Experience. My constant and painful flashbacks Of the experience soon became more painful than the experience itself. The memories took on a life of their own and I knew I had a serious problem.”</p>	<p>“. . . so many companies were physically actually destroyed or shelled. . . all big companies actually ceased to function during the war and we actually saw that people are suffering because they don’t have jobs and it would be extremely difficult to re-start those big companies again.”</p>
Initial Solution	<p>“My strategy was to confront my fears directly. I decided to become a public school teacher in neighborhoods like the one that the young people who had mugged me called home. I wanted to be assigned to the ‘worst’ areas, to test myself. . . I was assigned to Boys and Girls High School in the Bedford-Stuyvesant area of Brooklyn. . . although the school had only opened in 1976 and had cost \$30 million to construct, Boys and Girls had Quickly established itself as the worst school in The New York City public school system, and perhaps in the country.”</p>	<p>“At the beginning of the 90’s, we started to do some surveys among businesspeople in Croatia trying to get information which what they consider as needs for training and education. It was just at the beginning of the war so we actually tried to make the research but then the war started in 1991. . . and then, because of the war, we just started to read because we just did not have opportunity. For example, our university was evacuated so we did not have lectures and exams in 1991 and 1992 and professors actually who stayed here in Osijek, we just tried to read. So I never read actually so much in my life as [in] those two years. This small group of my colleagues and me, we actually tried to understand what is entrepreneurship. So we started with Schumpeter and all others talking about innovation and entrepreneurship; so that was some kind of developing the basis of understanding.</p>

<p>Early steps</p>	<p>“Within an hour of arriving at the school, I began to view the kids with less animosity and fear. I also knew that I would like teaching; I was sure I had found a vocation.”</p>	<p>“I thought we should do something to make possible for people who would lose or who had already lost their jobs to start something on their own. So actually I started to talk to many foreign humanitarian organizations about starting some economic development program.”</p>
<p>New contingencies</p>	<p>I began to lose control on almost a daily basis. One student actually set fire to the back of another's coat -- the student with the coat was as astonished as I was. In a rage, I ordered the arsonist out of the class, and he was expelled the same day. On another occasion, I was locked out of my eighth-period class. Finally, one of the girls took pity me and opened the door, just as I was going to admit total defeat and find a security guard. In each of my three remedial classes, there was a group of six or seven kids whose behavior was so disruptive that I had to stop the class every five minutes or so to get them to quiet down. In my third-period class, I once threw all the boys out.</p>	<p>“. . . but all of the humanitarian organizations, actually, refused to talk about this saying that it's too early. So it's the beginning of... it was 1992, 1993. . . [they] thought that the time is for humanitarian aid, not for development aid. But unfortunately, this part of Croatia actually stayed in such a “neither war nor peace” situation until January 1998. So it was absolutely impossible just to wait without doing something.”</p>
<p>Leveraging contingencies into a new vision</p>	<p>“I took [some of my students] out to dinner and Asked them why they had acted so badly in class. They said my class was boring, that I had nothing to teach them. Didn't anything I'd said in class interest them? I asked. One fellow spoke up: I had caught their attention when I had discussed my import-export business. He rattled off various figures I'd mentioned in class, calculated my profit margin, and concluded that my business was doing well. I was dazzled to find such business smarts in a student the public schools had labeled borderline retarded. This was my first inkling that something was wrong not only with my teaching, but also with the standard remedial curriculum. . . I didn't know it at the time, but this incident. . . pointed me to my real vocation—teaching entrepreneurship to inner-city kids.”</p>	<p>“[Our] immediate motivation to make the university program [for entrepreneurship] was when we saw that all big companies actually ceased to function during the war and we actually saw that people are suffering because they don't have jobs and it would be extremely difficult to re-start those big companies again. [But] for us it was a challenge actually to really to first prepare ourselves as lecturers to teach something else. We had actually from the mid-1970's courses on marketing, financial management, accounting, of course; but we did not have anything like entrepreneurship, or anything related to needs and problems of managing small businesses. And, of course, we did not have anything about how to start a small business. So those areas were actually the new territory for us in some ways, so we had actually to learn more about that – how to start the business, how to provide resources for the business, how to run the business and how to deal actually with transition from small business to growing or fast-growing business. So all of those kinds of knowledge and skills we did not have.”</p>
<p>Problems executing the new vision</p>	<p>“I have endless conversations about ‘where does this fit in and won't it distract from math, reading, writing’. Meanwhile, I am in my office and down the hallway I hear “f*** you, mother f*****, f** you, blah blah blah.” There's kids swearing down the hall and people are trying to pretend that's not going on. Forty percent of the classes are completely unmanageable and they're pretending teach math. . . Part of the school system [is] in a fantasy. In the series of schools I was subsequently assigned to, spreading my ‘entrepreneurial message’</p>	<p>“First, of course, I tried with humanitarian organizations [to get start-up funding for my entrepreneurship program] but they turned me down. I started with a British know-how fund. I applied for financial support for this program but they said... first of all. . . that it was too early and then they said that it is not appropriate to start with graduate program, that it would be more logical to start with an undergraduate program. But we had to start with a graduate program to actually form a group of young people willing to enter an academic career to be able to teach later on in undergraduate programs. And</p>

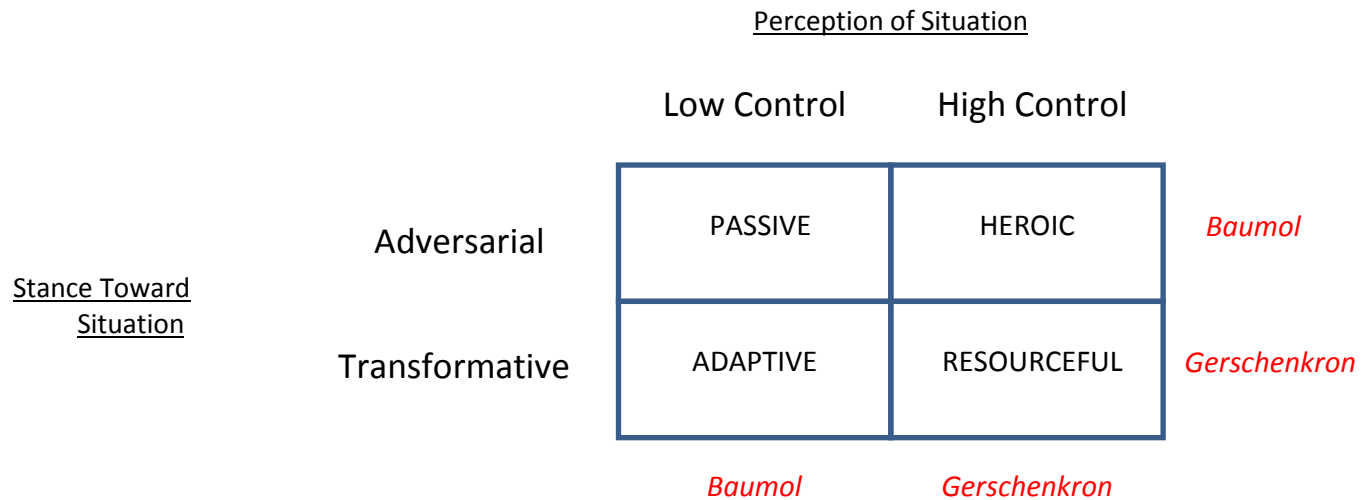
	<p>began to require more and more subterfuge. I was teaching the kids the subjects I was supposed to teach, but it took all my ingenuity to use an entrepreneurial or business context—which was the only way to keep up their interest.”</p>	<p>also some people who were already trying to operate businesses but who wanted to learn more about how to do that. We also talked to U.S. AID, we talked to some other humanitarian organizations. . . but they were not interested in economic development at that time. So most of them said just wait a little bit. But the war started here in 1991 and UN troops left in 1998 so it has been almost a decade. We just could not wait. It was like waiting for Godot. So I thought that it’s better if we do something by ourselves.”</p>
<p>A productive contingency</p>	<p>“It wasn’t until I was assigned to Jane Addams Vocational High School, in the “Fort Apache” Section of the South Bronx, that a principal, Pat Black, understood the potential of what I was talking about. She gave me permission to teach a class in entrepreneurship. It was an immediate success and soon became the South Bronx Entrepreneurial Project.”</p>	<p>“So we collected information about entrepreneurship programs around the world – mostly in the States – and I had luck actually to meet the person who had a good ear for listening to us and it was Piotr Korinsky, the Director of Economic Development Program at the Soros Foundation in New York and it was just click. And suddenly, things started to roll.”</p>

In *Table 1* we present the common stages that both entrepreneurs/ventures underwent in creating the two different programs teaching entrepreneurship. Then in *Table 2* we provide at least one quote from the raw data supporting each stage of venture development. The contrasts between the two cases are particularly interesting in light of the striking similarities. For example, both entrepreneurs were not really entrepreneurs to begin with. Also, one started with a personal contingency (the mugging in NYC) while the other with a historical one (the Croatian war). Yet each leveraged that contingency and others along the way in almost similar ways to end up building educational programs that teach entrepreneurship.

It is clear from *Tables 1* and *2* that the dynamics of the interaction between contingent event entrepreneurial action appear to follow a common trajectory. But how does this common process speak to the theoretical tension embodied in Baumol and Gerschenkron. The first implication from our analysis is that *what the entrepreneur “did” with the contingency* (and not the entrepreneurs or the contingencies themselves) that holds the key to the resolution to the theoretical tension. In other words, it is not simply a separate category of humans called “entrepreneurs” or even wanna-be entrepreneurs that seem to be the drivers of this process. Nor did a pre-existing set of institutions drive the two ventures. Yet both the “entrepreneurial” nature of the individual response and the necessity of certain institutions are fundamental to the explanation. In light of this insight, we would like to sidestep arguments about whether Steve Mariotti and Slavica Singer were “born” entrepreneurs (this begs the question as to why they were not already founders of successful ventures); nor do we wish to enter into a contest as to the primacy of institutions over individuals (the two institutional contexts here are, of course, starkly different). Instead, we think it is more productive to develop a working model of *possible responses to contingency*. In the model that follows, our aim is to come to grips with the role of contingency both in terms of individual behavior and institutional context, while at the same time keeping our theorizing simple enough to test through subsequent research.

**Conclusion: An Inductive Model of Entrepreneurial Responses to Contingency**

Dealing with Contingency:  
Types of Responses



**Figure 1**

In *Figure 1*, we plot individual beliefs about the nature of the environment and the role of agency in shaping it. We assume that not all environments are exogenous to individual agency. For example, beliefs about individual agency might themselves form a dominant norm or institution that fosters such agency – the Horatio Alger Myth in the US is a canonical example of this. Even within the same environment, though, individuals will vary in their personal beliefs about the efficacy of their own agency. Simply put, some individuals might believe that they have more control over their environments and their own destinies than others do. Together these two axes of individual belief and environmental endogeneity or exogeneity give us the 2 X 2 depicted in *Figure 1*.

The upper left-hand quadrant signifies a passive response to contingency and the most likely response here is to quit. In Steve Mariotti’s case this could have taken the form of moving out of NYC altogether; in Singer’s case this could signify an effort to leave Yugoslavia – perhaps as a refugee or as an employed immigrant to another country.

The upper right is perhaps the most familiar response associated with entrepreneurs – the heroic act of persisting in the face of unexpected obstacles or else the brilliant side-stepping or management of undiversifiable risks. This would be applicable to our two entrepreneurs only if they had set out on the path to the development of their academic entrepreneurial ventures *before* the contingency occurred. Clearly they hadn’t. But it is possible to find examples of such heroic entrepreneurs – names such as Milton Hershey (who was bankrupted several times before founding Hershey, PA), come to mind.

The bottom left is the most likely response from most individuals from a realistic, common-sensical or "rational" perspective. When unexpected things happen, we change our tactics to align our goals and environments better. In Mariotti's case, he could simply have avoided certain areas of NYC or purchased a gun. In either case, he would seek some counseling and get back to his normal life as most people who get mugged in big cities do. Singer could also have continued in her job and waited the war out as many educated people in her situation did.

But both Mariotti and Singer chose instead to *leverage* the contingencies that came their way to create something new from very little, to reinvent themselves, and to significantly albeit gradually transform their environments in important ways. In other words, they saw the unexpected things that happened to them as resources and inputs into a process that led them down productive and entrepreneurial paths.

## ANNEX 1: Narratives on Both Entrepreneurs

### Steve Mariotti and the National Foundation for Teaching Entrepreneurship

One afternoon in September 1981 in broad daylight on the Lower East Side of Manhattan, a group of six teenagers surrounded Steve Mariotti and made him give up the \$10 bill he was carrying. They slapped him, knocked him down and threatened to throw him into the East River. "It was deeply humiliating," Mariotti recalled, "I became frightened at the sight of young males who looked like they came from bad neighborhoods. I gave up jogging entirely and had constant flashbacks of that awful day's events." Mariotti was in a weak and defeated position; he felt hopeless and that was a foreign feeling indeed. He had been a success until that point, after all, and had planned to go on to even bigger things than he had already accomplished.

The paranoia lasted for months and the flashbacks to the mugging continued. Mariotti got an idea—maybe he could try to get a teaching position in a very tough inner-city high school, as a way to overcome his fear. If he confronted the very people he had become so afraid of, he reasoned, maybe he could move on. "I only wanted to teach for about four or five days total," he said. "I was actually contemptuous of high school teaching. Mom was a high school teacher, and I felt, 'boy I can do better than that.' In my mind, my ego—how I viewed myself—was being a businessperson, running Ford Motor Company, or a big investment bank so thinking about being a high school teacher was such a step down for me." Mariotti thought that his therapeutic stint teaching high school would be very short lived and that as soon as he was done he could "resume his passion, the art of making dollars." (Mariotti, 2000: Foreward).

He applied for a position at the New York City Department of Education and requested that he be sent to the "worst school with an opening". He was assigned to the Boys and Girls High School in Bedford-Stuyvesant, one of Brooklyn's toughest neighborhoods.

*Although the school had only opened in 1976, and had cost \$30 million to construct, Boys & Girls had quickly established itself as the worst school in the New York City public school system, and perhaps in the country. Primarily as a result of the negative publicity, seventy-two teachers simply refused to report for duty at Boys & Girls—they preferred to be unemployed. The dropout rate at the school quickly reached 50 percent. (Mariotti, 2000:5)*

Mariotti's first day at Boys & Girls started out relatively well. As students sat and quietly listened to his opening talk, he recalled feeling the fear receding. But that was just the calm before a seemingly endless storm.

*I began to lose control on almost a daily basis. One student actually set fire to the back of another's coat -- the student with the coat was as astonished as I was. In a rage, I ordered the arsonist out of the class, and he was expelled the same day. On another occasion, I was locked out of my eighth-period class. Finally, one of the girls took pity on me and opened the door, just as I was going to admit total defeat and find a security guard. In each of my three remedial classes, there was a group of six or seven kids whose behavior was so disruptive that I had to stop the class every five minutes or so to get them to quiet down. In my third-period class, I once threw all the boys out. Ironically, those young men provided me with the valuable insight that set me on the road to teaching entrepreneurship. I took them out to dinner and asked them why they had acted so badly in class. They said my class was boring, that I had nothing to teach them. (Mariotti, 2000:7)*

Mariotti then asked his dinner companions whether *anything* he had ever said in class was of any interest to them. One of the students, a particularly troublesome 17-year-old bully, spoke up, recalling a class discussion that had taken place five months earlier. He remembered that Mariotti had talked to the class once about a transaction from the days of his import-export business. At the time, Mariotti saw it as a "little experiment" that he hoped would help him to get through the hour. But this student remembered every single detail--cost of good sold, gross revenue, operating costs, net profit. He was able to re-create the entire income statement that Mariotti had rattled off to them back then. "I was dazzled to find such business smarts in a student the public schools had labeled borderline retarded. This was my first inkling that

something was wrong not only with my teaching but also with the standard remedial curriculum.. . it was the most important five or ten minutes of my professional life." (Mariotti, 2000: 7)

Shortly after that dinner, Mariotti was having a particularly bad day, even worse than the usual chaotic scene. Mills and Braddock were two of the worst troublemakers in any of his classes. They would blurt out animal noises, curse violently and threaten classmates as well. On this day, these two bullies were at the center of the action once again.

*I sat in my seat and felt something stick to the back of my jacket. I got up, looked at my chair, and saw a large wad of gum. The class roared. Then, seeing the hurt and disgust on my face, the group fell silent. A student named Therese came up to me and said, "You all right, Mr. Mariotti, you have gum on your back; let me help you." She pulled off as much of it as possible.*

*I tried to start a new subject, decimals, but asking them to learn something new at this point just made them anxious. A radio suddenly blared from the back of the room. The noise level soared, and Mills and Braddock got out of their seats and began dancing at the front of the room. The rest of the class began to clap in unison. I ran to the back of the room and threatened, "Turn it off, or I'm going to fail you." Mills got up on my desk and continued to dance.*

*"Turn off the goddamned radio, you twerp!" I yelled. Someone, imitating me, yelled back, "No swearing, Mr. Mariotti!" I grabbed the radio and went to the front of the room. To my relief, Mills got off my desk and sat down in his seat, cursing me as he went. I could feel my face twitching. "Look, Mariotti's having a nervous breakdown!" said another troublemaker. "You can't control this class, Mariotti, because you don't have juice," shouted Mills. "Shut up and sit!" I shouted back. "Continue with the assignment."*

*All of a sudden, I was hit in the eye with a spitball. I felt another wave of anger. "Who threw that?" I yelled. The class was again in total chaos. . . I walked out, and as I did so, I was hit in the back with a wad of paper. (Mariotti, 2000: 8)*

At the end of his rope, Mariotti stepped out into the hallway and tried to regain his composure. He began to think about that dinner, and what the students had told him, that he was boring except when he talked about business, about money. After a few minutes, he went back into the classroom and broke into a spontaneous riff that launched the National Foundation for Teaching Entrepreneurship.

*I walked back into the classroom and, with no introductory comments, started a mock sales pitch, hypothetically selling the class my own watch. I enumerated the benefits of the watch, explaining why the students should purchase it from me at the low price of only \$6. I noticed immediately that as soon as I started to talk about money, and how to make money by selling something, they actually quieted down and became interested. I didn't know it at the time, but that incident, born of desperation, pointed me toward my real vocation -- teaching entrepreneurship to inner-city kids.*

*When I had their attention, I moved from the sales talk into a conventional arithmetic lesson: if you buy a watch at \$3 and sell it for \$6, you make \$3 of profit, or 100%. Without realizing it, I was touching on the business fundamentals of buy low/sell high, and on the more advanced concept of return on investment.*

Combining the new entrepreneurial approach with a get-tough attitude (Mariotti made the offenders from that awful day write him notes of apology that they were asked to slip under the door before being allowed to re-enter), he began to have more control over his classes than he had ever thought possible. He continued to refine the new business curriculum, making up games around retailer-customer scenarios and mock sales calls where the sellers had to persuade potential customers to buy from them. Although Mariotti could see the amazing transformation in his students, not everyone was impressed.

*Other teachers and administrators were constantly urging me to stress reading, writing, math, communication skills, and 'good citizenship.' I found that approach to be nonproductive. When these*

*young people got interested in starting their own businesses, they wanted to know how to write and add; they knew they needed those skills to conduct business effectively. They also knew that politeness and respect for the people with whom they were doing business were essential.*

*Knowledge of the principles of business modified the behavior of these kids. Entrepreneurship changed the structure of their psyches. One of my students, Maurice, although not one of the worst-behaved, was still angry, belligerent, mean, and threatening. He took to salesmanship, however. He became so good that I encouraged him to make actual sales. He invested a small sum in a dozen pairs of sunglasses, which I helped him buy wholesale. As he began to make a small profit through selling the glasses, his whole facial demeanor changed. Instead of being angry, he was conversational and polite. He had learned to assert himself non-aggressively through the selling process. By the end of the school year, he was making about \$60 a week in his spare time through sales. The increase in his confidence and self-esteem was incalculable.*

*Running their own businesses helped my students make better decisions in their personal lives because it taught them about delayed gratification. The primary act of business -- buy low, sell high -- takes place over time, with money as a reward. As a result, people seem to make better decisions in general after starting a business. Many times I saw that the way a student looked at the future was expanding right before my eyes.*

Mariotti had many other, similar stories about students in his class. One girl, Tawana, who according to Mariotti had incredibly low self-esteem, started a manicuring business at home after school. As her business grew, she noticeably changed—her personal hygiene improved, she began to attend school more frequently (that was where her customers were) and her grades improved as well. Mariotti saw her go from “being a social outcast to having a strong and healthy ego:”

*For Tawana, entrepreneurship was an avenue, a link to other human beings. Like Maurice, she knew her local market intimately. She knew which girls would likely be customers. The \$40 or so a week she earned was her lifeline to interacting with other human beings in a mutual bond of self-interest. For Tawana and Maurice, business skills had also become social skills. . . one of my students, Sonya, seemed to have only sexual relationships with other human beings, particularly the boys in the school. When she developed her own little business doing her classmates' hair (both boys and girls), it enabled her to communicate in a nonsexual way. She had something else to talk about, something that permitted her to have relationships without necessarily becoming sexually involved.*

*Running their own businesses helped my students make better decisions in their personal lives because it taught them about delayed gratification. The primary act of business -- buy low, sell high -- takes place over time, with money as a reward. As a result, people seem to make better decisions in general after starting a business. Many times I saw that the way a student looked at the future was expanding right before my eyes.*

Eager to test his developing theories on entrepreneurship in a new environment, Mariotti applied for a transfer so he could teach at other schools in the New York City system. He continued to develop a business curriculum, teaching all his math classes as business math and re-writing MBA textbooks at a sixth grade reading level. “In the series of schools I was subsequently assigned to, spreading my ‘entrepreneurial message’ began to require more and more subterfuge. I was teaching the kids the subjects I was supposed to teach, but it took all my ingenuity to use an entrepreneurial or business context—which was the only way to keep up their interest.” (2000:14) Mariotti continued on this way until one principal in the South Bronx understood the potential value of entrepreneurship education for these students. She allowed him to teach a class in entrepreneurship and this effort eventually developed into the South Bronx Entrepreneurial Project. Finally out in the open, Mariotti was free to impart information to his students that they had “formerly considered irrelevant (reading and math), abstract (economics) or facile (advice on how to dress or behave)” The students now wanted to learn these subjects in the context of entrepreneurship because they could see that it could “profoundly affect their lives.” (2000:15).

After teaching entrepreneurship like this for several more years in a number of different New York public schools, Mariotti formally developed the NFTE curriculum, incorporated the organization, raised the necessary funds to get it started and officially launched it in 1988.

### **Slavica Singer and the Graduate Program for Entrepreneurship in Osijek Croatia**

In 1991, Serbian troops attacked the Croatian town of Osijek, after leveling Vukovar, only a few kilometers away. The three-month siege and bombardment of Vukovar was a particularly brutal episode during the Croatian war of independence from Yugoslavia. In one of the war's most horrifying events, at least 200 prisoners of war were seized in a Vukovar hospital and taken to a nearby pig farm, where they were executed in what became known as the Ovcara massacre. By the end of the relatively short (one-year) war, more than 1,000 Croats and non-Serb civilians were massacred and thousands more expelled from the town. Hundreds more were massacred through daily shellings in Osijek.

Despite its short duration, as with all wars, the damage done far outlasted the conflict itself. The plight of post-war Croatia was in many respects similar to that in scores of other war zones (or post-war zones) throughout history, with its damaged infrastructure, high unemployment, lingering ethnic tensions and psychological scars. Yet, in other respects it was of course unique, as are all distinct cultural contexts with their own particular conflicts, languages, religions and traditions. Although it was difficult to separate the effects of the war from the general influence of economic transition throughout the entire region (Kovacevic, 2001), by the early 1990's, Croatia was left with hundreds of thousands of refugees, displaced persons, occupied territory, destroyed manufacturing facilities and severely reduced market size. The standard of living fell to 40 per cent of what it was before the war began (Dezeljin, 1995). The total number of employed, working-age adults fell by 40 per cent despite the fact that the number of people employed in small companies doubled (Kovacevic, 2001).

There were various reasons for this bleak predicament. First, there was a terribly inadequate system of higher education. Second, the culture was rife with Schadenfreude and suspicious of entrepreneurs and entrepreneurship; a recent survey by the Global Entrepreneurship Monitor found that the overwhelming majority of Croatians would not find it acceptable if their children were to become entrepreneurs, while a majority of Americans would be happy with entrepreneurship as a career for their children (GEM, 2000). Finally, there remained aspects of the 'socialist black hole' (Benic, 1999) whereby virtually no small- and medium-sized companies had existed during socialism and the culture and political system did not yet support them despite the changing economic and political situation. The question was, given this set of rather chaotic and unpredictable circumstances, how could one begin to get out of the 'vicious cycle' (Venkataraman 2004)?

It was in this environment that Dr. Slavica Singer, an economics professor at the University of Osijek found herself at the beginning of the 1990's. A beloved and prominent figure in the university and in the town of Osijek, she felt helpless in the face of the destruction being visited upon her community. When the war came, she was in the process of trying to understand the needs of local businesspeople for training and education on how to improve their companies. The war stopped that project in its tracks.

*Actually we started to think about the program almost 12 years ago. . . at the beginning of the 90's, we started to do some surveys among businesspeople in Croatia trying to get information which what they consider as needs for training and education. What they feel that they lacked in their education and what they feel is needed to improve their businesses.*

*It was just in the beginning of the war so we actually tried to make the research but then the war started in 1991, so we actually could not make the whole research. And then, because of the war, we just started to read because we just did not have opportunity. For example, our university was evacuated so we did not have lectures and exams in 1991 and 1992 and professors actually who stayed here in Osijek, we just tried to read. So I never read actually so much in my life as those two years.*

*This small group of my colleagues and me, we actually tried to understand what is entrepreneurship. So we started with Schumpeter and all others talking about innovation and entrepreneurship; so that was some kind of developing the basis of understanding. But [the] immediate motivation to make [a] university program, was when we saw that all big companies actually ceased to function during the war and we actually saw that people are suffering because they don't have jobs and it would be extremely difficult to re-start those big companies again.*

Singer explained that it was physically impossible to function because of the daily shelling she and other inhabitants of Osijek were suffering at the hands of the Serbian Army. Many companies were physically destroyed or so badly damaged by shelling that they could no longer function. Osijek, located in Eastern Croatia, was on the edge of territory occupied by the Yugoslav army and this, as Singer explained, made it "impossible to function in just a normal way. For example, some foreign trucks delivering some even humanitarian aid were not allowed to come to Osijek; they stayed in Hungary because insurance did not want to cover the risk of coming here." She continued:

*I thought we should do something to make possible for people who would lose or who already lost their jobs to start something on their own. So actually I started to talk to many foreign humanitarian organizations about starting some economic development program, but all of them, actually, refused to talk about this saying that it's too early. So it's the beginning of... it was 1992, 1993.*

*I don't know why they felt that way, you should probably ask them; but they thought that the time was for humanitarian aid, not for development aid. But unfortunately, this part of Croatia actually stayed in such a "neither war nor peace" situation until January 1998. So it was absolutely impossible just to wait without doing something.*

*And so for us, as we saw the group of people who I was actually dealing with, we thought that one important solution is really to prepare people to start some business... to go into self-employment – to start the businesses by themselves.*

*Croatia had business education but it's not in the terms as you have, for example, in the States. Usually people who became business people or managers in their companies, usually they had education provided by economic departments. So it's a little bit different than in the States so it's some kind of combination of micro-economic and micro-economic topics.*

Singer explained that it was a huge challenge for her and her colleagues to prepare to teach a topic other than economics and traditional business courses such as marketing, financial management and accounting, but they had nothing like entrepreneurship nor anything related to the needs and problems of starting or managing small businesses. "So those areas were actually the new territory for us in some ways, so we had actually to learn more about that – how to start the business, how to provide resources for the business, how to run the business and how to deal actually with transition from small business to growing or fast-growing business."

In order to get a real program for entrepreneurship started, Singer approached various humanitarian organizations but was repeatedly rejected.

*First of all, they said that it's too early and then they said that it is not appropriate way to start with graduate program that it will be more logical to start with an undergraduate program. But we had to start with a graduate program to actually form a group of young people willing to enter maybe academic career to be able to teach later on undergraduate program.*

Singer then approached USAID and other humanitarian organizations working in the Balkans but they were not interested in economic development at that time either, suggesting that

Singer wait a little bit longer until the most basic humanitarian aid programs had stabilized the situation. But, as Singer explained, the war began in 1991 and UN troops left in 1998 so it had been nearly a decade. She felt this was long enough to wait.

*It was like waiting for Godot. So I thought that it's better if we do something by ourselves. So we collected information about entrepreneurship programs around the world – mostly in the States – and I had luck actually to meet the person who has a good ear for listening to us and it was Piotr Korinsky, the Director of Economic Development Program at the Soros Foundation in New York and it was just 'click.' And suddenly, things started to roll.*

*I was actually a member of the board of the Soros Foundation in Croatia from the very beginning, from 1992. But Soros did not have an economic development program until 1997. So many of us living in this part of Europe tried to convince Mr. Soros that besides supporting independent media or education or culture that it was really essential to support economic development focused on self-employment, micro-lending, developing this sector of small businesses.*

*And happily, actually, he accepted what many of us from different countries actually were talking to him. And in 1997, he established an economic development program at the Soros Foundation in New York and Mr. Korinsky was the first director and he's still director of that program.*

Singer designed the entrepreneurship program with the help of Mr. Korinsky and his staff at Soros. They brought in foreign experts in entrepreneurship to teach subjects that their own professors were not trained to teach. The idea was for these foreign experts to train their Croatian counterparts to develop expertise and to take over the new courses in the near future.

To date, the graduate program in entrepreneurship at the University of Osijek had graduated hundreds of students, had begun construction of a new building for their program and had gained international attention for the quality and sustainability of their effort.

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