From the ‘Small but Smart State’ to the ‘Small and Entrepreneurial State’: Introducing a Framework for Effective Small State Strategies within the EU and Beyond

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Abstract: As the current international system is leaning towards multipolarity, small states face the danger of their influence being diminished and their interests being ignored. Small states in Europe and within the European Union might find themselves in such a predicament. In order to overcome it, they are in need of effective strategies. Literature on the international relations of small states suggests that, despite their limitations, small states are able to pursue their goals and succeed in the international system. Small state studies employ the ‘small but smart state’ concept for a small state that can maximize its influence. Despite being widely used, the latter lacks analytical value and remains a cliché. The objective of this article is to pin down the ‘small but smart’ state strategy and based on that to provide a comprehensive framework for the analysis and the design of effective small state strategies. We suggest that the ‘small but smart’ state strategy shares many elements with the entrepreneurial

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action, as the latter is extended from its business origins to include a specific strategy. We draw on the field of entrepreneurship to explore the ways it can enhance our understanding of the international relations of small states and we introduce a framework for the ‘small and entrepreneurial state’ strategy. The notion of the ‘small and entrepreneurial state’ adds more depth and rigor into our small state analyses as well as reinvigorates a fragmented and repetitive literature. Last but not least, our ‘small and entrepreneurial state’ approach can be of use for both small state scholars and policy makers.

**Keywords:** entrepreneurial state, entrepreneurship in international relations, small but smart state, small states

1. **Introduction**

One of the mantras in the international relations of small states is that the latter can ‘punch above their weight’, increase their influence in the international system, and even bring about changes, despite their limitations (see Björkdahl, 2008; Ingebritsen, 2002; Krasner, 1981; Smed & Wivel, 2016). Although such a claim is important for every era, it is of significant value for the current international system that is leaning towards multipolarity and therefore involves the danger of the influence of the small states being diminished and of their interests being ignored. Small states in Europe and within the European Union (EU) might find themselves in such a predicament. In principle, all Member States participate in the EU on an equal footing. Yet, asymmetry of power matters, as smaller Member States dispose less resources and have to employ effective strategies in order to ‘punch above their weight’.

However, our understanding of the mechanics that enable small states to serve their interests, introduce innovative policies, new norms and institutions, to advance small-scale changes within the EU, in other international organizations, in interstate relations, at a regional level and in the system, is incomplete. To conceptualize the accomplished small state, scholars have employed the term ‘small but smart state’. The ‘small but smart state’ concept has become a catchphrase among small state scholars, international institutions, and politicians (Arter, 2000; Joenniemmi, 1998; Grøn & Wivel, 2011; Kouskouvelis, 2015; Milta, 2016; Pastore, 2013; Prasad, 2009; The World Bank, 2018; Wivel, 2010). Yet, it remains obscure as ‘smart’ cannot but be generic; it is used in
many different contexts, for example ‘smart specialization’ (Prause, 2014) or ‘smart contracting’ (Solarte-Vásquez & Katrin Nyman-Metcalf, 2017); it means different things to different people and therefore lacks focus and analytical value. As a result, the ‘small but smart’ state literature grew in a haphazard way and remains fragmented. Therefore, we need to get a better understanding and thorough analysis of the so-called ‘small but smart state’ strategy.

The objective of this paper is to pin down the ‘small but smart’ state strategy and provide a comprehensive framework for analysing and designing effective small state strategies. To this aim, we explore ‘smartness’ and ‘smallness’ and we look for insights that enhance our understanding of strategies of problem solving, innovation and accomplishment. We draw on research conducted in the field of entrepreneurship and we argue that the ‘small but smart state’ behaviour shares many elements with the entrepreneurial action, as the latter is extended from its business origins to include a specific strategy. Thus, we introduce a framework for the analysis of the ‘small and entrepreneurial state’ strategy.

In order to pin down the ‘small but smart state’ strategy and build the ‘small and entrepreneurial state’ strategy framework, we employed two bodies of literature. We first reviewed scholarship on the international relations of small states and identified the elements of the ‘small but smart state’ strategy. Then, in order to systematize those elements we looked for insights in the field of entrepreneurship and especially on works that extend entrepreneurship beyond its business origins. We chose to employ an interdisciplinary approach and draw on the field of entrepreneurship for four different reasons. First, we have been alarmed by small state scholars who had used terms from the entrepreneurship vocabulary before (see Arter, 2000; Browning, 2006; Rickli, 2008; Wivel, 2010). Second, Miles (2015, p. 134) argues that “FPA [Foreign Policy Analysis] and political entrepreneurship scholars have, in many ways, been addressing similar research puzzles [...] associated with policy change and continuity, but have simply been using different language (or keys) to open them”. Third, scholars from the field of entrepreneurship too have encouraged the exploration of the relevance of their findings to other fields of study (Lumpkin, 2011; Sarasvathy & Venkataraman, 2011). Last but not least, there is a tradition in the international relations discipline to draw on economics for inspiration (see Waltz, 1979) and we adhere to it. In this sense, we follow Ripsman, Taliaferro and Lobell (2016, p. 130) who suggest that when the international relations discipline lacks a theory for understanding a phenomenon, it is possible for the researchers to “draw out the logical implications for other contexts and suggest hypotheses regarding the issue in question for empirical testing.”
Therefore, this article contributes to the debate on the international relations of small states a new perspective on efficient small state strategies. It enhances our understanding of the ‘small but smart state’ strategy and introduces a systematic framework for analysing old and new empirics and designing effective small state strategies. Moreover, it expands the use of entrepreneurship insights in international relations and encourages further interdisciplinary research.

2. Smartness and smallness

Smartness in international relations literature is usually associated with Nye’s ‘smart power’ concept (2008), which involves a mixture of hard and soft power instruments and means that should be used appropriately with regard to the respective context (see Cross, 2011). However, small state scholars have taken a different approach. Joenniemi (1998), who introduced the smartness aspect in the field, connects smartness with small states’ ability to adapt, be influential and not have any of the liabilities that accompany the great powers in the system. His account of smartness is brief and mainly suggestive. Later, most of the small state studies that employ the smartness perspective make an implicit or explicit association between smartness and influence. Most of them focus on the steps and the preconditions of a strategy that enables a small state to maximize its influence (Arter, 2000; Bueger & Wivel, 2018; Grøn & Wivel, 2011; Kouskouvelis, 2015; Wivel, 2010). Initially, studies of the ‘small but smart’ state focused on the EU (Arter, 2000; Grøn & Wivel, 2011; Milta, 2016; Pastore, 2013; Wivel, 2010). Kouskouvelis (2015) put smartness in a broader perspective of bilateral and regional relations and associated it with smart leadership. Also, Tarp and Hansen (2013) refer to the smart ways in which small states act within the United Nations. In addition, Bueger and Wivel (2018) show how Seychelles, a micro-state, has acted as a ‘small but smart’ state on the international stage and managed to extend its influence. Prasad (2009) correlates smartness with the ways that small states find to navigate an adverse international economic environment and increase their wealth. Thus, the meaning of the ‘small but smart’ state remains fluid and dependent upon the context of the analysis. Hence, its usefulness is diminished and there is a need for further conceptualization of the efficient small state strategy.

Apart from the term ‘small but smart’ state, scholars have also referred to small states’ wisdom (Fox, 1959), intelligence (Katzenstein, 1985) and cleverness (Platias, 1986). They use those terms in order to conceptualize the behaviour of
the small state that manages to serve its interests, despite its limitations and in a context where great powers prevail; the small state that manages to maximize its influence against all odds. In this sense, ‘smartness’ is directly associated with smallness; it refers to a small state’s efforts to overcome the implications of having limited resources. Under this perspective, ‘smartness’ does not refer simply to influence maximization. It encompasses both means and ends and it takes into consideration the given circumstances; smartness refers equally to the ultimate goal and the steps that a small state takes to reach it, given its limited resources and its place in the hierarchy of the international system, its lack of clout. Thus, ‘smartness’ refers to an effective use of means to the attainment of a specific end, which is none other than the maximization of influence. Of course, influence is not an abstract end in itself; ‘small but smart’ states aspire to enhance their position in the system and safeguard their interests.

Against this background, one important aspect of the ‘small but smart’ state strategy is that it takes into account the existing power configuration and the implications of power disparity between great powers and small powers. For a ‘small but smart’ state smallness matters; it is a predicament, but not an insuperable obstacle. Based on the fact that small powers have fewer resources and less influence than great powers; the ‘small but smart’ state devises strategies to overcome its limitations. In this sense ‘small but smart’ states are agile and proactive states that take initiatives within the context of alliances, international organizations, the EU and in their interstate relations, in order to maximize their influence. ‘Small but smart’ states even exploit their predicament (Grøn & Wivel, 2011). Due to their smallness, they do not provoke ‘security dilemmas’ to more powerful actors, and they are able to undertake initiatives and roles that suit their power resources and are of different nature and scale in comparison with those that great powers hold; yet they still manage to pursue and secure their interests (see Ingebritsen, 2002). A series of studies reconfirms that creativity, flexibility and expertise play a great role in this context (e.g., Schmidl, 2001; Cooper & Shaw, 2009; Rickli, 2008; Grøn & Wivel, 2011; Panke 2012a; 2012b). In addition, when small states manage to ‘punch above their weight’ they usually take advantage of favourable circumstances, whether systemic, such as great powers rivalry, institutional, such as holding the presidency of an organization or that of the EU Council; or derived from a state’s geography, discovery of natural resources, competent leadership (see Grøn & Wivel, 2011; Kouskouvelis, 2015).

Moreover, institutional environment permitting, small states create new space for their action. The case of the corporation of the Petersberg Tasks in the context of the then European Security and Defence Policy, promoted by Sweden and
Finland, both of which have later assumed important roles in the implementation of the EU’s Security and Defence Policy, constitutes such an example (Björkdahl, 2008; Jacobsen, 2009). For such initiatives to succeed, small states should be adaptable, proactive, innovative and persistent (Arter, 2000; Björkdahl, 2008; Jacobsen, 2009; Ricki, 2008; Tiilikainen, 2006; Thorhallsson, 2012). To this background, small states usually aspire to bring about low-scale changes that serve their interests and/or are related to their expertise. Additionally, small states that succeed in maximizing their influence cannot afford to act alone. ‘Small but smart states’ capitalize on the resources of other actors, great powers and/or other small states, institutions, and NGOs (Rickli, 2008; Panke, 2012a; 2012b; Nasra, 2011; Thorhallsson, 2012; Súilleabháin, 2014). Moreover, in order to evolve and succeed, a small state’s initiative or contribution should add some value, make a difference in the regional or the international system and benefit other partners too (Arter, 2000; Wivel, 2010). The actions of the ‘small but smart’ states are, or at least appear, as beneficial not only to them but also to other actors and even the system as a whole.

To sum up, a ‘small but smart state’ is a state that makes an effective use of its limited resources, harnesses favourable circumstances, creates space for action, cooperates with others in order to serve its interests, brings about a change or changes and acts in a way that is beneficial for itself and for others. Creativity, innovativeness, flexibility, adaptability, proactiveness, expertise and a good reputation are the necessary qualities. Against this background, a state can ‘punch above its weight’ through acting as a mediator, an honest broker, a policy or norm entrepreneur, an expert (Pedi, 2016). Hence, the vague ‘small but smart state’ concept obscures more than it reveals and therefore we need a concept with more analytical value to help us theorize about effective small state strategies.

3. Entrepreneurship: from an established academic field to an academic trend

Entrepreneurship as a field of study has gained considerable legitimacy during the last decades (Lumpkin, 2011). It is usually associated with the creation of a new business organization or the growth of an existing one. Yet, prominent figures in the field of entrepreneurship field have suggested that we should treat it as something more than a “sub-discipline of economics or management” (Sarasvathy & Venkataraman, 2011, p. 114) and seek to find how it informs...
life (Lumpkin, 2011). For Sarasvathy and Venkataraman (2011, p. 125), there is a “distinct method of human problem solving that we can categorize as entrepreneurial”. According to them entrepreneurship as a

phenomenon may hide a generalized method capable of changing the way we live, work and play, and transforming the courses of the careers we build, the shapes of the communities we live in, and the evolution of the socio-political and economic systems we are part of. (Sarasvathy & Venkataraman, 2011, p. 115)

Lumpkin argues that a critical question that entrepreneurship scholars have to ask is

how entrepreneurial knowledge can contribute to understanding goal accomplishment and human achievement generally […]. What is the role of opportunity identification and creation, innovativeness and competitiveness, risk-taking, and autonomy in human accomplishment, in the purposeful enactment of all types of personal and organizational goals? (Lumpkin, 2011, p. 7)

In other words, he asks “what the impact of acting entrepreneurially has on outcomes outside of business, or on the human condition more generally.”

However, different scholars conceptualize the entrepreneur in different ways (Sarri et al., 2012). The main constitutive elements of entrepreneurship that we usually come across in literature are: scarce resources, opportunity, creativity, innovation, risk-taking, uncertainty, change effectuation and value creation (Sarri et al., 2012). Moreover, scholars have also underlined the role that autonomy, proactiveness, responsiveness and adaptiveness to challenges posed by the environment and competition, among others, play in the entrepreneurial orientation (Lumpkin & Dess, 1996). In this context, opportunities “understood as positive and favourable circumstances leading to entrepreneurial action” are central and “arise from changes in the environment in which an individual operates” (George et al., 2014, p. 1). Eckhardt and Shane (2003, p. 336) define “entrepreneurial opportunities as situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships.” Furthermore, they suggest that what distinguishes entrepreneurial decisions from other decisions that generate profit is that “entrepreneurial decisions are creative decisions”, as the ends and the means are not given; “the entrepreneur constructs the means, the ends, or both” (Eckhardt & Shane, 2003, p. 336).
The use of entrepreneurship in other social sciences has proliferated after the 2000s and mainly in the American academic world (Pozen, 2008). Indeed, concepts like those of the social entrepreneur (Martin & Osberg, 2007), the norm entrepreneur (Finnemore & Sikkink, 1998), the political entrepreneur (Petridou, Aflaki & Miles, 2015), and the moral entrepreneur (Posner, 1999) have become popular among scholars in disciplines such as sociology, political science and law. Although all the above concepts are based on the notion of the entrepreneur, they capture it in different ways that are not always consonant with each other. In addition, they do not always directly correspond to the mainstream entrepreneurship literature. However, what can be conceived as the common denominator of the various efforts that employ the concept of the entrepreneur is an emphasis on opportunity, creativity, innovation, accomplishment, change and value creation.

4. Entrepreneurship in politics and international relations

For Petridou, Aflaki and Miles (2015), entrepreneurship in politics is the “purposive political action of getting hold of opportunities for political profit”. They have managed to capture the essence of the different approaches to entrepreneurship in their definition of political entrepreneurship. According to them, “a political entrepreneur is a special kind of actor, embedded in the sociopolitical fabric, who is alert to the emergence of opportunities and acts upon them; he or she amasses coalitions for the purpose of effecting change in a substantive policy sector, political rules or in the provision of public goods.” (Petridou, Aflaki & Miles, 2015, pp. 1–2) They associate “entrepreneurial action in the polis, much like in market entrepreneurship” with creativity, innovation and profit, which in the context of the ‘polis’ is political profit (Petridou, Aflaki & Miles, 2015, pp. 1–2).

Although economics has had a great impact on shaping thinking in the international relations discipline (see Waltz, 1979), the use of entrepreneurship insights and of the concept of the entrepreneur is limited and sporadic. There are only a few studies that engage with entrepreneurship, beyond the concept of the “norm entrepreneur” (Finnemore & Sikkink, 1998; Ingebritsen, 2002); however, each of them holds a different perspective and scope (Frohlich & Oppenheimer, 1972; Checkel, 1993; Moravcsik, 1999; Carter & Scott, 2010; Blavoukos & Bourantonis, 2012; David, 2015; Miles, 2015). For most of them, entrepreneurs are individual leaders or practitioners who follow innovative approaches, transform public beliefs inside or outside their countries, break
with past behaviour or perceptions, and provide public goods. Thus, they
investigate the ways that political entrepreneurs at the domestic level, or
within a supranational institution, influence policy change in the foreign policy
domain. These approaches make an effective use of the concept of the political
entrepreneur, in order to understand change in the foreign policy of a state or
changes within a supranational institution. Our perspective is new in that it
focuses on a different level of analysis. Observing that when studies engage with
entrepreneurship, it is rarely with the aim of analysing choices at the state level,
we look at this level of analysis and we seek to find what is the explanatory
power of entrepreneurship insights for enhancing our understanding of the
‘small but smart’ state strategy.

5. Towards an entrepreneurial strategy framework

Our approach is based on the analogy between the international system and the
market that Waltz introduced in 1979. We assume that if great powers act as
big firms, then small states act as small firms—namely, more entrepreneurially.
We agree with Miles (2015, p. 134) that there are “common among FPA and
political entrepreneurship puzzles”. Miles does not name them explicitly. In
our understanding these are: the issue of survival, the fact that both states and
entrepreneurs act as maximizers, both are concerned with cooperation and
competition, with absolute and relative gains, both face structural constraints
and they have to handle the difficulties of uncertainty and anarchy, of the lack
of information and, in many cases, of the existence of scarce resources.

Moreover, the language of entrepreneurship is used extensively by small state
scholars. Arter (2000, p. 691) suggests that small states are smart in the “sense
of being enterprizing” and that they are also marketing their ideas. Wivel (2010)
emphasizes the importance of an environment that encourages innovation and of
a strategy that adds value, as preconditions for success. Also, Browning (2006,
p. 679) argues that what matters nowadays is not so much the relative size of a
state but “whether a state is innovative and active”. In addition, Cooper and Shaw
(2009, p. 2) note that “[w]hat small states lack in structural clout they can make
up through creative agency”. Furthermore, Rickli (2008) suggests that small states
wishing to play a role in the post-Cold War security architecture, should exploit
relevant niches. These examples show that small state scholars have captured
the essence of the entrepreneurial action; yet they have lacked a framework that
would allow them to describe, explain and test it in a systematic way.
In this context, bearing in mind the elements of the ‘small but smart’ state strategy analysed above relying on a synthesis of insights from both market and political entrepreneurship, as discussed previously, we suggest that there is ‘a small and entrepreneurial’ state strategy and we provide a framework for a more systematic analysis (see Fig. 1). According to our framework:

• States undertake entrepreneurial action as a problem-solving strategy in order to respond and/or adapt to challenges and opportunities posed by their environment and fight off competition from other states.
• Alertness to opportunities and change effectuation lie at the core of entrepreneurial action. In this context, opportunity—“positive and favourable circumstances leading to entrepreneurial action” (George et al., 2014, p. 1)—can arise from changes (material or ideational) in the international or regional system. It can be institutional, in the context of a supranational organization; it can relate to geography or a specific expertise that a state has; it may come from the potential exploitation of natural resources and even from changes in a state’s leadership.
• As states get hold of opportunities in order to increase their profit—that is maximization of influence—they innovate by introducing new ideas, norms, policies, partnerships, and institutions. As they introduce new means, or new ends, or new means-ends relationships their decisions are entrepreneurial decisions (George et al., 2014).
• In this way, small states bring about change at a regional or international level and generate value, i.e. prosperity, security, stability for themselves and others. Thus, entrepreneurial action by a small state, transforms an opportunity into a change.
• The entrepreneurial state is a state that withstands uncertainty, takes risks, is proactive, creative and responsive. It recognizes that the international system is a self-help system (Waltz, 1979) and therefore, as also entrepreneurs do, it holds a developed ‘internal locus of control’, which means that it accepts that it is responsible for its own fate.
• Forming coalitions and capitalizing upon the resources of others is also an indispensable part of an entrepreneurial state strategy.
• States, depending on their resources, can act entrepreneurially at an international or regional level, within institutions, such as the EU or the UN, and in their interstate relations.

In contrast to the ‘small but smart state’ approach which is generic and vague, the ‘small and entrepreneurial state’ is associated with entrepreneurial action which is specific. It has to do with limited resources, alertness to opportunity, proactiveness, creativity, innovation, change, and value creation in a competitive
environment. It allows us to systematize our knowledge about the small state that makes an effective use of its limited resources, maximizes its influence and generates value in the system. In addition, it invites further interdisciplinary research on the nature of opportunities, the processes of entrepreneurial decision, change effectuation and value creation in the international system—aspects of international relations that have been hardly investigated in the discipline.

Figure 1. A small and entrepreneurial state strategy framework

Such a framework can shed some new light on a series of old empirics; to name but a few cases: Estonia’s expertise in responding to cyberattacks and its contribution to both the EU and NATO in this area (Crandall, 2014; Crandall & Allan, 2015); Denmark’s action in the area of counter-piracy (Smed & Wivel, 2016); Cyprus’ status-seeking strategy in the Eastern Mediterranean (Pedi & Kouskouvelis, 2019). Equally, it can be useful for analysing new cases and advancing new proposals. In addition, it can be helpful in enhancing policy makers’ understanding of effective strategies and in devising new ones.

6. Conclusion

This article pinned down the ‘small but smart’ state strategy and introduced a framework that could help both researchers and practitioners to make sense of effective small states’ strategies. We suggested that smartness refers to the efficient use of a small state’s limited resources in order to serve its interests and maximize its influence and we identified the elements of a ‘small but smart state’ strategy. These elements, we argued, can be integrated into a comprehensive
framework with the help of insights from the field of entrepreneurship. Thus, we associate a small state effective strategy with entrepreneurial action. Small states that follow an entrepreneurial strategy are aware of their limitations and therefore they are proactive and creative, they harness opportunities and innovate. As a result, they are able to effect changes to their advantage and generate value in the system.

Thus, entrepreneurial knowledge (see Lumpkin, 2011) contributes to a more comprehensive and thorough understanding of the ‘small but smart’ state strategy. The development of the entrepreneurial state strategy framework in this context can be useful to both researchers of the accomplishments of small states and policy makers. By pinning down the ‘small but smart’ state strategy, we make it available to even more small states that wish to maximize their influence and introduce changes to their advantage. Clearly, it is not the privilege of some enlightened states, but the outcome of employing a certain problem-solving method, namely, entrepreneurial action. Moreover, the integration of insights from the research field of entrepreneurship into the discipline of international relations provides us with new possibilities for research on opportunity, change, value creation and co-opetition—the combination of cooperation and competition—which have been hardly explored before in the International Relations discipline.

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