

# DISSOLVING CURRENT GAPS IN ENTREPRENEURSHIP EDUCATION AND ITS IMPACT ON BUSINESS DEVELOPMENT IN SLOVAKIA

Helena Majdúchová, Peter Štetka, Denisa Gajdová

## INTRODUCTION

There's no doubt that entrepreneurship is a key driver of market oriented economies, including Slovakia. Wealth and a high majority of job opportunities are created by small businesses started by entrepreneurially oriented individuals, despite the fact that the major part of Slovakia's GDP is generated by the biggest manufacturers, especially in automotive business. People preferring to be entrepreneurs frequently express that they have more opportunities to apply their creativity and have much more freedom in their decision making, achieve higher self-esteem, and achieve much greater control over their own lives. As a result of this thinking, many experienced businessmen, political leaders, economists, and educators believe that fostering specific entrepreneurial culture will maximize individual and collective economic and social growth on a local, national, and global scale. It is the reason why the National Standards for Entrepreneurship Education were developed: to prepare youth and adults to succeed mainly in a market oriented economy. Entrepreneurship education seeks to provide students with the knowledge, skills and motivation to encourage entrepreneurial success in a variety of settings. Variations of entrepreneurship education are offered at all levels of education, from primary and secondary schools to university study programs. Entrepreneurship is often associated with uncertainty, particularly when it involves something truly novel, such as a market that did not previously exist.

## 1 IMPORTANCE OF THE ENTREPRENEURSHIP EDUCATION

Many people confuse entrepreneurship education with basic business education, based on disciplines such as finance, accounting or management. There is a difference - but the

two go hand in hand, and often complement each other.

Entrepreneurship is the process of starting a business, a start-up company or other kind of organization. The entrepreneur develops a business plan, acquires the human and other required resources, and is fully responsible for its success or failure (Hisrich, Robert D., 2011).

Slovak Commercial Code (Act 513/1991 Coll.) defines Entrepreneurship as a continuous activity performed independently by the entrepreneur in his name and for his/her responsibility in order to reach the profit.

Theorists Frank Knight and Peter Drucker (2005) defined entrepreneurship in terms of risk-taking. The entrepreneur is, according to them, willing to put his or her career and financial security on the line and take risks in the name of idea, spending time as well as capital on an uncertain venture. Knight then classified three types of uncertainty:

- Risk, which is measurable statistically (such as the probability of drawing a red color ball from a jar containing 5 red balls and 5 white balls).
- Ambiguity, which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).
- True uncertainty or Knightian uncertainty, which is impossible to estimate or predict statistically, such as the probability of drawing a red ball from a jar whose number of red balls is unknown as well as the number of other colored balls.

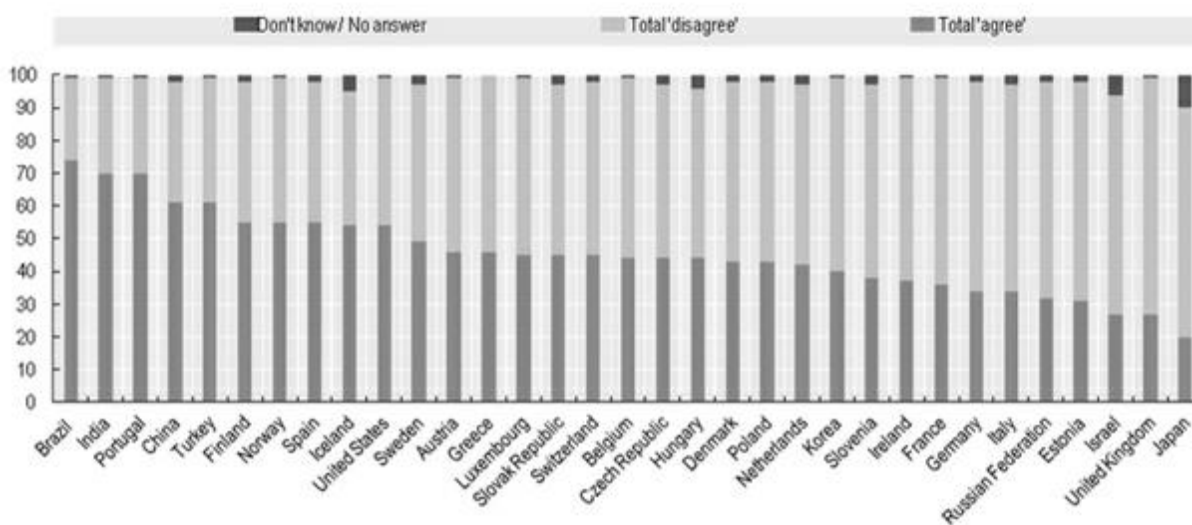
The primary purpose of entrepreneurship education at university should be development of entrepreneurial capacities and mindsets. The teaching of entrepreneurship has yet to be

sufficiently integrated into university curricula of every university - indeed it is necessary to make entrepreneurship education accessible to all students as innovative business ideas may arise from technical, scientific or creative studies.

The research that has been done in 2012 by OECD among students of universities in various countries in the World (Fig. 1) shows that more than half students in average think that high

school education support entrepreneurial skills and know-how. Of course, the situation varies in individual countries. The positive attitude to the high school education could be seen in Brazil, India, China or United States whereas many other countries as Japan, United Kingdom, Russian Federation and others are pessimistic in role of the high schools. The most of the counties of EU is somewhere in the middle of this attitude, Slovak Republic, too.

Fig. 1: High school education supporting skills and know-how to run a business, in %



Source: OECD (2013)

The future of Europe depends upon 94 million Europeans aged between 15 and 29 years old. But in April 2013, 5.627 million people in the European Union under the age of 25 were unemployed (EU, 2014). This generation lives in an time of globalization that demands mobility and soft skills. The Organization for Economic Co-operation and Development (OECD) proclaims Europe was "failing in its social contract". High unemployment levels co-exist with increased difficulties in diminishing vacancies. Young people's employability is threatened by labor market failures: inadequate skills, limited geographic mobility and inadequate wages. That is why our current education system needs support if it's going to adapt to such challenges. Tools, such as entrepreneurship education, show good results because they focus on soft and core skills, including: problem-solving; team-building;

transversal competences – such as learning to learn, social and civic competence, initiative-taking, entrepreneurship, and cultural awareness.

Entrepreneurs play a key role in the competitiveness of the European economy. According to the European Commission, more than 99% of all European businesses are SMEs. They provide two thirds of the private sector jobs and are primarily responsible for economic growth in Europe. Entrepreneurship education not only enables young people to start their own business, but also to become valuable contributors to Europe's economy.

If the Europe wants to see more entrepreneurship down the road, we need to create a culture in our schools where entrepreneurial learning is pervasive. To

address these issues we need to generate greater awareness of the benefits of entrepreneurship education and help our educators to engage with it. We need to focus on teachers who don't have access to the training they need to deliver entrepreneurial learning. The European Commission says that 90% of teachers want more training in entrepreneurial learning tools and methods. This isn't just about student-centered learning – it's also about engaging teachers with the world outside school. If there is a need to see more entrepreneurship down the road – and see real economic impact – governments need to support schools and engage the business community in education. A good example of bringing the different parties together is the Skills for the Future event that took place in Brussels earlier this year. Teachers and business volunteers gathered to participate in a two-day workshop and a panel discussion to share best practices and progress. But more of

this kind of collaboration needs to follow to ensure our young people are equipped to compete in the global job market.

## 2 POSITION OF SLOVAKIA IN ENTREPRENEURSHIP COMPETITIVENESS

Slovak Republic has been achieving 75th place in the competitiveness scale of World Economic Forum (Tab.1). In comparison with previous year, there could be seen improvement about three levels according to the Report about the global competitiveness *2014-2015* of World Economic Forum (WEF). After seven years of decrease and last year historically the worst position, there could be seen modification of trend and small correction of the SR position. In spite of this, Slovakia did not achieved the first half of scale in which are all countries of EU except Croatia (77th place) and Greece (81th place).

Tab. 1: Position of SVK development in competitiveness according to World Economic Forum

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>position</b>	38	40	49	43	43	41	37	41	46	47	60	69	71	78	75
<b>Δ</b>	+7	-2	-9	+6	0	+2	+4	-4	-5	-1	-13	-9	-2	-7	+3

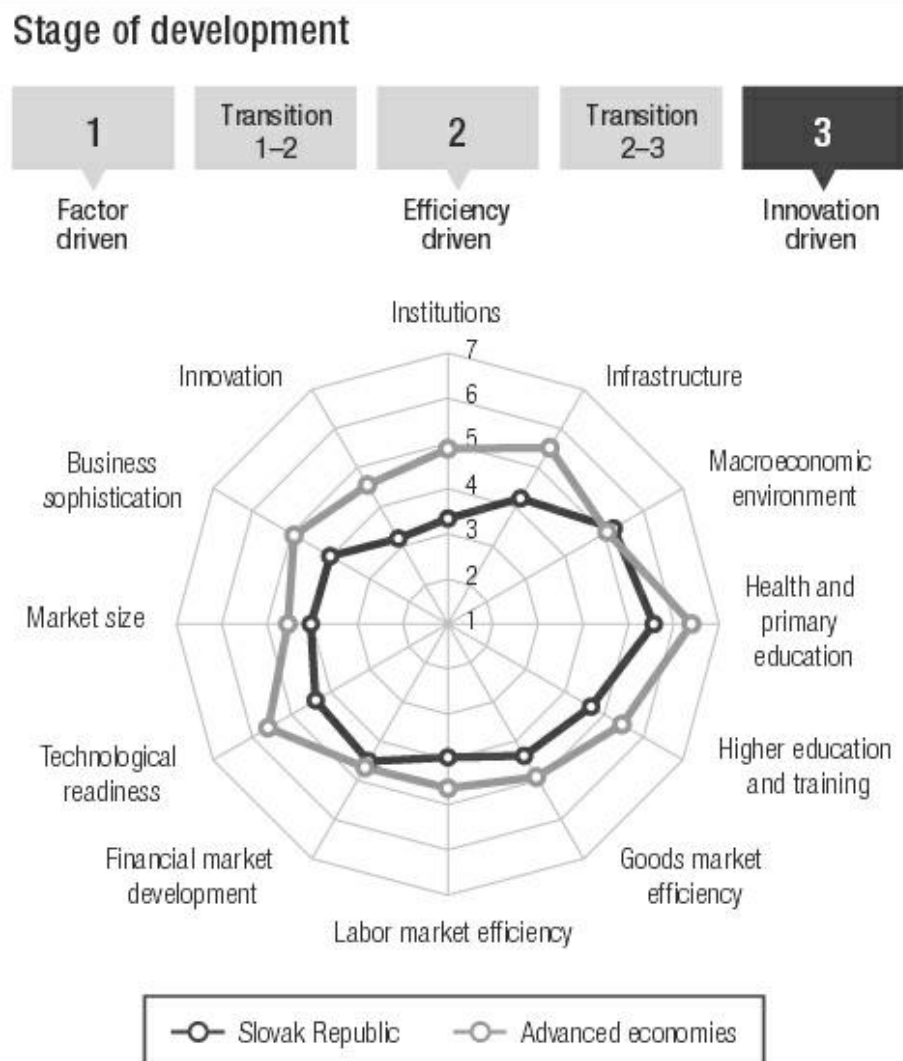
Source: OECD (2013)

In comparison of the stage of development of Slovakia to advanced economies (Fig. 2) we could see almost all areas, except of Macroeconomic environment and Financial market development as areas where Slovakia has reserves. For the purpose of this article very important are mainly indicators as Labor market efficiency, primary education and Higher education and training. All these areas are below the advanced economies outcomes.

In 2015, there were put into evaluation 144 countries of the World. At the top position was already 6th year Switzerland, the second

position belongs to Singapore and USA skips from the last year fifth position to the third. Finland (4th) and Germany (5th) decrease about one level. Japan (6th) Hong Kong (7th) and Netherland (8th) keeps their position from past. Great Britain (9th) has changed its place with Sweden (10th). This year was also successful for European countries in the top ten. Czech Republic moves from 46th place to 37th and became a leader in group of V4 countries. Poland has failed about one level and achieved 43th level. Hungary has increased its position about three places and achieved 60th level.

Fig. 2: Stage of development, comparison of SVK with advanced economies



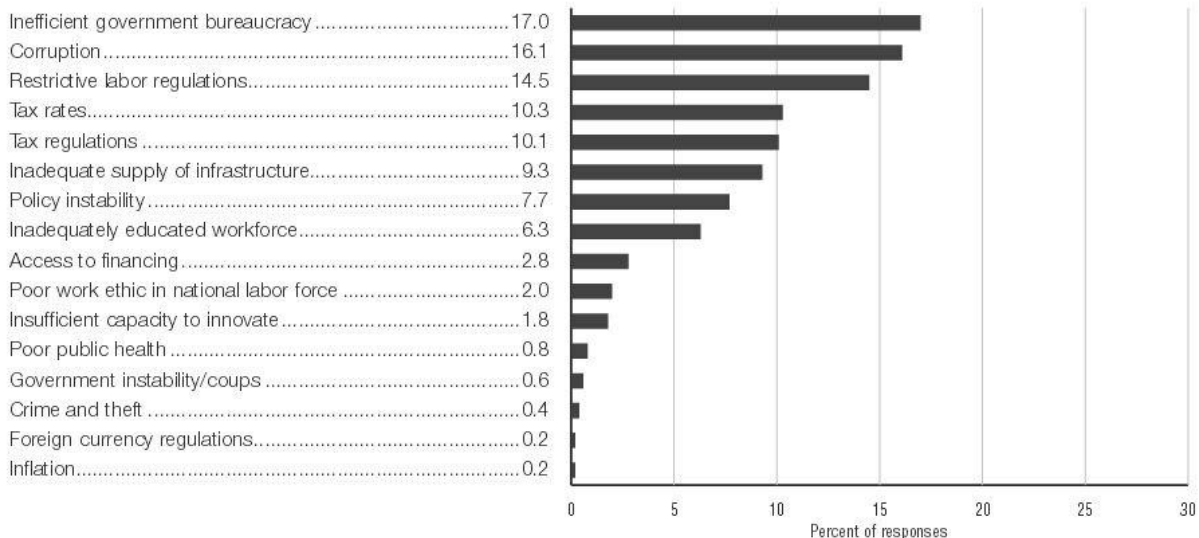
Source: World Economic Forum (2015)

The reason for so weak situation could be seen in following figure (Fig. 2). The mostly grave are reasons connected to bureaucracy, corruption, restrictive labour regulations and taxes. Among other factors which are considered as barriers for successful doing business could be seen

inadequately educated workforce. Although the workforce is not entrepreneur himself, this reason also highlighted the importance of effective educational system that will support entrepreneurship generally.

Fig. 3: Entrepreneurship – problematic factors

**The most problematic factors for doing business**



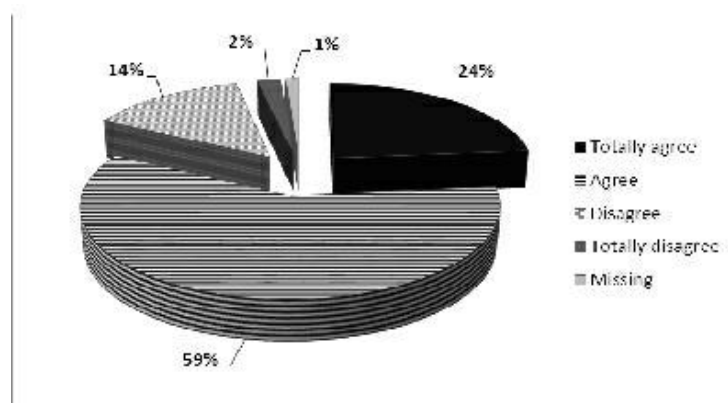
Source: World Economic Forum (2015)

**3 RESEARCH OF UNIVERSITY EDUCATION ATTRIBUTES IMPORTANT FOR ENTREPRENEURIAL COMPETENCES DEVELOPMENT**

As we mentioned above, the primary purpose of entrepreneurship education at university should be development of entrepreneurial capacities and mindsets. One of key attributes important for entrepreneurial competences development is the university support of individual initiative and entrepreneurial thinking. So we conducted our own research, in the form of structured survey, based on the sample of 852 students studying different kind of university programs around Slovakia, to provide an insight into the

current state of this qualitative parameter. We asked them to answer if they (a) totally agree, (b) agree, (c) disagree, or (d) totally disagree with following statement: “My education helps me to develop my own sense for individual initiative and entrepreneurial thinking”. The share of particular answers provided by students is shown in Figure no.4. The outcome was positively surprising. The majority (72.7%) of respondents is satisfied with the current state of university support in this particular field of entrepreneurial competences development. Specifically, 23.5% of respondents agree totally and 59.2% agrees, while only 14.1% of respondents disagree and 2.1% disagrees totally with above mentioned statement.

Fig. 4: University support of individual initiative and entrepreneurial thinking perceived by students

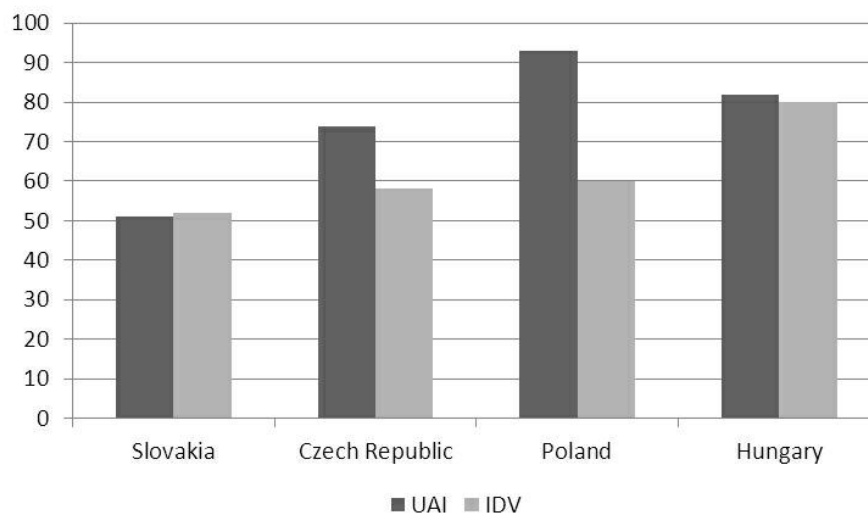


Source: Own research

When we are speaking about already showed research outcomes dealing with the university support of initiative and entrepreneurial thinking, we need to keep in mind limitations of applied method – structured survey, mainly the factor of subjectivity, highlighted by the term we used: “perceived”. In our previous research (Štetka and Majtán, 2014), we were able to define the individual initiative and innovative thinking as culturally bound variable, tightly

linked to individualism (Štetka, Vrtíková and Šlosár, 2015) and uncertainty avoidance (Štetka and Rybárová, 2014). According to these research outcomes, the higher individualism index and lower uncertainty avoidance index is, the more initiative and more innovative thinking is considered as the normal in the society. (Štetka, Vrtíková and Šlosár, 2015) Therefore we also provide an overview of these indicators, showed in Figure no.5.

Fig. 5: Uncertainty avoidance and Individualism index across V4 countries

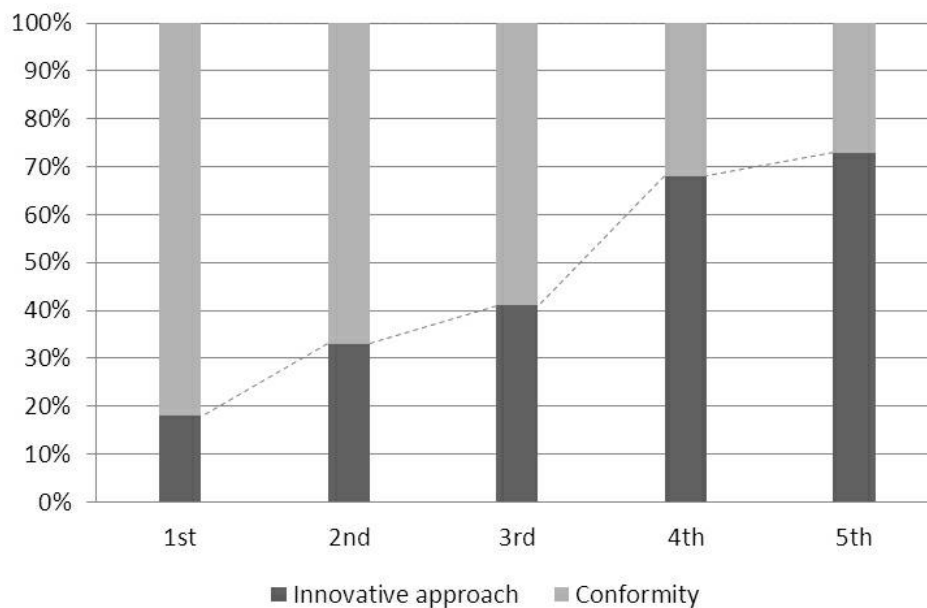


Source: Hofstede, G. (2015) - © The Hofstede Center

In order to provide fully objectified disclosure of this university education attribute research, we analyzed also the other point of view – initiative and innovative thinking of students perceived by university teachers. This part of our research was conducted by 9 teachers (teaching in the field of business and economics) and is based on the sample of 639 students, studying full-time at the University of Economics in Bratislava. We gained our outcomes by writing down the frequency in which were students answering the variety of questions by using their own cognitive styles, innovative and

creative thinking, in comparison to providing and answer identical to information already presented by teachers. The final result is in the form of evidence supporting the original research outcome – statement that the university education helps to develop individual initiative and entrepreneurial thinking. This proof lies in changes in the share/frequency of innovative ideas expressed by students, noted in different years of study. This inclination towards individual initiative and using innovative approach is showed in the following Figure no.6.

Fig. 6: Innovative approach vs. conformity at SVK universities according to the academic year of study



Source: Own research

Based on facts mentioned above, we present a list of suggestions, fully applicable in real conditions of Slovak university education system. We expect them to reduce the overall rate of students' conformity, increase their innovation potential and their ability to take risks connected to entrepreneurship activities and self-employment in general. These suggestions can be divided in two basic levels: (1) the level of the overall organization of university studies, and (2) the specific level of educators' competences.

One of suggestions we propose is related to (1) the system of studies organization at universities. It's the cancelation of currently hugely used system of fixed study groups, followed by the implementation and creation of variable study groups, varying according to particular courses students are signed up for, as well as according to the date and time of tuition. The reason of proposing this suggestion is to reduce the frequency of students' contact with same schoolmates, to reduce their interdependence, and therefor to reduce the impact of study groups' normative mechanism on students' conformity, to create environment supporting their own ideas, decisions, and actions.

At the same time, we would like at this point to emphasize the fact that reducing the number of students included in study groups has no significant effect on reducing the impact of normative mechanism on students' conformity (Gerard, H. B., Wilhelmy, R. A. and Connolley, E. S., 1968; Latané, B. and Wolf, S., 1981). Therefore, although it seems to be logical, we don't propose it for the implementation in current system of university education in Slovakia. On the contrary, we consider it irrelevant in terms of its ability to achieve desired state.

(2) At the level of teachers specific competences we further distinguish two subgroups of our suggestions, depending on the direction of their influence, specifically: (a) suggestions aimed to increase the clarity and structuring of issues solved by students; and (b) suggestions aimed to increase the share of individual work of students. We can include in the first category of suggestions, aimed to increase the clarity and structuring of issues solved by students, all suggestions which aim to minimize the perceived degree of uncertainty by students during solving tasks of any nature. For instance through an increased emphasis on context and interrelations between specific categories included in the course or lecture. It

may be for example a modification of lectures, seminars and exercises in order to increase the level of understanding issues solved by students; as well as motivating students to learn directly from textbooks, instead of study materials which don't contain a deeper context.

The second mentioned subgroup of suggestions is focused on (b) proposals aimed to increase the share of individual students' work, as opposed alternatives to collective (team) work on tasks assigned by teacher, no matter if it's homework, seminar-paper or project. One of important conditions, which is in this case necessary to keep, is the authenticity of assigned task. The more similar tasks are, the more likely students are to copy existing ideas instead of creating new ones.

We can include in this subgroup of suggestions also other mechanisms, connected to increased pressure on individual work of students and its support, which can be realized for example by providing social support (Asch, S. E., 1956; Allen, L. V. and Levine, J. M., 1968) by lecturer during the course or lecture, when the student's opinion or idea is diametrically different from generally accepted pattern. We can also include individual rewards, individual evaluation, or individual consultation (Baron, R. S., Vandello, J. A. and Brunsman, B., 1996).

## CONCLUSION

Entrepreneurship education is a lifelong learning process, starting as elementary school

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education and progressing through all levels of education, including adult lifelong learning education. The Standards and their supporting Performance Indicators create a framework for teachers to use in building appropriate objectives, learning activities, and assessments for their target audience. Using this framework, students will have: progressively more challenging educational activities; experiences that will enable them to develop the insight needed to discover and create entrepreneurial opportunities; and the expertise to successfully start and manage their own businesses to take advantage of these opportunities. We also provided some important insights and recommended some changes in well-established norms incorporated in university education, with focus on the development of entrepreneurial competences, especially the individual initiative, innovative approach and entrepreneurial thinking. These insights and recommendations are based on research presented in previous parts of this paper.

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### Abstract:

This paper presents partial outcomes of the research conducted under the cover of the project “V4 Scientific Centers for the Enhancement of Financial Literacy and Entrepreneurship Education“, International Visegrad Fund, Standard Grant No. 21410134. In this paper we focus on dissolving current gaps in entrepreneurship education and its impact on business development in Slovakia (one of participating countries). We do so by using the whole variety of research methods, including structured survey, direct observation, decomposition, implication, etc. We are dealing with the identification of the university education attributes important for the entrepreneurial competences development, followed by further insights into the specific area - university support of individual initiative and entrepreneurial thinking. To avoid the subjective dimension of research outcome, we look at it from two different points of view – students and teachers perceptions. We also use a cross-cultural approach and different cultural dimensions to identify the general perception of normal state of this attribute in the society. The last part of this paper summarizes our recommendations intending to improve the current state of university education system in the field of entrepreneurial competences development.

**Keywords:** entrepreneurship; education; competitiveness; uncertainty; conformity

**JEL Classification:** A20, I21, L26