

The Influence of Education on Entrepreneurial Mentality

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Abstract

The decision to create a new and innovative business has a far-reaching impact for an individual. Long and hard working hours without payment and an unpredictable future are just two good examples of the challenges that entrepreneurs must face every day. Further, substantial barriers relate to the high risk that they normally must take because it is always possible for them to lose everything at once with a bad business decision.

It would seem clear that innovative entrepreneurs should have a very good educational background in order to develop a structured business plan to guide the decision making needed to operate a business and guarantee its lifetime in the market. Why is it then that we can find many successful entrepreneurs without the needful education?

This exploratory study focuses on the relationship between entrepreneurship and education in Norway, Finland and Colombia and the influence of education on entrepreneurial mentality in these countries. Several distinct aspects are: attitudes, beliefs and behavior of the surveyed entrepreneurs in relation to their education. By launching a survey form with 40 questions and comparing the results to the previous research from late 1980's to 2008, it can be stated that the demand for entrepreneurship education is high, but through a process of selection, only few students will become entrepreneurs. It seems that higher education reduces the risk taking ability and, on the other hand, does not provide the necessary support at the wake of starting the new business. This can also be related to the timing of the studies

Keywords: Entrepreneurship, education, mentality, innovation, behavior

Introduction

Entrepreneurship can be defined in many different ways. Nevertheless, the most of the definitions that can be found in the literature agree that there are core elements including: Recognition of opportunities, innovative ideas, risk taking and value creation. Hisrich, Robert D, Michael P. Peters, and Dean A. Shepherd have done a significant job integrating those elements in a very complete definition; *“Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence”* (Hisrich et al., 2005)

Many studies have defined entrepreneurship in different terms such as performance; growth in sales, profits, earnings and innovation; the differences between these definitions lead to differences on the results of research and contradictory evidence. However, for the purpose of this research, it was determined to simply define *Entrepreneurship* as “the act of starting a new company” and *Entrepreneurs* as “the people who make this possible”. But since the needful time and resources were not available, it was not possible to deeply investigate *performance*.

A review of previous research of the existing relationships between education and the creation of new companies, several conclusions suggest that there is a strong link between education and entrepreneurial activity. In other words, people with more and higher education, are generally the creators of new companies. Nevertheless, the majority of these studies have included developing countries and have thusly reported such conclusions.

In contrast, studies such as; the 2005 meta-analysis by van der Sluis, van Praag and Vijverberg and the 2007 Global Entrepreneurship Monitor (GEM) from Babson, London Business School, suggest that well educated entrepreneurs achieve higher performance levels for their businesses. It is, however, important to consider that defining entrepreneurial activity is ambiguous and depends on the particular situation of each country. *“the higher the level of education of the entrepreneur, the higher the level of performance of the venture—whether measured as growth, profits, or earnings power of the*

entrepreneur. Second, the researchers conclude that the evidence linking general education and selection into entrepreneurship, however measured, is ambiguous and cannot be classified as either positive or negative. These findings are not dissimilar to those expressed by the GEM researchers, who conclude that evidence linking education to entrepreneurial performance is strong, while that linking education to entrepreneurial activity is ambiguous when viewed across national boundaries”(Weaver, 2006). We can conclude, that even though education does not have a considerable effect in the creation of a new business, it is transcendental in order to achieve a good business performance and to assure the company’s lifetime in the market.

Also, it is important to consider that the motives for the creation of new businesses are very varied, and are generally associated with political, social and mainly economic reasons. As the GEM 2007 Executive Report showed, the entrepreneurs from the most developed countries are looking for independence, whereas in least developed countries the reasons for starting entrepreneurships are related to necessity and lack of employment, often referred to as ‘opportunity entrepreneurship’ and ‘necessity entrepreneurship’. *“Although most individuals are pulled into entrepreneurial activity because of opportunity recognitions, others are pushed into entrepreneurship because they have no other means of making a living. For those who are pulled into entrepreneurship, two major drivers of opportunity entrepreneurship can be identified: those who are pulled primarily because they desire independence, and those who are primarily pulled to entrepreneurship because they want to increase their income as compared to, for instance, being an employee. The remaining share includes people who mention that they have no other way of earning a living (necessity-motivated entrepreneurs) and people who became involved in entrepreneurial activity primarily to maintain their income”*(Bosma et al, 2007). According to these comments, it is clear that the creation of economic value by means of entrepreneurial activity is quite complex. Nonetheless, the results seem to vary considerably depending on the countries studied. These variations seem reasonable considering the fact that proper education was not always readily available in parts of the world. We now know that that access to education has

changed, even substantially improved, still it seems that economic differences have a powerful effect on the process of creating new companies.

The Entrepreneurship Selection and Performance, one of the most comprehensive meta-analyses of existing research, in the GEM 2004 version, has reached similar conclusions, concerning the relationship between education and entrepreneurship activity; however, it indicates an important link between education and business performance. The indication is that the better education the entrepreneur has the better performance the company has. *“In developing countries the selection of entrepreneurs seems to be rising at low levels of formal education and falling at higher levels, and that performance has a positive relationship with education pursued”* (Van der Sluis et al, 2004).

This research project is an international and intercultural project attempting to explore new approaches to the field of entrepreneurship and education. Using the same set of questions to survey entrepreneurs with and without education in Norway, Finland and Colombia, the intention of this research project is to discover interesting insights into entrepreneurial activity in these countries. In addition, this project involves countries which are not usually referred to in similar projects. Contrary to the most of the studies of this kind that were done in the US about US institutions and US entrepreneurs, this research, was done with information collected from two Scandinavian countries; Norway and Finland, and contrasted with a Latin American country; Colombia. In fact, this project might be an interesting pilot project inspiration for other similar research projects which attempt to compare and contrast entrepreneurial education in different countries.

1. Defining Research Target And Methods

The target is to explore the differences in education systems and compare the results to the key entrepreneurial motives and prevailing attitudes by combining earlier research and conducting a specific survey. The survey was executed in all three countries, of which 10 entrepreneurs are from Colombia, 9 from Finland and 6 from Norway.

Given the fact that the object was also to investigate the influence of education, the method of the research is qualitative, selective research. This research method was also used because of the different time tables of the committed entrepreneurs. Entrepreneurs were selected randomly from all educational levels.

2. Educational systems

2.1 Education

Education can be an important part of the entrepreneurial mentality. Education occurs in a cultural context and varies substantially from country to country; in order to better interpret the results of the survey, we think it is important to have some knowledge about each of the educational systems our universities represent. Colombia is represented by the University of Ibagué; from Finland, Mikkeli University of Applied Sciences; and from Norway, Telemark University College.

2.2 University Of Ibagué

The University of Ibagué is situated in Colombia in South America. The enrollment is approx. 4000 students (March 2008). The University has non entrepreneurial degrees, but also offers several courses in entrepreneurial subjects and business idea support. The Bachelor's degree, International Business Management, has registered, at the moment, 595 students, and all these students take courses related to entrepreneurship each semester.

To be awarded a Bachelor's degree you must study for 5 years; to get a Master's degree will require 2 extra years. To be awarded the degree you must work in a company for a minimum of two months in an area related to your field of study; this must be accomplished before the ninth semester. This is one of the things that distinguishes this university from the Scandinavian universities in our project. Another issue is the age of the entrepreneurial students. In Columbia the student age range is from 16 years to 23 years old; the average age is 20 years old. The majority of the students are women. In Norway the students in the Bachelor's degree program are an average age of 25 but students in the concentration program average 32 years old. There are approximately 40% women and 60% men.

2.3 Mikkeli University Of Applied Sciences

Mikkeli University of Applied Sciences is located in the South-Savo region in Finland and has approximately 4500 students. The University has eight different fields of study, for example business and administration and natural sciences. There are 20 degree programs, two of which are in English, which makes Mikkeli the University of Applied Sciences with most fields of study in Finland.

The University has two degree programs where entrepreneurship is compulsory and emphasized. One is an English Business Management program with 90 students, the other is a Finnish Business programme with 573 students. Other students at the University are free to choose any of the available entrepreneurship courses, and almost every student at Mikkeli UAS attends at least one basic entrepreneurship course.

In Finland one has to study for approximately 3.5 years to get Bachelor's degree. After a BA, one can continue with a Master's degree in two different ways depending on the university. At the Mikkeli University of Applied Sciences and other Universities of Applied Sciences one must complete at least two years of work experience in a relevant field before studying for a Master's degree. Master's degrees take from 1.5 year to 2 years in addition to Bachelor's degree after work experience. Work experience, however, is not required in traditional universities between Bachelor's and Master's degrees.

2.4 Telemark University College

Telemark University College is located in Telemark in southwest Norway. The University is divided into four faculties located in different campuses in Telemark. Telemark University College, all totaled 6000 students, at the division in Bø is the Faculty of Arts and Sciences, offering numerous BA and MA degrees in such fields as Cultural Studies, Environmental Studies, Sport and Outdoor Life, Humanities and Business and registers approximately 1600 students. Of these approximately 550 are studying business and or computer science. Thirty of these students are studying to get a Bachelor's degree in Innovation and Entrepreneurship, but the number of students taking entrepreneurship courses

is much higher because entrepreneurship courses are available for everybody.

In addition to six courses in entrepreneurship the Bachelor's degree in Innovation and Entrepreneurship also includes courses in economics and marketing. During the first two years of a Bachelor's degree the courses are theoretical, but in the last year the students are required to start a student enterprise to gain practical experience.

Unlike both Finland and Columbia a Bachelor's degree in Norway takes three years and to graduate with a Master's degree you have to study for a total of five years. Like the other Universities, Telemark University College has courses in English as well as the native language, Norwegian.

2.5 Conclusions of the Institutions

All institutions offer a range of studies in various fields including either full-time Bachelor's degree programs or courses in Entrepreneurship. At Ibagué and Mikkeli most students are taking courses in entrepreneurship; in Telemark only a small minority of students are registered in similar courses. Telemark, on the other hand, is the only institution which offers a full-time Bachelor's degree program in Entrepreneurship and Innovation.

Theory and practice are important elements of the entrepreneurship education. All of the institutions value practical experience and require some form of work practice or internship. Both women and men are interested in the study: each institution enrolls different percentages of male and female students.

A similarity between the three universities is that only a few of the professors in entrepreneurship have a degree in this field; the majority of the instructors have courses and or personal experience in entrepreneurship in addition to an academic degree in their special areas. All three countries have domestic trips to different companies in the local area, but only Finland and Norway arrange international study trips for entrepreneurial students. These are optional trips for the students where they have the opportunity to visit international companies to get an overview of how the company is organized and their goals.

3. Previous Research in The Field of Entrepreneurship-Education-Mentality

3.1 Pihkala (2008)

In his newly published doctoral thesis, Jussi Pihkala (1:2008), suggests that “accelerating factors involved in entrepreneurship education do not effect changes in students’ entrepreneurship intentions in polytechnic education”. In fact, entrepreneurship courses create uncertainty when students are evaluating their own entrepreneurial skills. However, the education does create a better awareness of entrepreneurship at a general level and students involved in research consider the courses to be an important part of their education. Thus, even though self-confidence is challenged at completion of entrepreneurship courses, nonetheless students conclude that entrepreneurship should be included in education.

3.2 Degeorge & Fayolle (2008)

According to Degeorge & Fayolle, high entrepreneurship intentions badly predict the level of entrepreneurship. In their study, out of a target group of 58 students only 4 established their own business although the level of entrepreneurial intentions was high after having finished a course.

3.3 Liñá `n (2004)

the outcome of the Liñá `n’s research was that university students presumably face a career selection and as such it can be presumed that they choose different behavioral models. According to these behavioral models, only few students are oriented toward entrepreneurship, which corresponds the Degeorge and Fayolle study.

3.4 Luethje & Franke (2003)

In their research, Luethje and Franke suggest that it should be possible to combine two traits of personality: a propensity for risk taking and locus of control. Together these traits form the model of entrepreneurship intentions. From the model four dimensions can be distinguished: risk taking ability, sense of control, support of the environment and contextual barriers. They suggest that personal traits have a strong effect on self-employment attitudes.

3.5 Cox, Mueller & Moss (2002)

In their study, Cox, Mueller & Moss support the fact that business students have less trust in their own abilities after having the basic courses in their field of study than those students who have not taken the basic courses. Their research suggests that the original object of the business courses is not met by these kinds of courses. If the object is to strengthen the awareness of the students, why is the students’ trust lower after the courses?

3.6 Krueger & Carsrud (1993)

Rueger & Carsrud revealed that the actual entrepreneurs and personnel involved in the entrepreneurship education process benefit from the information related to the formation of the entrepreneurial intentions. Of special interest is how beliefs, observations and motivation are combined to form the intention. This result highlights the motives of the recognition process of the entrepreneurs and educative staff in creating additional value for the education process.

3.7 Scott & Twomey (1988)

Scott & Twomey studied decision processes in educational institutes. They suggest that to build an effective training program, the decision makers need information about the facts that affect the entrepreneurial intentions, not only the level of intention at the moment.

4. The Survey

For this research project, a survey was conducted between February and March, 2008, which included 25 entrepreneurs in Colombia, Finland and Norway, of which 10 entrepreneurs were from Colombia, 9 from Finland and 6 from Norway. Completion of a questionnaire as a survey form was selected because of its aim at standardization of responses and unification of style in all three countries. The intention was to get results that could be compared to each other in terms of comprehension of the questions asked and formulation of the questions.

4.1 Selection of the target group

A target group was randomly selected, but it did include using existing social relations since

the survey required participation from the entrepreneurs. In Norway the existing relations were used comprehensively and in Finland, 2/3 of entrepreneurs were from Etelä-Savo –region and 1/3 from capital area.

4.2 Survey form introduction

the survey form consists of 40 questions divided in 6 different parts (see Appendix 1). Those 6 parts are:

1. Personal background of the entrepreneur
2. Family background of the entrepreneur
3. Other entrepreneurial information
4. Education
5. Company and economics
6. Usability of the education in entrepreneurial actions

5. Analysis of the findings

At the outset, it is important to bear in mind the different economical and social structures of the three countries. Especially Colombia differs significantly from the Nordic countries in terms of living standards, family relations, education and job opportunities etc.

The Global Entrepreneurship Monitor 2007 Executive report combined with the UN and World Bank analysis data gives a clear picture of the differences of these three countries. There are, in general, two main directions to follow economically: models otherwise known as the “Latin-American model” and the “Nordic model of welfare”.

5.1 Integrating survey results with existing data

Focusing on the most important parts of the survey, it seems clear that the entrepreneurs felt they have benefited from their education in terms of their professional skills. Especially entrepreneurs aged between 40 and 55 particularly emphasize the importance of their education for their entrepreneurial aspirations.

On the other hand, none of the 25 surveyed entrepreneurs felt that their business ideas grew up from their earlier school environment. Twenty 20 entrepreneurs answered that they did not get any

advice or help from their educational institutions when they were establishing their first businesses or enterprises. It also appears that the importance of social and family networks remain similar in all ages, gender and education classes, but then the risk-taking ability of the higher educated entrepreneurs was lower. By interviewing the exceptions more thoroughly, we found out that entrepreneurs with higher education (usually bachelor or higher) have also higher career expectations. They have more possibilities and therefore feel to be more reluctant in terms of their risk taking ability.

In their study Cox, Mueller and Moss concluded that business students who had completed an entrepreneurship course had less trust in their entrepreneurial abilities. On the other hand, according to Jussi Pihkala, entrepreneurship education increases the level of awareness. If the entrepreneurial behavior of a student is hard to predict and courses seem not to have the intended effect, one may ask: should the teaching method be altered?

As a summary of the introduced research, it seems to be justified to continue to include entrepreneurship education as a part of business or even all studies. However, the negative effect of entrepreneurship education should also be recognized, possibly also analyzed, in educational institutions. Further, students should be aware of the fact that their entrepreneurial education may result in a lack of trust in their business capabilities. As Krueger and Carsrud have concluded on behalf of the educative staff and existing entrepreneurs, a process of motivational recognition could create additional value for students. At some level the process requires a continuum of choices.

6. Suggestions for future research

“The influence of education on entrepreneurial mentality” is a field that has not been thoroughly investigated. We know that entrepreneurship is shaping the economic future of our world; more research can provide greater insights into determining factors of levels of entrepreneurship activity in order to enhance activity. There are few common factors in all old research:

1. Previous studies are focused on small groups of 5 to 50 target individuals.

2. The surveyed groups have usually been carefully differentiated (engineers, business students etc.)
 3. No data from one single country is comprehensively used. Because of the internationalization of research, existing cultural or/and economical barriers may alter the results between countries.
- To form a good picture of factors affecting entrepreneurship, tracking of data should continue for longer periods of time. In addition, integrating existing, non-used data sources to current entrepreneurship research may offer insightful results.
 - Further, research using quantitative and qualitative approaches may be extended within a multi-method framework.
 - Linking entrepreneurship education in a broad range of disciplines may impact innovative activity in different groups of firms.

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