

IS ENTREPRENEURSHIP EDUCATION A GATE TO STARTUPS? A CASE STUDY IN GEORGIA

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Abstract

In modern society entrepreneurship becomes not just a career choice but it demonstrates high social status. Significant contribution to creation of entrepreneurial culture and activity is made by entrepreneurship oriented education. The article contributes to the discussion of role of university in formation students' attitudes towards entrepreneurial activity based on case study. A structured questionnaire survey was conducted among the randomly selected bachelor and master students of the International Black Sea University (Tbilisi, Georgia). The survey results have been encoded in the SPSS program. The research depicts that business/entrepreneurship education creates sufficient background for entrepreneurship in terms of basic knowledge/skills and required motivation and intensions. More than a half of surveyed students of that particular university tie up their future career with entrepreneurship and they believe that they are ready for it.

Keywords: Entrepreneurship education, career, startup, business venture, Georgia

INTRODUCTION

The last decade the business landscape changed all over the world. Global financial crisis of 2007-2008 formed a new world GDP trend, New Normal, the concept that reflects new economic reality when advanced economies are growing very slowly and the question of drivers of economic growth has been put on agenda (Davis, 2009; Gross, 2009). For developing and emerging countries this negative global trend has been translated into increase in financial market volatility, lack of financing available from international credit markets, shrink of foreign direct investment and international trade flows, first of all.

The World Bank sent a clear message to the government of Georgia, “The central challenges today for the government of Georgia is to find sources of long-run economic growth, particular through private sector development” (Fostering, 2013; p.15). Thus, the goal (drivers of long-run economic growth) as well as leverage (private sector development) are defined.

It worth to note that in Georgia 96-98 percent of all businesses are small and medium sized enterprises (SMEs) which were establishes and run by individual entrepreneurs (Geostat.ge).

In modern society entrepreneurship becomes not just a career choice but it demonstrates high social status and receives positive public and media attention. Significant contribution to creation of entrepreneurial culture and activity is made by entrepreneurship oriented education. It is a known fact that much has been done to bring Georgian education system to international standards, but clearly, that still much has to be done.

The article contributes to the discussion of role of university in formation students' attitudes towards entrepreneurial activity based on a case study. It presents results of survey conducted among the students of International Black Sea University (IBSU) (Tbilisi, Georgia). Due to the limits, the article investigates only some aspects of the problem, that is the role of university in creation of young people's (particular, university students') intentions to start their own business and their personal assessment of the readiness to startup.

LITERATURE REVIEW

Entrepreneurial activity and entrepreneurship education

Most Georgian universities have got programs on business education but not all of them include entrepreneurship education as its special part. The possible reasons are that the questions, “What are the distinctive characteristics of entrepreneurship?” and “Can entrepreneurship be taught?” do not still have simple answers (Education for entrepreneurship, 2013).

A lot of definitions of entrepreneur and entrepreneurship have been developed in economic literature (Stokes, et al. 2010). Summarizing most of them, The Organization for

Economic Cooperation and Development (OECD) – Eurostat Entrepreneurship Indicator Program (2009) used the following definition (OECD; 2014; p.18):

- Entrepreneurs are those persons (business owners) who seek to generate value through the creation or expansion of economic activity by identifying and exploiting new products, processes, or markets.
- Entrepreneurial activity is an enterprising human action in pursuit of the generation of value through the creation or expansion of economic activity by identifying and exploiting new products, processes, or markets.
- Entrepreneurship is the phenomenon associated with entrepreneurial activity.

The Global Entrepreneurship Monitor project focuses on entrepreneurship as a continuous process that includes nascent entrepreneurs involved in setting up a business, entrepreneurs who own and manage a new business and entrepreneurs who own and manage an established business. In addition, the rate and nature of business discontinuations is assessed (Amorós, Bosma, 2013; p.19, 29). Clearly, these stages should be interconnected but not mechanically. For example, an economy may have a large number of latent entrepreneurs but low rate of entrepreneurial activity due to, let say, high risk of default or limited access to finance or unsatisfied public/media assessment of this activity, etc.

Finally, most researchers agree that at the center of the entrepreneurial activity or entrepreneurial process is an individual, an entrepreneur, who acts as the economic factor that creates new value through combining the factors of production, the exploitation of opportunities and risk taken (Hassid and Komselis, 2007; p.40-43).

It goes without discussion that each particular economy has distinctive combination of entrepreneurship opportunities and challenges because each economy is shaped by its own political, economic, social and other conditions. The literature distinguishes between *necessity-driven entrepreneurship* and *opportunity-driven entrepreneurship* (Kelley, Singer, Herrington; 2011, 2012) or the similar, *entrepreneurship “of need”* and *entrepreneurship “of opportunity”* (Hassid and Komselis, 2007; p.46). Behind the last is the force that pushes the entrepreneur to undertake risk because of financial reasons or might also stem from a need to achieve something like fulfill one’s dreams, ambitions, or to be successful. As for *entrepreneurship “of need”* which is more common in transition and emerging countries, entrepreneurial activities result from a variety of reasons, including employment discrimination, that make an individual become self-employed or young people are pushed into starting own businesses because they have no other work options and need a source of income. Self - employment is the only choice that remains for the individual to reverse the financial situation under which he/ she suffers.

These differences between two motivations of entrepreneurship are clearly recognized in Georgia where necessity is a major motivator for entrepreneurship due to the lack of alternatives. Weak labor market causes the numerous sector of micro and small enterprises in the country (Papishvili, 2013).

There is no doubt that knowledge/skills in economics, finance, marketing, management, accounting, and the other business disciplines are absolutely needed at each stage of entrepreneurial activity. They have special importance at startup when the risk of insolvency is very high. From this point of view, the key goals of entrepreneurship education are (a) to realize the full potential of society's entrepreneurial human resources, (b) to make entrepreneurship inclusive or available to all, including women, minorities, and people of various ages, (c) to create potential or latent entrepreneurs. As Kelley, D. J., Singer, S., Herrington, M. (2011) state, "Entrepreneurship starts out with potential entrepreneurs: those who may or may not actually venture into this activity, but who have the beliefs and abilities to do so" (p.7).

The researchers from different countries recognize general imbalances in the labor market between demand for and supply of workers skills or mismatches between the skills that workers can offer and what employers need (Mourshed, et al., 2014; Help wanted, 2012; Dobbs, R. et al., 2012; A labor, 2015). More specifically, business education in Georgia does not provide solid background for the students who decided to start their own businesses (Papiashvili, Doghonadze, 2009; Papiashvili, 2010). Thus, the first mission/ role of university in modern economy is very much natural – business (entrepreneurship) education has to produce potential or latent entrepreneurs. It means that universities must help their students to recognize market opportunities and threats, to make right investment decision, and then to establish and to run successfully own business. Only on this way the society will secure that all market opportunity are recognized and exploited.

METHODOLOGY

Two interrelated data collection mechanisms were used to elicit necessary information for the study. Firstly, a review of existing literature on business /entrepreneurship education was undertaken to evaluate the existing situation in Georgia and to learn international experience.

Information collected from this methodology was distilled into specific research questions for empirical testing. The questionnaire was designed in cooperation with colleagues from University of Gdansk who used it for the similar survey among the students of the Faculty of Management (Wiśniewska, et al., 2015). Secondly, a survey was conducted among the randomly selected bachelor and master students of the Faculty of Business Management of International Black Sea University, in Tbilisi (Georgia) in January – March of 2015. Face-to-face

interviews were employed as a method of survey. 100 questionnaires were distributed and 64 of them returned; response rate is 64 percent that is considered as quite acceptable. 18 questions related to the role of university in creation of intention of young people (particular, university students) to start their own business and their personal assessment of the readiness to startup were asked.

The survey results have been encoded in the SPSS program. The chi-square test of independence was conducted at the level of significance $\alpha=0.05$. In certain cases V Cramer coefficient has additionally been calculated. Finally, the results of surveys conducted by international organizations were carefully analyzed in comparison with the obtained results.

EMPIRICAL FINDINGS AND DISCUSSION

Table 1 presents the general characteristic of the surveyed group. The respondents are bachelor and master students from 19 to 24 years old, 53.1 percent of whom are female and the rest (46.9 percent) are male.

Table 1. The characteristic of the surveyed group

Responses		Number	Percentage (%)	Number	Percentage (%)
Sex		Man		Female	
		30	46.9%	34	53.1%
Level of study	Bachelor	15	23.4%	20	31.3%
	Master	15	23.4%	14	21.9%
Age	Min.	19 yr.	Average=20,7	20	Average=20,8
	Max.	24 yr.	Median=21,2	24	Median=20.5

Entrepreneurial intentions that represent the percentage of individuals who expect to start a business is an important measure of potential entrepreneurship in a society. As our survey shows (Table 2), the most part of respondents (64, 1 percent) are planning to start their own business after graduation the university. Even more students (78, 1 percent) provide negative answer to the question “I have no willingness to run my own business”. Thus, the share of respondents who believe that entrepreneurship is a good career choice is expressively high.

High level of students' motivation roots as well in assurance of importance of entrepreneurship for Georgian society. Specifically, about all respondents (97, 0 percent) recognize job creation and related to it, self-employment (85, 9 percent), as well as entrepreneurship contribution to economic development (93, 8 percent) as very important social functions of entrepreneurship. To understand this result deeper, the situation in the labor market

should be taken into account as well. Nowadays in Georgia the only reason for self-employment and entrepreneurship is the alternative to be unemployed!

The survey shows that, unfortunately, our students do not clearly realized all particularities of entrepreneurial process. Particularly, less than a half of surveyed realize importance of gathering resources (42,2 percent) but more recognize seeing opportunities (68,8 percent).

Table 2. The survey results

	Number (percentage) of responses		Sex		Age		Degree of studies	
	YES	NO	χ^2	p	χ^2	p	χ^2	p
Entrepreneur creates job	62 (96,9%)	2 (3,1%)	0.008	0.928	0.660	0.985	0.018	0.892
Entrepreneur means self employed	55 (85,9%)	9 (14,1%)	0.771	0.380	3.422	0.635	0.003	0.955
Entrepreneur gathers resources	27 (42,2%)	37 (57,8%)	0.111	0.739	4.714	0.452	0.014	0.905
Entrepreneur can make someone to be self- dependent	42 (65,6%)	22 (34,6%)	5.173	0.023	3.633	0.603	0.000	0.987
Entrepreneur contributes to the economic development	60 (93,8%)	4 (6,3%)	0.820	0.365	3.347	0.647	0.710	0.399
Entrepreneur sees opportunities	44 (68,8%)	20 (31,3%)	0.041	0.839	1.895	0.863	0.331	0.565
I prefer to be self employed than work for the public organization	42 (65,6%)	22 (34,4%)	5,173	0,023	9,652	0.086	0,000	0,987
I prefer to be self employed than have a boss	43 (67,2%)	21 (32,8%)	4,205	0,040	10,965	0,052	0,657	0,418
People will not be interested in working for me	8 (12,5%)	56 (87,5)	2,904	0,088	2,207	0,820	0,081	0,776
I have the experience of own entrepreneurship as a student	20 (31,3)	44 (68,8%)	0,771	0,380	8,536	0,129	0,331	0,565

After the end of the formal education I will start my own business	41 (64,1%)	23 (35,9%)	0,166	0,683	8,661	0,123	1,820	0,177
I want to be an effective businessman / businesswoman	51 (79,7%)	13 (20,3%)	0,003	0,953	7,506	0,186	1,733	0,188
I have no willingness to run my own business	14 (21,9)	50 (78,1%)	0,759	0,384	2,367	0,796	2,603	0,107
The studies on my faculty have prepared me well for being an entrepreneur	33 (51,6)	31 (48,4%)	0,589	0,443	4,071	0,539	6,194	0,013 V=0.31

Table 2...

The most answers did not significantly vary in relation to gender, age, degree of study. The exceptions are three survey questions:

- "I prefer to be self-employed that work for the public organization"
- "I prefer to be self-employed than have a boss"
- "Entrepreneur can make someone to be self-dependent"

In these cases the answers were differentiated by gender ($p = 0,023$, $p = 0,040$ and $p = 0,23$, respectively). The calculated V Cramer coefficients indicate the moderate correlation between entrepreneurial attitude and gender ($V=0,28$, $V=0,27$ and $V=0,28$ respectively).

Thus, our survey proves the results of previous research according to which Georgians have a strong entrepreneurial spirit: around 92 percent of surveyed individuals said they would like to be self-employed, and roughly 51 percent believed it would be feasible in the next year (Natsvlshvili, 2011). Thus, on one side, Georgian mentality and situation in the labour market still orient people to start own business, on another, universities and IBSU, in particular, strongly supports students' entrepreneurial intentions. Not surprisingly that the answers to related questions, "I prefer to be self-employed than work for the public organization" and "I prefer to be self-employed than have a boss", clearly illustrate these intensions (65,6 percent and 67,2 percent, respectively). Moreover, IBSU students are sure that they will find people who are interested in working together (87,5 percent). Despite the fact that our respondents have small experience of own entrepreneurship (just 31,3 percent have any), they have great ambitions. Particularly, 79,7 percent want to be an effective businessman / businesswoman.

IBSU students as typical students are critical in their evaluation of university contribution. But more than half of surveyed students (51,6 percent) believe that university (faculty) has well prepared them for being an entrepreneur. This fact has an especial meaning because the question was not just on quality of education but on students' self-evaluation of their

preparedness for entrepreneurship activity. More than a half of Business Management students of IBSU tie up their future career with entrepreneurship and they believe that they are ready for it.

CONCLUSION

In modern knowledge-based economy entrepreneurship is recognized as one of the crucial components of firms' and countries' competitiveness, economic development, and economic growth. Entrepreneurial economy roots in education system. The role, functions and mission of universities in modern societies have been changed. Universities have to produce potential or latent entrepreneurs. They must help their students to recognize market opportunities and threats, to make right investment decision, and then to establish and to run successfully own business.

Our research was based on case study - results of survey conducted among the students of International Black Sea University (Tbilisi, Georgia). The research depicts that business/entrepreneurship education creates the sufficient background for entrepreneurship in terms of basic knowledge/skills and, that is important, required motivation and intensions. More than a half of surveyed students of that particular university tie up their future career with entrepreneurship and they believe that they are ready for it. Therefore, at least within the scale of a single university we have received a positive answer on the question - Is entrepreneurship education a gate to startup?

Of course, country's macroeconomic environment is another crucial component to translate intentions to reality or to real business. In Georgia another painful issue is absence of special policy towards entrepreneurship and SMEs. Generally, this policy has to address how to identify, develop and motivate potential entrepreneurs to start businesses, on one side, and how to support these people, on another. But this is a topic for the next research.

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