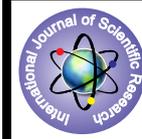


Impact of Training on Fostering Entrepreneurship



Management

KEYWORDS :

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ABSTRACT

Entrepreneurship is a dynamic process of vision, change and creation. It requires application of energy and passion towards the creation and implementation of new ideas and creative solutions. Early exposure to Knowledge and Entrepreneurial skills are very important in developing successful Entrepreneurs. Entrepreneurship education has experienced unprecedented growth over last 20 years. This can be seen in growth of positions, organizations, research and publications devoted in the area of Entrepreneurship. Entrepreneurship education has been a crucial factor that helps youth to understand and foster an Entrepreneurial attitude. In recent years fostering entrepreneurship has become a topic of highest priority in public policy. This trend is due to the widespread recognition that business start-ups are a driving force of economic growth and significant job creation.

1 Introduction

For any economy entrepreneurship is very crucial. The objectives of achieving sustained industrial development, regional growth and employment generation have always depended on entrepreneurial development. All over the world, researchers have taken lot of interest in studying entrepreneurship.

Entrepreneurs are, thus the seeds of industrial development and the fruits of industrial development are greater employment opportunities to unemployed youth, increase in per capita income, higher standard of living and increased individual saving, revenue to the government in the form of income tax, sales tax, export duties, import duties, and balanced regional development (Charantimath P.M., 2006)¹⁵. In India, entrepreneurship is in its cultural ethos. Entrepreneurship and enterprises are a continuous process and it is growing from centuries to centuries (Desai V, 2001)¹⁴. In country like India, we are facing a problem of unemployment for so many years now. And one of the best solutions is to have as many Job Creators as possible, so we need Entrepreneurs. Now our economy is growing but in this growth, the contribution of Entrepreneurship can not be neglected. Various Government and Non Government agencies are doing lot of work to promote Entrepreneurship. Particularly Government of India is doing great work to promote Techno - Entrepreneurship by providing support through various agencies under the umbrella of Department of Science and Technology (DST). Even it has established National Science and Technology Entrepreneurship Development Board under DST. The objectives of achieving sustained industrial development, regional growth and employment generation have always depended on Entrepreneurial development.

2. Policies to promote entrepreneurship

Since Baumol's work on productive and unproductive entrepreneurship the reform of the institutional environment is seen as essential to fostering productive entrepreneurship.

However, institutional reform though easy to prescribe is far more difficult to achieve. Although many developing countries have instituted laws on private property, their enforcement remains limited—partly due to the prevalence of different customary norms and partly due to poor judicial systems. As a result, the quality of many potentially growth enhancing institutions remains poor and whilst many policymakers do recognize that growth would be stronger in the presence of better enforced property regimes, they are often unable to implement the required reforms that would make the quality of their institutions better. Bardhan (2006) draws on the Indian experience to argue that political impediments often come in the way of institutional change in the form of vested interests, distributive conflicts and collective action on the part of disenfranchised groups in response to the proposed reforms. Put differently, it is unclear who should be the agents of institutional reform even if institutional reform were accepted as necessary to improve entrepreneurship. Perhaps in silent acknowledgement of this issue, policies to improve entrepreneurial performance in de-

veloping countries have often taken the form of the provision of finance to small scale industries.

Yet whether or not special policies are needed to draw forth more entrepreneurship in the economy is an area of considerable debate. An optimistic view of the importance and necessity of entrepreneurship in developing economies comes from Hausman and Rodrik (2003). They point out that in the presence of uncertainty about what a country can be good at producing, there can be great social value to discovering costs of domestic activities because such discoveries can be easily imitated. However, as in the case of all externalities this would make entrepreneurship subject to underinvestment. Government policy should thus intervene to induce investment in entrepreneurship while at the same time rationalizing excessive diversification once such investment has occurred.

3. Entrepreneurship and the economic environment

Entrepreneurship studies can be traced back to the work of Richard Cantillon (circa 1730) and Jean Baptiste Say (1816).² Cantillon saw entrepreneurs as bearers of uncertainty, while Say (1816) saw the entrepreneur as the agent who united all means of production in order to make profits. These ideas about what entrepreneurs did were rediscovered in the 20th century. Thus, Frank Knight (1921) emphasized the entrepreneur's role in coping with the uncertainty of market dynamics, arguing that entrepreneurs were also required to perform Fundamental managerial functions such as direction and control. Harvey Leibenstein in the 1960s and 1970s saw the entrepreneur as the agent which resolved market deficiencies through input completing activities. A somewhat different twist to the advantages of entrepreneurship was given by Joseph Schumpeter (1934) who saw the entrepreneur as a heroic innovator who implements change within markets through the carrying out of 'new combinations' of various kinds. For Israel Kirzner (1979) the entrepreneur is the one who recognizes and acts upon market opportunities. More recent contributions by Rothwell and Zegveld (1982) identified 'intracorporate' entrepreneurship (or intrapreneurship) in the modern context, showing how managers can create new businesses within large corporations. None of these writers explicitly examine entrepreneurship within the context of the developing countries or asked ask how the modern problems of development described by de Soto (2000) affect the ability of entrepreneurs to operate. These include, as we noted earlier, the presence of underdeveloped financial markets, poor protection for property rights and weak contract enforcement. Most entrepreneurship research today implicitly assumes that there is no difference between the entrepreneurship being carried out in the most developed nations and that carried out in 'latecomer' or developing countries. Similarly, a surprising aspect of the development literature that developed

4. How to initiate university industry

4.1 Partnership

Initiatives

- Top-down approach: initiated by the top leaders or policy

makers; mostly short lasting and non sustainable; mostly for political purpose

- Bottom-up approach: initiated by the grass-roots (researchers, persons who execute the task); usually long-lasting and sustainable; significant outcomes Bottom-up
- Need survey by the university to the industries, industries have no time to do self evaluation and most of the time they do not know their weaknesses
- The researchers/professors/engineers should be pro-active to approach the industries and observe how to improve the productivity and competitiveness Need survey or problem identification
- Conduct an in depth observation on the targeted industry/enterprise/company in terms of productivity, client/customer satisfaction, stakeholders' concern, impact to the community
- Conduct an in depth survey on the specific needs of the community both in urban and rural areas
- Find out the basic problems faced by the community both in urban and rural areas Observation on productivity
- Observation should be done by direct involvement to the operation of the industry without disturbing them
- Observation should not be done by interviewing since it may give a negative impression from the employees
- Observation should be done for one product cycle to obtain the complete understanding about the problems Stakeholders' concern
- Corporate organization health
- Corporate social responsibility
- Environmental impact
- Corporate accountability

4.2 Impact to the community

- Environmental related issues
- Economical related issues
- Social related issues
- Prosperity aspects
- Job opportunity

4.3 Observation on client/customer satisfaction

- Major complaints or dissatisfaction
- Frequent and common problems faced by the client/customer
- Degree of acceptance by the client/ customer based on population
- Major improvement requested by client/customer
- New product/technology needed by client/customer

4.4 Possible aspects for improvement

- Management
- Accounting
- Financing
- Product development
- Marketing/promotion
- Technical/engineering development
- Operation and maintenance

4.5 Observation results

- The university and industries discuss the observation results to obtain feedback from industries, and the discussion is not meant to blame the industries but to find the elegant solution for the industries
- The university professors/ researchers/ engineers should act as consultant to the industries not as teachers or commanders
- An effective discussion will result in useful information toward problem solving and corporate improvement Alternative solutions
- The university should come up with alternative solutions so that the industries could select and decide the most suitable ones
- The alternative solutions should be comprehensively prepared (but concise) by the university so that the industries could easily understand and quick decisions could be made
- The industry needs a pragmatic solution, not an academic one, while professors often come up with a solution which is too academic

4.6 Proposals

- Once the industries select the solutions then the university prepare the project proposal accordingly
- The proposal should be comprehensive but concise and include all the necessary items such as budget, schedule, milestones, interim and final outcomes, deployed expertise and human resources, responsibilities and compliances, etc.
- Industry is very keen on cost effectiveness therefore the proposal should display clearly whether or not the solution is worth the money

4.7 Contract

- Once the proposal is accepted by the industries then the university should prepare the contract, as a legal binding and commitment from both sides
- Keep in mind that although the proposal is prepared by the university but the project should belong to the industries, this is for sustainability purposes and to avoid the dependence to the university

4.8 Sustainability

- The principle of partnership is mutual benefit and this will lead to a sustainable partnership
- The industries will benefit from the university's expertise and technical support
- The university will benefit from the industries experiences and facilities/equipments

4.9 University-industry collaborations

- For the university: updating the state of the art in science & technology; promotion of entrepreneurial program; improvement of relevance
- For the industry: cost-effective in R&D recruit the appropriate graduates; maintain employee quality through continuous training

4.10 Financial aspects

U-I linkage in developed countries:

Both university and industry have adequate budget to carry out the collaboration or linkage on mutual benefit base;

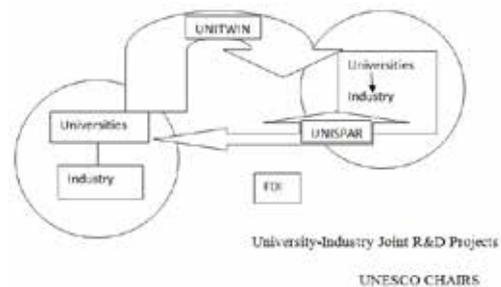
U-I linkage in developing countries:

Both university and industry have limited or even minimum budget to carry out such a collaboration or linkage, then the role of government is crucial to finance this initiative.

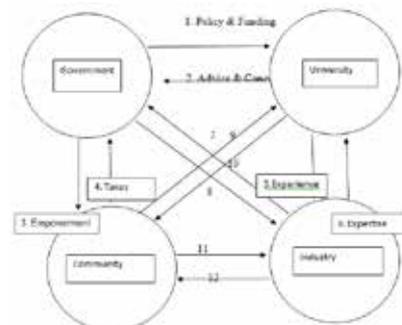
ROLE OF UNESCO AS A CATALYST

Developing Countries

Industrialized countries



STAKEHOLDERS



1. Policy & Funding 2. Advice & Concepts 3. Empowerment 4. Taxes 5. Experience 6. Expertise 7. Taxes 8. Service 9. Policy & Incentives 10. Taxes 11. Job Opportunity & Technology 12. Human Resource & Request

5. A rising demand for relevance

Funding apart, there is growing recognition amongst a number of bodies that secondary and vocational education as it stands are not meeting the full needs of their beneficiaries. Specifically they do not adequately prepare students with the skills needed to prosper after graduation.

UNESCO (2006) states that vocational training has in large part not led to increased employment because of a lack of wage employment opportunities for technically trained workers. Similarly, secondary education systems remain geared to preparing students for university entry, despite the fact that only 9% of students in developing countries go on to higher education (WB, 2004).

The majority of young people in developing countries enter a workforce characterized by high rates of self-employment within an expanding informal sector. How can traditional vocational education institutions better prepare their students with the entrepreneurial skills needed to succeed in this context?

5.1 A viable solution

The Self-Sufficient Schools approach which is the subject of this paper provides a possible answer to both these important questions. This innovative methodology,

combining entrepreneurship and vocational education, not only increases the relevancy of learning, but through school-based businesses provides both a training ground for students and a means of finance for the school.

This paper provides a detailed account of the need for such a model of education, and why it should focus on the agricultural sector.

In it we will expand on key elements of the Self-Sufficient School concept presenting two short cases studies highlighting institutions currently using this approach. Finally we will set out the steps we believe are needed to advance further the development of this methodology, and suggest how its adoption might help plug the finance gap which currently limits the availability of sustainable post-primary education across the developing countries of Asia.

6. Challenges in Secondary and Vocational Education Advances in primary; pressure on secondary education

Over the past 25 years great achievements have been made in providing universal primary education across the globe. In Sub-Saharan Africa and South Asia yearly primary enrolments grew by around 40 million between the World Conference on Education in 1990 and 2002. For many countries in the developing world the official primary enrolment rate is now approaching 100% (World Bank, 2006).

As more and more children complete primary education, considerable pressure is being felt at higher levels of the education system. Now that the proportion of children with a primary education is the highest it has ever been, it is critical that their full potential is realized through a secondary education. It is at secondary school where children can be transformed into skilled young adults, well equipped to become leading members of their society.

Despite the importance of a secondary education there are at least 700 million people in countries where gross enrolment rates are below 40%. A further 3 billion people live in countries where the gross enrolment rate hovers between 40 and 70%. The number of children who actually complete their secondary education is probably around half this (Lewins and Calloids, 2001).

6.1 Funding is a key issue..

In the developing world secondary school systems have not enjoyed the funding rises of their primary counterparts. For instance the World Bank's lending to secondary education de-

clined from 50% of all lending during the 1970s to 10% of all lending by 1990. While lending has recovered to just over 20% in recent years this is still less than half of 1970 levels. This is in spite of the fact that secondary school systems are much more expensive. It is calculated that \$32 billion extra needs to be spent a year if global secondary education is to be achieved by 2015 (Cohen and Bloom, 2006).

With 1.3 billion young people now living in the developing world there has never been a better time to invest in secondary education. More teenagers than ever before are prepared for the challenges of secondary school with higher standards of literacy and numeracy. Indeed the World Bank reports that the rates of return for secondary schooling are above the opportunity cost of capital and the rates of return for many other types of investment such as industry and infrastructure (World Bank, 1995).

...but its relevancy must also be increased

While a secondary level education is an excellent asset for any young person, criticism is often directed towards its relevancy to the lives of the rural poor. The case of agricultural education provides a clear example (Singh, 1998).

The majority of rural secondary school students come from households where the main economic activity is small scale farming - in most developing countries approximately 70% of young people come from farming households (Chowdhary, 2003). If post-primary education it is to be made relevant the sector will need a greater focus on practical agriculture - better preparing the next generation of rural youth for the challenges they can expect to face.

7. Advancing agriculture in Asia

Agricultural technologies in Asia are becoming increasingly complex and knowledge intensive and they require a vocationally educated workforce to maintain and develop them (Rosegrant and Hazell, 2001). To ensure that the benefits of these technologies are felt across the farming community, efforts need to be made to increase the familiarity that even the smallest farmers have with them.

There is also significant potential for improvement in 'traditional' agriculture.

Techniques for increasing yields are only part of the picture. Effective storage solutions, quality improvements, adding-value through processing, and co-operative purchase and sales arrangements can all make a huge difference.

Agricultural extension is not enough - programs which develop thinking and behavioral skills during adolescence are needed if young people are to succeed as farmers of the future.

8. Strengthening agriculture to reduce poverty and urban drift

The agricultural sector has a huge impact on rural poverty, so improving its productivity through a better educated workforce will play an important role in improving rural lives. Thirtle et al (2001) found from a cross country analysis that on average every 1% increase in agricultural yields reduced the number of people living on less than US\$1 a day by 0.83%.

Although there are currently over 500 million people aged between 15 and 24 living in rural areas, 180,000 people move from rural to urban areas everyday, most of whom are under the age of 30 (UN Habitat, 2006). One of the main reasons for this out-migration is the hardship of rural life, including hunger and malnutrition. These problems are exacerbated and a downward spiral continues as the next generation of food producing farmers move to the towns.

Thriving in the informal economy

For most of Asia's youth, tertiary education is not an option. Only 9% of young people in the developing world progress to university or college. This means that the majority of secondary school leavers will make their living through the informal economy as 70% of the Asian workforce does. This sector provides an opportunity for people to make their livelihood in an inde-

pendent manner where unemployment in the formal economy is rife.(Becker, 2004).

Prospering in the informal sector is not easy. Business owners and employees often lack even basic economic and management skills. Informal business owners also have little access to information on prices, or adequate skills to effectively market their products and hence suffer from poor profitability. By learning business skills during their secondary education, the next generation of informal business owners can help the sector fulfill its potential profitability and progress towards conversion to the formal sector.

Investing in Agricultural & Entrepreneurship Education

Agricultural and secondary education are widely accepted as critical to rural development in Asia. The FAO (1999) suggests that youth education and training should be used to promote the potential of agriculture to provide a decent living. The UN (1995) emphasizes the importance developing training programs to 'improve methods of agricultural production and marketing' to keep young people engaged in the agriculture. Entrepreneurship education also is needed to maximize the returns to more technical training in the context of a dominant informal sector. Post-primary education is however expensive, and provision of additional capacity will require substantial investment which we have already seen this is in short supply. In the past some of the financial support needed has been met through donor assistance, but the short term nature of most funding makes such sources unsustainable in the long term. What are needed are new and innovative methods to plug the funding gap.

Financial Sustainability and Self-Sufficient Schools

Who is better equipped to teach entrepreneurship than a successful entrepreneur?

Agricultural schools identifying business education as an essential part of their curriculum would be well advised to develop genuine entrepreneurial experience themselves. For institutions that follow such an approach, bringing agricultural business education inside school walls can have another major benefit – an independent and sustainable funding source. By producing and selling goods and services as part of skills and entrepreneurship training, schools can generate their own resources, and improve the relevancy of education they provide.

For the purposes of this paper a Self-Sufficient School is one that covers the costs of providing an education to its students from internally generated revenue rather than relying on external financing or user fees.

Self-Sufficient Schools focus the entrepreneurial flair of their staff and students on maximizing the returns to the human and physical resources at their disposal – creating income to fund their education work, and providing a valuable learning experience for all.

These schools which have many of the characteristics of well run businesses will typically adopt multiple strategies for securing a stable income-base - ranging from close integration of training with production activities, to the running of fully stand-alone businesses.

Partial approaches

There are numerous schools in both developing and developed countries who have found innovative ways to generate additional income to support their activities – from items for sale and running small shops, to hiring out their facilities and expertise (Singh, 1998).

While there are many examples of income generation in schools, these have tended to be Opportunistic in their choice of activities, uncoordinated across education institutions, and limited in scale. Of particular interest in the Asian context, one of the rare examples of state encouragement of income generation in schools comes from China. With its antecedents stretching back to before the Cultural Revolution, 'Creation of Income' has since 1981 been incorporated into the Chinese government's five-year plans, and guidance provided on its use.

Although this experience has resulted in many positive outcomes, increasing private sector competition combined with loss of government tax breaks has led many school-run factories to close down or be privatized (H M Ng, 2001).

Common Features of Successful Self-Sufficient Schools

Although the number of schools strategically committed to economic self-sufficiency is extremely low, their success demonstrates that such an approach is indeed feasible, and provides a roadmap for others wishing to replicate their achievements. Of the several closely related models for Self-Sufficient Schools encountered by the authors, most share a number of common features.

1. Production and sale of goods & services

This is the sine qua non of Self-Sufficient Schools. Typically products are aligned with the schools' core competencies. The benefits of specialization and genuine expertise in a given area help explain the relatively greater success of vocationally-oriented schools at generating income in this way.

2. Focus on developing entrepreneurial culture

Successful Self-Sufficient Schools don't just teach entrepreneurship, they live it. They lead by example, and they attempt to inculcate this spirit within their students. By setting profitability targets which students directly contribute towards, they build the sense of ownership needed to ensure both quality of work and quality of learning. Students that feel empowered perform better, leading to more profitable school enterprises; they also leave school better equipped to face their next set of life-challenges.

3. Emphasizing the tangible benefits of acquiring skills and knowledge

Information failures mean that the poorest youth consistently underestimate the returns to education, thereby reducing their willingness to invest their time and energy in this direction (WB, 1996). Self-Sufficient School courses are typically designed to counter this, and maintain student motivation at a high level by constantly emphasizing the link between theoretical learning, success in practical work, and the longer term financial benefits this can translate into.

4. Emphasizing the practical

Learning-by-doing lies at the heart of the Self-Sufficient Schools approach. Although theory is still taught, a greater proportion of time is spent putting this theory into practice. Reducing the costs associated with uncertainty, students graduate with the rightful confidence that if they can run a successful enterprise within the confines of a school setting, they will be more than capable of bettering these results working for themselves.

5. Constant search for improvements

Just as no entrepreneur is ever satisfied that they have made enough money, Self-Sufficient Schools are compulsive in finding new ways to add-value to their products and to their educational work. This propels them to maintain a competitive edge economically and educationally, as well as to continue extending their outreach to more and more beneficiaries.

6. Emphasis on co-operative forms of working

Self-Sufficient Schools instinctively promote the benefits of collaborative working both in their own operations and amongst their students. Partnerships will cover a broad range of actors including buyers, farmers' co-operatives, local & national government, NGOs, school graduates, and local communities. Their students likewise spend a disproportionate amount of time working in groups - discovering how collective action can translate into individual gain while learning to reconcile the differing interests that co-operation inherently requires.

7. Continuing support for their students

Recognizing that skills and knowledge are essential but not sufficient to empower their students to successfully start up their own businesses, Self-Sufficient Schools maintain a range of after-care programs. With lack of credit presenting a major obstacle to first-time entrepreneurs, provision of microfinance

is a typical service offered to graduates – and one which generates additional income to support future students. Across the features outlined above there is one over-riding theme; practicing what you preach. The techniques taught to students as key to future success are the same ones which incorporated into schools contribute to their ongoing success. The value of this in adding credibility to what is taught cannot be underestimated.

7.1 Variations on a theme

Models used will be adapted to the local context, but more particularly to the background of the target group served. Regular secondary institutions may require a greater proportion of theory, whereas purely vocational institutions catering to young adults may focus overwhelmingly on practical work.

Equally the perceived function of Self-Sufficient Schools will vary according to their students' background, with more formal institutions highlighting a range of options on graduation, where informal programs are likely to emphasize self-employment.

8. Conclusion:

The impetus for institutional reform has not come from government, international institutions, or their advisors, but primarily from the business sector itself, reversing the way development analysts normally think about economic progress.

The agriculture sector has a huge impact on rural poverty, so improving its productivity through a better educated workforce will play an important role in improving rural lives.

By producing and selling goods and services as part of skills and entrepreneurship training, schools can graduate their own resources, and improve the relevancy of education they provide.

The Universities and industries discuss the observation results to obtain feedback from industries, and discussion is not meant to blame the industries but to find the elegant solution for the industries.

The University Professors/researchers/engineers should act as consultant to the industries not as teacher or commander. Problems associated with current secondary and vocational educational models which fail to adequately prepare students for the high probability of self-employment within the formal sector need to be addressed.

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