



## Student Entrepreneurship in the Balkan context.

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### Abstract

*Entrepreneurship of students is becoming a major issue for the whole of the globe, while both competition and collaborations are becoming global and getting deprived of all obstacles.*

*Most of the national and international organizations are trying to foster the entrepreneurship of students, considering as granted that it is thought to have a strong impact on the future development and seen as the source of innovation, as well as the levers to boost the creation of wealth.*

*The Balkan countries, in their majority, are adopting those orientations in their policies, while there is an evidence of a changing mindset, which is leading to the creation of networks and other forms of cooperation.*

*Our team has examined this tendency, through the student voluntary associations, because it has been very difficult, if not impossible, to have statistical data representing a reliable population or even a sample with an acceptable degree of confidence.*

*The team methodology has been limited to the categorization of a limited set of factors, commonly used by the international organizations and the European Union policy makers, as they are affecting the students in the candidate countries.*

*The conclusions are concentrated in the negative mindset of the society and the students, the lack of entrepreneurial education and the international networking, on all the Balkan countries, Greece included.*

**Keywords:** Entrepreneurship, incubator, profitability, opportunities

### Introduction

European Union is aware that it is losing competitiveness<sup>1</sup>, thus living standards, against other countries, mainly because entrepreneurship and education and training are not connected, they are not listening to the needs of the enterprises, they are not performing research leading to the commercial exploitation, while the enterprises, do not support Education and Training, in financial and

<sup>1</sup> Kosmidou K., Voulgaris F., Doumpos M., Zopounidis C., "Economic and Technological aspects of the European Competitiveness: a multicriteria approach", Review of Economic Science, Published by the TEI of Epirus, issue 7, 2005, page 27.



internship terms. In brief, the Enterprises, their Associations and Academia, are not walking in the same path<sup>2</sup>.

OECD is also concerned and is trying to monitor development and forecast the future, paying special attention to the documentation of the policies addressed to the member states, by providing the tools that may connect statistical indices with expected results.

The United Nations, the World Bank and other international organizations have also identified the significance of entrepreneurship as a differing source of uncertainty, while globalization is becoming a fact.

Countries with high development<sup>3</sup> standards are thought to have reached this level because of their high rate of enterprise creation<sup>4</sup>, especially by young persons with a high level of education or highly featured skills. The European Union is thought to be a highly developed part of the world, never mind the territorial differences.

The team of this paper has neither the intention to evaluate the European policies, nor to give answers to questions yet under a universal research. The intention is to propose a coherent view of the adaptation of the already published and advertised vectors in our limited territory, with just comments of what is facilitating or bothering the achievement of the objectives of the policies.

The Balkans have their political history, written in letters of warfare, hatred, ethnical hostilities, lack of common language and a different mindset, while the political systems<sup>5</sup> and the participation in different groups of allied countries, marked by the "cold war".

On the other hand, the timeless unity, imposed by the ottomans, has left a last chance of reconnecting people on the ground of common business interests with their family background.

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<sup>2</sup> The Lisbon conclusions underline the need for European societies to become more entrepreneurial. They point to the need to create "a friendly environment for starting up and developing innovative businesses", and to the need of Europe to make progress generally in this area. Education and training should provide opportunities to acquire skills needed to set up and run a business.

<sup>3</sup>Bernd Heesen, "Entrepreneurship at universities", Industry and Higher Education, Volume 20, Number 2, April 2006, pp. 85-96(12)

<sup>4</sup>Rita Klapper, Catherine Leger-Jarniou, "Entrepreneurship intention among French Grande Ecole and university students: An application of Shapero's model

<sup>5</sup> Rullani Enzo, "Innovazione e complessita. Antropologia e istituzioni della net economy", Ragioni di confine, Percorsi dell'innovazione, publishing by il Mulino 2002, page 51.



Another approach reflects the social impact of entrepreneurship<sup>6</sup>, skills development, risk taking and expected reward. They constitute the mindset, which all organizations are aiming to change.

There is a contradiction to take into consideration: Risk taking is a result of property putted on stake<sup>7</sup>; property is a result of retained profits out of business activities or savings on salaries. Some times this property is heredity. When heredity is a business, heirs consider heredity as a natural course and may deal with it accordingly. Some times heirs consider it as a fortune, so they opt to transform it into available means for a higher social status. Some times these funds are thought as the fundamentals of a visionary outcome, other times they are considered to be a security.

There is no available information on how risk is being seen in different countries. There is lack of a common system of statistics, so that a comparison of mindset and social opinion in different countries might be possible. International organizations and Academia, are trying to establish a statistical pattern, in order to be able to quantify the observations and explain the impact of changes in the overall environment.

Entrepreneurship is thought to be the consequence of the risk taking social mindset affected by the individual ambition. Other social conditions seem to affect the rate in which young persons start-up enterprises, like obligatory military service, marriage, business type succession conditions, while incentives and subsidies, seem to have a smaller impact.

The introduction of entrepreneurship lessons<sup>8</sup>, as well as the assistance in Business Planning, in all levels of education, do not seem to affect the rate of start-ups, while it facilitates people to improve their skills in running their businesses, but not their career desires. It is still early to measure the impact of these programs on the viability and profitability of startups.

Promotion of entrepreneurship among students, seem to have little or no impact at all, while young persons, even when they are convinced to start their own business, they have to convince also their parents to take the risk and provide the capital.

Academic Spin-offs, throughout Europe, are far behind of those in the United States. A question is marking every explanation expressed and

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<sup>6</sup>Sarasvathy D. Saras, "What makes entrepreneurs entrepreneurial?" For submission to: Harvard Business Review, revised June 2001.

<sup>7</sup>Viaene Jacques, Tessa Avermaete, "Regional development and innovation potential of small food manufacturing enterprises", Mezzogiorno Rurale Risorse Endogene e Sviluppo: Il Caso Basilicata, publishing by Meridiana Libri 2001 page 155.

<sup>8</sup>Urmaz Varblane, Tonis Mets, Piero Formica, Janita Andrijevska, "Report about the current developments in the teaching of entrepreneurship in the European transition economies", Fostering Entrepreneurship: The Role of Higher Education, 23 - 24 June 2005 Trento - Italy, page 91.



it seems that a multiplicity of factors, still under exploration, affect the business creation by students, researchers and teaching staff.

Other forms of assistance to young entrepreneurs, like Business Angels<sup>9</sup>, Venture Capital, Incubators, Technology Parks, Life Long Learning, Knowledge Regions, Spin-Outs, Spin-Ins<sup>10</sup>, Sensors of Innovation<sup>11</sup> and the alike, seem to have success only in territories with a solid history of entrepreneurial orientation.

This complex ground<sup>12</sup>, filled with obstacles, as they are randomly set by the ever-changing policies, coupled with the implementation variation, is not supported by experimental results, while benchmarking is only possible with the examination of the successful cases.

It is rather frustrating to investigate with only one remaining tool, which is the "categorization of syllogisms", probably the right definition of mathematics<sup>13</sup>. Nevertheless, an attempt to display an organized view of this chaotic endeavor, seems to be a procedure scattering opportunities, based on an outline that helps the distillation of theories and actions.

## **Entrepreneurship**

It is not the intention of the authors to exhaust the definitions, while it is not yet an established economic term and is being used as a descriptive occurrence.

Limiting at some characteristics, it seems valid to say that entrepreneurship is a tendency to create new businesses<sup>14</sup>, by taking the risk to envision opportunities in an uncertain environment, through the concession of resources under control<sup>15</sup> and by the creation of an organization.

<sup>9</sup>Carayannis George, Elias G., Formica Piero, "Intellectual venture capitalists: an emerging breed of knowledge entrepreneurs", Industry and Higher Education, Volume 20, Number 3, June 2006, pp.151-156(6)

<sup>10</sup> A term proposed by Professor Piero Formica, to name the exploitation of research results, when research is proposed and organized by the enterprises.

<sup>11</sup> An association of Universities and Research Institutes of The Mediterranean Countries, an initiative of the University of Calabria

<sup>12</sup>Vanneuville Jozef, "Innovation and entrepreneurship. A successful relation between training, research and industry, illustrated by design centre and an innovation centre in electronic system in Brno(Cz)". Proceeding of the 3<sup>rd</sup> International conference on new horizons in industry and education, editor George M. Papadourakis, publishing in 2003 by Technological Educational Institute of Crete, page 565.

<sup>13</sup> A definition proposed by Professor Jacques Guenot (categorizzazione dei syllogismi), at the CIES (Centro d' Ingegneria Economica e Sociale, student handouts, 2000

<sup>14</sup> A brief description, according to Professor Gene Luczkiw, from Brooke University.



While risk is the danger to loose resources currently under control, young persons, especially students do not have any resources and they have to ask the concession by the parents or other relatives. The possession of resources may come much later when they are not students or young any more.

Living in an organized world, people tend to see opportunities under the degree of certainty that a possible venture represents, especially by copying the already successful ventures. This way the mortality of startups increases<sup>16</sup>, while what is thought to be an opportunity results in a certain disaster. Opportunity is seen by many writers as a vision and forecast and as an anticipation of a valid hypothesis. It is a common belief that with knowledge and experience, people become able to see the future with increasing accuracy.

The last remark for the needs of this paper is about the organization. Writers agree that a startup is an organization<sup>17</sup>, even when it is a sole proprietorship and there are no employees. The entrepreneur must organize provisions, sales, services, financial institutions and government controls and taxation. The enterprise is tending to become a part of a network of agreements, externally with the suppliers, distributors and other collaborators and internally, with the employees.

## **The Balkan Context**

It is impossible and even useless to display the Balkans. By the time these lines are printed, even the geography may change.

For the needs of this paper, a description of some common characteristics may be sufficient, while they are very few similarities and yet fewer to be useful to the new entrepreneurs.

The Balkans have been a part of the Ottoman Empire for centuries and become independent states, in the base of the nationality, not without wars among them. The Balkan question has not yet been resolved, while Greece is considered the most stable "western" country, thanks to the membership in the European Union.

During this occupation, there were no borders and, although different nationalities tended to concentrate in the same territories, there was no technical separation, mainly because of making business.

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<sup>15</sup> Vassili Karanassios, Nanoscience and nanotechnology, "Education , training and re-training: From terra incognita to a comprehensive undergraduate curriculum/program in nanotechnology engineering", University of Waterloo, Nanotechnology Workshop, May 21, 2003 (invited lecture)

<sup>16</sup> Professor Jay Mitra, from the University of Essex, is one of the main supporters of this idea.

<sup>177</sup> One of the most notable supporters of this idea is Professor George Solomon, from the Washington University.



After the Second World War, businesses stopped and only recently restarted. The Enlargement procedure is expected to improve the business mobility and cooperation.

All countries are characterized by a strong governmental intervention in the markets, even in Greece, although at a different level, with a large public sector. This has created a mindset of expecting to become well paid employees and a fear of risk<sup>18</sup>. A great proportion of the successful enterprises is connected with the government and much less are market driven, leaving little space to the young persons to dream their own success as business persons.

Poverty in all the countries, with very vast variations, is a major concern, leaving little space for savings. The banking system is centrally controlled, aiming to secure the savings and so they do not participate in ventures, obligated to use collateral.

There is little, if not any possibility at all, to use pension funds in the form of venture capital.

In a few words, the funding possibilities of startups are extremely limited, except bank loans and subsidies provided by the government or by the European Union.

All countries are small, in comparison with the most developed countries, with the exception of Ireland, where the market language is English and may be considered as a part of the English speaking market.

Startups are mainly necessity entrepreneurship rather than opportunity.

## **Student Entrepreneurship Training and Education**

Greece has been using the 3<sup>rd</sup> Support Framework to finance activities fostering entrepreneurship in many ways. Two of these action lines are seen under the purpose of this paper; Entrepreneurship Training and Education and Business Planning assistance by the Liaison Offices to students with business ideas.

There is no admitted connection between entrepreneurial training and education and fostering. Even the stronger supporters of business lessons, in non-business faculties, doubt if education really increases the rate of startups. The barriers to startups seem to be different than the lack of skills or knowledge.

Europe, especially in the South, is family driven. Business Angels, Venture Capitalists and Consultants are not expected to foster entrepreneurship, while they prefer to assist the members of their families or they operate as consultants without experience in business creation, while they may be well educated but never created a startup.

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<sup>18</sup> Professor Zoltan Roman from the University of Economics of Budapest, is relating this observation with productivity.



Trainers, educators and Professors, are being selected for their academic background, as an impartial and transparent method, while their skills and experience is usually overseen.

Most Academic Institutes preferred Psychologists, Sociologists and other similar scientific specialists as Business Planning consultants, after the hypothesis that entrepreneurship mindset is a psychically conditioned choice.

Little or nothing has been done as a means to forward any message to the capital controllers, which is the parents, as well as the savings owners, which is the prospective venture capitalists.

In the other Balkan countries there is a lack of similar activities. Academia exponents are still bound with government controlled economy, so the market is not taken into consideration as a free choice. This almost excludes the adoption of training and education, while it should be rewarding the decision makers, at least marginally. On the other hand, the already laurelled academics are attracted and selected by the already established and prosperous enterprises, not by and for startups.

Business Incubators are treated with big differences. In most of the former East European Countries, they are supported by training or education organizations and are open to all attempts to startups, except commercial activities and catering. They do not expect high technology plans, while they use inexpensive premises with small spaces, so they diminish the costs and the risk of startups.

## Methodology

Language differences, lack of institutional cooperation, inaccurate statistics<sup>19</sup> and contradictory information from the official centers, together with the absence of active student associations, forced the data collection to be limited in four sources:

- Socrates - Leonardo Exchange students of 2005-2006.
- Participation at the "Business Forum" organized by AISEC in Sandanski (Bulgaria) 2005 and 2006.
- Data collected by a trusted European organization operating in Bulgaria and FYROM.
- Data provided by Incubators operating in the different Balkan countries.

A questionnaire has been decided that it was improper, while the samples would not be homogeneous, the questions to ask should be different for each country, because entrepreneurship has a different meaning for each population, there is no available information about

<sup>19</sup> The organization of the international Conference on: Consolidation of Statistical systems of EU candidate countries, by the University of Thessaly, seems to be the most appropriate action.



the public opinion and the social structure is completely different from country to country.

Interview with students, the European Centers personnel, the participation at the "Business Forums" where the participants were coming from all the Balkan countries, investigation of the European auditors of the Phare-CBC programs and personal visits to their facilities and activities, was thought to be the first step, as a basis for further work.

The OECD responsible for entrepreneurship development and education for these countries (except Greece, which is thought to be different), discouraged the use of a questionnaire, while it would be misleading and encouraged the categorization of the information deriving from repetitive interviews with the same persons, orally, while the only reveal their real aptitude and refer to their observations when they trust someone, very rarely write the same answers, instead.

## Findings

From the continuous elaboration of the interviews, the comparison of the interview contents with the data provided and the refinement of the interview lines, the general conclusions that came up, are:

- Statistical data, about the entrepreneurship in the Balkan countries, with the exception of Greece, are useless, while there is no distinction between "necessity" and "opportunity" startups.
- Education and training in Entrepreneurship, in all the Balkan countries, without the exception of Greece, is academically driven, while the interested students are market oriented. Such lessons are very rare in other countries, except Greece and Turkey. All students, even those studying in economics related faculties, admit that they are getting knowledge and acquire skills that are only useful to the public sector or to very big enterprises.
- Students well understand that the market in each of the Balkan countries is very small, to reach an adequate size of a market niche, necessary for startups, while, multinationals have already got a solid market share.
- Student business ideas are either of grandiose size or of catering and entertainment content. The exploitation of the personal knowledge and skills of the students is rarely seen as an asset or the fundament of a business creation.
- Student and young graduate's business startups are much more promoted when there is a systematic guidance in creativity and idea generation than when scientific support on the technical side, such as business planning coaching, education and training, are taking precedence.
- There is little if any knowledge about financial instruments of the equity and participation type. Incentives providing





subsidies are thought to be a profit, not a means of co-finance of a startup.

- Business Planning is considered a formality, not a tool to success. It is being seen as a bureaucratic obligation, related to funding, not expected success.
- The students are aware of the necessity of the participation in human networks throughout the Balkans. They face a great difficulty with languages, while they have a sufficient ICT background. Even when they are well prepared, only very few are able to communicate effectively. English, as a common language, is limiting the population of the skilled students to the members of the well off families, coming mostly from the public sector. Descendants from business families are rarely participating in such networking activities, preferring to devote their time and effort to the succession of the family business.
- Discussing business opportunities they deviate the subject to government policies and public employment, unless there is an experienced but discrete guidance.
- Low tech, low cost incubators are more effective in creating startups, while the high standards ones are scaring students and young graduates.
- Competition is seen as a controllable factor in the market of the Balkan countries, while the international one is seen as prohibitive.

## Conclusions

The observation of student entrepreneurship in the Balkan countries, is leading to the necessity of limiting analysis to the factors appearing to be the most influential, so that successful business creation may be fostered.

Promotion of networking activities seems to be the most important factor. Network coordination would facilitate data collection, which is now impossible, because several networks operate separately. Coordination would also make feasible the meetings coaching, so that participants remained within the thematic area or network subject.

Advertisement of good practices and successful stories seem to foster entrepreneurship, while this is expected to modify the social and scholastic mindset. Successful stories from highly developed countries seem to lead to the opposite than the expected and desired results. We have a lot to learn from Lithuania, Latvia and Estonia, while they represent similarities, except their vicinity to the core European countries.

Incubators, especially virtual, make the entrance easy to the interested students and if it is twinned with business education, it becomes successful, while this is learning by doing and is an



efficient method. Small and low-tech incubators should exchange experience and advertise their achievements.

An organization seems to be needed, as a data collection center, a coordinator of graduates business oriented meetings and as a network creator and manager.

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