

“Conceptual Summary on Role of Education in Entrepreneurship”

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Abstract

The role of entrepreneurship ranges from commencing a small scale unit to build a big business concerns. In general parlance a positive relation is established between entrepreneurship and education. This general discourse runs on the following lines, that is, education is an important factor that influences the supply of entrepreneurship by forming entrepreneurs as well as by creating a positive culture of entrepreneurship. This paper intends to critically examine this general notion of the relation between entrepreneurship and education. This analysis is done in the following way - one, the general perception about relationship between education and entrepreneurship is examined, two, the presence of education in entrepreneurial traits, and three, the importance of education among rural entrepreneurs are examined. The paper is based on the existing studies on entrepreneurship. The main findings of this analysis are – one, in the entrepreneur traits highlighted by theories the absence of education is glaring, two, even though education has some say in entrepreneurship that relation is not absolute, three, educated entrepreneurs manage their units better than not educated, four, in the case of rural entrepreneurs rather than education others factors play important role.

KEYWORDS: entrepreneurship, entrepreneurial education, entrepreneurship theories, traits, rural entrepreneurs.

Introduction

Entrepreneurship has increasingly been held out as an alternative to traditional economic development strategies and policies. Education is a strong influencing factor that sets values, develops attitudes and motivates and induces people to acquire skills and competencies to achieve goals. The significance of entrepreneurship and education ranges from commencing a small scale unit to build up big business concerns. It is assumed that incorporating new entrepreneurial modules in current educational system, it not only paves ways to development of economy but also gives more job opportunities to young entrepreneurial aspirants who establish small scale ventures, especially youth. Education is seen as an important factor that influences the supply of entrepreneurship by forming entrepreneurs as well as by creating a positive culture of entrepreneurship. In this respect, entrepreneurship education should not only focus on narrow defined tools (e.g. how to establish a business, financial and human resources management) but also to broader attitudes (like creativity, risk taking, etc.). However for rural entrepreneurs are also not excluded from these views. There are studies which focus on without proper education rural entrepreneurs are managing ventures. Therefore this paper makes an attempt to explore the relation between education and rural entrepreneurship. For the purpose of this paper education is defined as the formal education imparted in the educational institutions and entrepreneur is defined as one who buys factor services at certain prices with view to sell the products at uncertain prices. Rural entrepreneurship is

defined as entrepreneurship emerging at village level which can take place in a variety of fields of endeavor such as business, industry, agriculture and act as a potent factor for economic development.

Problematization

Entrepreneurship is basically a multidisciplinary exercise. In this tradition of entrepreneurship research, there are conflicting positions on the relation between entrepreneurship and education. Each of these positions makes their own contribution to the field of knowledge on the above subject. It is also to be noted that these studies contradict each others position. When study takes note of education role in entrepreneurship, Kuratko and Hodgetts, observed that entrepreneurship is a dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and solutions. Essential ingredients include the willingness to take calculated risks in terms of time, equity or career: and the ability to formulate an effective venture team.¹ Once again Kuratko and Hodgetts position is contested by Bates and others. According to Bates, Acs, Armington and Zhang due to lack of education, majority of entrepreneurs are unaware of technological developments, marketing knowledge, etc. Lack of information and experience creates further problems in the setting up and running of business enterprises.² Gibb emphasized that one of the important problem is the redesign of the educational system given the extensive evidence of a positive relationship between entrepreneurial education and the probability of success of new ventures; and the demand for universities capable of responding to the need of the changing environment. Entrepreneurial education can be viewed in terms of the skills that can be taught and the characteristics that can be engendered in individuals that will enable them to develop new and innovative plans.³ Gottleib and Ross, explained like, education provides technical competence and mastery of analytic tools to future entrepreneurs and others who will participate in activities related to innovation and growth .Education can stimulate creativity and imagination and facilitate their utilization. Entrepreneurial education has also been defined in terms of creativity and innovation applied to social, governmental, and business arenas.⁴ T. N. Srinivasan, 'Innovation and Entrepreneurship is a two-way relationship. In one sense, in innovation, someone finds something but that somebody may not be equipped to translate that something into a commercial proposition. That is where Entrepreneurship comes in.'⁵

The above brief discussion on the relation between education and entrepreneurship does not focus much light on the relation between these two variables. It means education need not be an important ingredient one need to possess in order to be entrepreneur. This fact is further strengthened when we look at the studies on rural entrepreneurs. Most of the rural entrepreneurs are without any formal education they are managing their finance, human resources and marketing. Then the question rises 'what kind of education requires for entrepreneurial development'? Another surprising fact of this debate is that most of the theories on entrepreneurial traits do not identify education as main entrepreneurial traits. In this context, this study intends to raise the following research questions. How far the general perception of a positive relation between education and entrepreneurship is true? It is also pertinent to know what the role of education in entrepreneurial traits is. And finally, what is the importance of education among rural entrepreneurs?

Objectives

The main purpose of this study is to examine the relation between education and entrepreneurship. The specific objectives of the study are –

1. To examine the general perception of relationship between education and entrepreneurship.
2. To study the entrepreneurial traits and to see whether education has prominent position among the traits.
3. To analyze the importance of education among rural entrepreneurs.

Method of Study

This basically a secondary source based study. In order to study the above objectives data from the following sources were collected - research papers, articles, reports, text books and websites. The existing literature on the topic is presented in the following pages and in the latter part of the paper discussion of the material is done and some inferences are drawn and are presented at the end of the paper.

General perception about education with entrepreneurship and in entrepreneurship trait

Lussiers and Pfeifer, empirically found that in addition to competencies and personality traits, human capital of individual entrepreneurs play a role in contributing to the success of entrepreneurs. His study found that entrepreneur with higher education level, industrial and managerial experience and business exposure has greater chance of succeeding than people without tertiary education, minimal industrial and managerial experience, and with little or no business exposure.⁶ A study by Hisrich revealed that human capital elements of the entrepreneurs such as family-environment, education, age, work history, role models and support networks have been identified to contribute to the business venture success.⁷ The assumption is that higher human capital of the entrepreneurs increases the chances of their company's survival and success (Bruederl and preisendoerfer).⁸ Sarasvathy says individual level studies exploring who becomes an entrepreneur, and who achieves success with the new venture, can be categorized to some extent into studies of identity (e.g. traits and values), knowledge (e.g. education and work experience) and networks (e.g. strong and weak ties).⁹ Hebert & Link says an entrepreneur is a person, not a team, committee or organization. Their view is that this person has some comparative advantage in decision-making either because he or she will have better information or different entrepreneurial actions are performed in all societies by individuals whose judgment differs from the norm.¹⁰ According to National Knowledge Commission, education is indispensable for skill development and fundamental to entrepreneurship and innovation. The ability to innovate and generate commercially valuable new products and processes can only take place in environments that encourage experimentation and value addition.¹¹ Bygrave and Bygrave and Hofer emphasize the process character of entrepreneurship as well as discontinuity of the process. They define the characteristics of an entrepreneurial event almost similarly as entrepreneurial process but include also "creation of a new organization to pursue an

opportunity" and an entrepreneur as "an individual who perceives the opportunity and creates an organization to pursue it."¹² Botha et al, argue that education is not the only path to successful start-up creation. In order educate to enable individuals to take up entrepreneurial activities it has to be supplemented with the rightful skills.¹³ Findings of another study argue that it is not possible to measure accurately the influence of education on entrepreneurship. But the same study also points out that well-qualified employees are expected to add value to business growth (Minniti et al.)¹⁴ Others contest the above position by stating that factors such as intelligence, education, lifestyle and the background of the entrepreneur do not establish successful entrepreneurial activity. In fact it is the ability of owner-managers of small businesses that enable the entrepreneurs to succeed (Darling, Gabriellsson and Seristoin).¹⁵

The importance of education at present

Our system of education has a different story to say. After seven decades of independence even now many are struggling to get basic facilities such as food, shelter, health and education. Concentration of wealth and power in the hands of a few created this lopsided development. R. Bandopadhyaya says educational investment in many developing countries has a tendency to enhance far more power of those who already have social and economic advantages than it does the power position of those who do not have these.¹⁶ Continuing this argument Chandra Poojary, expressed, educational dualism is an inevitable part of the capitalist socio-economic formation. In a capitalist socio-economic formation whether developed or developing education is also a commodity to be bought and sold. It is not the individual or social requirement which determines the type of education one should get, rather it is the purchasing power one possesses that actually determines the type and quality of education one can get. Further Samuel Bowles observes, about educational dualism in capital class structure of the society. According Samuel dualism results in a brief and second rate education for many and a relatively expensive education for a small section of the society. Dualistic and divisive education thus becomes a structural necessity.¹⁷

The class nature of the family and its capacity to obtain higher education has also been a subject of research for a long time now. Even in the western countries an important and consistent finding is that the children of upper class origin are more likely to aspire for higher educational and occupational goals than the children of lower class origins. Same opinion given by Jonathan Kelly, "being born into a high status family confers an early advantage in school and when first getting a job and these advantages have enduring consequences".¹⁸ Similarly James. S. Coleman observes that the children are strongly affected by the human capital possessed by their parents.¹⁹ Julia Kwong, explaining the importance of the relationship between the social position of the parents and the educational attainment of their children even in a socialistic country like China, observes that "It is not so much the economic advantage but the encouragement and coaching of the educated parents that give these children the edge"²⁰

Discussion

The above studies exhibit the general perception on education with entrepreneurship. According to the studies, entrepreneur with higher education level,

industrial and managerial experience and business exposure has greater chance of succeeding than people without tertiary education, minimal industrial and managerial experience, and with little or no business exposure. One more debate says entrepreneurs success are based on family-environment, education, age, work history, role models and support networks in the business venture. Studies of identity (e.g. traits and values), knowledge (e.g. education and work experience) and networks (e.g. strong and weak ties) are important elements for success of entrepreneurs added to debate. The entrepreneurship theories identified various entrepreneurial traits, which may be the part of entrepreneurial opportunities and challenges. Some of the entrepreneurial traits identified for entrepreneurs are; the propensity to take risks; the need for achievement; the need for autonomy; self-efficacy; an internal locus of control; confidence; independence; individuality; optimism; profit-oriented persistence; perseverance; determination; hard work; drive energy; initiative; likes; challenges; leadership behavior; get along well with others; responsive to suggestions and criticisms; creative; resourceful; versatile; criticisms; foresight perceptive; openness mind; values etc.

The various theories propounded by researchers seem to indicate that Identifying and selecting right opportunities, facing challenges and special traits for new businesses are among the most important abilities of a successful entrepreneur and the developing entrepreneurs in a society depend upon closely interlinked economic, social, religious, cultural and psychological variables. To cite few theories are; Joseph Schumpeter and Israel Kirzner have argued in their theories, that entrepreneur does not tolerate equilibrium. Baumol's mainstream theory has ignored entrepreneurship not because it does not fit here, but because the tools available to the economists, the general equilibrium model etc. cannot ensure a comprehensive analysis of the entrepreneur without adding more tools to the toolkit the economists are at ease with. Frank Knight, propounded about risk uncertainty and profits in entrepreneurship. Hawley, A C Pigou and others opine that the entrepreneurs bear the uncertainty and risk of production. Schumpeter's concept is a synthesis of three different notions of entrepreneur i.e. a risk bearer, innovator and a coordinator cum manager. Leibenstein postulates that the entrepreneurs are gap-fillers i.e. they have the ability to perceive where the market fails and to develop new goods or processes that the market demands but which are not currently being supplied. Additionally, drawing from the early theories of J.B. Say and Cantillon, Leibenstein suggests that entrepreneurs have the ability to combine various inputs into new innovations in order to satisfy unfulfilled market demand. Peter F. Drucker defines an entrepreneur as a person who looks out for any changes, responds to it and exploits the opportunity generated by the change. It may mean provision of a new business, new product or a new service.²¹ voluminous reviews on urban viewed entrepreneurship. Hence role of education in rural entrepreneurship are very less. With respect to the rural entrepreneurs education is not important to establish business in rural. Entrepreneurs with family support and previous job experience influence success, whereas educational level and family background do not have an influence on the entrepreneurial venture. Studies on female Entrepreneurs in rural and urban areas say that urban women had more education, of higher socio-economic status, and middle level of investment than rural women. They categorized the factors which were effective on the creation of new businesses into three aspects: personal characteristics, socio-economic characteristics, and enterprise-related variables.

Conclusion

From the above discussion the paper found that there are gaps in the constructed position relation between entrepreneurship and education. Theories on entrepreneurship and entrepreneurial traits have considered education as important traits of an entrepreneur. Established theories are focusing on skill, innovativeness, capacity to take risk, utilizing opportunity, managing the things as important qualities of an entrepreneur. The general notion is that in the society that educated entrepreneur could manage every thing successfully. However even this notion is not completely true. In the case of rural entrepreneurs it needs not to be told that a number of them come from without formal education background. In spite of this lack of formal education they are establishing small business units and managing finance, marketing and human resource. All these evidences are produced not to deny the importance of education. The very purpose of this article is to problematize the general perception of establishing positive relation between these two variables. But at the same time this paper intends to suggest that entrepreneurial education may contribute for the growth entrepreneurs. If proper entrepreneurship education or training is provided to them, then they also contribute more to economy and compete with others.

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