BUILDING COMPETITIVE ADVANTAGE: 
THE ROLE OF SMALL BUSINESS SCHOOLS

Zrinka GREGOV, M.Sc. & Ljiljana BRATNAR KOVAČEVIĆ

Abstract:

The interest of foreign investors in Croatia has grown recently and the majority of its citizens would like their country in transition to become a member of the European Union. Many surveys have been conducted to that end, the best known being the ones by the World Economic Forum - National Competitiveness Council and Global Entrepreneurship Monitoring. All surveys so far have shown, among other things, that Croatia comes last in matters of managerial skills and the quality of business schools. On the other hand, the efforts of the EU to catch up with the competitive entrepreneurial American economy indicate the growing role and responsibility of the university and other educational institutions where entrepreneurship and entrepreneurial management are taught.

The unique example of a private business school set up in Zagreb five years ago as a private enterprise shows the possible role of business schools in promoting entrepreneurial activities and entrepreneurial culture as well as in regional development.

The mission of business schools is twofold: to teach the students how to recognize and use a business opportunity to their advantage and in doing so systematically develop entrepreneurial culture which contributes to the economic growth and overall progress of the society. By developing entrepreneurship curriculum and motivating the students to establish start ups, develop and run their own business and passing on up-to-date applicable knowledge, the business school also realizes its social responsibility in connecting education with private and public sector.

Following the well-known model of teaching entrepreneurship on four key levels: entrepreneurship by learning, by understanding, by doing and by being leads to the need of constant improvement. Systematic and regular evaluations are required to improve the curriculum and the methodology of teaching all subjects, especially entrepreneurship and entrepreneurial management. Moreover, it is important to establish co-operation with entrepreneurs because of the quality of students’ in-company training and with supporting institutions for the promotion of entrepreneurship (Croatian agency for SME’s, entrepreneurship centres, incubators, chambers, organizations of entrepreneurs and employers, non-government organizations etc.) The need for entrepreneurial behaviour of the business school management is particularly emphasised, which should serve as a model to the students, aspiring entrepreneurs. Additionally, the students’ awareness is raised of the need for lifelong learning, networking and social responsibility of entrepreneurs and their companies.
Although this role of small business schools in Croatia has not been sufficiently recognized yet because it requires strenuous efforts and long-term co-operation with many parties, the latest recommendations of the EU show that such concepts are on the right track. To successfully deal with rapid changes, not only in the field of work and organization, but also achieving economic growth and development in general, entrepreneurship is seen as the crucial and critical source for mastering that new, unknown terrain. In this paper we want to show why entrepreneurship education is so important today for our young generation but also for our country. What should entrepreneurship education and business schools be like in order to contribute to raising the economic literacy and entrepreneurship activities, which in itself is of utmost importance, especially in countries in transition. This is also a significant requirement for the balanced regional development of Croatia and attracting foreign investments, which should all result in creating new jobs and eventually raising the standard of living.

**Keywords:** entrepreneurship, business school, social responsibility, competitiveness, local development
1.1 Introduction

In this transition period, together with the growing interest of foreign investors in Croatia and the wish of the majority of Croatian citizens to be integrated into the European Union as soon as possible, grows the number of surveys on the competitiveness of Croatia and its entrepreneurial activities. The best known ones are conducted by the World Economic Forum: Global Competitiveness Report 2002-2003, National Competitiveness Council Croatia and Global Entrepreneurship Monitor. All surveys so far have shown, among other things, that Croatia ranks very low when it comes to managerial knowledge and the quality of business schools. On the other hand, the efforts of the EU to catch up with the competitive entrepreneurial American economy indicate the growing role and responsibility of the university and other educational institutions where entrepreneurship and entrepreneurial management are taught.

This is especially emphasised in «10 Propositions to Foster the Culture of Entrepreneurship at German Universities» (2002) and «Gelsenkirchen Declaration on Institutional Entrepreneurial Management and Entrepreneurial Studies in Higher Education in Europe» (2003), cit.: «The emergence of the European Higher Education Area and that of the European Research Area, provide higher education institutions with new opportunities to assert themselves both as teaching and research institutions which generate and transmit knowledge thus contributing to social and economic development and cohesion. Such a combined role may become increasingly possible once universities improve their management in order to become more entrepreneurial and include entrepreneurial studies in their curricula in order to train and to motivate students to become increasingly entrepreneurial in their future careers.» It continues: «Whatever form entrepreneurial studies may take, the experiences acquired so far in various systems and institutions of higher education prove that they contribute widely to equip graduates to start up new businesses or to better understand how markets operate in knowledge-based economies.»

Since Croatia will sign the European Charter for Small Enterprises “55 recommendations for raising Croatia’s competitiveness” contain assessment and recommendations of the contribution of small and medium-sized companies to Croatia’s competitiveness growth. Our cultural and social norms do not sufficiently support entrepreneurial culture. Entrepreneurs are commonly thought of as people who want to get rich quickly and who are on the edge of legality. Therefore, general entrepreneurial knowledge should be incorporated in the curricula from the primary to the tertiary level, in order to achieve the desired outcome – to raise the low level of TEA (Total Entrepreneurial Activity) index – the number of newly founded companies on 100 adult citizens (18-64), (Singer,2003), from the current 3.6 to 10.

Moreover, this already considerably low average level of entrepreneurial activities varies significantly from region to region, so that somewhere it is even much lower. That is why the following is stated among other targets of regional policy: (1) the development of human resources in order to keep the population of a particular region by creating new job opportunities and (2) the development of competitive and restructured sectors with special emphasis on the development of small and medium-sized companies and entrepreneurial environment.
This is where we see the role of small business schools in every region of Croatia, even more so because a wide range of population will have to take part in the upcoming changes. Due to Finland’s active entrepreneurial education policy on all levels, this country occupies the first place on the world competitiveness rank list. Their surveys indicate that the majority of population has a certain degree of entrepreneurial spirit, while only 16.7% lack it completely and will not be affected by the incentives for starting up their own business (Vesalainen and Pihkala, 1999). However, even for them, a broader concept of education for entrepreneurial attitudes and skills will be useful, which involves developing certain personal qualities.

1.2 How can a small private business school raise competitiveness

The unique example of a private business school set up in Zagreb five years ago as a private enterprise shows a possible role of small business schools in the society, especially in promoting entrepreneurial activities and the development of local community. The Entrepreneurship Business College, VERN’, fully accredited has been set up as a unique Croatian entrepreneurial enterprise, being the first totally independent private tertiary level educational institution with publicly recognized rights. It developed on the ten-year long tradition of a private school for foreign languages and organisation of language learning abroad in co-operation with approximately twenty certified teachers/trainers of entrepreneurship. Its interdisciplinary curriculum aims to satisfy the specific needs for business knowledge of those young people who are taking over family business or starting up an independent enterprise. The well-known concept of teaching entrepreneurship on four key levels has been adopted: entrepreneurship by learning, by understanding, by doing and by being.

Entrepreneurship by learning

The basic idea is that entrepreneurship increases through the supply of proper knowledge. The core subjects of business economics on which the theoretical background of entrepreneurship is founded and the skills needed to plan, develop and run a private business profitably must be taught at the targeted institutions. Educating students, alumni, already existing entrepreneurs and teachers by introducing up-to-date topics and methodology of teaching.

Entrepreneurship by understanding

Awareness of entrepreneurship as a social, business, economic and personal phenomenon is important for building one’s own entrepreneurial identity. Teachers, staff members and students of the business school must gain a many-faceted and factual understanding of the phenomenon ‘entrepreneurship’.

Entrepreneurship by doing

Skills required in entrepreneurship are first and foremost applicable, meaning that entrepreneurial education must enable practical skills to be trained. In order to train such personal qualities and skills, participatory learning methods focusing on ‘entrepreneurship by
doing’ are crucially important. The introduction of problem based learning, case studies and projects carried out outside a classroom environment, field visits and capacity building exercises in companies are ‘learning by doing’ at its best. Co-operation with entrepreneurs is necessary for this phase as well as networking with support institutions.

**Entrepreneurship by being**

Educational institutions are one of the key communities having an impact on a person’s identity. The operational culture, values and operation models of an educational organisation can contribute either positively or negatively to a process where student’s personality grows towards entrepreneurship. Organisations characterised by entrepreneurship oriented values and atmosphere accompanied with staff acting as entrepreneurship role models affect students’ development towards entrepreneurship positively.

Appropriate models have been found in the concept of Babson College (Wellesley, Massachusetts, USA) and GEA College (Ljubljana, Slovenia) and adapted to the Croatian circumstances. There has been a constant need for continuous improvement of the curriculum and methodology of entrepreneurship and entrepreneurship management instruction. This led to the co-operation with the University of Vaasa and Levon Institute from Finland, which both focus on the impact of university on local development, as a separate research area. This co-operation also includes The Institute for Management ISTUD (Istituto Studi Direzionali) located in Stresa near Milan which concentrates on research and implementation of management knowledge in practice. The co-operation with the University of Zadar and Zadar entrepreneurship centre has indicated every region’s need for a good business school which would continuously and systematically work on raising the competitiveness of the region and uniting all contributing factors, regardless of two or four-year political election programmes.

Therefore, the mission of a business school should be twofold: to teach the students how to recognize and use a business opportunity to their advantage and in doing so systematically foster entrepreneurial culture which contributes to the economic growth of the country. By developing entrepreneurship curriculum and motivating the students to start up, develop and run their own business and passing on up-to-date applicable knowledge, a business school also realizes its social responsibility in connecting education with private and public sector.

All those activities set objectives for public action, which are difficult to evaluate, but we believe it creates many opportunities for the economic growth. In particular, we believe that the final goal of the business school should be students’ incubator, career service, a center of expertise for the growth-oriented enterprises. Although the primal goal of the business school is not to be scientific oriented institution, if they proceed to develop such a scheme, they will have a significant role in business and entrepreneurial knowledge transfer, bringing synergy among school, local authority and business entities.
Fig. 1  Impact of a business school on economic growth

ECONOMIC GROWTH

Raising the index of entrepreneurial activity

Entrepreneurs:
- Self employed
- Family business

Growth-oriented compan.

Incubator

Career Service

Students

Education

Teachers

BUSINESS SCHOOL

Universities, R&D

Training of trainers

Education

NGO

NETWORKING

Support institutions

Alumni

International cooperation

Consultants

Projects

Enterprises

CHANGING THE MIND-SET
According to Gibb (2002) the teaching institution as a learning organization needs to position itself as the interface organization between the relevant stakeholder environment and the student. Focusing on the global issues that are creating more uncertainty and complexity in a wide variety of contexts can provide a strong and rich content base for entrepreneurship programmes much wider than those that can be drawn from the new venture process. The added value in the learning environment that is conducive to entrepreneurship is achieved by moving from 'what you have remembered' and 'what have you learned' to 'what you think' and 'what you can do'. The ultimate goal must be to impart the spirit of turning up a problem into opportunity.

In response to the rapidly changing national landscape, not only of employment but more generally of economic growth and job creation, entrepreneurship is being increasingly emphasized as a critical resource for mastering this new terrain.

As so eloquently articulated by Gustafson (1993), cit.:. »Entrepreneurship frames an ideal context for students to address perennial questions concerning their identity, objectives, hopes, relation to society, and the tension between thought and action. Entrepreneurship concerns thinking of what we are as persons.», and also, put by Timmons (1999), cit.:. »Lighting the flame of the entrepreneurial spirit empowers nations and peoples with the knowledge and ability to fish, rather than just giving them a fish.»

Our country's economic growth will hinge on our ability to create new jobs through entrepreneurship. Successful entrepreneurship. In turn, it will require well-trained aspiring entrepreneurs willing to take the helm of venture creation. Effective initiatives in entrepreneurship education will be increasingly critical for expanding the flow of potential leaders from our school systems with the passion and the multiple skills needed not only to give birth to the inherently risky entrepreneurial enterprise but also to guide it successfully through the initial growth phase.

**Conclusion**

Although this role of small business schools in Croatia has not been sufficiently recognized yet because it requires strenuous efforts and standing co-operation with many parties, the latest recommendations of the EU show that such concepts are on the right track. To successfully deal with rapid changes, not only in the field of work and organisation, but also achieving economic growth and development in general, entrepreneurship is seen as the crucial and critical source for mastering the new, unknown terrain. In this paper we want to show why entrepreneurship education is so important today for our young generation, but also for our country. We have suggested a model of what small business schools should be like, which would contribute to raising the economic literacy and entrepreneurship activities among the population of a region.

We believe that such business schools are indispensable, especially in countries in transition, while also being a significant requirement for the balanced regional development and attracting foreign investments. In our opinion, this should result in creating new jobs and eventually raising the standard of living.
Literature:


National Competitiveness Council (2004): 55 preporuka za povećanje konkurentnosti Hrvatske www.konkurentnost.hr/nvk/


Ripsas, S. (ed.) (2002): 10 Propositions to Foster the Culture of Entrepreneurship at German Universities. ExistenzGrunder Institut Berlin e. V.


Workshop «Towards Responsive University», University Vaasa, Finland, 9-10th October 2002.