

## Growth Market for Entrepreneurial Education in Poland and in China

# GROWTH MARKET FOR ENTREPRENEURIAL EDUCATION IN POLAND AND IN CHINA

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In today's global, highly interconnected and interrelated world a need for entrepreneurial education and training becomes more and more necessary. And it is not only for economic but also for socio-political reasons -- if not for even broader ideals of peaceful coexistence.<sup>1</sup> Both Poland and China are often cited as fascinating examples and unique case studies of dynamic and successful economic transformation process<sup>2</sup> where educations and skills play an increasingly important role<sup>3</sup>. Both countries have experienced a long period of what has become known as historically planned economies<sup>4</sup>, both struggled maintaining and preserving heritage and traditions.

How these two countries (so vastly different in so many ways) are currently dealing with preparing the future labor force to become innovative, entrepreneurial. How open are they to taking new initiatives, risks in an increasingly global and highly interconnected world<sup>5</sup>? Perhaps one of the least researched or appreciated elements of the former dirigist economic system was an innate desire of students to gain education and explore the world through (admittedly) limited

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<sup>1</sup> The classic Adam Smith observation, who pointed out that a man is least harmful and most productive when preoccupied with pursuing profit-oriented, economic activities, still hold true.

<sup>2</sup> An impressive pace of growth of the Chinese economy for the past 25 years and Poland's for about 15 is fascinating and a subject of many studies. The average annual GDP growth over the period 1979-2004 amounted to 9.4%- almost twice as fast as that of Poland. China is the only country in the world, which has reached an uninterrupted growth for such a long time.

<sup>3</sup> Peter Drucker told the audience at George Washington University in early 1990s that Chinese students being highly dynamic and entrepreneurial, are however taught at their universities mostly impractical Marxist theories. This however is dramatically improving, due to increasingly open market policy and educational drive.

<sup>4</sup> Most economies with a legacy of socialist, central planning have abandoned these abstract theories. With the rapid economic, social, and political changes in these economies an assessment of Historically Planned Economies (HPEs) has been published by the World Bank in 1993.

<sup>5</sup> China seems to effectively combine deliberate industrialization with controlled "Information Dissemination", or ICT (information Communication Technologies). Chinese government spends over 70 billion dollars a year, on research and development (R&D) and has more than 800 thousand leading scientists working on information infrastructure.

travels abroad and experience risk taking (even if in abrogated form), within permitted framework of the then command economy.

The burgeoning social dynamism and the rapid expansion of entrepreneurial education in the Polish as well as in Chinese economy has now become widely recognized as the critical catalyst that provides the labor force with a set of skills and abilities to facilitate continuing productivity growth and reallocation of resources as intensely competitive global and technological adjustment take place. This article, in a snapshot, surveys the needs for development of entrepreneurial educational services providing the kind of entrepreneurial training in Poland and in China, which becomes more amenable to the proven open market demand and supply.

## **REFORMS OF HIGHER EDUCATION AND ENTREPRENEURIAL TRAINING**

Important reforms in Poland to decentralize secondary and higher education in the late 1990s are now reaching maturity being enhanced and augmented by Poland's joining the European Union in May 2004. These reforms have focused attention on quality control and the right place of vocational education. The resulting innovative programs and more focused curricula are important in the tertiary sector, which has seen a significant expansion in the past 15 years, with mushrooming of private-sector provision and concerns about the appropriate balance of public and private funding. Participation in adult training (much neglected during the former economic system) is low too and, as elsewhere, seems to be concentrated among already relatively highly-educated groups but does not seem to be having much impact on improving the human capital of older and less skilled groups.<sup>6</sup>

An important component of a successful educational systems seems to be an appropriate balance between giving sufficient autonomy and responsibility to school principals and ensuring that they are pursuing the aims of the national educational policy. As far as Poland's education is concerned, performance improved between late 1990s and 2000. This improvement can be at least partially ascribed to the effects of the reforms and the change in the role of the so-called basic vocational schools and seasonal youth migration to the EU<sup>7</sup>. A key motivation was to decentralize schooling to local governments; this new system should be further consolidated, with the emphasis on establishing clear lines of duty for the different educational agencies involved.

Improving the education system requires flexibility: falling student numbers should theoretically free up teaching resources that could be re-allocated. The Teachers Charter, as modified in 2000 by Poland's Ministry of Education, improved the career structure for teachers wanting to expand their curricula in fields of business and finance. Also, the government

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<sup>6</sup> 'Communication from the Commission to the Council, Draft Joint Employment Report', COM (2004) 621 Final Report, 13.11.2004.

<sup>7</sup> Though no official statistics are available, it is estimated that over 2 million of Poles emigrated to Ireland, the UK and other EU countries to find jobs, though many now return home. See: Polish Workers Follow the Boom Home, Wall Street Journal, pp. 1 and 11, June 25, 2008.

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considered a priority ensuring that schools have more flexibility to vary teachers' salaries according to teaching performance and recruitment needs.

China on the other hand undertook reforms in 1980s moving to what has become known, "market economy with socialist characteristics", which affected numerous aspects and segments of society - including education. Kathryn Mohman, who was a Fulbright scholar in China a few years ago and wrote an excellent survey of higher education reform, noted firsthand significant reforms in both magnitude and quality of education system, stating:

From an elite system enrolling only a tiny fraction of the 18-22 year age cohort, China now has a gross enrollment ratio of almost about 20 % in some form of tertiary education, well ahead of the goal. (In comparison, the U.S. about 40 %...but a large proportion of American undergraduate and graduate students are older than 24 years of age.) Expansion of undergraduate education has been an explicit policy in China since 1999; by 2003 there were more than 12 million university students in 1200 universities and almost 700 adult education institutions. (In comparison, the US had 15 million students enrolled in almost 4000 institutions of postsecondary education, both public and private.) This change from elite to mass education reflects the Chinese government's belief in the power of education to drive continued economic growth, as well as the Chinese tradition of education as a key to personal and professional success.<sup>8</sup>

She also noted that there has been a dramatic shift in the relationship between the state and higher education in China. From a predominantly government supported enterprise only two decades ago, higher level education is now more dependent on funds raised by newly established and independent institutions, in which government support accounts to only one-third of their annual budgets. Universities are now becoming more and more entrepreneurial. They need to secure donations from firms, alumni and corporate donors, following the Western pattern of giving and fundraising.

As higher education began to modernize, and the United Nations set up its Millennium Development Goals (which China has not only met but also has been exceeding), the Government set a goal of quadrupling its Gross Domestic Product (GDP) by the year 2020 and to achieve a GDP of Yuan 3500 billion (equivalent of US\$ 440 billion) in slightly more than ten years.

It is interesting to recognize that most of changes in Chinese educational system occur rather gradually. For instance, a campus does not have to start entirely new program in order to make significant change. Rather, new curricular additions are often introduced as a series of courses or seminars an ongoing and already approved program. This is a practical way and a good example of introducing an effective academic entrepreneurship in Chinese top universities<sup>9</sup>.

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<sup>8</sup> Kathryn Mohman, "Higher Education Reform in China", *Journal of the Washington Institute of China Studies*, (WICS), Fall 2006, Vol.1.No. 2 p.4, 2006.

<sup>9</sup> Traditionally the best universities in China include the top three: Peking, Tsinghua and Fudan Universities. Poland's three best universities include: Jagiellonian University of Krakow (the oldest), Warsaw University and Kozminski School of Business, also located in Warsaw.

## ROLE OF HIGHER EDUCATION INSTITUTIONS IN POLAND

In 1991 there were almost 400 000 tertiary students in under 90 higher education institutions (HEI), all of which were in the public sector, but by 2006 there were about five times (1.9 million) students in over 400 higher education institutions, most of which are private. All private-sector students and part-time students in the public sector pay tuition fees.

Studies show that, although there are important social returns, the main benefits accrue to students themselves in the form of higher earnings. Hence, an effective reform allows public HEIs to charge cost-related fees (not necessarily full-cost recovery) for all students, at the same time increasing the provision of grants to maintain broad accessibility. The student loan scheme (practically non-existent during the past, socialist system) is increasingly more accessible through many commercial banks, even though it needs to be expanded. It can be managed quite effectively by commercial banks, with the credit underwritten by the government and income-contingent repayment made through the income tax system as it has proven effective in many western countries.

In Poland, career structures in tertiary education are now based on an open competition and transparent promotion criteria. To encourage high-quality researchers, commercial links between HEIs and companies need to be facilitated; including intellectual property rights arrangements, which Poland has signed in 1993, during the early transition years. Polish companies do much less training activity than those in most advanced countries. The employees themselves finance a high proportion, from their own pockets. Similar pattern begins to prevail in China. This may be because of low social mobility, and with the still growing population trends, high level of youth unemployment, most firms find they can generally recruit people with superior skills. Or, perhaps they do not appreciate the benefits of employee training for the company itself. Furthermore, a very high proportion of training required is for young people, suggesting a cleavage between a relatively small group of motivated people and the rest. Many international studies show that training leads to improved labor market outcomes. Companies in Poland have recently been given a tax incentive to set up training funds for their workers. This legislation, just three years old, is very recent and its impact needs to be yet assessed.<sup>10</sup>

However, where Poland's needs clearly stand out -- it is in poor provision of training for those who lost their jobs and for the unemployed. This is one aspect of overall social immobility, and general under-use of active labor market policies. Appropriately targeted training is an effective way to increase employability. Training programs and skills enhancement for the unemployed need to be broadened, more targeted to the specific groups of workers and enriched.

Many unemployed – those over the age of about 40 and over, with few skills, or skills for which the demand has fallen drastically (in mining and steel industries, for example in Silesia, where most coal mines are being closed) – are vulnerable, because their low level of general education makes retraining more difficult and the economic return from training harder to demonstrate. However, in order to try to minimize the extent to which a “lost generation” is

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<sup>10</sup> “A study and analysis of management training techniques”, [European Commission](#), December 2007; and “Commission Staff Working Paper Creating Top-class Business Support Services” SEC, [European Commission](#).

created, more effort should be devoted to looking for ways to help these people develop skills that will allow them to reenter the labor market. This will depend in particular on stimulating local labor offices, who are responsible for training of the unemployed, to look for such solutions.

### EDUCATING FOR ENTEPRENEURSHIP<sup>11</sup>

Entrepreneurship is a multi-dimensional process and it can occur in different contexts, and in all types of socio-economic systems. The higher learning institutions may in fact be regarded as in the “business” of producing, and supplying, or delivering “knowledge products” to the their customers – students.

Essentially, entrepreneurship is first and foremost a mindset, which may be suppressed, or stimulated further - depending on social and economic conditions. The long period of state socialism in Poland and in China has left imprints, which emerging new entrepreneurial class needs to restore and rebuild in quick and effective way. Entrepreneurship encourages in an individual motivation and capacity, to identify an opportunity and to pursue it in order to produce new value or economic success. It takes creativity or innovation to enter and compete in an open market, to change and even more so - to create a new market, to grow a business. Entrepreneurship is primarily about choices and actions in starting, taking over, or running a business, or their involvement in a firm’s strategic decision-making. Entrepreneurs are made – and become much better the more skills and knowledge they acquire.<sup>12</sup> They come from all walks of life. Yet there are certain common characteristics of entrepreneurial behavior, of which of paramount importance is a readiness to take risk and a need for independence, and self-realization. These are very qualities that students need to recognize and acquire through the process of business education.

### EDUCATIONAL SERVICES

Universities are in the business of providing infrastructure for self-creation, independence and the readiness to take calculated risks and explore opportunities. Students acquire knowledge through practical training, disseminating and communicating the results of scientific research, attending conferences, symposia, etc. Providing educational services and research in a competitive, global market economy becomes more and more similar in countries with apparently such diverse cultures as Poland and China. Research that has been undertaken in

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<sup>11</sup> Alain Fayolle in his article: „Three types of learning processes in entrepreneurship education” published in [\*International Journal of Business and Globalisation 2008 - Vol. 2, No.2 pp. 198 - 207\*](#) argues that since there is no consensus regarding what entrepreneurship is, how could there be a consensus regarding what entrepreneurship stands for as a teaching subject? He address some key issues in entrepreneurship education by focusing on different types of learning processes, highlighting particularly three main and distinct economic and social objectives: training entrepreneurs or professionals in the field (skills), preparing entrepreneurial individuals (mindset) and educating entrepreneurship professors and researchers (theories).

<sup>12</sup> Patricia G. Greene and Mark P. Rice (ed), *Entrepreneurship Education*, Edward Elgar Publishing, 2007. Greene and Rice, both affiliated with Babson College, collect articles from the 1990s through the present on entrepreneurship education programs in business schools. Themes include the underlying assumptions built into the field, the importance of the interdisciplinary approach, knowledge and skills, and assessment.

recent years shows a significant impact both on the content and the quality of teaching with resulting similarities of educational processes.

Universities supply their services in a given time and at a particular price to a particular audience. On the other hand, the market appears to determine, or respond to the demand for the services offered. It is the recipients of these services who decide whether to accept any given offer, or accept an offer from other universities. Universities aiming to increase revenue from educational services should know the determinants of shaping, at a given time, the volume of demand for these services, and examine the factors shaping the supply of these services. Knowing these factors and of the market in educational services will allow universities to adjust supply offered at competitive prices, expectations of the market and planned to obtain revenues from services rendered. Universities, (in a similar fashion as steel mills, or banks) compete in an open market economy for their „customers” and for their share of the market today more than in the past.

Universities, both public and private, whose revenue does not cover the costs incurred in running their operations, are threatened by insolvency and/or vanishing from the market. At the same time one needs to recognize that any foreign entity that meets the legal requirements can offer its educational services - especially by a renown European or American university, which can establish their subsidiaries as easily in Poland as in China. In the near future, foreign universities will become more serious competitors for large and significant state and public universities.

### EDUCATION CONTRIBUTES TO ENCOURAGING ENTREPRENEURSHIP

The Eurobarometer<sup>13</sup> revealed that 37% of Europeans are considering or had considered becoming entrepreneurs, yet only 14% turned their aspirations into reality. Surveys seem to indicate that knowing how to start a business increases the likelihood of becoming an entrepreneur. Respondents in the Eurobarometer survey with self-employed parents were found to be more ‘self-employed-oriented’ than those with parents who were employees. The GEM<sup>14</sup> survey found that people who are confident about their skills and experience are between three and seven times more likely to be involved in starting or running a new business; those that know someone who recently started a business are three to four times more likely.

Setting up a business calls for drive, creativity and persistence, whereas developing a business gradually requires more managerial skills, such as efficiency, effectiveness and reliability. Considering that both personality and management skills are key elements for success, personal skills relevant to entrepreneurship should be taught from an early stage and be maintained up to university level, where the focus can concentrate on building management

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<sup>13</sup> Eurobarometer 57.2 Flash Eurobarometer 128 ‘Public opinion in Europe: Views on business-to-consumer cross-border trade’, 14.11.2002.

<sup>14</sup> The annual **Global Entrepreneurship Monitor (GEM)** – its ninth issue in 2007, is directed by London Business School and Babson College. It releases annual surveys of business indicators with a wealth of data and analysis. See: [www.gemconsortium.org](http://www.gemconsortium.org) .

capacity.<sup>15</sup> The European Commission found that most member states, to varying degrees, are now committed to promoting the teaching of entrepreneurship in their education systems.<sup>16</sup> Within universities, entrepreneurship training is not only for MBA students, it is also available for students in other fields. Often technical universities offer many business and management courses. For example in technical universities entrepreneurship training contributes to matching entrepreneurial and technological potential. Entrepreneurship education in combination with public research programs brings together the ingredients to match scientific excellence with the commercialization of results.

### ROLE OF BUSINESS INCUBATORS

Business incubators are effective and efficient means in delivering support, structure and strategy to new entrepreneurs. Firms in incubators have better chances of survival than those outside and incubators are a cost effective instrument for the promotion of public policy objectives. This success explains why their numbers are growing rapidly; there are now over 1000 (and still growing) in the European Union.<sup>17</sup>

Entrepreneurship is being widely promoted, with particular focus on women and other underrepresented groups. Ethnic minorities display high levels of entrepreneurial flair and even greater potential. The business support services available seem to respond less well to their specific needs. There are considerably fewer female than male entrepreneurs in Poland as well as in Europe, proportions of self employed women ranging from 16% in Ireland to 40% in Portugal.<sup>18</sup> Women entrepreneurs face the difficulties commonly faced by all entrepreneurs, but in certain cases these issues, for example raising finance, appear to be more significant for them. Women also frequently lack the necessary confidence and skills to successfully start and run a business. There are a variety of reasons for this including the choice of activity, information gaps, perceived discrimination, lack of networks or difficulties in combining work with family obligations.<sup>19</sup> Public authorities must be encouraged to ‘think small first’, keeping regulation as simple and appropriate as possible. To reduce administrative burdens, a number of member states have established exceptions for Small and Medium Enterprises (SME), or provide administrative services to support them<sup>20</sup>. Provision of information and support can help entrepreneurs in dealing with red tape.

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<sup>15</sup> Study undertaken in Netherlands, by University Nijenrode: ‘Young Entrepreneurs, Women Entrepreneurs, Co-Entrepreneurs and Ethnic Minority Entrepreneurs in the European Union and Central and Eastern Europe’, European Commission, July 2002.

<sup>16</sup> Best Procedure Project on “Education and Training for Entrepreneurship”, European Commission, 2005.

<sup>17</sup> „Benchmarking of Business Incubators”, European Commission, White Paper, 2003.

<sup>18</sup> “Annual Labor Force Statistics”, European Commission, 2004. For more information please see:

<http://europa.eu.int/comm/enterprise/entrepreneurship/craft/craft-women/wes.htm>

<sup>19</sup> Best Project on “Promoting entrepreneurship amongst women” and the study “Young Entrepreneurs, Women Entrepreneurs, Co-Entrepreneurs and Ethnic Minority Entrepreneurs in the European Union and Central and Eastern Europe”, European Commission, July 2006.

<sup>20</sup> “Observatory of European SMEs / No 1 Highlights from the Survey”, European Commission, “European Business Survey”, Grant Thornton, 2002; and “Business Views on Red Tape”, OECD, 2002.

Despite evidence that failed entrepreneurs learn from their mistakes and perform better in their next businesses, they nevertheless face the stigma of failure.<sup>21</sup> They are confronted with a lack of trust among consumers and are often required to provide additional guarantees by investors and business partners. In many aspects of entrepreneurship, some are outperforming others and might serve as inspiration. This helps to learn from each other on the basis of the open method of co-operation and creates platforms to exchange good practice and benchmark themselves.

### **Three pillars for action towards an entrepreneurial society**

#### *i. Bringing down barriers to business development*

Current work at universities to improve the functioning of the internal market and to reduce red tape needs to continue to bring down barriers for doing business and the ‘think small first’<sup>22</sup> principle should be promoted. Also efforts should be made to improve access to finance and skill development for new entrepreneurs who want to work in their chosen field. Entrepreneurs need to be supported in developing their skills and adapt their business to changing conditions. Sharing experience and working together, in clusters or networks, helps entrepreneurs find access to new technology and knowledge, or identify partners. Fostering networks could be particularly effective in support of certain sectors or groups of entrepreneurs, such as ethnic minority businesses.

#### *ii. Balancing the risks and rewards of entrepreneurship*

Risk-taking should be rewarded and recognized rather than punished. Ability to deal with insecurity need to be re-assessed in the light of their effects on entrepreneurs’ willingness to take the risk to start a business. Taking initiative should be encouraged and the potential of ‘intrapreneurship’<sup>23</sup> could be further explored. To reduce the negative effects of bankruptcy, appropriate measures such as earlier discharge of debts, the retention of certain assets or lifting certain restrictions on bankrupts should be considered.

#### *iii. A society that values entrepreneurship*

Although many people express a preference for being an entrepreneur, many lack the confidence and skills to turn their ambitions into action. Young people should be exposed to entrepreneurship and be supported, along with their trainers, in developing entrepreneurship skills. Campaigns could provide role models and success stories to showcase entrepreneurs and highlight the benefits that they bring to society. These should particularly address those that can

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<sup>21</sup> ”Support services for micro, small and sole proprietor’s businesses, final report”, European Commission, June 2002 and “The concrete future objectives of education and training systems” Council of the European Union, 5980/01 EDUC 23, 14.02.2004.

<sup>22</sup> This principle might be considered and equivalent of the Chinese adage that the journey of thousand miles begins with the first step.

<sup>23</sup> An Intrapreneur is the person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment. Thus, Intrapreneurs are *inside entrepreneurs*, who follow the goal of the firms or organizations and bring them to a higher level.



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play a key role in supporting prospective entrepreneurs, such as schools, universities, investors, local communities, and business organizations.