Entrepreneurialism of Małopolska Region students

Summary

Małopolska Regional Development Observatory
Department of Regional Policy
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INTRODUCTION

The main goal of the study was to determine:

- the level of knowledge of Małopolska Region students regarding starting own business, as well as their plans connected thereto,
- the potential areas of support as to starting own business,
- the support of institutions established for entrepreneurship development.

The study consists of three parts:

I. Quantitative research among the students of universities located in Małopolska Region
II. Qualitative research among the institutions supporting entrepreneurship and economic development in Małopolska Region
III. Listing institutions supporting economic development.

Within part I and part II of the study quantitative and qualitative research was conducted to determine the level of entrepreneurialism of Małopolska Region students. The study was carried out at 26 universities on 3,104 students at different faculties who were asked to fill in a questionnaire. The structure of the sample took into account the different number of students of particular universities in the fields of education and the total number of students studying at a given university. Qualitative in-depth interviews (IDI) with institutions supporting entrepreneurialism supplemented the quantitative research. The interviews were carried out with 32 institutions in nine categories – the vast majority of respondents were representatives of career offices and enterprise incubators (including academic enterprise incubators).
ENTREPRENEURIALISM AMONG STUDENTS

The study has shown that slightly over 25% of the students have paid employment and almost 10% are active on the labour market, yet they undergo unpaid internships. Only 1.9% of the surveyed students ran their own business during the study. At the same time, more than 1/3 of the currently professionally inactive declare to have been employed in the past. The goal of this study was to analyse the tendency of students to start their own business, which was deemed a criterion for assessing students’ entrepreneurialism. According to the broadest definition, entrepreneurialism (as a social construct defined in many ways) is the ability to perceive ideas and achieve goals, as well as the ability to take risks to satisfy one’s and other people’s needs (Michalków 2003). Therefore, taking up work or business initiatives may be considered as a form of entrepreneurialism of young people. Nevertheless, starting studies in a place far from home, which requires determination, taking risks, and courage to take up challenges, is also a manifestation of the tendency for entrepreneurialism. In light of that definition, it should be acknowledged that at least 3/4 of students from Małopolska Region adopt, even temporarily, an entrepreneurial attitude.

The tendency to take the entrepreneurial attitude in a more narrow sense – i.e. becoming a sole trader, which amounted to less than 2% in the studied group – increases in the case of students of higher years to reach 4.1% for final year students (second cycle degree programme and uniform master’s degree programme).

Students of business, administration and law, followed by students of humanities and arts, engineering, industry, construction and services, are the most active on the labour market (as both employees and business owners). On the other hand, the largest percentage of students running their own business is represented by the students of agriculture. Foreign students (nearly 40% of them come from Ukraine) are more active professionally than Polish students (approx. 26%).

On the basis of the above data one may conclude that the fact that the students are forced to be independent is the factor that favours taking up professional activity.

Interest in running own business

The surveyed students were asked to declare their intention to run their own business in the nearest (two years after graduation) and more distant, albeit unspecified, future. Approximately 1/3 of the sample declared to be considering such a possibility (the group includes students who already run a company or have taken steps to set it up). Another nearly 1/3 of the students was not willing to start their own business, and 1/4 does not have any opinion about it yet. That optimistic individual prediction loses on its adequacy when the time perspective to initiate starting own company shortens. Only 14.6% of the students declare the willingness to start own business when they are asked to indicate their career path in the perspective of two years after graduation. The additional 2.7% declare that they will take over the company from a member of the closest family. The need to specify plans in a determined time perspective significantly reduces the percentage of respondents declaring the desire to become sole traders.

It is worth mentioning that those interested in starting their own business are, above all, part-time students of private universities. A completely different attitude is shown by full-time students of public universities – their entrepreneurial spirit is much lower. The obligation to pay university fees
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(which, as one can guess, are paid by the employed and therefore the part-time students themselves) makes students opt for own business.

Foreign students seem to be more familiar with entrepreneurship than Polish ones. Among the local students, the ones from the eastern and south-eastern Malopolska Region counties show a bigger tendency to start their own business. The interest in setting up a company visibly increases with the duration of studies – students from last years are the most interested in it. Among the universities, the highest percentage of students willing to run a company are from the Małopolska Higher Vocational School of J. Dietl in Krakow, the University College of Tourism and Ecology in Sucha Beskidzka, Krakow School of Health Promotion and Andrzej Frycz Modrzewski Krakow University. At the same time, the students of the biggest public universities, such as AGH University of Science and Technology, Krakow University of Technology and Cracow University of Economics, have the least entrepreneurial attitude.

The study results showed that in 1 in 3 student families one can see manifestations of entrepreneurialism – a close family member (parents, siblings) currently runs or used to run a business. It turns out to be significant when it comes to the entrepreneurial attitude as the most interested in starting own business are those whose parents currently run own business – more than 1/3 of them wants to start working in such a form in a two-year-perspective after graduation. Students whose parents used to run own business (30%) are only slightly less numerous among those willing to run a company, and only 10% of students with no family business background are willing to run own business.

It seems that for the same reason, namely inheritance of entrepreneurial tradition and family capital (as production factors), agriculture students show the largest level of entrepreneurialism (planned, not actual). Nearly ¼ of them indicated remunerated work in their own company as the most desirable form of employment. The perspective of taking over an agricultural holding (farm) from parents most likely determined the choice of the field of studies and underpins the decision of self-employment. To sum up, based on the results of the analyses, the factors that describe students wishing to start a business activity are as follows:

- attending a private university,
- part-time mode of studies,
- last years of studies (first or second year of the second cycle master’s degree programme and fourth or fifth year of uniform studies),
- studying agriculture, services and health, as well as social care – as for more than a half of the respondents the profile of studies is important when choosing the company sector,
- business traditions in the closest family (parents or siblings who run or used to run their own business).

Those results seem to indicate that in addition to the need to become financially independent, other factors influence the entrepreneurial attitude of young people. These are environmental factors, entrepreneurial culture in the family of origin, general professional experience, including self-employment, and chances for success on the labour market – if the perceived chances of employment to students’ satisfaction are high, they are far more eager to take the risk of self-employment. That opens up a great opportunity for educational activities which could be a tool to stimulate private initiative.
Sectors of planned activity

The students of health and social care (medicine, physiotherapy), information technology and services seem to be most “loyal” to their field of studies – most of them want the sector of their business to be compatible with their field of studies. This is reflected in the sectors of preference they indicate. Respondents who are doubtful when it comes to running a business which is in line with their field of studies are the students of business, administration and law (including the management-related fields of studies that do not prepare for work in a specific profession but for general company management, regardless of the sector) as well as social sciences, journalism and information (in that case the specific nature of the field limits the possibility of starting a business consistent with the subject of studies).

In general, as the desired area of economic activity, students indicated sectors that did not require advanced technologies – only 1.6% of respondents wanting to set up a company indicated scientific research and development, while IT and communication technologies – 5.7%. The survey also showed that “people to hire” are, besides the students of business, administration and law or journalism, also the students of engineering studies and IT. Compared to others, students of the above fields express a rather low tendency to start their own business in these areas. It should not be surprising, as technology business is the riskiest one. It seems that good public politics along with incentives (reducing barriers and promoting facilitations) to take up private initiative for the students of technical faculties must first of all encourage (using the same tools) entrepreneurial individuals to start those “simple” businesses, and then favour liaising them with IT and technical specialists who do not want to take on the risk of entrepreneurship.

The results of the study point to the following dependency: **the students who believe it will be hard to find a job in their field of studies decide to start economic activity in line with this area** (i.e. in geodesy, horticulture). The students of engineering studies do not seem to have problems in finding a job. These study findings confirm the assumption in the theory of entrepreneurialism that “the driving force of the entrepreneurial activities is maximization of benefits”. If social benefits of hired employees are an alternative to take the risk of independent economic activity, students most often choose the benefits. The incentive for the students of smart specializations to start their own business should be, besides economic factors, reducing the risk of taking up entrepreneurial activities. However, from the point of view of public policy it is worth considering putting more emphasis on liaising those who manifest their entrepreneurial spirit with those who have the competencies “for hire” with a view to development of the former group rather than with a view to attempts to promote the entrepreneurial spirit in everybody, which are doomed to fail.

Students’ career plans

The biggest percentage of students – 49.9% – are willing to **work for private companies**. These include students from Cracow University of Economics and Krakow University of Technology, studying STEM-related fields, i.e. information technology, business, law and administration, engineering, industry and construction, from second and third year of study. The popularity of such a form of remunerated work decreases with age, with full-time students and slightly more often men than women predominating. Respondents mainly pointed to the employment and payment stability as the reasons for choosing this specific career path.
The most popular form of professional activity among the students of technological and economical fields

As it has been mentioned, starting own business or taking over a company from family members is popular among 17.3% of the respondents, who mainly include students of agriculture, services, business, law and administration, as well as education. The most “entrepreneurial” are private schools – the Małopolska Higher Vocational School of J. Dietl in Krakow, the University College of Tourism and Ecology in Sucha Beskidzka, Krakow School of Health Promotion and Andrzej Frycz Modrzewski Krakow University. This entrepreneurship is driven by students of the last years of studies (sole trading increases in popularity with student age), part-time students, slightly more often women. Among the reasons for choosing this kind of professional activity, the most important were self-fulfilment and job satisfaction as well as higher earnings.

Students of last year’s agriculture and pedagogy studies

Working in public service institutions seems to be attractive for 15.2% of the respondents, mainly women, part-time and final year students as well as the ones studying education, health and healthcare. These are mainly students of the Małopolska School of Economics, Ignatianum Academy and Music Academy. They pointed to work and payment stability as the reasons for their choice.

High interest of female pedagogy students in their final years of study

8% of the students would like to work at the university. The presented data indicate that above all students of renowned largest public universities want to work there. Students of STEM-related fields – engineering, industry, construction, natural sciences, mathematics and statistics, from the universities such as AGH University of Science and Technology, the Pontifical University of John Paul II in Krakow and Jagiellonian University, dominate in this group. The full-time students of the fourth year of study, more often men and older ones, want to work at the university following graduation. The main reason for that is the prestige of the workplace.

High interest of the students of prestigious public universities in the fields which allow for scientific work as well as research and development

Working in voluntary sector is attractive for the smallest percentage of the respondents – only 2.4%. These include the students of social studies, journalism and information studies, from the Pontifical University of John Paul II in Krakow, being on the fourth year of full-time studies, with no significant differences when it comes to respondents’ gender. Self-fulfilment and job satisfaction were the most frequently pointed reasons for choosing this form of activity.

Students of big public universities in their final years

The motivation of the respondents to set up a company is dominated by autotelic values: self-fulfilment and job satisfaction, followed by high earnings. The possibility to manage own work time and friendly atmosphere at work are also important. It seems that this set of basic values clearly
illuminates the motivation of millennials and could be used in the activities and messages promoting entrepreneurialism among young people.

The results show that for most students the motivation to choose the career path is the employment and payment stability, even more than the remuneration.

If students were to be encouraged to entrepreneurial activities, these should be more attractive than the aspects mentioned above. It is impossible to make self-employment risk-free, as it is an inherent feature of entrepreneurship. However, the “framework conditions of entrepreneurship” (taxes, labour costs, extent of economic freedom and conditions of raising capital) should take into account and reduce the fear of business initiation among the representatives of young generation (the data presented in the chapter regarding students’ knowledge of running own business show primarily the fears and suggest the forms that could reduce them). At the same time, the entrepreneurial messages and activities promoting entrepreneurial social behaviour must refer to the values equally appreciated by Millennials, such as self-fulfilment, job satisfaction, friendly atmosphere at work or ability to manage own time.

Knowledge of starting and running a business

According to the respondents of qualitative research, the insufficient number and quality of practical business initiation classes is the basic problem at universities. The respondents pay attention to the fact that university entrepreneurship classes are conducted in most cases by theorists. The formal aspects linked with starting a business are priority during entrepreneurship classes, while the practical aspects – such as market and competition analysis, critical for a company existence – are neglected.

It can be surprising at first glance that those who attended classes on entrepreneurship at university show most concerns related to running own business. It is hardly surprising that entrepreneurship classes intensify the fear of starting own business, if the lecturer is an expert in running a business and at the same time, for some reasons, he or she has chosen to be a full-time academic, not a businessperson. This is the reason to state that probably the university is not the kind of institution that should teach entrepreneurship but it should rather offer opportunities for meetings with mentors or practitioners. The statement that contact with real business and learning from people who have been successful in a given field is essential can be proven by the results of the study – the least concerned are the students with the family tradition of entrepreneurship. Having the opportunity to observe businesspeople in their work, they point to benefits such as: greater independence, decision making, lack of a superior (indicated by half of the respondents), building something of their own or the possibility to fulfil own dreams / intentions. The students that have never observed entrepreneurship in their families more often put the option of setting their own salary first. And the students of the most renowned public universities in the Małopolska Region claim that they can receive higher salaries while working for someone, not as sole traders, and that makes them choose a path of development other than the entrepreneurial one.

The aspect of own business the surveyed students fear most is the risk of bankruptcy. The surveyed representatives of the institutions supporting the students’ entrepreneurialism specify that students who report to them most often fear that tax burdens (including social insurance contribution)
will make their business difficult to run for more than one year – which is a condition for receiving a grant from the Labour Office.

The well-known statement of entrepreneurial researchers that entrepreneurship is not an innate feature, but one can learn it, gains on significance in the present study. Moreover, inadequate entrepreneurship education can be counter-productive in terms of promoting the entrepreneurial spirit. Education must be practical and focus more on business continuity on competitive markets rather than on formal aspects concerning a business launch. On the other hand, the support for those who start own business should mean reduction of burden severity to a minimum in the first year of a company operation.

**Support offer for students**

The vast majority of the students (89.8%) never used the services of the institutions supporting the starting, running and development of a business. Almost half of the respondents (48.0%) declare to know where to seek information on setting up a company and support in running it. The vast majority of the students are familiar with the institutions which support the starting, running and development of a company. Only 5.9% of the students do not know any institutions (out of 14 mentioned in the respective question), and 10.2% are familiar with them, but at the same time do not know if they offer such support.

Almost every third student would go for support to a business incubator, and 28.2% to an academic enterprise incubator. Every fourth student would seek the support of the closest district labour office, 23.5% would contact a training and advisory centre, and 22.5% – a university career office.

The students of the engineering and informational faculties have similar preferences regarding institution assistance – most often they would choose business incubators, commercial banks and business angels. The students of business as well as law and administration often indicated financial institutions, such as commercial banks, Venture Capital and Seed Capital funds or business angels. Knowledge of the institution is also different depending on the university where students study – students know the institutions they meet every day at their universities / in their surroundings. Thus, where (academic) business incubators are active, students are more aware of them. On the contrary, in smaller cities where no incubators operate the closest district labour offices play a greater role.

Half of the students (51.2 %) willing to start their business sometime in the future are not interested in getting the support when starting/developing it. The vast majority of the second group of the respondents, that is students willing to seek help, mostly indicated funding as the most desirable form of the support (25.1% of the people interested in starting own business).
The goal of the second part of the study was to make a list of institutions supporting entrepreneurship and economic development in Małopolska Region. As part of the work, 132 institutions supporting entrepreneurship and economic development were identified, and 15 categories of the institutions supporting entrepreneurship and economic development were distinguished.

### Table 1. Number of institutions within each category

<table>
<thead>
<tr>
<th>Institution category</th>
<th>Number of institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Career Offices</td>
<td>21</td>
</tr>
<tr>
<td>Enterprise incubators</td>
<td>15</td>
</tr>
<tr>
<td>Research institutes, R&amp;D and scientific units</td>
<td>14</td>
</tr>
<tr>
<td>Centres of innovation</td>
<td>11</td>
</tr>
<tr>
<td>Academic enterprise incubators</td>
<td>10</td>
</tr>
<tr>
<td>Co-working offices</td>
<td>10</td>
</tr>
<tr>
<td>Technology transfer centres</td>
<td>10</td>
</tr>
<tr>
<td>Chambers and economic associations</td>
<td>9</td>
</tr>
<tr>
<td>Development agencies</td>
<td>7</td>
</tr>
<tr>
<td>Enterprise incubators</td>
<td>7</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>7</td>
</tr>
<tr>
<td>Seed Capital Funds</td>
<td>4</td>
</tr>
<tr>
<td>Loan and loan guarantee funds</td>
<td>3</td>
</tr>
<tr>
<td>Science and technology parks</td>
<td>3</td>
</tr>
<tr>
<td>Business angels</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: author's own elaboration

The study identified 7 groups of services provided by the institutions:

- information services,
- consulting services,
- training services,
- services supporting innovation,
- financial services,
- technical support services,
- other.

Institutions have provided mainly information, consulting and training services. Financial services were the least often indicated.

The study has shown a wide and varied range of substantive support that can be provided to the students interested in starting their own business – from training sessions presenting all the steps of a company formation, cheap co-working space rental to acceleration programmes.
for seed and venture funds. Interestingly, the majority of those who are interested in starting own business in the future want to use the support in the form of financing. It is the recurring reason of young start-ups for commencing their activity. The myth of money as the most important aspect is increasingly denied by management experts supporting new businesses. Often, more than money, young businesspeople need to be introduced to the business environment, they need soft skills, knowledge, contacts or help in creating MVP and launching sales. The moment of acquisition of an investor sometimes is purposely delayed – it is recommended for an enterprise to gain in value. For the investor this means risk mitigation and for the founders – investment conditions at the later stage of the company development may mean greater benefits.

The other issue is the type and scope of financial support, i.e. the type of financing needed. The surveyed students indicated public funds and expressed their disappointment at the lack of non-refundable subsidies in the current financing perspective. However, the experience of previous years has shown that the kind of support did not bring the desired results. In 2006–2013 the public funds spent on the development of start-ups consumed PLN 12.3 billion. The effects cannot be seen. – There is an interesting dependency: most projects that did not get financing went better than those that got it.

Therefore, it seems that it would be better if state aid were available at a later stage than at the initial stage of development and if it were refundable (return of capital, not profit). Summing up the results of work on listing the institutions supporting economic development, one can state that there are numerous possibilities and forms of raising capital and there are many financing institutions that distribute it. It is critical now to combine the numerous aspects of the issue in question.

Recommendations

According to the respondents of qualitative research, the insufficient number and quality of practical business initiation classes is the basic problem at universities. Thus, the following actions are proposed to increase the level of entrepreneurship among students:

- sharing knowledge and information with people interested in running own business,
- increasing access to capital for businesses through the activity of provincial bodies and other related institutions (science parks, incubators, regional development agency) in terms of creating forms of business financing other than non-refundable support,
- stimulating the start-up environment,
- creating a forum for exchanging experience and cooperation,
- support for new businesses in Regional Smart Specialisations,
- implementation of individual projects aimed at supporting entrepreneurial attitudes among students and encouraging them to start a business, including competitions in the subject of entrepreneurship, activities addressed to parents (but also students and primary schools), conducting courses and trainings in soft skills useful for running a company (risk management, crisis management),

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1 K. Bagiński, 2017, We have already spent over PLN 12 billion on start-ups. In most cases, the money has been wasted, http://innpoland.pl/133413-na-start-up-y-wydalismy-luz-ponad-12-mld-zl-w-wiekszosci-to-zmarnowane-pienadze [accessed on: 24/11/2017].
• building “bridges of cooperation” between entrepreneurial students of management faculties and non-entrepreneurial students of engineering from AGH University of Science and Technology. Apart from the promotion of entrepreneurship, one should also promote cooperation – competitions and workshops for students of different universities based on the motto: “the engineer will build, the artist will plan, the manager will sell”.