BUSINESS TRAINING TO SUPPORT ACTIVE BUSINESS

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Abstract

One of the priority areas of the Estonian state is the development of entrepreneurship, which has increased people's positive attitude towards starting a business. More than half of Estonians see entrepreneurship as an attractive career choice. The number of people who find that the opportunity for starting a business has increased in Estonia, and the fear of failure has significantly decreased. Global Entrepreneurship Monitor (GEM) study in different countries and regions shows that business activity is growing in Europe and worldwide.

The TEA index reflecting early stage entrepreneurial activity shows the proportion of people who have taken steps to start a business or have acted as entrepreneurs for up to 3.5 years. In Estonia it has increased by a third from 14% to 19% over the last five years. Among the countries with an innovation-based economy in which Estonia is ranked in this study, it is a very high figure. Last year, the TEA index in Europe was 8.1% and has remained close during the last five years. In Estonia, both Enterprise Estonia and the Estonian Unemployment Insurance Fund support the development of entrepreneurship and becoming an entrepreneur with their support system and training programs. The analysis of the impact of the start-up support by the Unemployment Insurance Fund (2014) showed that the application for support was mainly based on the completion of entrepreneurship training (43%). After completing the training, 38% of the participants submitted an application for start-up support.

Our study was carried out among those who participated in entrepreneurship training in order to find out how entrepreneurial training, in which knowledge and skills were acquired about entrepreneurship and a business plan, has created opportunities for receiving grants, and how the grants create a prerequisite for the long-term operation of a company.

Keywords: *entrepreneurship, Global Entrepreneurship Monitor, TEA index, entrepreneurial spirit, entrepreneurship training, business start-ups, submitted applications for start-up support*

1. INTRODUCTION

One of the priority areas of the Estonian state is the development of entrepreneurship, which has increased people's positive attitude towards starting a business. More than half of Estonians see entrepreneurship as an attractive career choice. In Estonia the number of people who find that the opportunity for starting a business has increased, and the fear of failure has significantly decreased. Global Entrepreneurship Monitor (GEM) study in different countries and regions shows that business activity is growing in Europe and worldwide. In 2017, Estonia was the country with the highest early-stage entrepreneurial activity in Europe, with a similar level of entrepreneurial activity to North America, while the European average was almost twice lower. In Estonia, compared to other European countries, the differences are noticeable. While the Estonian TEA index (the percentage of people taking steps to start a business or the number of people who have been active for up to 3.5 years) is 19.4, the same figure for Poland is 8.9 and for Bulgaria 3.7. Among the countries studied, the change in the Estonian TEA index in the years 2015-2017 increased and exceeded the growth of the same indicator of other countries by several times (Table 1). [1]

Although entrepreneurial activity in the world is growing, the job creation plans of start-up entrepreneurs are shrinking. There are more and more people who are self-employed. This is a new reality that requires states to adapt. The self-employed are not classic entrepreneurs who create jobs. Instead, they aim to secure income for themselves and their family, and accordingly they do not need state support [2].

	2017	2016	2015	Δ 2016/2015 (%)	Δ 2017/2016 (%)
Estonia	19.4	16.2	13.1	3.1	3.2
Canada	18.8	16.7	14.7	2.0	2.1
Latvia	14.2	14.2	14.1	0.1	0
Poland	8.9	10.7	9.2	1.5	-1.8
Sweden	7.3	7.6	7.2	0.4	-0.3
Germany	5.3	4.6	4.7	-0.1	0.7
Bulgaria	3.7	4.8	3.5	1.3	-1.1

Table 1. Total Early-Stage Entrepreneurial Activity (TEA) in European Countries vs North-America

Source: Compiled by authors, GEM 2017.

https://www.gemconsortium.org/report/gem-2017-2018-global-report

At the same time, the activity of women in business is on the rise in Europe and in the world, which is stated in the GEM special report and confirmed by this study as well. In Estonia, women see more and more new business opportunities while starting a business. In about 80% of cases, women have started their business based on opportunities, and only 20% of them have been forced to do so. The correlation between need and opportunity based women entrepreneurship in Estonia and Latvia is similar to Finland and Germany and follows the pattern of developed countries. [3] Issues related to self realisation play an important role in women entrepreneurship. It involves the desire of material independence, self-testing, and acquisition of new experience and knowledge [4].

According to the entrepreneurial spirit index in the GEM survey, Estonia was the third in Europe after Sweden and the Netherlands. The entrepreneurial spirit index takes into account the proportion of working age people who:

- know someone who started a business last year;
- think that the conditions for starting a business are favorable;
- believe that they have sufficient knowledge and skills to become entrepreneurs [2].

In Estonia, both Enterprise Estonia (EAS) and the Estonian Unemployment Insurance Fund support the development of entrepreneurship and becoming an entrepreneur with their support system and training programs. The analysis of the impact of the start-up support by the Unemployment Insurance Fund (2014) showed that the application for support was mainly based on the completion of entrepreneurship training (43%). After completing the training, 38% of the participants submitted an application for start-up support. [5]

In Lääne-Viru County the provision of entrepreneurship training has been in progress for more than a decade at Lääne-Viru College, which monitors the future activities and entrepreneurship of graduates of entrepreneurship training. In addition, the students' satisfaction with the topics taught and their importance in starting a business and dealing with entrepreneurship are analysed annually.

Accordingly, the aim of this study was to find out the effectiveness of the entrepreneurship training at Lääne-Viru College in starting a business and acting as an entrepreneur.

To achieve this goal, the following tasks were set:

- to provide an overview of the effectiveness of entrepreneurship training based on previous research and statistics;

- to map the entrepreneurial activities of the entrepreneurs who have completed entrepreneurship training at Lääne-Viru College in 2008-2018;
- to analyse the results of the study and evaluate the effectiveness of entrepreneurship training in starting a business and doing business;
- to draw conclusions and, if necessary, introduce changes in the curricula of entrepreneurship training to increase the efficiency of entrepreneurship training.

2. MATERIALS AND METHODS

2.1. Materials

In the course of the study, entrepreneurship training at the In-service Training and Retraining Centre of Lääne-Viru College was analysed in order to find out if and how entrepreneurship training has supported starting a business and acting as an entrepreneur. It was also analysed which training topics supported entrepreneurship and doing business, and where the participants' expectations were higher than expected. In addition, the number of participants who trained and applied for funding in the course of the training was identified. The study also sought to ascertain whether the companies that started out with entrepreneurship training and the preparation of a business plan have been in business for at least 3.5 years and how many of them have a longer length of service as an entrepreneur.

2.2. Methods

The research strategy was a quantitative mapping survey using a structured questionnaire to collect data. The questionnaire contained statements from which the respondent could choose the most appropriate one. In addition, data was collected on a five-point Likert scale. Descriptive statistics were used to analyse the data. The sample of the survey consisted of 284 entrepreneurs participating in business training, who were sent a questionnaire as a link in the eSurveyCreator environment. 52 questionnaires did not reach the addressee. 27 of those who started the training did not complete the course. The final sample consisted of 65 respondents (32%), including 52 women and 13 men. The study was conducted in April 2019.

3. RESULTS

A GEM (Global Entrepreneurship Monitor) study analysing entrepreneurship in different countries and regions showed that entrepreneurial activity is growing worldwide. The most important motivation factor for starting a business is a personal example. Trust in coping with your knowledge and skills as an entrepreneur and finding a business opportunity or idea is important. However, the importance of status as an entrepreneur and public attention to business is less important. Good work has been done in Estonia to promote entrepreneurship and share entrepreneurial knowledge, which is confirmed by the summary profile of the situation in Estonia presented in the study, where the results of the expert survey on the situation of entrepreneurship education at school and after school are better than the European average (Fig. 1). Cultural and social norms also promote entrepreneurship more than the average in Europe. The European and Estonian comparison also includes data of Bulgarian business activity. In general, the Bulgarian business environment is similar to the European environment as a whole. Differences are apparent in the perception of government support, which the focus group estimates lower than the European and Estonian average. In terms of taxes and bureaucracy, government support in Bulgaria is more perceived than in Europe as a whole, similar to that of the Estonian focus group. On the basis of the survey results, the ratings given to the factors characterising the Estonian business environment are high, except for the dynamics of the internal market, which is lower than the average of both Bulgaria and Europe.

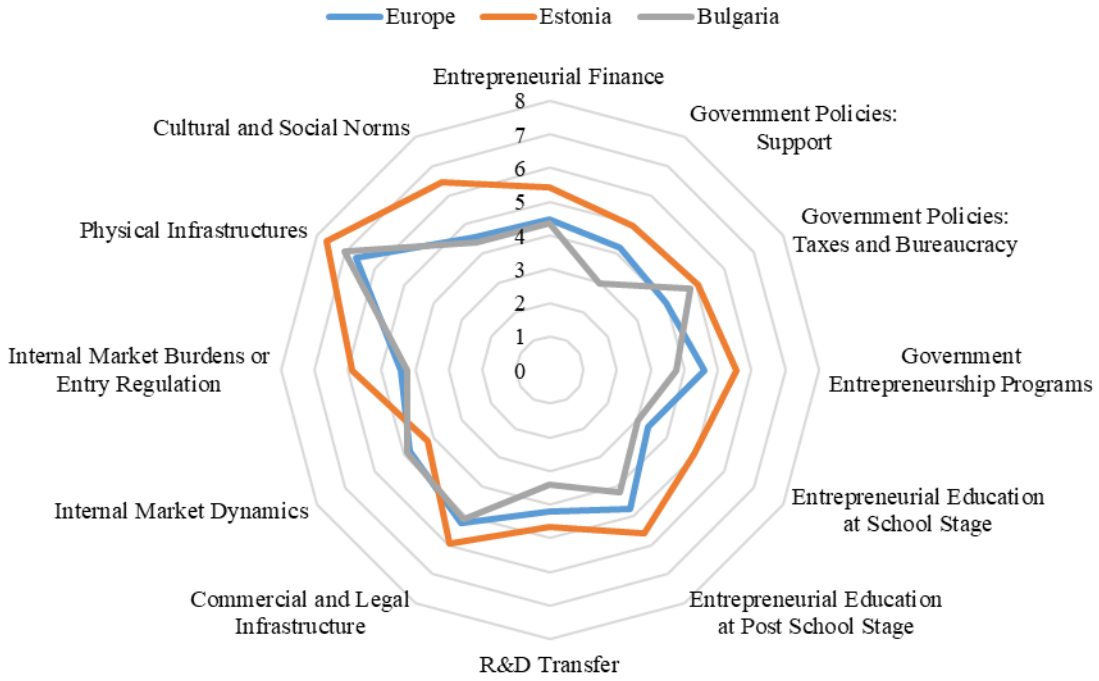


Fig. 1. Expert Ratings of the National Entrepreneurial Framework (Estonia, Bulgaria vs Europe)

Source: Compiled by authors on the basis Global Report 2017/2018. GEM 2017, Global Entrepreneurship Monitor

Over the last five years, the TEA index reflecting early stage entrepreneurial activity has increased by a third in Estonia from 14% to 19%. Among the countries with an innovation-based economy in which Estonia is ranked in this study, it is a very high figure. Last year, the TEA index in Europe was 8.1% and has remained close during the last five years. In Latvia, the TEA index was 14.2%, in Sweden 7.3% and in Germany 5.3% [6].

To learn how entrepreneurship training, in which knowledge and entrepreneurial skills were acquired and a business plan was drawn up, has created opportunities for receiving grants, and how grants create a prerequisite for the long-term functioning of the company, a study was carried out among those who underwent entrepreneurial training.

In 2008-2018, there have been 28 training courses in the field of entrepreneurship and skills at Lääne-Viru College (Table 2). The number of training hours was 3,762 and the number of participants was 284.

Year	No of Trainings	Training hours	Average of training hours	No of participants
2008	1	80	80	16
2009	1	160	160	15
2010	1	80	80	15
2011	4	360	90	45
2012	3	440	147	34
2013	4	496	124	34
2014	3	480	160	25

2015	3	480	160	27
2016	1	66	66	14
2017	3	480	160	27
2018	4	640	160	32
Total	**28**	**3,762**	**134**	**284**

Table 2. Entrepreneurship Training in 2008-2018 at Lääne-Viru College

Source: Compiled by authors.

The training courses lasted either for 56, 80 or 160 hours. The proportion between 56-hour courses and 160-hour courses was almost equal, e.i. 45% of courses were 56 hours long and 46% of courses lasted for 160 hours, and the rest were 80-hour training courses (9%). In case of shorter training courses (56 and 80 hours), the main objective of the training was to acquire knowledge and skills from entrepreneurship and start-up opportunities. However, those who completed shorter training sessions could still have the objective of drawing up a business plan and applying for funding. For example, the Unemployment Insurance Fund, which is one of the largest start-up fund financiers in Estonia, besides being a sponsor of EAS, requires that in addition to being registered as unemployed, entrepreneurship training is a minimum of 56 hours. In the case of longer training (160 hours), apart from acquiring knowledge and skills from entrepreneurship and business start-ups, the aim was to design a business plan.

The following topics covered in the training sessions supported most the business start-ups and becoming an entrepreneur: finding a business idea, its analysis, assessment and marketing (Fig. 2). 51 respondents out of 65 considered that sharing entrepreneurship experience was supportive, and 53 respondents thought that the topics covered in the training supported setting up a business or becoming an entrepreneur.

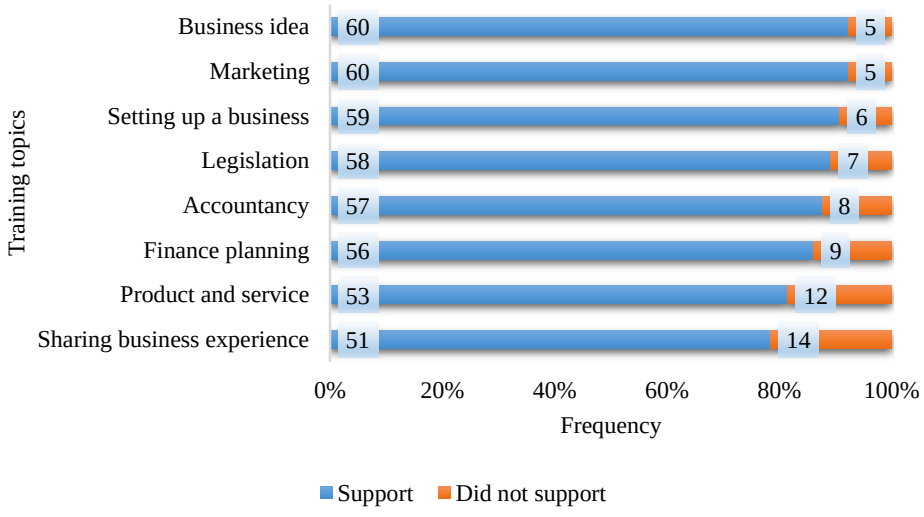


Fig. 2. Training Topics

Source: Compiled by authors.

Respondents (24%) estimate that issues related to the organisation of company accounts require more in-depth treatment (Fig. 3). Participants in the training were more likely to receive support and relevant recommendations from mentors and practitioners (15% of respondents). It was noted that

more legislation could be addressed (11% of respondents), and a more detailed approach to product and service marketing was sought (8% of respondents).

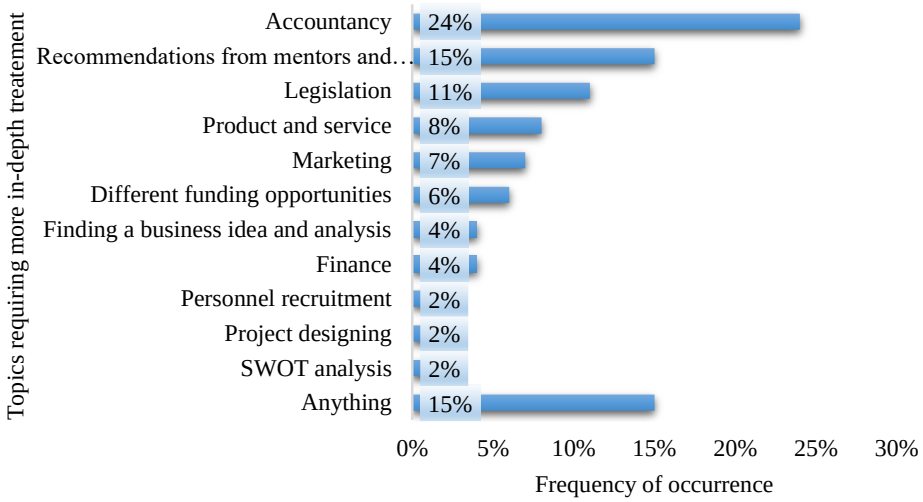


Fig. 3. Expectations for Training Topics

Source: Compiled by authors.

In the course of the survey, respondents were asked to assess the change in their knowledge and skills after undertaking entrepreneurship training (Fig. 4). The knowledge and skills of preparing a business plan were the highest (m=4.38, SD=0.80) because the training was finally completed in designing a business plan. In addition, the ability to conduct market research was highly valued (m=4.03, SD=0.95). Respondents were unanimous in their assessments. Changes in computer skills were the lowest (m=3.26, SD=1.34), with the most discrepancies (v=41%). The result was as expected, because no special computer training is included in business training. However, the development of computer skills takes place when preparing a business plan and financial forecasts.

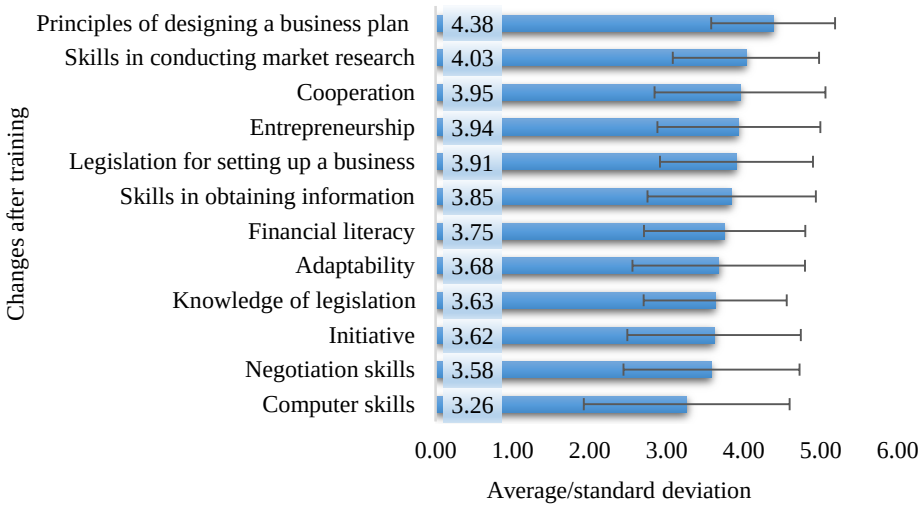


Fig. 4. Change of Knowledge and Skills after Training

Source: Compiled by authors.

Respondents are relatively critical in their assessment of change, so average estimates of knowledge and skills change after the end of the business training are below 4.00. As it is subjective assessment, the perception of change depends on the self-esteem of the respondents. In case of high self-esteem, there is less change perceived than in case of low self-esteem.

The results of the survey showed that 40% of the participants had aimed to design a business plan (Fig. 5) and 28% wanted to learn about entrepreneurship and start-up opportunities. People who were already in business participated in training to gain knowledge about entrepreneurship and marketing to develop their existing company (15%). The training was also attended by those who underwent the training because of unexpected future need or some other reasons (8% and 9% respectively).

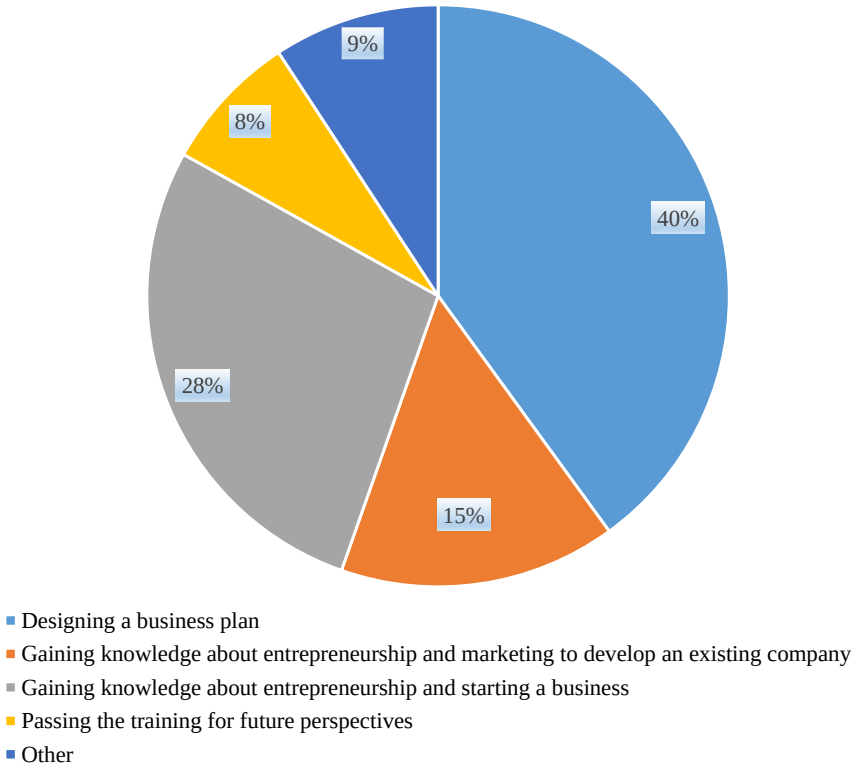


Fig. 5. Purpose of Participation in the Training

Source: Compiled by authors.

Of those whose main purpose of the business training was to prepare a business plan (26 respondents), 19 people set up their own company, with four respondents setting up their own business despite no funding.

44% of the participants in the study prepared a business plan and also applied for funding, and 27% drafted a business plan, but did not apply for funding (Fig. 6). Respondents also included those who drew up the business plan and applied for funding within six months of the end of the training (5%) or more than six months or less than one year after the end of the training (4%). Almost one fifth of the respondents did not aim at preparing a business plan, but rather at acquiring knowledge to develop an existing company, as 3% of those who had completed the training already worked as entrepreneurs.

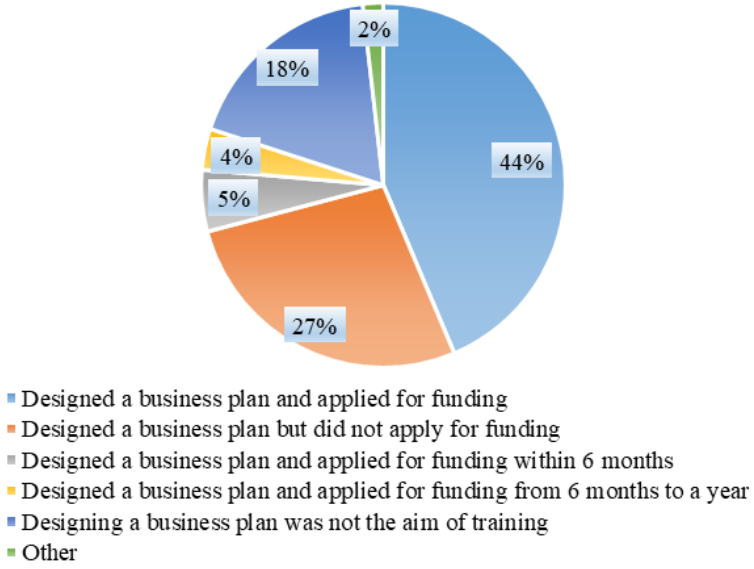


Fig. 6. Result of the Training and the Application for Funding

Source: Compiled by authors.

Business plans were drawn up for agriculture (7 respondents), maintenance and repair of motor vehicles (4 respondents), arts and crafts (4 respondents), retail (3 respondents), training (3 respondents), accounting services (3 respondents), health (3 respondents), catering (3 respondents), construction (3 respondents), accommodation (2 respondents), entertainment and leisure (2 respondents) (Fig. 7).

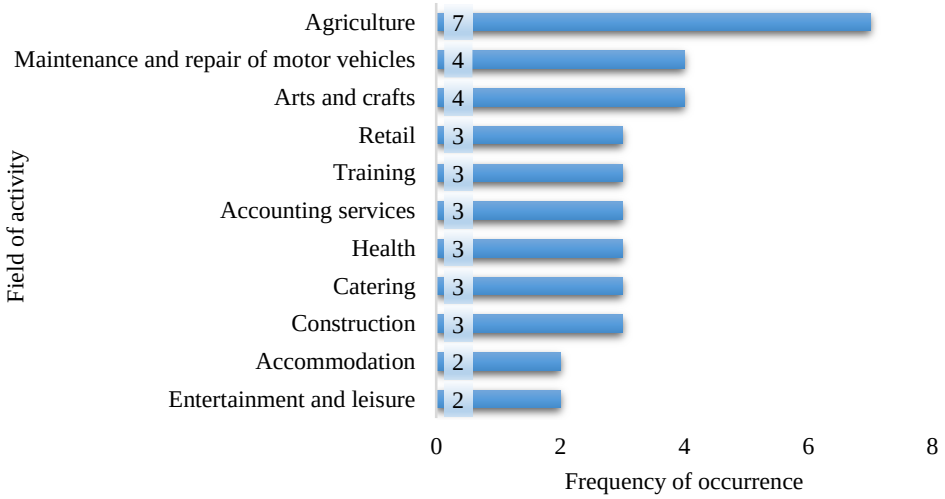


Fig. 7. Areas of Business Plans

Source: Compiled by authors.

Funding was requested from the Estonian Unemployment Insurance Fund (54%) and Enterprise Estonia (4%) (Fig. 8). Of the respondents, 42% did not apply for funding, which may be due to the fact that the participant already had its own company or did not want to apply for funding.

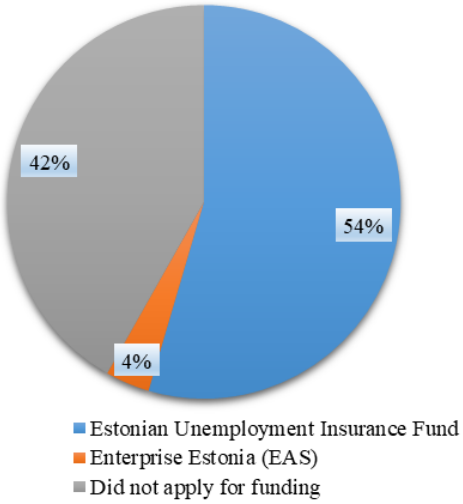


Fig. 8. Applying for Funding

Source: Compiled by authors.

The survey results showed that 21 (38%) of the proposed business plans received a positive decision to be financed and 15 of them received funding for the first time. At the same time, 34 (62%) business plans were assessed negatively. The negative decision was justified on 9 occasions and in 25 cases the decision was not substantiated.

After receiving the funding decision, 13 (72%) respondents immediately started their business. One respondent started a business two months after receiving the funding, two respondents after three months, and two respondents after four months. The registration of a company in the commercial register and the payment of share capital is considered the starting point of a company.

Almost half of the start-ups (13) have been created in the fields of agriculture, construction, maintenance and repair of motor vehicles, catering, arts and crafts.

The majority of start-ups (17) who have received funding continue to be entrepreneurs. After receiving the funding, only one respondent acted as an entrepreneur for 3-5 years, and one respondent acted for 1-2 years. Two of the beneficiaries of the funding were not entrepreneurs at the moment of the survey. Despite the negative financing decision, almost a third of respondents started their own business.

To find out about the change in business knowledge and skills self-assessment on Likert five-point scale was carried out among the respondents. On the basis of these results, the average of the average change in the knowledge and skills of each respondent was calculated (3.80). The average score for each respondent was then compared. 13 respondents, who had submitted a business plan for applying for funding and received a positive decision, noticed change in their knowledge and skills. 11 of them continued to operate as entrepreneurs. Eight of the respondents who applied for funding and received a positive decision, estimated their knowledge and skills to be lower than the average, but still continue as entrepreneurs.

Those who acknowledged the change in their entrepreneurial knowledge and skills above the average, additionally pointed out that their courage and self-confidence to get engaged in business increased, as well as the ability to make the right choices based on intuition and inner wisdom, to keep accounts in Excel, and to make a budget.

4. DISCUSSION AND CONCLUSIONS

Good work has been done in Estonia to promote entrepreneurship and share entrepreneurial knowledge. Entrepreneurship is valued among the Estonian population, as confirmed by the survey conducted at Lääne-Viru College. The proportion of people who have taken steps to start a business or who have been in business for up to 3.5 years, as shown by the TEA index reflecting early stage entrepreneurial activity, is the highest in Estonia compared to other European countries and Canada. Interest in acquiring knowledge and skills in starting a business and doing business remains. One of the reasons is that after a longer period of training, during which a business plan is drawn up, it is possible to apply for funding from the Estonian Unemployment Insurance Fund or Enterprise Estonia for starting a business. Applying for funding from the Estonian Unemployment Insurance Fund is one of the prerequisites. Although there are more applicants for funding than the recipients of a positive decision on funding, they start their own business even if the funding decision is negative. Established companies have predominantly 1-2 employees, confirming that most entrepreneurs are self-employed and employ only their family members. The proportion of women in business is growing. Most business start-ups that have received funding for their business plan, continue as entrepreneurs.

The topics of entrepreneurship training that most supported further action were as follows: finding a business idea, analyzing and evaluating a business idea, and marketing. Respondents pointed out that accounting issues need to be covered more specifically. In addition, more support and relevant recommendations from mentors and practitioners were expected from the training. Legislation and the marketing of products and services were also mentioned as more desired topics. After completing the training, the change in their knowledge and skills was estimated by almost two thirds of the average of the average (m = 3.80). More than a third of the respondents who applied for funding and received a positive decision felt that their knowledge and skills were lower than the average, although all of them continued to be entrepreneurs. Those people who assessed their knowledge and skills above average, valued the rise in motivation to start a business, the increase of risk aversion and the acquisition of the necessary financial skills gained in the training.

As the positive attitude of entrepreneurs towards starting a business as a possible career choice has increased in Estonia in the last five years, and the status of entrepreneurs is still high, it is very important to continue to carry out extensive entrepreneurial training and monitor its efficiency. Lääne-Viru College uses the results of the survey to supplement the curricula for entrepreneurship training in order to increase the entrepreneurial spirit and increase the efficiency of entrepreneurship training.

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