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HUMAN CAPITAL DIMENSION IN ENTREPRENEURSHIP DEVELOPMENT - CROATIAN EXPERIENCE

LJUDSKI KAPITAL U RAZVOJU PODUZETNIŠTVA – ISKUSTVO HRVATSKE

ABSTRACT

This paper tries to present development of entrepreneurship through human capital dimension from the SME and entrepreneurship development policy maker point of view. An insight to the transition process in Croatia in the last two decades shows that the process of creating favourable political and economic environment for the entrepreneurship development was contemporary with the transition to the market economy. The core of this manifold transition was the transition process of human resources. Croatia invested budgetary funds and provided systematic support for the needs of entrepreneurship development especially targeting SME sector and trying to boost the local and regional socio-economic development.

The improvement of intellectual capacity on the institutional as well as on entrepreneurs' level was the backbone of the Croatian systematic support model of entrepreneurship development that lasts twenty years now since the first Government Programme on Entrepreneurship and SME Development in 1997.

Within this Programme framework two capital national projects have the human capital dimension enhancement as core target on the long-term basis, the Entrepreneurship Promotion and Entrepreneurship Education.

There are streamlined efforts in the past two decades to widely spread the entrepreneurship education. The Croatian national authority for SME policy has recorded continuity in education and training for entrepreneurship. The National Framework Curriculum recognizes the entrepreneurship as one among eight basic key education competencies as well as the Strategy for Entrepreneurship Education Development 2020.

The entrepreneurship and/or entrepreneurship economics studies are included through higher education institutions. However, the entrepreneurship on the primary and secondary school levels is still extracurricular.

This fact further supports the importance of the activities implemented by the South East European Centre for Entrepreneurial Learning among eight countries to introduce the entrepreneurship as a key competence at all levels of formal, non-formal and informal education.

The intellectual capacity building of the supporting entrepreneurial infrastructure staff is crucial for local and regional socio-economic development. It is still an on-going process that targets the institutions which meet the entrepreneurs' needs for counselling and consulting services, business information and training. The entrepreneurial network comprises 21

Regional Development Agencies, and about 80 entrepreneurial centres, entrepreneurial incubators throughout twenty one county of Croatia.

Key words: *Human capital, Entrepreneurship development, Life-long entrepreneurial Learning, Socio-economic development, Croatia*

SAŽETAK

Cilj ovoga rada je prikazati ljudski kapital u razvoju poduzetništva sa stajališta kreatora politika za razvoj sektora maloga gospodarstva i poduzetništva.

Uvidom u dva posljednja desetljeća tranzicijskog procesa u Hrvatskoj prepoznaje se istodobnost kreiranja povoljnog političkog i gospodarskog okruženja za razvoj poduzetništva s nastajanjem tržišne ekonomije. U srcu tih višeslojnih procesa događala se i tranzicija ljudskog kapitala. Hrvatska je ulagala proračunska sredstva u sustavnu potporu razvoju poduzetništva, posebice sektora maloga gospodarstva u cilju jačanja lokalnog i regionalnog društvenog i gospodarskog razvoja.

Okosnica modela dvadesetogodišnje sustavne potpore razvoju poduzetništva u Hrvatskoj bilo je jačanje intelektualnog kapaciteta institucija i poduzetnika, počevši od prvog Programa razvitka poduzetništva i maloga gospodarstva Vlade Republike Hrvatske 1997. U ovom Programu dva su nacionalna kapitalna projekta promicala dugoročno jačanje razvoja ljudskog kapitala: Projekt promidžbe poduzetništva i Projekt obrazovanja za potrebe poduzetništva.

Obrazovanju u poduzetništvu u protekla je dva desetljeća posvećena posebna pozornost, što svjedoči o kontinuitetu politika poduzetništva. Nacionalni okvirni kurikulum, kao i Nacionalna strategija za razvoj poduzetničkog učenja do 2020. uključuju poduzetništvo kao jednu od osam ključnih kompetencija. Studiji poduzetništva i/ili ekonomije poduzetništva postoje na razini visokoškolskog obrazovanja. Pa ipak, poduzetništvo još uvijek nije uključeno u kurikule osnovnih i srednjih škola.

Tim više dobiva na značaju pristup uvođenju poduzetništva kao ključne kompetencije u sve razine formalnog i neformalnog obrazovanja što ga istovremeno u osam zemalja jugoistočne Europe implementira Regionalni centar za razvoj poduzetničkih kompetencija za zemlje jugoistočne Europe.

Jačanje intelektualnog kapaciteta ljudskih resursa unutar mreže poduzetničkih potpornih institucija od ključne je važnosti za društveno-gospodarski razvoj na regionalnoj i lokalnoj razini. Prepoznajemo ga kao sustavno razvijajući proces u institucijama koje odgovaraju zadovoljavanju potreba poduzetnika kroz usluge poslovnog savjetovanja, konzaltinga, poslovnih informacija i poduzetničkog usavršavanja. U dvadeset i jednoj županiji Republike Hrvatske ta mreža obuhvaća 21 Agenciju za regionalni razvoj i oko 80 poduzetničkih potpornih institucija, kao što su poduzetnički centri i inkubatori.

Ključne riječi: *Ljudski kapital, Razvoj poduzetništva, Cjeloživotno poduzetničko učenje, Društveno-gospodarski razvoj, Hrvatska*

1. Introduction

If a thorough insight into the transition process in Croatia is followed in the last two decades its main issue is development of entrepreneurship through human capital dimension. A deep insight shows that the process of creating favourable political and economic environment for the entrepreneurship development was contemporary with the transition to the market economy.

Human capital as a basic national resource and if it is well recognized, should affirm an individual entrepreneur and his/her contribution to the overall economic development of the country. But, to come to this point was almost twenty year's process. The most difficult part of it was the change of mentality thus, it could be affirmed it is still ongoing process.

The Croatian systematic support model of entrepreneurship development started in 1997 with first Government Programme on Entrepreneurship and SME Development. Within these Programme framework two capital national flagships projects gave strong impact on the long-term basis¹, the Entrepreneurship Promotion Programme and Entrepreneurship Education of the Teacher/Trainers of Entrepreneurship, Advisers and Promoters of Entrepreneurship (Entrepreneurship for 21st Century Manual, 1999).

2. National programme for the Entrepreneurship Promotion

National Entrepreneurship programme since 1997 with comprehensively designed activities led to creation a favourable climate and positive attitude among the public regarding private entrepreneurship as well as providing information on the business and investment stimulating measures implemented by Croatian Government, counties, cities and municipalities to all interested parties (Karajić, 2004, 12-15).

The promotion of entrepreneurship was carried out on all levels, from state authorities to city and municipal authorities, employing various media (television, radio, press, etc.). A variety of specialized publications were issued in order to provide more information to all interested parties.

Researches were done on population attitude toward entrepreneurship, business preferences among potential entrepreneurs and case studies of ex and operating small entrepreneurs in order to increase both the promotional and educational effects of Entrepreneurship Promotion programme aspects. Research results were used as recommendations for promotional campaign concept.

Promotional activities are an ongoing process aimed to raise awareness on entrepreneurship development with long term impact to create an affirmative environment the core of entrepreneurship culture. In broader sense such framework further contributes to the economic development on local, regional level creating sensible national impact.

Particularly, promotional measures and activities were focused on two target groups:

Those encouraged starting own small business:

- Unemployed
- Employed threat with job lost
- Women
- War veterans and handicapped, and

Those who should be sensibiliser on entrepreneurial spirit:

- Pre-school and School children
- Students
- Young graduates

The concept of entrepreneurial society starts with early age and the bottom line of this model is the human capital enterprising capacity development that builds step by step the culture of entrepreneurship in broader society.

In pursuit of a new 'Enterprise' and 'Entrepreneurship' Paradigm for Learning (Gibb, 2001, 233-269) the author emphasizes the imperative on a more conceptual level as the pursuit of entrepreneurial behaviour seen as a function of the degree of uncertainty and complexity in

¹ Government of the Republic of Croatia adopted five four-years Programme on Entrepreneurship and SME Development so far 1997-2000; 2001-2004; 2004-2007; 2008-2012; 2013-2016 currently under implementation.

the task and broader environment that leads to a conclusion that a wide range of stakeholders are being confronted with the need for entrepreneurial behaviour, almost potentially everyone in the community. Entrepreneurship is therefore not solely the prerogative of business, the Author concludes.

3. National Programme of Entrepreneurship Education

The first national network of Teacher/Trainers of Entrepreneurship was created both on national and regional levels. The candidates were selected through a public bid widely published throughout the Croatian media. The selection criteria were high education from any technical or social field, professional background i.e. one third from academic background, one third consultants and one third real economy. For the candidates being entrepreneur high education was not a prerequisite. Additional selection criteria were regional representation, representation of women as well as an age between 30 and 50 years.

„The project of education for teachers/trainers, advisers and promoters of entrepreneurship,, that started in 1997, resulted in the year 2000 with certification of 72 Teacher/Trainers, 150 Advisers and 250 Promoters of Entrepreneurship in Croatia. This respectable network of capacitated experts is aware of their own role in further training and education of human resources within their local and regional institutions.

Advisors and promoters were employees of the key economy stakeholders on the regional level: employees of the local self-government, chambers, cooperatives, employment agency and entrepreneurial centres. The critical mass of the representatives of the key stakeholders was created which encouraged the wide spread of concentric rounds of further education, continuing education of advisers and promoters and parallel education of different targeted groups of the entrepreneurs.

The results obtained after the first decade were surveyed and presented by the authors of the paper (Gregov, 2011, 433-454) the Analysis of Certified Teachers / Trainers of Entrepreneurship in Croatia. The paper tried to analyse the contribution of the „The project of education for teachers/trainers, advisers and promoters of entrepreneurship” rendered by the teachers/trainers of entrepreneurship toward positive entrepreneurship environment which enabled an increase of entrepreneurial activities in the Croatian society ten years afterwards. The major results show that they have disseminated practical knowledge and entrepreneurial attitudes among thousands of people, 70,000 estimated.

The Paper’s conclusion is that it is possible that education program, through appropriate selection, motivation of lecturers and candidates, masters interdisciplinary managerial skills for starting and running SMEs, to accept a holistic approach to entrepreneurship as a life philosophy and to upgrade adult teaching methodology to the level that it can be disseminated successfully to the people.

The SME policies were targeted to sensitise the youth from early age with entrepreneurship in order to prepare them for an independent participation in a small business and to develop own entrepreneurial capacities. However, the first decade finished with no introduction of additional entrepreneurship education program in primary and secondary school levels.

Consequently, Junior Achievement experience (EU Charter, 2004, 17) has been recorded in the Croatian self-assessment report on EU Charter’s principles implementation under section Identification of good practise and in the framework of the Programme on SMEs Support Development adopted by the Government of the Republic of Croatia for 2004.

The pilot project Junior Achievement implementation started in 1998 on the level of selected primary and secondary schools, but as regular subject in secondary schools curricula has been embedded only in few private secondary education. Among the first was private gymnasium

and economics school in Zagreb which already in 2003 recorded the outcomes of Junior Achievement project through:

Participation on Junior Achievement Europe 2004 Contest in London resulted that B. Kotruljević School in Zagreb has been entrusted to Chair the EUROOPEN the international organization for Exercise Company. Consequently, the EUROOPEN central office for Exercise Company in Croatia was founded.

The network of about thirty exercise companies has been established all over Croatia which was enabled to do a business with other EUROOPEN member countries. The EUROOPEN central office with seat in Zagreb helped the exercise company business performance in other Croatian secondary schools in cities of Slavonski Brod, Split, Zadar, Rijeka, Karlovac, Šibenik and Bjelovar.

4. Entrepreneurship Teaching at Secondary Schools Studies

The impact of Junior Achievement Project implementation in Croatia resulted with recognition of practical knowledge from Exercise Company and its consequent integration within economics subjects in the most of secondary schools. On public available the List of Secondary Schools in the Republic of Croatia there are registered 471 of secondary schools in total (The List of Secondary Schools, 2014) of economics i.e. ISCED3 level of formal education.

Additionally, ISCED 3 level of education is particularly foreseen in strategic EU entrepreneurship development documents (EC, SME Policy Index, 2012) and the latest outcomes reported shows that entrepreneurship as a key competence is embedded mostly in VET secondary schools i.e. economics and some craftsmanship schools. In general secondary schools according to Small Business Act for EU implementation report, there is still a gap in general part of secondary education schools i.e. gymnasium, lyceum, as well as in some VET schools in agriculture, tourism and similar.

5. Entrepreneurship as a Key Competence Approach

The momentum came through benchmark exercise in the implementation of the European Charter for Small Enterprises (EC, 2000) that was extended to the pre-accession region in 2003 when the EU enlargement process foresaw the entry of Croatia and other South East European countries.

The impact and potential of the European Charter implementation was foreseen as strong policy tool for promoting entrepreneurship learning in the pre-accession region. The knowledge and best practises exchange forced a need for a dynamic approach, effective and efficient dialog among group of the regional experts (Karajić, 2012, 247 – 256). A relative survey on the opinion of EU Charter's national co-ordinators demonstrated that eight countries needed an interaction in order to improve their entrepreneurial learning policy. As outcome of this process the Croatian State Authority for SME Policy development² was firm in decision to introduce entrepreneurship as compulsory study.

This decision was followed by the foundation of the South East European Centre for Entrepreneurial Learning³ SEECEL as regional institution and instrument for strategic

² Successors in SME Policy development: Ministry of Economy; Ministry of SMEs; Ministry of Economy, Labour and Entrepreneurship; Ministry of Entrepreneurship and Crafts.

³ SEECEL has been founded as an independent institution by contract signed between Republic of Croatia, through Ministry of Economy, Labour and Entrepreneurship and Croatian Chamber of Economy registered at the Trade Court on July 28, 2009 with seat in Zagreb and International Governing Board in which eight SEE countries participate.

cooperation and strengthening the entrepreneurial capacity and competitiveness of human capital.

The main strategic goal of this instrument is to overtake the role on long-term basis to introduce the entrepreneurship as a key competence in all levels of formal, non-formal, and informal education.

The National Framework Curriculum (MSES, 2010) emphasizes the entrepreneurial learning as one of the core competencies. Its main education goal is development of personality traits, skills, abilities, and attitudes necessary for the action of the individual as a successful enterprising person. Also, the National Strategy for Entrepreneurship Education Development (GOV Croatia, 2010) defines the Entrepreneurship as one out of eight key competencies. However, in the curricula of the formal levels of education entrepreneurship as a cross curriculum is still not embedded.

The strategic development pillars for the period 2009-2012 were way the SEECEL implements the ISCED 2, ISCED 5/6 and Training Needs Analysis for SMEs at regional level. In the period 2013 - 2016, all ISCED levels are included in formal educational system as well as in non-formal learning. SEECEL continue to implements piloting in 4 secondary schools per each of eight countries of SEE, two general secondary schools and 2 VET secondary schools.

It might be opportune in conclusion to this part to cite (Čengić, 2005, 178) that "the future of the Croatian economy could be far more dependent on the reform of the education system than on the explicitly pro-entrepreneurial politics".

6. Entrepreneurship Teaching at Higher Schools

The strengthening of private sector and individual entrepreneur's business performance capacities was a good opportunity to impose the entrepreneurship education introduction in higher schools.

Under Croatian authority of the Ministry of Science, education and Sport the Central register of accredited studies in higher education is recorded (MSES, 2014). The Entrepreneurship and/or Entrepreneurship Economics studies are included in the list of universities, universities of applied sciences and faculties listed per Counties of the Republic of Croatia. The Entrepreneurship and/or Entrepreneurship Economics studies are accredited at the University of Zagreb, University of Osijek, and University of Rijeka, on different faculties i.e. faculties of economics, agriculture, tourism, and like.

The other accredited higher schools and universities of applied sciences have the management studies. There are eight counties with accredited universities of applied sciences.

University of Applied Science VERN' in Zagreb is an example where the greatest group of 21 teachers/trainers of entrepreneurship participated in creation and launching of new entrepreneurship courses and curricula for under-graduate and graduate studies at polytechnics universities. In 2000 they have created and launched professional undergraduate study in entrepreneurship and in 2005 specialist professional graduate study in entrepreneurial management. Another larger group of teachers/trainers in 1999 established Evening School of Entrepreneurial Management at the Zagreb World Trade Centre.

7. Entrepreneurial Institutional Support Network

The development of the supporting entrepreneurial institutional support includes institutions which meet the entrepreneurs' needs for counselling and consulting services, business information and training at national, regional and local level. Through systematic implementation of Government Programme for SME development in the last two decades an

institutional network has been established that comprises 21⁴ Regional development agencies, about 88⁵ Entrepreneurial centres, 16 Entrepreneurial incubators, 10 agencies for local development and 35 Small business zones throughout twenty one county of Croatia.

The intellectual capacity building of the supporting entrepreneurial infrastructure staff is crucial for local and regional socio-economic development. It is still an on-going process that targets the institutions which meet the entrepreneurs' needs for counselling and consulting services, business information and training. The entrepreneurial network comprises 21 Regional Development Agencies, and about 80 entrepreneurial centres, entrepreneurial incubators throughout twenty one county of Croatia.

An assessment of the outcomes of 20 centres of excellence for business support (one per each county of Croatia) with upgraded capacity were done in 2014 under "e-Business" Project financed through IPA IIIC component for regional competitiveness⁶. 20 Centres of Excellence for Business Support were given a questionnaire that covered five key management practises; strategic planning; effective management; culture and communication; developing people; managing performance.

For this paper purpose an insight shall be given only to the strategic part of people development within twenty centres of excellence defining the needs through development plan. 36% of the interviewed institutions clearly understand that their people need to understand the processes involved in the development cycle and their role in them. Majority of interviewed Centres of Excellence for Business Support, 59%, consider that they do not need to carry out a formal evaluation of the investment made in developing the people.

The overall conclusions of above case study showed that changes in work culture and culture shift are needed in order to fully exploit the potential of the people in more than 50% of the assessed institutions.

The continues challenge of people capacity building within entrepreneurial supporting institutions is foreseen in a form of business improvement tool that changes the work culture in Croatia in order to teach entrepreneurs how to fully exploit the potentials of their employees and become more competitive on the global market.

8. Conclusions

Human capital dimension in the entrepreneurship development means efficiently structured social and economic model where the capacity building of entrepreneurship values, attitudes, knowledge and behaviour starts in early population age and continues lifelong through all levels of formal, non-formal and informal education.

It reflects Quadra Helix Model of development: Education/Academia – Public Sector – Business/SMEs – Civil Society that in Croatia is in its two decades lasting run, however each segment of it still seeks further capacity improvement, and fine tuning of own services delivery in wider society.

There are streamlined efforts in the past two decades to widely spread the entrepreneurship education. The Croatian national authority for SME policy has recorded continuity in education and training for entrepreneurship. The National Framework Curriculum recognizes the entrepreneurship as one among eight basic key education competencies, as well as the Strategy for Entrepreneurship Education Development.

⁴ Source: Ministry of Entrepreneurship and Crafts of the Republic of Croatia, The Croatian SME Observatory Report 2013, www.minpo.hr

⁵ Idem

⁶ Idem

The entrepreneurship and/or entrepreneurship economics studies are included throughout higher education institutions. However, the entrepreneurship on the primary and secondary school levels is still extracurricular.

This fact further supports the importance of the activities implemented by South East Centre for Entrepreneurial Learning SEECEL among eight countries to introduce the entrepreneurship as a key competence in all levels of formal, non-formal and informal education through project piloting schools and education institutions in all eight countries of South Eastern Europe.

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