

## **Educating entrepreneurs: Process, outcomes, and the experience at Nazarbayev University**

Can entrepreneurship be taught? Are entrepreneurs born or are they made? It's an old debate. Peter Drucker, one of the leading management thinkers of our time, said, "The entrepreneurial mystique? It's not magic, it's not mysterious, and it has nothing to do with the genes. It's a discipline. And, like any discipline, it can be learned" (Drucker 1985). Additional support for this view comes from a ten-year literature review of entrepreneurship and small business management education that concluded "...most empirical studies surveyed indicated that entrepreneurship can be taught, or at least encouraged, by entrepreneurship education" (Gorman, Hanlon, & King, 1997). Certainly the earlier and more widespread the exposure to entrepreneurship and innovation, the more likely it is that students will consider entrepreneurial careers at some point in the future (Wilson, 2008). A recent study in the European Union shows clearly that those who went through entrepreneurial programs display more entrepreneurial attitudes and intentions, get a job earlier, can innovate more (even as employees in a firm), and start more companies (European Commission, 2012).

So, the question of whether entrepreneurship can be taught seems rather obsolete. The more relevant question regarding entrepreneurial education is: what should be taught and how should it be taught? This paper addresses these points through a review of relevant literature and a discussion of the experience at Nazarbayev University Graduate School of Business based on its experience of educating more than 800 entrepreneurs in the past three years.

### **Designing entrepreneurship learning experiences**

Ronstadt (1987) proposed a two-continuum model of curricular design for entrepreneurship education. His "structured-unstructured" continuum addressed various methods of transferring information and expertise. Among the methods he discussed were lectures, case studies, and feasibility plans. He labeled his second continuum "entrepreneurial know-how/entrepreneurial know-who." This continuum represented the belief that success in entrepreneurship is dependent not only on knowledge but the network of individuals with whom the entrepreneur is connected. An effective program must show students "how" to behave entrepreneurially and should also introduce them to people who might be able to facilitate their success.

Solomon, Duffy and Tarabishy (2002) conducted one of the most comprehensive empirical analyses on entrepreneurship education. In their review of entrepreneurship pedagogy, they stated, “A core objective of entrepreneurship education is that it differentiates from typical business education. Business entry is fundamentally a different activity than managing an established business (Gartner and Vesper, 1994); entrepreneurial education must address the equivocal nature of business entry. To this end, entrepreneurial education must include skill-building courses in negotiation, leadership, new product development, creative thinking and exposure to technological innovation. Other areas identified as important for entrepreneurial education included awareness of entrepreneur career options; sources of venture capital, idea protection; ambiguity tolerance; the characteristics that define the entrepreneurial personality and the challenges associated with each stage of venture development (Scott and Twomey, 1988; McMullan and Long, 1987; Plaschka and Welsch, 1990).”

Designing effective learning experiences for entrepreneurship is challenging. Sexton and Upton (1984) suggested that programs for entrepreneurship students should be relatively unstructured, and present problems that require a “novel solution under conditions of ambiguity and risk.” Students must be prepared to thrive in the “unstructured and uncertain nature of entrepreneurial environments” (Ronstadt, 1990). In their survey, Solomon, Duffy and Tarabishy (2002) found “experiential learning” widespread. The reported types of learning tools included: business plans, student business start-ups, consultation with practicing entrepreneurs, computer simulations, behavioral simulations, interviews with entrepreneurs, environmental scans, “live” cases, field trips, and the use of video and films.

### **International trends**

During the last two decades, entrepreneurship education has expanded significantly in most industrialized countries (Matlay and Carey, 2007). The considerable growth experienced over this period, in terms of number of courses provided and the content of related curricula can be seen as symptomatic of widespread governmental belief in the positive impact that entrepreneurship can have on the socio-economic and political infrastructure of a nation.

The number and variety of entrepreneurship programs on offer has expanded significantly in Europe, Asia, North America, Australia and New Zealand. Having reviewed a number of dedicated courses, Kirby (2004, p. 514) asserts that: “... often such programs equate entrepreneurship with new venture creation or/and small business management and educate *about* entrepreneurship and enterprise rather than educating *for* entrepreneurship . . . only rarely . . . is the focus on developing the skills, attributes and behavior of the successful entrepreneur.”

One of the main differences between entrepreneurship education in the United States and Europe is the definition and focus of “entrepreneurship”. In the United States, entrepreneurship generally refers to growth-oriented ventures or companies, while in Europe it is often equated with SMEs. Europe has a legacy of small and medium-sized business, many of them family-owned. These companies play a large and important role in the European economy. However, study after study has demonstrated that the majority of SMEs in Europe are not growth-oriented at all. Only a very small percent, 3%, are high-growth-oriented (Birch, 2002). This difference in entrepreneurship definition means that in Europe, many “entrepreneurship” programs are actually SME training programs that focus on functional management skills for small business (Zahra, 2005) rather than skills for building, financing and nurturing high-growth companies.

Most business schools appear to use a combination of theoretical and practical approaches, often reinforced by detailed analysis of entrepreneurial problems and solution grounded within “realistic” case and field studies (Timmons, 2003; Peterman and Kennedy, 2003). Honig (2004, p. 258) found that one of the more popular curricula formats of entrepreneurship education in US involved teaching the practicalities and monitoring of business plans. In total 78 of the top 100 universities in the US regarded the development of a business plan as the most important feature of their entrepreneurship education provision.

In an attempt to assess the impact of entrepreneurship education, researchers measure gains in entrepreneurial knowledge after the program (learning outcomes) and, subsequently, a follow-up survey to assess entrepreneurial career progression as well. Research results show that entrepreneurship education appears to succeed in providing undergraduate students with adequate knowledge and skills to embark on an entrepreneurial career. Like wise, longitudinal studies, show that entrepreneurship education has positive effects upon entrepreneurial career development: one year, five years, and ten years after graduation (Matlay, 2008).

### **Educating entrepreneurs: The case of Nazarbayev University**

As the preceding sections indicate, the majority of the studies on entrepreneurship education tend to focus on undergraduate or graduate (MBA) students, i.e. the future entrepreneurs. Little attention is paid to education for current entrepreneurs, those who are already facing the challenges of growing their business. This paper contributes to close this gap in the literature by presenting our experience in educating actual entrepreneurs at Nazarbayev University.

For the past three years, the Nazarbayev University Graduate School of Business has been training some 800 senior managers of small and medium-sized enterprises (SMEs) within the framework of the Kazakhstan State program "Business road map 2020" which focuses on entrepreneurship and job creation. We were asked by the Ministry of Regional Economic

Development to provide education and support to entrepreneurs from various regions of Kazakhstan. To understand their needs and to design a program that is relevant and practical, we interviewed 20 of these entrepreneurs. Based on the information gathered, Robert Rosenfeld (the lead faculty member) designed the program and developed 15 business case studies. These studies were all about Kazakhstan entrepreneurs including some smaller lifestyle business as well as other high growth firms, and a few cases that had failed (entrepreneurs can learn from failures as well as success stories).

The result has been a program named: *SME Executive Development Program*, which has been designed and is being delivered by faculty from Duke Corporate Education, part of Duke University (USA), in association with Nazarbayev University. The program is sponsored and funded by the Ministry of Regional Development and supported by DAMU JSC, member of Samruk Kazyna and the international accountancy firm Ernst & Young.

The main goal is to enhance “new business” expertise, and to support entrepreneurs as they assess, develop and grow their business opportunities into a sustainable commercial reality. The more detailed program objectives are:

- To be able to undertake a sound assessment of potential new business ideas and to consider their commercial potential
- To understand the management, marketing, financing, operating and planning components of growing profitable businesses
- To reflect on the challenges facing small and medium business leaders in Kazakhstan
- To network with and learn from other entrepreneurs.
- To interact with legal, financial and investment experts from within the Kazakhstan business community
- To undertake the development of a market feasibility plan and receive feedback
- To develop a comprehensive business plan using materials and templates provided during the program

The program has been running successfully for the past three years. And in 2013 alone, we have trained 420 entrepreneurs. Program details are provided next.

### **The SME Executive Development Program Structure**

The entire program lasts approximately 5-6 months and is structured in 4 parts:

- Part A: The program begins with a 3-day residential module (workshop) held at Nazarbayev University. This module is carefully staged to provide some faculty input to introduce some

tools, followed by group work on case studies and rounded off with time to reflect on the impact on their own businesses. We find that entrepreneurs prefer more active learning activities that can be immediately related to their own business concerns. To reinforce this experiential learning, we also invite guest speakers (e.g. other entrepreneurs, DAMU, MEDT, Ernest & Young, Kazyna Capital Management). The module is taught in English by faculty from Duke University (USA) with simultaneous translation into Russian.

- Part B: A few weeks after the residential module, there are three on-line ‘webinars’ (each lasting approximately 1 hour) that participants attend remotely via a computer. These webinars are interactive and allow participants to ask questions to a Kazakhstan business expert in the areas of legislation, finance and consulting.
- Part C: Participants are provided with a template to help write up a comprehensive Market Feasibility Plan (MFP), which they submit and receive feedback from the program faculty. The objectives of the MFP are: a) to integrate the learning from the 3-day residential programme into the participants’ own business analysis; b) to reflect on the longer term viability of their commercial opportunities; and c) to enhance the individual entrepreneurial leader’s bias towards ‘growing their business’ away from ‘doing the business’
- Part D: Upon receiving the feedback on Market Feasibility Plan (MFP), participants are then required to complete and submit a more in-depth Business Plan. This includes a workbook as well as a spreadsheet template to help in the preparation of financial forecasts. The objectives of the Business Plan submissions are: a) to offer an opportunity for participants to incorporate the analysis from the 3 day programme, the feedback of the MFPs, and the insights gained from the three on-line webinars into a comprehensive business plan document; b) to provide a framework to describe the opportunity, resource, finance and staffing issues that relate to a current or potential business; and c) to motivate participants to develop a more comprehensive, robust and up-to-date business plan which they could use to gather stakeholder support. Some participants are asked to present their plans to a panel of judges at the program Graduation Ceremony in October.

The State program Business Roadmap 2020 provides non-financial support for Kazakhstan entrepreneurs for professional development. The support covers two activities: 1) learning at the university and 2) learning in the field. Thus, our entrepreneurs can attend not only the SME Development Program at NU, but also have a chance to visit other businesses abroad. The participants who have completed the entire program (i.e. including business plans submission) are eligible to apply for an internship abroad (EU, US), a program called "Business Connections". This is organized by DAMU, which arranges travel, accommodation, and visas. Groups of 10-15 people

spend about 2 weeks abroad in different European (mostly German) or American companies to see how they run and grow their business and share some experience. About 20-30% of all NU SME program graduates travel abroad each year.

## **Results**

Participants truly find the entire program (workshop, webinars, templates, and feedback) relevant to their business growth needs. The overall program evaluation by participants in the past three years has been very positive. Their responses to the questionnaire in 2013 indicate a high level of satisfaction: 89% found the program “very useful” (43%) or “extremely useful” (46%). We have noted that those who respond less favorably to the program also believe that their business should be offered soft loans by the state without pre-conditions (such as robust business plans).

In an attempt to assess organizational impact, we conducted a follow-up survey of last year’s participants to see how their businesses has evolved since attending the program. The key results are as follows:

1. On average, staff numbers increased by 13% in the 12 months since completing the program.
2. On average, company revenue grew by 42%
3. 74% of the firms launched new products or services
4. 42% of the firms expanded into new regions within Kazakhstan or began exporting.
5. 26% of the firms attracted external funds (either loans or equity investment)
6. 35% of the firms reported that they received additional (non-financial state support)
7. 52% of the firms had an up-to-date business plan; and
8. 68% invested in training their staff.

Although we cannot establish a direct causal link between education and business results in statistical terms (as we do not have a control group), the results are nevertheless encouraging and point in the right direction. In any case, these figures highlight the shift in entrepreneurial perspective away from a somewhat traditional “doing the business” mentality towards a more outward facing "growing the business" mindset.

## **Discussion**

We believe that the highly positive evaluations resulted from two factors: a) successful business leaders are eager to receive feedback to develop their businesses, and the feedback on their Market Feasibility Plan and Business Plan submissions fulfill this need; b) the feedback received came directly from the faculty who were teaching and facilitating the workshop

discussions. Given the positive relationship and trust built up in this initial phase of the program, the opportunity to receive personal feedback is an attractive outcome for those participants seeking to grow their business.

Looking at the Market Feasibility Plan submissions, and comparing them to similar groups of entrepreneurs which the faculty have worked with in other parts of the world (France, UK, US, China, Middle East, North Africa), the Kazakhstan participants rank highly. The strengths which they exemplify – opportunity orientation and using resources creatively demonstrate a natural predisposition to growing successful organizations. Where they, perhaps, show some concerns is in their perception that the Kazakhstan economy does not yet have the full transparency and openness to new ideas and capital that are foundations for a healthy entrepreneurial environment.

The majority of business plans are quite detailed and indicate clear learning from the program as well as a deep awareness of the commercial challenges their businesses are facing. Not all participants submit a comprehensive Business Plan. This is entirely expected as creating a well-documented business plan is a significant effort. All of the business plans, however, are related to current businesses or prospective businesses for which the participants are seeking financial and resource support. Participants who undertake the Business Plan component are generally at the stage of immediate growth in their business and actively seeking more capital and resources. Yet, we find that many of the business plans are mostly written to provide ‘proof’ of the viability of the business rather than to inform stakeholders (investors, other stakeholders) of the potential and future growth of the business.

Our program’s emphasis on developing and submitting the Business Plan is consistent with our finding in the literature review, i.e. the importance of teaching the practicalities and monitoring of business plans, and a best practice in the US. The importance we attach to the Market Feasibility Plan (MFP) and Business plan (BP) is fully in line with the literature finding that “entrepreneurial education must address the equivocal nature of business entry” (as opposed to managing an established business). The MFP is about understanding the current and future potential for growth. The BP is about determining whether the entrepreneur can gather the right resources and management team to make it work. Entrepreneurs need to understand which opportunities fit with their resources and to walk away (or at least explore alternatives) from opportunities that do not offer a good fit.

Although our program targets SMEs, our focus on developing skills for building, financing and nurturing growth (rather than functional management skills for SMEs), positions the program as “building sustainable growth” which is more in line with the American rather than the European perspective on entrepreneurship.

The program emphasizes team-work, learning from others, networking, and dialogue with stakeholders and networking. It provides opportunities to work with other entrepreneurs in similar industry sectors as well as engage in small group work with entrepreneurs from a cross section of regions and industries. This is all in line with the finding in the literature that “success in entrepreneurship is dependent not only on knowledge but the network of individuals with whom the entrepreneur is connected.” And the program has several experiential learning elements that illustrate “how” to behave entrepreneurially. Through guest speakers and webinars, the program introduces people who might be able to help and facilitate the success of the entrepreneurs.

## **Conclusions**

The majority of the studies on entrepreneurship education focus on preparing future entrepreneurs (typically undergraduate and/or MBA students). Little attention has been devoted to education for current entrepreneurs, those already facing the challenges of growing their business. This paper is a contribution to close this gap in the literature. Although we cannot claim statistical validity, the case of Nazarbayev University provides evidence of the payoff of *entrepreneurship* education for *actual entrepreneurs*. It is a step in empirically establishing the link between *entrepreneurship education* and *entrepreneur behavior* as well as *outcomes (i.e. growth)*. As key conclusions, we provide answers to three main questions:

*What is the impact of entrepreneurship education on actual entrepreneurs?* Our experience indicates that entrepreneurship education can foster a shift in entrepreneurial attitude and behavior, i.e. away from a somewhat traditional “doing the business” mentality towards a more outward facing “growing the business” mindset. After going through our program, the participants are able to grow their businesses and not just do their business. There is solid evidence that they apply the learning directly to their business via the Market Feasibility and Business Plan submissions. Their opportunities are growing, they are attracting resources, and they are developing their teams. Those participants who did submit were clearly interested in growing their business beyond their current constraints. We have found that the majority of business plans are quite detailed and indicate clear learning from the program as well as a deep awareness of the commercial challenges their businesses are facing. Although not all business opportunities presented should be considered necessarily for further funding and support, we do feel that the individuals who developed the plans almost certainly hold a great deal of promise to grow successful enterprises – whether in their current business or in future opportunities that may arise.

*What is different about educating actual entrepreneurs (as opposed to educating future entrepreneurs)?* The key differences are contextual relevance, actionable feedback, and peer networking. To be relevant, executive education for entrepreneurs must be “context specific”.



Entrepreneurs want to be exposed to examples and insights from within their own context. Foreign firms, unrelated industries or sectors do not have as much relevance. Another difference is access to useful feedback. Our experience shows that entrepreneurs prefer more active learning activities that can be immediately related to their own business concerns. Entrepreneurs submit their plans and get feedback. They also learn concepts and tools that they can apply immediately. Networking is yet another difference. In our program, entrepreneurs exchange and discuss the challenges they are currently facing. The program constitutes a “social engineering” platform allowing entrepreneurs to network with each other. This is a key program outcome that is highly appreciated.

*Are the entrepreneurs of Kazakhstan different? Do they face different issues?* The entrepreneurs in our program are not different from similar groups of entrepreneurs which the faculty have worked with in other parts of the world. They share the same entrepreneurial qualities: opportunity orientation, using resources creatively, and predisposition to growing a successful business. Where they exhibit differences is in their perceptions that the Kazakhstan economy does not yet have the full transparency and openness to new ideas and capital that are foundations for a healthy entrepreneurial environment. This is a contextual difference. Although the legislative framework has changed, many organizations and individuals in Kazakhstan still seem to operate with a legacy mindset inherited from the soviet times, where the central planning system was not conducive to promoting entrepreneurial behavior. The Kazakhstan entrepreneurs, however, are motivated to grow their businesses despite the challenges they face, e.g. regulatory complexities, lack of transparency, illiquid sources of capital. But these are not seen as blockages - rather challenges that are overcome by entrepreneurial creativity and energy. This high spirited entrepreneurialism creates competitive advantage and economic growth.

There are other contextual differences (e.g. product quality), but entrepreneurs in our sample are trying to turn them into opportunities. For example, they propose creating local production capacity for a range of consumer needs (e.g. healthcare, clothing, agriculture) rather than simply substitute local production for imports. Another contextual difference they face is the difficulty in collecting customer and market data that can help transform an early stage business idea into a compelling commercial opportunity.

The paper started with the old question: Are entrepreneurs *born* or are they *made*? None of the entrepreneurs in our sample were actually “*born*” entrepreneurs. They and their parent grew up in an environment where central planning and control was the dominant form of organizing the economy and opportunities could not be pursued. Such environment could not have nurtured an entrepreneurial mindset at an early age. As in many former soviet republics, entrepreneurship in Kazakhstan is a relatively new phenomenon. Thus, Kazakh entrepreneurs are “*made*”. And

entrepreneurship education, such as the one described in this paper, is contributing to *make* them even better entrepreneurs.

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