

## **The impact of cultural and educational accumulations on entrepreneurial behaviour. Main issues encountered in theoretical approaches**

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**Abstract.** *The present paper has as core point the topic of the impact of cultural and educational accumulations on the Romanian entrepreneurial behavior. Its main goal is to set a framework on which to trace/define strategic directions in educational and cultural policies in order to increase the level of competitiveness of the Romanian business environment using as a first phase a literature review of main theories and concepts related to the correlations to be established between education, level of society maturity and propensity for starting a business, as well as correlations based on statistical data between number of tertiary education graduates from social sciences, business, law and number of established start-ups.*

**Keywords:** education, business environment, entrepreneurial behavior, theoretic and applied approaches.

**JEL Classification:** A11, A22, A23.

## 1. Introduction

The fall of the communist regime and the necessary re-positioning of the Central and Eastern European countries in their transition toward the forms of the free market have been the challenging movements of the past two and a half decades. Dramatic social transformations, set in motion by the reinstatement of the free market have triggered the need for the ex-communist countries to re-align to the dominant narrative of capitalism management, righteous democracy, security, wealth achieved through adapting to the rules of a harsh business environment. To be successful and to manage oneself in business have become the natural articulations of the new societal forms that would ensure individual's wellbeing and comfort and the process has been all the more rendered difficult by the lack of a genuine business-oriented culture rooted in education and cultural society values that would foster and encourage entrepreneurial skills and spirit. Symptomatic for the countries that broke away from Soviet Communism, Romania had to embark almost unequipped on the journey of re-territorializing its social, economic and cultural space with the forms and strategies of survival of the Western modernity. Under these circumstances, the present paper has as focal point some of the circulated scholar perspectives on the impact of cultural and educational input on entrepreneurial behavior, from a theoretical stand, followed by a statistics based analysis and correlation between the number of tertiary education graduates in fields related to business, namely social sciences, business and law and the number of entrepreneurial initiatives following graduation.

## 2. The impact of cultural and educational acquisitions on the perception of the free market based business environment

Any endeavor to observe and analyze society and societal ethos which underlies any possibility and opportunity of self-development and community development has to start with the cultural fabric that influences and constructs individual and national characteristics. Acknowledging the end of the Soviet Union and the disintegration of the Communist bloc, the end of Cold War and the unification of Europe, we depart from the assumption that the space geographically inscribed as Eastern Europe has suddenly become what Homi Bhabha called "Third Space", a space where it is "in the emergence of the interstices – the overlap and displacement of domains of difference – that the intersubjective and collective experiences of nations, community interest, or cultural value are negotiated" (Bhabha, 1994, pp. 1-2). In our case, including and going beyond Bhabha's remarks, it is a space striving to brake with the past and embrace the alluring features of the "free world", an in-between space, a space where during the process of transition, hybrid forms play on polyphonic instruments, thus inventing new relational logics and giving shape to new types of "imagined communities" (Anderson, 1991) and "imagined geographies" (Edward Said, 1978) referring to the perception of space created through certain images, texts, discourses, ideologies and as forms of social constructionism. History and human choice have demonstrated that the communist system would not survive the 21st century. Central planning limited what society could achieve (Hayek, 1994), it was unable to adapt to the new realities of the post-industrial

world. Low standards of living, scarce access to consumer goods and the lack of freedom in expression and thought, have led to the dissolution of this type of state organization. Amid “mindless uniformity” (Kenney, 2006, p. 21) and standardized mode of living, democracy and capitalism promised a better world. The transition was, however, not easy in spite of the luminous future ahead. However, the numerous studies that focus on the cultural re-inscriptions undergone by a society in transition from one social configuration to another, dwell on the descriptive character of the process rather than on the ways in which these transitory culturally embedded movements reflect and impact the perception and perspective on the newly assembled business environment.

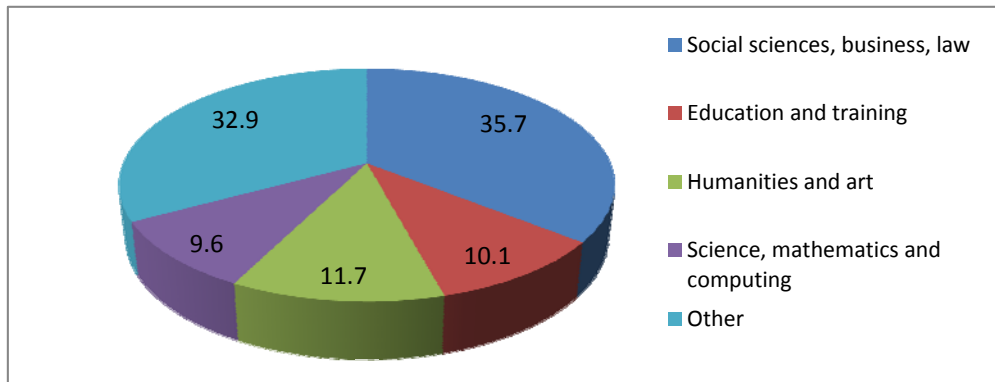
A literature review on the topic of determinants of entrepreneurial behavior (Autio et al., 1997; Bird, 1988, 1992; Boyd and Vozikis, 1994; Krueger and Brazeal, 1994; Erikson 2001) reveals that education is an important tool that provides students with opportunities to explore and fulfill their potential and to achieve the required entrepreneurship competences. Nevertheless, early researchers suggested that there is to be detected a weak connection between education and entrepreneurship arguing that entrepreneurs are less well educated than the general population (Jacobowitz and Vilder, 1982). More recent studies suggest that people who have a higher level of education are more willing to start a business than people with a lower level of education (Bates, 1995; Bowen and Hisrich, 1986). In support of this evidence, the study of Robinson and Sexton (1994) shows that business owners are considerably more educated than the general public. Moreover, Pajarinen et al. (2006) argue that entrepreneurs with a higher academic background are more often innovative, use modern business models and more willing to use the new technology. In this context, one can argue that education is critical to the development of attitudes, skills and a positive perception on the entrepreneurship and, therefore, the assertion that education leads to increased entrepreneurial intentions seems more than intuitive. However, despite the strong link between education and entrepreneurship, the impact of education on willingness to found and sustain business has remained relatively untested as argued also by Donckels, 1991; Krueger and Brazeal, 1994. A look over ten years of literature dealing with entrepreneurial education (Dainow, 1986, p. 14) concludes that, although the benefits of “education have been much extolled, researchers need to systematically collect and analyze data and adopt more varied methodologies”. The same conclusion was reached by Gorman et al. (1997) which, in their review of the scholar writing on entrepreneurship indicate that there is still much more information to be sought and a considerable number of studies are still in need and that there are very few studies which strictly deal with measuring the influence that education might bear on the entrepreneurial conduct. Along the same line, it is also worth noticing that the connection between education and entrepreneurial behaviour requires further research, as also argued by Donckels, 1991; Krueger and Brazeal, 1994; McMullan Chrisman and Vesper, 2002.

### **3. Case study**

A basic, to the point case study has been set in place to reveal the importance of education in shaping an entrepreneurial type of mindset; it is based on an analysis using

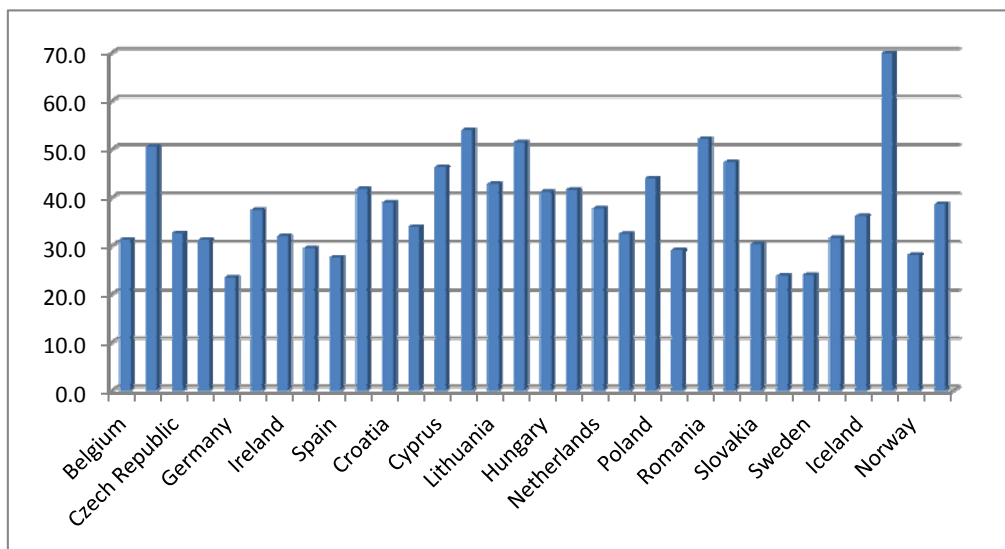
Eurostat data and tries to capture the correlation between higher education graduates (with a special emphasis on social sciences, business and law) and the number of actual startups created or initiated in the year following the graduation.

**Figure 1.** Percentage of graduates per field (EU 28 countries, average 2004-2011)



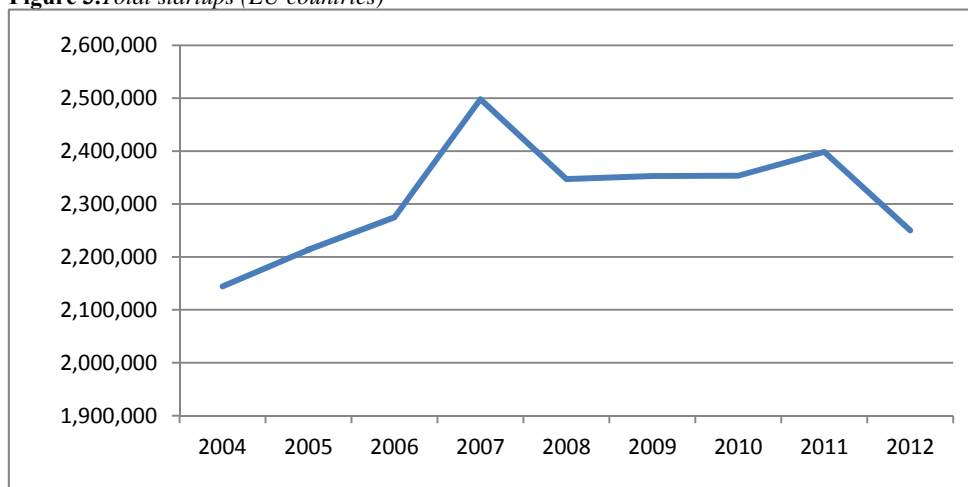
In the above pie chart, the average of graduates in domains of specializations in the 28 EU countries are reflected and, as revealed, the pervasive ones are graduates in social sciences, business and law (overall 35.7%); as such, these have become focal point of interest for our study. This is also the launch point for our correlation study between graduates in social sciences, business and law and number of initiated startups.

**Figure 2.** EU countries by social sciences, business and law graduates (average 2004-2011)



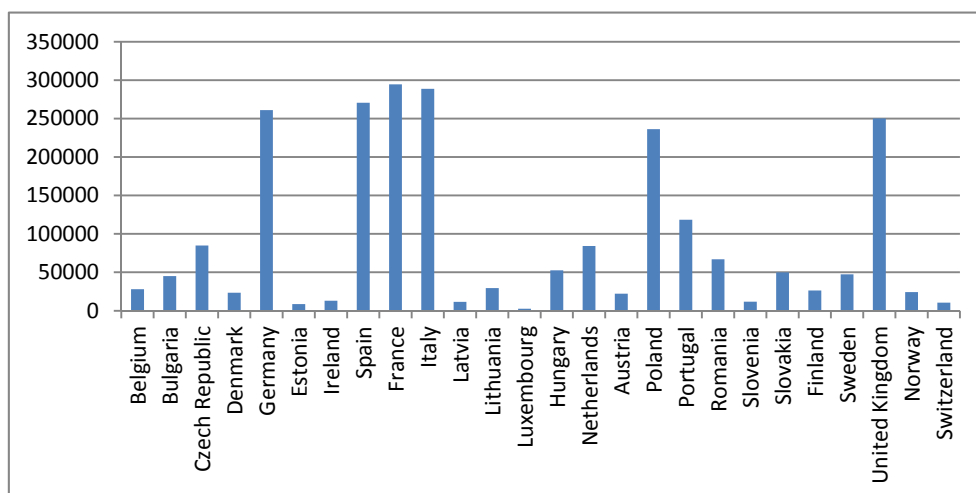
The classification of the EU countries with most graduates in social sciences, business and law. To be noticed that Romania is among the first countries in this ranking with more than 50% graduates from these fields: social sciences, business and law. After Romania, there are to be remarked countries which entered later the EU (Latvia, Cyprus, Bulgaria etc.). The fact could be explained by the strong interest of these countries to develop their economies and reach a sustainable level of growth.

**Figure 3.** Total startups (EU countries)



In Figure 3, the dynamics of startups during 2004-2012 at the level of the European Union. The graph shows a marked growth between 2004-2008, followed by a period of stagnation through 2010 which could be explained by the economic crisis. However, theoretically, in a period of recovery after the recession, the descending trend accentuates after 2011.

**Figure 4.** EU countries by number of startups (average 2005-2012)



The top ranking of the countries with most startups is dominated by the countries with the most developed economies in the EU zone (United Kingdom, Germany, France, Italy, Spain).

**Table 1.** *Number of graduates and startups (EU countries average)*

Year	Graduates (EU average)	Year	Startups (EU average)
2003	41101.00	2004	2,144,227
2004	37754.65	2005	2,213,644
2005	39895.46	2006	2,274,905
2006	50325.20	2007	2,498,052
2007	48646.07	2008	2,347,214
2008	52724.48	2009	2,352,775
2009	52721.38	2010	2,353,388
2010	54811.73	2011	2,398,590
2011	61395.52	2012	2,249,945

The initial hypothesis is that the ones who graduate should/could set up a startup in the year following their graduation. The hypothesis has been tested over the period 2003-2011, following the correlation between social sciences, business and law field graduates (independent variable) and annual average of initiated startups in EU countries (dependent variable).

**Figure 4.** *Correlation analysis results*

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.46036452
R Square	0.211935492
Adjusted R Square	0.099354848
Standard Error	100496.4242
Observations	9

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	19012585577	19012585577	1.882521579	0.212399352
Residual	7	70696718995	10099531285		
Total	8	89709304573			

The analysis emphasizes that the correlation between social sciences, business and law field graduates and the number of created startups is fair, as the Pearson coefficient is 0,46. However, taking into account the small number of observations, statistical significance (revealed by P-coefficient value which is 0,212) is quite low, which, in turn, presses for more detailed studies able to tackle and document the connection between the two variables.

#### 4. Final remarks

Despite the obvious link between education and entrepreneurship, the impact of education on willingness to found and sustain business has remained relatively untested as argued also by Donckels, 1991; Krueger and Brazeal, 1994. A review of over ten years of field literature that deals with educating and developing entrepreneurial spirit (Dainow, 1986) concludes that, although the benefits of education have been much highlighted and commented on, researchers need to systematically collect and analyze data and adopt more varied methodologies. The same conclusion was reached by Gorman et al. (1997) which, in their review of literature connected to entrepreneurship and educational incentives indicate that more rigorous studies are still in demand and that there are very few studies which actually measure and not only theorize the influence of education on entrepreneurial behavior patterns.

The numerous studies that focus on the cultural and educational re-inscriptions undergone by a society in transition from one social configuration to another, dwell on the descriptive character of the process rather than on the ways in which these transitory culturally embedded movements reflect and impact the perception and perspective on the newly assembled business environment.

The statistical data seems to confirm the main ideas of the descriptive, theoretical instances, in that, given the fair rapport ensued after the correlation established between graduates and new startups, more research and data analysis is needed to obtain a correct image of the issue.

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