

THE ANALYSIS OF ENTREPRENEURSHIP PROMOTION PROCESS
THROUGH FORMAL EDUCATION IN EUROPEAN UNION'S
OFFICIAL DOCUMENTS

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The Analysis of Entrepreneurship Promotion Process
Through Formal Education in European Union's Official Documents

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Thesis Abstract

Gökçe Güvercin, “The Analysis of Entrepreneurship Promotion Process through Formal Education in European Union’s Official Documents”

This study aims to analyze European Union’s (EU) entrepreneurship promotion process in order to create economic growth and the assigned roles and responsibilities of education in this process, through utilizing published the EU’s official documents relative to entrepreneurship.

Content analysis was used as a research method to make an interpretive document analysis of the EU’s policies. The study mainly focuses on three purposefully selected documents of the EU “Green Paper: Entrepreneurship in Europe”, “Action Plan: The European Agenda for Entrepreneurship”, and “Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning”.

In the study, the promotion process of entrepreneurship in the EU is conceptualized under two interrelated issues namely the promotion of entrepreneurship through economic discourses and the assigned roles and responsibilities of education in promoting the idea of entrepreneurship.

On the basis of the findings, in the EU agenda, entrepreneurship is considered as a significant indicator for the anticipated economic growth of EU. Also, through the focus documents, it can be claimed that feasible effects of entrepreneurship on the decreasing unemployment rate is one of the highlighted baseline of EU to promote entrepreneurship.

Through utilizing the EU’s official document about entrepreneurship, it can be claimed that the EU assigns education a critical and significant role while promoting entrepreneurship. In other words, in the EU context it is expected that education should contribute encouragement of entrepreneurship through fostering the entrepreneur mindset and develop awareness of career opportunities among students. Concurrently, in this promotion process, the EU highlights public-private partnership through the establishment of school-business community links and partnership with the business world.

Also, the analysis of the focus documents reveal that the EU expects formal education to constitute personal qualities like creativity, spirit of initiative and independence, to enable early contact with the world of business, and information about the role of entrepreneurs. Thereto, students are to be aware of self-employment, able to conduct mini-enterprises and to know how to start a real business and support for business ideas in different levels of formal education.

Concretely, revealing from the focus documents of the study, in formal education, revising national curriculum, adding courses on entrepreneurship that cover entrepreneurship theory and practical guidance on preparing business plans, using virtual enterprises, organizing benchmarking exercises around the use of mini-companies are implemented activities executed by different member states.

As a result, through out the analysis of the focus documents, it can be concluded that, the EU’s promotion of entrepreneurship is an integral part of neo-liberal transformation process of education. This situation demonstrates that societal developmental dimension of education is diminishing and education is reduced to be a tool to train labor force for global capital.

Tez Özeti

Gökçe Güvercin, “Avrupa Birliği Resmi Belgeleri’nde Girişimciliğin Örgün Eğitim Yoluyla Teşvik Edilme Sürecinin İncelenmesi”

Bu çalışmanın amacı, ekonomik büyümenin sağlanması için Avrupa Birliği’nde (AB) girişimciliğin teşvik edilme sürecini ve bu süreçte eğitime atfedilen rol ve sorumlukları, AB’nin girişimcilik ile ilgili yayınlanmış resmi belgelerinden faydalanarak incelemektir.

Çalışmada veri kaynağı olarak, üç temel belgeye odaklanılmıştır. Bunlar sırasıyla “Yeşil Kitap: Avrupa Girişimcilik”, “Eylem Planı: Girişimcilik için Avrupa Gündemi” ve “Lisbon Programı’nın uygulanması: Eğitim ve Öğretim Yoluyla Girişimci Zihin Yapılarının Teşviki” belgeleridir. İçerik analizi, bu belgelerin incelenmesinde yöntem olarak kullanılmıştır.

AB’nin girişimciliği teşvik etme süreci çalışmada, girişimciliğin ekonomik söylemlerle teşvik edilmesi ve girişimciliğin teşviki sürecinde eğitime atfedilen rol ve sorumluklar olmak üzere birbiri ile ilişkili iki temel durum üzerinde kavramsallaştırılmıştır.

Çalışmanın bulgularına dayanarak, incelenen belgelerde, AB’nin, bireysel ekonomik kalkınmayı makro düzeydeki ekonomik büyüme için önemli bir etken olarak görürken, girişimciliği planlanan ekonomik büyüme için önemli bir araç olarak değerlendirmektedir. Ayrıca, girişimciliğin artan işsizlik oranlarını azaltacağı beklentisi, AB’nin girişimciliği teşvik ederken öne çıkardığı diğer önemli bir dayanaktır.

Çalışmada incelenen belgelerde AB, girişimciliği teşvik etme sürecinde, eğitime önemli bir roller atfetmektedir. Eğitim sistemlerinden, girişimcilik için gerekli zihinsel yapıları oluşturarak öğrencileri girişimci olmak için özendirme ve girişimciliğin mesleki olanaklarını tanıtmaları beklenmektedir. Bu teşvik sürecinde AB, okul iş dünyası arasında ortak çalışmaların düzenlenmesini, kamu özel işbirliğini öne çıkararak gerçekleştirmeyi hedeflemektedir.

AB, örgün eğitimden, yaratıcılık, bağımsız olma, inisiyatif alabilme gibi kişisel becerilerini kazandırması, iş dünyası ile erken temas edebilme olanaklarını sağlamasını, bir girişimcinin rol ve sorumluluklarını öğrencilere aktarmasını beklenmektedir.

Ayrıca, örgün eğitimin farklı eğitim düzeylerinde öğrencilerden serbest meslek kavramının farkında olmaları, sanal küçük girişimler yönetebilme becerisini edinmeleri, gerektiğinde gerçek bir iş kurabilmeleri, iş dünyasının fikirlerini desteklemeleri beklenmektedir.

Çalışmanın odağı olan belgelerde, farklı üye devletlerin eğitim sistemlerinde, girişimciliği teşvik etmek amacıyla, ulusal müfredata girişimcilik boyutu eklenerek yeniden şekillendirilmesi, girişimciliğin kuram ve uygulamalarını içeren girişimcilik dersinin eklenmesi, okullarda ders etkinliği olarak sanal girişimlerin oluşturulması, küçük şirketler kurarak karşılaştırma alıştırmalarının yapılması gibi somut etkinlikler gerçekleştirilmiştir.

Araştırmanın bulguları ışığında, AB’nin, eğitime girişimcilik boyutunu dahil etmeye çalışması eğitiminde neo-liberal dönüşümün bir göstergesi olarak değerlendirilebilir. Bu dönüşüm, eğitimin toplumsal kalkınma boyutunun, küresel gruplara iş gücü yetiştirmeye yönelik bir araç olarak indirgenmişliğinin de bir göstergesi olabilir.

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CHAPTER 1: INTRODUCTION

The world-wide economic structure has undergone a structural change after the economic crisis in 1970s. Traditional industrial economy has yielded to the neo-liberal economy that heavily relies on human capital. The increased importance of human capital has stimulated an interest on educational attainment of the workforce (Bridge, 2008). Therefore, the form and the function of education have altered to increase the quality of human capital. In this process, entrepreneurship education has been identified as a necessary tool to equip the future workforce with the necessary skills needed for the neo-liberal economy. These skills include entrepreneurial thinking, leadership development, being able to work with people from diverse backgrounds, and being able to adapt to a rapidly changing environment (Bridge, 2008).

The concept of neo-liberalism appears to be related to the fundamental changes in the sphere of economy that occurred in the post 1980 era. The free market becomes one of the central and distinctive features of neo-liberalism's theoretical and programmatic propositions across many nation states (Olssen et. al., 2004). Susan Robertson (2007) argues that cutting the public expenditure for public services like education and health, transformation of the function of public services favoring the market rules and deregulations in state structure through favoring the market rules and privatization through selling the state owned services to private enterprises are the key characteristics of neo-liberalism.

The structural and conceptual changes in education are directly related to economic structure since education policies are directly related to

production processes. For example, the post-1980 era displays a major shift in approaches to education (Gök, 2007), that is, natural function of education based on the individuals' self fulfillment through revealing their whole capabilities has deformed. The fundamental aim of education is reduced to investment in human capital in this process, it is expected that investing in human capital will result in a higher return in the economy. Whereas, as a leading factor in the liberation of minds and hearts and a fundamental human right, education should make people flourish intellectually and socially through the educational process (Gök, 2002). Also, as an indispensable public service, education should serve for social development and realize personal actualization of individuals (Gök, 2002).

There exist certain organizations for economic corporations that acquire and disperse neo-liberal policies. After the Second World War, a number of international organizations of economic corporations like the Organization of Economic Co-operation and Development (OECD), World Bank (WB), and European Union (EU) have been established mostly to protect the advanced industrial capitalist countries' economic benefit. And they have become highly influential in shaping policies at national levels especially after the economic crisis after 1970s where they publish policy documents that distinctly affect decision and implementation processes of national policies. Apple (1984) argues that texts are important ideological constructions, not only as indicator of shifts in rationales (cited in Olssen et al., 2004).

Among the international organizations, the EU is a different organization from other economic corporations. It is a supranational organization; neither as an international region nor as a federal state, but as a

network of states involving the pooling of sovereignty (Keohane and Hoffman, 1990). The EU's interest in education has intensified after the 1990s and accelerated in establishing educational policies on the basis of the principle of diversity in unity (Kihtir, 2004).

In the developmental policies, the EU keeps abreast of the requirement of the qualified work force and the need to up-skill the workforce to ensure sustainable development in economy (Eurydice, 2002). The Commission Action Plan on Skills and Mobility (European Commission, 2002b) recommends free access for all citizens to the acquisition of key skills, including literacy and numeracy, as well as mathematics, science and technology, foreign languages, learning-to-learn, cultural awareness, social/personal skills, entrepreneurship, and technological culture [including, Information communication technology (ICT)]. Education is recognized as an indispensable tool for building up these skills.

Distinctively, the EU gives full weight on entrepreneurship that is regarded as an alternative indicator to sustain economic growth. The small and medium-sized enterprises (SMEs) are favored, because they are considered an activity indicator for entrepreneurship.

Given the need to equip the current and future workforce with the skills required by the new economy, attention has been turned to entrepreneurship education (Bridge, 2008). Integration entrepreneurship to formal education is one of the aspirations of the EU. In other words, in the entrepreneurship, promotion process, significant roles and responsibilities have been assigned to education. According to the Commission, there exists a lack of entrepreneur mindsets, and this situation is going to be dispelled through the education by

promoting entrepreneur values education (European Commission, 2004a). In this perspective, students are identified as the future entrepreneurs, before starting in a business; they are expected to gain entrepreneur skills through schooling.

In this way, neo-liberalism is a socio-economic structure which is formed to cope with the economic crisis of capitalism in 1970s as it is above mentioned above. Nevertheless, different from other economy politics, neo-liberalism is a social phenomenon which directly affects public services. There exist certain organizations for economic corporations that acquire and disperse neo-liberal policies. These organizations publish policy documents.

As an economic corporation, the EU assigns new roles and responsibilities on education to promote entrepreneurship. The present study tries to identify what needs to happen to education to ensure the realization of this role on the basis of the three purposefully selected the EU's policy documents as "Green Paper: Entrepreneurship in Europe", "Action Plan: The European Agenda for Entrepreneurship", and "Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning".

Increasing emphasis of human capital in the context of education disregards social development and personal actualization role of education. The assigned roles and responsibilities to education by neo-liberal policies would be inferred to analyze the EU's actions toward fostering entrepreneurship through formal education. The present study tries to identify what needs to happen to education to ensure the realization of this role on the base of the EU's policy documents mentioned above.

Statement of the Purpose

This study aims to analyze the EU's entrepreneurship promotion process in order to create economic growth and the assigned roles and responsibilities of education in this process.

Significance of the Study

This study may identify the assigned roles and the responsibilities of education in neo-liberal globalized era related to entrepreneurship promotion process. It also would trigger the awareness about the EU as a global actor. The findings of the study would furnish the data for the policymakers, academics, policy implementers and policy analysts. Moreover, such a study would enrich the literature that undertakes the EU's education policies.

CHAPTER 2: LITERATURE REVIEW

In the second chapter of the study, related literature about globalization, welfare and neo-liberal state, and global transformation of education policies, the role the international actors during this transformation process, the EU and its education policy and lastly, new basic skills required for knowledge economy in the EU and entrepreneurship policies of the EU in the educational context will be covered.

Globalization, Welfare and Neo-liberal State

As a policy framework, neo-liberalism represents a shift from the welfare state toward a political agenda favoring the relatively unfettered operations of market and is directly associated with the so-called globalization of capital (Larner, 2000). The neo-liberal approach emphasizes efficiency, which aims at pragmatically reaching social goals, while recognizing and respecting fiscal constraints (Gibbins & Young, 1996). Within neo-liberalism, governments focus on enhancing economic efficiency and international competitiveness and reducing welfare state activities (Valerievna Gun'ko, 2007).

In the 1970's, the welfare state in Western countries was significantly challenge by neo-liberal policy framework (Valerievna Gun'ko, 2007). The term welfare state commonly refers to a capitalist society in which the government undertakes a chief responsibility for ensuring the well-being of its citizen through providing education, access to healthcare, and financial support during unemployment (Scott & Marshall, 2005).

Globalization is not a new concept. Nevertheless after the economic crisis of the late 1970's, it acquired a new meaning. This new meaning is happened to be related to the societal restructuring in world wide which is named as neo-liberalism. Bourdieu (1999) explains that apart from economic aspect of globalization, neo-liberalism is a political project for facilitating the re-structure and re-scaling of social relations in accordance with the demands of an unrestrained global capitalism. In this study, the term globalization is drawn upon alternatively to neo-liberalism, due globalization is more broad term that refers a historical period.

Although there is no universally accepted definition and conceptualization of globalization, some scholars tried to answer the questions like what globalization is and describe its conceptualization. For example, Marrow and Torres (2000) argues about three approaches about the origin of globalization. The first claim is that its origins lie with human civilization; the second approach denotes world system theory which “links globalization with the origins of capitalism, culminating in the sixteenth-century emergence of a global economy” (p.28). The third approach that Marrow and Torres denotes is the most typical form of globalization that considers globalization as a more recent phenomenon dating at the earliest from the mid-twentieth century.

Marrow and Torres negates that globalization is blurring national boundaries, shifting solidarities within and between nation-states, and deeply affecting the constitution of national and interest-group identities. Besides, Stephen Carney (2003) states globalization is not yet a unified ‘global’ phenomenon it is a number of characteristics are nevertheless becoming more apparent. Carney states about the dimension of globalization as the following:

New forms of economic organization favor freer approaches to trade and investment alongside flatter, more responsive workplaces. Political shifts appear to have undermined the sovereignty of nation-states and the autonomy of individuals within them (p.87).

Nicholas Burbules and Carlos A. Torres argue that globalization is culturally standardization and homogeneity threatens diversity and difference. Furthermore, Carney mentions that a particular version of globalization is in the ascendancy on education, with neo-liberal and neo-conservative policies favoring certain approaches to school organization, management, curriculum, instruction, evaluation and improvement.

Globalization can be understood as a process or set of processes rather than a singular condition and it does not reflect simple linear development logic, nor does it prefigure a world society or a world community (Held et al., 1999). Besides, Held (1991) defines globalization as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away. And adds that

Among other things globalization is the product of the emergence of a global economy, expansion of transnational linkages between economic units creating new forms of collective decision making, development of intergovernmental and quasi-supranational institutions, intensification of transnational communications, and the creation of new regional and military orders (p.23).

Chris Rumford (2002) argues that globalization is most commonly thought of as a series of transnational economic process making the world into one large market place, and in doing so undermining the authority of, and need for, the nation-state. Susan Robertson and her colleagues (2006) argues that globalization is the outcome of process that involve real actors- economic and political- with real interest and they add defining characteristic of globalization

is the enormously accelerated expansion of capital-especially of financial capital. Moreover, Fazal Rivzi and Bob Lingard (2006) define globalization as a highly contested political term, referring to a whole range of social process. However, Roger Dale and Susan Robertson (2002) claims that, it is difficult to define clearly and concisely the term globalization since it is very complex and the meanings attached to it. According to Rao (1998), globalization, privatization and liberalization are the three determinants of the new order of the world. These three processes are interrelated, that is, globalized economies are likely to be more privatized and liberalized; on the other hand, privatization and liberalization facilitate the process of globalization of a country or a region (Rao, 1998).

Olssen and his colleagues mention about three types of globalization. The first is economic globalization, which is about processes that enable the free flow of goods, services, investments, labour and information across national borders in order to maximize capital accumulation. The second one is cultural globalization which involves the expansion of Western (especially American and British) culture to all corners of the global, promoting particular values that are supportive of consumerism and capital accumulation. The third is political globalization which is regarded as “most powerful form of globalization” (p.8). Additionally Olssen (2006) identifies two senses of globalization as globalization one and globalization two. Globalization one includes increased speed and volume of private trans-border transaction, especially related to capital and communication systems, new developments in technology, which have assisted mobility of cross border flows (electronic

clearing systems, the internet), the increasing possibility of transport (cheap air fares).

David Held and his colleagues argue that globalization's reflects a widespread perception that the world is rapidly being moulded into a shared social space by economic and technological forces and those developments in one region of the world can have profound consequences for the life chances of individuals or communities on the other side of the globe. And they add,

Globalization may be thought of initially as the widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life, from cultural to criminal, the financial to the spiritual (p.2).

Moreover, Daniel Schugurensky (1997) defines two distinct developments that globalization implies. The first is the intensification of the speed and level of communications among individuals and communities within and outside nation states, the second is increasing concentration of political and economic power in a few supranational.

David Held and his colleagues note three tendencies of globalization. The first is the hyperglobalist thesis. This view of globalization generally privileges an economic logic and, celebrates the emergence of a single global market and the principle of global competition as the harbingers of human progress. The second one is the skeptical thesis. For most skeptics economic activity is undergoing a significant 'regionalization' as the world economy evolves in the direction of three major financial and trading blocks, that are, Europe, Asia-Pacific and North America. The third one is the transformationalist thesis. That is, globalization is a central driving force behind the rapid social, political and economic changes that are reshaping modern societies and world order (Held et al., 1999).

The recent process of globalization and economic restructuring has generated important transformations which have affected the labor process, the application of technology, the structure and flow of capital, the organization of classes, the role of national state, the provision of public services, the dynamics of family life, and distribution of power and wealth in society at the international, national and community levels (Schugurensky, 1997).

Requiring a radically revised view of the roles and responsibilities of national governments, minimizing the need for their policy intervention, with greater reliance on the market are the new conceptions of governance that globalization lead that Robin Usher and Richard Edwards states (cited in Green, 2006:193, Usher and Edwards, 1992). In the following quotation, Mark Olseen explains the role of the governance as:

The role of the state is changing, but this does not mean that it is diminishing. It still has a highly significant role in relation to work, welfare, education and defense. It is still the superior agency, hierarchically relating to all other constituents in a definite territory with clear boundaries (p.262).

Douglas Kellener (2005) argues that globalization involves both a disorganization and reorganization of capitalism. Besides, according to Kellener, transformation of education has different forms. For example,

In the overdeveloped countries, individuals need to be empowered to work and act in a high-tech information economy and should learn skills of media and computer literacy in order to survive in the novel social environment (p.50).

Global Transformation of Education Policies

As the economy has undergone a change, experiencing a shift from the traditional industrial economy towards a knowledge-based economy, education is regarded as a transformative agent in this process, as Daniel Schugurensky states that neo-liberalism and globalization have social and educational implications. According to Schugurensky, in the last two decades of the century the world is experiencing a combination of economic, political, cultural and technological developments that are likely to affect education policies and practices. Economic globalization and the information revolution augur radical changes in the very nature of the learning process, promoting a new commodification of education and an uncoupling of learning from its traditional institutional locations. (Kenway, 1992; cited in Green, 2006:193).

However, a number of scholars concern about the effect of privatization and cultural commodification in the education has led to two questions: first is whether the educational system based on the liberal-humanist conceptions or whether it is become the handmaid of business, with curricula decided by the demands of marketplace, and students trained to be productive agents of the economy (McCann, 1995). Bray (1998) argues that privatization of education takes at least three forms: transferring ownership of public institutions, shifting sectoral balance without redesigning existing institutions, and increasing government funding and support for private institutions (cited in Rivzi & Lingard, 2006:256). Stephanie Lynn Daza (2006) states that globalizing trends---underscored by neo-liberalism, privatization, and imperial legacies---are changing the nature and purpose of education.

These are the results of the view that education is recognized as a central to human capital formation for the health of national economies in the face of international competition and global pressures (Rivzi & Lingard, 2006:252). For instance, the white paper of European Commission “Teaching and Learning – Towards the Learning Society” (1995) integrates education and employment policies to meet the needs of a global economy and calls for action to tackle the unemployment problem in the Member States and to promote the competitiveness of industries and services (Spring, 1998).

Today, national governments are proclaiming that education is the key success in the global economy and according to these proclamations the goal of schooling is directly related to the world’s economic needs (Spring, 1998). Robertson and her colleagues support this with the idea “the education system is the key means through which education is associated with the continuing expansion of capital”. The education sector, from compulsory to higher education and training, given its role in the reproduction of labor power and in structuring national identity, has been the target of restructuring (Robertson et. al., 2006.).

Schugurensky states that neo-liberals propose reforms to ensure consumer’s choice, accountability, and excellence in math, sciences and critical thinking, areas that are supposedly in high demand by industry and business. Also, he adds that as ongoing proposals succeed, the educational system will continue to do as it has been doing for several decades but the at the same time most elements of liberal, humanistic education will be removed and replaced by vocational education and standardized achievement tests (p.43).

According to Green education cannot ignore the realities of the global market. Nor can it surrender to global commoditization. Within the transformation of function of education, with the other parts of social life, education becomes a ‘working area’ in accordance with market conditions and neo-liberal education design intended for the transformation of education just like the other commercial activities (Ünal, 2005; 2006).

Role of Intergovernmental Organizations in Transformation of Education

In recent years, intergovernmental organizations (IGOs) have become highly influential in shaping educational policy at the national level. They have played a prominent role in charting the policy agendas of nation-states. In turn national governments have looked to IGOs to construct their strategies for developing, legitimating and implementing programs of educational reform (Rivzi & Lingard, 2006).

According to Jayasuriya (2008) regional governance refers to the management of conflicts created through growing interdependencies within a specific—albeit ideologically constructed—geographical region, through the creation of institutional forums, policy instruments, and networks of private and public actors. He adds that regional governance encompasses those institutions, instruments, and mechanisms that allocate political power, influence material stakes, and shape the ideological representation of the region itself. Furthermore, Mario Telo (2001) mentions that globalization and new regionalism are not only economic but also multidimensional and political processes.

Regional blocks with an assortment of institutions, associations and accords create a new constraint on the nation-state, and both erode and confirm its sovereignty in important aspects (Olseen, 2006). Regionalization corrupts, or at least substantially modifies, the version of globalization theory advocated for by neoliberals in that it constitutes a context for the emergence of new regulatory controls within particular regions (Olseen, 2006). Since the end of the Cold War there has been a significant acceleration in the institutionalization of regional relations beyond Europe: in the Americas, Asia-Pacific and to a lesser degree, in Africa. But the forms taken by this regionalism are radically different from the integrationist model of EU. (Held et. al, 1999).

Organization for Economic Co-operation and Development (OECD), World Bank (WB) and European Union (EU) can be noted as the important intergovernmental economic cooperation mentioned above.

Organization for Economic Co-operation and Development (OECD)

The OECD is an international organization that consists of 30 countries sharing commitments in market economy (Alsharjabi, 2003). It shares experiences of public sectors and corporations among their members with a wide range of research and publications (Alsharjabi, 2003). The OECD developed diverse tools for measuring the performance of each country's economy and areas of concern among its members (OECD, 2001a). The

International Assessment Test for Knowledge and Skills for life (OECD 2001b), OECD Labour Statistics (OECD, 2001c) are some of them.

In 1996, the OECD adopted the global goal of a borderless world (Spring, 1998). Joel Spring states that experts in OECD declared that this borderless world would only possible with the world-wide acceptance of the principles of a market economy. The economy for which individuals were being educated is now characterized as a knowledge economy with knowledge being the central, indeed intrinsic component of economic production and activity, reflecting developments in economic theory (Rivzi&Lingard, 2006:249). The Knowledge Based Economy published by OECD states about the frame of knowledge economy, the economic goals of education are thus given priority over its social and cultural purposes and some emphasis is given to the need for different organizational arrangements in education (Rivzi & Lingard, 2006: 253).

The OECD, within a neo-liberal conceptualization, viewed education as a major factor in contributing to human capital formation and economic growth (Rivzi&Lingard, 2006). In the OECD, human capital investments are treated as similar to investment in other capital goods (Spring, 1998). OECD defines human capital as the knowledge that individuals acquire during their life and use to produce goods, services or ideas in market or non-market situations (Miller, 2002). The OECD's social policies include a continuation of the Marshall Plan's propaganda campaign to sell economic growth through a market economy and the application of market principles to social problems (Spring, 1998).

According to Joel Spring education plays a dual role in OECD plans. First, education is considered as aid for the development of market economies through human resource development and lifelong learning. Secondly, education is to remedy problems resulting from globalization such as employment, increasing economic inequality, and fears of social and economic change (Spring, 1998).

The OECD directorate of education recognizes education as key to economic growth and to people's ability to earn a living (OECD, 2008). It states "For individuals, the potential benefits lay in general quality of life and in the economic returns of sustained, satisfying employment."

World Bank (WB)

The International Bank for Reconstruction and Development formed in 1944, was created after World War II to provide capital for post-war reconstruction (Mundy, 2002). The World Bank was established in 1946, one year earlier than the Marshall Plan, to provide loans to developing nations (Spring, 1998). By helping developing nations, the World Bank was to stop the spread of Soviet communism, reduce political and social unrest, and create markets for United States (US) goods (Spring, 1998).

The World Bank's conceptualization about the economic analysis of education projects since Theodore W. Schultz who first re-discovered the concept of human capital theory in his presidential address to the American Economic Association in December 1960 (Vawda et. al., 2003). The WB's human capital approach to education has been a major impact on shaping education systems in developing countries (Spring, 1998). Education loans

become the top priority in recent years (Spring, 1998). Different from the OECD, in the WB implementation of human capital ideas are given more force by tied to education loans and WB's education efforts reflect the current school reform proposals in the US (Spring, 1998). This is evident in WB's one of the policy reports *Priorities and Strategies for Education: A World Bank Review*, it's declared in that some generalizations can be made. According to Joel Spring, "these generalizations represent a particular concept of the nature of schooling that is closely tied to human capital ideas, globalization, and US school reform" (p.180).

During the 1980s and 1990s, the World Bank radically expanded the level of its commitments to education, changed the form of those commitments, and evolved a clear rationale for making them (Mundy, 2002). WB recognizes the problem of basic educational planning on the needs of the labor market (Spring, 1998). For instance, in *World Bank Policy Research Working Paper* (Pritchett, 1996), titled as *Where Has All the Education Gone?*. The fact that education's not leading to faster economic growth is problematic. According to cross-national data on economic growth rates, increase in educational capital resulting from improvements in the educational attainment of the labor force have had no positive impact on the growth rate of output per worker. Pritchett notes that

There is demand for this more productive educated labor, but demand for educated labor comes from individually remunerative but socially wasteful or counterproductive activities - a bloated bureaucracy, for example, or overmanned state enterprises in countries where the government is the employer of last resort - so that while individuals' wages go up with education, output stagnates, or even falls(p.1).

Mundy claims that The WB's Education Sector Strategy Paper, which published in 1999, marks the culmination of two decades of rapid change in the mandates and capacities of intergovernmental organizations in the field of education. Furthermore, Mundy adds that

It emerged not only as the largest single provider of educational development expertise and concessional finance—but also as the only international organization with a near-to-plausible concentration of ambition, power and resources for coordinating global initiatives in the field of educational development.(p.1).

Paul Bennell and Jan Segerstrom (1998) denote the changing rate of the amounted funding for education process as following:

The size and composition of the World Bank's portfolio of education sector projects have changed dramatically since the early 1980s. New lending for education projects in 1980 amounted to US\$ 440 million, just under 4% of total commitments for that year. By 1996, new funding for the education sector had risen to nearly two billion dollars, almost 10% of total (p.271).

According to Mundy, during the first half of the 1990s the Bank's activities in education expanded rapidly because there exist a coherent, simplified doctrine for educational reform that “effectively straddled the poverty alleviation and investment rationales which compete within the organization” (p.17). Bennell and Segerstrom add that the WB has also been trying to convince governments in developing countries that, in terms of their own resource commitments, basic education should be their top priority and that public expenditure.

European Union (EU)

European Union (EU) is a supranational organization that adopts the principle of market economy and produces economical, cultural and educational

policies. The EU was founded on a series of ‘intergovernmental bargains’, bargains which have more recently included the Single European Act (1986), the Maastricht Treaty (1991) and the Amsterdam Treaty (1997) (Held et. al, 1999:74). More than any other kind of international organizations, the political processes of the EU can be described by the term ‘supranational’ (Held et. al, 1999:74).

The European region can be differentiated from more general processes of increasing global flows and interactions not only by internal density of political interaction but also on the basis of shared cultural and historical connections (Held et. al, 1999:75). Besides, the roots of EU date back the Second World War. The Europe continent was divided into two as East and West during the 40 years of Cold War period (Bache & George, 2006).

In 19 September 1946, Winston Churchill, Prime Minister of the United Kingdom, called the Europe for a united European in his speech at Zurich, he states that “Our constant aim must be to build and fortify the strength of the United Nations organization. Under and within that world concept we must recreate the European family in a regional structure called - it may be - the United States of Europe and the first practical step will be to form a Council of Europe”(Council of Europe, nd).

On 5 June 1947 George Marshall announced that the United States Administration proposed to offer financial and food aid to Europe to assist in its economic recovery (Bache & George, 2006). According Bache and George Marshall Aid offered an injection of dollars into the European economy that

would finance trade between the European States and the US. This policy was a much favored by the US industry which is involved in exporting.

West European states established The Council of Europe in 1949 as result of 1948 Congress of Europe in The Hague the Congress which is based on the European Convention on Human Rights. Council of Europe is not connected to the EU. The Council of Europe defines its own aims as:

To protect human rights, pluralist democracy and the rule of law; to promote awareness and encourage the development of Europe's cultural identity and diversity; to find common solutions to the challenges facing European society: such as discrimination against minorities, xenophobia, intolerance, bioethics and cloning, terrorism, trafficking in human beings, organized crime and corruption, cyber crime, violence against children; to consolidate democratic stability in Europe by backing political, legislative and constitutional reform (Council of Europe, 2008).

Besides, on the 9th of May 1950, Robert Schumann, the French Foreign Minister, presented the 'Schumann Plan' the first step toward European unity. Bache and George recognized the Schumann Plan as the scheme for pooling the coal and steel supplies of France and Germany, and it's about sovereignty over them.

The actual history of the EU begins with the result of negotiations between France, West Germany, Italy, Belgium, Luxembourg and the Netherlands. The principle of supranationalism is committed and on 18 April 1952, the six signed the Treaty of Paris and the European Coal and Steel Community (ECSC) came into operation in July 1952.

On 25 March 1957, with the signing of the Treaties of Rome, the European Atomic Energy Community (EURATOM) and in place of the ESCS, the European Economic Community (EEC) was established. EURATOM was

charged to ensure that the member states fulfilled the terms of the treaty (Bache & George, 2006).

Furthermore, the economy became the focus of consensus in the field of supranational cooperation. The establishment of the EEC had two objectives: to transform the conditions of trade and manufacture on the territory of the Community and to regard the EEC as a contribution towards the functional construction of a political Europe and constituted a step towards the closer unification of Europe (Bache & George, 2006).

On February 7, 1992 The Maastricht Treaty was signed and effective in November 1993. By the way, EU was established. In the third chapter of treaty, under the Education, Vocational Training and Youth title (p.28), it is emphasized that a need to “develop the European Dimension in education particularly through

- a) Teaching and dissemination of the languages of the Member States
 - b) Developing exchanges of information and experience on issues common to the education systems of the Member States
 - c) Encouraging the academic recognition of diplomas and periods of study
 - d) Promoting co-operation between educational establishments.
- (Articles 126 and 127).

According to Bache and George the Maastricht Treaty was a major step in the road to European integration and introduced the concept of European citizenship. And different from previous treaties in the Maastricht Treaty, it is stated that one of the aims of the member states is ‘to promote economic and social progress for their peoples’ (The Maastricht Treaty, 1993).

On October 2, 1997 The Treaty of Amsterdam was signed between the member states. This treaty increased the powers of the Union by creating a Community employment policy, introducing measures aimed at bringing the

EU closer to its citizens, enabling closer cooperation between certain Member States and had a greater emphasis on citizenship than the Maastricht Treaty. Besides, the treaty agreed at the Maastricht summit of 1991 and seeks not only to extend the scope of economic and monetary union, but also to extend the framework of political integration to other spheres (Held et. al, 1999:75).

Through 2000, the EU had become an encompassing political system involved in all areas of life that governments usually care to regulate and from agriculture to capital flows, to transportation, to education, defense, regional policy, energy, or environment, national governments share authority with the European Union (Hooghe, 2003)

With the thriving of the concepts ‘European citizenship’ and ‘social progress of the citizens’, the EU found a new strategy to provide economic growth. Field (1998) calls it a Common European Identity with a major focus on language and the use of English and Anglo-Saxon culture. Moreover, according to Field the main motivation behind moves to promote a common European culture appears to be the view that differences in culture and identity result in reduced support for further European integration.

Role of the EU in the Globalization process

The EU is often linked with growth and development and constitutes an economic block which can counter the might of the US and Japan (Rumford, 2002:2). Globalization is the biggest and most complex issue in relation to European integrations. In order to understand why it is so important in both of

these contexts we must establish exactly what we mean by globalization, and “the ways in which it is transforming the EU” (Rumford, 2002:15).

The relationship between globalization and the EU is one in which the former dictates that integration is necessary in order that the latter can ensure competitiveness in the global economy, “the sovereign nation-state no longer being able to fulfill this function” (Rumford, 2002:16). According to David-Pascal Dion, in the realm of the knowledge revolution based on information and communication technologies (ICT), the EU had to define a new strategy to tackle the challenges of globalization, reinforced by the enlargement of the Union, and of demography, characterized by the rapid ageing of the population (p.295).

Chris Rumford asks whether the EU is a product of globalization or whether it is active in shaping it. He answers that globalization constitutes the environment in which the EU operates, and the threat that it represents provides the stimulation for greater cooperative economic action. Besides, Rumford regards the EU as a monetary union and a single market and claims that it is a rational and calculated response to economic problems which are too large to be controlled by any one nation-state. Liesbet Hooghe mentions that the EU is an agent of globalization in Europe. The Lisbon strategy was a response to acknowledgements by European leaders of the need for far-reaching reforms in the EU to meet the challenges of globalization, ageing and the ICT revolution (Dion, 2005). It aimed to catch up with the US and become a model knowledge economy and society (Dion, 2005).

The general claim of the EU is that it should look beyond the traditional instruments of diplomacy and trade in globalization process is

consistent with the new international rules. Trade is recognized as one of the first areas in which EU countries agreed to pool their sovereignty, transferring to the European Commission the responsibility for handling trade matters (European Commission, 2003a). Finally, there is no consensus that globalization has any significant impact on the EU (Rumford, 2002).

EU's Educational Policy

ECSC, later the European Economic Community (EEC), was one of the important economic cooperation to forestall the monopolistic sovereignty of coal and steel by Germany, and to hold over the control of the steel and coal economy. EEC was a purely an economic foundation which Bercusson and his colleagues (1997) designates a “blind economism”. In this blind economism process, the assumption was economic progress will automatically entail social progress.

As the years went by, this blind economism yielded its seat to the idea of Social Europe by protecting its major aim economic development. Common European identity was recognized as the major inducement to provide and protect the economic based cooperation. However, according to Spring, after World War II, the Marshall Plan aid from the United States set the stage for coordination of education among European nations and for the globalization of education policies. Later on, the EU started to generate education policies in accordance with the global economy (Spring, 1998).

After the 1990's, the European Community took a special interest on education. Because, it noticed the transformative function of education to keep

abreast of world wide economical change towards a reality of market economy. The European Commission had started to establish educational policies for a global economy (Spring, 1998). Apart from its establishment, THE EU has produced educational policies parallel with the changes in the economic transformation. Knowledge is recognized as the key for a competitive economy, and so with by aiming the construction of “European Knowledge Area” and fetching a “European Dimension” on education, the EU claims that it embraces the principle of “diversity in unity” (Kihtir, 2003).

If we look closely at the European Commission’s education policy (measures as well as discourses), we notice the existence of similarities in the strategies that it deploys in this field and dynamics deployed much earlier by states engaged in nation building (that is, the redefinition of peoples’ spatial representation of their community of belonging; the creation of a framework of shared values; and the process of “detemporalization naturalization”) (Petit, 2007). Hingel (2001) defines four historical periods of European co-operation in the field of education, these are:

1971–1992: Building up European co-operation based on Community action programmes; 1993–1996: Identifying challenges and ways forward; 1997–1999: Mainstreaming education in Community policies; 2000: Building a European Area of Education based common objectives for national educational systems (p.2).

During the 1970s, the Commission went on to propose programs in six main areas: education for children of migrant workers, equal access to education for girls and boys, collaboration in higher education, development of a European dimension in education, language teaching and degree recognition (Petit, 2007). By the 1976 Action Programme for Education, education was

legitimized as an area of policy by the Council of Ministers for the first time. The discourse on the concept of economic competitiveness has changed the formulation of new the EU policies in education and training, exemplified by a strong emphasis on educational indicators, benchmarks, and quality controls (Ertl, 2006:5).

In the wake of the Lisbon agenda, the legal basis for the EU activities has been substantially extended by intergovernmental agreements (Ertl, 2006). The new strategic aim for the European Union ‘(...) to become the most competitive and dynamic knowledge-base economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’ was stated in March 2000 by the European Council of Heads of State or Government (Council, 2000a, p.3). New aims for policy areas such as education and training were developed which applied a new style of policy formation, so-called ‘open method of coordination’ (Ertl, 2006). The Commission is pursuing not only economic goals but also attempting to create the EU identity (Petit, 2007).

The Janne Report (1973) entitled For a Common Policy in Education states that the division of general and vocational education was a major obstacle to a common policy in both fields. It was the economical pressure of the time that made a new relationship between general and vocational education possible (Ertl, 2006:7). The concept of education is detailed in a Council Resolution (1988), further developed with Green Paper (1993) entitled European Dimension of Education.

(1) a large number of European programs adopted in the field of education help strengthen, in a way, the EU’s external borders while causing its internal borders to weaken; (2) the its programs, is working on building a set of shared values that put into question, to a certain

point, existing frameworks, thereby leading the people to envision new ways of viewing their allegiance and the outside world; and (3) the Commission is putting significant effort into “detemporalization-naturalization” in order to portray Europe as the natural or normal place for economic, political and social activity (Petit, 2007).

The Commission is working to redefine the spatial representation of Europeans by increasing their mobility within the Community through a number of means, since the Commission considers mobility a key factor in the emergence of a European consciousness or identity (Petit, 2007). The Green Paper “Living and Working in the Information Society” (European Commission, 1996) paid attention to the rapid development of information and communication technologies (ICT) and called for public policies to help benefiting from the technological development and ensuring equitable access to the Information Society. The Green Paper “The European Research Area – New Perspectives” (2007) underlined the principles for the European Knowledge Society where research, education, training and innovation would serve the economic, social and environmental developments of the EU, taking into account the expectations of its citizens.

In the meeting of the European Council in Lisbon in March 2000 (Lisbon Strategy), it was declared that the EU should become the most competitive economy in the world and it should achieve full employment by 2010.

On 31 January 2001, in the report from the Commission on the Concrete Future Objectives of Education Systems, six proposed objectives were defined. Raising the standard of learning in Europe, making access to learning easier and more widespread at all times of life, updating the definition of basic skills for the knowledge society, opening education and training to the

local environment, to Europe and the world, making the best use of resources, developing a new partnership with schools are the proposed concrete future objectives of education.

The Council organized meetings in Stockholm (23-24 March 2001), defined three strategic main concrete objectives which are regarded as a basis for Members states to work together on the basis of European to contribute to the achievement of the goals set out by Lisbon. These are:

- ◆ Increasing the quality and effectiveness of education and training systems in the European Union
- ◆ Facilitating the access of all the education and training systems
- ◆ Opening up education and training systems to the wider world

(Council of European Union, 2001a).

In the explanation of the first objective, it is stated that ‘for raising the quality and standard of learning, it is essential if Europe is to become a more competitive and dynamic society and its citizens are to be better able to develop their own skills and competencies and realize their potential as citizens, as members of society, and as economic agents’.

In the “Best Procedure project on education and training for entrepreneurship” (European Commission, 2002a) report, it is underlined that encouraging the enterprise spirit is a key to creating jobs and improving competitiveness and economic growth throughout Europe. In 2003 the Commission published the Green Paper “Entrepreneurship in Europe”. The Green Paper raised questions on two fundamental issues for Europe: ‘How to produce more entrepreneurs?’ and ‘How to get more firms to grow?’ Responses show that education is seen as an important means to create a more

entrepreneurial mindset among young people. As a follow-up to this Green Paper, an Entrepreneurship Action Plan has been adopted by the Commission in 2004. Report on the implementation of the “Entrepreneurship Action Plan” (European Commission, 2006a) provided a strategic framework for boosting entrepreneurship in the EU, complementing ongoing work, especially under the Multiannual Programme for Enterprises and Entrepreneurship (MAP).

New Basic Skills for the Neo-liberal Economy in the EU

The neo-liberal economy requires a new set of skills that is completely different from the set of skills required by the historically manufacturing-dominated economy (Bridges, 2008). The EU has aimed to adapt the work force’s abilities in accordance with the requirements of the economy. It is recognized that the work force must be educated, to become more skilled, adaptable and flexible. Apart from literacy and numeracy, the skills like learning-to-learn, cultural awareness, entrepreneurship, and technological culture, information communication technology (ICT) skills has been accrued in EU. Andy Green supports this view:

For the newly industrializing nations it is frequently seen as a condition of economic development. For the advanced nations it is seen as one of principal means for maintaining high standards of living in the face of increasing global competition, particularly from the developing countries (p. 194).

Philip Brown (2001) mentions seven C’s of high skill formation. The first is consensus which is the extent to which the major stakeholders, government, employers, and trade unions are signed up to a commitment to upgrade the skills of the workforce (p.35). The second one is the competitive

capacity which refers to the potential for productive innovation and change Brown denotes that a high skill society depends on entrepreneurial and risk taking activities whether in terms of new business ventures or through innovation within existing enterprises, linked to new technologies, and the upgrading of skills (p.36). The third C is capability. According to Brown, it refers to the dominant model of human capability that informs the way people think about their abilities and those of others (p.39). Coordination is the fourth C of high skill formation. It is the coordination of the supply and demand for labour which recognizes over-emphasis on supply side issues of education, training and employability (p.43). He adds that the key issue of coordination is how national governments try to tailor their education and training systems to the perceived 'needs' of the economy (p.43). The sixth C, cooperation is stated. It is defined as the following:

Cooperation is a feature of all forms of economic organization on a large scale. The more productivity depends on 'brains' rather than 'brawn', the more important cooperation based on high trust becomes. The extent to which high trust relations are woven into the fabric of society will tell us a great deal about the degree of individual discretion and individual empowerment as well as collective commitment to skills upgrading (p.47).

The final C is closure which addresses social inclusion and exclusion in education, training and labour market. That is, in a high skill society it is expected to find inclusive skill formation policies aimed at reducing the social closure that has traditionally confronted women, ethnic minorities, and those from lower socio-economic backgrounds (Brown, 2001).

Skills formation has been a major objective of education for governments both in the developing world and in the advanced nations (Green, 2006). The Concrete Future Objectives of Education and Training Systems

(Council of European Union, 2001a) report states: 'Ensuring that all citizens achieve an operational level of literacy and numeracy (mathematical literacy) is an essential precondition to quality learning. These are the keys to all subsequent learning capabilities, as well as to employability' (Council of European Union, 2001a).

In the changing nature of society and of work this means that increasingly, professional or vocational skills are not enough. At work, the complexity of work organization, the increase in the types of task that employees are called upon to carry out, the introduction of flexible work patterns and of team working methods, mean that employees need skills beyond the purely technical in a way that their predecessors did not. The range of skills used in the work place is constantly widening (Council of European Union, 2001a). Bridge argues that identifying the skills required in the twenty first century is the first step when considering the proper education and training for the future workforce (Bridge, 2008).

Jonathan Payne (2000) handled the alternation of skills in time. In his study, he tried to identify how the meaning of "skill" has broadened considerably since the 1950s by examining relevant policy literature and the central, "re-defining" role of the (British) Manpower Services Commission and Further Education Unity in the 1970s and 1980s. Payne states that between the years 1950-1960 the definition of skills cover 'hard' technical abilities, combining physical dexterity, spatial awareness and technical 'know-how' (p.354). Between 1970-1980, over against the increasing young unemployment and the economic recession, discourse of the skills that can respond the needs of the economy started. The required skills for the economy during 1980s were

communication, problem solving, practical skills and core skills. According to Payne, the meaning of the skills is gradually expanding and, started to cover not only the technical abilities but also the social and life skills. These are the satisfactory interpersonal skills, the capacity to perform the efficient approach to problems, being flexible and aspirant to adapt for changes in technology and interest in the changes in the economy. In 1990's, it is stated the ability to update the skills and productivity in the workforce would provide to construct conventional policy wisdom for economic competitiveness. Core skills made the transition into the 1990s as a chameleon-like concept subject to considerable semantic slippage. As Edwards (p.5) notes: It may refer to basic skills in numeracy, communication and IT which employers are entitled to expect to have been acquired. It may refer to a foundation for future learning which would include hunting and gathering information . . . or the development of attitudes appropriate to a modern work force (Edwards, 1998; cited in Payne, 2000). Payne states throughout the 1990s education and training policy became increasingly mired in the belief that simply boosting the outputs of the VET system by expanding the supply of educated and skilled employees, would be sufficient to transform national economic competitiveness and realize the vision of high skill, high value-added capitalism (Payne, 2000).

As the economy has shifted away from the industrial economy that relies heavily on physical capital and low costs towards a knowledge-based economy that places an emphasis on human capital, it is vital that regions develop economic development strategies to increase the quality of its human capital (Bridges, 2008). Brown notes that economic globalization has greatly

expanded the policy significance of human capital theory, as neo-classical ideas about economic competitiveness came to the fore in the 1980s (p.8). Additionally, Brown argues human capital theory reduces individual workers to a bundle of technical skills that are fed into the economy.

Jill Sanguinetti (2004) claims that people need certain pre-defined skills, attributes and values in order for them to become 'employable'. Mayer (1992) argues about "generic skills, which are used to be known as 'core skills', 'key competencies', 'underpinning skills' or 'capabilities' (cited in Sanguinetti, 2004). According to Kearns (2001), the commonly accepted definition is "transferable skills which are essential for employability at some level for most". And add that the phrase 'generic skills for employability' is now in common usage in policy and research (Kearns 2001).

Making the EU the most competitive knowledge-based economy in the world requires the optimal functioning of education and training systems as crucial factors for the formation and use of human capital which is a key driver of economic prosperity through higher earnings and productivity (Becker, 1993) as well as of social welfare (OECD, 2001a). An entrepreneurial economy requires a shift of focus from controlling costs to developing human capital (Bridge, 2008). According to Becker, human capital is gained through the acquisition of skills and knowledge deemed valuable in the labor market (Beker 1964; cited in Mars, 2006).

Quality, efficiency, flexibility are the largely loomed competences. In this process, conceptually the content of education has been reshaped, and the concept of knowledge is redefined. In the context of the EU, knowledge is defined as the knowledge that contributes to the employability of the

individuals. Investment in knowledge regarded as essential in employment, competitiveness and social cohesion (European Commission, 1995). Encouraging the acquisition of new type of knowledge is one of the main objectives of action at European level envisaged in 1996. And the information society is recognized as the one the three factors for upheaval. Knowledge is defined as an acquired body of fundamental and technical knowledge, allied to social skills (European Commission, 1995). Basic knowledge is the foundation on which individual employability is built where technical knowledge is knowledge which permits clear identification with an occupation (European Commission, 1995). Citizens are recognized as employers and it is claimed that to be able cope with technology-related changes in the work force requirements (European Information Society, 2007), employers have to adapt to changes in the skills for the sake of their employability, and thus they have to build up their skills in accordance with the requirements of the economy. Two conditions would be necessary in building up their abilities: adequate information and guidance; access to training along with all the opportunities available for mobility (European Commission, 1995).

Education, training, lifelong learning, enterprise, labour policies are the actions areas in the EU in this context. The EU concentrated on the elaboration of mutual acknowledgment of professional qualifications and higher education diplomas, achieved in the framework of the common labor market policies and oriented to mobility of the workforce within the European Community (Mitter, 2004). Educational attainment and achievement — referring to both the quantity and quality of human capital — therefore have a major impact on economic and employment growth (Dion, 2005). The

imbalanced acquisition of key competencies is generally seen as the main reason for social division and the disparities in income that lead to marginalization and, ultimately, social exclusion (Dion, 2005). Traditional assembly lines are leaving space to new productive organizations composed of small core of high-skilled, high-paid workers, and a large contingent of peripheral workers who are hired and fired on temporary jobs (Schugurensky, 1997). European Commission, in the Green Paper “Living and Working in the Information Society”, reflects its ideas about the required skills for information society as:

The information society is recognized as a reality of life in EU perspective. Dramatic changes in price relations have a fundamental effect on the way we organize the production and distribution of goods and services and, thereby, on work itself. These developments are reshaping work, skill structures and the organization of enterprises. Through this, they are bringing fundamental change to the labor market, and to society as a whole Learning institutions become more responsive to changes in the skill needs of business and industry” (European Commission, 1996).

In order to develop quick responses to the challenges of new order of the world European countries have recognized that knowledge as their most valuable resource for fuelling economic growth and the need to ‘up-skill’ the workforce to ensure sustainable development in knowledge-intensive economies which rely increasingly on the service sector (Eurydice, 2002). In EU context, this upgrading starts with compulsory education and continues through lifelong learning.

The Concrete Future Objectives of Education and Training Systems (Council of European Union, 2001a) report mentions: ‘Ensuring that all citizens achieve an operational level of literacy and numeracy (mathematical literacy) is an essential precondition to quality learning. These are the key to

all subsequent learning capabilities, as well as to employability' (Council of European Union, 2001a).

Education and training systems are becoming more responsive to the labour market. The Commission Action Plan on Skills and Mobility recommends free access for all citizens to the acquisition of key skills, including literacy and numeracy, as well as mathematics, science and technology, foreign languages, 'learning-to-learn', cultural awareness, social/personal skills, entrepreneurship, and technological culture (including , ICT skills) (European Commission, 2002b). According to the government reports, the education of the post-industrial age will be entrepreneurial, generic, flexible and scientific (Schugurensky, 1997).

Entrepreneurship Policies of the EU in the Educational Context

The importance of human capital to the economy has stimulated an interest in increasing the educational attainment of the nation's workforce (Bridges, 2008). The need for schools and training institutions to relate to the world of business is now accepted – as regards training, it is in many countries inherent in the presence of the social partners in the organization of training and is clearly an essential part of the process of ensuring employability (Council of European Union, 2001a). Compared to past, due to the market's pressure of 'quality' on education, the more knowledge and competence and more qualified labour force are required for the knowledge society that we live in (Ünal, 2005; 2006). For example, in the Lisbon declaration it is stated the need

to create “a friendly environment for starting up and developing innovative businesses” (Lisbon Conclusions, paragraph 13).

The new economy does not rely solely on an increase of educational attainment, but also on the development of skills that are required by the twenty-first century (Bridges, 2008). These skills include entrepreneurial thinking, leadership development, being able to work with people from diverse backgrounds, and being able to adapt to a rapidly changing environment (Bridges, 2008).

Entrepreneurship is one of the basic skills that are called for new skills needed in a knowledge society in the Lisbon Council. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects (European Commission, 2002b). Entrepreneurship is often equated with business start-ups, therefore an entrepreneur is one who “organizes, manages, and assumes the risks of a business or enterprise” (Webster, 2007). Defining entrepreneurship in the narrowest sense as one who starts their own business, entrepreneurship education not only provides the knowledge needed for such an endeavor, but instills the necessary confidence for assuming risks that is required of business owners (Kourilsky & Walstad, 2000). People are not required to start their own businesses to be classified as entrepreneurs. Entrepreneurs can exist within corporations as well. The term ‘intrapranuer’ has been defined as an “employee that applies entrepreneurial thinking to the various internal functions of existing businesses” (Kourilsky and Walstad, 2000). An entrepreneur is able to see opportunity or an “unexploited niche, and fill it by developing a new product, devising a new service, discovering a new technology, or formulating a new organization” (Kent 1990).

The importance of entrepreneurship has been reaffirmed in the Commission's 2003 Spring Report to the Spring European Council which places particular emphasis on boosting investment, jobs and growth through knowledge, innovation and business dynamism (European Commission, 2003).

The sense of entrepreneurship is a new skill required for to be a 'qualified labor'. Entrepreneurship education has been difficult to measure, for "the most part because it is a relatively new phenomenon" (Bridges, 2008:23). It is regarded as a general attitude that can be usefully applied in all working activities and in everyday life. Thus, it is not only a business activity. It covers the all of the social interactions of individual. This supports everyone in day to day life at home and in society, employees in being aware of the context of their work and being able to seize opportunities, and is a foundation for more specific skills and knowledge needed by entrepreneurs establishing social or commercial activity (European Commission, 2001b). According to the Council of EU, entrepreneurship is wider than business activity – it is also an active and reactive spirit – something that society as a whole should value and invest in, and schools and training establishments should build this element into their curricula, and ensure that young people have the chance to develop in this sphere from an early age (Council of European Union, 2001a).

Entrepreneurship and entrepreneurial thinking have been identified as necessary in the ever changing economy (Bridges, 2008). The EU is committed to boosting entrepreneurship as part of its strategy to transform its economy and build its future economic and competitive strength (European Commission, 2004a). According to Garavan and O'Connell (1994) entrepreneurship is in vogue. And they define eight objectives of

entrepreneurship education and training programmes. These are to acquire knowledge germane to entrepreneurship; to acquire skills in the use of techniques, in the analysis of business situations, and in the synthesis of action plans; to identify and stimulate entrepreneurial drive, talent and skills, to undo the risk-adverse bias of many analytical techniques, to develop empathy and support for all unique aspects of entrepreneurship to devise attitudes towards change; to encourage new start-ups and other entrepreneurial ventures.

According to the Commission, the EU is not fully exploiting its entrepreneurial potential and it is failing to encourage enough people to become an entrepreneur (European Commission, 2002b). To release its full entrepreneurial potential, it is regarded that the EU must take serious steps to make Europe more attractive for business activity. But this alone is not enough to fuel the entrepreneurial drive. A more entrepreneurial mindset is needed and this means actively promoting entrepreneurial values and addressing the fear of risk-taking among the widest possible audience of potential entrepreneurs (European Commission, 2002b).

There is a positive link between primary and secondary education and economic growth and development (Schweke, 2004). The EU aims to promote entrepreneurial values through compulsory education. Hence, in European Agenda for Entrepreneurship published by the Commission entrepreneurship education recognized as an important tool to promote more entrepreneurial mindsets among young people. Under the open method of co-ordination, the Commission reviewed the policy approaches to entrepreneurship education in the EU (European Commission, 2002a). It is recognized that education can greatly contribute to creating a more entrepreneurial culture, starting with

young people and at school (European Commission, 2004c). In 2004 the Commission organized a benchmarking exercise under the open method of coordination around the use of mini-companies (student enterprises producing and selling real products or services in a protected environment). In 2005 the Commission, together with a group of experts presented success and risk factors, policy targets, recommendations and promotion material (success stories, examples of good practice) based on case studies and evaluations.

In the “Best Procedure project on education and training for entrepreneurship” (European Commission, 2002a) report, it is stressed that encouraging the enterprise spirit is a key to creating jobs and improving competitiveness and economic growth throughout Europe. In 2003 the Commission published the Green Paper “Entrepreneurship in Europe”. The Green Paper raised questions on two fundamental issues for Europe: ‘How to produce more entrepreneurs?’ and ‘How to get more firms to grow?’. Responses show that education is seen as an important means to create a more entrepreneurial mindset among young people. As a follow-up to this Green Paper, an Entrepreneurship Action Plan was adopted by the Commission in 2004. A report on the implementation of the “Entrepreneurship Action Plan” (European Commission, 2006b) provided a strategic framework for boosting entrepreneurship in the EU, complementing ongoing work, especially under the Multiannual Programme for Enterprises and Entrepreneurship (MAP) .

The report titled “A guide on good practices in promoting entrepreneurial attitudes and skills through education” (European Commission, 2003) lays out number of examples of practice in

promoting entrepreneurial attitudes and skills in young people through education, from primary school to university.

Entrepreneurship is first and foremost a mindset. It covers an individual's motivation and capacity, independently or within an organization, to identify an opportunity and to pursue it in order to produce new value or economic success. It takes creativity or innovation to enter and compete in an existing market, to change or even to create a new market. To turn a business idea into success requires the ability to blend creativity or innovation with sound management and to adapt a business to optimize its development during all phases of its life cycle. This goes beyond daily management: it concerns a business' ambitions and strategy (European Commission, 2003).

“Making progress in promoting entrepreneurial attitudes and skills through Primary and Secondary education” (European Commission, 2004c) is the final report of a project under the Multiannual Programme for Enterprise and Entrepreneurship (2001-2005) coordinated by the Enterprise Directorate-General of the European Commission, aim of the report is defined as to identify national or regional policies and strategies that will make it possible to achieve concrete progress in promoting entrepreneurship education within primary and secondary school, as well as to propose instruments that would help monitoring such progress. In the report it is stated that education can contribute to creating a more entrepreneurial culture.

The European Commission's (2006a) document “Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning” includes the framework of recommendations for concrete actions to disseminate entrepreneurship through education. And it is strongly claimed that there is a need to create a more favorable societal climate for entrepreneurship in the EU. In European Youth Pact the Council called the member states to promote entrepreneurship among young people (Commission

of the European Communities, 2005). Besides Best procedure project (2005) of the European Commission, it is stated that:

In order to achieve the goals of the re-launched Lisbon Strategy, Europe must place the main emphasis on knowledge and innovation. Promoting a more entrepreneurial culture is an important part of this effort, starting with young people and from school education (p.9).

As can be seen, considering that the EU is economy based cooperation, the Commission overrates competence and knowledge as an important vehicle for the economic development. Five key competence is defined (information technology (IT) skills, foreign languages, technological culture, entrepreneurship and social skills), there is a great focus on the competence of entrepreneurship. Nature of entrepreneurship involves the presences of competition. Competition is the major aspect of sense of entrepreneurial self-identity (Down & Warren, 2008).

Competition in the global economy is dependent on the quality of education, whereas the goals of education are dependent on the economy (p.6). Under these circumstances, education changes as the requirement of the economic change as result, human capital theory dominates discussions of education for the global economy. Under human capital theory, education is a social investment that prepares human resources (students) to contribute to economic growth (Spring, 1998).

While constructing the educational policies, humanistic approach should be the essence of this construction and implementation process. Moreover, the value inflighted on individual and individual's freedom to choose are on the base of humanistic approach, humanistic approach recognized that education is a process towards the self actualization of individual in cooperation with the other individuals. Economical and educational competition means winners and losers (Spring, 1998).

Jack and Anderson (1999) identified governments, students, and educational institutions as the three primary drivers of entrepreneurial education. For governments, supporting entrepreneurial education demonstrates an effort to create new jobs, promote capitalism, and generally increase economic prosperity. For students, the increased interest in entrepreneurship is seen through either a desire to one day create a new business or an attempt to acquire new skills that would be of value in a corporate career. And for educational institutions, entrepreneurial education is an acknowledgment to the business community that perhaps students have been leaving universities without any street smarts. All three drivers are marked by a distinctively applied connotation (Jack & Anderson, 1999). Entrepreneurship is seen as the engine driving the economy and this has resulted in a growing interest in the development of education programs that encourage entrepreneurship (Gorman & King, 1997)

CHAPTER 3: METHODOLOGY

In this third chapter of the study, the research questions, the methodology of the study, the document selection process, and the analysis of the documents will take part.

Research Questions

This study aims to analyze the EU's entrepreneurship promotion process in order to create economic growth and the assigned roles and responsibilities of education in this process, through utilizing three EU's published official documents relative to entrepreneurship. On the base of these aims, the research questions of the study are the following:

1. How does the EU promote entrepreneurship process in order to create economic growth?
2. What are the assigned roles and responsibilities of education to promote the idea of entrepreneurship?

Document Selection Process

Official documents are the most accessible research resource on educational policy (Valerievna Gun'ko, 2007), and also the EU presents a ready-made source of data grounded about its policy in its official web site. In this study, three EU's official documents are used as data source. The documents under the study are selected in four stages as the following.

First of all, there exist a huge number of documents about entrepreneurship and education in the literature. However, Mark Olseen and his colleagues (2004) denote that policy documents are constructed as expressions of particular information, ideas and intentions; the task of analysis becomes one aspect to establish the correct interpretation of the text. Taking their perspective into account, the policy documents were decided on to be the data source of the study at the initial stage of the document selection.

Robert C. Norton (1963) and his colleagues states that during the document selection process, three particular important considerations should be taken care of as data reliability, the comprehensiveness of available data and qualitative characteristics.

The First consideration is data reliability. Norton and his colleagues identify data reliability under three dimensions as the editor's reputation, the motive for publication, and the period of publication. In order to analyze the EU's entrepreneurship and education policies, it would be more reliable to analyze the EU's own official documents. Moreover, communication between the institutions to announce its policy proposal, decisions and implications is the EU's motive to publish the official documents. Also, the EU publishes huge number of policy documents in different contexts. The content of the study is about entrepreneurship; thereby the documents which are not relevant to entrepreneurship were eliminated. The last dimension about the data reliability is the period of publication, considering this the EU's official documents about entrepreneurship before the year 2000 were eliminated to maintain currency of the data.

Second consideration is the comprehensiveness of the available data. While assessing a comprehensiveness of a document, in order to understand the nature of

the sample and to consider the estimation of the numerical boundaries, it is necessary to take into account the question “how many and what kinds of documents are missing, and why?” (North et. al., 1963, p.22). After the year 2000, the EU published a number of policy documents about entrepreneurship. For instance, between the dates 01 January 2001- 01 January 2008, among the all the type and all the subject areas of the documents, 43 English documents were found from the EU’s document search engine¹ with the key word entrepreneurship. Furthermore, after 2000, the EU has published 66 Green Papers and only one of them has directly focused on entrepreneurship. Also, 17 white papers were published; none of them is focused on entrepreneurship. During the literature review of the study the documents entitled as “Green Paper: Entrepreneurship in Europe”, “Oslo Agenda for Entrepreneurship in Europe”, “Action Plan: The European Agenda for Entrepreneurship”, “Commission Communication: plan to promote entrepreneurial mindsets in schools and universities” and “Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning” were the ones which were referenced frequently among other official documents.

The third consideration is qualitative characteristic of the document. Norton and his colleagues states that “the difference between types of documents may be significant for a given research design” (p.24). For example, European Commission registers three types of documents as COM documents which are proposed legislation and other Commission communications to the Council and/or the other institutions, and their preparatory papers; SEC documents in which internal documents associated with the decision-making process and the general operation of Commission departments; and lastly C documents as legal acts adopted by the

¹ <http://ec.europa.eu/transparency/regdoc/recherche.cfm?CL=en>

Commission in the exercise of its own or delegated powers. Also, green papers are discussion papers of the EU published by the Commission on a specific policy area. They are primary documents addressed to interested parties - organizations and individuals - who are invited to participate in a process of consultation and debate. And white papers are documents containing proposals for Community actions in a specific area. They sometimes follow a green paper. While green papers set out a range of ideas presented for public discussion and debate, green papers contain an official set of proposals in specific policy areas and are used as vehicles for their development. Throughout North and his colleagues' consideration about document selection, the EU's COM type documents and green papers about entrepreneurship and education were decided to be the scope of the study.

The documents entitled "Green Paper: Entrepreneurship in Europe" "Action Plan: The European Agenda for Entrepreneurship" and "Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning" were proper documents, the EU's COM type documents and green papers about entrepreneurship and education. Also, content of these documents are comprehensive enough to reflect the context they are in and they are distinctive and determining official documents that enlighten the way of the latter implementations. And they were selected for the analysis of the study and derived from the EU's official website.

Method of the Study

The study utilizes content analysis, due to the fact that content analysis enables categorizing textual information systematically and making inferences about the messages inside of the texts (Weber, 1990). Krippendorff (2004) defines content

analysis as “a research technique for making replicable and valid inferences from texts to the contents of their use” (p.18).

According to North and his colleagues the stages of content analysis are selecting the sample, the definition of categories, coding of the documents, condensation of the relevant content on onto special data sheets, making the counts in frequency intensity and lastly interpretation of the findings in the light of appropriate theory. Moreover, Yıldırım and Şimşek (1990) identify the stages of content analysis as coding the data, determination of themes, organization of themes and codes and interpreting the findings

Analysis of Documents

On the basis of the stages of North and his colleagues and Yıldırım and Şimşek , the focus documents of the study analyzed in six steps as follows:

1. Weber (1990) states that recording units are the basic unit of text and to be classified as words, word sense, sentences and themes. On the base of Weber’s view, the aim of the study and the research questions, salient sentences were determined as codes for study among the selected documents.

2. These codes were grouped into six considering their common integrity of meaning to permit a classification of data on the basis of selected concepts (North et. al, 1963).

3. Three types of category determination are defined by Strauss and Corbin (1990). The first one is categorization according to predetermined concepts; the second one is categorization through inferring the selected documents; and the third one is categorization a general framework (cited in Yıldırım & Şimşek, 1990). Considering

the aim of the study and the content of the documents, and through the second type of category determination -inferring the selected documents- the categories are determined and assigned for each group. The assigned categories are:

- Current Circumstances about entrepreneurships policies (Category 1)
- Effects of entrepreneurship on employment policies (Category 2)
- Recommendations to promote entrepreneurship policies (Category 3)
- Expected characteristics of an entrepreneur (Category 4)
- Current Circumstance about entrepreneurship in education policies (Category 5)
- Recommendations to integrate entrepreneurship in education (Category 6)

4. The codes were organized under the identified categories. Thereby, the codes which are interrelated in terms of meaning but in the different documents and also different parts of one document were clustered under a common category.

North and his colleagues state that any coding must be evaluated in terms of validity, reliability and objectivity. Coding is valid when two independent measures of the same phenomenon yield similar results (p.42); is objective when it yields unbiased data independent of the collectors (North et. al, 1963). Also, two types of reliability are identified as intercoder reliability that refers to the degree of agreement between different coders at the same time, and intracoder reliability which measures the test-retest stability individual coder over time. In this study, the researcher coded the sentences over time to provide intracoder reliability.

5. Associated points of the categories were determined. And then, considering the aims of the study, the interrelated categories were grouped under two more general and overall themes as the promotion of entrepreneurship in order to

create economic growth and the assigned roles and responsibilities of education in promoting the idea of entrepreneurship.

6. Thematic coding process was followed by organizing the data according to the themes and the codes under the themes. Code 1, code 2, code 3, and code 4, were clustered under the first theme; code 5, and code 6 were under the second theme. Consequently, all the codes were covered by the themes.

CHAPTER 4: FINDINGS AND DISCUSSION

The following sections, features of selected documents and findings and discussion of the main themes of the study, as promoting entrepreneurship in order to create economic growth and the assigned roles and responsibilities to education in promoting the idea of entrepreneurship idea will be analyzed and discussed.

The study aims to analyze the process of entrepreneurship promotion through utilizing content analysis of the selected EU documents. Three selected documents for this study are “Green Paper: Entrepreneurship in Europe” (D1, “Action Plan: The European Agenda for Entrepreneurship” (D2), and “Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning.”(D3).

Features of the Selected Documents

The selected documents are represented as D1, D2, and D3 respectively.

1 - Green Paper “Entrepreneurship in Europe” (European Commission, 2003a). This document is published on 21 January 2003 by the Commission. It is a COM type document. The Green Paper, first of all, looks briefly at the definition and importance of entrepreneurship. It then studies the conditions required to encourage business start-ups and guide enterprises towards growth, before going on to examine the outlook for possible activities in this field. Besides, it gives examples based on best practices in the Member States on how to reinforce entrepreneurship. [D1] (Appendix A).

2 - Action Plan: The European Agenda for Entrepreneurship (European Commission, 2004a). Adopted in September 7th, 2006 and it is a Communication to the Council, the European parliament, the European Economic and Social Committee and the Committee of the Regions. It is the final implementation report of the Action Plan published by Commission of the European Communities and a COM typed document consists of 20 pages. This action plan gives great importance to education and fuelling more entrepreneurial mindsets. Addition to this, the Commission states that this document brought a series of initiatives together with a coherent and integrated whole emphasizing the importance of entrepreneurship itself and the key role those SMEs, which is a major source of jobs, business dynamism and innovation, plays a role in the EU's economy. [D2] (Appendix B).

3 - Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning (European Commission, 2004c). It is a communication paper from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the committee of the regions, published in 13th February 2006. It is a COM typed document consists of 13 pages. This document aims to strength the focus on current efforts at all levels to foster an entrepreneurial culture in Europe starting from school. The Commission states the report's objective as: "to identify useful policies and strategies that could be developed at national or regional level, and that will make possible to achieve progress in promoting the teaching of entrepreneurship within primary and secondary school and to propose instruments that would help monitoring such process". [D3] (Appendix C).

Promotion of Entrepreneurship Process in Order to Create Economic Growth

In the first part the sub-themes, current circumstances about entrepreneurship policies, effects of entrepreneurship on employment policies, recommendations about entrepreneurship policies and expected characteristics of an entrepreneur will be covered.

Current Circumstances about Entrepreneurship Policies

The Lisbon European Council (March 2000) set a new strategic goal for the next decade to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. In every step, the EU refers to this main goal. For instance, the EU anticipates that entrepreneurship plays a critical role to sustain economic growth. The official documents of the EU make it very clear; individuals are spurred on to start up their own business as a remedy to accomplish monetary problems they have.

To begin, the Commission firmly establishes that entrepreneurship is “a major driver of innovation, competitiveness and growth (D2; page.3)”. And it is claimed that there exists “a positive and robust correlation between entrepreneurship and economic performance has been found in terms of growth, firm survival, innovation, employment creation, technological change, productivity increases and exports (D2; page.7)”.

According to the Union, entrepreneurs have a key role in economy. For example, it is regarded that entrepreneurs are “the drivers of the market economy and their achievements provide societies with wealth, jobs and diversity of choice for

consumers (D1; page.8)”. Because entrepreneurs are expected to start up a business and “to successfully compete and grow depends on balancing the stock of enterprises through encouraging more managing business transfer (D3; p.4)”.

Also, SMEs are favored in entrepreneurship policies of EU. For instance, it is stated that “a certain degree of regulation and administration is necessary to regulate markets or to protect the public interest, national and regional policy-makers should also provide for support for SMEs (p.14)”. Entrepreneurs are expected to start up SMEs and they are encouraged to conduct business through providing credit, facilitator and serving as for administrative regulations, that is “The Commission...helps to improve the financial environment for enterprises, especially SMEs, through its Financial Instruments (D2, p.13)” and “will use its financial instruments for SMEs to facilitate entrepreneurial growth by stimulating the supply of both debt and equity finance from 2004 (D2, p.14)”. Moreover, according to Commission, “the conditions for SMEs to internationalize should be improved (D1, p.21)” and “support should be available for SMEs to make the most of the opportunities in the knowledge-based economy (D2; p11).” Furthermore, young people are considered as a significant agent of SMEs as “any dynamic SME that wants to grow will benefit from young people with entrepreneurial mindsets and skills (D3; p.5)”.

On the other hand, the survey sustained by Eurobarometer² reflects the exact opposite of EU’s efforts. According to the Eurobarometer survey (2007), Europeans prefer employee over self-employed status (p.6). And the preference for employee status has remained unchanged since 2004 (50% and 51%, respectively).

Furthermore, in spite of the EU’s effort to promote entrepreneurship, Eurobarometer

² Eurobarometer is a public opinion surveys on certain issues across member states. They are being performed by the European Commission since 1973. For further reading, see the web site: http://ec.europa.eu/public_opinion/index_en.htm

results connotes that this promotion is incompetent. The rate of respondents that prefer being self-employed is 51 % in 2000. But, this rate is 44 % in 2007. Thereto, in these years the rate of ones who prefers being an employee has risen from 44 % to 51 %. Through this, it can be claimed that efforts for promoting the economic “contributions” of entrepreneurship and its “positive” effect on employment policies are not effectual.

In EU context social cohesion is regarded as an important agent for the economic growth. This point is clear in a variety of EU’s documents. For example, the Commission states that “If Europe wants to successfully maintain its social model; it needs more economic growth, more new firms, more entrepreneurs willing to embark in innovative ventures, and more high-growth SMEs³ (D3; page.4)”.

Lastly, EU tries very hard to economically compete with other capitalist countries including the United States of America (USA). There exists some ocular demonstration about the comparison between EU and US’s entrepreneurship polices. For example, it is stated that “compared to the US, there is less entrepreneurial dynamism in the European Union. Europeans are less involved than Americans in new entrepreneurial initiatives and European businesses do not grow as much as in the US (D1; p.10)”. Through the view that “Europeans prefer employee status while Americans opt for self-employed status (D2), it can be claimed that EU makes comparison both statistically and practically and makes inferences from the US’s experiences on entrepreneurship. That is, the Commission has noted that “the growth of entrepreneurial dynamism in the US, it took 20 years to replace one third of the Fortune 500 companies listed in 1960, against four years for those listed in 1998 (D1; p.10)”and “entrepreneurs in the US appear to test the market by starting on a small

³ Small and medium sized enterprises.

scale and, if successful, expand rapidly (D1; p.9)". Moreover, statistically it is designated in 2007 Eurobarometer survey that there has been 3% decrease in preferring to be employed between the EU25 and the US. Even, the survey report in 2007 titled as "Entrepreneurship Survey of the EU (25 Member States), United States, Iceland and Norway". From these, although, US had tried to originate its' own rival through the Marshall Plan, it is clear that, EU appraises USA as a role model and economic rival since its establishment.

Also, the Commission worries that "the EU is not fully exploiting its entrepreneurial potential. It is failing to encourage enough people to become an entrepreneur (D2; p.3)". In the further side, entrepreneurship is recognized by the Council as worthy of promotion "because entrepreneurial skills and attitudes provide benefits to society, even beyond their application to business activity (D1; p.22)".

Some concrete steps are executed in the promotion of entrepreneurship process in general. For example, the Commission states that five strategic policies to act for boosting the current entrepreneurial dynamism in the EU as "fuelling entrepreneurial mindsets, encouraging more people to become entrepreneurs, gearing entrepreneurs for growth and competitiveness, improving the flow of finance, creating a more SME-friendly regulatory and administrative framework (D2; p.6)". Also "to properly respond to the differing entrepreneurial challenges, the Commission calls upon the Member States and business organizations to take the necessary action in the five strategic areas within their competence, at the best suited, national or regional level, thereby addressing their specific needs (D2; p.7)".

Moreover, it is denoted that the EU "put in place a strategy for growth- and stability-oriented macro-economic policies, which is a prerequisite for creating a climate conducive to entrepreneurial initiative (D1; p.11)" and "entrepreneurship

competence is developed in both formal and non-formal settings (e.g. youth work and various forms of participation in society) (D3; p.6)".

Effect of Entrepreneurship on Employment Policies

Entrepreneurship is presented as a remedy for increased unemployment rate in the EU. Decreasing the rate of unemployment through entrepreneurship is one of the highlighted baselines of the EU while promoting entrepreneurship. Moreover, 70 % participation to work force by 2010 is one of the major concerns that settled in Lisbon Council.

Entrepreneurship has a key role to increase employment rate. The major expectation from entrepreneurship is its effect on employment, disregarding the sizes, stages and sector of the business. The EU represents the prevalence of entrepreneurship "in any sector and type of business (D1; p.7)". For instance, it is mentioned that countries exhibiting a greater increase in entrepreneurship rates tend to exhibit greater subsequent decreases in unemployment rates (D3).

High level of employment is one of the key objectives of EU. Overall employment rate was 67 % in 2005 and it is aimed to raise 70 % in 2010 on average. It is stated that in the later 1990s, "most new jobs were for medium to highly skilled workers, whereas employment for low skill workers fell (D1)". Thus, for EU, to prevent from unemployment, individuals are to be equipped with the required skills.

Although rates vary between Member States, "despite efforts to reduce unemployment from 11% in the early 1990s an average unemployment rate at 7.4% is still a major issue (D1; p.10)" in EU. Besides, the issues of "access to skilled workers, the degree of flexibility of the labour market and appropriate finance (D1; p.16)" are regarded as constraints on business performance. For example, based on the sentence "in the later

1990s, most new jobs were for medium to highly skilled workers, whereas employment for low skill workers fell (D1; p.18)”, it can be claimed that according to EU, low employment rate is due to the lack of necessary qualifications of which workers are to equipped with.

The EU argues that “countries exhibiting a greater increase in entrepreneurship rates tend to exhibit greater subsequent decreases in unemployment rates (D3; p.4)”. Namely, entrepreneurship is decked out as a pathway to increase for unemployment in EU; it is set forth that “job satisfaction among entrepreneurs is higher than among the employed (D1; p.8)”. Moreover, as an escape trail “for some, who cannot find a regular job to their satisfaction, the choice of becoming an entrepreneur may stem partly or entirely from economic necessity (D1, p.8)”.

According to the EU “entrepreneurship can also contribute to fostering social and economic cohesion for regions whose development is lagging behind, to stimulating economic activity and job creation or to integrating unemployed or disadvantaged people into work (D1; p.8)”. Another expectation from entrepreneurship is about the social cohesion for less-developed regions. Beside, it is expected that “entrepreneurship can also contribute to social cohesion for less-developed regions and to putting unemployed or disadvantaged people into work (D3; p.4)”. That is, through putting unemployed or disadvantaged people into work, they foresee that social cohesion will be materialized.

Recommendations about Entrepreneurships Policies

To exploit its entrepreneurship potential, the EU proposes that “entrepreneurship policy aims to enhance entrepreneurial vitality by motivating and equipping entrepreneurs with the necessary skills (D1; p.11)”. According to the EU,

“Europe needs to foster entrepreneurial drive more effectively. It needs more new and thriving firms willing to reap the benefits of market opening and to embark on creative or innovative ventures for commercial exploitation on a larger scale (D1; p.5)”

Some resolutions are identified to solidify the relation between entrepreneurship and economy. For example, it is expected EU should be more committed “to boosting entrepreneurship as part of its strategy to transform its economy and build its future economic and competitive strength (D2; page.3)”. To enhance the current entrepreneurship policies, and “to release full entrepreneurial potential (D2; p.4)”, EU has some resolutions for the future as “to boost the Union’s levels of entrepreneurship, adopting the most appropriate approach for producing more entrepreneurs and for getting more firms to grow (D1; p.10)”, “to motivate individuals to become entrepreneurs to made them aware of the concept of ‘entrepreneurship’, and this should be made a sufficiently attractive option (D1; p.11)”, and “to widely promote, with particular focus on women and other underrepresented groups (D1; p.15)”.

The EU perceives that “a more entrepreneurial mindset is needed (D2; p.4)” and “entrepreneurial activity depends on a positive appreciation of entrepreneurs in society (D1, p.11)”. Attitudes towards entrepreneurial initiative are highlighted as “to be made more positive (D1; p.22)” and “among staff attitudes can be further increased where financial participation is accompanied by greater influence of employees in a firm’s decision-making process (D1, p.20)”. Out of schooling experiences are amenable to help create a positive entrepreneurial image and assure for the society the requirement of entrepreneurship and entrepreneur values in the EU content. Because it is proposed building an entrepreneurial society involves everyone

(D1). In other words, according to EU entrepreneurial activity depends on a positive appreciation of entrepreneurs in society (D1). And building a climate in which entrepreneurial initiative and business activities can thrive is one of the ways of promoting entrepreneurship. To actualize the legitimizing of entrepreneurship, EU offers that individuals should be made aware of the concept of ‘entrepreneurship’, and attitudes towards entrepreneurial initiative, and failure, must be made more positive (D1).

In the EU context, the way to construct positive attitudes goes through “a more favorable societal climate for entrepreneurship, based on an integrated policy with a view to not only changing the mindset but also improving the skills of Europeans and removing obstacles to the start-up, transfer and growth of businesses (D3; p.4)”. Besides, according to the Commission “to develop healthy firms, supportive framework conditions are essential (D1; p.11)”.

If such discourses could produce a greater level of entrepreneurship, then it is proposed that the “a supportive environment for businesses is key for businesses to start, stop, take over, thrive and survive (D1; p.11). Apart from a supportive environment “emphasizing the notion of responsible entrepreneurship” will help to make an entrepreneurial career a more attractive proposition (D3; p.5)”.

The Commission states that the “sharing experience and working together, in clusters or networks, can help entrepreneurs to find inspiration and advice, access technology and knowledge, or identify partners (D1, p.23) and ‘think small first’ principle should be promoted (D1, p.24)”; “also efforts must be intensified to improve access to finance and skilled workers (D1; p.23)”. Besides, to fine down entrepreneurship policies, it is mentioned “social security and tax provisions must be re-assessed in the light of their effects on entrepreneurs’ willingness to take the risk to

start a business or grow (D1, p.25)”. Addition to these, it is suggests that “national and regional authorities can arrange awareness campaigns, offer training material, organize training modules for teachers and, together with business organizations, involve entrepreneurs in teaching programmes (D2; p.8)”.

General claim is “entrepreneurs need to update and develop their managerial skills to keep ahead in a changing economy (D1; p.21)” and “need to be supported in developing the skills required to adapt their business to changing conditions (D1; p.23)”. And it is stated that “to compensate for the lack of personal expertise in the increasingly varied skills needed to run a business, entrepreneurs must have access to top-class business support (D1; p.21)”. EU’s point view of is that legitimizing ways of being an entrepreneurs should be fostered cognitively.

Expected Characteristics of an Entrepreneur

According to Peter Jarvis (2007), people need more than just the requisite knowledge; they need skills and the mixture of skills and knowledge which is called “competence”. In neo-liberalism, individuals are under the necessary of up-grading their skills. In other words, they are to equip with required competences.

Apart from administrative and legal arrangement and incentives, there is a premeditated entrepreneur image that is equipped with the required skills. That is, an entrepreneur should have the ability to welcome and support innovation, welcome change, have motivation to succeed. Before all else, entrepreneurship is recognized as a mindset. Besides, EU builds up entrepreneurs that to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organization (D1).

Some certain common characteristics of entrepreneurial behavior are identified as “including a readiness to take risk and a taste for independence and self-realization (D1; p.6)”. Apart from other intra personal features, there exists greater emphasis on “risk-taking”. It is also stated that “risk-taking should be rewarded, rather than punished (D1; p.25)”. “This means actively promoting entrepreneurial values and addressing the fear of risk-taking among the widest possible audience of potential entrepreneurs (D2; p.4)”.

As much as an entrepreneur has intra personal features, inter personal features like being a maker, a creator of a new market, turning a business idea into success, the ability to blend creativity or innovation, involvement in a firm’s strategic decision-making are identified. The Commission states that “entrepreneurship is about people, their choices and actions in starting, taking over or running a business, or their involvement in a firm’s strategic decision-making (D1; p.6)”. Furthermore, it is regarded as “also a vehicle for personal development and can harness social cohesion when the opportunity of creating one’s own business is offered to everybody, regardless of background or location (D2; p.3)”. “Matching scientific potential with entrepreneurial skills will contribute to better commercialization of research results through spin-offs and more start-ups in knowledge-based sectors (D2; p.7). In EU perspective “building an entrepreneurial society involves everyone (D1; p.22)”. Through this, it is regarded that “entrepreneurship is the process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organization (D1; p.7)”. From an entrepreneur, it is expected that “to turn a business idea into success requires the ability to blend creativity or innovation with sound management and to

adapt a business to optimize its development during all phases of its life cycle (D1; p.6)”.

As to EU, “although many people express a preference for being an entrepreneur, many lack the confidence and skills to turn their ambitions into action (D1: p.25). And “entrepreneurship covers an individual’s motivation and capacity, independently or within an organization, to identify an opportunity and to pursue it in order to produce new value or economic success (D1; p.6)”. “Developing a business gradually requires more managerial skills, such as efficiency, effectiveness and reliability (D1; p.14)”, thus “higher income levels may prompt people to fulfill ‘higher needs’, such as self-realization and independence, through entrepreneurship (D1, p.8)”. “As for all competences leading to better management of one’s own life, the foundations are laid in the early years of education (D3; p.7)”.

Assigned Role of Education in the Promoting the Idea of Entrepreneurship

In the second part, the categories of current situation about entrepreneurship in education policies, and recommendations about integration of entrepreneurship in education, will take part

Current Circumstance about Entrepreneurship in Education Policies

Lisbon Council identified five new basic skills for the knowledge economy as ICT⁴ skills; technological culture, entrepreneurship, foreign language and social skills. In Stockholm (2001), three main objectives were adopted on the base of

⁴ Information and communication technology.

quality, access and openness. In the work programme on the follow-up of the objectives of education and training systems, these three main objectives have been detailed in 13 concrete objectives like developing the skills needed for a knowledge society and developing the spirit of enterprise. The Directorate-General for Education and Culture has established several working groups on the thirteen concrete objectives. For example, the working group B on the basic skills identified a framework for eight key competences that is regarded as necessary for everyone in a knowledge based society. These are competence in mother tongue, communication in foreign languages, mathematical literacy and basic competences in science and technology, ICT skills, learning-to learn interpersonal and civic competences, entrepreneurship and cultural awareness.

Integration of entrepreneurship in education is recognized as a central element in the EU entrepreneurship policy. In Barcelona Council (2002), it is highlighted that entrepreneurship should be learned through education and education systems should contribute facilitating the acquisition of skills needed to set up and run a business.

In the green paper Entrepreneurship in Europe (D1), it is stated that education should foster the right mindsets by providing the necessary skills for entrepreneurship and through increasing the awareness of entrepreneurship as a career opportunity. Therefore, entrepreneurship is considered as “a key competence for all, helping young people to be more creative and self-confident in whatever they undertake and to act in a socially responsible way (D3; p.4)”.

Also, Best Procedure project (European Commission,2002a) on education and training for entrepreneurship mentions policy recommendations concerning entrepreneurship education in primary, secondary and tertiary education and teacher

training. In 2004, a new initiative is constructed for the analysis of programmes based on students running a mini-company or virtual firm in a particular secondary school.

Entrepreneurship Action Plan (D2) mentions about policy areas, one of which aims at fueling entrepreneurial mindsets among young people. Considering the materialized actions of the Commission, it can be deduced that EU recognize education as an important implementation to promote entrepreneurship. Supporting the idea of Rumford (2002) that as globalization constitutes the environment, in which the EU operates, the assigned role of education in the EU resembles the global requirements of education.

Liberal-humanist dimension of education is reduced through the demands of the market policies. For instance, entrepreneurship is the one of the highlighted demand of the market. By catching up with global process of world economy, the EU has some detection to give rise to the promotion of entrepreneurship at schools. It claims that formal education in Europe has not been conducive to entrepreneurship and self-employment (D3) and the education systems can greatly contribute to successfully addressing the entrepreneurial challenge within the EU (D3). Thereby, EU claims that the chances of start-ups and self-employment and enhances individuals' economic reward and satisfaction will increase (D3).

According to EU, "the education system can provide both skills and exposure as a contribution to fostering entrepreneurship (D1; p.13)". It is claimed that "promising results showed that entrepreneurship is gaining importance in education programmes and that many policy initiatives are underway (D2; p.8)".

Schools are recognized as an important vehicle to promote entrepreneurship. Therefore, a common perception about entrepreneurship is tried to construct

education systems that “can provide both skills and exposure as a contribution to fostering entrepreneurship (D1; p.14)”. Besides, it has some identifications as, “formal education in Europe has not been conducive to entrepreneurship and self-employment (D3; p.5)” and “examples of more explicit entrepreneurship education are few (D3; p.7)”. “There is a perception that secondary school curricula do not provide sufficient motivation to teachers and schools to develop entrepreneurship education. (D3; p.8)”. Due to these “entrepreneurship education was seen as an important way to create more entrepreneurial mindsets among young people (D2; p.5)”. Also, EU defines a need “for public authorities, especially those responsible for education, employment, industry and enterprise, to actively promote entrepreneurship education. (D3; p.9)”.

According to EU “member States, to varying degrees, are now committed to promoting the teaching of entrepreneurship in their education systems (D1; p.14)”. Because it is thought that “the education systems can greatly contribute to successfully addressing the entrepreneurial challenge within the EU (D3; p.5)”. For example, “at primary level, nurturing qualities such as creativity and a spirit of initiative helps develop entrepreneurial attitudes (D3; p.7)”. And “tertiary education is normally highly decentralized, but there are some examples of a national strategy for promoting entrepreneurship in higher education, normally as a result of cooperation between the administration and universities (D3; p.9)”. It is expected that “especially at later stages of primary education, entrepreneurship-related programmes can successfully combine creativity, innovation and a simple concept of business (e.g. pupils selling products in school markets, etc.) (D3; p.7)”.

The current activities are adoption of “support measures by governments and they take the form of encouraging partnerships between schools and enterprises,

supporting dedicated organizations, delivering concrete programmes, financing pilot projects in the schools, and disseminating good practice (D3; p.9)”, “revision, the national curriculum in order to recognize the entrepreneurial competence (D3; p.6)”, including objectives developing entrepreneurial attitudes and learning how to start a business (D3; p.6), using virtual enterprises as a training aid for students (D1; p.14), and organizing a benchmarking exercise under the open method of co-ordination around the use of mini-companies (student enterprises producing and selling real products or services in a protected environment) in 2004 the Commission (D2; p.8). Another concrete example is “in Luxembourg, the sixth-year (11/12 year-old pupils) French-language programme has a section devoted to starting up a business, based on the strip cartoon “Boule and Bill set up a business”, and this is used in all primary schools (D3; p.7)”, and “the ‘Young Inventors Competition’ is a programme run in primary and lower secondary schools in several countries that is aimed at children from 6 to 16 years of age. It aims to encourage students’ creativity, to develop their ideas and to present them to a competition. Winners receiving prizes for designs and inventions (D3, p.7) are highlighted examples of the executed activities. EU defines the objective of mini-companies like “Boule and Bill set up a business” to develop a real economic activity on a small scale or of simulating the way companies work in a realistic way (D3, p.8)”. Throughout this objective, the Commission affirms that “around 20% of participants in mini-company activities in secondary school go on to create their own company after their studies (D2)”. By the way of addition, “a course on entrepreneurship has also been added to the curricula, which will cover entrepreneurship theory and practical guidance on preparing business plans (D1; p.14)”.

In different member states, some concrete activities are actualized. For example:

The University of Strathclyde in the UK offers a programme to promote a positive attitude towards entrepreneurship amongst teachers. The content of the programme is flexible and geared to 'learning by doing'. Tasks include writing a business plan and taking management decisions, with the support of a tutor. Teachers learn about entrepreneurial skills and attitudes, but also how they can apply this experience to enterprise education in their schools (D1; p.22).

Furthermore, "In Poland, "Basics of Enterprise" is a compulsory subject in all comprehensive secondary and vocational schools. Objectives include developing entrepreneurial attitudes and learning how to start a business. (D3; p. 6)"; "In Austria, entrepreneurship is part of the curriculum of secondary level technical and vocational education, for example in the form of students running a fictitious firm (D3; p. 6)"; "In the German Vocational Training System (the so-called Dual System), where training takes place both in school and in a firm, in the "Master Phase" young people are taught how to set up their own company. Such training aims not only at the acquisition of the necessary management competences, but also at fostering the entrepreneurial attitudes and skills of apprentices (D3; p.8)"; "In Finland, an entrepreneurship steering group was set up in 2002 to develop and coordinate entrepreneurship at different levels of education, with members representing different ministries, organizations and educational administrations. (D3; p.9)"; "In the UK, the aim of the Science Enterprise Challenge is to establish within universities a network of centers funded by the government and specialized in matching entrepreneurship studies with science and technology (D3; p.9)".

Requirements to Integrate Entrepreneurship in Education

The Commission put some resolutions to enhance entrepreneurship policies on education, because it is anticipated that “education and training should contribute to encouraging entrepreneurship, by fostering the right mindset, awareness of career opportunities as an entrepreneur and skills (D1; p.12)”. And “to ensure that all pupils leaving the education system have had access to entrepreneurship courses, the Commission calls upon the Member States to integrate entrepreneurship education into all schools’ curricula and provide schools with proper support to allow them to put in place effective and high quality education schemes (D2; p.8)”. Also, to ensure that “all pupils leaving the education system have had access to entrepreneurship courses (D2; p.8)”, the Commission calls upon the Member States to integrate entrepreneurship education into all schools’ curricula and provide schools with proper support to allow them to put in place effective and high quality education schemes. Furthermore, in Commission’s point of view “schools should be given support and incentives to encourage take-up of entrepreneurship activities and programmes, as many concrete examples of how to do it exist already (D3; p.9)”.

The EU identifies a need for public authorities, especially those responsible for education, employment, industry and enterprise, to actively promote entrepreneurship education (D3; p.9). “Numerous organizations are currently disseminating entrepreneurship education across Europe by means of partnerships with the business world, with a certain degree of public support (D3; p.13)”. And it is suggested cooperating between educational establishments and the local community, especially businesses, and “involvement in formal and non-formal education should be seen by firms as an investment and as an aspect of their corporate social responsibility (D3; p.12)”. Moreover, it is mentioned that “private actors (business

associations, companies, entrepreneurs, business consultants, etc.) are becoming more involved in education, both by sponsoring specific initiatives and by participating directly in teaching (e.g. as mentors). (D3; p.9)”.

“Private-public partnerships are crucial to the development of entrepreneurship education (D3; p.10)” through “the establishment of school-business-community (D3; p.13)”. Moreover, according to EU “the establishment of school-business-community links is a key element of successful programmes (D3; p.13)”. And identifies primal actions as “establishing formal cooperation between different departments of the administration, given the horizontal and interdisciplinary nature of entrepreneurship education at a national level (D3; p.9)”.

To actualize the expectations mentioned above, EU suggests “young people should be exposed to entrepreneurship and be supported, along with their trainers, in developing entrepreneurship skills (D1, p.25) and “campaigns could provide role models and success stories to showcase entrepreneurs and highlight the benefits that they bring to society (D1; p.24)”. In the EU contexts, “entrepreneurship develops in an environment that encourages active forms of learning. To enable this, EU mentions about a need for support and suggest to “include providing initial and in-service training for teachers, giving them the time and resources to plan, run and evaluate activities, making teaching material available and clarifying responsibilities (D3; p.9). Throughout this view, EU suggests “special attention should be given to training teachers, through initial and in-service training as well as practical experience, and to raising the awareness of heads of schools and school boards (D3; p.12)”.

In EU agenda, “entrepreneurial mindsets and skills can best be promoted through learning by doing and experiencing entrepreneurship in practice, by means

of practical projects and activities (D3; p.8)” and “schools should be given support and incentives to encourage take-up of entrepreneurship activities and programmes, as many concrete examples of how to do it exist already (D3; p.9)”. And it is proposed that “more people to be informed about entrepreneurship and have the opportunity to acquire entrepreneurial skills through education and promotion activities (D2, p.17)”. According to EU’s point of view, team working is overrated because, “entrepreneurs learn best from each other (as mentors or in networks), and so their role in promotional and educational activities is of the utmost importance in creating entrepreneurial mindsets (D2; p.7)”.

Although the EU recognizes “the entrepreneurship competence should be acquired throughout lifelong learning, (D3; p.4)” and it claims “personal skills relevant to entrepreneurship should be taught from an early stage and be maintained up to university level, where the focus can concentrate on building management capacity (D1; p.14)”. For example, “awareness should be raised of the benefits of basic entrepreneurship learning to society at large and to learners themselves, even at the early stages of education (D3; p.7)”. Therefore, entrepreneurship education in universities should be available for students and researchers from all fields, notably in technical universities (D2; p.7).

Further suggestions for entrenchments like “learning about society should also include early knowledge of and contact with the world of work and business, and an understanding of the role of entrepreneurs in the community (D3; p.7)”, “public authorities should take the initiative and promote education for entrepreneurship to schools, heads of schools and teachers (D3; p.9)” and “national and regional authorities should establish cooperation between different departments, leading to developing a strategy with clear objectives and covering all stages of

education in the context of the Lisbon national programmes (D3; p.12)” are identified.

Moreover, the commission mentions “curricula for schools at all levels should explicitly include entrepreneurship as an objective of education, accompanied by implementation guidelines (D3; p.12)” and “including explicit objectives in curricula, together with guidelines for putting them into practice, provides a more solid basis for entrepreneurship education (D3; p.6)”.

Concretely, EU suggests that “schools should be given practical support and incentives to encourage take-up of entrepreneurship activities and programmes, through a range of different instruments (D3; p.12)”, “particularly in secondary education, there are subjects that can be used at the initiative of schools and teachers for entrepreneurship learning (D3; p.6)”, “methods of promoting a more open mindset towards entrepreneurship include working on projects, role games, simple case studies and visits to local enterprises (D3; p.7)” and “tools for the recognition and validation of entrepreneurship-related skills acquired in non-formal learning should be further developed (D3; p.6)”. Furthermore, it is proposed that “universities and technical institutes should integrate entrepreneurship as an important part of the curriculum, spread across different subjects, and require or encourage students to take entrepreneurship courses (D3; p.9)”; “considering that both personality and management skills are key elements for success, personal skills relevant to entrepreneurship should be taught from an early stage and be maintained up to university level, where the focus can concentrate on building management capacity (D1; p.13)”; “more people to be informed about entrepreneurship and have the opportunity to acquire entrepreneurial skills through education and promotion activities (D2; 17)”; “universities should integrate entrepreneurship in different

subjects of their study programmes, as it may add value to all degree courses (D3; p.9); also, “in order to tackle the shortage of specialized professors, entrepreneurship should be more broadly recognized as a specialization field for doctoral programmes” D3; p.9”.

CHAPTER 5: CONCLUSION

The present study aims to analyze the EU's entrepreneurship promotion process in order to create economic growth and the assigned roles and responsibilities of education in this process, through utilizing the EU published official documents relative to entrepreneurship. This chapter begins with the conclusion of the study and continues with the limitations, and recommendations for further studies.

In the light of the findings of the study, it can be deduced that the EU has two main baselines while promoting entrepreneurship. The first is probable contribution of entrepreneurship on planned economic growth of the EU; and the desire that entrepreneurship will decrease the increased unemployment rate. In policy discourses, the rate of unemployment is the one of the EU's major concerns. Actually, the EU attributes the high unemployment rate to the unskilled labour force. So, it is expected that labour force needs to upgrade their skills through education. This point of view ascribes education a function for equipping the work force with the necessary requirements. There are serious problems with this perspective on education. One of the fundamental issues is the exclusion of the social foundations of education. This perspective focuses on education not to the any humanistic approach to citizens but rather it renders individual citizens as a tool for business needs. In other words, the results of the study demonstrate that business world needs individuals, who has the skills like entrepreneurial thinking, leadership development, being able to work with people from diverse backgrounds, and being able to adapt to a rapidly changing environment (Bridge, 2008: 1). The demand for trying to find out different ways to maximize the profit rate can be regarded as usual in the context of business life. However, the analysis of the EU's official documents about

entrepreneurship revealed that formal education was reduced to become a significant tool for maximization of the profit rate of an enterprise. Whereas, education systems should aim to raise liberated individuals through providing appropriate medium of personal actualization.

The analysis of the EU's official documents about entrepreneurship demonstrates entrepreneurship is the distinctively highlighted skill in the EU. Through the sense of entrepreneurship, the individuals are expected to start their own business. Besides, throughout the analysis of the focus documents of the study, it can be inferred that the EU pretends as the through promoting SMEs, everyone is going to be an employer; they are going to work for themselves, this is the way of the salvation for their "own" economic development. However, although individuals who are encouraged to be an entrepreneur are seen to be supported by the EU financially, through the credits given by EU they are being dependent on the EU. The EU pretending as an entrepreneur should be the personal choice of people, as if the economic growth of the Union and the Member States is independent from the individuals

In terms of the results of the study, it can be argued that the EU assigns education a critical and significant role while promoting entrepreneurship. That is, in the EU context, the analysis of the focus documents has revealed that education and training are to contribute to the encouragement of entrepreneurship through fostering the entrepreneur mindset, awareness of career opportunities. This can be clearly seen in the following extract.

At the level of primary education, EU has two main expectations: Development of personal qualities like creativity, spirit of initiative and independence, early contact with the world of business, and information about the role of entrepreneurs. At secondary level, students are to be aware of self-employment and able to conduct mini-enterprises. At the tertiary level, students are to know how to

start a real business and support for business ideas (European Commission, 2004c).

Besides, the analysis of the three selected documents has revealed that from formal education, expected to develop personal qualities like creativity, spirit of initiative and independence and to enable early contact with the world of business, and to get information about the role of entrepreneurs. Students are expected to be aware of self-employment, to be able to conduct mini-enterprises and to know how to start a real business and to support for business ideas in different levels of formal education.

Concretely, the focus documents revealed that revising national curriculum, adding course on entrepreneurship that covers entrepreneurship theory and practical guidance on preparing business plans, using virtual enterprises, organizing a benchmarking exercise around the use of mini-companies are executed activities in formal education in different member states.

Integrating entrepreneurship on education can result in damage in the function of education relative to significant areas of life like cooperation, self actualization, and solidarity. Education system abandoned for the benefit of business life. Education process rendered rather than being an institution in which students experience freedom of expression and critiques of the political, economical and cultural processes trains individuals with necessary skills needed in business life such as competing, taking risk, starting up business in order to gain profit from these business.

Education perceptive absorbs and re-produce the existing situation and destroys the independent and free minded individuals; construct the individuals who are submitted to authority and who imbibes the weakness in changing the life. These

people, rather than struggling for the problems, choose accepting the rules of authority without examining. Besides, they try to be “successful” in individualistic competitive system and to be included the social groups who are insensitive toward concrete social problems in the society. This perception is mutually a contradiction with the social existence of a person. This will lead to the exclusion of individuals from the society.

Throughout the demonstrations of the findings of the study, it can be concluded that the EU’s efforts for integrating entrepreneurship on education reflect not only EU’s portrayal of education but also its expectations from education. Integration of entrepreneurship in education is consistent with the requirement of neo-liberalism. This perception will lead to a decline in liberal-humanistic side of education that base on social development and personal fulfillment.

Through neo-liberalism, the welfare states that came into being after the World War II have started to constrict the public services and reduce the public expenditures. During the post-1980’s neo-liberal globalization era, in EU context, the welfare state policies were perceived as obstacle to the accumulation of capital. Also, it was found that publicly provided services like education and health can be sources of great profit for private business. In this manner, prevalence of unemployment discourses and privatizations of public services, subcontracting of the production processes are recognized as solutions for the decreasing profit rates in spite of the welfare states structure. The EU has called the subcontracting of the production processes as “entrepreneurship”. While promoting entrepreneurship policies, the actual desire of the EU was to discharge the welfare regime in Europe.

Limitations of the Study

Firstly, this is a qualitative research that can not be generalized to the whole education policies of the EU. The findings and the discussion of the study are limited only to the selected documents and their contents. The EU published huge amount of official documents and as a whole the analysis based on the purposefully selected documents may not reflect the EU's educational policy. For example some of C type and SEC type documents' contents would be appropriate to study on.

Secondly, the data sources of the document are the documents open to public. There might be some other official EU documents that are not publicly shared. Considering these, the open public documents may be tendentious through favoring the EU's policies.

Thirdly, the coding process is actualized only by the researcher for several turns over time. It would be better to cooperate with another trained coder during the coding process to provide intercoder reliability.

Recommendations for Further Researches

This study is an overall analysis of the promotion of entrepreneurship. There is a need to study implementation of the policies on the different level of schools. For example, it is very important to examine the reflection of entrepreneurship on the school textbooks.

Secondly, entrepreneurship dimension of formal education is trying to be integrated on Turkish Education Systems in recent years. Because, it would be very important to analyze the reflection of EU's membership requirements on Turkish

education policies upon the integration of entrepreneurship, since Turkey try to be a full member of the EU.

Thirdly, by using the method of critical discourse analysis (CDA), the documents under the study would be re-analyzed. Because CDA enables to integrate the analysis of the text, the analysis of the process of text production, consumption and distribution and socio-cultural analysis of the discursive event as a whole (Fairclough, 2003).

APPENDICES

APPENDIX A

Green Paper: Entrepreneurship in Europe

GREEN PAPER Entrepreneurship in Europe



European Commission



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 21.01.2003
Document based on COM(2003) 27 final

Green Paper

Entrepreneurship in Europe

(presented by the Commission)

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I. INTRODUCTION - EUROPE'S ENTREPRENEURIAL CHALLENGE

Europe needs to foster entrepreneurial drive more effectively. It needs more new and thriving firms willing to reap the benefits of market opening and to embark on creative or innovative ventures for commercial exploitation on a larger scale.

In the middle of the last century, economists predicted the dominance of large firms. Size was needed to obtain economies of scale, to exploit foreign markets and to keep abreast of regulations and of new opportunities in technology. Indeed, in the 1960s and 1970s, large companies dominated the economy. Since then, the trend has started to reverse. Large firms rationalised by restructuring, outsourcing or downsizing and the number of business owners in OECD countries increased from 29 million to 45 million between 1972 and 1998.¹

Structural changes in the economy shifted Europe's comparative advantage towards knowledge-based activities. Globalisation increased competitive pressure on manufacturing firms in high-cost locations, which led not only to a shift in production capacity to low cost countries,² but also to increasing productivity by using technological inputs. Meanwhile 'Information and Communication Technologies' (ICTs) gave rise to new markets, such as personal computers, software and ICT-based services, which revolutionised production processes in many industries and led to growth of the service sector.

The Internal Market, created by the European Union, is evolving through the removal of barriers and through mutual recognition and harmonisation. It facilitates trading in a market of 380 million people soon to expand to 450 million after enlargement.

These changes have led to opportunities for new entrepreneurial initiative, particularly in the area of services. The increased complexity of production processes requires a variety of specialised inputs. Also, the reduced costs of transmitting knowledge across space makes inputs by external providers relatively cheaper. Increased market opening allows firms in niche markets to operate on a more European or worldwide scale.

The capacity to adapt to economic changes is crucial for competitiveness.³ In Lisbon in 2000, the European Council defined its objectives in terms of employment, economic reform and social cohesion. For 2010, the Union aims "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". In 2001, the European Council agreed on a strategy for sustainable development and added an environmental dimension to the Lisbon strategy. The Council recognised the need for radical transformation of the economy, in order to create some 15 million new jobs by 2010.⁴

¹ 'Entrepreneurship: Determinants and policy in a European US comparison', David B. Audretsch et al., 2002.

² Between 1991 and 1995, manufacturing employment in German plants decreased by 1 307 000 while it increased in foreign subsidiaries by 189 000, 'Entrepreneurship: A survey of the Literature', David B. Audretsch, October 2002.

³ Comparison between Europe, the US and Japan suggests that change in European manufacturing may not have been fast enough in relation to change in demand and technology. 'The European Competitiveness Report', SEC (2000) 1823, 30.10.2000.

⁴ 'Increasing labour force participation and promoting active ageing' Council document 6707/02, 08.03.2002, adopted on the basis of COM (2002) 9 final, 24.01.2002.

A friendly environment for starting and developing businesses is central to reaching these goals. The Council adopted the Charter for Small Enterprises,⁵ setting out recommendations for small enterprises to take full advantage of the knowledge economy. The European Commission develops initiatives in this area, including annual implementation reports on Member States' and the Commission's efforts towards reaching the objectives of the Charter for Small Enterprises, the report on the Activities of the SME Envoy and the forthcoming Communication on Innovation Policy. In particular the Commission has adopted last December a Communication on industrial policy in an enlarged Europe and the discussion on the Green Paper on entrepreneurship has to be seen also in this context.⁶

At the Barcelona Spring Council in 2002, the Council took note of the Commission's intention to present a Green Paper on Entrepreneurship. The importance of entrepreneurship has been reaffirmed in the Commission's 2003 Spring Report to the Spring European Council which places particular emphasis on boosting investment, jobs and growth through knowledge, innovation and business dynamism.⁷

II. THE DYNAMICS OF ENTREPRENEURSHIP

A. What is entrepreneurship?

Entrepreneurship is multi-dimensional and although it can occur in different contexts, economic or other, and in all types of organisations, this Green Paper focuses on entrepreneurship within a business context.

i. Exploitation of creativity or innovation

Entrepreneurship is first and foremost a mindset. It covers an individual's motivation and capacity, independently or within an organisation, to identify an opportunity and to pursue it in order to produce new value or economic success. It takes creativity or innovation to enter and compete in an existing market, to change or even to create a new market. To turn a business idea into success requires the ability to blend creativity or innovation with sound management and to adapt a business to optimise its development during all phases of its life cycle. This goes beyond daily management: it concerns a business' ambitions and strategy.

ii. Entrepreneurs

Entrepreneurship is about people, their choices and actions in starting, taking over or running a business, or their involvement in a firm's strategic decision-making. Entrepreneurs are a heterogeneous group and come from all walks of life. Yet there are certain common characteristics of entrepreneurial behaviour, including a readiness to take risk and a taste for

⁵ The 'Charter for Small Enterprises', adopted on 13.06.00 by the General Affairs Council, was endorsed at the Feira European Council on 19-20 June 2000. It covers ten key areas: Education and training for entrepreneurship; Cheaper and faster start-up; Better legislation and regulation; Availability of skills; Improving online access; Getting more out of the Single Market; Taxation and financial matters; Strengthening the technological capacity of small enterprises; Making use of successful e-business models and developing top-class small business support; Developing stronger, more effective representation of small enterprises' interests at EU and national level.

⁶ These documents are available after their official publication on http://europa.eu.int/comm/enterprise/index_en.htm.

⁷ 'Communication from the Commission, Choosing to grow: Knowledge, innovation and jobs in a cohesive society', Report to the Spring European Council, 21 March 2003 on the Lisbon strategy of economic, social and environmental renewal', COM (2003) 5, 14.01.2003

independence and self-realisation.⁸ The British Household Survey found that individuals seriously considering starting a business regard themselves as relatively more imaginative and creative than others.⁹

iii. Applications of entrepreneurship

Entrepreneurship can occur in any sector and type of business. It applies to the self-employed and to firms of any size throughout the various stages of the business life-cycle, from pre-start to growth, transfer or exit and re-start.

Entrepreneurship is relevant for firms in all sectors, technological or traditional, for small and large firms and for different ownership structures, such as family businesses, firms quoted on the stock exchange, social economy enterprises¹⁰ or non-profit-driven organisations, which often have significant economic activities. According to the Global Entrepreneurship Monitor (GEM) survey 7% of new entrepreneurs¹¹ create a significant new market niche or economic sector if their business is successful, whereas 70% of new enterprises are providing products or services in existing markets where there is already considerable competition and where the critical technology has been available for more than a year.

Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organisation.

B. Why is entrepreneurship important?

i. Entrepreneurship contributes to job creation and growth

It is increasingly new and small firms, rather than large ones, that are the major providers of new jobs.¹² Countries exhibiting a greater increase in entrepreneurship rates tended to exhibit greater subsequent decreases in unemployment rates.¹³ During the 1990s, fast-growing firms contributed considerably to job creation. For example in the Netherlands, between 1994 and 1998, 8% of fast-growing firms created 60% of employment growth within existing enterprises.¹⁴ In the US 350 000 fast-growing firms created two-thirds of all new jobs between 1993 and 1996.¹⁵ Research suggests that entrepreneurship provides a positive contribution to economic growth, although GDP growth is influenced by many other factors.¹⁶

⁸ Some examples are mentioned in Kimmo Hyrsky 'Reflections on the advent of a more enterprising culture in Finland: An exploratory study', Jyväskylä Studies, *Business and Economics*, 2001.

⁹ 'Findings from the Household Survey', SBS Performance Analysis, 31.03.2002.

¹⁰ Social economy enterprises include co-operatives, mutuals, associations and foundations.

¹¹ New entrepreneurs in the survey including those setting up a business or who are the owner/manager of an active business for less than 3 1/2 years. 'Global Entrepreneurship Monitor (GEM) 2002 Summary Report', Reynolds, Bygrave, Autio and Hay.

¹² 'Entrepreneurship: A survey of the literature', David B. Audretsch, October 2002.

¹³ 'Entrepreneurship: A survey of the literature', David B. Audretsch, October 2002.

¹⁴ 'Entrepreneurship in the Netherlands, Innovative entrepreneurship. New policy challenges!' Ministry of Economic Affairs and EIM, February 2002.

¹⁵ 350 000 out of a total of out of 6 million US businesses with employees. 'White Paper, Embracing innovation: entrepreneurship and American economic growth', National Commission on Entrepreneurship (NCOE) 2001.

¹⁶ For example in 'Entrepreneurship: A survey of the literature', D. Audretsch, October 2002, 'Entrepreneurship: Determinants and policy in a European-US comparison', edited by Audretsch, Thurik, Verheul and Wennekers, 2002 and in the annual GEM Survey Reports.

9⇒ How can education support the development of the awareness and skills necessary for developing an entrepreneurial mindset and skills (entrepreneurship training as part of a school's curriculum, getting entrepreneurs into the classroom, apprenticeships for students to work with experienced entrepreneurs, more entrepreneurial training in universities, more MBA programmes, matching entrepreneurial training with public research programmes)?

10⇒ What could business organisations, the media and public authorities do to promote entrepreneurship (role models, media campaigns, open door days of firms, award schemes for entrepreneurs) and at what level (European, national, regional or local)?

Entrepreneurship can also contribute to fostering social and economic cohesion for regions whose development is lagging behind, to stimulating economic activity and job creation or to integrating unemployed or disadvantaged people into work.¹⁷

ii. *Entrepreneurship is crucial to competitiveness*

New entrepreneurial initiatives, either starting a new firm or reorienting an existing one (e.g. after the transfer of a business to a new owner), boost productivity. They increase competitive pressure, forcing other firms to react by improving efficiency or introducing innovation. Increased efficiency and innovation within firms, whether in organisation, processes, products, services or markets, enhances the competitive strength of an economy as a whole. This process offers consumers benefits through greater choice and lower prices.

iii. *Entrepreneurship unlocks personal potential*

An occupation is not just a way to earn money. People have other criteria in their career choices, such as security, level of independence, variety of tasks and interest in their work. Higher income levels may prompt people to fulfil 'higher needs', such as self-realisation and independence, through entrepreneurship. The British Household Survey found that, in addition to material motivations (money and status), people chose to become entrepreneurs as a means to self-fulfilment (freedom, independence and challenge).

For some, who cannot find a regular job to their satisfaction, the choice of becoming an entrepreneur may stem partly or entirely from economic necessity. Becoming an entrepreneur may provide them with the prospect of creating a better position for themselves.

Job satisfaction among entrepreneurs is higher than among the employed. In a survey, 33% of self-employed without employees and as many as 45% of self-employed with employees reported being very satisfied with their working conditions against only 27% of employees.¹⁸

iv. *Entrepreneurship and societal interests*

Entrepreneurs are the drivers of the market economy and their achievements provide societies with wealth, jobs and diversity of choice for consumers. In response to growing public expectations regarding the impact of business activities on society and the environment, many large companies have adopted formal strategies on Corporate Social Responsibility. This includes voluntarily integrating social and environmental concerns in their business operations and in their interaction with stakeholders, recognising that responsible business behaviour can support business success. Such behaviour can include, for example, a commitment to producing in an environmentally friendly manner ('eco-efficiency') or respecting consumer concerns and doing business in a consumer-friendly manner. SMEs demonstrate 'responsible entrepreneurship' in a more informal way but they provide the fabric and focal point for many communities.¹⁹

¹⁷ See also 'Joint Report on Social Inclusion' Council of the European Union, 15223/01, 12.12.2001.

¹⁸ 'Third European survey on working conditions 2000', European Foundation for the Improvement of Living and Working Conditions.

¹⁹ Commission initiatives in this area include 'Commission Staff Working Paper on Sustainable Industrial Development', (SEC) 1999, 1729, European Commission, 25.10.1999 and 'Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development', COM (2002) 347 final, European Commission, 02.07.2002.

Entrepreneurship can also play a positive role in delivering health, education and welfare services efficiently. Social economy enterprises encourage the participation of stakeholders in the management and delivery of such services, enhancing innovation and client-orientation. Such an approach can supplement public resources and extend the range of services offered to consumers.

C. The European Union's entrepreneurial gaps and potential

How does the European Union perform on entrepreneurship? To answer this we must look not only at people's attitudes towards entrepreneurs or the number of actual entrepreneurs, but also to dynamism in entrepreneurial activity and entrepreneurs' performance.²⁰

i. Measuring entrepreneurship

People's preferences for self-employment

Europeans prefer employee over self-employed status according to the Eurobarometer survey. In Southern Europe, Ireland and the UK there is a relatively higher preference for self-employment. Compared to the EU average of 45%, as much as 67% of US citizens would prefer to be self-employed.²¹

People's involvement in entrepreneurship

The incidence of entrepreneurs, including self-employed and business owners, varies widely across Europe, from around 6% in Denmark and Luxembourg to 13% in Spain, 15% in Portugal and over 18% in Greece and Italy. This compares with just over 10% in the US.²²

Regarding involvement in *new* entrepreneurial initiatives, the Eurobarometer survey reported that 4.5% of EU citizens are currently taking steps to start a business, have set up a business or taken one over in the last three years, ranging from over 6% in the UK and Ireland to less than 2% in France. At 13%, the rate in the US is significantly higher. More than twice as many Europeans than Americans gave up their efforts to start a business.

Entrepreneurial dynamism

Despite evidence suggesting a similar degree of "churning" (entry and exit rates of firms), in some European countries and the US, there is less entrepreneurial dynamism in Europe. US firms are on average smaller at birth than European firms, but (employment) expansion among successful entrants in the US is much stronger in the initial years after start-up. Entrepreneurs in the US appear to test the market by starting on a small scale and, if successful, expand rapidly, whereas in Europe many business ideas never even see the market as their viability is questioned even before they are tested in the market place.²³ Indeed, the

²⁰ In-depth analysis of factors influencing business dynamics can be found in 'Entrepreneurship: A survey of the literature', David B. Audretsch, October 2002 and 'Business Demography in Europe', Observatory of European SMEs / No 5, European Commission, 2002.

²¹ Flash Eurobarometer 134 'Entrepreneurship', November 2002, Further references to the Eurobarometer concern the 2002 edition unless specified otherwise.

²² Entrepreneurship as a percentage of the labour force. Entrepreneurs are defined as owners of incorporated and unincorporated businesses, excluding unpaid family workers, salary workers operating a business as a secondary activity and business owners in the agricultural sector, 'COMParative Entrepreneurship data for International Analysis' (Compendia 2000.1), EIM.

²³ The analysis covered eight EU Member States, the US and Canada. 'The role of policy and institutions for productivity and firm dynamics: Evidence from micro and industry data', working paper No 329, Stefano Scarpetta et. al., ECO/WKP(2002)15, 23.04.2002.

Eurobarometer showed that 46% of Europeans agreed that “one should not start a business when there was a risk it might fail” against only 25% of US citizens.

To illustrate the growth of entrepreneurial dynamism in the US, it took 20 years to replace one third of the Fortune 500 companies listed in 1960, against four years for those listed in 1998. Moreover, 8 out of America’s 25 biggest firms today did not exist or were very small in 1960. In Europe, all of the largest firms in 1998 were already large in 1960.²⁴

Job creation

Despite efforts to reduce unemployment from 11% in the early 1990s and although rates vary between Member States, an average unemployment rate at 7.4% is still a major issue. In the second part of the 1990s, all Member States recorded positive annual birth rates for enterprises,²⁵ but there is scope for further improvement. Europe has not developed so many of the fast-growing entrepreneurial ventures that are an important job engine. During the first years of the 1990s, 19% of mid-sized firms in the US were classified as fast-growers, compared to an average of 4% in six EU countries.²⁶

ii. The challenge for Europe

People’s attitudes towards and involvement in entrepreneurship vary widely across the EU Member States, and differences are even greater between regions. On average, the European Union has no lack of business owners. However, people’s inclination towards developing new entrepreneurial initiatives in the European Union could be improved. Compared to the US, there is less entrepreneurial dynamism in the European Union. Europeans are less involved than Americans in new entrepreneurial initiatives and European businesses do not grow as much as in the US.

The European Union’s persistent high unemployment rate, again a more pressing problem for some Member States than others, suggests that efforts should be made to better exploit the job creation potential of entrepreneurial activity. Besides encouraging new entrepreneurial initiatives, the growth potential of the European Union’s existing firms should be unlocked. They are the core of the Union’s economy and provide continuity, jobs and sound experience. Out of roughly 20 million SMEs in Europe, some 30% declare growth as their main ambition.²⁷

The challenge for the European Union is to identify the key factors for building a climate in which entrepreneurial initiative and business activities can thrive. Policy measures should seek to boost the Union’s levels of entrepreneurship, adopting the most appropriate approach for producing more entrepreneurs and for getting more firms to grow.

²⁴ ‘Entrepreneurship in the Netherlands: Innovative entrepreneurship. New policy challenges’ Ministry of Economic Affairs and EIM, the Netherlands, 2002 and ‘White Paper, Embracing innovation: entrepreneurship and American economic growth’, National Commission on Entrepreneurship (NCOE), 2001.

²⁵ ‘Business Demography in Europe’, Observatory of European SMEs / No 5, European Commission, 2002

²⁶ Definition: Fast growing firms, doubling their turnover between the reference periods (Europe 90-93 US 91-94), as a percentage of all mid-sized companies. ‘An international comparison of hypergrowth enterprises’, EIM Small Business Research and Consultancy, in ‘Fostering Entrepreneurship in Europe, the UNICE Benchmarking Report’, 1999.

²⁷ The 20 million enterprises concern the EU, EEA and Switzerland. Ref. Observatory of European SMEs / No 1 Highlights from the 2001 Survey, European Commission, 2001.

III. POLICY OPTIONS FOR ENTREPRENEURSHIP

Policy can contribute to boosting levels of entrepreneurship. The GEM report observed that, notwithstanding the important influence of macro-economic conditions on entrepreneurial levels, the ranking order of these levels in the countries surveyed remained relatively stable, suggesting that enduring national characteristics also have an impact.

The European Union has already put in place a strategy for growth- and stability-oriented macro-economic policies, which is a prerequisite for creating a climate conducive to entrepreneurial initiative. The Council issues annual “*Broad Economic Policy Guidelines*” addressing the Member States’ national policies. In 2002 the guidelines recommended fostering entrepreneurship through, for example, the tax and regulatory environment for new and existing businesses, insolvency law reforms and promoting efficient financial markets.²⁸

Besides economic opportunities, many other factors condition an individual’s decision to start a business or the ambition of an entrepreneur to take risks or expand. More economic opportunities does not automatically lead to more entrepreneurship. This also depends on people’s preferences, abilities and the available alternatives. Even when individuals consider being an entrepreneur, they weigh the pros and cons of entrepreneurship against the advantages and security they may have to forego.

A comprehensive approach to promoting entrepreneurship must work on three levels – individual, firm and society.

- To motivate **individuals** to become entrepreneurs, they should be made aware of the concept of ‘entrepreneurship’, and this should be made a sufficiently attractive option. They should be equipped with the right skills to turn ambitions into successful ventures.
- For entrepreneurial ventures to develop into healthy **firms**, supportive framework conditions are essential. These should allow firms to develop and grow, and not unduly hinder contraction and exit.
- Entrepreneurial activity depends on a positive appreciation of entrepreneurs in **society**. Entrepreneurial success should be valued and the stigma of failure reduced.

Entrepreneurship policy aims to enhance entrepreneurial vitality by motivating and equipping entrepreneurs with the necessary skills. A supportive environment for businesses is key for businesses to start, stop, take over, thrive and survive.

A. What does it take to produce more entrepreneurs?

i. Entry barriers

Despite recent improvements, Europeans still consider administrative barriers as a major hurdle to starting a business. Business start-ups have difficulties in getting the seed and early-stage finance they need. Risk-sharing between public and private sectors can help increase the availability of finance.

²⁸ Council Recommendation of 21 June 2002 on the Broad Economic Policy Guidelines of the Member States and the Community, 2002/549/EC, OJ L182, 11.07.2002.

When Europeans were asked in the Eurobarometer survey to express their views on obstacles to starting a business, 69% agreed that the existing administrative procedures were complex and 76% noted a lack of available finance.

Administrative procedures for enterprise creation have already received substantial attention. In a benchmarking study the European Commission observed a favourable trend in terms of time taken to start a business.²⁹ The average time taken to set up an individual enterprise is 12 working days and 24 for a private limited company; these figures continue to fall. However, some Member States still have some way to go in reducing the time and costs of establishing an enterprise to the European benchmarks. There is scope for further improvement regarding multiple procedures, contact points, forms, licences and permits needed and costs.

A one-stop-shop for creating a firm

In Portugal Business Formalities Centres have been set up since 1997 to facilitate the registration of new firms. These centres bring together representatives of all public departments responsible for the different formalities required in registering a new firm (concerning, for example, the articles of association or the business and social security registers). Future entrepreneurs can obtain advice from a help desk, located within the same centre. At the same time, procedures have been simplified. As a result the time to set up a business has been reduced by as much as 80% compared to the mid-1990s and Portugal has committed itself to a further reduction of 50% in 2003.

Access to finance remains a major barrier for new entrepreneurs: They have difficulty securing bank loans or finding risk capital. Banks want a positive track record and collateral – which new firms, particularly those developing knowledge-based activities, generally do not have. Start-ups also experience serious difficulties in covering their working capital needs.

In addition to bank lending, start-ups should have better access to alternative sources of finance. Besides venture capital, the potential of informal investments, e.g. family, friends or business angels, should be further explored. The GEM survey found that informal support for start-ups was five times that of domestic venture capital support and whereas venture capital support declined significantly between 2000 and 2001, informal support was more consistent. To increase their interest in risky enterprises, private investors have expressed a need for incentives such as tax breaks.

Risk-sharing between banks and investors in the private sector and public financial institutions specialised in SMEs, or through mutual guarantee societies, is an efficient way of leveraging scarce public funds and has proved to be successful in increasing funding for business start-ups.

ii. Risk and reward

In Europe, the risks associated with entrepreneurship are not adequately offset by the prospect of reward. This calls for a re-examination of the balance of the risks and rewards associated with entrepreneurship.

A failed entrepreneur faces the stigma of failure. When the Eurobarometer asked Europeans to identify their primary concerns in relation to the risk associated with entrepreneurship, going bankrupt and losing personal property were prevalent. In addition to the social stigma, a

²⁹ 'Benchmarking the administration of start-ups', European Commission, January 2002.

personal bankruptcy implies severe legal consequences. Discharge of remaining debts may take years, bankrupts may lose their possessions and be subject to certain restrictions. Such consequences are justified in cases of fraud or dishonesty, but failure is an intrinsic part of economic life and a proportion of entrepreneurs go bankrupt because they cannot compete in the market. Insolvency laws could be reviewed to reduce barriers to making a fresh start for honest entrepreneurs. This should not, of course, unduly harm creditors' interests, which might increase their reluctance to invest in small and new ventures.

Insolvency laws

Belgium has adapted its insolvency legislation with a view to allowing entrepreneurs to attempt to rescue businesses when facing temporary problems and to liquidate non-viable firms as quickly as possible. Courts can declare honest bankrupt entrepreneurs to be 'excused', allowing them to make a fresh start in business.

People might be more willing to accept the risk of entrepreneurship if it were compensated by the prospect of reward in the event of success. A recent trend to reduce tax levels on the self-employed and small businesses is observed in the European Union and steps are being taken to reduce the tax burden on potential self-employed people. Nonetheless, in some Member States such tax rates remain high,³⁰ reducing the possibility for entrepreneurs to create and retain wealth. In becoming self-employed, one often has to opt for reduced social protection. A social protection system tailored to the needs of entrepreneurs could make entrepreneurship more attractive.

Reducing the cost of entrepreneurship

The French government intends to facilitate the change-over from employee to entrepreneur. This action, which is part of a comprehensive initiative to boost firm creation, includes measures to reduce barriers for employees who want to start up a company either independently or with their employer. It will also remove discriminatory fiscal and social charges for nascent entrepreneurs who still have employee status.

More than twice as many Europeans would prefer starting a business than taking over an existing one.³¹ However, taking over a firm may be an attractive alternative with less risk involved. For example, in Austria 96% of successful business transfers survive the first five years after a transfer in comparison with 75% of start-ups.³² Around one-third of enterprises in the European Union are expected to need new owners in the next ten years, either due to retirement or for other reasons. These will provide many opportunities for taking over existing firms.

iii. Fostering capacity and skills

Education and training should contribute to encouraging entrepreneurship, by fostering the right mindset, awareness of career opportunities as an entrepreneur and skills.

The Eurobarometer revealed that 37% of Europeans are considering or had considered becoming entrepreneurs, yet only 15% turned their aspirations into reality. Surveys seem to indicate that knowing about how to start a business increases the likelihood of becoming an

³⁰ 'Communication from the Commission to the Council, Draft Joint Employment Report', COM (2002) 621 final, 13.11.2002.

³¹ Flash Eurobarometer 107 'Entrepreneurship', November 2001

³² 'Business transfers and successions in Austria', Austrian Institute for Small Business Research, 2002.

entrepreneur. Respondents in the Eurobarometer survey with self-employed parents were found to be more 'self-employed-oriented' than those with parents who were employees. The GEM survey found that people who are confident about their skills and experience are between two and seven times more likely to be involved in starting or running a new business; those that know someone who recently started a business are three to four times more likely. The British Household Survey found that those previously exposed to entrepreneurship (through friends, family or education) were more likely to seriously consider starting a business. The education system can provide both skills and exposure as a contribution to fostering entrepreneurship.

Running a virtual enterprise within school

Virtual enterprises are used as a training aid for students in the Sivitanidios Technical School in Athens, Greece. The students divide their time between theoretical courses and running a virtual enterprise. This programme will be extended to all technical schools due to its very positive results. A course on entrepreneurship has also been added to the curricula, which will cover entrepreneurship theory and practical guidance on preparing business plans. Liaison offices will ensure that students receive advice and support for entrepreneurial career options.

Setting up a business calls for drive, creativity and persistence, whereas developing a business gradually requires more managerial skills, such as efficiency, effectiveness and reliability. Considering that both personality and management skills are key elements for success, personal skills relevant to entrepreneurship should be taught from an early stage and be maintained up to university level, where the focus can concentrate on building management capacity.³³ The European Commission found that most Member States, to varying degrees, are now committed to promoting the teaching of entrepreneurship in their education systems.³⁴

Within universities, entrepreneurship training should not only be for MBA students, it should also be available for students in other fields. For example in technical universities entrepreneurship training may contribute to matching entrepreneurial and technological potential. Entrepreneurship education in combination with public research programmes brings together the ingredients to match scientific excellence with the commercialisation of results.

Support for starting entrepreneurs within the campus environment

Enterprise Ireland is implementing a strategy for developing high-growth start-ups with a focused package of support geared to increasing the number and intensity of campus-based ventures. The programme is part of the Irish regional growth strategy and includes a one-year incubation programme for graduates who wish to start a firm, providing hands-on and management support. Under the Campus Company Programme, academics can obtain financial support for turning their research results into commercial reality.

³³ Study from the University Nijenrode, April 2000 in 'De succesvolle ondernemer', Ministerie van Economische Zaken en de Nederlandse Vereniging van Participatiemaatschappijen, Den Haag, Nederland, November 2001.

³⁴ Best Procedure Project on 'Education and Training for Entrepreneurship', European Commission, 2002.

Business incubators are effective in delivering support to new entrepreneurs. Firms in incubators have better chances of survival than those outside and incubators are a cost-effective instrument for the promotion of public policy objectives. This success explains why their numbers are growing rapidly; there are now over 850 in the European Union.³⁵

iv. *Making entrepreneurship accessible to all members of society*

Entrepreneurship should be widely promoted, with particular focus on women and other underrepresented groups. Ethnic minorities display high levels of entrepreneurial flair and even greater potential. The business support services available seem to respond less well to their specific needs.

There are considerably fewer female than male entrepreneurs in Europe, proportions of self-employed women ranging from 16% in Ireland to 40% in Portugal.³⁶ Women entrepreneurs face the difficulties commonly faced by all entrepreneurs, but in certain cases these issues, for example raising finance, appear to be more significant for them. Women also frequently lack the necessary confidence and skills to successfully start and run a business. There are a variety of reasons for this including the choice of activity, information gaps, perceived discrimination, lack of networks or difficulties in combining work with family obligations.³⁷

The European Commission has facilitated exchanges of good practice on policy to promote entrepreneurship among women through the 'WES Network', which brings together government officials with responsibility for promoting women entrepreneurs.³⁸

Women consultants for women entrepreneurs

NUTEK, in Sweden, started the Business Consultants for Women Project, under which female consultants provide advice and non-financial assistance to women entrepreneurs. This responds to evidence showing that many women prefer to turn to other women for advice when it comes to running a business. The consultants advise on business issues and wider concerns such as how to combine family life with running a business. NUTEK provides training and exchanges of experience for the consultants.

Ethnic minority businesses in Europe display a strong entrepreneurial capacity and potential. Ethnic entrepreneurs are a heterogeneous group in terms of language, socio-economic positions and culture, which is reflected in the nature of their business activities. Even so many are concentrated in low entry threshold activities and have difficulty in breaking out of these. The problems ethnic entrepreneurs face are generally similar to those of all entrepreneurs, but they seem to benefit less than average from public business support services and are less involved in business organisations.³⁹

³⁵ 'Benchmarking of Business Incubators', European Commission, February 2002.

³⁶ 'Annual Labour Force Statistics', European Commission, 2001.

³⁷ Best Project on 'Promoting entrepreneurship amongst women' and the study 'Young Entrepreneurs, Women Entrepreneurs, Co-Entrepreneurs and Ethnic Minority Entrepreneurs in the European Union and Central and Eastern Europe', European Commission, July 2000.

³⁸ Further information at <http://europa.eu.int/comm/enterprise/entrepreneurship/craft/craft-women/wes.htm>.

³⁹ 'Young Entrepreneurs, Women Entrepreneurs, Co-Entrepreneurs and Ethnic Minority Entrepreneurs in the European Union and Central and Eastern Europe', European Commission, July 2000.

A European-wide network of ethnic entrepreneurs has been suggested to facilitate sharing of experiences and to suggest remedies to the issues identified.⁴⁰ In the context of its policy on immigration, the European Commission has put forward two proposals for directives, which will contribute to facilitating business start-ups by entrepreneurs from third countries.⁴¹

B How can enterprises be geared to growth?

Entrepreneurs are faced with many obstacles. Complying with administrative regulations and their related costs remains a significant burden. Access to skilled workers, the degree of flexibility of the labour market and appropriate finance are also constraints on business performance.⁴² In addition, businesses should be helped to make the most of the opportunities offered by the Internal Market and to innovate.

i. The regulatory environment

Despite ongoing efforts for improvement, entrepreneurs still point to red tape as a major hurdle to running a business, particularly for those who want to operate and grow within the Internal Market.

Regulation is not generally differentiated according to firm size, and therefore often disproportionately affects smaller firms. Public authorities must be encouraged to ‘think small first’, keeping regulation as simple and appropriate as possible. To reduce administrative burdens, a number of Member States have established exceptions for SMEs or provide administrative services to support them. Provision of information and support can help entrepreneurs in dealing with red tape.

EasyPay

Denmark has introduced a new system for handling salaries. By signing up for ‘EasyPay’, which is voluntary and free of charge, employers can provide information about salaries and employees to one place. This is then distributed to all relevant authorities. EasyPay is part of the “E-administration” initiative, which also includes www.indberetning.dk, where all forms from public authorities relevant for businesses are collected electronically, and Webreg, which enables new limited liability companies to register online. Registration via Webreg is made legally binding by use of digital signature.

Virtual help with administrative procedures

Austria has introduced a website (www.help-business.gv.at) offering entrepreneurs concise information on administrative procedures. All procedures which can be accomplished on-line are accessible via one administrative tool (@mtsweg online). Entrepreneurs can fill in their municipal tax declarations using a tool called HELP, which sends the data to the competent authority. The website also provides extensive information on various aspects of running a business, from ‘registering staff’ to ‘annual leave’.

⁴⁰ This suggestion grew out of a seminar on ethnic entrepreneurship, involving academics, policy-makers and business organisations, and organised by the European Commission in June 2002.

⁴¹ ‘Proposal for a Council Directive on the conditions of entry and residence of third-country nationals for the purpose of paid employment and self-employed economic activities’, COM (2001) 386 final, 11.07.2001, ‘Proposal for a Council Directive concerning the status of third-country nationals who are long-term residents’, COM (2001) 127 final, 13.03.2001.

⁴² ‘Observatory of European SMEs / No 1 Highlights from the 2001 Survey’, European Commission, 2001, ‘European Business Survey’, Grant Thornton, 2002; and ‘Business Views on Red Tape’, OECD, 2002.

Following a survey among European firms on the quality of their regulatory environment, the European Commission estimated that €50 billion could be saved with better quality legislation.⁴³ The Commission is committed to improving the quality of legislation⁴⁴ and has therefore taken a set of initiatives at EU level, including an action plan for better regulation, minimum standards for consultation on new policies and a systematic approach to impact assessment.⁴⁵ The Commission is also developing mechanisms for consulting businesses under the 'Interactive Policy Making Initiative' and has created a platform for the Member States to exchange views on their own Business Impact Assessment systems.⁴⁶

In 2002 an SME Envoy was nominated within the European Commission to act as an active interface with the business community and to ensure that the interests of SMEs are identified and properly taken into account across the relevant Commission services. Similar initiatives have also been taken in some Member States.

The Internal Market has considerably reduced barriers to doing business in the European Union. The Union has continued to make good progress in extending the Internal Market (e.g. in the financial sector),⁴⁷ but a gap persists between the vision of an integrated European economy and the reality as experienced by providers and users. The Internal Market Strategy,⁴⁸ a five-year programme, focuses on those areas where progress is most urgently needed, such as intellectual property, public procurement rules and barriers affecting services.⁴⁹ European entrepreneurs have an interest in further harmonisation to enhance consumer protection,⁵⁰ as cross-border business activities would benefit from an Internal Market attractive to consumers.

ii. Taxation

Appropriate tax measures can contribute to the development, growth and survival of firms.

The structure of the tax system, including income and corporate tax, labour tax and VAT, influences the ability of firms to expand. The complexity of tax systems is in itself an administrative burden for entrepreneurs. The European Commission has identified a number

⁴³ 'Internal Market Scoreboard', No 9, European Commission, 19.11.2001.

⁴⁴ 'European Governance - White Paper', COM (2001) 428 final, 25.07.2001.

⁴⁵ Communications from the Commission 'European Governance: Better Lawmaking', COM (2002) 275 final, 'Impact Assessment', COM (2002) 276 final, 'Consultation document: Towards a reinforced culture of consultation and dialogue – proposal for general principles and minimum standards for consultation of interested parties by the Commission', COM (2002) 277 final, 'Action plan: Simplifying and improving the regulatory environment', COM (2002) 278 final 05.06.2002.

⁴⁶ Interactive Policy Making Initiative, IPM C (2001) 1014. Final Report from the Business Impact Assessment Pilot Project, March 2002.

⁴⁷ 'Communication of the Commission, Risk Capital: A key to job creation in the European Union', SEC (1998) 552, 31.03.1998; 'Communication of the Commission, Financial Services, Implementing the framework for financial markets: Action Plan', COM (1999) 232 final, 11.05.1999.

⁴⁸ 'Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, 2002 Review of the Internal Market Strategy, Delivering the promise', COM (2002) 171 final, 11.04.2002.

⁴⁹ The 'Report from the Commission to the Council and the European Parliament on the State of the Internal Market for Services', COM (2002) 441 final, shows the existence of a huge 'delivery' gap for services.

⁵⁰ Eurobarometer 57.2 Flash Eurobarometer 128 'Public opinion in Europe: Views on business-to-consumer cross-border trade', 14.11.2002

of tax obstacles to cross-border activities in the Internal Market and highlighted remedies, which are being further examined.⁵¹

As marginal income tax rates increase, entrepreneurs tend to expand their business more slowly, to invest less and to hire fewer staff.⁵² The level of labour tax may also influence firms' decisions to hire staff. Tax reforms in recent years have contributed towards a clear trend in reducing the tax burden on labour in the European Union although labour taxes in a number of Member States remain high.⁵³

As regards national activities, the Commission has made recommendations⁵⁴ specifically geared towards SMEs to encourage transfers of businesses by, for example, waiving registration fees or deferring taxes, but little progress has been made. The tax treatment of business transfers is of particular concern to family businesses, which make up a significant proportion of Europe's firms. Retirement and succession can be hindered by inappropriate or complex tax arrangements. At worst this can result in the immediate closure of such businesses or can damage the future viability of the firm.

Reduction of inheritance and gift taxes

In Spain, in the case of a mortis causa or inter vivos transfer of an individual business, a professional business or of shareholdings, a 95% reduction of the value of the taxable amount may be applied in certain cases, provided that the holding is maintained for ten years and the beneficiary is entitled to an exemption from Estate Tax during the same period (the latter applies only in the event of inter vivos transfers).

iii. Access to skilled labour

Bottlenecks in the labour market create barriers to growth and efforts to develop the skills of workers need to be intensified.

Although unemployment still constitutes a major challenge for the European Union, recent years have also witnessed increasing recruitment difficulties in certain regions and sectors. In the later 1990s, most new jobs were for medium to highly skilled workers, whereas employment for low skill workers fell. The growth of demand for highly skilled workers has outstripped the growth of supply.⁵⁵ The Council emphasised the need to ensure that the skills of the labour force correspond to the economic and technological evolution.⁵⁶ Life-long learning is an effective means of building such skills. Today many Europeans are involved in

⁵¹ 'Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee Towards an Internal Market without tax obstacles', COM (2001) 582 final, 23.10.2001 and the 'Commission Staff Working Paper, Company Taxation in the Internal Market' SEC (2001) 1681, 23.10.2001.

⁵² 'Economic policy and the start-up, survival and growth of entrepreneurial ventures', Holtz-Eakin & Rosen, prepared for the Small Business Administration, Washington DC, May 2001.

⁵³ 'Communication from the Commission to the Council, Draft Joint Employment Report', COM (2002) 621 final, 13.11.2002.

⁵⁴ 'Commission Recommendation of 07.12.94 on the transfer of SMEs', 94/1069/EC, OJ L 385, 31.12.1994

⁵⁵ 'Commission Staff Working Paper, European Competitiveness Report', SEC (2002) 528, 21.05.2002.

⁵⁶ 'The concrete future objectives of education and training systems' Council of the European Union, 5980/01 EDUC 23, 14.02.2001.

life-long learning, but to varying degrees.⁵⁷ Other bottlenecks affecting the flexibility of labour market should also be addressed.

Firms are already responding to the skills gap, for example by providing either formal or informal training to their staff. In a survey 46% of respondents would consider employing (more) people from another country, particularly for professional positions. Among the main obstacles mentioned were language skills, work permits and administrative complications. Almost all EU businesses expected enlargement to have a positive or neutral impact on the firm's labour supply.⁵⁸

The European Commission adopted an Action Plan on Skills and Mobility in 2002 to improve occupational and geographic mobility.⁵⁹ In 2001, the Commission adopted a proposal to facilitate recruitment from third countries where there is a proven economic need for workers in a specific job or sector that cannot be filled within the European Union (e.g. through unifying the residence and work permits into a single permit).⁶⁰

Enterprise management incentives

The UK government provides incentives to help small higher-risk companies to recruit and retain the employees they need to help them achieve their growth potential. The scheme enables companies to give fiscally attractive share options to key employees.

iv. Access to finance

Access to finance is indispensable for growth but many SMEs have difficulties, as the risk capital market is underdeveloped and banks increasingly avoid risky lending.

About 20% of small enterprises report problems accessing long-term finance.⁶¹ Despite differences between Member States, loans continue to dominate SME finance in the European Union. Banks increasingly use mechanisms to rate SMEs, which means that loan costs are adapted to the level of risk associated with an individual SME. Furthermore, the high overhead costs of small loans make these unattractive for banks.

Europe should continue to develop its risk capital markets as an alternative to bank lending. US firms tend to have stronger balance sheets than European ones (with on average about 50% of equity capital, against only about 30% in Europe). Although about 7 000 European firms received early-stage or expansion capital from venture capital funds in 2001, these tended to be high-tech and high-growth firms.⁶²

⁵⁷ The percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey varies from some 20% in the UK to only around 5% in several EU Member States. 'Structural indicators', Eurostat, 2002

⁵⁸ The survey included Austria, Belgium, Croatia, Czech Republic, Denmark, Germany, Greece, Cyprus, Hungary, Iceland, Italy, Luxembourg, Portugal, Romania, Slovenia, Turkey and the UK. 'European Business Panel Survey 2002, Skills, mobility and training for competitiveness', Eurochambres, 2002.

⁵⁹ 'Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions - Commission's Action Plan for skills and mobility', COM (2002) 72 final, 13.02.2002.

⁶⁰ 'Proposal for a Council Directive on the conditions of entry and residence of third-country nationals for the purpose of paid employment and self-employed economic activities', COM (2001) 386 final, 11.07.2001.

⁶¹ 'European Business Survey, Grant Thornton, 2002'.

⁶² 'Annual survey of pan-European private equity and venture capital activities', EVCA Yearbook 2002.

To act as catalysts for private investors and to increase the supply of SME guarantees, public institutions have developed programmes in support of SMEs covering a range of instruments from micro-credits to venture capital. At EU level, the European Investment Fund manages a series of financial instruments funded under the Multiannual Programme for Enterprise and Entrepreneurship.⁶³ Within the Structural Funds, the European Commission has asked Member States to privilege risk capital financing; this has resulted in a doubling of such financing under these programmes.

Access to micro-loans

Finnvera, the public SME finance institution in Finland, runs a micro-loan programme for existing and new micro-enterprises, which has financed investments, working capital and business development for 2 741 entrepreneurs amounting to €45.5 million in 2001. It finances up to 75% of the total financing requirement. Loans are between €3 400 and €35 000. This programme combines state and EU regional fund guarantees against losses and includes a business assessment tool aiming to promote a high survival rate among the entrepreneurs.

Entrepreneurs should be helped to overcome their reluctance to accept outside investors. Investors need quality information about firms, which entrepreneurs must be able to provide.

v. Helping firms to exploit knowledge and international opportunities

To reap the benefits of the Internal Market and to meet the challenge of fiercer competition, entrepreneurs should be encouraged to innovate and to internationalise. For this, they should have access to knowledge, relevant contacts, training and top-class business support services.

SMEs consider that the Internal Market has led to more competition, but also to new opportunities for expansion.⁶⁴ Competitive pressure drives firms to continuously exploit knowledge and innovation. Firms can innovate in different ways, including technological development, quality management, new ways of organising work or distribution channels, brands or design. Human capital is critical to generating creative or innovative ideas. Firms can gain from capitalising on the informal knowledge, competencies and networks of their own employees. This calls for encouragement of entrepreneurial attitudes amongst employees, which can be done by offering financial participation. The European Commission recently adopted a Communication on employee financial participation.⁶⁵ Entrepreneurial attitudes among staff can be further increased where financial participation is accompanied by greater influence of employees in a firm's decision-making process.⁶⁶

Industrial districts

The economic landscape in Italy is characterised by the presence of a multitude of industrial districts (clusters), which are agglomerations of small firms specialised in a single sector. The districts combine both competition and co-operation between firms to boost their overall

⁶³ Council Decision (2000/819/EC) of 20.12.2000 on a multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2005).

⁶⁴ 'European Business Survey', Grant Thornton, 2002.

⁶⁵ 'Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on a framework for the promotion of employee financial participation', COM (2002) 364 final, 05.07.2002.

⁶⁶ 'Shared modes of Compensation and Firm Performance: UK Evidence', Martin J. Conyon and Richard B. Freeman (LSE and Harvard).

performance. At national level there is a law on industrial districts, while support and policies are mostly developed at regional level (e.g. Veneto, Lombardy, Emilia Romagna). To enhance their quality and effectiveness a number of districts are organised in the 'Club dei Distretti Industriali', representing 40% of all districts, or 30 000 firms and 250 000 jobs. The Club aims to develop a network among Italian and foreign industrial districts to exchange information, to promote access to research and to represent the districts' interests.

The conditions for SMEs to internationalise should be improved. Whereas in the Observatory for European SMEs' survey about one-third of SMEs reported an increase in their international business contacts over the last five years, the European Business Survey found that they are no more likely now to be trading in the wider Internal Market than ten years ago. SMEs express a preference for operating independently when they internationalise, but nonetheless rely on advice, through local and regional networks, from other, mainly large international, firms, personal relations and intermediaries.⁶⁷ Promoting regional networks or clusters could not only help entrepreneurs to share experience about expansion, but also to gain access to knowledge, partners and advice.

Entrepreneurs need to update and develop their managerial skills to keep ahead in a changing economy, but long working hours make it difficult for most of them to attend courses. Alternative learning tools, such as distance training for managers⁶⁸ or mentoring schemes where entrepreneurs can learn from each other, merit further attention. ICT learning tools tailored to the needs of SMEs should be further developed to stimulate the understanding and take-up of such tools by entrepreneurs.

To compensate for the lack of personal expertise in the increasingly varied skills needed to run a business, entrepreneurs must have access to top-class business support. Today, fewer than 20% of small firms make use of public support services.⁶⁹ Generally speaking, such services must further develop their client-orientation, ICT facilities and professional standards.⁷⁰ The European Commission already provides financial aid, through the Structural Funds, to develop different types of business support services.

vi. *Intrapreneurship and corporate venturing*

'Intrapreneurship' and corporate venturing provide an effective means of developing entrepreneurial ventures that would otherwise be left unexploited.

Results from R&D or innovation in large firms, universities or research institutes, which they do not want to exploit themselves, can be commercialised through 'spin-offs', managed by (former) employees: a practice known as intrapreneurship. For example, in the Netherlands almost a quarter of larger firms have helped employees to set up their own business in the past 5 years. Although most firms are positive about intrapreneurship the initiative is usually left to the employees.⁷¹ Many employers nevertheless provide support once the spin-off is started,

⁶⁷ 'Internationalisation of European SMEs', co-ordinated by the Institut für Soziologie, Friedrich Schiller Universität Jena et al., April, 2002.

⁶⁸ See also 'A study and analysis of management training techniques for the Heads of SMEs', particularly using the ICTs', European Commission, December 2000.

⁶⁹ 'Support services for micro, small and sole proprietor's businesses, final report', European Commission, June 2002

⁷⁰ 'Commission Staff Working Paper Creating Top-class Business Support Services' SEC (2001) 1937, European Commission, 28.11.2001.

⁷¹ 'Entrepreneurship in the Netherlands New economy: new entrepreneurs!', Ministry of Economic Affairs and EIM January 2001.

for example in the form of knowledge, contacts, work or finance. In a comparison with other SMEs, spin-offs demonstrated higher than average levels of innovation and growth.⁷²

Regional networks to foster entrepreneurship

The 'EXIST Programme' in Germany was launched by the Federal Ministry of Education and Research to promote regional co-operation between universities, technical colleges, the business sector and other partners. It brings together players who would not otherwise have worked together to jointly create a more entrepreneurial mentality in higher educational and research institutions, to foster knowledge spill-over and to capitalise on the potential of ideas and entrepreneurs. This should lead to more innovative start-ups and new jobs.

It is natural for firms of all sizes to work together for their mutual benefit. Alliances between large and small firms are increasingly important, providing the flexibility required in the innovative economy and the critical mass to conquer markets on a larger scale. Large firms gain access to new markets, technology and innovations and smaller firms can benefit from improved access to finance, knowledge and networks.

C. Towards an entrepreneurial society

i. More positive attitudes towards entrepreneurship

Building an entrepreneurial society involves everyone. Attitudes towards entrepreneurial initiative, and failure, must be made more positive. Crucial to achieving this are those on whom today's and future entrepreneurs depend.

Entrepreneurship was recognised by the Council as worthy of promotion because entrepreneurial skills and attitudes provide benefits to society, even beyond their application to business activity.⁷³ To appreciate entrepreneurship, society must value and celebrate successful entrepreneurs and tolerate failure. Positive attitudes towards entrepreneurship are particularly important among those on whom today's and future entrepreneurs depend, such as schools, universities, investors, local communities, regions, business organisations, business advisers and the media. One way of encouraging such positive attitudes is by providing role models through the 'showcasing' of success stories.

Showcasing entrepreneurship

Luxembourg has introduced prizes to reward successful business projects. Supported by the European Commission, the Chambre des Métiers awards a prize to young entrepreneurs. The Ministry in charge of gender equality awards a prize for successful businesses run by women. A high-profile prize for innovative business ventures attracts considerable attention amongst the target audience of industry representatives and young researchers.

⁷² 'Spin off start-ups in the Netherlands At first glance', EIM, May 2002.

⁷³ 'The concrete future objectives of education and training systems' Council of the European Union, 5980/01 EDUC 23, 14.02.2001 and 'Detailed work programme on the follow-up of the objectives of education and training systems in Europe', adopted by the Council and the Commission; Council of the European Union, EDUC 27, 6365/02, 20.02.2002 and COM (2001) 501 final.

Training teachers

The University of Strathclyde in the UK offers a programme to promote a positive attitude towards entrepreneurship amongst teachers. The content of the programme is flexible and geared to 'learning by doing'. Tasks include writing a business plan and taking management decisions, with the support of a tutor. Teachers learn about entrepreneurial skills and attitudes, but also how they can apply this experience to enterprise education in their schools.

Despite evidence that failed entrepreneurs learn from their mistakes and perform better in their next businesses,⁷⁴ they nevertheless face the stigma of failure. They are confronted with a lack of trust among consumers and are often required to provide additional guarantees by investors and business partners.⁷⁵ 45% of European citizens said, in the Eurobarometer survey, that they would be less inclined to place an order with such a business. Society should rather give failed entrepreneurs a chance to make a fresh start.

ii. Entrepreneurship's role in achieving social objectives

The social economy and social enterprises apply business principles and efficiency to achieving social and societal objectives. Such enterprises face particular challenges in accessing finance, management training and advice.

The social economy is made up of enterprises, including co-operatives, mutuals, associations and foundations, whose primary objective is to provide services to their members or to a wider community. Social economy enterprises, accounting for nearly 8% of private sector jobs in Europe,⁷⁶ are often able to survive and provide quality services in circumstances that 'investor-driven' firms would find less lucrative. However, their specific management structures, stakeholder groups and capital structures necessitate adapted skills amongst managers and board officials.

Many local authorities have sought to combine the positive aspects of the private and public sectors to increase efficiency in the delivery of public services. This partly explains the growing importance of 'social enterprises', having primarily social or societal objectives, which now provide 3.5 million jobs in the European Union.⁷⁷

IV. THE WAY FORWARD

A. A co-ordinated approach to entrepreneurship policy

i. Co-ordinating entrepreneurship policy amongst all policy-makers

Entrepreneurship requires a co-ordinated approach because of its horizontal nature. Policy should embrace all the influential elements within the relevant policy areas, to allow these to act in a mutually reinforcing way. Within public authorities, co-ordinating services can forge links between different departments, and regional and local authorities, to identify priorities

⁷⁴ 'Seminar on Business Failure', European Commission and Ministry of Economic Affairs, Noordwijk, the Netherlands, 10-11 May 2001.

⁷⁵ 'Bankruptcy and a fresh start', European Commission, August 2002.

⁷⁶ 7.92% of full-time equivalent salaried civil employment (1995-1997), 'The Third System and Employment', CIRIEC, 2000.

⁷⁷ 'Researching social enterprise', David Smallbone et al., the UK Small Business Service.

and ensure a coherent approach. The European Commission could assume a co-ordinating role at EU level.

A co-ordinated approach

In the Netherlands, a co-ordinated approach to entrepreneurship has been put in place, involving interaction between various government departments, public agencies and business owners. It was considered crucial to involve the regions, which are directly involved in implementing entrepreneurship policy. The regions agreed with the Ministry of Economic Affairs to jointly undertake action on key issues, such as stimulating an entrepreneurial spirit within higher education and facilitating the development of integrated support services.

ii. Learning from the best

In many aspects of entrepreneurship, some Member States are outperforming others and might serve as inspiration. The European Commission helps Member States to learn from each other on the basis of the ‘open method of co-ordination’ whereby the Commission creates platforms for Member States to exchange good practice and benchmark themselves.

Further benchmarking exercises could be envisaged in areas identified as vital to promoting entrepreneurship. It must be borne in mind that different national or regional contexts will affect the effectiveness of policy measures and, while identifying priorities or implementing policy, a country or region should take its specific context into account. Common guidelines should be adapted to national or regional circumstances. As the availability of comparable and relevant indicators is a prerequisite to the success of such exercises, the Commission endeavours to actively co-ordinate the development of the necessary statistical data.

1 ⇒ What should be the key objectives for an agenda for entrepreneurship in the European Union and how should these relate to other political ambitions? How can we build a model for entrepreneurship in an enlarged Europe?

B. Three pillars for action towards an entrepreneurial society

i. Bringing down barriers to business development and growth

With regard to the time and costs involved in setting up a business, European benchmarks have been fixed which governments should achieve. When so doing, they should ensure that the public is made aware of their efforts to reduce start-up barriers.

Current work to improve the functioning of the Internal Market and to reduce red tape, must continue to bring down barriers for doing business and the ‘think small first’ principle should be promoted. Also efforts must be intensified to improve access to finance and skilled workers. Entrepreneurs need to be supported in developing the skills required to adapt their business to changing conditions. Sharing experience and working together, in clusters or networks, can help entrepreneurs to find inspiration and advice, access technology and knowledge, or identify partners. Fostering networks could be particularly effective in support of certain sectors or groups of entrepreneurs, such as ethnic minority businesses.

2 ⇒ How can we improve the availability of finance (tax measures, public-private partnerships, stronger balance sheets, guarantees) and what alternatives to bank loans should be promoted (business angel finance, leasing, factoring and micro-loans from non-bank lenders)? How can entrepreneurs be supported in obtaining external finance?

3⇒ Which factors most hinder growth ((lack of) mutual recognition and EU rules or their (non-)implementation at national level, national tax provisions or the situation on the labour markets)? What actions are best suited to supporting growth and internationalisation (trade missions, market analyses, clustering and networking, information and consultancy services)?

4⇒ To ensure high quality businesses, what training and support should be offered for a business start-up (basic training - compulsory or voluntary, incubators, mentoring) and business development (networks, courses, mentoring, distance learning, e.g. e-learning)? Should there be services tailored to the needs of specific groups (women, ethnic minorities, unemployed or socially disadvantaged people) or businesses (knowledge-based activities)? Should the quality of delivery of support services be improved (using ICTs, professional standards)?

5⇒ Are the obstacles and incentives for business development and growth in the European Union similar for entrepreneurs in the Candidate Countries, and does the forthcoming enlargement call for specific measures in the Candidate Countries?

ii. *Balancing the risks and rewards of entrepreneurship*

Risk-taking should be rewarded, rather than punished. Social security and tax provisions must be re-assessed in the light of their effects on entrepreneurs' willingness to take the risk to start a business or grow. Taking over an existing firm should be encouraged and the potential of 'intrapreneurship' could be further explored. To reduce the negative effects of bankruptcy, appropriate measures such as earlier discharge of debts, the retention of certain assets or lifting certain restrictions on bankrupts should be considered.

6⇒ What can EU Member States do to make the balance between risk and reward more favourable to promoting entrepreneurship (reducing the negative effects of bankruptcy, making more social benefits available for entrepreneurs, reducing the tax burden either in terms of administration or rates)?

7⇒ How might more prospective entrepreneurs be encouraged to consider taking over rather than starting a new firm (buyers and sellers databases or marketplaces, special training for family-owned businesses, management or employee buy-outs)?

8⇒ How can spin-offs be made more attractive (management buy-outs, showcasing, specialised advice, tax or other provisions for employees and their employers whilst starting a business)?

iii. *A society that values entrepreneurship*

Although many people express a preference for being an entrepreneur, many lack the confidence and skills to turn their ambitions into action. Young people should be exposed to entrepreneurship and be supported, along with their trainers, in developing entrepreneurship skills. Campaigns could provide role models and success stories to showcase entrepreneurs and highlight the benefits that they bring to society. These should particularly address those that can play a key role in supporting prospective entrepreneurs, such as schools, universities, investors, local communities, regions, business organisations, advisers and the media.

APPENDIX B

Action Plan: The European Agenda for Entrepreneurship



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11.02.2004
COM(2004) 70 final

**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL, THE EUROPEAN PARLIAMENT,
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

Action Plan: The European agenda for Entrepreneurship

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1. EUROPE'S ENTREPRENEURIAL CHALLENGE

Entrepreneurship is a major driver of innovation, competitiveness and growth. Due to their strong presence in key sectors such as services and knowledge-based activities, smaller enterprises and entrepreneurs today play a central role in the EU economy. A positive and robust correlation between entrepreneurship and economic performance has been found in terms of growth, firm survival, innovation, employment creation, technological change, productivity increases and exports.¹ But entrepreneurship brings more than that to our societies. It is also a vehicle for personal development and can harness social cohesion when the opportunity of creating one's own business is offered to everybody, regardless of background or location.²

The **European Union** (EU) is committed to boosting entrepreneurship as part of its strategy³ to transform its economy and build its future economic and competitive strength. The Council called for action in favour of small enterprises and entrepreneurship, notably by adopting the **European Charter for Small Enterprises**⁴ in 2000.

Yet despite action taken since then, the EU has so far not succeeded in narrowing the **gap in GDP per capita** with the US; in fact, the **productivity gap** is widening. Forward-looking studies indicate that, if Europe allows current economic trends to persist, its percentage share of world production will decline, even as absolute production increases, in particular as the emerging Asian economies catch up.⁵ Europe needs more entrepreneurship to strengthen its economic position.

The EU is not fully exploiting its **entrepreneurial potential**. It is failing to encourage enough people to become an entrepreneur. According to the Eurobarometer although 47% of Europeans say they prefer self-employment, only 17% actually realise their ambitions. Regarding new entrepreneurial initiative, only 4% of Europeans state to be engaged in creating a business or to be an entrepreneur since less than three years against 11% in the US.⁶ And whereas 29% of Europe's SMEs declared growth as their main ambition,⁷ too few actually generate substantial growth. Europe, unlike the US, suffers from low expansion rates after start-up.⁸ And all of Europe's largest firms at the end of the last decade were already large in 1960.⁹ Whereas US entrepreneurs appear to test the market and, if successful, expand

¹ ['Entrepreneurship: A survey of the Literature'](#), David B. Audretsch, October 2002.

² See also ['Joint Report on Social Inclusion'](#) Council of the European Union, 15223/01, 12.12.2001.

³ The [EU strategy](#) for structural reform of the economy was set at the Lisbon European Council in March 2000 and confirmed by the Council at several European Council meetings until now.

⁴ The ['Charter for Small Enterprises'](#), adopted on 13.06.00 by the General Affairs Council, was endorsed at the Feira European Council on 19-20 June 2000.

⁵ Commission Staff Working Document ['European Competitiveness Report 2003'](#), SEC (2003) 1299, 12.11.2003 and ['Le commerce mondial au XXI siècle'](#), Institut français des relations internationales, October 2002.

⁶ Flash Eurobarometer 146 'Entrepreneurship', October 2003

⁷ ['SMEs in focus—Main results from the 2002 Observatory of European SMEs'](#) European Commission.

⁸ 'The role of policy and institutions for productivity and firm dynamics: Evidence from micro and industry data', working paper No 329, Stefano Scarpetta et. al., ECO/WKP (2002)15, 23.04.2002.

⁹ 'White Paper, Embracing innovation: entrepreneurship and American economic growth', National Commission on Entrepreneurship, 2001.

rapidly, many business ideas in Europe never come to market, as their viability is questioned before they can be tested in the market place. Indeed, the Eurobarometer showed that 44% of Europeans agreed that *'one should not start a business when there was a risk of failure'* against 29% in the US.

An **ageing population** is likely to aggravate the entrepreneurial gap,¹⁰ since the age group that is most active in setting up businesses (between 25-34 years)¹¹ will shrink in the coming decades. Also, an estimated one third of EU entrepreneurs, mainly those running family enterprises, will withdraw within the next ten years, which affects some 610 000 firms and 2.4 million jobs every year. As less and less transfers are taking place within the family, more family enterprises will need to be transferred to employees or third parties. Yet many Europeans prefer starting a firm rather than taking over one. Finding successors is thus becoming increasingly difficult.¹²

To release its full entrepreneurial potential, the EU must take serious steps to make Europe more **attractive** for business activity. But this alone is not enough to fuel the entrepreneurial drive: a more entrepreneurial mindset is needed. This means actively promoting **entrepreneurial values** and addressing the fear of **risk-taking** among the widest possible audience of potential entrepreneurs.

To help achieve this, the EU can exploit examples of **good performance** from within its own borders, drawing on substantial regional diversity in wealth and business environment. The enlargement will not only enhance the range of economic performance, but also broaden the spectrum of entrepreneurial traditions and increase opportunities for exchange in an enlarged Europe.

To make progress on the entrepreneurship agenda, the Commission published the **Green Paper 'Entrepreneurship in Europe'**¹³ to involve the largest possible audience of stakeholders in setting the **future policy agenda**. This consultation provided an example of the importance that the Commission attaches to upholding the dialogue with SMEs and their representatives.

Based on extensive research data, analysis, surveys and policy experiences, the Green Paper raised ten questions regarding **two fundamental issues for Europe**: *'How to produce more entrepreneurs'* and *'How to get more firms to grow'*? As a follow-up to the Green Paper, the Council asked the Commission, at the Brussels European Council in March 2003, to present an **Entrepreneurship Action Plan** at the 2004 Spring European Council.

This Action Plan provides a **strategic framework for boosting entrepreneurship**, based on the public consultation that followed the publication of the Green Paper. This consultation generally supported the Commission's ongoing activities but called for more effort in certain areas. Hence the Action Plan complements ongoing work,

¹⁰ Europe's demographic situation will change dramatically. Instead of one person of 65 and older for each four in the group 18-64, this proportion will change in 2040 to roughly one to two. The age group 18-35 will shrink from more than a quarter to less than 20%, [Eurostat projections](#).

¹¹ ['Global Entrepreneurship Monitor \(GEM\) 2002 Summary Report'](#), Reynolds, Bygrave, Autio and Hay.

¹² ['Final report of the expert group on the transfer of SMEs'](#), European Commission, May 2002.

¹³ Green Paper ['Entrepreneurship in Europe'](#), European Commission, COM (2003) 27 final, 21.01.2003.

notably under the Multiannual Programme for Enterprise and Entrepreneurship,¹⁴ adopted by Council Decision 2000/819/EC without changing the objectives and the areas of action described in this Decision, through focused actions.

2. A EUROPE-WIDE DEBATE ON BOOSTING ENTREPRENEURSHIP

The **public debate** triggered by the Green Paper on Entrepreneurship stirred a great deal of interest across Europe and beyond. Stakeholders willingly shared their expertise, gleaned through their daily work with businesses or through research. The Green Paper was discussed at many events and 240 written responses were submitted by both individuals and organisations, which represented a large number of stakeholders, including national, regional and local public authorities, entrepreneurs, business organisations, support providers, universities and think tanks.¹⁵

While confirming the main challenges in the Green Paper, respondents highlighted a wide array of **areas for action**, making it clear that there is *no silver bullet* for creating a more entrepreneurial Europe. Europe's untapped potential appears to derive from a complex set of mutually interacting framework conditions, attitudes and skills. An overview of the main trends in responses received is provided below.

The prevailing attitudes towards entrepreneurship and the current balance of the **risks and rewards** appear to make many Europeans less inclined to become entrepreneurs. There also are fewer potential successors to take over the increasing number of businesses from entrepreneurs reaching retirement age. Entrepreneurship education was seen as an important way to create more entrepreneurial mindsets among young people. To alleviate the burden of risk, the severe consequences of failure and the need to accept a lower degree of social security should be addressed. More effort was requested to facilitate **business transfers**, specifically for family enterprises.

Finance is seen an increasingly pressing issue, due to the rising rating culture and proposed new capital adequacy rules for banks (Basel II).¹⁶ **Taxation** of retained profits or private investment was seen as an obstacle to building equity and stronger balance sheets, which are needed not only to unlock the growth potential of firms, but also to obtain cheaper finance.

To boost **performance**, respondents mentioned that entrepreneurs should have access to quality and targeted support, mentoring and training. Clusters could provide an impetus to growth, Europe-wide trade and internationalisation, while support to encourage spin-offs and a more effective exchange between research and businesses could help foster innovation.

¹⁴ *'Multiannual Programme for Enterprise and Entrepreneurship, and in particular for Small and Medium-Sized Enterprises (SMEs) (2001-2005)'*, Council Decision (2000/819/EC) of 20.12.2000, OJ L 333, 29/12/2000 p. 0084 - 0091.

¹⁵ All contributions received in electronic form and a report summarising the main results can be consulted via the website http://europa.eu.int/comm/enterprise/entrepreneurship/green_paper/index.htm.

¹⁶ Review of capital requirements for banks and investment firms, further information in *'Commission Services Third Consultation Paper'*, working document, 01.07.2003.

Frequently mentioned were **administrative and regulatory burdens**, especially complying with tax and employment requirements, which is complex, time-consuming and costly. To create a better administrative and regulatory environment, policy-makers should maintain a **dialogue with SMEs** and their representatives. Furthermore, on the basis of respondents' reactions it could be established that regarding SMEs' access to public contracts there is still room for improvement and that challenges for the **Internal Market** and the structure of the **State aid regime** still exist.

Many respondents subscribed to the Green Paper's choice of a **co-ordinated approach**. Respondents asked to reinforce the open method of co-ordination¹⁷ by a more systematic follow-up of the recommendations given and their implementation by the Member States. To take account of the differing challenges and needs across the EU, co-ordination should not only involve national governments, but also more often the regions, which play a vital role in providing infrastructure, networks and support tailored to the specific needs of entrepreneurs within their regions. Co-ordination is also necessary among all policy-makers working in different areas that affect entrepreneurship, such as research, innovation, taxation or employment.

3. FIVE STRATEGIC POLICY AREAS

On the basis of the public consultation, the Action Plan aims to encourage more people to start businesses and to help entrepreneurs thrive by helping them to fully realise their ambitions and by providing an enabling business climate. To further the entrepreneurship agenda, the Commission will act in **five strategic policy areas**¹⁸ that the respondents to the Green Paper identified as being crucial for boosting the current entrepreneurial dynamism in the EU.

- Fuelling entrepreneurial mindsets
- Encouraging more people to become entrepreneurs
- Gearing entrepreneurs for growth and competitiveness
- Improving the flow of finance
- Creating a more SME-friendly regulatory and administrative framework

To advance the entrepreneurship agenda, the EU is faced with a double challenge: **Co-ordination and focus** are needed to create synergy and allow real progress. Yet policy should take account of the differing needs of entrepreneurs, who run businesses ranging from university spin-outs to family-owned SMEs to social enterprises. And countries and regions each have a unique mix of strength and weaknesses affecting their entrepreneurial culture and business environment.

¹⁷ Under this method, the Commission provides a platform to the Member States to set indicators, targets and benchmarks and to collect good practices in policy areas of common interest to allow them to improve their own policies.

¹⁸ Without prejudice to the objectives and areas of action as set in the Multiannual Programme, Council Decision 2000/819/EC.

To achieve the best results, the Commission cannot and should not act alone. Success depends critically on active involvement of Member States and business organisations. To properly respond to the differing entrepreneurial challenges, the Commission therefore calls upon the **Member States and business organisations** to take the necessary action in the five strategic areas within their competence, at the best suited, national or regional level, thereby addressing their specific needs.

In support of **Member States'** national and regional strategies, the Commission will, under the open method of co-ordination, assist policy-makers to benchmark performance and to exchange policy practices in relevant areas for action.

The commitment of the **business community** is a prerequisite for successful entrepreneurship policy. By way of example, considering the needs of SMEs in policy-making can only work with the active involvement of businesses and their representatives, while business organisations can play an intermediary role in bank/business relations. Entrepreneurs learn best from each other (as mentors or in networks), so their role in promotional and educational activities is of the utmost importance in creating entrepreneurial mindsets.

The Action Plan gives priority to a focused set of **key actions**¹⁹, to be launched in 2004 and 2005, which are addressed to both the Commission and, under the open method of co-ordination, national and regional policy-makers. New actions to be launched as from 2006 will be defined on the basis of their ability to add value and the emphasis given in the public debate; a list of proposals is appended in Annex I.

3.1. **Fuelling entrepreneurial mindsets**

The public consultation emphasised the need for better appreciation of entrepreneurs and greater awareness of a career as an entrepreneur. The Commission will, together with Member States under the open method of co-ordination, **promote entrepreneurship**, presenting role models and highlighting the responsible behaviour of many entrepreneurs who respect both today's and the future needs of our societies. To allow everyone to seize opportunities that match their skills and ambitions, promotional activities should present different ways of being an entrepreneur (e.g. expansion-driven, craft, part-time or co-operative entrepreneur) and focus on different target groups.

The Commission already supports the organisation of entrepreneurship events in a number of EU cities.²⁰ To foster entrepreneurial attitudes and skills among young people, the Commission will continue to promote **entrepreneurship education**.

Entrepreneurship education in universities should be available for students and researchers from all fields, notably in technical universities. Matching scientific potential with entrepreneurial skills will contribute to better commercialisation of research results through spin-offs and more start-ups in knowledge-based sectors.²¹

¹⁹ Without prejudice to the objectives and areas of action as set in the Multiannual Programme, Council Decision 2000/819/EC.

²⁰ The Commission's PAXIS network and Eurocities initiated a pilot project to organise the European Day of the Entrepreneur (www.entrepreneurday.org).

²¹ The Commission will announce further initiatives on entrepreneurial innovation later in 2004.

Key action: Fostering entrepreneurial mindsets among young people

Under the open method of co-ordination, the Commission and external experts reviewed the policy approaches to entrepreneurship education in the EU.²² Promising results showed that entrepreneurship is gaining importance in education programmes and that many policy initiatives are underway. Work will now concentrate on exchanging experience on valuable policy tools and on ensuring high quality entrepreneurship education for all pupils throughout the EU.

In 2004 the Commission will organise a benchmarking exercise under the open method of co-ordination around the use of mini-companies (student enterprises producing and selling real products or services in a protected environment). In 2005 the Commission, together with a group of experts will present success and risk factors, policy targets, recommendations and promotion material (success stories, examples of good practice) based on case studies and evaluations.

To ensure that all pupils leaving the education system have had access to entrepreneurship courses, the Commission calls upon the Member States to integrate entrepreneurship education into all schools' curricula and provide schools with proper support to allow them to put in place effective and high quality education schemes. National and regional authorities can arrange awareness campaigns, offer training material, organise training modules for teachers and, together with business organisations, involve entrepreneurs in teaching programmes.

The results of the Commission's work in entrepreneurship education, in terms of objectives and areas where more support is needed, will be taken on board when preparing and implementing EU training, education and youth programmes.

3.2. Encouraging more people to become entrepreneurs

Notwithstanding wide agreement that risk is intrinsically linked to entrepreneurship, to encourage more people to become entrepreneurs, respondents to the Green Paper called not only for the possibility to register a business quickly and cheaply, but also for a fairer **balance between the risk taken and the potential rewards**.

In recent years, significant work has been done at EU level and within the Member States to facilitate the administration of business start-ups.²³ To alleviate the burden of risk, the Commission will, together with the Member States under the open method of co-ordination, continue to tackle the negative effects of **business failure** and will start examining the options for entrepreneurs to ensure against personal risks in **social security** schemes.

Becoming an entrepreneur with a reduced risk of failure is possible, by taking over an established firm rather than building an enterprise from scratch. Research showed that in Austria 96% of **business transfers** survive the first five years after the transfer in comparison with 75% of start-ups.²⁴ After its efforts to help the Member

²² ['Best Procedure project on Education and training for entrepreneurship'](#), European Commission, November 2002 and 'Making progress in promoting entrepreneurial attitudes and skills through Primary and Secondary education' (forthcoming).

²³ ['Benchmarking the administration of business start-ups'](#), European Commission, January 2002.

²⁴ 'Business transfers and successions in Austria', Austrian Institute for Small Business Research, 2002.

States implement the 1994 Recommendation on facilitating business transfers of SMEs,²⁵ the Commission will increasingly focus on promoting awareness of the possibility of becoming an entrepreneur in this way.

In view of **changing demands within society**, because of the ageing of the population and consumer expectations regarding the behaviour of firms, new demands are arising in areas such as health care, mobility or the environment. As these sectors are close to or within the public domain, the public sector can be client or competitor. Social economy enterprises²⁶ already provide examples of delivering services in sectors alternative to or complementing the public sector. The Commission will, together with the Member States under the open method of co-ordination, address barriers to the development of both commercially-driven and non-profit enterprises in these sectors. In preparation for future action, the Commission is currently analysing the role of social enterprises.

Key action: Reducing the stigma of failure

Failed entrepreneurs are confronted with the stigma of failure, for example through a reluctance to place orders or requests for extra financial guarantees. Better understanding of business failure, including distinguishing between honest and dishonest bankruptcies, is needed in order to tackle the stigma of failure. A benchmarking exercise in 2003, involving the Commission and external experts, provided targets, indicators and recommendations to limit the severe legal and social consequences of failure.²⁷

In the progress reports on the Action Plan, the Commission will ask Member States to report on action taken or planned to comply with the recommendations. The Commission then will revisit this work if needed.

To promote a better understanding of failure and dissociate the concept of 'bankruptcy' from that of 'bad' behaviour, the Commission will, together with Member States' experts, draw up in 2004 information on the principles of bankruptcy, early warning signs of financial difficulties, reasons for failure, barriers to starting afresh and portraits of failed and restarted entrepreneurs. This information, to be used in promotional campaigns or teaching courses, should result in wider acceptance of failure and help reduce reluctance to deal with failed entrepreneurs.

To help entrepreneurs in financial problems overcome their fear of disclosing problems and seek help in time, the Commission will, together with the Member States under the open method of co-ordination, focus on facilitating exchange of experience on awareness and use of preventive measures. By 2005, the Commission will have drawn up, together with an expert group, self-evaluation tests for

²⁵ In follow-up to the '[Commission Recommendation of 07.12.94 on the transfer of SMEs](#)', 94/1069/EC, OJ L 385, p. 14-17, 31.12.1994, the Commission presented in 2002 and 2003 [reports](#) on experts' views on the measures needed to improve the environment for business transfers and to speed up the Member States' implementation of the Recommendation.

²⁶ Social economy enterprises include co-operatives, mutuals, associations and foundations and act in circumstances that 'investor-driven' firms would find less lucrative.

²⁷ '[Study: Bankruptcy and a fresh start](#)', July 2002 and '[Final report of the expert group on the Best Project on Restructuring, bankruptcy and a fresh start](#)', September 2003, European Commission.

entrepreneurs to assess their financial condition, including information on existing support and procedures aimed at rescue from failure.

Key action: Facilitating business transfers

The radical increase in expected business transfers in the coming years will particularly affect the numerous family businesses, which form a key part of the EU business community. The EU should avoid a situation where such enterprises close not because of a lack of competitiveness, but merely because of obstacles in the tax and legal environment or the lack of a successor.

The Commission will continue to help national and regional policy-makers to facilitate business transfers, mainly with a view to ensuring the continuity of the many viable family enterprises in the EU. The Commission will keep spurring the Member States to implement the Recommendation on Business Transfers and will step up efforts to raise awareness among prospective entrepreneurs for business transfers. This may include, for example, providing assistance to national and regional policy-makers in promoting marketplaces for buyers and sellers of businesses. More specific actions will be announced in the forthcoming Communication on Business Transfers in 2004.

Key action: Reviewing social security schemes for entrepreneurs

The Commission will present by 2005 an overview of social security schemes for the self-employed and business owners, including their spouses and other dependants, and the effects of transition from one statute to another. This will include health insurance, income guarantees in case of inability to work or ceased activities, pension rights (compared to employees' schemes), take-up of voluntary schemes, undue losses for new entrepreneurs of rights acquired in another career and specific schemes for starting entrepreneurs. This will allow it to quantify the overall downside risk associated with entrepreneurship and determine more precisely the influence of social security on preferences for entrepreneurship.

Based on this, the Commission will ask the Member States in 2005 to define the areas in which they intend to take action. The Commission will then organise an exchange of experience involving external experts about how best to make progress. This work will result in identification of good practice cases to help the Member States in adapting their schemes to the extent needed.

3.3. Gearing entrepreneurs for growth and competitiveness

Prompted by requests from respondents to the Green Paper for high quality and client-oriented support services, the Commission will keep promoting access to top-class support and management training for entrepreneurs from all backgrounds, including groups with specific needs such as **women and entrepreneurs from ethnic minorities**. The Commission will also promote access to support for entrepreneurs from all backgrounds and in regions with low entrepreneurial

performance through the Structural Funds.²⁸

According to the respondents, entrepreneurial growth can be triggered by actively supporting SMEs in their efforts to **internationalise**. Internationalisation does not only give access to a larger marketplace, operating in different markets can help in gaining competitive advantage over firms based in one country only.

Support should be available for SMEs to make the most of the opportunities in the **knowledge-based economy**. Apart from more effective transfer of knowledge between research and business communities, the availability of skilled staff in a modern work organisation and solid protection of intellectual property, more attention should be paid to 'value' innovations (e.g. a new business model, marketing strategy or design), which are increasingly important, particularly for smaller firms.²⁹

The Commission will foster **networks, partnership events and clusters** to assist entrepreneurs in building strategic partnerships, getting better access to knowledge and forging business links within and beyond the EU. The Commission will reinforce the role of the European support networks 'Euro Info Centres (EICs)' and the 'Innovation Relay Centres (IRCs)' by involving them in promoting business co-operation and ensuring streamlined delivery of all EU-wide support services, not only by these networks, but also by the Business Innovation Centres (BICs).

Further to the Council's commitment to boost investment in research and technological development (R&D) and a public debate in 2002, the Commission presented in 2003 an Action Plan to increase R&D investment to 3% of GDP by 2010.³⁰ In addition, the 6th Framework Programme for RTD provides funds to SMEs, through reserving 15% of the budget to SMEs and offering specific activities for SMES.³¹

The Commission recently extended the scope of the SME Block exemption regulation to exempt from notification aid for R&D granted to SMEs. Regarding innovation, the Commission will review the specific needs of various players, in particular SMEs, in adapting to change and incorporating knowledge in production, products and services. Given its importance, the Commission will publish an Action Plan entirely dedicated to Innovation in 2004. In this context, the Commission will examine evidence of market failures that inhibit innovation, depending on the type of actor, activities and localisation, including international comparisons within and

²⁸ The Commission's work to improve support services includes Commission Staff Working Paper '[Creating Top-class Business Support Services](#)', SEC (2001) 1937, 28.11.2001, '[Benchmarking of Business Incubators](#)', February 2002, '[Good practices in the Promotion of Female Entrepreneurship](#)', December 2002, the [European network to promote Women's Entrepreneurship \(WES\)](#), the '[European conference on ethnic minority entrepreneurs](#)', June 2003 and the [Charter implementation reports](#). The Community Initiative '[EQUAL](#)' provides funds to support entrepreneurs from disadvantaged groups and to remove barriers for social enterprises and is a source of good practice measures to support entrepreneurs from all backgrounds with low entrepreneurial performance.

²⁹ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions '[Innovation Policy Updating the Union's approach in the context of the Lisbon strategy](#)', COM (2003) 112 final, 11.03.2003.

³⁰ Barcelona European Council of March 2002, [Communication from the Commission 'More research for Europe Towards 3% of GDP'](#), COM (2002) 499 final, 11.09.2002 and '[Communication from the Commission Investing in research: An action plan for Europe](#)', COM (2003) 226 final, 04.06.2003.

³¹ Further information on Community R&D programmes can be found on www.cordis.lu.

outside the EU and the need to find appropriate remedies. The Commission will also continue promoting innovation through exchanging experience on regional innovation policies, technology transfer mechanisms and promoting e-business activities.³²

As raised by the Green Paper on Entrepreneurship and confirmed in the public debate, too few **fast-growing enterprises**, or *gazelles*, which are the key drivers of innovation and entrepreneurial dynamism, emerge in Europe. Entrepreneurial growth rarely happens accidentally: an explicit growth orientation, first and foremost a mindset, is needed. Evidence shows that entrepreneurs seek inspiration from successful role models.³³ The Commission will seek good policy practices for spreading role models and providing suitable support to potential gazelles.

Key action: Providing tailor-made support for women and ethnic minorities

The specific needs of female entrepreneurs and ethnic minorities are currently not being satisfied by support providers. Building on the work underway to promote female entrepreneurship, as from 2004 the Commission will assist the national and regional authorities to address those areas where the needs of female entrepreneurs are still insufficiently met, notably access to finance and entrepreneurial networks.

On the basis of experience with exchanging good practice through studies and networks among policy-makers, the Commission will apply a similar methodology for addressing the needs of ethnic minority entrepreneurs. In 2004 and 2005, the Commission will identify and evaluate policy measures with a view to identifying good practices to assist ethnic minority entrepreneurs. Simultaneously, the Commission will encourage networks among policy-makers and seek the active involvement of representative bodies of ethnic minorities for building a better dialogue at EU, national and regional level.

Key action: Supporting businesses in developing inter-enterprise relations

The Commission will support matchmaking events in EU regions, allowing entrepreneurs to meet strategic partners (entrepreneurs, researchers, financiers, advisors, mentors, business partners and policy-makers) who can help boost their performance. The Commission can rely on a wide network of potential partners, through the business organisations, in several Commission databases and the EIC, IRC and BIC networks. By mid 2004, the EIC, IRC and BIC networks will have the administrative, support and IT tools in place for supporting the events in which they take part in a co-ordinated way. This experience will be evaluated during 2005 with a view to defining a strategy for the next years.

After participating in matchmaking events, SMEs can rely on the European business support networks, through their widespread network of offices, for further

³² [Network of Innovating Regions in Europe \(IRE\)](#), [‘Improving Institutions for Technology Transfer to Enterprises’](#), the [‘PAXIS Pilot Action of Excellence on Innovative Start-ups’](#) and the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions [‘Adapting e-business policies in a changing environment: The lessons of the GoDigital initiative and the challenges ahead’](#), COM (2003) 148, 27.03.2003.

³³ See also [‘Bottlenecks and catalysts of entrepreneurial growth’](#), Professor Erkki Autio (forthcoming).

information and advice about doing business in the Internal Market, a specific country or a particular region.

Clusters can help SMEs create critical mass, pool resources, allow them to find business partners or provide access to strategic information. Building on its work reviewing Member States' cluster policies³⁴ and facilitating exchange of experience on clustering at regional level under the 'Innovating Regions in Europe' programme,³⁵ the Commission will in 2005, with a group of cluster managers, define and test a model for forging strategic links among clusters within the EU.

3.4. Improving the flow of finance

Access to finance is crucial for firms in various development phases. Besides existing difficulties reported in the public consultation, notably as regards building up equity, firms need to anticipate changing financial requirements due to increased use of rating systems and the proposed revision of banks' capital requirements ('Basel II'), as a result of which loan pricing will more closely reflect the risk associated with a client.

The Commission currently helps to improve the financial environment for enterprises, especially SMEs, through its **Financial Instruments**³⁶ and by bringing together SMEs and financial players to allow the exchange of good practice and make for a better mutual understanding among SMEs and the financial community.³⁷

To help firms anticipate **changes in the financial environment**, the Commission will promote, with national and regional policy-makers, the availability of support for responding to more demanding risk assessments. They will work to make more guarantees and loans available at reasonable cost, particularly for micro-enterprises. Removing loan portfolios from banks' balance sheets by selling these to institutional investors - *securitisation* - can also increase the lending capacity of banks to SMEs.

To improve the capital structure of enterprises and move towards **stronger balance sheets**, fiscal neutrality for the different financing options should be sought. To help increase equity and stimulate more enterprise growth, the Commission will intensify its actions to improve the availability of **venture capital, business angel finance and investments by private individuals (micro-angels)**. The Commission also provides criteria to assess Member States' measures supporting risk capital funding under State aid rules.³⁸

³⁴ In 2003, the Commission organised a seminar and a series of expert meetings, the results of which are made available in an '[Expert group report on clusters and networks](#)'.

³⁵ <http://www.innovating-regions.org/>.

³⁶ The **Financial Instruments** bridge gaps in financial markets focusing on high-tech starters, SME guarantees and seed capital. These cover, through the Multiannual Programme for Enterprise and Entrepreneurship, some € 322 million euros and are managed by the European Investment Fund.

³⁷ For example the [Round Tables of bankers and SMEs](#) or the discussions involving financial institutions and business organisations on establishing a code of conduct for banks on relations with SME clients.

³⁸ Commission Communication on '[State aid and risk capital](#)', OJ C235 21.08.2001, p. 3-11, and Communication from the Commission to the Council and the European Parliament on '[Implementation of the Risk Capital Action Plan \(RCAP\)](#)', COM (2003) 654 final, 04.11.2003.

Key action: Creating more equity and stronger balance sheets in firms

The Commission will use its financial instruments for SMEs to facilitate entrepreneurial growth by stimulating the supply of both debt and equity finance from 2004. Subject to the evaluation of the financial instruments, revised and streamlined financial instruments will be launched in 2006. Besides offering guarantees and promoting securitisation, they plan also focus on equity for research-based and innovative SMEs.

In view of the expiry of the Communication on State aid and risk capital in 2006, the Commission will also re-examine in 2004 and 2005 the role of State aid in remedying possible market failures in the provision of funding for SMEs, particularly the young and growth-oriented ones.

The Commission will analyse elements in national tax structures that favour debt finance as opposed to equity finance (notably retained earnings, informal investors). The Commission will start this analysis and set up a working group involving Member States' experts in 2004. Based on the outcome, the Commission will call upon Member States that apply disadvantageous tax treatment of equity to take action to ensure fiscal neutrality. Recommendations and existing good practices will be presented in 2005.

3.5. Creating a more SME-friendly regulatory and administrative framework

According to the consultation, a real reduction and simplification of **administrative and regulatory burdens** is needed in relevant areas for businesses, such as taxation, employment or environment. Since a certain degree of regulation and administration is necessary to regulate markets or to protect the public interest, national and regional policy-makers should also provide for support for SMEs to cope with these.

In 2002 the Commission launched an ambitious programme to improve **European Governance**, covering better law-making, impact assessment and stakeholder consultation³⁹ and will now concentrate on its implementation.

The **Internal Market** has made life of businesses, particularly SMEs, much easier. But the Internal Market is not complete. There are still obstacles which stand in the way. The Internal Market Strategy 2003-2006⁴⁰ addresses relevant issues for SMEs, including removal of barriers for services, reduction of the impact of tax obstacles

³⁹ Communications from the Commission '*European Governance: Better Lawmaking*', COM (2002) 275 final, 05.06.2002, '*Impact Assessment*', COM (2002) 276 final, 05.06.2002, '*Action plan: Simplifying and improving the regulatory environment*', COM (2002) 278 final 05.06.2002, Communication from the Commission '*Towards a reinforced culture of consultation and dialogue - General principles and minimum standards for consultation of interested parties by the Commission*', COM (2002) 704 final, 11.12.2002, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions '*Updating and simplifying the Community acquis*', COM (2003) 71 final, 11.02.2003.

⁴⁰ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions '*Internal Market Strategy Priorities 2003-2006*', COM (2003) 238 final, 07.05.2003.

and contributing to expanding procurement opportunities through a better use of the Member States procurement network. The Commission will also continue to promote the involvement of SMEs in **standardisation**.⁴¹

The Commission will continue in 2004 to seek simplification in **State aid rules**. In particular, it will continue developing an instrument to identify aid that is unlikely to produce significant effects on competition. Such an instrument would reduce the scrutiny of the Commission for aid and provide greater margin of manoeuvre for the Member States to grant small amounts of aid unlikely to lead to distortions. SMEs should proportionally benefit from such measures.

The Commission will encourage more effective **consultation of SMEs** to allow them to give their opinions on new initiatives at an early stage of the decision-making process and about the accuracy of existing regulations and practices. To ensure that such consultation covers *all* public activities, internal co-ordination within public administrations is needed.

Key action: Listening to SMEs

To give SMEs a stronger voice in EU policy-making, the Commission will improve the assessment of the effects of EU proposals on SMEs within the context of the recently introduced Business Impact Assessment. In addition to the already ongoing involvement of SMEs in specific Commission policy initiatives, the Commission will through the SME Envoy⁴² intensify the dialogue between all Commission services and business organisations through more regular meetings.

The Commission will also improve mechanisms to take account of SMEs' experiences with existing legislation, policy and programmes. Under the Commission's 'Interactive Policy Making' initiative, the EIC network records feedback on internal market obstacles experienced by SMEs. More intense promotion, a systematic follow-up on the reported problems and a wider range of areas on which feedback can be given will increase consideration of SMEs' views.

Apart from organising a more effective dialogue with SMEs, this work needs to show evidence that the issues raised by SMEs are really taken on board. At the end of 2004, the Commission will have operational structures for organising the dialogue and assessing progress; by 2005 the Commission will report on the involvement of SMEs and their representatives in the consultation process and the extent to which their views are taken into account.

The Commission has started, together with Member States' experts, a benchmarking project on the involvement of SMEs in national policy-making. This action will examine successful methodologies already applied in the Member States to organise consultation of SMEs, embracing all services whose work affects SMEs. On this basis, best practices and policy recommendations will be presented in 2005.

Key action: Reducing the complexity of complying with tax laws

⁴¹ The Commission promotes the participation of SMEs in standardisation through [NORMAPME](#).
⁴² The SME Envoy seeks to step up exchanges with SMEs and their representative bodies and to ensure a proper consideration of SME needs within all EU policies, programmes and legislation.

Complying with different national tax laws and regulations is an obstacle to cross-border activities, particularly for SMEs. If such firms were able to apply the familiar rules and regulations of their 'home' state when calculating their taxable profits or when complying with value added tax (VAT) obligations, expanding across borders would be easier.

To simplify and reduce tax compliance procedures related to direct taxation, the Commission intends to launch a pilot scheme whereby SMEs can apply 'Home State Taxation'. Under this scheme participating Member States would agree to mutually recognise the different national methods of calculating taxable profits. In 2004, the Commission will address, together with interested parties and Member States, the remaining technical issues and develop the detailed arrangements of a pilot scheme. This should lead to considerable savings and efficiency gains for qualifying SMEs.

Based on the outcome of the discussions on the technical issues, the Commission will present its conclusions on future 'Home State Taxation' schemes later in 2004. Based on these, the Commission will periodically monitor progress of the implementation of such schemes, which is the Member States' competence.

For several categories of business to consumer transactions, application of VAT at the place of consumption currently means traders have to be identified and make returns and payments in every Member State where they carry out taxable transactions. This is burdensome for traders within the Internal Market.

Based on the outcome of a European study on VAT obligations and a public consultation in 2003,⁴³ the Commission intends to propose in 2004 a 'one-stop-shop' system whereby companies registered in more than one Member State could fulfil all their EU-wide VAT obligations in their country of establishment.⁴⁴ Such a system would, building on the experience already gained in the single EU VAT portal for third country e-commerce traders, substantially reduce the administrative burden of VAT as it would enable firms to deal with one single tax authority, in their own language, and to benefit from a single set of compliance obligations.

4. THE COMMISSION'S NEXT STEPS TO REALISE THE ENTREPRENEURSHIP AGENDA

To implement the entrepreneurship agenda, the **Commission** will act where it can best achieve results at EU level and where it can give valuable support to the Member States' national and regional strategies under the open method of coordination.

The Commission intends to carry out this work through the policies and programmes within the Community's competence. All new actions proposed in this Action Plan, directly related to advancing the entrepreneurship agenda within the objectives described in article 2 of the Council Decision 2000/819/EC and areas of action described in annex I of the decision, and notably under 'promoting entrepreneurship, in particular the key actions, are intended to be carried out through the Multiannual

⁴³ http://europa.eu.int/comm/taxation_customs/taxation/consultations/obligations_tva_en.htm.

⁴⁴ In line with the Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee '*Review and update of VAT strategy priorities*', COM (2003) 614, 20.10.2003.

Programme for Enterprise and Entrepreneurship, which runs until 2005.⁴⁵ The Commission will submit, in its annual work programmes for 2004 and 2005 to implement this programme, concrete and detailed proposals for activities and the required financial resources deemed necessary to implement the key actions in this Action Plan. These proposals will be adopted in accordance with the Programme's objectives and rules of procedures as laid down in the aforementioned Council Decision.

The Commission's proposal for a next Multiannual Programme, to be presented in 2004, will be based not only on its own experience and independent evaluations, but also on the public debate that followed the Green Paper and this Action Plan. A review of the areas where new actions are needed will be made in 2005. Concrete activities to implement these as from 2006 will be proposed in accordance with this Programme's goals and rules of procedure.

The Commission will also pay due attention to advancing the entrepreneurship agenda within all other **policy areas relevant for entrepreneurs**, notably R&D and innovation, European governance, the EU sustainability agenda, the functioning of the Internal Market, the Employment Guidelines, taxation and competition policy. The Commission will increase the entrepreneurship orientation in its **support programmes**⁴⁶ and make access to them more business-friendly.

5. CONCRETE RESULTS FOR EUROPE'S ENTREPRENEURS

The Action Plan sets out generic **objectives** to be achieved by EU and Member States' policy-makers in the five strategic areas. Targets, indicators and timetables for making progress will be defined under the key actions to be carried out.

- (1) More people to be informed about entrepreneurship and have the opportunity to acquire entrepreneurial skills through education and promotion activities;
- (2) A fair environment for risk-taking and no unreasonable barriers for new entrepreneurs who start or take over a firm;
- (3) Ensuring top-class support, specifically for cross-border trade and innovation, for entrepreneurs from all backgrounds and sectors;
- (4) Sufficient finance and guarantees to finance all viable entrepreneurial ventures, also under the 'Basel II' capital adequacy framework and greater neutrality in the tax treatment of different financing options;
- (5) A substantial reduction of regulation and administrative procedures and better consideration of SME needs in policy-making.

The actions taken in the context of the Action Plan need to show results in terms of their impact on **entrepreneurial performance** in the EU:

⁴⁵ Except actions related to taxation, which will be carried out under Articles 93 and 211 of the [Treaty Establishing the European Community, OJ 325/33, 24.12.2002](#).

⁴⁶ [Structural Funds](#), notably the [EQUAL Programme](#), the [Framework Programmes for RTD](#), [Asia Invest](#), [AL Invest](#), [EU Japan Centre](#) and [Training, Education and Youth Programmes](#).

More entrepreneurial mindsets: More people expressing a preference for entrepreneurship; more business start-ups, including from disadvantaged groups or regions, more new entrepreneurs taking over existing businesses and more fresh starts made after a failure.

Better business performance translating into more competitiveness and growth: Stronger balance sheets, more private sector innovation, more SMEs trading in the Internal Market, more job creation and more fast-growing enterprises.

A better business climate: Less time and cost needed to comply with regulation and administration.

Progress at EU level on the Action Plan's objectives and the targets set within key actions, and also their impact on performance will be periodically assessed. Because of the key role of **Member States** in achieving progress, the Commission will also assess their actions taken in the five strategic areas. Hereby, it must be remembered that reducing barriers and delivering public support services is in the hands of policy-makers, so the first results can be expected relatively quickly. More entrepreneurial attitudes and skills depend on the take-up of policy by citizens, which can only bear fruit in the longer term.

Reports on the Action Plan will be integrated into the reporting mechanism for implementing the European Charter for Small Enterprises. From 2005 onwards, the Commission will thus draw up a report on progress made towards the objectives set within the present Action Plan and the key actions, both at EU level and within the Member States, and on the Charter action lines.

ANNEX I - PROPOSALS FOR KEY ACTIONS FOR 2006 AND BEYOND

Conducting entrepreneurship campaigns

To create more positive attitudes towards entrepreneurship in society at large, the Commission will support the organisation of awareness campaigns. Campaigns can present role models, success stories and portraits of failures in the media. Such campaigns will highlight the positive contribution of entrepreneurship to society's needs (corporate social responsibility or CSR). Campaigns are best organised at regional and national level, with the Commission providing a European label, organising supportive events and improving links among the different campaigns organised throughout the EU in order to boost the visibility and co-ordination of regional and national activities. This work will build on successful practices identified in the pilot action on organising Entrepreneurship Days under the PAXIS programme.

Fostering the creation of more fast-growing enterprises (gazelles)

To stimulate more gazelles, the Commission aims to increase understanding of how more of these enterprises could emerge in a European context. It will encourage more research by bringing together business schools with a view to analysing the success of existing gazelles and the barriers preventing potential gazelles from turning into real ones. This work should lead not only to more focus on gazelles in analysis and research, but also to integrating the findings in teaching modules in business schools to encourage their use in business practice. The Commission will, under the open method of co-ordination, exchange experience on Member States' policies to help pre-gazelles to grow. This will cover proven practices to help entrepreneurs identify and exploit opportunities for rapid expansion, including mentoring schemes, entrepreneurial learning networks and support schemes for pre-gazelles, such as specific business incubators or accelerators and support for early and rapid internationalisation.

Promoting entrepreneurship in social sectors

Based on an analysis of the specific needs and constraints of non-profit and commercial enterprises providing social (such as health care, education, and welfare services) and environmental services, the Commission will benchmark conditions in the Member States for providing these services and present recommendations and guidance on improving the conditions under which enterprises operate in these sectors (in terms of promotion and legislation) within the framework of their public service obligations and quality requirements specific to the services provided. Subject to the outcome of the study, further action may comprise EU-wide promotion of better conditions for enterprises delivering social and environmental services, policy conclusions or even legal instruments (e.g. a Recommendation or voluntary Regulation).

Enabling micro-enterprises to recruit by reducing the complexity of regulations

The ability of micro-enterprises to recruit and manage their staff is affected by the degree of complexity of staff rules and regulations.⁴⁷ For micro-enterprises with little or no experience in dealing with these issues, this may imply heavy constraints in terms of time and costs. Building on the experience by the National Action Plans for employment⁴⁸ and the Commission's ongoing work on the requirements for hiring the first employee, the Commission will, together with external experts, further compare national practices and identify ways to facilitate recruitment by micro-enterprises across the EU on the requirements for hiring the first employee. Other relevant regulatory issues for micro-enterprises will be defined and addressed later.

Facilitating SMEs' access to public markets

To improve SMEs' access to public procurement, the Commission will encourage Member States to collect and exchange good practices applied by contracting authorities that aim at increasing the participation of SMEs to public contracts. At EU level, the recently agreed public procurement directives not only reduce the number of applicable directives for public contracts, but also provide for simplification and modernisation of the procurement regime itself. The Commission will provide guidance regarding the interpretation of these directives and their implementation into national legislation by Member States. This will enable contracting authorities to use the adopted facilities based on these directives to the fullest. In addition, the Commission will issue an Action Plan on electronic procurement to address issues resulting from the implementation of the new provisions on the use of electronic means in public procurement. The EIC Network can assist SMEs by providing information and raising the understanding and capacity of SMEs to secure public contracts.

⁴⁷ Guideline 2 'Job creation and entrepreneurship' of the ['European guidelines for employment policies of the Member States'](#) -Council Decision (2003/578/EC) of 22.07.2003, OJ L 197 of 05.08.2003 p. 13-21- stresses the need to simplify and reduce administrative burdens for hiring staff.

⁴⁸ Every Member States draws up a [National Action Plan](#), which describes how the Employment Guidelines are put into national practice.

APPENDIX C

Implementing the Community Lisbon Programme: Fostering
entrepreneurial mindsets through education and learning

4.4. Fostering entrepreneurship in higher education

- Higher education institutions should **integrate entrepreneurship** across different subjects and courses, notably within scientific and technical studies.
- **Public authorities' support** is especially needed to provide high-level training for teachers and to develop networks that can share good practice.
- **Teacher mobility** between university and the business world should be encouraged, together with the involvement of **business people** in teaching.

The Commission will continue to support Member States' actions on more comprehensive policies, through coordination activities and specific projects. It will disseminate good practice and raise the visibility of entrepreneurship education through a wide range of actions, including the follow-up to the Recommendation on key competences. From 2006, work on entrepreneurship in higher education will be intensified. From 2007 the proposed new Community Integrated Programme on Lifelong Learning will support innovative projects with a European dimension, aiming to foster entrepreneurial attitudes and skills and to promote links between educational establishments and enterprises. The European Social Fund will continue to support initiatives at European, national and local level.

Public authorities in the Member States are invited to take the necessary action and to speed up the pace of reforms, according to the specific needs of each country. This Communication will serve as a **reference** for reviewing progress in policy development, notably through the Lisbon Reports that the Member States will submit under the Integrated Guidelines for Growth and Jobs (*Guideline No 15*).



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 13.2.2006
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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE
EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Implementing the Community Lisbon Programme:

Fostering entrepreneurial mindsets through education and learning

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1. INTRODUCTION

In February 2005, the Commission proposed a new start for the Lisbon Strategy focusing the European Union's efforts on two principal tasks – delivering stronger, lasting growth and providing more and better jobs. The new **Partnership for Growth and Jobs** stresses the importance of promoting a more entrepreneurial culture and of creating a supportive environment for SMEs.

The capacity of an economy to successfully compete and grow depends on balancing the stock of enterprises through encouraging more start-ups and managing business transfer. Research suggests that there is a positive correlation between **entrepreneurship and economic growth**, particularly in high-income countries¹, although GDP growth is influenced by many other factors. Sustainable growth based on innovation and excellence requires an increasing number of start-ups, which are likely to provide more and better jobs. Countries exhibiting a greater increase in entrepreneurship rates tend to exhibit greater subsequent decreases in unemployment rates². Moreover, social systems are increasingly under pressure due to the shrinking labour force. If Europe wants to successfully maintain its social model, it needs more economic growth, **more new firms, more entrepreneurs willing to embark in innovative ventures, and more high-growth SMEs**.

Entrepreneurship can also contribute to social cohesion for less-developed regions and to putting unemployed or disadvantaged people into work. Moreover, it can contribute to unlocking the entrepreneurial potential of **women**, which has yet to be further exploited.

There is a need to create a more **favourable societal climate** for entrepreneurship, based on an integrated policy with a view to not only changing the mindset but also improving the skills of Europeans and removing obstacles to the start-up, transfer and growth of businesses. Previous Commission documents addressed the regulatory, fiscal and financial obstacles³. In February 2004, the Commission adopted an **Entrepreneurship Action Plan**⁴, which suggested horizontal measures to create a supportive framework for entrepreneurship policy. In November 2005 an integrated **policy** on SMEs was launched⁵.

While various factors influence entrepreneurship, cultural aspects need to be taken into account. Europeans are reluctant to take up opportunities for self-employment and entrepreneurial activities⁶. Research suggests that **cultural support** (e.g. through education programmes, promotional campaigns, etc.) is positively linked with the amount of entrepreneurial activity in the EU.⁷

Promoting entrepreneurship among young people is a key element of the **European Youth Pact** adopted by the European Council in March 2005.

¹ Global Entrepreneurship Monitor 2004.

² D. Audretsch, *Entrepreneurship: A survey of the literature*, October 2002.

³ See also: http://europa.eu.int/comm/enterprise/entrepreneurship/index_en.htm

⁴ The European Agenda for Entrepreneurship, European Commission, COM (2004) 70 final, 11.02.2004.

⁵ Modern SME Policy for Growth and Employment, COM (2005)551 final, 10.11.2005.

⁶ Flash Eurobarometer 160 'Entrepreneurship', June 2004.

⁷ Global Entrepreneurship Monitor 2004.

1.1. Entrepreneurship is a key competence for growth, employment and personal fulfilment.

Entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects in order to achieve objectives. This supports everyone in day-to-day life at home and in society, makes employees more aware of the context of their work and better able to seize opportunities, and provides a foundation for entrepreneurs establishing a social or commercial activity⁸.

Developing **generic attributes and skills** that are the foundations of entrepreneurship is complemented by imparting **more specific knowledge about business** according to the level of education. Emphasising the notion of “responsible entrepreneurship” will help to make an entrepreneurial career a more attractive proposition.

While not all youngsters who develop entrepreneurial competence will become entrepreneurs, some evidence shows that around 20% of participants in mini-company activities in secondary school go on to **create their own company after their studies**⁹. Education in entrepreneurship increases the chances of start-ups and self-employment and enhances individuals' economic reward and satisfaction. Moreover, any dynamic SME that wants to grow will benefit from young people with entrepreneurial mindsets and skills.

However, the benefits of entrepreneurship education are not limited to more start-ups, innovative ventures and new jobs created. **Entrepreneurship is a key competence for all**, helping young people to be more creative and self-confident in whatever they undertake and to act in a socially responsible way.

The **Education & Training 2010 Work Programme** included entrepreneurship in a reference framework of eight key competences for **lifelong learning**, necessary for personal fulfilment, social inclusion, active citizenship and employability. This forms the basis for a recent Commission proposal for a Recommendation of the European Parliament and the Council¹⁰.

Traditionally, formal education in Europe has not been conducive to entrepreneurship and self-employment. However, as attitudes and cultural references take shape at an early age, **the education systems can greatly contribute to successfully addressing the entrepreneurial challenge within the EU.**

Therefore, while recognising that the entrepreneurship competence should be acquired throughout **lifelong learning**, this Communication focuses on education **from primary school to university**, including also secondary level **vocational** education (initial vocational training) and **technical institutions** of tertiary level.

⁸ Commission proposal for a Recommendation on Key Competences for Lifelong Learning COM(2005)548 final

⁹ Mini-companies in Secondary Education, Best Procedure Project: Final Report of the Expert Group, September 2005.

¹⁰ Commission proposal for a Recommendation on Key Competences for Lifelong Learning

Although numerous initiatives on entrepreneurship education are under way, they are not always part of a coherent framework. Based on evidence acquired under the Community MAP programme¹¹, **this Communication aims to support Member States in developing a more systematic strategy for entrepreneurship education.** Best practice can be found in Europe. The challenge lies in spreading further the existing positive examples.

2. ENTREPRENEURSHIP IN SCHOOL EDUCATION

2.1. Entrepreneurship in framework curricula for schools¹²

- **Including explicit objectives in curricula, together with guidelines for putting them into practice, provides a more solid basis for entrepreneurship education.**

Particularly in secondary education, there are subjects that can be used – at the initiative of schools and teachers – for entrepreneurship learning. Very often, however, such learning takes place through extra-curricular activities.

Some countries **revised, or are in the process of revising, the national curriculum** in order to recognise the entrepreneurial competence. While only in a few cases reforms addressed consistently different levels and types of education, there are positive examples worth highlighting¹³.

In **Poland**, “Basics of Enterprise” is a compulsory subject in all comprehensive secondary and vocational schools. Objectives include developing entrepreneurial attitudes and learning how to start a business.

Entrepreneurship and self-employment as objectives of learning are found more frequently in **vocational secondary education**.

In **Austria**, entrepreneurship is part of the curriculum of secondary level technical and vocational education, for example in the form of students running a fictitious firm.

Entrepreneurship competence is developed in **both formal and non-formal** settings (e.g. youth work and various forms of participation in society). Tools for the recognition and validation of entrepreneurship-related skills acquired in non-formal learning should be further developed.

¹¹ Council Decision (2000/819/EC) of 20 December 2000 on a multiannual programme for enterprise and entrepreneurship, and in particular for SMEs (2000/819/EC).

¹² Framework curricula for school education can be a national or a regional responsibility. Therefore, the ideas presented here should be adapted to countries' contexts.

¹³ For instance, in Spain, Ireland, Poland, Finland and the UK, but also in Norway. MAP project Education for Entrepreneurship, Final Report March 2004, and 2005 Report on the Implementation of the European Charter for Small Enterprises.

2.2. Entrepreneurship in primary education (pupils below the age of 14)¹⁴

- **Awareness should be raised of the benefits of basic entrepreneurship learning to society at large and to learners themselves, even at the early stages of education.**

As for all competences leading to better management of one's own life, the foundations are laid in the early years of education. At primary level, nurturing qualities such as creativity and a spirit of initiative helps develop entrepreneurial attitudes. This is best done through active learning based on children's natural curiosity. In addition, learning about society should also include **early knowledge** of and **contact** with the world of work and business, and an understanding of the role of entrepreneurs in the community.

In a number of Member States, curricula already encourage schools to guide children towards taking initiative and responsibility. However, examples of more explicit entrepreneurship education are few. In general terms, **coherent initiatives or programmes led by education authorities are still rare in primary education**; activities are often led by **external actors**, such as non-profit organisations supported by the private sector. Nonetheless, there are a number of **good practices that should be disseminated** to public authorities, schools, teachers and parents.

In **Luxembourg**, the sixth-year (11/12 year-old pupils) French-language programme has a section devoted to starting up a business, based on the strip cartoon "*Boule and Bill set up a business*", and this is used in all primary schools. The cartoon is also used in the mathematics programme for introducing basic financial analysis.

Methods of promoting a more open mindset towards entrepreneurship include working on projects, role games, simple case studies and visits to local enterprises. These are activities that support a number of other subjects, and the motivation of those who learn best by doing. Especially at later stages of primary education, entrepreneurship-related programmes can successfully combine **creativity, innovation and a simple concept of business** (e.g. pupils selling products in school markets, etc.).

The "**Young Inventors Competition**" is a programme run in primary and lower secondary schools in several countries¹⁵ that is aimed at children from 6 to 16 years of age. It aims to encourage students' creativity, to develop their ideas and enter them into a competition. Winners receive prizes for designs and inventions.

¹⁴ 'Primary education' refers to level 1 in UNESCO's ISCED 1977 classification. It should be borne in mind that the definition of primary and secondary education differs significantly between EU Member States.

¹⁵ For instance in Finland, the UK, Iceland and Norway.

2.3. Entrepreneurship in secondary education (from the age of 14)¹⁶

- **Secondary education should raise students' awareness of self-employment and entrepreneurship as options for their future career.**
- **Entrepreneurial mindsets and skills can best be promoted through learning by doing and experiencing entrepreneurship in practice, by means of practical projects and activities.**

In most European countries, **curricula** have broad objectives and include subjects that would allow learning about entrepreneurship (for instance, social and economic studies, geography, etc.). However, implementation often relies on the initiative of schools and teachers and the support of the local business community. **In a few Member States**, practical experience of entrepreneurship is embedded into the established courses.

In **Ireland**, under the established curriculum, programmes like the *Transition Year*, the *Leaving Certificate Vocational Programme* and the *Leaving Certificate Applied* offer students the opportunity to experience entrepreneurship.

Programmes can have a specific focus on learning about business in practice, for instance by means of students running mini-companies.

The objective of **mini-companies run by students at school** is that of developing a real economic activity on a small scale, or of simulating the way companies work in a realistic way. Students learn how to work in a team and develop self-confidence. It is estimated that more than 200 000 students every year participate in these programmes in the EU 25 and Norway¹⁷.

Within **vocational secondary education (initial vocational training)**, specific training on how to start a company can be particularly effective, as students are close to entering working life and self-employment may be a valuable option for them. However, with exceptions in some countries (e.g. where there is a well developed apprenticeship system), a real focus on entrepreneurship is missing in most cases, since the main task is seen as being to train skilled workers.

In the **German Vocational Training System** (the so-called « Dual System »), where training takes place both in school and in a firm, in the “Master Phase” young people are taught how to set up their own company. Such training aims not only at the acquisition of the necessary management competences, but also at fostering the entrepreneurial attitudes and skills of apprentices.

¹⁶ In ISCED, lower secondary education is level 2, while upper secondary level, which starts after compulsory education, is level 3.

¹⁷ Mini-companies in Secondary Education, Best Procedure Project: Final Report of the Expert Group, September 2005.

There is a perception¹⁸ that secondary school curricula **do not provide sufficient motivation to teachers and schools** to develop entrepreneurship education. It is therefore crucial to offer them **support and incentives**.

2.4. Measures to support schools and teachers

- **Schools should be given support and incentives to encourage take-up of entrepreneurship activities and programmes, as many concrete examples of how to do it exist already.**
- **Public authorities should take the initiative and promote education for entrepreneurship to schools, heads of schools and teachers.**
- **Supporting the efforts of dedicated organisations is an effective method of spreading the entrepreneurial spirit in schools and of encouraging partnerships with the business world.**

Entrepreneurship develops in an environment that encourages active forms of learning. To enable this, **support is needed** and should include providing initial and in-service training for teachers, giving them the time and resources to plan, run and evaluate activities, making teaching material available and clarifying responsibilities. The commitment of heads of schools and school boards is crucial, as is parental involvement.

There is a need for **public authorities**, especially those responsible for education, employment, industry and enterprise, to actively promote entrepreneurship education. An important first step at a national level is **establishing formal cooperation between different departments of the administration**, given the horizontal and interdisciplinary nature of entrepreneurship education. This cooperation can lead to launching a national **strategy or action plan**.

In **Finland**, an entrepreneurship steering group was set up in 2002 to develop and coordinate entrepreneurship at different levels of education, with members representing different ministries, organisations and educational administrations.

One major **obstacle** is that teachers lack motivation and **specific training**. The efforts that **teachers** devote to practice-based activities, sometimes even outside their normal working hours, should be recognised as an official school task. Despite increasing awareness on the part of public authorities, initiatives addressing teachers are in most cases not systematic.

In terms of policy, there may be different ways of moving forward. Support measures adopted by governments take the form of **encouraging partnerships between schools and enterprises, supporting dedicated organisations** delivering concrete programmes, **financing pilot projects** in the schools, and **disseminating good practice**. Although systematic promotion is still limited, there are **good examples in Europe worth highlighting**.

¹⁸ MAP project Education for Entrepreneurship, Final Report, March 2004.

In the **Netherlands**, the government funded pilot projects in schools. Support included the development of teaching materials, the organisation of seminars and training for teachers. The goal is now to encourage take-up of these projects by other schools by presenting good practices to school management, teachers and students.

Private actors (business associations, companies, entrepreneurs, business consultants, etc.) are becoming more involved in education, both by sponsoring specific initiatives and by participating directly in teaching (e.g. as mentors). This involvement should be seen by firms as a long-term investment, and as an important aspect of their **corporate social responsibility**. Private-public **partnerships** are crucial to the development of entrepreneurship education. The establishment of **school-business-community links** is a key element of successful programmes. This process needs to be encouraged further.

Numerous **organisations**¹⁹ are currently disseminating entrepreneurship education across Europe by means of **partnerships with the business world**, with a certain degree of public support. They promote programmes based on learning in practice, for instance by means of students running mini-companies. In the absence of, or in addition to, a methodology developed internally by the education system, their contribution to entrepreneurship education is significant in most European countries. These organisations also provide training for teachers, and may act as drivers of change in national educational policies.

In **Norway**, Young Enterprise Norway is a partner for the Government in implementing the Strategy for Entrepreneurship Education. In 2004, 14% of all students leaving upper secondary school had participated in the Student Company Programme.

3. ENTREPRENEURSHIP IN HIGHER EDUCATION

- **Universities and technical institutes should integrate entrepreneurship as an important part of the curriculum, spread across different subjects, and require or encourage students to take entrepreneurship courses.**
- **Combining entrepreneurial mindsets and competence with excellence in scientific and technical studies should enable students and researchers to better commercialize their ideas and new technologies developed.**

In university studies, entrepreneurship education provides specific training on **how to start and run a business**, and encourages and **supports business ideas** from students. Tertiary education is normally highly decentralised, but there are some examples of a national strategy for promoting entrepreneurship in higher education, normally as a result of cooperation between the administration and universities.

In the **UK**, the aim of the Science Enterprise Challenge is to establish within universities a network of centres funded by the government and specialised in matching entrepreneurship studies with science and technology.

¹⁹ For instance, members of the networks Junior Achievement-Young Enterprise Europe, EUROPEN and JADE.

There are few **Chairs in Entrepreneurship** in Europe²⁰, which lags behind the US by a factor of four²¹. Moreover, entrepreneurship teaching concentrates mostly on students following **economics and business courses**; the teaching available to those studying other subjects is limited. Entrepreneurship remains primarily elective and tends to be offered as a stand-alone subject. Universities should integrate entrepreneurship **in different subjects of their study programmes, as it may add value to all degree courses**. Also, in order to tackle the shortage of specialised professors, **entrepreneurship should be more broadly recognised as a specialisation field for doctoral programmes**.

Case studies and other interactive teaching methods are under-utilised²², as is the involvement of business people in the learning process. To encourage entrepreneurial behaviour, a **supportive environment** is needed. **Higher education establishments committed to entrepreneurship** provide or facilitate access to risk capital, management capacity building and networking. **Business plan competitions** are an effective way to expose students to investors. The presence of **incubators** and **science parks** also clearly signals universities' commitment, through the practical supply of services.

Within **business studies** at undergraduate and graduate level (including MBAs), courses should have a greater focus on aspects such as setting up a business, managing the growth phase of an SME and ensuring continuous innovation.

Special attention should be paid to systematically integrating entrepreneurship training in **scientific and technical studies and within technical institutions** (e.g. polytechnics), in order to better enable spin-offs and innovative start-ups, and as a means to help researchers to acquire entrepreneurial skills. Business schools and technical/scientific faculties should collaborate more, for instance by creating interdisciplinary teams of students and doctoral candidates. There needs to be more focus on developing the skills and competencies necessary for fully exploiting **innovation** and **knowledge transfer** activities in combination with the **commercialisation of new technologies**²³.

European universities need to clearly identify the strategic part that innovation and knowledge transfer plays within the overall institution's missions.

Academic spin-offs are increasingly seen as important means of enhancing local economic development. However, in order to accomplish their new roles, scientists as well as universities must build **business and managerial competencies**.

There are some **internal barriers**, for instance a career system strongly based on academic merit that still does not make an entrepreneurial path a credible option. Problems also seem to pertain to labour mobility in and out of academia, and to the ability to flexibly and strategically recruit personnel within universities²⁴. Inter-sectoral mobility of researchers at all stages of their careers (including at the level of doctoral training) should become a normal

²⁰ Best Procedure project on Education and Training for Entrepreneurship, November 2002.

²¹ Survey on entrepreneurship education in Europe by EFER and EFMD, September 2004. J. A. Katz, Survey of Endowed Positions in Entrepreneurship and Related Fields in the United States, October 2003.

²² Survey on entrepreneurship education in Europe.

²³ See also: More Research and Innovation – Investing for Growth and Employment: A Common Approach. COM (2005)488 final.

²⁴ Nordic Innovation Centre, *Entrepreneurial learning & academic spin-offs*, Göteborg, January 2005.

component of a researcher career path²⁵ Such mobility should also help to develop the necessary skills and competences for enhancing the entrepreneurship culture and attitude within universities.

Finally, it is vital to create a critical mass of entrepreneurship teachers, and to step up cross-border collaboration. While innovative teaching approaches to entrepreneurship training within universities are being tested throughout Europe, **sharing of these practices** should be increased.

4. THE WAY AHEAD

The following **recommendations** for concrete action are based on evidence and good practice found in Europe. Most of the action needs to be taken at national or local level. The proposals aim to help formulate more systematic approaches to entrepreneurship education and **to enhance the role of education in creating a more entrepreneurial culture in European societies.**

4.1. A coherent framework

- National and regional authorities should establish **cooperation between different departments**, leading to developing a strategy with clear objectives and covering all stages of education in the context of the Lisbon national programmes.
- **Curricula for schools at all levels** should explicitly include entrepreneurship as an objective of education, accompanied by implementation guidelines.

4.2. Support for schools and teachers

- Schools should be given **practical support and incentives** to encourage take-up of entrepreneurship activities and programmes, through a range of different instruments.
- Special attention should be given to **training teachers**, through initial and in-service training as well as practical experience, and to raising the awareness of heads of schools and school boards.

4.3. Participation by external actors and businesses

- **Cooperation between educational establishments and the local community**, especially **businesses**, should be encouraged. Involvement in formal and non-formal education should be seen by firms as an investment and as an aspect of their **corporate social responsibility**.
- The use of student **mini-companies** at school should be further promoted. In that context, the activity of organisations promoting these programmes, such as NGOs, should be recognised, and their initiatives more systematically supported.

²⁵ European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers (C52005) 576 final, 22 March 2005.

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