



## ANALYTICAL HIGHLIGHT

### FOCUS ON

# Entrepreneurial skills

- Entrepreneurial skills combine a range of technical, management and personal skills. As such, there is no established, simple definition of the entrepreneurial skillset.
- Nevertheless, entrepreneurial skills are identified as an EU priority because of their impact on people's economic, personal and social lives.
- In 2012, 2.3 million enterprises were created across the EU-28 and 30.6 million people were self-employed. However, interest in becoming an entrepreneur is reportedly lower in Europe than some major international competitors.
- Many EU-28 countries are attempting to boost entrepreneurial skills by introducing them more explicitly within the education curriculum.

### What are entrepreneurial skills?

Entrepreneurship is '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'<sup>1</sup>. It is seen as vital to promoting innovation, competitiveness and economic growth<sup>2</sup>. Fostering entrepreneurial spirit supports the creation of new firms and business growth. However, entrepreneurship skills also provide benefits regardless of whether a person sees their future as starting a business<sup>3</sup>. They can be used across people's personal and working lives<sup>4</sup> as they encompass 'creativity, initiative, tenacity, teamwork, understanding of risk, and a sense of responsibility'<sup>5</sup>.

What constitutes entrepreneurship skills has been the subject of much discussion. Unlike other important economic skills, entrepreneurial skills are not related to a specific occupation, discipline or qualification. How-

ever, the greater emphasis on entrepreneurship education and developing entrepreneurial skills has brought more analysis and agreement of entrepreneurial abilities and competencies.

The OECD has identified three main groups of skills required by entrepreneurs<sup>6</sup>:

- Technical – communication, environment monitoring, problem solving, technology implementation and use, interpersonal, organisational skills.
- Business management – planning and goal setting, decision making, human resources management, marketing, finance, accounting, customer relations, quality control, negotiation, business launch, growth management, compliance with regulations skills.
- Personal entrepreneurial – self-control and discipline, risk management, innovation, persistence, leadership, change management, network building, and strategic thinking.

These combinations of the skills, competencies and attributes are required variously by commercial managers and creative workers<sup>7</sup>. In addition, entrepreneurs require knowledge of the sectors in which they operate (i.e. an IT, construction or catering entrepreneur will require knowledge of those specific sectors or occupations).

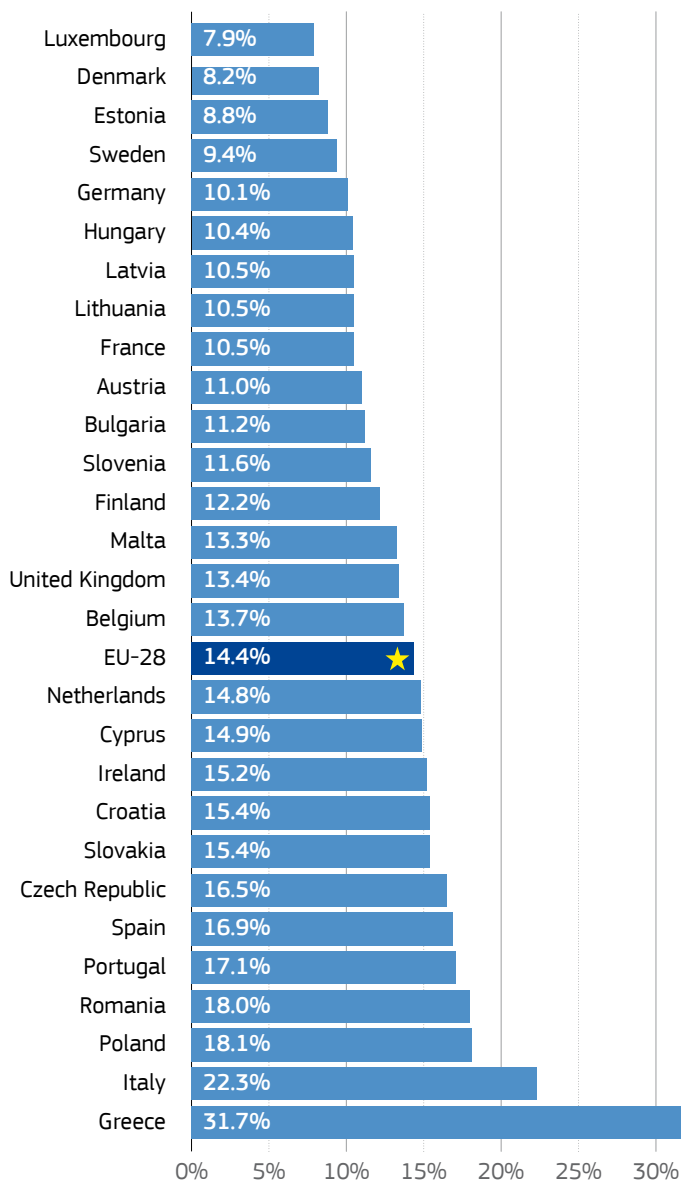
**Current levels of entrepreneurship skills**

There is little information available to measure the level of these skill-sets, so entrepreneurship is usually measured by proxy indicators, such as self-employment and business creation rates<sup>8</sup>. Figure 1 shows the per-

centage of self-employed people in each EU-28 country in 2013. Across the EU-28 as a whole, 14% of workers are self-employed, although this varies considerably between countries. In four countries – Luxembourg, Denmark, Estonia and Sweden – fewer than one in ten people are self-employed. However, more than one in five workers in Italy and nearly one in three workers in Greece are self-employed.

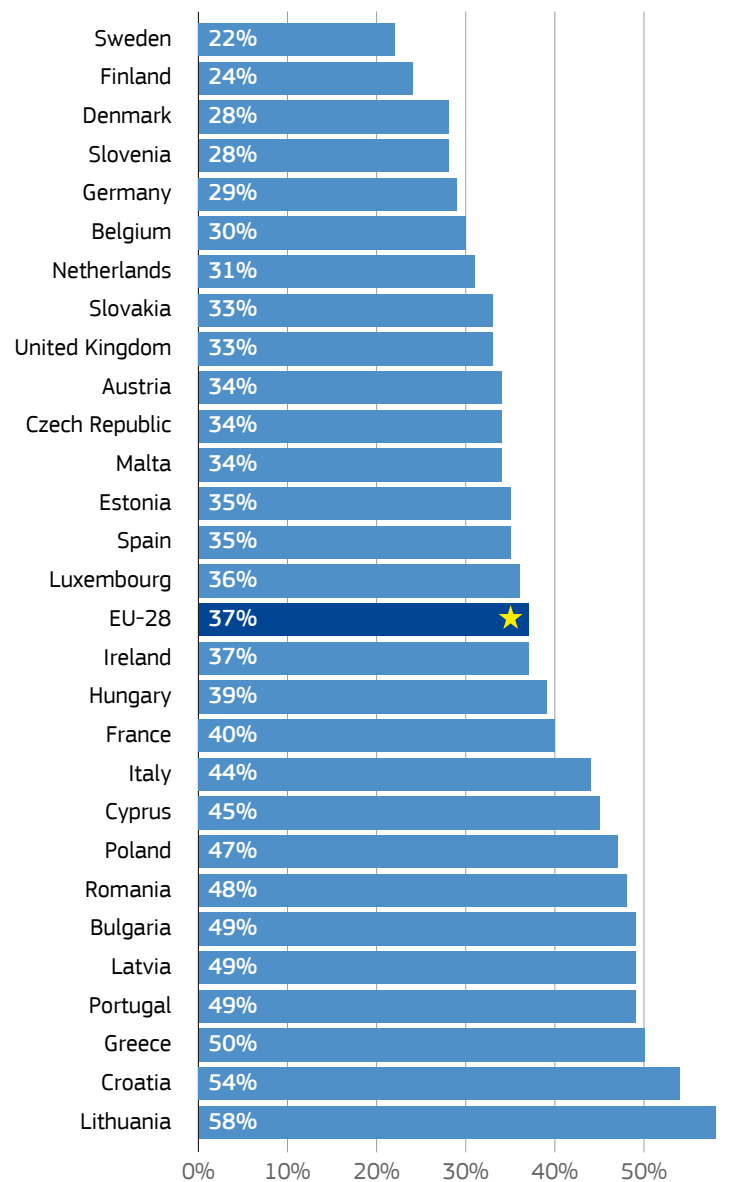
The intention to become self-employed also varies significantly across EU-28 countries. A Eurobarometer survey in 2013 found that 37% of people in the EU would prefer to be self-employed compared to 58% who would prefer to be employees. Equivalent figures for preferring self-employment outside of Europe ranging from 23% of workers in Japan

▼ Figure 1 – Levels of self-employment, EU-28, 2013



Source: Eurostat (2013), Ifsa\_esgaed (data accessed 2015)

▼ Figure 2 – Preferred employment status (self-employed), EU-28, 2012



Source: European Commission (2013), Entrepreneurship in the EU and beyond

to more than half in Brazil, China, Korea and the United States<sup>9</sup>. Figure 2 shows that, across EU-28 countries, the proportion of workers preferring to be self-employed ranges from over 50% in Lithuania, Croatia and Greece to less than a quarter in Sweden and Finland.

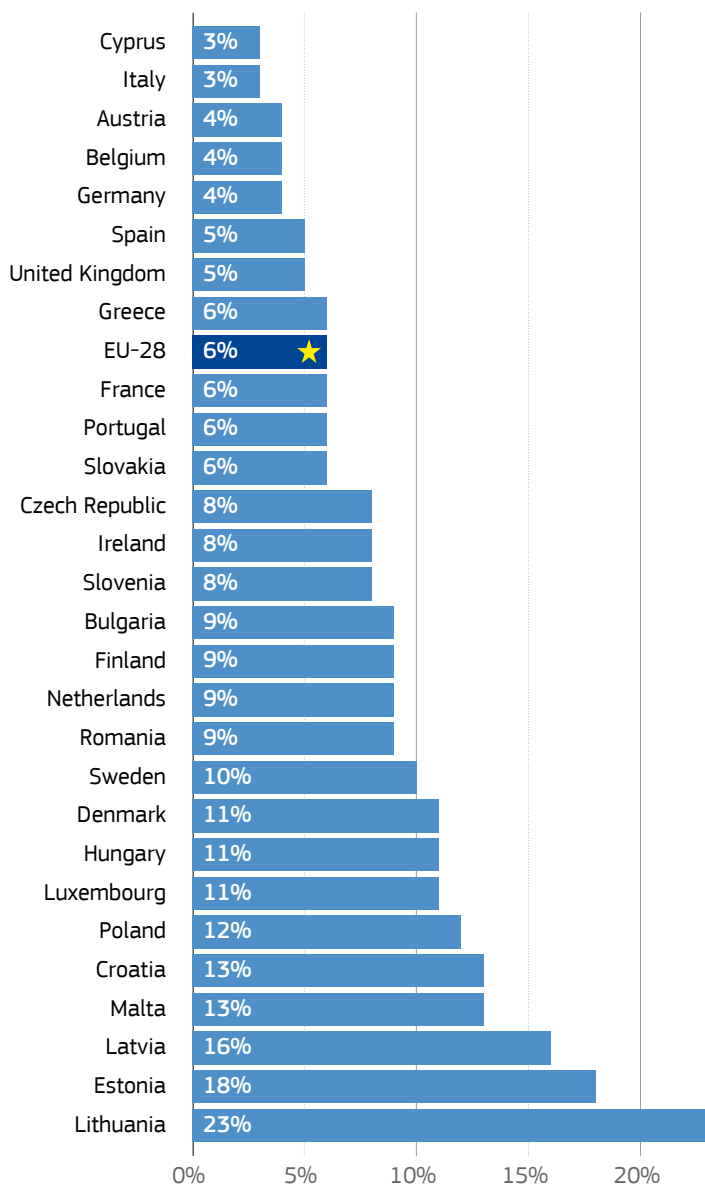
Just under one third of (non-self-employed) Eurobarometer respondents (30%) thought it would be *feasible* for them to become self-employed. This ranged from around half of respondents in Latvia, Sweden and Poland to around one on five in Spain, Malta and the Czech Republic. The above does not necessarily mean that certain countries are more entrepreneurial than others. Proxy indicators of entrepreneurship, such as

new business densities, self-employment rates and the desire to become self-employed are not related within individual countries. For example, Luxembourg has the lowest self-employment rate (8%), but has a high density of new business creation (21%)<sup>10</sup>. Italy has one of the highest self-employment rates (22%), but a low new business density (2%).

Where self-employment is not an option, individuals typically cite practical concerns such as job security, lack of capital/financial resources and the current business climate rather than their own entrepreneurial skills. In 2012, only 6% of EU-28 employees believed that they lacked the skills to become self-employed. This rate was higher in some Eastern and Central European countries (see Figure 3). However, Lithuania, Latvia, Bulgaria, Romania, Estonia, Poland, Slovakia and Slovenia all had business birth rates higher than the EU-28 average in 2012<sup>11</sup>.

Other cross-national research suggests entrepreneurial experience, fear of failure and perceptions of business opportunities are important for business creation<sup>12</sup>. Experience (and being able to learn from experience) is also important in developing entrepreneurial skills and competencies<sup>13</sup>.

▼ Figure 3 – Not enough skills to be self-employed (employees), EU-28, 2012



Source: European Commission (2013), Entrepreneurship in the EU and beyond

### Who possesses entrepreneurship skills?

While a diverse group, entrepreneurs typically tend to be male, aged 40-55, educated to tertiary level and see the idea of becoming self-employed as feasible<sup>14</sup>. Eurostat data for 2013 indicates that less than one third (31%) of self-employed people in the EU were female. However, country level trends differ significantly. In Latvia, Luxembourg, Lithuania and Poland, at least 39% of self-employed people were female. In Malta, Ireland and Romania less than one quarter of the self-employed were female<sup>15</sup>. Some commentators see these differences as resulting from gender-specific barriers that limit the preference to becoming self-employed rather than obstacles to starting a business per se (for example, capital, business idea, skills and risk)<sup>16 17</sup>. Having a business idea and access to finance are the most important factors when deciding to start a business (more than four out of five people see these as important), but so are having an appropriate business partner and role model (more than 60%).

### Developing entrepreneurship skills

Almost twice as many people who regard self-employment as a feasible prospect in the next five years had followed an entrepreneurship course (34% compared to 18%). However, less than half of EU citizens feel that their school education helped them to better-understand the role of entrepreneurs in society (47%) or gave them the skills and know-how to enable them to run a business (41%). Only 28% of Eurobarometer respondents agreed that their school education made them interested in becoming an entrepreneur; although this figure ranged from 65% in Portugal to 17% in Germany and the United Kingdom<sup>18</sup>.

Engendering entrepreneurship skills involves developing:

- Specific, technical business-running skills e.g. developing and implementing a business plan, accounting, budgeting;
- Transversal or strategic skills associated with entrepreneurship: an ability to take decisions based on balanced risk assessment and information analysis; recognising and implementing opportunities for business growth; following market developments and managing the products and services offer<sup>19</sup>.

The European Commission recognises entrepreneurship as a key competence for life and the 'Rethinking Education'<sup>20</sup> communication states that all young people should benefit from entrepreneurship education, including 'at least one practical entrepreneurial experience before leaving compulsory education'. Entrepreneurship is a key element of the Europe 2020 strategy<sup>21 22</sup>. Consequently, Member States have been invited to encourage the development of a coordinated approach to entrepreneurship education throughout the education and training system.

A number of countries have developed entrepreneurship education strategies and there is an emerging body of knowledge about good and effective practice in learning and teaching. Ministries, institutions and inspirational teachers are working to integrate learning and the acquisition of transversal entrepreneurship skills, knowledge and behaviours; not just into 'entrepreneurship' courses but across the curriculum, into the classroom and across schools, colleges and universities<sup>23</sup>.

Research has identified scope for further development in the education sector – in relation to understanding entrepreneurship, pedagogy and working methods and the assessment of outcomes<sup>24</sup>. The European Commission is constantly working together with experts, teachers and the educators of teachers to identify good practice and enable its wider dissemination. ■

- 1 European Commission (2006), Recommendation of the European Parliament and of the Council of 18 December 2006 on key competences for lifelong learning (2006/962/EC)
- 2 European Commission (2012), Towards a job rich recovery
- 3 Schoof U., SEED Working Paper No. 76, International Labour Organization (2006), Stimulating Youth Entrepreneurship
- 4 Cooney T., OECD (2012), Report for the workshop on skills development for SMEs and entrepreneurship: Entrepreneurship skills for growth-orientated businesses
- 5 European Commission (2013), Entrepreneurship 2020 action plan: Reigniting the entrepreneurial spirit in Europe report based on the Eurobarometer Survey on Entrepreneurship
- 6 OECD (2014), Job creation and local economic development
- 7 See O\*NET knowledge, skills and abilities for business managers, and creative writers, composers and fine artists.
- 8 Self-employment is chosen here as a proxy indicator because it is the main indicator of entrepreneurship in the European Commission's report (2013), Entrepreneurship in the EU and beyond.
- 9 European Commission (2013), Entrepreneurship in the EU and beyond
- 10 The new business density rate is new businesses as a proportion of the working age population see World Bank Group (2013), Doing business: Entrepreneurship
- 11 Eurostat (2014), Business demography by legal form, table [bd\_9a\_l\_form\_r2]
- 12 Amoros J., Bosma N., Global Entrepreneurship Monitor (2013), 2013 Global report
- 13 Hessels, J., Grilo, I., Thurik, R., & van der Zwan, P. 2011. Entrepreneurial exit and entrepreneurial engagement. *Journal of Evolutionary Economics*, 21(3): 447-471, based on analysis of Global Entrepreneurship Monitor data
- 14 Entrepreneurs are defined as people who have or are planning to start or take over a business [European Commission (2013), Entrepreneurship in the EU and beyond] or are self-employed [Eurostat (2014), Self-employment by sex, age and economic activity table (lfsa\_esgan)]
- 15 Amoros J., Bosma N., Global Entrepreneurship Monitor (2013), 2013 Global report. In the Global Entrepreneurship Monitor, participating Member States include: CZ, DE, DK, ES, FI, FR, EL, HR, HU, IE, LV, LT, NL, NO, PL, PT, RO, SK, SI, SE and the UK.
- 16 European Commission (2012), Entrepreneurship in the EU and beyond
- 17 Verheul I., Thurik R., Grilod I., van der Zwanb P., (2011), Explaining preferences and actual involvement in self-employment: Gender and the entrepreneurial personality, *Journal of Economic Psychology*, Volume 33, Issue 2, pp.325-341
- 18 European Commission (2012), Entrepreneurship in the EU and beyond
- 19 DG Enterprise and Industry (2012), Building entrepreneurial mindsets and skills in the EU
- 20 European Commission (2012), Rethinking education: Investing in skills for better socio-economic outcomes (COM)2012 669 Final
- 21 European Commission (2013), Entrepreneurship 2020 action plan: Reigniting the entrepreneurial spirit In Europe, (COM)2012 795 final
- 22 Council of the European Union (2014), Council conclusions on entrepreneurship in education and training, Education, Youth, Culture and Sport Council meeting Brussels, 12 December 2014
- 23 DG Enterprise and Industry (2012), Building entrepreneurial mindsets and skills in the EU
- 24 GHK (2011), Mapping of teachers' preparation for entrepreneurship education



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