

## A MODEL FOR ENTREPRENEURSHIP TRAINING AND MANAGEMENT SKILLS DEVELOPMENT FOR SUSTAINABLE ECONOMIC GROWTH

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### **Abstract**

*This paper proposes a model for entrepreneurship training and management skills development that is aimed at providing the skills needed by new and existing entrepreneurs to construct, implement and manage a strategic business plan. The main stakeholders in the program include university students (all colleges), university faculty and administration, new and existing entrepreneurs, the finance community, community business organizations, other educational institutions and government organizations. The two key components of the entrepreneurship program are 1) teaching strategic and business management concepts, and 2) strategic and business management skills development. The second component is where the real entrepreneurial learning takes place by allowing the student/entrepreneur to employ the management concepts in a practical way. The approaches used include lectures, seminars and cases for the first component and business clinics, industry assessments, marketing research studies, business plans, feasibility studies, and internships and mentoring for the second component.*

*Key Words: entrepreneurship, education, training, management skills development*

### **Introduction**

There is an ever-increasing demand for entrepreneurs in the world today. Both developed and developing countries are trying to lure entrepreneurs with ideas, skills and capital to enhance their economic growth. In many countries the number of retiring entrepreneurs is expected to far exceed the number of home-grown new entrepreneurs over the next 15 to 20 years, as the baby boom generation retires. All governments, regardless of political stripe, have come to the realization that government alone cannot create the kind of economic growth necessary to maintain a competitive standard of living in the world. For any economy to sustain significant economic growth, entrepreneurial risk-takers with new ideas and solid management skills are required.

There are many different statistics presented by the finance community on business failures but usually it is indicated that about 80% of all new business ventures (new start-ups or take-overs) will fail within the first two to five years of operations. When venture capital providers, angel investors or bankers are asked why the failure rate is so high, the number one reason is invariably the same – lack of proper management skills. This is often referred to as the entrepreneurship management skills gap.

There is no substitute for the drive and enthusiasm of an entrepreneur. The tremendous will to succeed that is inherent in entrepreneurs is the most critical requirement for success. Not everyone has the inherent characteristics of an entrepreneur and no amount of education or training can instill these qualities. However, while these inherent qualities are essential, they are not necessarily sufficient by themselves to create success in business. Many entrepreneurs are simply not ready to manage their business when they want to start operations. In some cases they do not know who their customers are or what they want or how to find out what their customers want. In many cases the entrepreneurs' belief is that "if we build it, they will come" as opposed to "find out what your customer wants and give it to them". Entrepreneurs often do not understand or have not considered the most basic principles associated with business competition such as Porter's (1985) declaration that in competitive industries you must choose to become either a cost leader or differentiate your product. Entrepreneurs need to know their marketplace and

decide how they will manage their business; whether they choose to be a cost leader or differentiate their product, their business plan must show how they will do it. They must understand where they fit in the value chain, know the importance of building relationships within the chain, and how they might capture some of the profits of the chain captain (or whether they will strive to be the chain captain). When an entrepreneur is asked these very basic questions; “What is your competitive advantage?” or “Will anyone want to buy your product/service, why, who is it, where are they and how will you get it to them?”, too often the responses have shown that the entrepreneur has not addressed or researched these critical questions. Entrepreneurs need to understand these strategic management concepts so that they can formulate a strategic plan. After this ‘big picture’ assessment, the entrepreneur must be able to develop a detailed business plan that shows how the business will be managed to carry out the strategic plan; the operations, human resources, marketing and financial plans must all be integrated with the overall strategic plan.

Completing the appropriate research and planning along with having the necessary management skills are key ingredients to having a successful business. Figure 1 illustrates this process of business idea conception to implementation of the business plan. There are many entrepreneurs with a good business idea but few who are able to complete the process illustrated in Figure 1. As a result, entrepreneurs often try to run with an idea before it is ready, approaching bankers or other sources of financing with just the idea and no strategic plan, let alone a business plan. They then become very disheartened when a banker turns them down because they feel their idea is a sure thing and a business plan is simply a lot of extra and unnecessary work. However, if they have not gone through the strategic and business planning process, it is almost a guarantee that there are possibly hundreds of questions still to be answered just to assess whether the business is feasible, i.e. has a reasonable chance of success. Moving forward before these questions have been addressed is extremely risky and significantly increases the probability of failure.

What is needed to reduce the failure rate and increase the number of successful entrepreneurs in an economy? This paper proposes a model for entrepreneurship training and management skills development that is aimed at providing the skills needed by new and existing entrepreneurs to construct, implement and manage a strategic business plan. This model is based on ten years of experimentation at the University of Saskatchewan, Canada. Several faculty members from the business and agriculture colleges have been involved in various internal and external training programs with a view to closing the entrepreneurship management skills gap<sup>1</sup>.

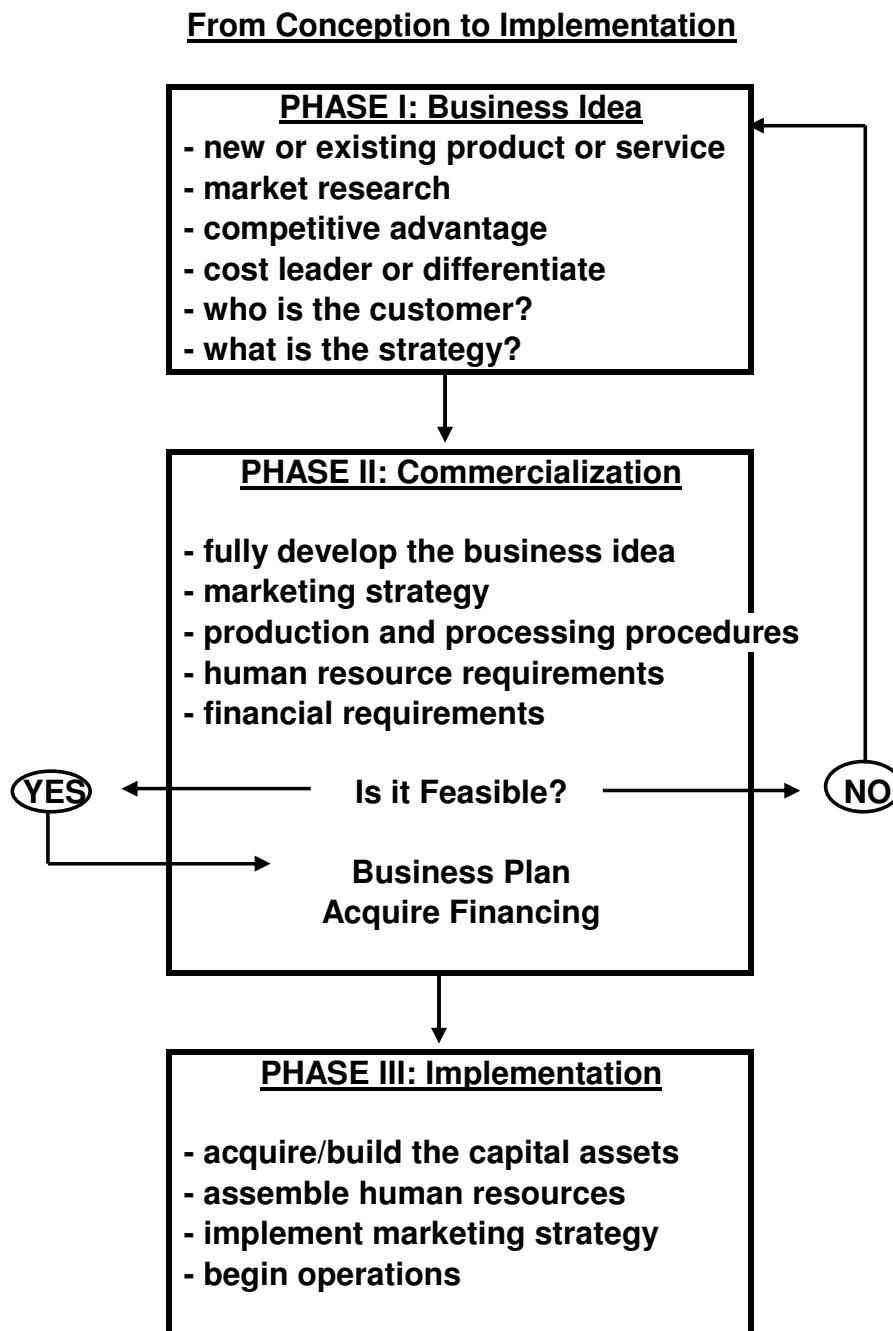
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<sup>1</sup> The University of Saskatchewan faculty members involved have been Marv Painter, Brooke Dobni and Alison Renny from the College of Commerce, and Bill Brown and Tom Allen from the College of Agriculture.

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**Figure 1: From Conception to Implementation**



**The Stakeholders**

There are a number of important stakeholders in this university-based entrepreneurship training and management skills development program. The first and most important to us is our students at the University of Saskatchewan. In the College of Commerce, we have been delivering entrepreneurship and management training to our business students for many years and recently the colleges of Agriculture and Engineering, in partnership with Commerce, have begun delivering entrepreneurship programs. The College of Arts and Science has requested from Commerce a 6-course minor in entrepreneurship based on very positive indications of demand in a recent poll of Arts and Science students. Other colleges are also expressing interest such as Pharmacy, Kinesiology, Medicine and Dentistry. Overall, the demand for entrepreneurship and management training from university students is increasing and we plan to meet that demand with new programs.

A second important stakeholder is our faculty and administration personnel. In order for us to be successful in offering new entrepreneurship programs, we need commitment from both of these groups. From faculty, we need people who are committed to the development and delivery of the programs as well as commitment to the overall goals from faculty who are not directly involved with entrepreneurship. From administration, we need commitment to entrepreneurship and the investment funding that is required to develop the programs. If all groups are committed, new entrepreneurship programming can be developed and delivered efficiently and effectively.

New and existing entrepreneurs, who are not our students, are a third important stakeholder. These are people who may be managing existing ventures, are planning to start a new venture, want to purchase an existing venture, are looking for a business venture, or want to learn more about entrepreneurship and management. These people are external to the university and our programs need to reach out and engage them.

There are a number of other stakeholders that need to be involved in the planning, development and implementation, such as the finance community (venture capital providers, angel investor groups, banks and credit unions), community business organizations (chamber of commerce, regional economic development associations, young entrepreneurs groups, women's entrepreneurs groups, aboriginal business organizations), other education institutions (other universities, technical institutes) and government organizations (provincial and federal government entrepreneurship programs and initiatives).

An advisory board representing all of the stakeholders guides the on-going development and implementation of the entrepreneurship education and training programs. The first function of the advisory board is to provide advice on programming for internal university programs (programs for our own students), and for external entrepreneurship programs (programs for entrepreneurs who are not university students). The second function is to facilitate learning and business linkages, such as; having successful entrepreneurs provide presentations, internship and mentoring; linking entrepreneurs with students for completion of marketing research studies, business plans, feasibility studies, and other business research; developing a network for matching retiring entrepreneurs with young entrepreneurs who are interested in buying existing ventures. The network assists with the matching as well as completion of business plans and strategies, financing arrangements (vendor financing, angels, banks, etc) and early mentoring. The third function of the advisory board is to participate as panelists, presenters, and judges at an annual entrepreneurship conference, which includes a business plan competition, new ventures competition, and so on. The 12 member advisory board is made up of 7 private entrepreneurs and one member from each of the following groups; finance community, provincial government, Chamber of Commerce, Women's Entrepreneurs, and Young Professionals and Entrepreneurs. Other representatives at advisory board meetings are faculty and student representatives.

### **Key Components of the Programs**

The two key components of the entrepreneurship training and management skills development programs are 1) teaching strategic and business management concepts, and 2) strategic and business management skills development. The first component provides the student/entrepreneur with the management concepts required to successfully manage a business, including accounting, finance, marketing and human resource management concepts. These concepts are delivered using case studies that describe successful and unsuccessful entrepreneurial ventures. The second component is where the real entrepreneurial learning takes place by allowing the student/entrepreneur to employ the management concepts in a practical way. The approaches used include lectures, seminars and cases for the first component and business clinics, industry assessments, marketing research studies, business plans, feasibility studies, and internships and mentoring for the second component.

***Business Clinics***

Business clinics are meetings held to discuss a current business problem or opportunity. New or existing entrepreneurs are invited to attend a session that includes a faculty member and usually 4 to 6 students. The entrepreneur can describe a current business problem, after which the faculty member and students will engage in a discussion about potential solutions. If the solutions require more research or a financial assessment, some of the students will opt to take on the project, working with the faculty member and entrepreneur to assess, plan and implement a business solution. Similarly, the entrepreneur may outline an idea for a new product or service and requires an industry analysis or a marketing research study. If a project idea has already been researched, students will be involved in helping to determine a strategy and complete a feasibility study or a business plan. This is very useful for entrepreneurs to springboard their ideas, discuss pros and cons, evaluate different strategies, and so on.

***Industry Assessments, Marketing Research Studies, Feasibility Studies, Business Plans***

Experience has shown that students and entrepreneurs never learn as well as when they are applying strategic management and business concepts to real business problems or opportunities. The projects are completed under the supervision of a faculty member, with the main goal being education and experience for all three parties; students, entrepreneur and faculty member. For students, we have found the project approach to provide a much higher rate of learning and retention than lectures or case study approaches. However, the project approach is combined with lectures and case studies to make sure that students understand the concepts associated with strategic planning, marketing research or business planning before they actually take on the project.

Many entrepreneurs who have been involved, especially new entrepreneurs, have learned that market research, strategic planning and business planning can significantly increase the chances of success. Many have also realized (albeit reluctantly) that their initial idea was simply not feasible and had they not engaged in the research process, they likely would have failed had they proceeded with the business idea. They also often find that there is much more to learn about business management and that the learning never stops for any of us.

***Internship and Mentoring***

Developing and maintaining close ties with the business community allows us to partnership with existing and retired entrepreneurs for student internships and mentoring. The internships involve a student working at an entrepreneur's place of business, usually for the four summer months. The objective is for the student to experience day to day management issues but also be involved as much as possible in the strategic business planning. It is important that the student is not simply put into a low level position for the four months, where learning is minimal. Ideally the student is given some responsibility for day to day management as well as a project associated with strategic planning such as a competitor analysis, market research for existing or new products/services, efficiency analysis, and so on. By the end of the internship, it is expected that the student will have a much better appreciation for the inner workings of a business, from front line to board room.

***Management Training for New and Existing Entrepreneurs***

One of our most important objectives is to provide our students with the management training and skills needed to be successful entrepreneurs. We have also developed a number of external training programs that are aimed at entrepreneurs who are not our students. One young entrepreneur made a very telling statement when he indicated that the main restriction in growing his business was not competition or government regulation but the speed at which he was able to grow his management skills. Our external programs respond to that need.

The main external program is a six course certificate program (delivered in evening classes) that teaches accounting, marketing, finance and human resources, all in an entrepreneurial context. There is also a course in strategic management and the capstone is a business planning course, where the participant is required to complete an actual business plan. We encourage participants to complete a strategic business plan for the venture they plan to pursue. At this point we can involve mentors and students to assist the entrepreneur; however the entrepreneur must take full responsibility for completion of the plan. Entrepreneurs may take this course while they are developing their business ideas and we encourage them to use our business clinics and students to have marketing research or industry analysis completed for their ventures.

Two other external training programs are offered. One is an intensive one-week program that is aimed at successful entrepreneurs who need to enhance and upgrade their management skills. This program brings participants up to date on strategic planning issues, current markets and marketing challenges, as well as current human resource and financial issues. It employs many case examples, requires a high level of participation, provides networking time and it is generally the case that participants will learn as much or more from each other than from the faculty who are facilitating the sessions.

Another external program is designed to have entrepreneurs develop their own business plan over a two month period while they also complete approximately 30 hours of in-house training designed to develop their business planning skills. By the end of the two month period, they are expected to present their completed business plan. Unfortunately, this program has not been successful because very few of the participants have actually completed a business plan. They are usually trying to complete a business plan while they continue to manage their business(es), and when they find out how much time and effort is required to complete a business plan, they decide that they don't have the time. Our plan to remedy the problem is to have students work with these entrepreneurs (through the business clinics) where the students will do most of the time consuming research, under the guidance of the entrepreneur and a faculty member. We will strongly encourage the entrepreneur to remain engaged with the students as the project is being completed.

#### *Facilitating New Venture Start-ups, Buyouts and Financing*

One of our stakeholders is the finance community and we include them as guest speakers and mentors. This gives our students a better understanding of what debt or equity suppliers are looking for in a financing proposal or a business plan. Students also are able to see the differences between banks or other debt providers' requirements and equity providers such as venture capital or angel investor networks. Knowing what these finance groups look for in a proposal helps an entrepreneur considerably when it comes to seeking funds.

Another common source of financing has been vendor financing. With many baby boom entrepreneurs retiring, there is a growing number of existing businesses for sale which provides many good opportunities for our students and other entrepreneurs. According to the Business Development Bank of Canada, there will be over 500,000 business owners wanting to sell in the next 10 years. We are planning to include in our program an opportunity for retiring entrepreneurs to participate as vendors, making their business available to students or entrepreneurs who may want to complete a business plan with the intention to purchase the business. In the event that the ensuing proposal included vendor financing, it would provide the vendor with an excellent opportunity to assess the student or entrepreneur's management abilities by working with them on the business plan. This program would also be beneficial for a retiring vendor who wants to sell to his or her employees, where the employees need to enhance their management skills before taking over.

## Summary of Stakeholder Participation

Table 1 provides a brief description of the activities expected for each stakeholder for each of the venture phases.

**Table 1: Stakeholder Activities**

<b>Participant</b>	<b>Phase I: Business Idea</b>	<b>Phase II: Commercialization</b>	<b>Phase III: Implementation</b>
Faculty	Training and facilitating for opportunity assessment, market screening, pre-feasibility assessment Research	Training and assistance for development of market research studies, feasibility studies, business plans, etc. Research	Mentoring Write Case studies Research
Students	Develop opportunities for new products and services Seek market opportunities with existing businesses Strategic Market Assessment	Completion of marketing research studies, industry analysis, feasibility assessments, business plans	Implement their business plans by starting a new business venture or purchasing an existing business
New Entrepreneurs	Identify new product or service ideas Targeted business acquisitions Entrepreneurship management training	Work with students and mentors to prepare marketing research, feasibility study and business plan	Implement their business plans
Existing Entrepreneurs	Expansion plans (new and existing products or services, geographical expansion, etc) Entrepreneurship management training	Work with students and mentors to prepare marketing research, feasibility study and business plan	Implement their business plans Internships Mentoring
Entrepreneurship Advisory Board	Presentations and advice on opportunity identification Advise and critique student-identified opportunities Mentoring	Mentoring and advising for completion of commercialization studies and business plans Student Internships	Mentoring and advising to students and entrepreneurs who are implementing their business plans
Finance Community	Presentations to students Advice to entrepreneurs	Presentations, mentoring, advising	Provide Financing to feasible business plans
Community Business Organizations	Networking facilitation	Networking facilitation	Networking facilitation
Governments	Government programs to assist entrepreneurs Government grants, providing export assistance, reducing red tape		

Table 2 provides a summary of what each participant is expected to contribute to and receive from the entrepreneurship programs.

**Table 2: Stakeholder Inputs and Outputs**

<b>Participant</b>	<b>Provide to the Program</b>	<b>Receive from the Program</b>
Faculty	Teaching, organizing, facilitating Student advising and mentoring	Business experience Case Studies Research Projects
Students	Complete marketing research studies, feasibility studies, opportunity assessments, business plans	Business education with a focus on applied entrepreneurship Networking with other entrepreneurs Opportunity to start own business
New Entrepreneurs	Product and Service ideas for new ventures and acquisitions and request for assistance with research and business plans	Business Clinics Assistance with three phases of venture commercialization
Existing Entrepreneurs	Requests for improvement of business performance Ideas for expansion and request for assistance with business plans	Business Clinics Assistance with problem solving, marketing research and business plans
Entrepreneurship Advisory Board	Program Planning Mentoring and advice to students and other entrepreneurs Classroom presentations Annual Competitions Participation	Networking opportunities within the entrepreneurial community Recognition for helping to grow the entrepreneurial community and economy
Finance Community	Advice and mentoring Classroom presentations	Potential clients and exposure to the entrepreneurial community
Community Business Organizations	Networking facilitation for all participants	Potential members Recognition for helping to grow the entrepreneurial community and economy
Governments	Assistance programs for entrepreneurs	More entrepreneurs Improved economic growth Larger Tax Base Retain more youth and entrepreneurs

## Conclusion

We believe that the most effective way to increase the business success rate amongst entrepreneurs is through improved and enhanced management training and skills development. This applies to students and new entrepreneurs who are planning to start or buy their own businesses and to existing entrepreneurs who are always looking for ways to improve their business performance. Our education model contains a passive learning component (lectures, assignments, case studies) but the most important is the active learning component, where participants (students and entrepreneurs) are expected to operationalize their business knowledge and apply their management skills through development and implementation of real business plans. We believe this approach to learning best suits entrepreneurs – learning by doing, while being guided by faculty, successful entrepreneurs, financiers, and others from the business community. In total, we have designed a program that will guide an entrepreneur through the three phases of business startup and leave them with a set of management skills that will increase their probability of success in the future.



**References**

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