

EDUCATION AND SKILLS OF CROATIAN MICRO ENTREPRENEURS

M.Sc. Štavlić, K., senior lecturer and PhD student, M.Sc. Letinić, S., senior lecturer and PhD student, Potnik Galić, K., PhD, senior lecturer
Polytechnic in Požega, Croatia
kstavlic@vup.hr; sletinic@vup.hr, kpotnikgalic@vup.hr

Abstract: *Micro enterprises as generators of economic growth are increasingly focused on raising the level and improving the use of professional knowledge and skills of all employees of micro-enterprises. Micro entrepreneurs are focused on improving the entrepreneurial competencies, knowledge and skills of human resources, so that their companies could create conditions for a more stable, more competitive and more successful business in the coming period. In this paper, with scientific research methods, is analyzed the level of formal education of owners and managers of micro-enterprises, and analyzed the level of use of the knowledge and skills of the employees of micro-enterprises in the Republic of Croatia. The aim is to present the results of empirical research about the present level of knowledge and skills in micro enterprises, conducted on a sample of 112 micro-enterprises from the three activities: manufacturing, construction and agriculture, fisheries and forestry, whose centers are operating from the region Slavonia and Baranja in Croatia.*

Keywords: MICRO ENTREPRENEURS, EDUCATION AND SKILLS, ENTREPRENEURIAL COMPETENCE

1. Introduction

European and American economies have shown that micro and small businesses are employment holders, and that economic growth in these regions has been achieved thanks to the strengthening of the importance of small businesses. The very importance of micro and small businesses stems from the fact that they are considered in a variety of studies to be the drivers of economic growth and increased employment, and that most of business operations begins in the context of micro-enterprises. In the Republic of Croatia since the post-war period until today the significance of the development of entrepreneurship has been recognized to a significant extent. In particular, the growing importance is given to the development of small and medium enterprises, and small and medium enterprises are expected to be drivers of overall economic growth and employment, as well as key drivers of economic development of regions and counties. In Croatia, the last 15 years have seen major changes in securing and strengthening the business infrastructure. However, but enough attention has not been given to micro-enterprises in both the professional and scientific literature and research, as well as national strategic documents.

Micro-enterprises play a crucial role in the Croatian economy and according to the Promotion of Small Business Act, which is aligned with Commission's Recommendation 2003/361 / EC of 6th of May 2003, they represent natural and legal persons that employ less than 10 workers yearly, generate total annual operating income in the amount equivalent to 2,000,000.00 euros, or have total assets if they are profit tax payers, or fixed assets, if they are liable to income tax, in the amount equivalent to 2,000,000.00 euros. [4] The harmonization of classification criteria of entrepreneurs has enabled the development of better analysis and comparison of small economic subjects in the Republic of Croatia and enterprises in the European Union, and facilitates access to financing through EU support.

The subject of this paper is defined on the assumption that current scientific research and expert analysis in the Republic of Croatia on the operations of Croatian micro-enterprises have not comprehensively identified the level of education and skills of micro entrepreneurs. Human resources are seen as crucial to the success of small businesses and therefore it is necessary to conduct an analysis of the situation and quality of human resources in micro-enterprises in the Republic of Croatia.

2. Knowledge and Skills of Micro-Entrepreneurs in the Republic of Croatia

2.1. Macroeconomic and Business Environment of Croatian Micro Entrepreneurs

In order to better understand the conditions in which micro entrepreneurs in the Republic of Croatia operate, below are listed characteristics of entrepreneurial and macroeconomic environment in the Republic of Croatia and in the region of Slavonia and Baranja. Given that the micro entrepreneurs who participated in empirical research in the context of the paper are from the region Slavonia and Baranja, trends in those counties are also described.

The importance of micro-enterprises for Croatian economy is reflected in the following [5]:

- they have a growing share in the total number of enterprises in the Republic of Croatia (83.7% in 2013, 89.28% in 2014)
- in 2014, they employed 202,402 people, which represents 24.38% of the total number of employees in small, medium and large businesses,
- in 2014 they have achieved a positive trade balance due to the increasing export orientation after Croatian accession to the European Union (EU), and
- in 2014 they have recorded a negative consolidated financial result in the amount of HRK 2,421,971,000.00.

Human resource is the holder of all economic activity and it is necessary, along with economic data, to monitor and analyse data on the population and labour force. Slavonia and Baranja region has 805,998 inhabitants, which represents a share of 18.81% in the total population of the Republic of Croatia according to 2011 census. There is a negative migration balance, which represents 72% of the total negative net migration in Croatia in 2014. It is evident that there has been a reduction in the number of residents through departures / moving to another county or in another country, which may pose a potential problem in the future through the generation of imbalance in the labour market. Slavonia and Baranja region achieves per capita GDP below the average of the Republic of Croatia, but an upward trend in the value of per capita GDP has been observed. The total value of GDP in 2013 was lower compared to 2009, indicating still weak recovery from the global economic crisis. [1]

In the Republic of Croatia and the region of Slavonia and Baranja in the observed periods we can observe declining employment, a negative migration balance, growth of per capita GDP and reduction of level of unemployment. Comparing the region of Slavonia and Baranja with data for the Republic of Croatia we can conclude that entrepreneurs are operating in an unfavourable macroeconomic environment, since this region is lagging behind with all indicators presented for the average of the Republic of Croatia.

In the region of Slavonia and Baranja discouraging entrepreneurial environment is also present. There is a trend of reducing the number of employees, the number of entrepreneurs represents a share of only 8.8% of the total number of entrepreneurs in Croatia. Entrepreneurs in this region have achieved a consolidated loss at the end of 2014 despite the increase in income in that period compared to the year 2013, and this region is at the bottom of the rankings of the region in the Republic of Croatia according to the development index and per capita GDP. [1] Micro entrepreneurs should consider all of this when examining and defining their future strategic direction, since they are operating in an environment with the prevailing inequality in regional development caused by still poorly defined strategic directions of regional policy. Given the fact that entrepreneurship is an important factor for regional development it is necessary to act via measures of regional and to create a supportive environment and favourable conditions for the development of entrepreneurship at the regional level.

2.2. Knowledge and Skills of Micro Entrepreneurs

Holders of entrepreneurial activity are entrepreneurs. Micro entrepreneurs are usually also the owners and managers and entrepreneurs, and it is necessary to understand their characteristics, skills and peculiarities of doing business in the current entrepreneurial environment and macroeconomic conditions. In micro-enterprises it is difficult to separate and set clear boundaries between the roles and characteristics of entrepreneurs, company owners and managers. Kružić and Balog in their book "Obiteljska poduzeća" (Family-owned Enterprises) provide an overview of the various features and functions of the entrepreneur. They special highlight classification of desirable entrepreneurial characteristics according to the criteria of fulfilling certain functions according to the author Bahtijarević-Šiber. [3] According to this author, basic entrepreneurial functions are: physical, social, mental, emotional, analytical, intuitive, imaginative and spiritual. And necessary characteristics are: capacity for arduous and time-consuming work, enthusiasm, mental agility, will, perseverance and emotional resilience, the ability to improvise, analyse and generalise, self-confidence etc.

The European Commission [2] has stated entrepreneurial competence [4] as one of the key competences for lifelong learning. The necessary knowledge, skills and attitudes related to the ability of an individual to turn ideas into action are: the ability to identify available opportunities for personal, professional and / or business - representation and negotiation skills of individual and team work, the ability to identify one's strengths and weaknesses, as well as assessment and risk taking. Required entrepreneurial attitude is characterized by initiative, independence, innovation in personal and social life, as well as the motivation and determination in goal realization.

Micro entrepreneurs should actively and continuously acquire and improve entrepreneurial skills listed, regardless of the industry in which they operate, because they are the foundation of every business activity. Particularly important is the fact that micro entrepreneurs are the sole bosses in their company and that they are solely responsible for the effective management of their enterprises. Quality leadership can preventively eliminate adverse effects (staff turnover, poor quality work, etc.) that affect the company's business. Using quality leadership micro entrepreneurs have the opportunity to access each employee as a human being and cultivate human values, which is not possible in large companies because of reduced organizational communication between the leading management and other operational levels.

These characteristics, entrepreneurial skills and knowledge are not important only to existing entrepreneurs and their success. They are essential to all individuals who want to become self-employed, self-manage their life activities, and achieve their life goals and thus contributing to society as a whole, and contribute to economic growth and development with their business activity.-

3. Results and Discussion

As part of the research for the purposes of determining the level of formal education and the level of use of knowledge and skills by micro entrepreneurs, as studied populations micro-businesses from Pozega-Slavonia, Osijek-Baranja, Brod-Posavina, Vukovar-Srijem and Virovitica-Podravina counties were selected. These counties make up the region of Slavonia and Baranja. Telephone interviews were conducted between June 2016 and July 2016.

Majority of questionnaire participants were the owners of micro-enterprises (72.3% of them), the share of founders / owners and decision-makers / managers was 10.70%, and the share of managers without ownership stake was 17.00%. Owners and responsible persons are mostly men (77.5% of them), the share of female owners or manager without ownership stake was 17.00%. As much as 91.10% of the surveyed micro-enterprises were owned by one person, while others have multiple owners. Surveyed micro-enterprises employed an average of slightly less than 4 employees (3.72), and the largest number of micro-enterprises had been established in the period from 2011 to 2013 (30.30% of them), and the share of micro-enterprises that have one employee was 22.60%. When we add micro-enterprises with no employees, then almost a third of those surveyed micro-enterprises have one or no employees (31.60% of them), and the knowledge, skills and abilities of one person are key to the successful operation of micro-enterprises. Analysing the experience of micro entrepreneurs, most of them have work experience of 16-20 years (24.50%).

In order to obtain a complete insight into the structure and quality of human resources, an analysis of the number of employees in surveyed micro-enterprises by education has been conducted.

Table 1: Number of employees in micro-enterprises by education

	Employees with College Education				Total
	1	2	3	4	
Number of micro-enterprises	25 64.1%	7 17.9%	6 15.4%	1 2.6%	39 100.0%
	Employees with Associate Education				Total
	0	1	2	3	
Number of micro-enterprises	10 34.5%	13 44.8%	4 13.8%	1 3.4%	29 100.0%
	Employees with Secondary School Education				Total
	0-1	2-4	5-6	7-8	
Number of micro-enterprises	24 26.4%	31 34.1%	16 17.6%	15 16.5%	91 100.0%

Source: Data processed by the author according to the results of empirical research.

From the data presented in Table 1 we can see that the most micro-businesses have employees with a secondary school education, while the least of employees in micro-enterprises have a college degree. Most micro-enterprises (25 of them) have one employee with a university degree, which indicates that this person is also the founder and owner, he or she is highly educated and have higher levels of formal education compared to other micro-enterprises. Also, it is evident that a number of the founders with associate degree is larger in micro-enterprises with zero employees. Since the level of formal education is one of the criteria of human resources quality, from the above it can be concluded that the surveyed micro-enterprises present in equal measure levels of secondary and higher education.

Furthermore, in order to determine the level of non-formal training respondents were asked whether they or their employees have attended offered six courses and training in various fields. The respondents could provide the following answers; Yes, No, but we plan to and No, nor do we plan to. This question aimed to investigate and determine the existing level of professional training and education in micro-enterprises, and whether there is the intention of future education and training of the owner and other employees in micro-enterprises. Respondents' answers are presented in the following chart.

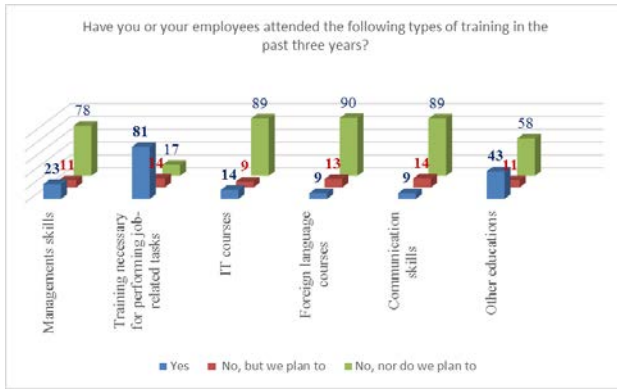


Chart 1: Types of training in micro-enterprises (Data processed by the author according to the results of empirical research)

As most common training attended by 81 employees in surveyed micro-enterprises are training necessary for performing job-related tasks (72.3%). Given the fact these are generally manufacturing companies, such results are to be expected. Other forms of training were attended by 43 employees of surveyed micro-enterprises (38.4% of them). Employees from 20.5% of the surveyed micro-enterprises attended the training in the area of management skills, while the minimum attendance was recorded in IT courses (12.5%), foreign language courses (8.0%) and education in the field of communication skills (8, 0%). Training courses with the least attendance ensure acquisition and improvement of skills of communication, both in foreign language, as well as through computer literacy, which in the future is the basis for higher quality research and monitoring of the market, and for better and more competitive business conduct, based on cooperation and healthy communication with all stakeholders in the business environment. However, according to respondents' answers, said training courses are not planned in the future (80% of respondents). In the future, micro entrepreneurs and their employees plan to attend the training necessary for performing job-related tasks and training in communication skills (12.5%), while 13 respondents said that they intend to attend foreign language courses (11.6%). Under 10% of respondents claimed to plan to attend other types of training in the future.

The most important criterion for determining the quality of human resources in this paper is the application and use of knowledge and skills by employees in the business conducts of micro-enterprises. The second issue relating to the human resources asked the respondents to assess the application of the following knowledge and skills by employees in their micro-enterprises (1 - never used, 5 - regularly used).

Table 2. The application of knowledge and skills by employees of micro-enterprises

Factor	1	2	3	4	5	\bar{x}
Analytical skills	14 12.5%	18 16.1%	38 33.9%	25 22.3%	17 15.2%	3.12
Use of foreign languages	39 35.1%	39 35.1%	20 18.0%	7 6.3%	6 5.4%	2.12
Negotiating skills	6 5.4%	12 10.8%	48 43.2%	27 24.3%	18 16.2%	3.35
Sales skills	2 1.8%	16 14.4%	34 30.6%	26 23.4%	33 29.7%	3.65
IT and computer skills	5 4.5%	13 11.8%	36 32.7%	31 28.2%	25 22.7%	3.53
Project management	10 9.1%	10 9.1%	25 22.7%	25 22.7%	40 36.4%	3.68
Knowledge of modern methods for improving business processes (Just in Time, 5S, Kaizen, etc.)	16 14.5%	14 12.7%	31 28.2%	17 15.5%	32 29.1%	3.32

Source: Data processed by the author according to the results of empirical research

From the data presented in Table 2 can be seen that most use skills in micro-enterprises are project management skills, and that the arithmetic mean is 3.68 thanks to grades 4 and 5 by 59.1% of responding micro entrepreneurs. The second most used skills are sales skills (mean 3.65) and IT and computer skills (mean 3.53). These three skills were assessed by grades 4 or 5 by more than 50% of the surveyed micro entrepreneurs. The least applied skills are knowledge of foreign languages, which was graded with grades 1 and 2 by as much as 70.2% of the surveyed micro entrepreneurs. Comparing this data with planned attendance of foreign language courses, it can be concluded that in the future the application of foreign languages will continue to be low, because 80% of micro entrepreneurs and their employees are not planning to attend this type training. Micro entrepreneurs and their employees use foreign languages the least when conducting business activities. All other skills and knowledge are used within the range of arithmetic mean from 3.12 to 3.68.

Based on the obtained results it can be concluded that Croatian micro entrepreneurs have a satisfactory level of formal and informal education, and that they use a variety of entrepreneurial skills in the performance of their business activities. However, micro entrepreneurs, and other employers in the Republic of Croatia could focus on improving the entrepreneurial competencies, knowledge and skills of human resources, so that their companies could create conditions for a more competitive and successful business in the coming period.

However, in order to achieve better business performance and ensure more competitive business conduct, it is necessary to improve the knowledge and application of foreign languages in business operations in the future. If entrepreneurs do not turn in that direction, it may in the future represent a difficulty to micro-enterprises that operate or intend to operate in an international environment where the basis of successful operations is knowledge of one or more foreign languages. In addition, the recommendation is to continually improve themselves and other skills in particular because, according to the *Future of Jobs* [6] Report which deals with the subject of future employment, skills and labour force, the main skills essential for employment in all industries and geographic areas by 2020 will be :

1. Solving Complex Problems
2. Critical Thinking
3. Creativity
4. Human Resources Management
5. Coordinating With Others
6. Emotional Intelligence
7. Judgment And Decision Making
8. Service Orientation
9. Negotiation
10. Cognitive Flexibility.

Therefore, entrepreneurs could be advised to continually invest in skills and knowledge in order to improve their products, sales and other abilities and in order for them to be innovatively capable and competitive.

4. Conclusion

This paper describes and analyses the skills and knowledge of Croatian micro entrepreneurs working in unfavourable macroeconomic and non-stimulating entrepreneurial environment. Based on presented and analysed results, we can conclude that in surveyed micro-enterprises: owners and employees attended various training courses, mostly training for performing job-related tasks (72.3%), while 80% of respondents said they do not plan to attend training in the field of management skills, IT courses, foreign language courses and communication skills in the future; and that the most commonly used skills and knowledge are: project management skills, sales skills, IT knowledge and negotiating skills, while the least used is knowledge of languages. Micro entrepreneurs need continuous training and acquisition of new entrepreneurial skills in order to enhance their innovation and sales potential, and more competitive and successful business conduct.

5. References

- [1] European Commission (2006). The European Framework for Key Competences for Lifelong Learning. Retrieved from: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32006H0962>. [accessed 23. lipnja 2016.]
- [2] Kružić, D., Bulog, I. (2012). Obiteljska poduzeća – životni ciklusi, nasljeđivanje i održivost. Split: Sveučilište u Splitu, Ekonomski fakultet Split.
- [3] Narodne novine (2012). Zakon o poticanju razvoja malog gospodarstva. Zagreb: Narodne novine 56/2013.
- [4] Privredni vjesnik (2015). 400 najvećih hrvatskih tvrtki u 2014. godini. Broj 3888. Retrieved from: <http://www.400naj.com/>. [accessed 12. veljače 2016].
- [5] Štavlić, K. (2016). Čimbenici uspješnosti mikro poduzeća. Doctoral dissertation. Sveučilište Josipa Jurja Strossmayera. Ekonomski fakultet u Osijeku. pp. 18-34
- [6] World Economic Forum (2015). Global Competitiveness Report 2015-2016. Retrieved from: http://www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf. [accessed 23. srpnja 2016.]