

# The Basis and Possibility of Students' Participation in Supply Chain Entrepreneurship (Case Study: Primorsky Territory)

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**Abstract-** The current stage of development of the Russian economy, indicated by the increase in food sanctions, unemployment and the decline in growth rates, requires the introduction of import substitution mechanisms and a significant strengthening of the national entrepreneurship environment. Youth entrepreneurship plays a special role in the development of Russian small and medium-sized businesses. At the strategic and legislative levels, various programs are developed to support small business in this area. However, there are still some barriers, limiting the spread of small and medium-sized business among young people. In this regard, the problem of agitation of entrepreneurship among young people is important. This article presents the results of selective study, in which the supply chain entrepreneurial climate among the students of higher educational institutions of Primorsky Territory, using the method of sociological survey. The readiness of young people to start their own business was analysed, and unfavourable factors, complicating the development of this process, were identified. The authors defined key competences, determining the entrepreneur. The conclusion was made about the need for development, and necessary measures of state support for youth supply chain entrepreneurship.

**Keywords-** supply chain entrepreneurship, Primorsky Territory, business incubator, small business, young people, Russia.

## 1. Introduction

One of the serious problems in the Far Eastern region, as well as in Russia as a whole, is that graduates of higher educational institutions cannot find jobs, especially during the crisis. It is noted, that in this situation the starting of own business is the best way for a young people [5]. However, due to the lack of experience, only a few of them succeed in their business and receive high incomes [16]. In recent years, small entrepreneurship among young people and

students has been actively developed in Russia. There are various programs for small business functioning in this environment. However, unfortunately, many people do not know about such projects of the state, or are afraid that they have not enough experience or knowledge for this.

A number of emerging problems, which must be solved by the state, was hampered by development of student entrepreneurship. An imperfect system of taxation, administrative barriers, lack of proper support and shortcomings in financial and credit policy - all this restrains the initiative of young people, it does not allow to manifest their entrepreneurial abilities [8]. The main disadvantage of state support for small business is that the entrepreneur must solve the problems of its development personally; there is no connection with the structure of the economic complex and the specialization of regions [7].

Development of youth supply chain entrepreneurship is set as one of the main tasks in the State Program "Economic Development and Innovative Economy of Primorsky Territory for 2013-2017", and its sub-program "Development of small and medium-sized business in Primorsky Territory since 2013-2017" [3]. However, there are no organizational measures in these documents. In the current political and economic situation, supply chain entrepreneurship can become a real factor not only for increasing the efficiency of national (social) production, but also for saving enterprises, whose management used to work primarily with government orders. The entrepreneurial activity of the enterprises in current conditions, as before, directly depends on the economic activity of the state.

## 2. Degree of theoretical study of the problem

Today, the entrepreneurship is a great interest as an object of the study of almost all social sciences:

history, sociology, economic theory and history, culturology, law, and other sciences. Consequently, a unified theory of entrepreneurship has not been formed in economic science. A common provision is that entrepreneurship and strategic planning of organization are incompatible things. Therefore, we consider some of the fundamental processes, existing in production and economic literature. The essence of entrepreneurship in economic literature is represented by various approaches. The term "entrepreneurship" was given the meaning of "entrepreneur" (from French word "entrepreneur"), "entrepreneurship", "business-leader", "innovator", "promoter", "self-employed", "unternehmer" (from German "entrepreneur"). It is often noted in the literature, that due to the "insignificance" or "meanness" of the motives of entrepreneur's activities, there is a negative attitude towards him. Thus, in the works of the ancient Greek philosopher Aristotle (384 - 322 BC), the motives of entrepreneurs' activity, which consisted in their striving for gain, were "unacceptable". He believed that it was the reason for the destruction of the natural social organization [20]. Further, the concept of entrepreneurship developed in accordance with the changing role of material production in society, and understanding of the role of the manager in this process. English economist Richard Cantillon used the concept of "entrepreneur" and "entrepreneurship" in the modern meaning for the first time. The only book of R. Cantillon "Essay on the Nature of Trade in General" was published after his death in 1755. The researchers consider it as "the most systematic, clear presentation of economic laws before "Adam Smith". The term "entrepreneur" in R. Cantillon refers to a person, who buys at the known price, but sells at unknown and, therefore, carries a risk [11]. Adam Smith regarded the entrepreneur as the owner of capital and the organizer of the economic process. Considering the processes of profit formation at enterprises, A. Smith assumed, that personal interests, and in particular profit, are satisfied as a form of wages. A. Smith noted; "It is not precluded, that the profit on capital is another name for rewarding a special kind of work, namely work on supervision and management" [17].

The eminent French economist [4], who at a certain period of his life was engaged in entrepreneurship himself, made an outstanding contribution to the development of the theory of entrepreneurship. In his work "A Treatise on Political Economy" [5], described the developed theory of production and distribution, assigning an important part to the entrepreneur. The main function of the entrepreneur [14] Say regarded in

the coordination of production factors: land, capital and human factor, which included not only labour, but also the scientific knowledge, necessary for the organization of the production process. The performance of these functions is connected with a certain degree of risk, although [5] does not emphasize its significance distinctly. The representative of the German classical economic school, [6], signed out another side of entrepreneurial activity. This is the "burden of carrying a risk." [19] Determines the profit of entrepreneur as a residual income, obtained when the interest on invested capital, management fee and insurance fee are subtracted from the gross revenue. At the same time, insurance fee was associated with the company's estimated risk. Thus, the entrepreneur's income is connected with unpredictable risk, from which one cannot be insured. Virtually, the entrepreneur is "an inventor and researcher in the field of his activity". [6] Almost identified the concepts of "capitalist" and "entrepreneur." Relying on the labour theory of value of A. Smith, he regarded the entrepreneur as the capitalist, directing his capital to create surplus value through the exploitation of the working class. Since the capital is a process of value self-expansion, it naturally follows that "... the driving motive and definite goal of capitalist production is the greatest possible self-expansion of capital" [6]. At the same time, he first showed that the process of production management, with the aim of growing capital, with its real increase, is accompanied by the separation of capitalist functions from the functions of hired managers.

According to the neoclassical approach, the state of long-term competitive equilibrium is characterized by the fact, that all products are divided without remainder between the owners of three production factors (land, capital, labour), and the value of net entrepreneurial profit is zero. However, this "disappearance" of profit, contradicts the realities of the market economy. Therefore, the economists had to determine the nature of profit and the mechanism of its formation theoretically. As a result, there were two main approaches to this issue: profit is interpreted either as a marginal product of a specific factor of production (entrepreneurship), or as a residual income. The representatives of the first approach included entrepreneurship's "organization of production" or "entrepreneurial abilities" to the factors of production and considered "normal profit" as the marginal product of this factor [13].

An attempt to explain profit as a conversion of risk from entrepreneurial activity was made by American economist [12]. According to his approach, the entrepreneur, when making a managerial decision,

knows the costs of his production and is obliged to pay in advance with the owners of the acquired factors of production – in essence, he knows the level of the cost price, but he does not know in advance the price at which his product will be sold. Nevertheless, in the market economy, there is always an uncertainty in the sale of manufactured product, both in its quantity and price. The entrepreneur expects to receive for his product an amount, exceeding its cost price. If the real revenue turns out to be more than the payments, the entrepreneur will make a profit; if it is less, he will suffer a loss [12]. In our opinion, the works of [5] were interesting for the analysis of the transformation process of management function in the entrepreneurial system. In the 60s and 70s of the twentieth century, [2] became the universally recognized ideologue of liberal reformism. He substantiated the concept of capitalism transformation in the books "The New Industrial State" and "Economics and the Public Purpose" [2], [13]. Currently, the most popular theory of entrepreneurship is, perhaps, the concept of [4]. It combines the economic justification of the entrepreneurial function of management with the reflection of the entrepreneur's psychological profile. The author considered the entrepreneur as the main factor in the development of capitalism. He characterized the entrepreneurship as a process of "creative destruction". In the book of [4] "The Theory of Economic Development", the entrepreneur is treated as an innovator, the key player in the system of management. His function is in the implementation of innovations, which play a major role in the development of capitalist economy, and in ensuring economic growth. According to [7], the role of entrepreneurs is to overcome the inertia of the economic system. Since it is an internal feature of the economic system, the subjects of market relations are not inclined to innovative activity, due to the rational orientation in their actions. Because of dynamic change in the external environment of the organization, new conditions for the functioning of enterprises arise, therefore, decision-makers are forced to take adequate steps and, in cases of timely and correct decisions, they obtain competitive advantages. Formation of dynamically sustainable competitive advantage is possible only in the case of analysis of strategic perspectives and adoption of strategic decisions and their implementation in the appropriate system of management. "Economic entities, whose function is the implementation of new combinations, and which act as active subjects of the enterprise, are called entrepreneurs"[18]. Thus, [3] first substantiated the positive role of entrepreneurs in the economic system, thereby beginning the development of constructive

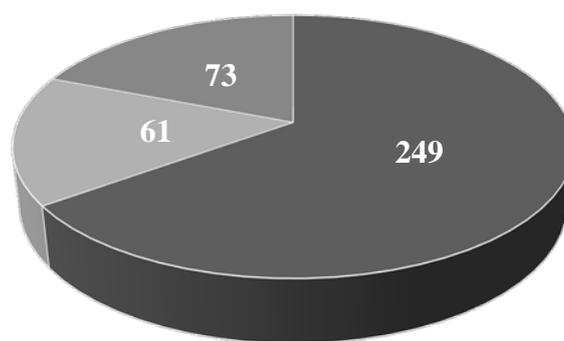
theories of entrepreneurship. However, it is important to note, that this approach naturally leads to the need to unite the problems of entrepreneurship development and strategic management of the organization. In the process of further constructive consideration of the essence of entrepreneurship in the system of strategic management, it is important to note that [3] introduced to this concept such an important functional characteristic as the development and substantiation of the process of innovations implementation. He believed that this function was the central link of the mechanism of economic development [10]. According to [11], entrepreneurial profit is temporary, short-lived, and it disappears as soon as the innovative form of production turns into traditional, repetitive activity. He regarded the entrepreneur's activity as a process of "implementation of new combinations" of production factors, and this is nothing more than a strategic management, which was not so widespread in the time of [10]. [21] largest export trading company has been an innovator in supply chain management a topic of increasing importance to many senior executives. In this interview, Chairman Victor Fung explains both the philosophy behind supply chain management and the specific practices that [21] has developed to reduce costs and lead times, allowing its customers to buy closer to the market. [22] define P/SM flexibility skills as the degree to which purchasers act entrepreneurially in managing risk, making decisions, planning, using interpersonal communication, applying influence and persuasion, being internally motivated, and finding creative solutions to business problems. Drawing on the results of four focus groups, we conclude that the new P/SM skill set requires an entrepreneurial focus. The cluster analysis of the questionnaire administered to P/SM managers indicates that those who act more entrepreneurially possess skills that permit flexibility. Thus, because of bibliographic analysis, we substantiated the role of entrepreneurs in the modern economic system. According to the works of the classics of economic theory, the entrepreneur must meet the following criteria: to be ready for financial risks, to introduce innovations, and to combine the economic justification of the entrepreneurial function of management. Stated competences are fundamental in the psychological profile of the entrepreneur. We used these key characteristics in our study.

### 3. Results of the research

The authors conducted a study to determine the attitude of students of three universities of Vladivostok (Vladivostok State University of Economics and

Service, Far Eastern Federal University and Far Eastern State Technical Fisheries University) to the organization of small business. The survey involved 383 people (229 girls and 154 boys) [15]. Students of all undergraduate courses were interviewed. Approximately 40-90 people were selected from each course, from different areas of study, reflecting the structure of the university. 39% of respondents studied various economic disciplines, 31% - legal, 30% studied psychology, cultural science, etc. Sociological survey, conducted with the help of a specially developed questionnaire, included 12 questions, regarding students' self-esteem in terms of having sufficient knowledge and competence, choosing the region, most

attractive for business, the sufficiency of information, etc. Questions in the questionnaire were both closed and open. Figure 1 presents the structure of respondents' answers to the question about the desire to organize their own business. The study showed that 65% ( $p \leq 0.05$ ) of respondents wanted to organize their own business; more than 19% ( $p \leq 0.05$ ) could not decide or were at a loss to answer this question. Thus, the interest of students in organizing their own business is quite high. Nevertheless, 65% ( $p \leq 0.05$ ) of respondents are ready to create their own business only after graduation from the university, and only 16% ( $p \leq 0.05$ ) are ready to do this already now, during the study period.



- Хотел(а) бы организовать собственный бизнес после завершения обучения
- Пытаюсь организовать собственный бизнес уже сейчас

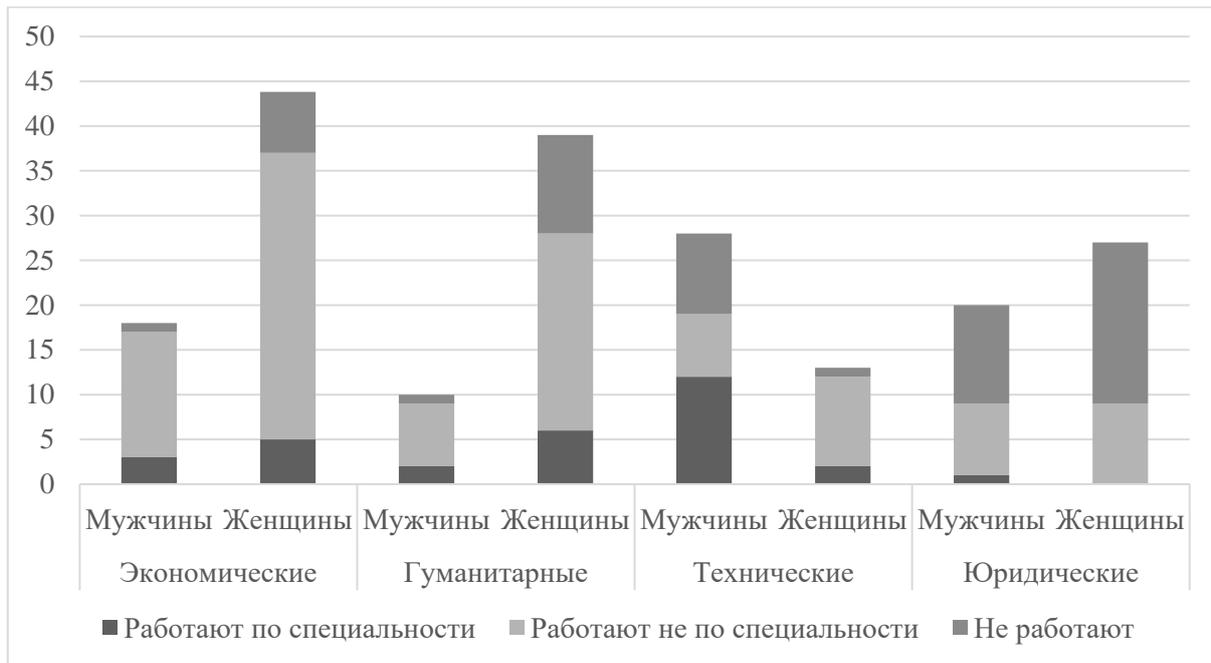
I would like to organize my own business after completion of training	I would like to organize my own business after completion of training
Пытаюсь организовать собственный бизнес уже сейчас	I'm trying to start my own business right now
Затрудняюсь ответить	Not sure

Figure 1 - The structure of respondents, formed according to their answers to the question "Do you want to organize your own business?" ( $P \leq 0.05$ )

Herewith, the majority of those, who wish to start their own business, are the students of economic and legal specialties (about 90% of respondents are engaged in these areas). This is quite explicable: as a rule, students-economists and lawyers better understand the operation of market mechanisms and features of the legislation.

About 58% ( $p \leq 0.05$ ) of respondents note that they do not have enough knowledge to start their own business, mainly in non-core areas: students-economists think that they need legal knowledge, and lawyers' economic knowledge. Girls and boys talk about the lack of

knowledge in equal measure. About 94% ( $p \leq 0.05$ ) of students of 1-2 courses do not work, but from the 3rd year onwards, they need additional incomes. According to the survey, the percentage of employed senior students of all specialties in total is 72% ( $p \leq 0.05$ ). The main problem is that 78% ( $p \leq 0.05$ ) of them are not employed in their specialty, so after completion of training they are not of particular value to the employer. Nevertheless, the desire of modern students for financial independence can be a prerequisite for the creation of their own business during their training or after graduation.



Мужчины/ Женщины	Men / Women
Экономические	Economic
Гуманитарные	Humanitarian
Технические	Technical
Юридические	Legal
Работают по специальности	Work in the specialty
Работают не по специальности	Don't work in the specialty
Не работают	Don't work at all

Figure 2 - The structure of respondents in economic, humanitarian, technical and legal specialties, based on the answers to the question "Do you work in your specialty" ( $p \leq 0.05$ )

Based on the survey data (Figure 2), the largest percentage of employed is observed among the students in economic (89%,  $p \leq 0.05$ ), humanitarian (75%,  $p \leq 0.05$ ) and technical specialties (76%,  $p \leq 0.05$ ); significantly lower percentage of employed is among the students, training as legal specialists (38%,  $p \leq 0.05$ ). At the same time, 61% ( $p \leq 0.05$ ) of working people are young men. As the main reason for job search, young people called financial independence from their parents. As a girl, desire to work is observed only among those, who lived in small towns before the study: work for them is a way to help their parents and to compensate expenses for own living in the city. Although, the students came from different regions of the country, about 75% ( $p \leq 0.05$ ) of people, planning to open their own business, would like to do this in Vladivostok, 11% ( $p \leq 0.05$ ) - in central Russia, 5% ( $p \leq 0.05$ ) - in Primorsky Territory, and only 9% did not

decide on the place (it was noteworthy, that almost all undecided people were girls).

Based on the data presented, it is possible to characterize a typical model of the student's behaviour, concerning the creation of own business. A modern student is ready to engage in entrepreneurial activities, but only after graduation from the university. As a rule, he (she) is an economist or a lawyer; he (she) notes a certain lack of knowledge in non-core areas, as well as a lack of experience in the practical application of this knowledge. It is noteworthy that students, despite being ready to do their own business, do not know well what specific area they would like to start their business [9]. In Vladivostok University of Economics and Service, the student can try to open his own business, with the help of "Innovative Business Incubator". The objectives of its creation are the following: the development of youth supply chain entrepreneurship, assistance in the formation and initial support of small

enterprises, implementing innovative projects; information and resource provision of small innovative enterprises to promote new business ideas and technologies to the regional market. Annually there are several competitive tenders, aimed at attracting initiative youth to supply chain entrepreneurship, and supporting innovative projects. There are seven small innovative enterprises, created in accordance with Federal Law [4]. Business incubator of the Far Eastern Federal University "Terra Creativa" provides a developed infrastructure, performs consulting activities, and promotes attraction of investments, in addition to the complex support of the youth innovative business, especially at the stage of the company's opening and establishment [1]. In Vladivostok there is also a program "Youth Business Russia", which is a part of the international program to support youth business, developed by the International Business Leaders Forum, in conjunction with the Prince of Wales Foundation. The goal of the program is financial and informational support for young people, who decide to open their own business [4]. Herewith, the students note the need for additional information on business opportunities, and that raises the question of the effectiveness of used information sources.

#### 4. Conclusions and recommendations

Based on the study, the following proposals are made:

- To develop business incubators in each university, so that students can implement their knowledge, gain experience in business. In addition, it should be done for identifying the most successful students, who are able to use their entrepreneurial abilities more effectively, with minimal expenses;
- To strengthen information support for business incubators, using Internet resources, and regular meetings of students with active residents of business incubators;
- To provide consultations on the specifics of the small business organization in different fields;
- To develop schools of supply chain entrepreneurship with the involvement of students of various specialties, in order to exchange knowledge among them;
- To attract the students-entrepreneurs in the Priority Social and Economic Development Area (PSEDA) with a comfortable entrepreneurial climate, where various tax preferences are used, the infrastructure is actively formed, various state projects are implemented;

- To expand opportunities for additional education in the subjects, necessary for supply chain entrepreneurship, and to review the issue of payment for these trainings, so that all students can receive additional knowledge.

The problem of development of youth supply chain entrepreneurship is not in the lack of financial support, but in the information difficulties [8]. Often, young people simply do not understand how to organize and manage small business, or are afraid to take the wrong step, which will lead their business to collapse. It is the initial stage, that is the most important for small companies, and the ability to obtain information on similar experiences can help to solve many emerging problems.

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