

Study Regarding Romanian Entrepreneurship

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Abstract. Romanian entrepreneurship is still *under construction*, even if in Europe it has a long tradition and an increasing evolution. First-born in USA, the entrepreneurship represents today the key of economic development all over the world and an important exit from the economic crisis. This study intends to summaries the main aspects regarding Romanian entrepreneurship in the context of European business environment development and the world macroeconomic framework. With a great potential of development, Romanian entrepreneurship is still blocked up by juridical, institutional and psychological reasons. The opportunities offered by the status of EU member state, should represent for Romanian entrepreneurship a charted way to success because of simplification, standardization and stabilization of European regulations.

Keywords: SMEs, innovation, legislative and institutional framework.

1 Introduction

Due to economic turbulence in Europe, caused by world economic downturn, the entrepreneurial environment was strongly wounded. Accordingly with Global Entrepreneurship Monitor (2011) the impact of global recession for business was perceived differently among entrepreneurs, depending of the phases of their business process and also, depending of the type of their economy: *factor-driven*, *efficiency-driven* or *innovation driven*.

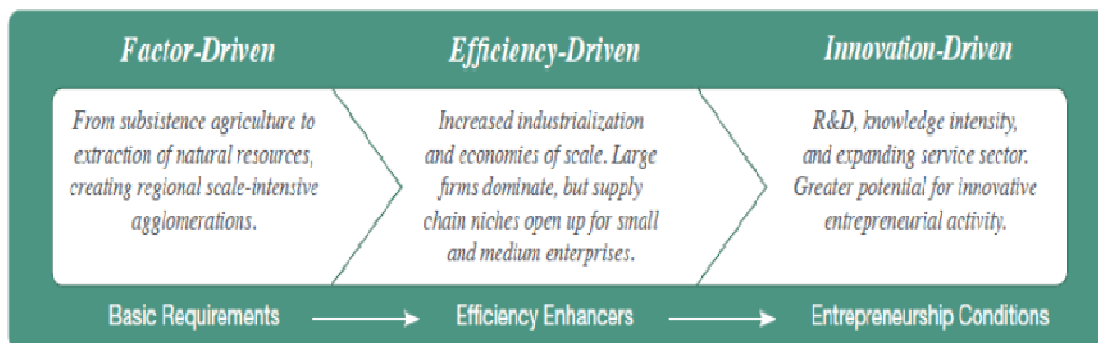


Figure 1 Characteristics of Economic Groups and Key Development Focus

Source: (Kelley, Bosma, & Amoros, 2010, p. 14)

Romania is classified in *efficiency-driven* group, together with Bosnia and Herzegovina, Croatia, Hungary, Latvia, Macedonia, Montenegro, Russia and Turkey. The general feeling of Romanians toward entrepreneurs and entrepreneurship is presented in the figure 2.

It is important to know the extent to which people think there are good opportunities for starting a business and their capabilities to do so. Also, is good to know the level of risk individuals might be willing to assume and their fear of failing.

A normal society must support people that have the skills to recognize and to explore business opportunities. A positive attitude towards entrepreneurship will generate cultural and financial support, networking and technical assistance to potential entrepreneurs.

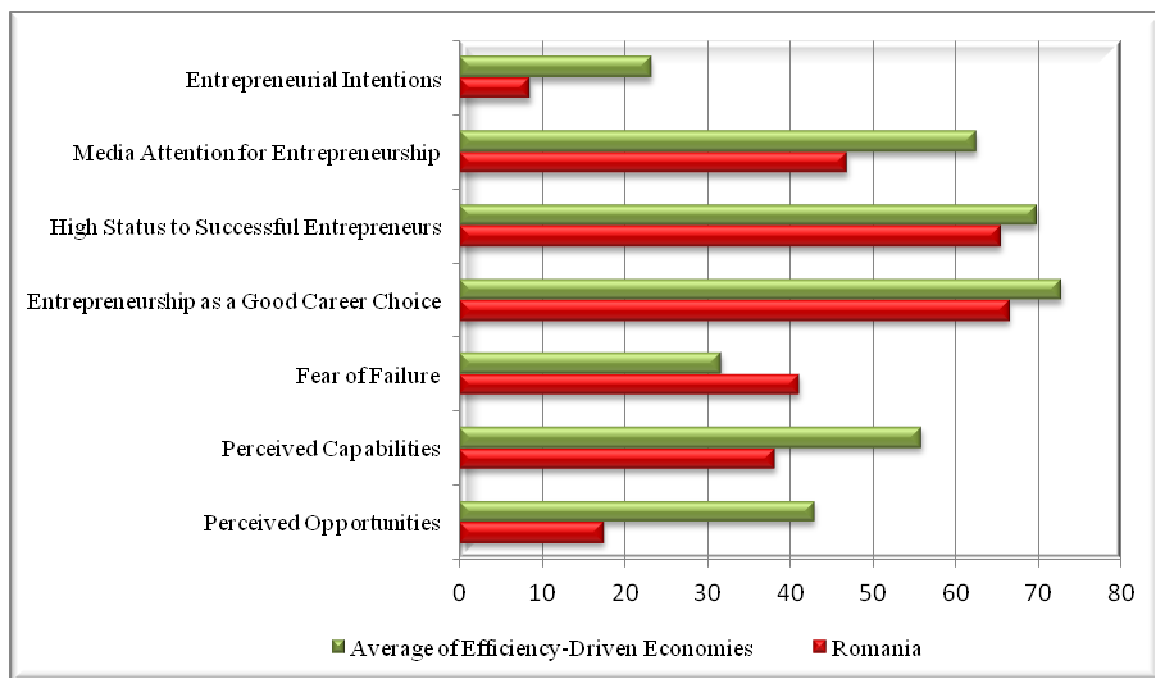


Figure 2 Entrepreneurial Attitudes and Perception in Romania in 2010

Source: (Kelley, Bosma, & Amoros, 2010, p. 18)

As it may be observed the fear of failure in starting a new business is higher in Romania, comparatively with other similar economies. Also, all the other indicators show that the entrepreneurial initiative is the last solution for Romanians, starting a business being perceived like a necessity and not like an opportunity. The option of being an employee is more attractive than being an entrepreneur.

2 Who Can Be Entrepreneur?

Entrepreneurship refers to people's choices and actions in the initiation, acquisition or operation of a business or involvement in strategic decision making within the firm.

The *genius of entrepreneurship* is the process of thought, creation and development of economic activity by blending risk-taking, creativity and innovation with good administration of a new company or of an existing one. Most economic, psychological and sociological research points out that entrepreneurship are a process and not a static phenomenon.

2.1 The Profile of Entrepreneurs

Entrepreneurs form a **heterogeneous group** and come from all social class.

They may belong to any professional group. There are no jobs "predestined" to produce entrepreneurs. Entrepreneurs can take almost any vocation profession, but, necessarily, require *specialized knowledge and skills* that enable them launch and develop a business. Also, entrepreneurs are people who prefer work that involves persuasion, influence and directing others. Naturally they tend to activities that include: supervision, coordination, business management and project management.

Entrepreneurs are *intelligent* people. They have the capacity to formulate effective and attractive targets for others and the ability to establish effective ways of attracting and persuading others to get involved in carrying out necessary work processes in order to fulfill their objectives.

Almost all major businessmen have a *high degree of charisma* – the ability to inspire and enhance the involvement of other persons in carrying out certain actions.

Discernment is another important quality of an entrepreneur. Discernment in making strategic decisions makes the difference between **fully success** and **total failure**.

A good entrepreneur has the ability to learn from previous experiences and the desire for self-overcoming. Also, he/she has the *flair* to predict economic trends and power and *flexibility* to anticipate critical measures and the ability to better *tolerate and adapt* to changing situations and uncertainty.

Entrepreneurs are people *focus on results* – enthusiasm, good intentions and hard work can be helpful, but without good results, it does not matter. When you are an entrepreneur and make decisions only thing that matters is if you are losing or winning – the final results. The rest does not matter, only business performance.

Integrity, originality and *ambition* to rise to the highest standards, often self-imposed, are ingredients of good entrepreneur. *Imagination, creativity* and *passion* in identifying opportunities and natural *inclination towards risk-taking* must be merged with *rational behavior* in relation with market threats.

Desire to succeed in business requires *full dedication* to the interests of business.

2.2 The Competence of Entrepreneurs

Entrepreneur must be a *good organizer*. The internal organization of companies – the organization departments on production cycles, inventory, sales, etc. – must be controlled by the entrepreneur. Drawing the employees and involving stakeholders in the organization activities represents the key of a successful business.

Leadership is not just speeches and meetings. Any action of an entrepreneur is useless if it is not followed by action of its staff. Staff training and involvement is vital for business.

"When Cicero spoke, people wondered, when Caesar spoke, people marched."

A good entrepreneur must be able to organize their time and energy to focus on what is really important.

Professional training is very important to succeed in business. It is important to have knowledge of business processes that you drive. Better you know the domain you coordinate and manage it, the sooner you will achieve positive results.

Entrepreneur shall interact with various public groups (employees, customers, suppliers, partners, etc.) which require *a good social networking*. When taking decisions, the entrepreneur is better to understand *group dynamics* and the effects of "*group thinking*" on decision making process.

Entrepreneur is the *core of decision-making process*. That elusive quality decision-making style is much more important than the organization, structure, procedures and equipment. There is no single recipe for the preparation of judgments and thus to make a decision. In making decisions tremendous "*and if?*" are accumulating. It is not important how many correct decisions take an entrepreneur, even percentage of correct decisions. More importantly is that the important decisions are taken properly.

The importance and consequences of decisions taken by entrepreneurs grow exponentially through their impact on the lives of others. Entrepreneur mission is to make *smart decisions* and ensure that they are carried out as they should.

Business success depends on entrepreneurs to have an overview of the whole evolution of the business (*the vision*), identifying potential challenges and electing people to interact in the prevention of problems and / or solving current problems.

It takes time to understand what business will work and what business models make sense.

Strategy is more important than ever. *Right strategic judgments* usually begin long before the need becomes apparent.

2.3 Factors with Great Influence over Entrepreneurial Environment

A multitude of factors are playing an important role on business development.

Political factors play the greatest influence on entrepreneurship environment. Political regime decisively influences the onset or development of business environment in a particular country and / or geographical area.

Legislation, national normative and directives, guidelines and European regulations, as well as other international agreements, which are directly or indirectly relating with the business environment, put pressure on companies, because there have no decisional power, in terms of change it. Each company must adapt and understand the market conditions on which it operates. Also, a company can participate in consultation when drawing up legislative and normative documents at national and especially communitarian level.

The *globalization* brings pressure on business environment. The economic turnover is the best example. Effects from strongest economies of the world, the politics of states that have a market monopoly, armed conflicts events, different agreements on the movement of goods or the latest discoveries in the field are spreading abroad very fast and may bring pressure on companies life.

Social factors are dual nature and subjective and these factors are found both in the external environment (suppliers, customers, officials, investors, business partners) and the internal environment of the company (employees).

Financial factors concern both financial and banking institutions (National Bank policy, Stock Exchange) and their instruments (loans, loans from the state, European funds, etc.).

Technological factors refer to technical progress and they have an important influence over the company's activity and its productivity.

3 Being an Entrepreneur in Romania

3.1 Romanian Definition of Entrepreneur

The Explanatory Dictionary of Romanian Language makes a clear distinction between the term “entrepreneur” (*întreprinzător*) and the term “contractor” (*antreprenor*).

The entrepreneur is the person that has the initiative and easily set in motion a business, is the head of business, in particular.

The contractor is the person that performs work, under contract, in exchange for a certain sum of money, is the person who performs construction, term used in particular.

Usually the term of “antreprenor” (contractor) is used incorrectly, in the sense of “întreprinzător” (entrepreneur), together with other terms, like: manager, administrator or employer, defining that person that is running a business.

3.2 Entrepreneur versus Manager

The manager is a person who has the necessary knowledge and skills to profitably explore human, financial and material resources of an organization.

The differences between these terms are presented in the next diagram.

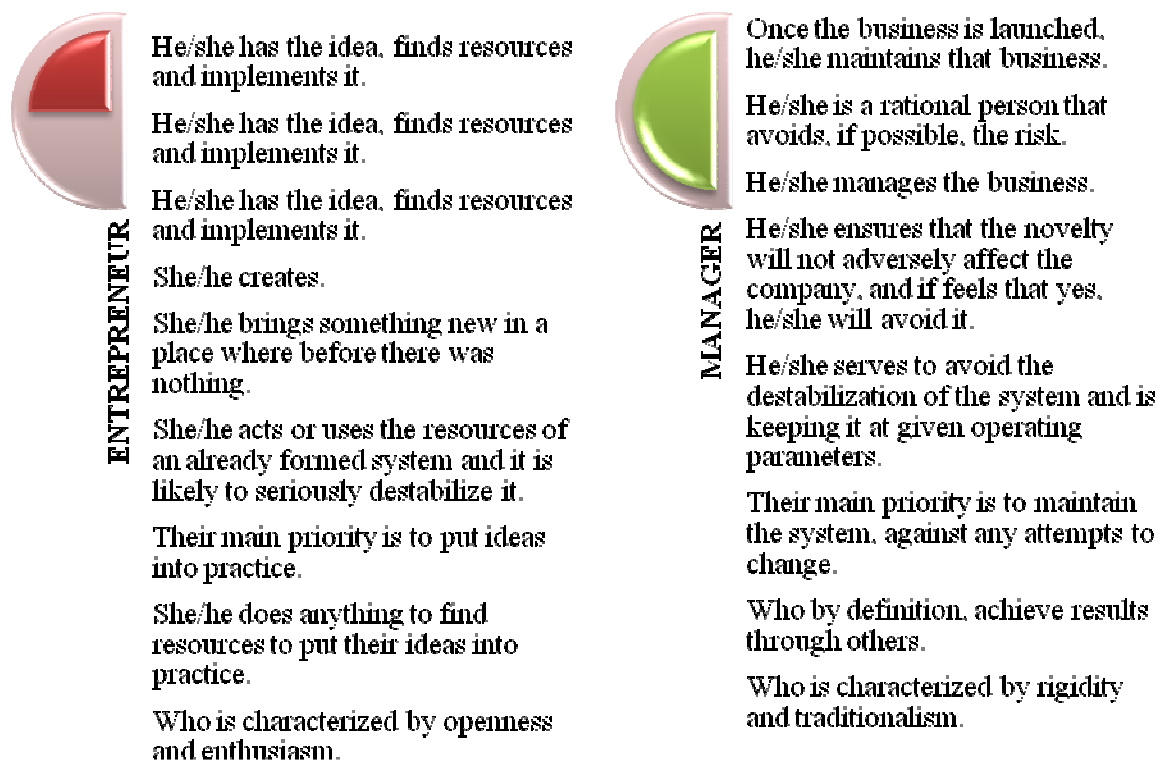


Figure 2 Entrepreneurs versus Manager

3.3 The Profile of Romanian Entrepreneurship

Economic recovery signs from economic crisis are still coy modest. Because of economic turnover, the credit conditions become stricter so many companies were unable to invest in manufactures equipment or acquisitions. Also, many firms were affected by the decreasing of sales. So, the collapse of people trust and the reduced level of consumption slowed the pace of business development.

The high level of investor's aversion towards risks and the incertitude of economic perspective, together with administrative barriers negatively influenced the evolution, activity and performance of Romanian entrepreneurship.

Accordingly with **White Paper of SMEs** (CNIPMMR, 2010), the most common problems of entrepreneurs are referring to: legislative framework (51.32%), excessive bureaucracy (45.22%), low possibility to predict the evolution of business environment (32.30%) and corruption (31.76%). These are accompanied by social tension (27.12%), political changes in country management (22.93%) and the politics of IMF and WB (17.11%).

Entrepreneurs have also to face some internal blockage such as: financial instability, unfair competitiveness, lack of communication between the state institutions, the collapse of real estate, reduction in purchasing power of population, the credit policy of banks and etcetera.

Dimension of entrepreneurial activity in Romania is presented by the **2nd Report of Centre Entrepreneurship & Business Research** (Centre for Entrepreneurship & Business Research, 2009). Accordingly to this study, the social aspects are important drivers when comes to decide to be involved in entrepreneurial activities. The presence of entrepreneurs in the individual's family is a determinant factor for having the courage of starting a business. The role-model is obvious. Previous experience is important for individuals involved in pre-start up entrepreneurial activities. Nevertheless, the generation of entrepreneurs tends to be formed by younger individuals with lower levels of experience.

Regarding the demographic factors, the mean age of Romanian entrepreneur is 39 years. Also, there is no difference between the men's and women's average labor experience – 11 years.

Men (64.96%) are more actively involved in new venture creation process than women (35.04%).

For recent entrepreneurs (less than 3 years), the highest rate of business creation is recorded by individuals between 26 and 30 years old (30.88%) and between 31 and 35 years old (31.5%). The rate of business creation decreases with respect to age, and moves from 13.10% for individuals between 36 and 40 years old to 6.76% in the case of individuals over 50 years old.

Concerning the educational level, 61.54% of recent entrepreneurs have management studies.

Regarding the social traits, self-confidence is one own entrepreneurial skills that fuels entrepreneurial activity, the individuals involved in entrepreneurial activities having a lower social fear to business failure.

A study in the field of **Romanian Entrepreneurship – Collection of success stories** (Fundatia CADIEleutheria, 2011) explains the *SWOT Analysis of Romanian Entrepreneurship*:

I. Strengths

- 1) Because of the low-level of service market development, in Romania there are a lot of young people with business ideas.
- 2) Flexibility is the main characteristic of Romanian entrepreneurship.
- 3) Customer loyalty is higher at SMEs level, comparatively with bigger enterprises.
- 4) Entrepreneurship means freedom and independence and young people are more attracted by these qualities than working in a corporatist structure.

II. Weaknesses

- 1) Romanian companies have a reduced capital level.
- 2) Entrepreneurs have a reduced level of management studies.
- 3) The lack of financial resources is the Achilles heel of Romanian companies.
- 4) The legislative system does not encourage business environment.
- 5) The rhythm and the subjective way in which the juridical system works in Romania.
- 6) It is very common that the life of a Romanian company is strongly dependent on single person – the entrepreneur.
- 7) Low level of technical equipment characterized Romanian SMEs, as a consequence of financial resources scarcity.
- 8) Increased vulnerability of small companies determines a low level of stability.
- 9) Low level of investment in training and education.

III. Opportunities

- 1) Lack of efficiency of different sector of economic activity allows SMEs development.
- 2) For small firms, characterized by flexibility, there are untapped business niches.
- 3) There is a higher potential of external benchmarking in the case of small business.

IV. Threats

- 1) The frequencies in which legislation is changing.
- 2) The high level of hypermarket competition.
- 3) Globalization and the external competition.

4 Conclusion

Entrepreneurship is the resuscitation key of Romanian business environment. Although, the framework under Romanian entrepreneurs should operate is still unsafe and unpredictable.

The qualities that an entrepreneur who wants to start a business in Romania must have may be summarized as follows: ingenuousness, motivation, resistance, tenacity and veritable courage.

There are several postulates that can guide an entrepreneur in the business world (Comisia Europeana Intreprinderi si industrie, 2011):

- ✓ In business there are no problems, there are only situations that offer opportunities!
- ✓ Working together as a team and networking are the keys for sustainable growth.
- ✓ Winning together is preferable for losing by your own.
- ✓ If the business is running like a family, the chance to grow up is higher.
- ✓ Seek not only success but also appreciation.
- ✓ Everything starts with a dream, if you are not dreaming, no dream will become reality.

- ✓ Business life may be understand looking behind, but must be lived looking forward.
- ✓ For an open-mind entrepreneur everything is possible.
- ✓ Only by trusting yourself, you may gain the trust of others.
- ✓ Respect people, only they are bringing you the success.
- ✓ Think global and act local.
- ✓ A new day is a new challenge for business.
- ✓ Entrepreneurship is not an occupation is a lifestyle.

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