

ANALYSIS OF THE FACTORS THAT DISCOURAGE THE BUSINESSES DEVELOPMENT

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Abstract: *The decision to start or take over a business is a complex process and it involves many aspects that must be taken into account. This paper examines the specific issues that constitute direct barriers to entrepreneurial activity. The objective of the research paper is to investigate the perceptions of the entrepreneurs about the factors that discourage businesses development. The study is based on interviews with entrepreneurs and managers from Brasov County. The main conclusions of research provided interesting and useful data regarding the realities of the entrepreneurship environment. The findings indicate that Romania needs to make some changes in the economic and administrative environment in order to reduce the administrative burdens and barriers that mark the development of small business and to create a favorable environment for the entrepreneurship development.*

Keywords: business, environment business, entrepreneurship, barriers to the business development, Brasov County.

JEL Classification: M12, M13

1. Introduction

Today's businesses are increasingly concerned about the barriers that mark their development. The business environment contains many threats and difficulties for companies: lack of financial resources; excessive taxation; heavy bureaucracy and insufficient qualified staff. These barriers, which the entrepreneurs are facing, are diverse and difficult to control. An unfavourable business environment amplifies the action and the consequences of all types of difficulties the company is exposed to, from the perspective of the diversity of

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forms under which they appear and due to the magnitude of the effects they generate. The capacity of facing the challenges and the difficulties is a component part of the entrepreneurial spirit. It is necessary for entrepreneurs to manifest a strong enterprising spirit and to develop a favourable entrepreneurial environment for job creation and competitiveness growth.

Based on these aspects, the paper aims to analyze the main issues concerning the perceptions of the entrepreneurs from Brasov County about the factors that discourage the business development. The empirical research aims to capture the views of a representative group of 74 entrepreneurs and managers from Brasov County. The main conclusions of research provided interesting and useful data regarding the realities and the peculiarities of the business environment. The importance of entrepreneurship was stressed by analyzing the factors that influence the activity of Brasov County's entrepreneurs.

2. About entrepreneurship in specialty literature

Entrepreneurship is considered a key element of smart and sustainable economy. In the specialty literature the most authorized points of view approach the notion of entrepreneurship from various perspectives. On the whole, the entrepreneurial definitions associate the entrepreneurship with the innovation, risk and opportunities exploitation. According to Knight F.H. (1967) and Drucker P. (1970) the entrepreneurship is defined as the activity of people willing to risk their careers, activity and funds available to put in practice a new idea. For Reynolds (2005), entrepreneurship can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization. In the same way, Schumpeter (1911) says that "everyone is an entrepreneur when he actually carries out new combinations". Transforming ideas into economic opportunities is an essential element for businesses activity. Entrepreneurs are highly creative and innovative individuals. The ability of entrepreneurs to innovate is thought to relate to innate traits such as extroversion and a proclivity for risk-taking (Panzaru, S., 2013, p. 97). From this point of view, entrepreneurial behaviour is seen as behaviour that manages to combine innovation, risk-taking and pro-activity (Miller, 1983).

In fact, the entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new

markets for products and inputs that did not previously exist (Shane and Venkataraman, 2000). The functional roles of entrepreneurs include coordination, innovation, neutralization uncertainty, supply of capital, decision making, property and resource allocation (Frijsetal, 2002; Jääskeläinen, 2000). Summarizing these roles, Wennekers and Thurik (1999, pp. 46-47) define the entrepreneurship as „... the ability and willingness of individuals, on their own or in teams within and outside of existing organizations, to perceive and create a new economic opportunities (new products, new production methods, new schemes of organization and new product-market combinations) and introduce their ideas in the market, despite uncertainty and to other obstacles, by making decisions about location, form and use of resources and institutions.”

The development of entrepreneurship has important benefits, both economically and socially. Many authors consider that entrepreneurship has a determinant role in economic progress by creating new firms, by exploiting business opportunities and by improving life quality. People are looking to find optimal solutions to adapt the specifics of the current socio-economic environment and the challenges which appeared in the labour market by developing the skills and abilities that they have. From this point of view, the small businesses show higher flexibility and propensity to innovation and are an outstanding vehicle for channelling the entrepreneurial ambitions of individuals (Audretsch and Thurik, 2001; Carree and Thurik, 2002).

We consider that, whatever definition is given to entrepreneurship, it is increasingly apparent that entrepreneurship signifies innovation, adaptability to change, difficulties, risks undertaken, capacity of facing the challenges and capacity of overcoming the factors that discourage the business development.

3. Empirical research regarding the factors that discourage the businesses development

Based on the aspects highlighted above, we have achieved an empirical research that analyzes the specific issues that constitute direct barriers to entrepreneurial activity and discourage the business development. The study analyzes the views of a representative group of 74 entrepreneurs from Brasov County.

3.1. Purpose of the study

The purpose of the study was to investigate the influence of barriers to the business development. Based on these aspects, the paper aims to analyze the main issues concerning the perceptions of the entrepreneurs from Brasov County about the factors that discourage their activity.

3.2. Objectives of the study

The main objectives of the study are as follows

1. To study whether the lack of financial resources is a barrier to business activity.
2. To find out whether the bureaucracy decreases interest in becoming an entrepreneur.
3. To ascertain whether the insufficient qualified staff is a factor that discourages the business activity.

3.3. Methodology

The study was designed to explore the specific issues that constitute direct barriers to business activity. The sample for this study was limited to 74 respondents. Of these, 63 were male and 11 female. Both primary data and secondary data were used in the study. The primary data were collected from the field survey by using a questionnaire. It was designed on the Likert scale with five points: strongly agree (5), tend to agree (4), neutral (3) tend to disagree (2) and strongly disagree (1). Secondary sources of data relates to the books, statistics, reports, professional articles, internet, etc .

The data were analyzed and interpreted by applying the weighted average method.

3.4. Data analysis and interpretation

1. Influence of lack of financial resources on the business development

Table 1. Opinion of respondents about the lack of financial resources as a barrier to entrepreneurial activity

<i>Opinion</i>	<i>FREQUENCY(F)</i>	<i>POINTS(P)</i>	<i>FP</i>
Strongly Agree	43	5	215
Tend to Agree	15	4	60
Neutral	6	3	18
Tend to Disagree	4	2	8
Strongly Disagree	6	1	6
TOTAL	74		307

$$\text{Weighted average} = \frac{\sum fp}{\sum f} = \frac{307}{74} = 4.14$$

The value of weighted average is 4.14 and it is nearer to the score of “**Strongly** agree” factor. Therefore, we conclude that majority of the respondents agree that the lack of financial resources is a major barrier to progress/development of business. This is confirmed by the large number of respondents that have mentioned lack of finance as the most important barrier to their business activities.

2. Influence of bureaucracy on the interest in becoming an entrepreneur

The paragraph was designed to find out whether the bureaucracy decreases interest in becoming an entrepreneur.

Table 2. Opinion on the role of bureaucracy in decreased interest in becoming entrepreneur

<i>Opinion</i>	<i>FREQUENCY(F)</i>	<i>POINTS(P)</i>	<i>FP</i>
Strongly Agree	23	5	115
Tend to Agree	17	4	68
Neutral	12	3	36
Tend to Disagree	15	2	30
Strongly Disagree	7	1	7
TOTAL	74		256

$$\text{Weighted average} = \frac{\sum fp}{\sum f} = \frac{256}{74} = 3,45$$

The bureaucracy decreases interest in becoming entrepreneur and discourages the businesses development. The administrative complexity and bureaucracy determines, to a large extent, the functionality and the performance of the entrepreneurship activity. From the above table, it can be observed that the value of weighted average is 3.45. So, majority of the respondents agree that complexity of the administrative process has decreased their interest to become entrepreneur.

3. Influence of insufficient qualified staff on the business development

Table 3. Opinion of respondents about the insufficient qualified staff as a barrier in the business development

<i>Opinion</i>	<i>FREQUENCY(F)</i>	<i>POINTS(P)</i>	<i>FP</i>
Strongly Agree	29	5	145
Tend to Agree	19	4	76
Neutral	12	3	36
Tend to Disagree	10	2	20
Strongly Disagree	4	1	4
TOTAL	74		281

$$\text{Weighted average} = \frac{\sum fp}{\sum f} = \frac{281}{74} = 3,79$$

The value of weighted average is 3.79. 48 of respondents agree (30 *Strongly Agree* and 19 *Tend to Agree*) that insufficient qualified staff is a barrier in the business development. Therefore, insufficient qualified staff is perceived as a factor that discourage the business development.

Conclusions

The analysis from the previous paragraphs allows us to formulate certain conclusions regarding the factors that discourage the businesses development. An unfavourable business environment amplifies the action and the consequences of these factors that constitute direct barriers to business activity due to the magnitude of the effects they generate. This research suggests that the lack of finance is the most important barrier to business activities. It is interesting to note that most of the respondents agreed that the lack of finance is the most important barrier to their entrepreneurial activities. In this context, we consider that it is necessary to create supportive programs to start up own businesses and a proper environment for entrepreneurial activities.

On the other side, the research reveals that there is a significant relationship between business development and bureaucracy. It turns that the most respondents agree that the administrative complexity and bureaucracy have decreased their interest to become entrepreneur. In Romania there are many useless bureaucratic rules that reduce the efficiency

of the entrepreneurial activity. The findings indicate the necessity for reducing administrative burdens and simplifying bureaucratic procedures for developing the entrepreneurial spirit and the business initiatives.

Also, it should be noted that the entrepreneurs interviewed admit that insufficient qualified staff is a barrier in the business development. The rapid pace of the occurrence of new information leads to the need of the professional adaptation to new knowledge and competencies. Today, the entrepreneurs require higher and higher levels of knowledge for their employees. The labour must be prepared to be flexible and the companies' survival depends on their ability to develop the knowledge and skills of their employees. For this reason, the firms should focus more on fostering creative ideas, on facilitating interactions and information sharing among their employees (Dragomir, C., 2013, p. 82). The entrepreneurs interviewed admit that their staff needs to develop professional knowledge and competences.

In conclusion, with all the above aspects taken into account, this article tries to emphasize the idea that it is necessary to make some changes in the business environment in order to support the access to financial resources for entrepreneurial activities. Also, it is necessary to reduce the bureaucracy and to create a favourable environment to develop the employees' required knowledge and competencies.

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