

ACTUALITY AND TRENDS IN THE ENTREPRENEURSHIP DEVELOPMENT IN ROMANIA

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Abstract: *The practice have proved that the entrepreneurship must be characterized by many qualities: adaptability, flexibility, efficiency, economy etc. The conception and achievement of such activity involve identifying, analyzing and rationing the main organizational aspects, regarding the layout and convergence in time and space of the human, material and financial resources.*

This study shows how the entrepreneurship depended on a number of variables that determine the characteristics and their parameters.

Keywords: competitive, economies, entrepreneur, entrepreneurship.

JEL classification: JEL: M10, M13.

1. Introduction

According to the The Global Entrepreneurship Monitor, definition entrepreneurship is seen as a continuous process that includes nascent entrepreneurs, young business entrepreneurs, and established entrepreneurs.

The entrepreneur word is French origin, derived from the verb “entreprendre”, which means to do or to undertake. (Mr. Kumar, G. & Nagaraju, K., 2014). Entrepreneurship – the entrepreneurial function - can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization (Reynolds, P., D., 2005, pp. 359-364). In 1734 Richard Cantillon defined Entrepreneurs are non-fixed income earners who pay known costs of production but earn uncertain incomes and in 2013 Ronald

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May defined an Entrepreneur is someone who commercializes his or her innovation. From past few years many studies were dedicated to Entrepreneurial Motivational factors. A study of entrepreneurs in Kenya and Ghana (Chu, H. M., Benzing, C., & McGee, C., 2007, pp. 295-322) found that the strongest two motivators were to increase income and to provide employment to them selves. Roy and Wheeler (2006) found that microenterprise owners in West Africa were motivated by a desire to satisfy basic psychological needs – food and shelter. Numerous comparative studies of entrepreneurs and managers showed that entrepreneurs are moderately higher in achievement motivation than are managers (Stewart & Roth, 2007, p. 78; Collins, C. J., P. J. Hanges & E. A. Locke, 2004, pp. 95-117; Begley, T. M. & D. P Boyd 1987, pp. 79-93; Ahmed, S. U., 1985, pp. 781-782).

The entrepreneurship is regarded as one of the most important sources of competitive advantage for all countries. The development of entrepreneurship has important benefits, both economically and socially. The expression of this reality is represented by the European Union priority which recognizes the entrepreneurship as one of the key elements of sustainable development economy. The entrepreneurial initiatives are significant to national level for job creation and economic growth. In other words, fostering entrepreneurship means promoting the investments, new jobs, innovation, competitiveness of business.

Many authors consider that the entrepreneurship has a determinant role in economic progress by creating new firms, by exploiting business opportunities and by improving the life quality. Similar to this is the approach of Schumpeter (1911), that says that “everyone is an entrepreneur when he actually carries out new combinations” by creating new firms, by identifying business opportunities, by job creation. Stevenson and Jarillo (1990, p. 23) defines the entrepreneurship as “a process by which individuals – either on their own or within organizations – pursue opportunities”. 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 (Scott Shane, S., Venkataraman, S., 200, pp. 217-226).

The connection between entrepreneurship and economic growth has been analyzed by many authors including Wennekers and Thurik (1999). An

interesting result of their research considers that entrepreneurial activity can be analyzed on the three levels: the individual level, the level of company and macro level. Entrepreneurship is, therefore, induced by the attitudes, motives, abilities and psychological characteristics of any individual. However, individual entrepreneur doesn't make entrepreneurial activities in a temporal and spatial vacuum; he is affected by the context in which he operates (Abrudan, D., Martin, D., 2012, p. 597).

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 labor market by developing the skills and abilities that they have (Dragomir, C., 2016, p. 26-33).

2. Particulars of the Romanian entrepreneurial activity

The highest rates are reached in the factor-driven economies, while the lowest entrepreneurial activity rates in the innovation-driven economies. The share of those early-stage entrepreneurs who were motivated by necessity is highest in the factor-driven economies, while the share of those who were engaged in entrepreneurial activity motivated by improvement-driven opportunity is highest in the innovation-driven economies.

For Romania, an European Commission report-Small Business Act (SBA) - indicates a low performance. Only 18.03% of SMEs from Romania include annually a product or a process innovation in their activity, compared to an average of 34.18% in Europe. More than that, only 14.87% of SME's commercialize innovative products and solutions.

The proportion of those involved in any kind of entrepreneurial activity in Romania has increased in the last three years, due to an increase in the number of established business owners (whose business is older than 42 months), (Dézsi-Benyovszki, A., Nagy Tunde, À, Szabó, P., 2015).

Within the adult population, there are almost two and a half more opportunity-motivated early-stage entrepreneurs (those pursuing an opportunity) than necessity-motivated (those with no other option for work).

Romanian people seem to be confident about their skills to start a new business. They are also confident in their ability to identify business opportunities. Despite this, they still fear failure.

The rate of those intending to start a new business within three years is the highest in the region. Romanian early-stage entrepreneurs have high expectations when it comes to the number of people they expect to employ, but low ambitions regarding innovation.

The typical Romanian early-stage entrepreneur is male, aged between 25-44 years, with an upper secondary level of education and a household income in the upper third of the population.

The early-stage entrepreneurial activity rate in Romania in 2014 is 11.35% of the adult working age population. This rate is slightly higher than it was in 2013 (10.1%), it is higher than the rate registered in Croatia, Hungary and Poland and it is similar to the rate measured in Lithuania. The share of nascent entrepreneurs decreased to 5.33% in 2014 from 7.94% in 2013. This rate is similar to Croatia, Hungary, Lithuania, and Poland. The share of young business entrepreneurs increased to 6.17% in 2015, from 4.20% in 2014, which value is the highest among the efficiency-driven economies from the European Union (Dézsi-Benyovszki, A., Nagy Tunde, À, Szabó, P., 2015, p.9).

The opportunity-driven early-stage activity rate increased to 7.96% in 2014 in comparison to the rate measured in 2013 (6.8%). This value is higher than it is in Croatia, Hungary and Poland, but lower than the one measured in Lithuania (9.01%). The necessity-driven early-stage entrepreneurship rate is 3.28%, similar to the rate registered in 2013. The ratio of opportunity motivated and necessity motivated early-stage entrepreneurs increased compared to 2011 (from 1.39 in 2011 to 2.43 in 2014).

In Romania early-stage entrepreneurial activity appears to be more oriented towards transforming sector (31.31%), followed by the extractive sector (26.89%). Only 15.57% of the early-stage entrepreneurs use very latest technology, 25.82% new technology. The most of the early-stage entrepreneurs (62.0%) offer 1-5 jobs.

The entrepreneurial framework conditions present the less proper conditions in government policies, entrepreneurial education in primary and secondary school, and entrepreneurial finances. The best rated conditions are the internal market dynamics and professional and commercial

infrastructure. National experts were also asked about the most important constraints and supports for fostering entrepreneurship in their country in their view. We can observe that government policies is a constraint, followed by financial support and education and training framework conditions. Although the financial support framework condition is placed second in case of each analyzed country, in Romania in view of national experts this is a much pressing problem (Dézsi-Benyovszki, A., Nagy Tunde, À, Szabó, P., 2015, p.17).

The rate of those individuals who intend to start a business in the next three years and the rate of young business entrepreneurs are the highest in Romania to EU countries (Figure 1).

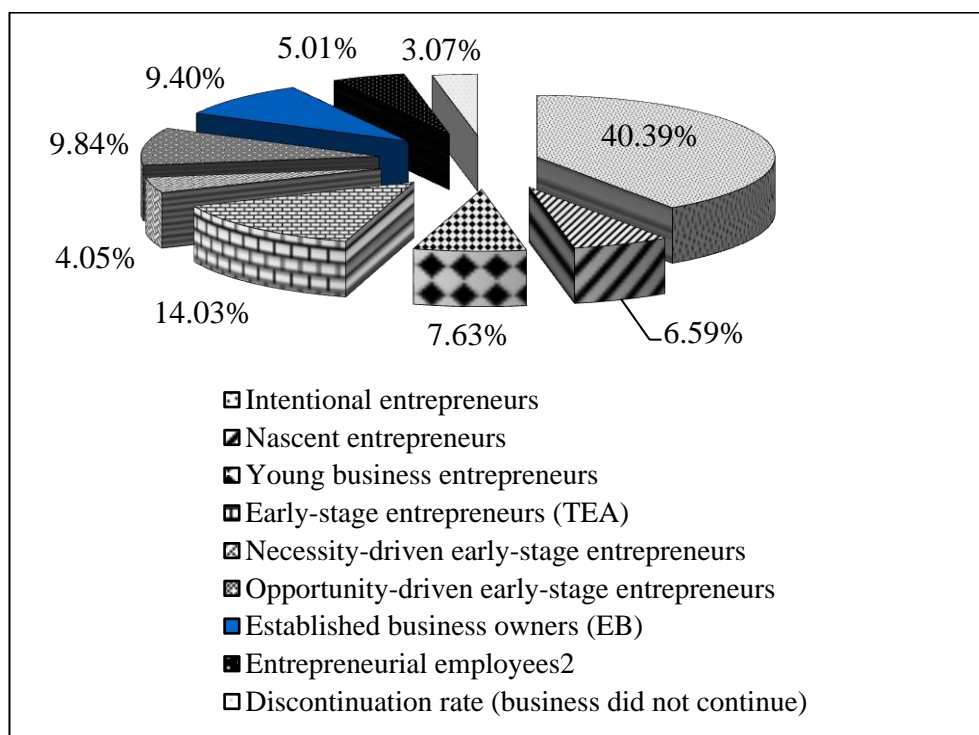


Figure 1. The entrepreneurial activity rates in Romania

According Entrepreneurship in Romania country report 2014 in our country the transforming businesses (manufacturing and construction) are more prevalent (Dézsi-Benyovszki, A., Nagy Tunde, Á, Szabó, P., Entrepreneurship in Romania country report 2014, 2015, p. 20).

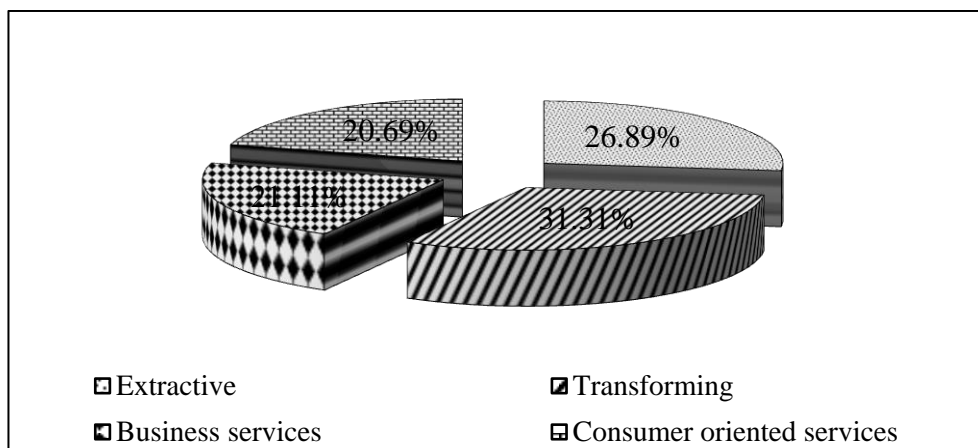


Figure 2. Distribution of early-stage entrepreneurial activity by four main industry sectors

Comparing the technology level of early-stage entrepreneurs with the technology level of established entrepreneurs can conclude that early-stage entrepreneurs use very latest technology. In Romania the highest share of early-stage entrepreneurs using very latest technology (16.75%, respectively 15.57%), while in case of those early-stage entrepreneurs who do not use new technology the highest share is reached in Hungary (80.66%). In Romania the percentage of those established entrepreneurs who use technology that is available no longer than five years is the highest (23.71%, respectively 19.82%), while in Hungary is measured the highest rate of those who use technology that is available more than five years (92.11%) (Dézsi-Benyovszki, A., Nagy Tunde, Á, Szabó, P., 2015, p.22).

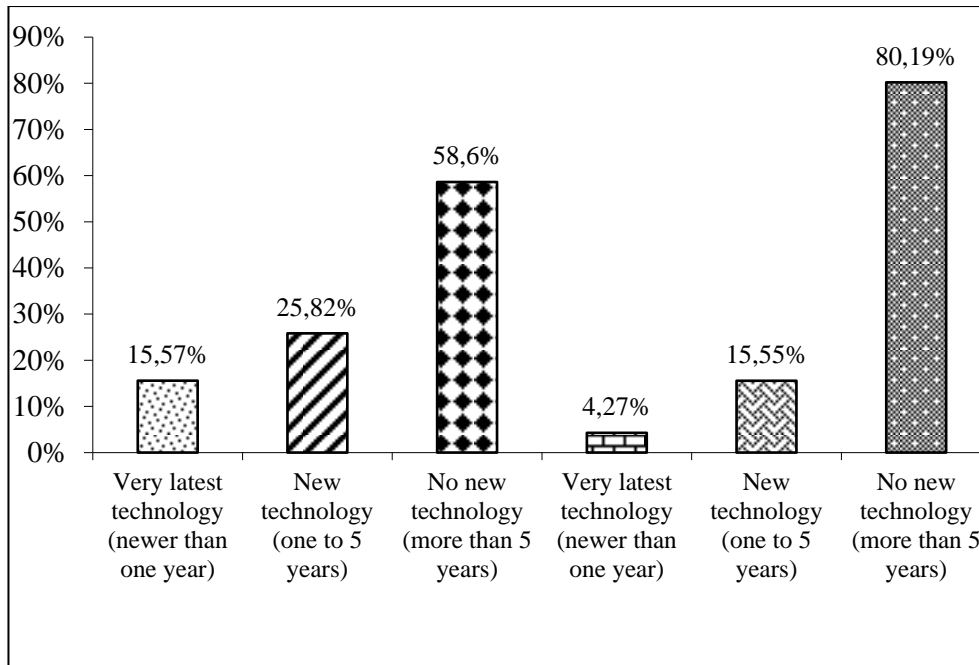


Figure 3. Romanian entrepreneurs use the new technologies

The positive entrepreneurial attitudes and perceptions could affect the entrepreneurial activity. (Dézsi-Benyovszki, A., Nagy Tunde, À, Szabó, P., Entrepreneurship in Romania country report 2014, 2015, p.32).

Entrepreneurial attitudes convey the general feelings of a population toward entrepreneurs and entrepreneurship. A society can benefit from people who are able to recognize valuable business opportunities, and who perceive they have the required skills to exploit them (Kelley et al., 2011, p. 17). If the economy in general has a positive attitude towards entrepreneurship, this can generate cultural and social support, financial and business assistance, and networking benefits that will encourage and facilitate potential and existing entrepreneurs (Xavier et al., 2013, p. 18).

3. Trends for Romania and conclusions

Key challenges for the development of Romanian entrepreneurship are:

- Ensuring that government policies provide real support to entrepreneurs

- Promoting entrepreneurial education (predominantly in primary and secondary schools)
- Easing access to different sources of finance, including equity, government funding and loans.

Good internal market dynamics, commercial and legal infrastructure and physical infrastructure are factors that positively affect the entrepreneurial environment in Romania.

Among the biggest constraints are:

- Regulations and taxes;
- Entrepreneurial education at primary and secondary level, and
- The availability of financial resources (Kelley, D., Singer, S., Herrington M., 2016, p. 16).

Also, the Romanian government has announced plans to improve the business environment. As part of its economic priorities, the government wants to place further emphasis on promoting and diversifying exports and FDI, supporting entrepreneurship and SMEs, easing access to finance, stimulating the development of creative industries, tourism, agriculture and research as priority business sectors, and restructuring the mining and defence industries. A strategic and selective medium - to long-term economic development plan and a national competitiveness strategy can help implement concrete steps and facilitate the transition to a higher value added economy.

We conclude that entrepreneurship in Romania has real growth prospects in the coming years.

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