



COMPETITIVENESS FROM DESIDERATUM TO THE STRATEGIC OBJECTIVE OF THE ROMANIAN LEADERSHIP

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Abstract

the Romanian leadership is the one which can help to identify a new model of economic growth based on the emphasised areas' development, areas which have shown their potential and competitiveness. Such a growth model would be based on the orientation of SMEs in Romania towards the foreign markets by producing innovative goods and services and by attracting the foreign investment in areas such as energy, tourism, health care, information technology and communications (ICT), etc. It is also necessary to encourage the private initiatives and increase their competitiveness by help of Romanian entrepreneurs and managers.

Key words:

Leadership, competitiveness, productivity, entrepreneurship

JEL Codes:

M21, L26

1. Introduction

By paraphrasing Rahm Emanuel, former White House chief, *nobody wishes to waste a crisis, thus taking into consideration that it is an opportunity to make important things which otherwise would be avoided* (Zeleny and Calmes, 2008). These words describe, with certainty the opportunities that an economic crisis may offer to some capable and innovative entrepreneurs.

In a period of deep economic crisis, the entrepreneurship is one of the vital elements of the national or regional economies and represents an important factor, if not essential, for economic increase. In the actual economic context, the economic increase of a nation is no longer exclusively generated by the government. On the contrary, it depends to a larger extent on the entrepreneurial effort of the citizens who may generate the capital accumulation, the skills development and people's welfare.

The most progressive economies are those encouraging the private initiatives in all economic sectors and in this process the small and the small and medium-sized enterprises play a significant role. Besides, most times, the entrepreneurship takes the form of SMEs and not of the large companies. According to the national and European statistics, the SMEs share in the total number of the companies in Romania is of 99.6%, approximately equal to the

average of the European Union (99%). The SMEs operating nationwide play, on average, a less important role in the local economy than the role held by the SMEs in the other member states of the EU. Regarding the contribution to employment, the SMEs in Romania hold only 63.6% employment share, than the EU share of 67.4%. The same way, regarding their contribution to the value added, the SMEs bring only a percentage of 42.2%, significantly less smaller than the European average of 57,9% (*Small Business Act Fact Sheets*). At the EU level, the SMEs are the main „engine” of innovation, research and development, the investments in activities leading to creation of new technology (new methods of production), and especially to the improvement of existing methods being encouraged and promoted.

2. Romanian leadership, power, productivity and competitiveness

Based on the definition of entrepreneurship given by a number of authors, namely that it means the creation of new organizations (Gartner, 1989)¹ or new businesses (Low and MacMillan), it may be said that the Romanian entrepreneurs identified the opportunities offered by the crisis and they created new businesses. Although the number of active SMEs decreased from 504,566 in 2008 to 489,622 in 2009, since 2010 the number has steadily risen, the estimated number of

SMEs being 532,452 in 2013. Already in 2010 the total number of SMEs exceeded the level of 2008, while the number of large enterprises remained in 2012 below the 2008 levels (1,824 large enterprises in 2008 and only 1,539 in 2012) and forecasts for 2013 are

optimistic (1,567 large companies). Based on these data, it is obvious that SMEs have performed much better in a market with problems issues, being more prepared to be adapted to the crisis and to create added value (Figure no. 1).

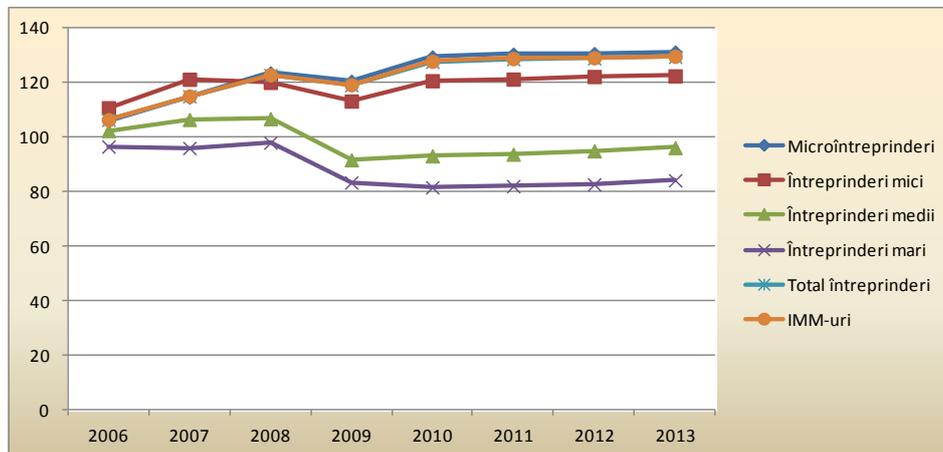


Figure 1. Evolution of the number of enterprises in Romania (2005 = 100)²
 Source: EU SMEs in 2012: at the crossroads.

Also, the value added generated by enterprises has annually increased since 2010 for all businesses, without touching the maximum from 2008. In 2012, the total value added of 48369.9 million EUR added value

in Romania, the largest contribution was made by SMEs (EUR 25.351 million), large enterprises accounting for 23.019 million Euro (Fig. 2).

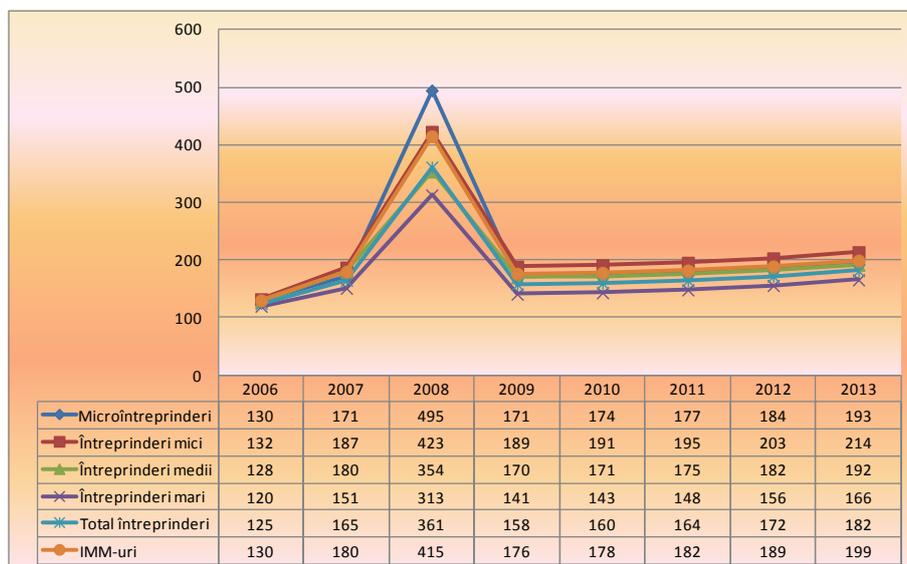


Figure 2. Evolution of the added value of the enterprises in Romania (2005=100)³
 Source: EU SMEs in 2012: at the crossroads

Even the turnover of businesses in Romania has not returned to the pre-crisis levels, but this indicator, too,

has experienced steady growth during 2009-2012, showing a growth estimates for 2013.

In 2012, from the total of 214,542.4, the turnover of SMEs was 129,391.3 EUR million, while that of the

large enterprises amounted to 85151.1 EURmillion (Figure no. 3).

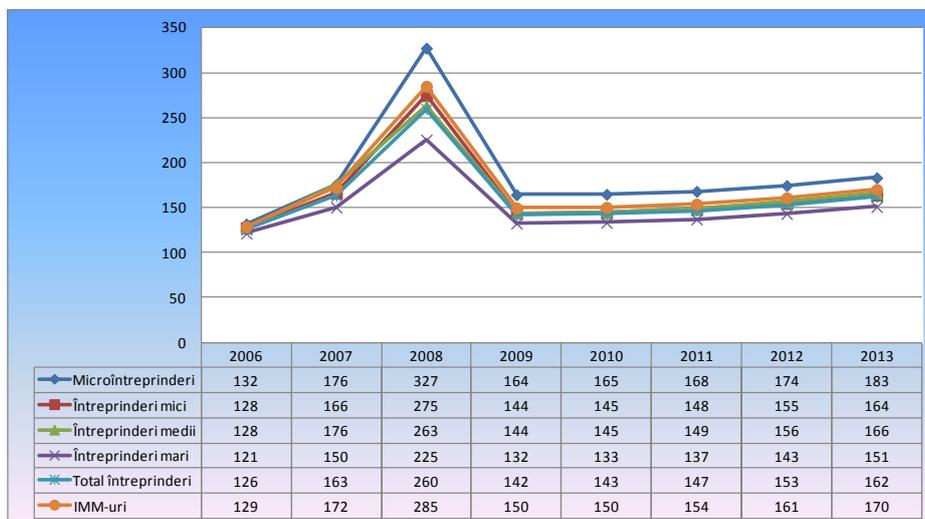


Figure 3. Evolution of turnover of enterprises in Romania (2005 = 100)⁴
 Source: EU SMEs in 2012: at the crossroads.

Overall, although the year 2009 saw a significant drop of all businesses' indicators in Romania (number of enterprises, turnover and value added) as compared to year 2008, starting from 2010 there have been steady improvements in the economic activity of enterprises. Although the turnover and the added value were not at the unimpaired performance of 2008, increases of 2009-2012 indicated good prospects in order to identifying opportunities for the Romanian entrepreneurs.

According to a study by the Global Entrepreneurship Monitor in Romania in 2011 (Entrepreneurship in Romania, 2011 Country Report), the rate of early entrepreneurial activity's stage (*early-stage Entrepreneurial Activity / TEA*) is higher than in countries such as Hungary or Croatia, indicating population's positive trend for launching a business.

The year 2011 in Romania is characterized by a significant increase in business activity, mainly as a result of exceeding the period of fear in taking risks involved in taking up a new business or developing an existing one (position indicated by the data on the development of SMEs in Romania presented above), but also in order to identify new post-crisis business opportunities. The entrepreneurial activity's rate reached, in 2011, the highest level in the last five years, both among men and women. The potential entrepreneurs' percentage increased from 13.6% in 2007 to 27.71% in 2011, the one of the

entrepreneurs who actively plane their business from 2.9% in 2007 to 5.56% in 2011, while the number of entrepreneurs who have recently started a business increased from 1.3% in 2007 to 4.51% for 2011.

And the distribution of early stage entrepreneurs' motivation has changed between 2007-2011. Thus, if in 2007 the most entrepreneurs were motivated by opportunity (66.7%) and only 19.5% were motivated by necessity in 2011 significantly increased the number of motivated by necessity (41.3%) and decreased slightly the number of reasons of expediency (57.5%). However, in 2011, too, the main reason for starting a business remained an opportunity and not a need.

The need for novelty or innovation has become apparent in recent years on the market, in Romania too, causing significant changes in the behavior of the entrepreneurs. The percentage of those who offered a new product for all clients increased among the new entrepreneurs from 6.5% in 2007 to 9.18% in 2011, while the percentage of new entrepreneurs who offer unique products for at least some customers increased from 29.8% in 2007 to 33.65% in 2011. And among the recognized entrepreneurs increased the level of innovativeness in 2011, 32.61% of them offering a new product or service to all or at least some of customers (5.17% new product for all customers and 27.44% new product for some customers), compared to only 15.5%

in 2007 (4% new product for all customers and 11.5% new product for some customers) (Figure no. 4).

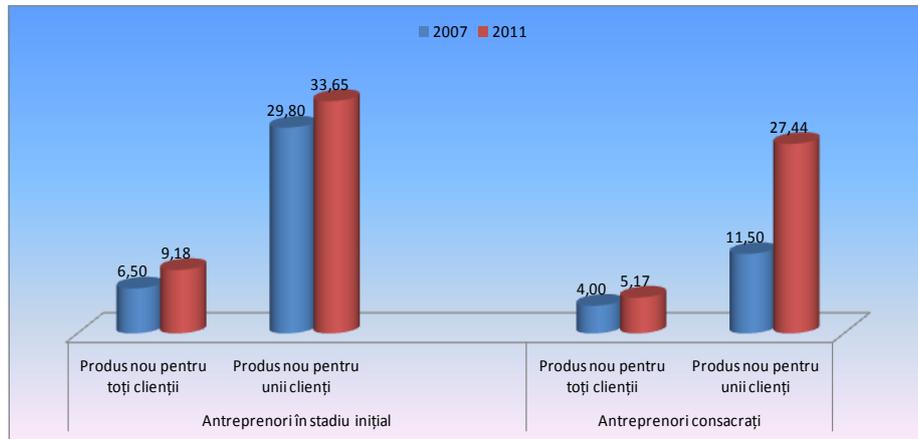


Figure 4. Product innovativeness among entrepreneurs in Romania (%)⁵
 Source : *Entrepreneurship in Romania, 2011 Country Report*

The economic crisis has led to a significant enhancement of competition on the Romanian market, persuading the entrepreneurs to identify niche markets and put on the market products that were not offered by any other company. Therefore, the percentage of entrepreneurs who have come to market with a product or service that no other company did offer significantly increased, especially among the new entrepreneurs, from only 2% in 2007 to 15.62% in 2011. All early stage

entrepreneurs are business initiated in areas where the market was not saturated, in 2011 over 40% of them coming to market with products / services offered by few other companies. Among recognized entrepreneurs competition was not felt as intensely, only 3.23% of them offering products that no other company did provide (compared to 2.6% in 2007) and 32.6% coming on the market with products that few other companies offered (compared to 20.9% in 2007) (Figure no. 5).

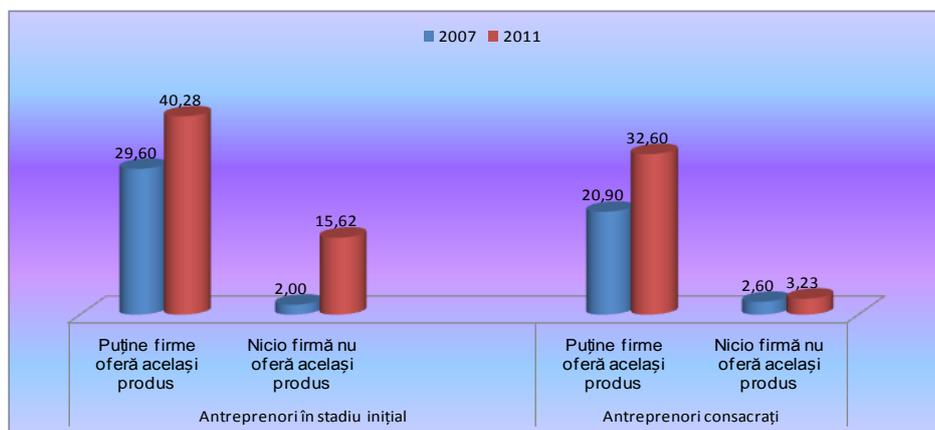


Figure 5. The competition between the entrepreneurs from Romania (%)⁶
 Source : *Entrepreneurship in Romania, 2011 Country Report*

In the context of the new economy which increasingly depends of the more high technology, the Romanian entrepreneurs were determined to adapt to the economic environment and tried to capitalize on the

opportunities offered by technology. Therefore, the technology used by new entrepreneurs is newer than the one used by the renowned entrepreneurs.

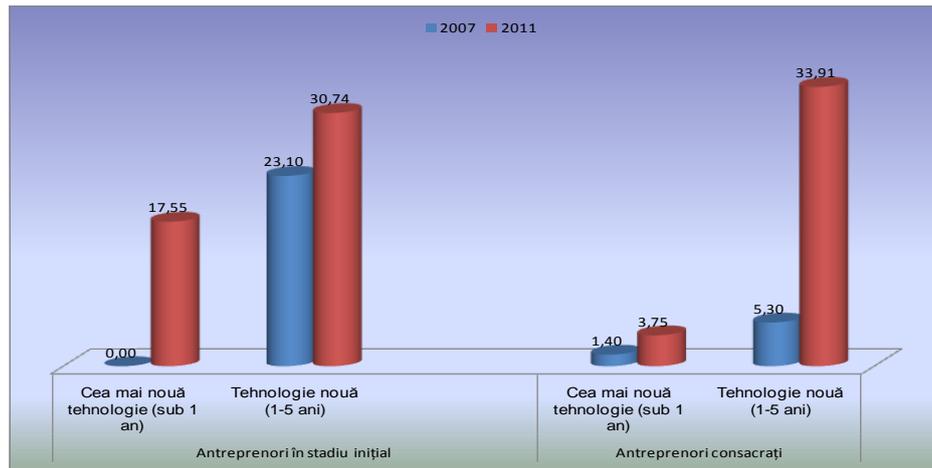


Figure 6. The level of technology used by entrepreneurs in Romania(%)⁷
Source: *Entrepreneurship in Romania*, 2011 Country Report.

If in 2007, none of the entrepreneurs used the latest technology in the business because of its high cost, in 2011 approximately 17.55% of them were using the latest technology (launched on the market in the previous year) and 30.74% using new technology (not older than 5 years). Among recognized entrepreneurs was not registered the same high level of adaptation to new technologies, being given that only 3.75% of them were using the latest technology in 2011 (compared to 1.4% in 2007). However, a significant number (33.91%) of them were using new technology in 2011, up from only 5.3% in 2007 (Figure no. 6).

As a brief summary, we may say that in Romania, the economic crisis was not only a threat but also an opportunity, at least for some entrepreneurs. The new entrepreneurs were adapted quite quickly to the situation and they identified niche industries, providing products or services on the market, for all or for some customers, products which no other entrepreneur did not provide. From the point of view of innovation, calculated by reference to Monitor Global Entrepreneurship to the new products offered to the customers (products or services for all or for some customers) and the size and maturity of the market (products offered by few or no one other firm) in 2011 Romania has recorded a tremendous growth among the new entrepreneurs, from 14.54% in 2007 to 30.02% in 2011.

3. Conclusions

Although in Romania the economic crisis did not manifest as violent as it did in other countries in the „Euro area”, its effects were felt in the aspects of social life (the decrease of the jobs, the reduction of people’s income, the descendent evolution of all the macroeconomic indicators, the drastic decrease of investments etc.). Beginning with 2010, the main

indicators of SMEs in Romania have known constant appreciations, without however reaching the level prior to the crisis (2008). The evolution perspectives for the following period are good, but not enough to lead to economic increase and people’s welfare. In the context in which, at governmental level, the budgetary constraints may slow down or block the rhythm of investments necessary for the economic recovery, salvation may come from the private sector, provided that the difficulties of the crisis be identified as opportunities to do something that under normal conditions would have been considered unreasonable.

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⁴ *** EU SMEs in 2012: at the crossroads. *Annual report on small and medium-sized enterprises in the EU*, 2011/12.

⁶ Early stage entrepreneurial activity refers to adults (18-64 years) who are active in the planning phase of a business or have recently started a business (2-42 months).

⁵ *Entrepreneurship in Romania, 2011 Country Report*, Global Entrepreneurship Monitor, 2012, <http://www.gemconsortium.org>

⁶ *Entrepreneurship in Romania, 2011 Country Report*, Global Entrepreneurship Monitor, 2012, <http://www.gemconsortium.org>

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