



PRESENT AND FUTURE OF ENTREPRENEURSHIP DEVELOPMENT IN ROMANIA

Mădălina TOCAN¹, Oana CHINDRIȘ-VĂSIOIU²

^{1,2}Ecological University of Bucharest, Faculty of Economic Sciences, Bucharest, Romania,

¹E-mail: madalina.tocan@gmail.com, ²E-mail: oana.vasioiu@gmail.com

Abstract

Entrepreneurship should be promoted as a serious alternative for the classical professional career. In Romania the SMEs fail to contribute significantly to the formation of the gross domestic product and to economic growth, as long as there isn't a sufficiently large number of firms and a favorable framework for their the establishment and growth. Taking into consideration the low level of entrepreneurship development from Romania comparing with EU, the Romanian State should promote entrepreneurship in school, entrepreneurial education being vital for the formation of skills and entrepreneurial behavior in Romanian society. Government policies should stimulate the competitiveness of SMEs on the long run, taking into consideration the major deficit of competitiveness the SME sector in Romania has compared to SMEs in the European Union. The present paper tries to present and analyze the current state of development of entrepreneurship in Romania and on the basis of the analysis to formulate a number of conclusions and recommendations concerning its development.

Keywords

Entrepreneurship,
competitive
advantage, Romania,
E.U. member states

1. Introduction

Entrepreneurship is the ultimate source of change in the economic system and economists increasingly attribute a large role to the entrepreneur when explaining economic performance (Sautet, F., 2005).

Entrepreneurship started to receive attention with problems brought about by the global financial and economic crisis, and entrepreneurs have become "Heroes" are able to provide a boost to fragile economies. According to the European Commission (2003), the number of owners of companies in OECD countries increased from 29 million to 45 million between 1972 and 1998. Furthermore, services and knowledge-based activities have become Europe's competitive advantage, thus leading to the emergence of a new wave of innovative SMEs, which have survived the crisis and have prospered while corporations were beginning to lay off employees and restrict their activities. Small and innovative companies representing 99% of all companies active in Europe and offers 66% of available jobs.

In the context of an alarming rate of unemployment that persists in many countries of the world, entrepreneurship has become a viable solution for the economic woes.

Supporting the development of small and medium enterprises (SMEs) is a priority both at EU level and at national level, since this large category of economic

agents, more dynamic and more flexible than large companies constitute the backbone of any modern economy.

To build a strong economy, the European Union aims to strengthen the entrepreneurial spirit in Europe and to create the necessary conditions for the development of innovative practices that lead to the creation and development of SMEs, which represents an important factor of economic and social growth. Achieving these goals is vital to ensuring economic sustainability to support social progress and environmental protection. European Union policy relating to businesses is addressed to the whole business environment and aims to encourage and facilitate the establishment of new businesses.

Measures for promoting entrepreneurship at all levels (european, national, regional) can be found in the strategic documents of the European Union: Europe 2020 strategy Small Business Act for Europe, 2008 Small Business Act revised 2011 action plan for the development of entrepreneurship in the EU 2020

The Europe 2020 strategy is the European Union's strategy for growth, with a time horizon 2020. Entrepreneurship is one of the main factors of success for the EU 2020 Strategy, promoting and supporting entrepreneurship being laid out in a series of actions aimed at increasing the intelligent, industrial policy, innovation and education-research.

Small Business Act for Europe (SBA) 2008. At the base of the European SBA is the conviction that achieving the best possible framework conditions for SMEs requires first and foremost that the importance of entrepreneurs to be recognized by society. Overall climate that reigns in society should lead people to consider with interest the possibility of creating their own companies and to recognize the fact that SMEs contribute substantially to employment growth and economic prosperity. For the development of a supportive environment for SMEs, it is therefore essential that the perception of the role of entrepreneurs and of taking risks changing in EU: entrepreneurial spirit and willingness to take risks should be applauded by the policymakers and media and encouraged by the administration. Generally the dominant policy should be one which creates favorable conditions for SMEs, based on the belief that the rules promulgated shall comply with the majority of those to whom they are applied: the principle of "think small first".

Such a "Small Business Act" aimed at improving the overall strategic approach to entrepreneurship, to irreversibly fix principle of "think small first" in the definition of policies, starting with the regulation to public service, and to promote SMEs' growth by helping them to solve the last problem that prevents them from developing.

SBA shall rest on the achievements of the Commission's strategic and its Member States creates a new strategic framework that integrates the existing tools of business conduct and draws particularly on the European Charter for small enterprises and the modern politics of SMEs. To implement this ambitious strategic agenda, the Commission proposes a veritable political partnership between the EU and its Member States to respect the principles of subsidiary and proportionality.

Symbolic name of "Act" given this initiative underscores the political will to recognize the fundamental role of SMEs in the EU economy and to establish, for the first time, a comprehensive strategic framework for the EU and its member States.

The SBA is a set of 10 principles which guide the design and implementation of policies both at EU level and at Member State level. These principles are essential to confer an added value at Community level to place SMEs on an equal footing and to improve the legal and administrative framework throughout the EU:

I. Creating an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded;

II. Ensuring the possibility for honest entrepreneurs who bankrupt to quickly get a second chance;

III. Definition of the rules on the principle of "think small first";

IV. Ensure the administrations reaction to SME needs;

V. Adaptation of public powers to SME needs: Facilitate SMEs' participation in public procurement and more judicious use of the possibilities offered by the SMEs to benefit from State aid;

VI. Facilitating access of SMEs to funding and implementation of a legal and commercial framework favoring punctuality of payments in commercial transactions;

VII. Supporting SMEs to benefit more from the opportunities offered by the single market;

VIII. Promote enhanced competences in SMEs and all forms of innovation;

IX. Help SMEs to turn environmental challenges into opportunities;

X. Encourage and support SMEs to take advantage of growth markets.

Small Business revised Act, 2011. Review of the SBA in early 2011 reiterated the view that Member States should intensify efforts to promote entrepreneurship and SMEs, to support entrepreneurship in the difficult economic climate.

To reflect the latest economic developments and to align the SBA to priorities of the Europe 2020 strategy aimed at continuous improvement of the business environment, review the SBA proposes new actions in several priority areas:

1. improving access to financing for investment and development, by: facilitating access to loan guarantees granted to SMEs through strengthened mechanisms for guaranteeing the loans; improving SMEs access to markets for venture capital, as well as measures aimed at raising awareness of investors to the opportunities offered by SMEs; the provision for all banks, regardless of size, has the possibility to easily implement the credit lines of the EIB and the EU instruments.

2. Smart Regulation in order to give SMEs the opportunity to focus on its core activities through: improved legislation through the introduction of "SME test" to assess the impact in the event of legislative proposals from the Commission, paying particular attention to the differences between micro, small and medium-sized ones; implementation in the Member States of the "single counters" on the simplification of administrative procedures; introduction of quantified targets for reducing the "supra-Parliament" practiced often by national structures that exceed the terms of the transposition of EU directives into their national legislation;

3. full use of the single market through: the proposal for a consolidated tax base for enterprises; measures to facilitate the cross-border recovery of debts; review of the European standardization system, in order to achieve more favorable standards of SMEs and more

readily accessible; guidelines for use by SMEs of the origin labeling rules.

4. Supporting SMEs to cope with the problems of globalization and climate change through: support initiative on SMEs on foreign markets of the European Union; a new strategy for competitive global networks; specific actions relating to the transfer of knowledge between regional experts in environment and energy within the network of European enterprises.

The action plan is a decisive joint action aimed at stimulating entrepreneurial potential in Europe, existing barriers and revolution the entrepreneurial culture in Europe. Its purpose is to facilitate the creation of new businesses and a more stimulating environment for the prosperity and growth of entrepreneurs.

The plan proposes three areas for immediate action:

1. Education and entrepreneurial training to support the growth and development of enterprises;

2. Strengthening framework conditions for entrepreneurs by removing structural barriers and supporting entrepreneurs in key stages of the life cycle of enterprises;

3. Dynamic entrepreneurial culture in Europe: the formation of the new generation of entrepreneurs.

2. Entrepreneurship business environment in Romania

In Romania the economy is “dominated by small and medium-sized enterprises and has proportionally fewer micro-firms than the EU on the whole. Despite an increase in the number of business start-ups in recent years, the impact of micro-firms on the economy is still lower than average, providing about 23% of private sector employment and only 13% of economic added value” (2014 SBA Fact Sheet Romania).

Analyzing the data from the 2014 SBA Fact Sheet Romania we can observe that Romania has some advantages comparing with the average situation in EU. Among the strong points of Romania in terms of entrepreneurship we can mention:

- future entrepreneurial intentions are the highest in the EU at almost 24%;

- most Romanians (73% compared to 50% in the EU) also believe that school education cultivates an entrepreneurial mind-set in students;

- in Romania it is possible to start a business in three days for around EUR 100-125. This is faster and cheaper than the EU average;

- the formal procedures for registering and transferring property have improved in recent years. It now takes only 20 days to transfer property and costs less than the EU average to do so;

- SMEs' share in the value of public procurement contracts is increasing, having reached 44%, already much higher than the EU average of 29%;

- access to public financial support including guarantees

- willingness of banks to provide a loan

- percentage of SMEs that have benefited from public support measures for their production of green products.

On the other hand, according to the 2014 Fact Sheet data, Romania scores below average in some areas, among which we can mention:

- Romania has a high number of business start-ups but fewer established efficient businesses (Established business ownership rate (%); 2013; Romania: 5.3; EU average: 6.4);

- Only 32% of Romanian entrepreneurs, compared to 47% of European entrepreneurs, say that a market opportunity, and a desire to be independent and increase their income, led them to start a business;

- Entrepreneurs whose business has failed face lengthy insolvency procedures, lasting about 3.3 years in Romania compared to two years in the EU;

- Despite reducing the number of annual tax payments to 39, this is well above the EU average of only 12 annual tax payments;

- Bureaucracy, which is increasingly burdensome, particularly for SMEs;

- Compared to 37% on average in the EU, only 30% of businesses in Romania said that they had participated in a public procurement procedure in 2013;

- The lack of innovation and a shortage of specialized skilled labour. All core innovation indicators are below the EU average, some of them very much below it;

- Romanian SMEs are less likely to take steps to increase their resource efficiency than SMEs in the rest of the EU;

- Compared to the EU average of 26%, only 22% of companies have begun to exploit the opportunities offered by the demand for green products and services.

On the policy side, the Romanian Government recognizes and appreciates the importance of small and medium enterprises sector as a basis for the development of a modern, dynamic economy based on knowledge. The European Union's experience clearly demonstrates that small and medium enterprises sector can have a substantial contribution to gross domestic product, creating new jobs and stimulating the growth of exports. A sector of small and medium enterprises may thus well develop to support stability and macroeconomic growth.

In order to create a favorable framework for harnessing the current possibilities of Romania's economic development and enhancing the business environment, through the establishment and development of small and medium enterprises and taking into account:

- the negative effects of the economic crisis in terms of reducing the number of operators active in the market, tightening credit conditions and the overall downturn, difficulties and risks to starting a business, in particular for young entrepreneurs;

- the need to foster entrepreneurship of youth, through the development of new public policies necessary for economic recovery, reducing unemployment and ensuring better conditions for youth participation in economic and social life

There are several programmes designed to promote and stimulate the entrepreneurship in Romania. Among these we can mention:

The development of entrepreneurial skills among young people and facilitate their access to funding program-START. The objective of this program is to stimulate the creation of new small and medium enterprises, improving the economic performance of the existing ones, increasing the potential for access to funding sources and developing entrepreneurial skills of entrepreneurs with the aim of involving them in private economic structures.

The development and modernization of marketing products and services to market program. The main objective of the program is to support the economic operators, companies and cooperative societies, by facilitating access to finance, in order to improve the technical and economic performance of economic operators, aiming at the adaptation to the requirements resulting from the Statute of Romania as a Member State of the European Union, by increasing the level of competitiveness, the creation and maintenance of jobs, improving consumer protection and food safety. The program aims at enhancing the economic operators to promote products and services market and the development and modernization of merchants and service providers in the market.

National multiannual Programme for the development of the entrepreneurial culture among women manager from small and medium enterprises sector. The objective is to stimulate and support the start ups and development of the private economic structures set up by women by facilitating their access to finance, access to potential funding sources and facilitate the access of women entrepreneurs to financing sources in the context of issues related to maintaining the balance between professional and family obligations and the prejudices existing at local level. The program aims to:

- Improve the economic performance of existing enterprises run by women, through accessing sources of financing from the State budget;

- Auto-stimulation of employment and increasing the number of women entrepreneurs in the business communities;

- Capacity development and entrepreneurship among women;

- Increase the number of new jobs created in the private economic structures run by women and the benefits of the national economy.

The program for development of micro-enterprises and stimulation of the young entrepreneurs. The objective is to stimulate the creation of new small businesses, increased access to potential funding sources and developing the entrepreneurial skills of young people with the aim of involving them in private economic structures. The program aims to:

- Develop the entrepreneurial skills and knowledge based optimal management of resources, in order to adapt to the rigors of rapid globalisation of markets;

- Stimulate and support the start ups and development of the newly established companies (start ups) by facilitating their access to funding;

- Facilitate the access of young people to the funding sources.

National multiannual Programme to support the craft and handicraft. The general objective of the program is to stimulate the development of crafts and small industries in Romania, to strengthen the small class craftsmen and artisans who operate individually or organized through associations or other organizations, particularly in rural areas, but also in the urban areas, protection of trades involving a large number of operations made by hand in their practice and the re-launch of the services and products made from them, especially those with traditional cuisine, including objects of folk art and crafts, promotion of these products and services in domestic and international markets. The program seeks, through the Organization of eight regional Craft Fairs and crafts the support of small artisans in promoting their own products and preserving and stimulating the wider promotion of local traditions through:

- a) Winning new foreign markets for these products and services;

- b) Stimulating domestic demand of services and products, which involve a significant degree of manual processing;

- (c) Increased visibility in the market so the craftsmen, and the products and services provided by them;

- d) Improving access craftsmen to market information and to facilitate the recovery of this information;

- e) Development of business contacts and to establish partnership links;

- f) Promoting services and products to be dialed traditional technologies and having a significant manual processing.

National multiannual Programme of formation and development of technological and business incubators. The program has the overall aim of development of small and medium enterprises (SMEs) in Romania, through the establishment of new business incubators, as well as through the development of existing business incubators and the creation of a network of business incubators in Romania.

UNCTAD/EMPRETEC Programme-Romania for supporting the development of small and medium enterprises. EMPRETEC is an integrated program of training, which provides training and technical assistance to entrepreneurs, as well as an institutional framework for the development of entrepreneurial capacities and competitiveness on local and international market of the small and medium enterprises. EMPRETEC is a program for the development and support of international entrepreneurs. The program is conducted under the aegis of the United Nations Conference on trade and development (UNCTAD-Geneva) and is operational in more than 25 countries in Central America, Latin America, Africa and the Middle East.

3. Conclusions

What remains to be done for the development of entrepreneurship in Romania? The necessary measures can be undertaken both at public and private level.

Thus, at the governmental level, the State would have to give up at the setting up of new companies programs-the focus must be changed on the sustainability of existing ones by improving the quality of entrepreneurial education programmes. In this regard, it is important that there should be a link between the school and the business environment, and curricula should be adapted to the market conditions. In addition, the educational system needs to focus on creating responsible and independent leaders that take advantage of entrepreneurship and understand what they mean. All in the service of the State falls and simplifying administration and tax purposes, along with the fight against corruption.

On the other hand, the private sector can contribute significantly to the development of entrepreneurship by implementing quality programs: training sessions, events and competitions aimed at budding young entrepreneurs, mentoring programs and support for start-ups or information sessions about existing funding opportunities. Facilitating access to programs of acceleration, incubators and co-working is another very important point, next to promote the successful models and of the reasons for being an entrepreneur.

Together, the public and private sectors have the power to contribute significantly to the development of the entrepreneurial ecosystem development.

References

- CNIPMMR, *Carta albă a IMM-urilor din România*, 2014.
- Ghenea, M., *Antreprenoriat - Drumul de la idei către oportunități și succes în afaceri*, Ed. Universul Juridic, București, 2010;
- Nicolescu O., Haiduc I. C., Nancu D., *Carta Albă a IMM-urilor din România*, Ed. Sigma, București, 2012;
- Popa I., *Management intraprenorial*, Ed. ASE, București, 2010;
- Sautet, F., *The role of institutions in entrepreneurship: implications for development policy*, 2005, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1264033, accessed: 13.02.2015;
- Report *Situatia curenta a IMM-urilor din Romania*, 2013 edition, Fundatia Post-Privatizare available at <http://postprivatizare.ro/static/Raport-IMM-2013.pdf>, accessed: 15.02.2015;
- Ernst & Young's study (A vision for growth) on the perception of the Romanian business environment in 2014: [http://www.ey.com/Publication/vwLUAssets/Press_release_Business_Outlook_Survey_11_Feb_2014_\(EN\)/\\$FILE/Press%20release_Business%20Outlook%20Survey_10Feb14_EN.pdf](http://www.ey.com/Publication/vwLUAssets/Press_release_Business_Outlook_Survey_11_Feb_2014_(EN)/$FILE/Press%20release_Business%20Outlook%20Survey_10Feb14_EN.pdf); accessed: 13.02.2015.
- 2014 SBA Fact Sheet Romania, available at http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm, accessed: 15.02.2015;
- Antreprenoriatul în România*, available at <http://akcees.com/wp-content/uploads/2013/09/Akcees-StudiuAntreprenoriat.pdf> accessed: 15.02.2015