

## DEVELOPMENT OF ENTREPRENEURIAL ACTIVITIES – PREMISE OF THE INCREASE OF ECONOMIC COMPETITIVENESS

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*In the context of the integration into the European Union, the issue of the increase of firms' competitiveness has become essential for Romania's economy also, which requires as a mandatory condition the elaboration and application of certain clear strategies, both at the level of firms, and of the Government's, with specific goals and actions.*

*Although it has made certain progress, Romania has significant competitiveness delays compared to the EU member states.*

*In this context, development of entrepreneurial activities is a premise of the increase of economic competitiveness.*

*Entrepreneurship is first of all a state of mind referring to the motivation and capacity of an individual to identify opportunity and follow it with the purpose of producing value or economic success.*

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### **1. Entrepreneurship and competitiveness– overall perspective**

After several years of rapid and almost unhindered growth, the global economic landscape has changed. The raise of energy and food prices, the international financial crisis and the slow-down caused by it confronts the managerial policies of the present economy with new challenges.

The present context has underlined the importance of competitiveness that can help national economies survive these types of shocks, with the purpose of assuring economic performance in the future.

Competitiveness is a complex concept, largely debated at present by economists and politicians throughout the world.

Representing the highest degree in which, under the conditions of a free market, a nation is capable to produce goods and services that can be successfully launched on the international market, contributing thus to the increase of the living standard of its citizens, competitiveness is a challenge, which applies not only in the case of nations, but also at the level of each of the actors of the national economy.

Competitiveness suggests security, efficiency, quality, high productiveness, adaptability, success, modern management, superior products, and low costs.

Creativity or innovation are needed in order to access and become competitive on a market, to change it or even to create a new market. Moreover, in order to turn a business idea into success one needs the ability to combine creativity or innovation with solid management principles.

In relation with the remarkable importance of *innovation*, P. Drucker<sup>193</sup> underlined the following: “*innovation is the specific instrument of entrepreneurs, the means with which they exploit change as an opportunity for various businesses or services; it can be also represented as a subject and*

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<sup>193</sup> Drucker P., *Innovation and the entrepreneurial system*, Encyclopaedic Publishing House, Bucharest, 1993, p. 19.

*thus it can be learned and practised. Entrepreneurs must seek with precise purpose the sources of innovation, its changes and symptoms, which indicates for them favourable opportunities for successful innovations. They need to know and apply the principles of successful innovation.”*

Furthermore, entrepreneurship contributes more and more to the creation of new jobs. One remarked at the global level that small firms and not large firms created most jobs. Studies have shown that entrepreneurship can significantly contribute to the stimulation of economic activity, to the integration of the unemployed and social disadvantaged groups, contributing thus to the economic growth of a country.

## **2. Stimulating factors of entrepreneurship in our country**

The new entrepreneurial initiative, the start of a business or the reorientation of an exiting one (after the transfer of a business to a new owner), the support for productiveness - all these raise the pressure of competitiveness, forcing other firms to react by enhancing efficiency.

The increase of efficiency and innovation within the firm, in products, services or markets, raise the force of the competitiveness of an economy as a whole. This process brings thus benefits to all participants in economic life, and thus not only to entrepreneurs, but also to consumers, who have the possibility to choose the best existing offers.

Although slight progress has been registered in our country lately, there is not yet an entrepreneurial culture and consequently the State institutions, the academic institutions and the SMEs recognise the necessity to act in this direction. The limited number of studies on entrepreneurship in Romania made entrepreneurship itself remain in a continuous state of inferiority (because of the absence of resources put at the disposal of universities and governmental agencies).

In spite of the improvement efforts under progress, entrepreneurs identify *bureaucracy* as being a major obstacle in the way of business operations, especially for those who desire to operate and develop within the European market. The legislation is not generally differentiated in accordance with the size of the firm and thus it disproportionately affects smaller companies. The local public authorities must be encouraged to think at the micro level at the beginning and keep the legislation as simple and appropriate as possible.

Adequate *fiscal measures* can contribute to the development, growth and longevity of companies. The structure of the fiscal system, including income tax, corporate tax, labour tax and VAT influence the capacity of firms to expand. The complexity of the fiscal systems is in itself an administrative burden for entrepreneurs.

As the rates of marginal tax raise, the entrepreneurs tend to expand their own business more slowly, to invest less and to employ less personnel. The level of the labour taxation can also be a decisive factor in the decision of the firms in our country to employ staff. The fiscal reform in the past year have not contributed to the creation of a clearer trend as regards the creation of small and medium enterprises, as the labour taxation is still high.

On the other hand, the strangulations on the labour market create barriers in the way of development and one must intensify the qualification efforts for workers.

Although unemployment still constitutes a major challenge for Romania, the recent years have exhibited higher difficulties in *recruiting labour force* in certain regions and counties. The firms already respond to the qualification voids, for instance, by providing formal or informal training for their own staff.

Consequently, we are currently witnessing the need to make sure that most qualifications of the local, regional and national labour force correspond to the economic and technological evolution. The permanent enhanced training represents an effective means of getting a qualification.

Moreover, *the access to financing* is indispensable for development, but most SMEs encounter difficulties such as: the risk capital market is underdeveloped and banks avoid more and more risky loans.

Furthermore, in order to deal with the challenge of a harsh competition, entrepreneurs must be encouraged to innovate and to tend towards the internationalisation of the business. For this reason, they must have *access to knowledge, relevant contacts, specialisation and support* for a first-rate business.

SMEs consider that the Single Market has led to a higher competition, but also to new opportunities of expansion. The competitive pressure makes firms continually exploit knowledge and innovation. Firms can modernise themselves in different ways, including by means of technologic development, quality management, new modalities of work organisation or distribution channels. The human capital is important for creating innovating ideas.

A stimulating factor for encouraging entrepreneurship is also the *business incubators*, a facility putting at the disposal of small entrepreneurs, besides working premises, centralised services of secretarial activities, guarding and cleaning, a package of consulting and business services. In the period of incubation, ranging from 1 to 3 years, the newly-established firms, those in their first years of operation or in their first years of crisis are assisted by the consulting team of the incubator to develop managerial and operation capacities in order to become viable partners of the local business community.

A study performed by GEM (Global Entrepreneurship Monitor) and forwarded in Romania's country report 2007 – Global monitoring of entrepreneurship – highlights the features of entrepreneurship in Romania in an international comparison:

- absence of entrepreneurial tradition, activity and education before the '90s during the socialist period;
- unfavourable entrepreneurial environment in the transition period of the '90s;
- in the period of economic growth, after 2000: acceptance by the population of jobs offered by the large companies, as they are perceived as having a lower risk.

The explanation for the rather low level of entrepreneurship development in Romania can be found in the restrictions faced by small companies as regards resources and their vulnerability related to the environmental changes and uncertainty, the enhanced comprehension of factors and mechanisms explaining the development of firms<sup>194</sup>.

### 3. Conclusion

In the present context of economic crisis, both new SMEs and the existing ones are confronted with financial problems and especially with the absence of resources, limited access to loans and absence of customers, increase of the number of customers with due payments.

As for demand, entrepreneurs consider that their problems depend on the constraints of their competition on the sales markets and the lack of economic resources of their potential customers. Thus, in the context of the economic and social changes exhibited at the national level as a result of the global financial crisis, we find that the labour market is undergoing a continual change. The high rate of BIM unemployment or the absence of prospects of economic investments able to stimulate the development of local communities are factors generating stagnation or social crisis. This reality highlights the need for the intervention of public institutions or other non-governmental organisations for the support of entrepreneurship development. The need for information, counselling, professional training or creating a support network for entrepreneurs or for those who desire to become entrepreneurs can be palliated by certain legislative regulations, efficient programmes and projects able to respond to the specific needs of this category.

Under these circumstances, entrepreneurship can contribute to the economic and social growth in the area whose development is delayed as it is, by stimulating economic activity and creating new

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<sup>194</sup> Lafuente Esteban, Rabetino Rodrigo, *Human capital as a determinant of small firms growth in Romania a quantile approach*, CEBR, Working Paper Series 03 – 2007, p. 10.

jobs, **all the above contributing to the regional development and implicitly to the increase of economic competitiveness.**

Entrepreneurship is crucial for competitiveness, as the raise of efficiency and the introduction of innovation in companies, either related to management, processes, products, services or markets increase competitiveness among competitors, and leads to the obtaining of new products and to the reduction of prices.

Entrepreneurship offers the possibility of exploiting the creative potential of the person, as owning a business is not only a way to earn money, but also a modality to earn independence, to deal with a variety of challenges and thus to reach a higher level of satisfaction.

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