

Emerging Markets Queries in Finance and Business

Outstanding aspects of sustainable development and competitiveness challenges for entrepreneurship in Romania

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Abstract

Taking into consideration the increasing role of entrepreneurship for the sustainability and competitiveness of an economy, the paper highlights the main characteristics of entrepreneurs in Romania from the demographic, economic and social viewpoints, age, labour skills, education, urban and rural areas gender, income levels etc.. Based on a set of specific indicators, our research try to identify the main obstacles and difficulties the entrepreneurship in Romania is confronted with as well as to find out the solutions for solving them by adequate policies, instruments, economic and financial mechanisms. In this context, it is revealed the importance of promoting the mentality in favor of entrepreneurship behaviour of Romanians as well as of a better financial support for SMEs.

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Key words: motivation and obstacles of entrepreneurship; entrepreneurial sustainable development and competitiveness factors.

1. Introduction

The current economic and financial crisis, as well as the increasing role of free initiative and entrepreneurship as a factor toward economic revival and growth has imprinted new specific features on the challenges of sustainable development and competitiveness faced by the Romanian entrepreneurial community. This paper is intended to highlight some of the behavioural and socio-professional characteristics of the Romanian entrepreneurs, as well as the similarities and differences with other countries, based on the analysis of the multiannual data provided by the “Entrepreneurship Survey in EU and beyond Analytical Reports” and on other data gathered from national and international statistics and research on the issue of demographic,

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social and economic particularities of entrepreneurship, such as gender, age, education, residence, family and social status, income.

2. Employer or employee?

Together with the freedom to start one's own business, the establishment of numerous new companies, the privatisation waves and the foreign direct investment, the transition to a market economy brought about the expansion of the Romanian private business sector, disclosing significant entrepreneurial potential. A new entrepreneurial order, with foreign and national elements, has emerged, completely different from that belonging to the former centralised command economy, where the highest share of the workforce was employed in the public sector and entrepreneurial competences and initiatives were strictly monitored by the political factor.

We, therefore, consider that the transformation of the entrepreneurial mentality of a large mass of employees into a pro-active and risk-taking mindset may act as a motive power for growth and competitiveness. This is even more relevant in the context of the economic crisis, as the business initiator may draw further opportunities for initiative, innovation and technologic progress dissemination, especially in the SMEs sector.

Table 1. The share of the preference over the “employer” or “employee” status, in Romania and other countries

Country	Expressed preference for			
	Entrepreneur	Employee	No preference	I don't know
Romania (total), of which	52	41	6	2
Men	51.2	43.4	2.9	2.5
Women	39.3	54.5	3.5	2.7
UE-27	45	49	3	3
USA	55	36	9	1
Canada	71	28	-	1

Source: own estimation based on the data in the Analytical Report Flash Eurobarometer no. 283/2009

In Romania, the share of the individuals preferring the entrepreneurial status is higher than the EU-27 average, and inferior to that of the USA and Canada. The choice for the employee status is less frequent in Romania than in the EU-27, on average, and of a higher incidence than in the USA and Canada levels. Compared to men, the share of women choosing to be employed is higher in all observed countries. In Romania, women are to a lesser extent inclined to become an entrepreneur.

3. Main reasons for preferring the entrepreneurial status

In Romania, among the most frequent arguments for being an entrepreneur, there are *personal autonomy and self-fulfilment* 39%; *the freedom to decide on one's working place and time* 30%; *other reasons* 15%; *taking advantage of business opportunities* 14%; *avoiding employment insecurity* 10%; *community service opportunities* 8%; *the presence of entrepreneurs among family members and friends* 5%; *the lack of appropriate employment opportunities* 2% and *favourable economic climate* 1%.

It is apparent that the other analysed countries have, more or less, the same entrepreneurial motivation hierarchy, where personal independence and self-fulfilment ranks the first, followed by the possibility of choosing one's own workplace and working hours and by the expectancy for higher income.

In most of the new EU-27 member states, including Romania, the share of those preferring the

entrepreneurship over the employee status is higher than the level of other more developed EU countries, where most of the respondents would rather be employed than employers. The EU citizens that would choose being employed justify their option as follows: *the advantage of a regular, constant income* 40%, *stable employment* 35%, *other* 23%, *fixed working schedule* 16%; *higher social protection* 13%; *lack of funding sources for entrepreneurs* 7%; *difficulty of decision making* 7%; *fear for failure and its social and legal consequences* 7%; *lack of qualified workforce* 5%; *concerns regarding bribery and fiscal matters* 5%; *lack of business ideas* 4%. In Romania, the arguments in favour of being an employee rather than an entrepreneur appear in about the same order, but in somewhat different proportions: *fixed, regular income* 45%; *lack of funding* 16%, *stable employment*. These reasons should be seriously considered in designing the policies meant to stimulate the entrepreneurial mentality and behaviour, as they are key factors for overcoming crisis, for economic recovery, for increasing employment and lowering unemployment rate.

4. Barriers to entrepreneurship, in Romania, 2009-2014

In order to design appropriate and effective entrepreneurship stimulating policies, at the macro and micro level, it is important to understand the main factors that hamper and overturn the entrepreneurial initiatives and the difficulties that the Romanian entrepreneurs have fought, and fight, against.

Our research reveals that the most relevant barriers to entrepreneurship, in Romania, are:

- **Lack of funding** for entrepreneurs and women entrepreneurs especially is the most frequently mentioned inconvenience: 23.2% for male respondents and 23.9% for females. The young entrepreneurs, aged 25-39, face mostly the mistrust of lenders, banks, financial institutions: 40.4% of male entrepreneurs, 42% of female entrepreneurs;
- **Economic environment unfavourable for start-ups** stands for the second important discouraging factor: 10.8% of male respondents and 12.7% of women, on average. The most affected age groups are 25-39 and 40-45;
- **Lack of business opportunities and ideas** is the third disincentive factor for female 7.7% and male 8,4% entrepreneurs. Yet, this may be also due to the general lack of entrepreneurial and organisational culture;
- **Lack of qualified workforce** is perceived as another important factor for low entrepreneurial interest, with about the same incidence among male and female respondents, 7.7% and 7.1% ;
- **Fear for failure and consequences associated** is the fifth obstacle, with higher incidence for men 6.9% than women 6%, as women are more risk adverse than men which seem more willing to undertake entrepreneurial risks;
- **Family issues** are frequently mentioned by women, especially those in the 25-39 age group and, to a lesser extent the 40-45 age group, as they are supposed to undertake the responsibilities of household management and children raising;
- **Concerns regarding bribery and administrative difficulties** are more common among females 3.9% than males 3.2%. This means that women seem to be at a slight disadvantage.

5. The entrepreneurs' contribution, role and place within economy and society

The role of entrepreneurs has been assessed based on **several criteria**, such as:

- the development of new products and services for the benefit of the whole society;
- pursuing own interest;
- exploitation of other individuals' labour;
- contribution to job creation.

These criteria were chosen to express the favourable (a, d), as well as less favourable (b, c) aspects of

entrepreneurship, allowing for a complex and realistic analysis of its economic and societal impact.

Table 2. The contribution, role and place of the male and female entrepreneur in economy and society (%)

Entrepreneurial category	Criterion a		Criterion b		Criterion c		Criterion d	
	A**	D***	A**	D***	A**	D***	A**	D***
EU-27	78.4	17.4	53.5	41.8	49.5	44.8	86.7	10.9
Romania, total								
Male	79.9	17.2	53.3	42.7	50.0	45.7	87.7	10.3
Female	76.9	17.6	53.9	40.8	49	44.0	85.8	11.4
Per age group:								
25 - 39 ys	78.6	18.5	56.6	39.7	46.8	48.4	86.2	11.8
Male	79.8	18.2	56.3	40.5	47.1	49.3	87.2	11.1
Female	77.5	18.8	56.9	38.9	46.5	47.6	85.2	12.5
40 -54 ys	78.2	17.9	52.1	43.7	48.9	46.8	86.3	11.7
Male	79.6	17.7	51.7	44.6	49.3	45.1	87.3	11.1
Female	76.9	18.1	52.4	42.8	48.5	43.1	85.4	12.2
55 ys and over	77.0	17.1	54.3	39.7	53.2	38.3	86.4	10.3
Male	79.0	16.9	54.1	40.8	54.1	49.3	87.4	9.8
Female	75.2	17.3	54.5	38.7	52.5	38.4	85.4	10.7

*) the percentage up to 100% stands for "I don't know" answers; **) A= I agree; ***) D= I disagree

According to Table no. 2, we may note that most of both men and women 76 – 87,7% see entrepreneurs as generators of more useful services and products to the benefit of the society and of more and better jobs, as well, criteria a and d. At the same time, however, those considering that entrepreneurs pursue some of them, exclusively their own interest and exploit their employees outnumber the respondents that disagree on these statements, criteria b and c. As far as respondents' perception is concerned, the difference between the male and female entrepreneur is not significant of some percentage points at the most. According to the analysed survey, among the individuals that have never considered setting up their own business, women outnumber men and represent a lower share in the total number of those thinking about starting a business or undertaking one. They go more seldom bankrupt than men, yet this might be due to the fact that they engage in business to a lesser extent than men on average, only 33% of all entrepreneurs are women. We also notice that the female entrepreneur is more perceptive and inclined to finding and offering solutions to socio-economic and ecological problems, while the male entrepreneur has a slightly less attractive economic and social portrait 88.5% compared to 88.3%.

With reference to the anxieties one entrepreneur fight with when starting a business, our research outlines the following:

- The highest risk perceived by entrepreneurs in setting up a national-scale business is **the bankruptcy** 28% of women and 27.4% of men;
- Female entrepreneurs are more reluctant to engage in highly risky businesses;
- Fear for bankruptcy is higher at women than men, especially for the 15-24 year age group 37.3% compared to 28%, at women still in education 36.9%, from rural areas, female manual workers, female with both parents employed and at women that earn enough for a decent living;
- **Income insecurity**, the second important perceived risk in starting a business is a higher concern for women than men 22.7% as compared to 21.9%. Higher average shares are registered for female entrepreneurs of more than 40 years old, women over 20 years old enrolled in a form of education, independent female workers and manual workers;
- **The risk of losing property** ranks fourth in the downward hierarchy of entrepreneurs' fears when starting up a business. The male entrepreneurs perceive this risk more intensively than women 18,5%. The women that acknowledged this risk are, mainly, those who are over 40 years old, living in the rural area, manual and independent workers and with low income;

- **Other risks**, such as employment insecurity, engaging too much energy and time reach the same average share of 8% and have higher impact on men than women.

Eventually, we would outline that the formal education – especially the pre-university education – is perceived to be deficient in teaching essential knowledge for the assimilation of the entrepreneurial culture more than 55% of respondents that is so needed in an economy based on competition and competitiveness.

6. Conclusions

The female entrepreneur plays a major role in supporting the economic growth in all countries. Her contribution is expected to keep rising, on account of woman's specific capacities and potential of turning her qualities into concrete value. Compared to the male entrepreneur, the female gives more value to the entrepreneurial status and perceives it to be more attractive, even if the share of women in total entrepreneurs is lower; they are more risk-averse and dispose of less extensive business relationships network than most men do. In most of the countries, Romania included, the male entrepreneur is less optimistic about start-ups and venture-capitals, and less inclined to get involved in innovative and creative activities.

Compared to the situation in the more developed countries, women in developing countries are more motivated to become entrepreneurs, given the imperative to supplement the family income or to find employment. As the economic and social development level increases, the gap between the male and female entrepreneur retrenches and the female involvement becomes driven more by opportunity than necessity. Nowadays, the crisis impact has changed the ratio between opportunity and necessity as decisive factor, even in the developed countries. Women's involvement in running businesses counteracts the employment rise and supports the imperative for higher innovativeness.

For female entrepreneurs, especially in the less developed countries where economic activities are based more on resources and production factors efficient utilisation than on entrepreneurial wit, the first stages of business setting represent a much higher challenge and require greater effort than for men. Their inclination to innovativeness and internationalisation is lower and their social networks are more limited and less diversified than males', being based, mainly, on personal relationships. Yet, the discrepancy between male and female entrepreneur diminishes along with increasing economic development.

Our research has also relieved some particularities that differentiate between entrepreneurship in developing countries and that of developed countries as well as between young entrepreneurs and older ones. We mention that the young entrepreneur generally appreciates the counselling of a more experienced entrepreneur rather than exclusive financial support.

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