



## ASPECTS OF ENTREPRENEURSHIP AND ENTREPRENEURIAL EDUCATION IN ROMANIA

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### **Abstract:**

*In any economy, entrepreneurs have a major role in ensuring economic, financial and social equilibrium and this effort must be accompanied by effective public policies. In this respect it is important to assess the entrepreneurs' perception on the factors that support or impede their priorities and interests. These priorities refer to financing facilities, consistency of the legal system, society's perception of private initiative, bureaucracy, rigor, predictability and transparency of fiscal measures etc.*

*The public authorities and entrepreneurs (by the own organization) must harmonize their interests. The difference is that the authorities are obliged by law to harmonize their interests and entrepreneurs are forced to do it, if not – they disappear. For example, the interest of entrepreneurs to pay smaller taxes is justified to some extent, but public authorities must ensure balance on the one hand, between those who pay and consumers of public financial resources on the other.*

*Public authorities are not a given, they have the purpose to provide public services to ensure a balance between the needs of all parties in society: entrepreneurs, employees, socially assisted etc. In relation to entrepreneurs, they must follow the other parties (e.g. employees) to be less affected as the interests of entrepreneurs, if they conflict.*

**Key words:** *entrepreneurship, entrepreneurs, entrepreneurial culture, predictability, financial risks.*

### **1. Defining concepts of entrepreneurship and entrepreneur**

The concept of entrepreneurship and the role of entrepreneurs as subjects of analysis were a concern for the economists since the eighteenth century. Thus, in France, the economist *Richard Cantillon* associated risk-taking in the economy with entrepreneurship.

Clarifications of the entrepreneurship concept were made also by Joseph Schumpeter (1934, *The theory of economic development: An inquiry into profits,*

capital, credit, interest, and the business cycle (JA Schumpeter - 1934 - books.google.com ) who argued: "In entrepreneurship there is an understanding that we make for a particular type of conduct that includes: initiative, organization and reorganization of the socioeconomic mechanisms as well as the acceptance of risk and failure."

In their historical evolution, these concepts were analysed and defined according to their importance in efficient economic activities which have suffered a continual process of diversification. In a legal approach the term *entrepreneur is defined as a person that based on contractual terms and conditions agrees to render to a person or organization industrial or construction works, component parts of a project.*

This approach defines the main contractor as responsible under contract for the entire project and who subcontracts sides of the work he has promised to execute.

In the modern sense, the entrepreneur is a person that through an active and innovative behaviour, accepts the challenges and financial risks to develop new projects and making an important contribution to developing the business environment and the economy in the desired direction.

In direct relationship with entrepreneurs, entrepreneurship is an independent, legally registered, with distinct field of activity that takes place at on its own risk and is profit-driven. To this end, various resources are used to achieve the sale of goods, works or services provided. Entrepreneurship activity is intrinsically linked to the entrepreneur and involves innovation to boost productivity and economic competitiveness in a world economy in full process of globalisation or polarization.

Entrepreneurship activity and default entrepreneurship spirit lead to boost competitiveness and refers usually to organizations as SMEs, *but the area of manifestation is much higher and highlights the management of own resources and those attracted in order to obtain profit. I do not think that the size of the company defines entrepreneur but that the term now refers rather to individuals who do business and actively invest.*

## **2. Education and entrepreneurial skills**

In developed countries entrepreneurial education has developed rapidly, and at European level strategies to apply this type of discipline in schools were developed. Entrepreneurial education have been applied in the UK and Norway since 2004. In Romania, entrepreneurship education has become a compulsory subject of study for highschool students from the 10<sup>th</sup> grade only since 2010. This is now accompanied by civic education courses, applied economics, financial education etc.

As part of general education, entrepreneurial education requires information, training, assessment and guidance on types of career skills. In this process the long stretch, work education must be present at all levels of the educational process and the

pillars of entrepreneurship education are economic and financial education as a study subject, along with stimulating entrepreneurial skills.

In real framework, entrepreneurship education is more complex and economic, financial knowledge is added based on company specific, technical knowledge, information, law, communication, acquisition and especially related to the sales of services or products provided etc.

Equally important for an entrepreneur is to understand the business model as well as processes and procedures by which this is put in place.

### **Entrepreneurial skills**

Essential skills for any entrepreneur are: knowledge, determination and perseverance, teamwork, communication skills, administration, accurate understanding of failure, capacity to learn quickly, the availability of effort, confidence, initiative and responsibility facing opportunities, creativity and spirit of innovation. Add to this are the vision and ability to plan and build a good image of the organization.

All these skills are interrelated, dependent on the level of education and therefore become important as an approach to entrepreneurial education to consider the personality of each person involved and accordingly to build an appropriate framework in which all factors are involved, as family, school, society and entrepreneurial environment. From these perspective, periodic assessments of the various stages of the educational process is required for shaping the personality of the future entrepreneur. Construction of an entrepreneur profile can be inhibited, encouraged and directed by an adequate education conducive to personal development by increasing urge to explore the natural instinct.

Training entrepreneurs is confirmed only after their integration into the labor market and for the efficiency of training of entrepreneurs is important to avoid mistakes identified by literature and managerial practice. In this context it must be added that today the manifestation of entrepreneurship through managerial practice differentiates more and more the concepts of manager and entrepreneur and thus more and more entrepreneurs say they are no longer on the management of the company and hire professional managers, who act as administrators.

Common mistakes that managers do in relation to employees and adversely affecting business activity and the training of entrepreneurs are:

- Overworking performing employees whose productivity decreases if workweek exceeds 50 hours
- Lack of recognition and incorrect performance reward for talented and passionate employees
- Imbalance between the efficiency of the company, the role of professionals and peculiarities of the human factors
- Misunderstanding the balance between the need for entrepreneurs to change the world and force employees to go into their rhythm and the employees' need to be properly motivated in order to be more efficient
- Not keeping promises that generates distrust

- Bad hiring and promotions on wrong jobs that lead to demotivation
- No encouragement of skills and creativity of employees, that leads to their development ceiling
- Failure to identify challenges that can engage competitive employees
- Failure to assume mistakes that through a skillful approach can otherwise send positive messages
- Acquisition or development of products without adequate capacity for promoting and selling
- The attitude of the ineffective managers who consider themselves good at all and capable of doing everything
- Unwillingness to listen and learn from others

### **3. Factors that influences the business environment**

The performance of a company appears at the crossroads of entrepreneurial skills and various external factors which are generated primarily by the state through public policies and its institutions (commercial's societies legislative framework, regulations regarding tax law, commercial law, the Labour Code etc.) and secondly by social, financial, technical factors.

A special role is played by the consistency and stability of the legislative changes in short periods of time. According to the report Grayling AcTrend developed by Grayling EEC Public in the period 1 August 2014 - 1 August 2015, in six countries in Central and Eastern Europe (Poland, Czech Republic, Bulgaria, Slovakia, Hungary and Romania) were issued 1,041 acts, out of which 290 in Romania which took the first place. Out of these, 45% had a direct impact on companies, and a third had an effect on the business environment in general.

Financial factors refer to the company's cash flow influences from: taxation, external financing, and loans from the state, etc.

Social factors are generated by external and internal environment in which the company operates being directly related to: suppliers, customers, business partners, employees, disadvantaged groups etc.

In analyzing social factors, the aim is to ensure a social balance and social entrepreneurship can play an important role which, unlike corporate social responsibility, does not have profit and its distribution to shareholders as main objectives but solving social problems.

Technical factors take into account the development of knowledge and produce permanent effects on the company's activity, productivity etc.

Political factors are given by public policies designed to encourage the development of entrepreneurial environment. They assumes the role of primary factors and influence the economic development in case that promotion and

implementation of laws that do not turn into disputes between companies and the state as a result of political interests.

We add to the above mentioned the international factors namely the effects produced by the developed economies, geopolitical interests, armed conflicts, trade agreements etc.

The balance of the forces is uneven because firms do not have the power to decide or influence in the absence of professional organizations coagulated and consolidated to ensure an interface with the state.

#### **4. Issues concerning entrepreneurship in Romania, problems to be solved by the Romanian entrepreneurs**

Romania's economy is growing and medium-term trend is positive. In terms of "entrepreneurship survival" in the market, after years of crisis and post crisis in Romania more than 120,000 companies became insolvent, including more than 100,000 bankrupted ([http // www / ZF, en](http://www.ZF.ro), accessed on 03.27.2014) but in 2014 there was a 6% decrease in the number of insolvencies and the downward trend continues.

The explanation comes from financial mismanagement, from poor management of cash-flow and debt, leading to illiquidity and indebtedness of companies. In this respect, the purpose of entrepreneurship education refers to the development of knowledge, and skills that relate to a successful entrepreneurial behavior. It is important that an entrepreneur fairly assess the risks and skills in relation to this and hire a good financial manager. Particularly in Romania, the problem extends to the financial manager as profession, confused in many cases with an accountant because many do not even understand the difference, and so-called money managers are just yes-men to the owners.

In hindsight, the events of 1989 changed the political system and restructured the economy etc. By importing business know-how and foreign investment inflows mainly after 2000 and by financial market opening to support access to finance investments, it was created the illusion of solidity of Romanian capitalism. However, the results achieved by Romanian entrepreneurs, were based rather on the favorable international political circumstances influenced by the "attractiveness" of privatization of the state sector, the EU accession and not by a rigorous internal system of organization or branding. On a market with accelerated growth firms did not need to be strengthened.

The aspects notified were confirmed by the effects of the financial crisis. From the data provided by the National Council of Private Small and Medium Enterprises in Romania ([cniipmmr.ro/2014/01/24/](http://cniipmmr.ro/2014/01/24/)) that the number of SMEs has increased steadily during the period 2002 - 2008, with an average annual rate of 9.2%, then their number has *declined*.

Compared to the European average relevant data were communicated by the research company GfK, on its Global Report on entrepreneurship (the 2013 edition),

which notes that in 2012, Romania had only 23 SMEs per thousand inhabitants, about 60% of the European average.

The sensitive issue highlighted in the report, is the relationship between small and large, clearly favorable to the latter. Thus, 1,200 large companies have more than half the turnover of 250 bln. Euro Romanian businesses and 75% of them are multinationals. The multinationals are benefiting from good management and the structures directly concerned (Foreign Investors Council, Amcham etc.) that are missing to Romanian entrepreneurs.

In another train of thoughts, in Romania the entrepreneurship is gaining ground in the consolidation process, overcoming various obstacles by family businesses. Relevant information in this regard are captured by EY Romania that, by the study "Barometer of family businesses in Romania" conducted from September 17 to October 1, 2015, finds that 29% of family businesses of Romanian entrepreneurs, with incomes over 1 million are in the phase of transition to the second generation of entrepreneurs and 67% of them continue to be led by founders who are preparing for this transfer (family business one third of Romanian entrepreneurs have taught businesses next generation, [http : //www.capital.ro](http://www.capital.ro) October 22, 2015).

Another study, Romanian Entrepreneurship Barometer 2013 conducted by EY, reported sensitivities on the subject out which we are retaining attention on:

- Romanian entrepreneurs (88%) consider difficult the access to finance (48%) and say that this has deteriorated in 2013 compared to 2012
- The biggest obstacles to growing business in Romania, were tax environment uncertainty, bureaucracy and the level of charges (43%), while 72% considered that regulatory and tax environment deteriorated in 2013 compared to the previous year
- Supporting entrepreneurship was perceived negatively by 59% who felt that the Romanian society supports entrepreneurship, compared with 43% of entrepreneurs in the EU and 29% of respondents in the G20
- Romanian entrepreneurs believe that improving the communication of success stories would have the greatest impact on perceptions of entrepreneurship in society (52% of respondents)
- 58% of entrepreneurs say that entrepreneurial education has improved in 2013, but believes that they need business development advice from already mature entrepreneurs who have overcome financial and operational obstacles.

### **Issues to be solved by Romanian entrepreneurs**

The complex issue that involves the formation of a powerful entrepreneurship implies a variety of approaches to consider:

- Government support through programs dedicated to start-ups and entrepreneurs, especially for its young (below 40 years) who have a more optimistic perception and recognize the role of co-ordinated support

- Specialized organizations through clubs and associations of entrepreneurs, informal networks of entrepreneurs, government agencies, business incubators and accelerators, etc. Young entrepreneurs
- Encouraging and attracting investors, especially those that address newly established companies or early-stage (ie. business angels, venture capital or even JEREMIE funds from EIB / EIF)
- Transparency and direct communication with the business of the state
- Simplification of the fiscal regulations and ensuring the stability of the regulatory and fiscal requirements
- Continuing endeavor to improve the criteria of economic freedom, given that Romania's economy recorded a score of 66.6 points freedom, 1.1 points better than in 2014, ranking 57th in the ranking of the freest economies the world, but only 27th among 43 countries in Europe, according to the report's conclusions Heritage Foundation in Washington. It is important that, according to the same report that Romania has improved its ranking due to progress made in Chapters corruption, labor freedom, and government expenditure management, counteracting some reduction in business freedom
- Improving access to finance by providing capital and start the business
- Reducing bureaucracy
- Rigorous verification measures for companies, such as regulations issued by ANAF Order 17/2015 which establishes three criteria on which tax institution decides on the company's filing of the application for VAT
- Measures to increase the attractiveness of the business environment, given that Romania according to rankings compiled by "Doing Business 2016" ranked 37 among 189 countries in the World Bank ranking by the attractiveness of the business environment, noting that among Europe has one of the last positions in the ranking

In addition to those measures, training and development of advanced entrepreneurship take into account also internal factors of the entrepreneurship, of which it deserves to be mention:

- Motivating employees is identified as the main problem in the annual Deloitte "Trends in human capital" facing 87% of HR and business leaders, given that most organizations fail to take concrete steps to redefine culture
- Preparing entrepreneurs in Romania to meet the global challenges they will face in the coming period, considering that multinationals have established development strategies at central and local entrepreneurs will have to adapt to be competitive
- The decrease of leadership deficit, employee training and development (skills, training and development), which must be a permanent concern of HR and business leaders, on the premise that the difficulty of finding appropriate skills for each company's own business model may jeopardize the company's growth

- Rethinking, redefining and reinvigorating functions in the human capital management by Human Resources coordinators, who must strategically reposition the appropriate level of authority and decision-making
- According to the analyse prepared by the National Council of Small and Medium Enterprises in Romania, prospects for the development of the entrepreneurship as a condition of re-entry and recovery of the investment process of the Romanian economy on a new growth cycle require a law on SMEs covering:
  - Full and consistent implementation of the Small Business Act's
  - Incentivising, according to practices commonly used in the European Union, boosting the SME sector development and creation of new jobs
  - Creating special funds and programs for SMEs financed from European funds

## **5. Dual education**

The chance of developing an entrepreneurial culture as a prerequisite performance is given primarily by the quality of the educational process whose development in Romania supports improvements. In this sense, there are relevant the major disparities and inequalities between "performances" of education in rural areas compared to urban areas, which records all quality indicators (dropout ratio, no. of qualified personnel, results per pupil etc.).

The last report of the Romanian Agency for Insurance the Quality in School Education highlights the following issues:

- 47.5% of students are in the grades between I - VIII studying in rural schools, out of which 30% leave school, a percentage 3 times higher than in urban areas,
- 20% of the rural graduates of eight classes are not attending highschool or vocational school
- 80% of the grades below 5 (out of 10) at the 2015 National Assessment were obtained in rural areas, while benefiting from a teacher to only 13 students
- in rural areas, students work with computers less than a third of time, while 2% of the units have no computer, and the average is 7.5 computers per 100 pupils
- about 90% of unqualified teachers working in rural schools, of which 4,000 have sanitary authorization of operation

In direct relation to the aspects mentioned above it is worth noting the reducing the number of students in vocational schools and hence the lack of skilled workers and low attractiveness for learning a craft. This situation led to a shortage of qualified manpower and hence a high unemployment rate. According to the data released by the NIS in Romania were enrolled in vocational education 285,450 students in 1995, a total of 289,494 in 2004 and only 26,493 in 2013.

The solution to overcome this hindrance may come from promoting dual education by employers to contribute to establishing curriculum and teaching students to be continued also on future jobs.

A dual education system implies that employers harmonize their interests with schools in preparing the workforce for the desired qualifications. The common goal is to have candidates as prepared as possible for employment upon graduation. This model can be used traditionally in vocational schools, but can be expanded and shown also in the higher education.

The system operates over a decade in Germany, and this way of working made the unemployment rate in some regions of Germany almost negligible.

For example, in the Land Baden-Württemberg, the offer of training programs comprises 350 types of professions and 18,000 students per million inhabitants are enrolled on vocational education. In Romania statistics show that 2013 to one million corresponded to 1,325 pupils in vocational education, almost 14 times less than in the German Land (AM, German recipe for economic growth and lower unemployment: employers establish programs in schools [http: / /www.zf.ro/](http://www.zf.ro/) dated 09/25/2014).

In general, a dual training program covers a period of three years, where students graduate school with ages between 15 - 16 years develop their practical skills working in companies (in premises specially equipped with similar equipment with those in factories). Practical knowledge acquired complement theoretical and technical knowledge for a certain job in professional school curricula.

The period of training involves a contract between the company and young apprentices, and they shall be paid throughout the program, their wages being about 700- 800 euros per month.

In order for a company to organize such a program in partnership with a school, it needs an accreditation that is conditional to demonstrating that such qualifications are needed by the labor market.

In Romania, regulation and stimulation of dual education becomes a priority if we consider that after the abolition of vocational schools in 2009, the average availability of qualified staff for the labor market fell, even though the amendment of the education law of 2011 involved the reinstatement of these forms of education. Attempts to reform the vocational education took place in 2014 by adopting a controversial ordinance and void by establishing colleges for high school graduates who have failed to promote the baccalaureate exam, but produced the opposite effect and brought unpredictability in education which has supported over 100 legislative changes in the past two decades.

## **6. Conclusion**

Undoubtedly, entrepreneurship and entrepreneurs are the main source of support for economic development in all its components. Various studies show that the economic trend in Romania is positive and it is also very important that young people interviewed about their entrepreneurial ambitions are interested and wish to

become entrepreneurs throughout their careers and consider guidance and support from mature entrepreneurs. The internships in entrepreneurial companies and receiving mentoring from successful entrepreneurs are seen as the most effective way of learning and understanding the entrepreneurship.

In Romania the weak development of entrepreneurship education has more cases reported in this paper, including, decreased appetite for risk, excessive bureaucracy referring to the setting up and conducting business or the management of budgetary revenues, lack of capital and financing mechanisms for start-ups and even inadequate academic curriculum that is not centered on entrepreneurship education. The effort to improve the business environment in the first place belongs to the state, which has the necessary tools, e.g. dual education, but also to the business environment that has a wide field of manifestation.

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