

PROMOTING ENTREPRENEURSHIP AND DEVELOPING AN ENVIRONMENT FAVORABLE TO SMES

Carmen Nastase¹
Mihai Popescu²
Carmen Boghean³

ABSTRACT: The article aims at charting possibilities of knowledge transfer between university and business environment, especially SME. Universities and other public sector research have accumulated much practical experience over the years in the transfer of knowledge across the divide between the domains of publicly produced knowledge and the private exploitation of it. This article has a specific focus on universities as a regional channel for business development in a cross-border area. The research questions of this paper are: How does the university contribute towards building the cooperation between cross-border partners? Studies, analyses, research activities to provide quality information and enough relevant data for the development of the exchange of good practices? The study will conclude by recommendations how to support to develop university networks and enterprises for business development.

Key words: enterprises, innovation, investment, networks, university

JEL codes: O12, A23

Introduction

Small and medium-sized enterprises (SMEs) make a major contribution to growth and job creation in the European Union (EU). This is why the new policy on small and medium-sized enterprises (SMEs) creates a more coherent, pragmatic and horizontal framework for these enterprises. Promoting entrepreneurship and developing an environment favorable to SMEs will allow them to become more competitive. The success of this new policy will depend on the effective involvement of all SME stakeholders, national, regional and European, public and private. Specific action is proposed in five key areas:

- Promoting entrepreneurship and skills. Promoting entrepreneurship, reducing the burden of risk linked to setting up and running a business, eliminating the negative effects linked to business failure, and providing support for the successful transfer of businesses are all elements that contribute to a better exploitation of Europe's entrepreneurial potential.
- Improving SMEs' access to markets. Better access to tenders on the public market, greater participation in the standardisation process, increased awareness of intellectual property rights, and support for inter-enterprise cooperation, particularly in border regions, will help SMEs to take full advantage of the opportunities provided by the internal market. SME access to international markets will also be facilitated.
- Cutting red tape. It is vital to simplify the regulatory and administrative constraints weighing on SMEs. The principle of giving priority to small enterprises will be integrated across all EU policies. The interests of SMEs will systematically be taken into consideration

¹ University Ștefan cel Mare of Suceava, e-mail: carmenn@seap.usv.ro

² University Ștefan cel Mare of Suceava, e-mail: mihai@seap.usv.ro

³ University Ștefan cel Mare of Suceava, e-mail: carmenb@seap.usv.ro

when assessing the impact of Community legislation and when preparing forthcoming legislation.

- Improving SMEs' growth potential. Improving SMEs' access to finance, research, innovation and information and communication technologies (ICT) will contribute directly to unlocking their potential for growth.
- Strengthening dialogue and consultation with SME stakeholders. Enterprises, in particular SMEs, and the European Institutions suffer from a lack of information exchange. More systematic cooperation and consultation with stakeholders is an essential guideline of the new SME policy.

SMEs make up a large part of Europe's economy and industry. The EU's 23 million SMEs account for 99% of all businesses and contribute up to 80% of employment in some industrial sectors, such as textiles. European SMEs are thus an essential source of growth, employment, entrepreneurial skills, innovation and economic and social cohesion. It is therefore essential to unlock the potential of SMEs and improve the environment they operate in by promoting entrepreneurship.

The role of university in the regional economic development system

The entrepreneurship and innovation brings together activities to promote entrepreneurship, industrial competitiveness and innovation. It specifically targets SMEs (special companies with high growth potential) to the traditional micro-businesses and family firms which make up a large majority of European enterprises. It facilitates SMEs' access to finance and investment during their start-up and growth phase. It also gives businesses access to information and advice on the functioning and opportunities of the internal market, as well as to information on Community legislation applying to them and on future legislation so that they can prepare to adapt in a cost-effective way. In this context, European business support services play an important role. The programme also makes provision for the exchange of best practices between Member States in order to create a better regulatory and administrative environment for business and innovation.

Universities and other public sector research have accumulated much practical experience over the years in the transfer of knowledge across the divide between the domains of publicly produced knowledge and the private exploitation of it. Universities have an important role in regional innovation systems. The University role in the integrating innovation and development policies is hampered by the little presence of innovation concept and idea in the daily life. In the actors discourses, the innovation is perceived mostly as being related with invention. The public policies in the innovation field are not strongly enough to alter this perception. It is significant that during the interviews the aim of the study has to be re-worded as being the study of the role of the University in the regional economic development system, not on the regional innovation system.

The European Union gives a main role to the research, development and innovation domain (RDI) for consolidation of the competitiveness and for the economical growth; this domain will be called synthetically Research and Development (R&D). Changes occurred in technology and society demands introduce changes in traditional higher education, quality being seen as a knowledge generation in academia nowadays.

In Romania the most important objective of the Universities is the education of the young generation and its through specialization in various fields of activity. The goals of the university in this direction are: boost the cross-border economic development process by increasing the amount of entrepreneurs who are establishing start ups cross-border; to upgrade human resources by enhancing the number of start-up entrepreneurs cross-border with viable business plans and by training local trainers.

During programming period 2007-2013, Romania and special North East of country will benefit significantly from structural and rural development funds, and will receive about 17 billion Euro in Structural Funds (includes 11.143 for convergence) and approximately 8 billion Euro in

agriculture and rural development funds. These resources offer the financial means to address critical and strategic local needs, but also pose significant challenges in terms of absorption capacity, effectiveness and efficiency of expenditures. Strategic thinking, selectivity and synergies between operational programs, especially territorial aspects of regional and rural development are important to maximize the impact and absorption of EU funds. National and regional authorities should establish cooperation between different actors, departments in order to develop a strategy with clear objectives and covering all stages of education. School curricula should also be revised to explicitly include entrepreneurship as an objective of education.

Research methodology – the comparative introduction of the economical environment from the cross-border area

From a study made by The Ministry of Regional Development and Housing of Romania there result that the North-East region is the less developed area of Romania. A major problem recorded in Suceava County is the un-industrialization process to which it was subjected in the last 10 years, which brought to an aggravation of the economical situation. Another major problem that has the Suceava County in this moment is the migration of the work force because of the missing work places, of the precarious remuneration and of the fact that the young people aren't motivated to start their own business or to work in manager positions.

According to the National Agency for Occupying the Workforce Suceava the work market from the county is confronted, from 2007, with the dismissal of 1.475 wage workers. The statistics show that, even if the rate of the unemployment is a lower one in Romania (7,2% in November 2007), there are a lot of young people that don't have a work place. According to the dates presented by the statistical arm of the European Commission (Eurostat), in the third trimester from 2007, Romania was situated on the second place from the countries members of the European Union, as regarding the unemployment rate of young people (21,9%). In our country, even if there is a staff crisis, finding a work place isn't an easy mission. At present Romania is confronting with a high lack of qualified work force, and the qualification level had become, in over 80% from the cases, the main criteria for hiring the personnel from SME's.

Collaboration between North east region of Romania and Chernivtsi means and promotion of the Romanian Ukrainian cross border area and attraction of foreign investments, development of collaboration with similar organs and institutions from the EU and participation in international projects with regional and local interest.

Within the general policy context set out above, cross-border cooperation (CBC) has an essential role to play, distinct from other forms of cooperation by virtue of operating for the benefit of both sides of the EU's external border, and drawing on funding from both external and internal headings of the EU budget.

According to a study regarding the competition from the SME's sector made in 2006 in the North-East region there is recording a low number of SME's, under 18 SME/1000 inhabitants while the country average is 26 SME/1000 inhabitants, and the European average is over 50 SME/1000 inhabitants. In Romania there is also a lack of mobility of the firms, by existing few business transfers, few place changes. This conservatism can be noxious regarding the management of change, the fast adaptation on a new conjuncture. According to the same study the majority of the entrepreneurs from Romania are starting off a business in another domain than the one which they have been prepared to, which isn't good regarding to the professionalism side and to the capacity to be in the top of the profit firms. Romania is situated between the countries with very weak number of the young people in businesses, and giving some extra chances to the young people to launch themselves in businesses, to utilize the capacities in the country's advantage must be seen as an investment with big shot for success.

Between the constraints identified in Suceava county and which impose this research as a necessity are counting the next ones: the absence of some significant investors, a low level of the

cooperation between the economical agents from Suceava county and Chernivtsi area, a low level of the entrepreneurial spirit and the absence of a tradition and an entrepreneurial culture in the aimed regions, the absence of some models, of some positive examples to inspire them and to motivate the young people to involve themselves in entrepreneurial activities.

Analyzing the situation from the Chernivtsi area it is determined that the problems and needs are similar with the ones from Suceava county: low level of the foreign investments, massive migration of the work force to the occident, very low technology, low level of the remuneration, high level of the unemployment.

The role of university in business environment - project Young entrepreneurs in Bukovina

The political environment of the European Union is trying to mobilize the universities because of them to bring the complete contribution to the Lisbon Treaty “Studying must include beside the specialty knowledge also transverse abilities (for example the ability to work in a team and the entrepreneurship)”.

The researchers and the experts from the entrepreneurial domain have shown within numerous studies that the founding of new enterprises represents a key element in the development process and economical refreshment. The new firms generate work places and contribute to the development, implementation and propagation of the innovations having, in this way a positive impact on the economical growth in general.

The activities nominated in this project aim the entrepreneurs forming, capable to start off and administrate a business and will be organized in collaboration with the young people from Chernivtsi, which will lead to create a community of future entrepreneurs with a modern vision in the business domain, which will contribute to the activation of the local business environment. This will lead to the overtaking of the regional lack of balance and to the intensification of the economical and social integration process of the area. Consequently within this project it is facilitated the mobility of the young people from Bucovina, that will contribute to the development of a prosperity area and of a cordial neighborhood.

Promoting the entrepreneurship it will be realized within understanding the statute and the importance of the entrepreneurship in the economical and social life of the area and also within creating an entrepreneurial culture. Within the promoting and the development of an entrepreneurial culture it is evidenced the three dimensions of the attitudes and of the entrepreneurial behavior, “the inovativity”, “risk assuming” and “the proactivism” (the vocation for implementation). The Education & Training 2010 Work Programme included entrepreneurship as one of eight key competences necessary for lifelong learning in a modern knowledge-based society.

The activities included in this project aim to create an optimum background for collaboration, background that it is necessary for forming, preparing and for professional improvement of the young people, and also for creating, maintaining and developing some communication channels between the communities from the border area of Romania with Ukraine. The project aims the forming of future entrepreneurs capable to start off and to administrate a business in the border area. This will be realized within a correct and complete informing on the possibilities of founding, developing and funding of the own businesses and also within the development of some practical activities which will have as finality the development of the entrepreneurial spirit and of some abilities and attitudes necessary to some future entrepreneurs.

The actions of this project will develop the entrepreneurial abilities for the Romanian and Ukraine young people with the aim to create communication and durable cooperation links in the entrepreneurial domain, in the border area. Within the development of the entrepreneurial abilities it is encouraged the free initiative and the involvement of the young people in the economical life of the area, basing an efficacious collaboration. Within this project it is encouraged the creative utilization of the knowledge about the local needs and interests, to promote activities and events,

where persons from one and the other side of the frontier to meet each other, to work together and to participate with regularity to different commune activities. It is desired to offer to the young people a practical alternative to the knowledge cumulated in the university background creating in this way a community of young people with entrepreneurial abilities. During the development of the activities, the participants will receive support from the trainers to put into practice their ideas, respective in writing some viable business plans for the border region and in their implementation. It is also kept in view starting some firms by participants.

The participants to this project will assimilate, through these trainings for start-up in business, leadership and negotiation, some strategies, techniques and instruments, that will help them to fulfill the professional attributes, no matter their nature, in a much creative and efficient way.

The problem of the entrepreneurship is very important also for Ukraine and also for Romania, and it's solving is seen as being a progress and a development source. Unfortunately, because of the lack of knowledge and entrepreneurial abilities, the young people from the border area of Romania with Ukraine avoid the start-up in business domain, even if the potential of economical development had by Suceava county and Chernivtsi area is big.

This project will help the young people from these regions to be aware of the importance of the entrepreneurship, also as practical alternative for carry into effect the knowledge obtained in university and also as initiation way in the business domain.

The project aims, among other things, the education of 18 young people regarding the opportunities of starting off, developing and funding of a business and forming them in the business domain, elaborating 5 business plans viable for the border region, which will be presented to some business mans or bankers for obtaining a financing and for founding at least a firm. Moreover, the activities that will be developed in this project will lead to the forming of some durable bounds between the young people from the border area of Romania with Ukraine, the entirely program being a promoting campaign of the entrepreneurship and of the entrepreneurial culture. The project aims to develop a new generation of Romanian and Ukrainian entrepreneurs with proper abilities, and also with responsibility, spontaneity, adaptability, initiative and managerial spirit and to encourage the young people to start off a business in the cross-border area.

The activities included in this project have the purpose of creating one optimum collaboration staff, necessary for professional forming, preparation and perfecting of the young people, as well as creation, maintaining and development of some communication channels between the two areas of Bucovina. The creation of this favorable context will allow the exchange of experience between young people from Bucovina as well as the identification of the collaboration opportunities between them. From a study made by CERB (Centre for Entrepreneurship and Business Research) in 2007 about feminine entrepreneurship from Romania results that "the main motivation for IMM owners to involve in entrepreneur activities was detecting a business opportunity. On an average, 55% of the IMM owners declared that they started a business from the reason mentioned".

Through this project it desires to offer to the young people a practical alternative to the accumulated knowledge during university, creating in this way a community of young people with entrepreneur aptitudes. The participants will get support from the trainers for putting in practice their ideas, and for writing some viable business plans for border region and in their implementation. The young people will get assistance in establishing their personal firms as well.

Concerning that in present Romania confronts with an acute absence of qualified working force and with a very high level of unemployed young people, through this project we propose to offer to the young people the possibility of perfecting and putting in value their potential. The project can be described as a preparing program of human resources in entrepreneurship domain, which will contribute at the development of business average from the boarding area of Romania with Ukraine. Because young people representatives in business average is very reduced, and

SME's number from Suceava is reduced as well, we propose to support young people in writing their business plan for accessing the finances from European programs and to offer assistance in implementing business ideas and in start up firms.

Between the constraints identified also in Suceava county and also in Chernivtsi area and which impose this project as a necessity it is counted the followings: low number of SME's, a very high level of the unemployment rate between the young people (21,9%), weak representatives of the young people in businesses, a low level of cooperation and of the information flow between the communities from the border region, a low level of the entrepreneurial spirit and the lack of an entrepreneurial tradition and culture in that regions, the lack of some models, some positive examples which to inspire the young people and to promote them to involve themselves in entrepreneurial activities.

Conclusions

Fostering entrepreneurship in higher education means that entrepreneurship should be incorporated in various subjects, particularly within scientific and technical studies, in order to provide students with specific training on how to start and run a business. The result extension of this project will be centered mainly on continuing exchange experience in the entrepreneurial domain, extending the collaboration also in the social domain and promoting the project to the regional level as "best practice" model. This project can constitute an example of developing the entrepreneurial competences and of cross-border cooperation and can be a model for other organizations from the area or from the other regions of the country. The persons involved in this project can also be the information multipliers in the entrepreneurial domain, in the organizations, faculties or other groups:

- Participation by external actors and businesses: educational establishments and the local community, especially businesses, should cooperate on the subject of entrepreneurship training, and firms should regard this as a long-term investment and as an aspect of their corporate social responsibility.
- Practical experience: one of the most effective ways to promote entrepreneurial mindsets and skills is through learning by doing (students setting up and running mini-companies). Almost 20% of participants in mini-company activities in secondary school go on to create their own company after their studies.

References

1. Kajanus Miika, Nastase Carmen, Maskulainen Paavo, 2008, Universities as channels for Structural Fund interventions aiming to SME growth - case study from Finnish and Romanian regions,
2. Tushman M., Anderson Ph.2004, Managing Strategic Innovation and Chance, Second edition, Oxford University Press
3. Sternberg, R. (2000). Innovation networks and regional development – Evidence from the European Regional Innovation Survey (ERIS). Theoretical concepts, methodological approach, empirical basis and introduction to the theme issue. *European Planning Studies* 8, pp. 389-408.
4. Communication from the Commission, Mobilising the brainpower of Europe: enabling universities to make their full contribution to the Lisbon Strategy, 2006
5. OECD 2005: Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data, 3rd Edition.
6. Studiu privind competitivitatea sectorului IMM, 2006