

## ARRANGEMENTS IN FAVOR OF INCREASING THE ENTREPRENEURIAL CAPACITIES IN THE CENTRAL REGION

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*ABSTRACT: Local entrepreneurial potential remains an untapped resource in the economy of Romania, firstly because of the deficient access to information for the majority of the population, and secondly the fear of daring action and taking some risks. Therefore the European Union, through its structural instruments, wishes to contribute to the development and promotion of entrepreneurial potential in all Member States, hence the suggestive slogan of the fund: "Invest into people."*

*One of the positive effects of economic crisis that has affected and continues to affect a great deal of the EU Member States' economies is that some have been "cleansed" of inefficient, nonproductive companies, because they could not survive this period, alternatively strengthening the companies that focus on labor productivity growth, quality products and services, including maintaining a relationship based on trust with their primary customers. Thus, after this 'cleaning', due to the needs of today, a number of uncovered activity sectors remained and new ones have emerged.*

*Key words: entrepreneurial potential, sustainable development, uncovered activity sectors.*

*JEL code: E00.*

### **Introduction**

Local entrepreneurial potential remains an untapped resource in the economy of Romania, firstly because of the deficient access to information for the majority of the population, and secondly the fear of daring action and taking some risks. Therefore the European Union, through its structural instruments, wishes to contribute to the development and promotion of entrepreneurial potential in all Member States, hence the suggestive slogan of the fund: "Invest into people".

One of the positive effects of economic crisis that has affected and continues to affect a great deal of the EU Member States' economies is that some have been "cleansed" of inefficient, nonproductive companies, because they could not survive this period, alternatively strengthening the companies that focus on labor productivity growth, quality products and services, including maintaining a relationship based on trust with their primary customers. Thus, after this 'cleaning', due to the needs of today, a number of uncovered activity sectors remained and new ones have emerged.

The opportunity for each of us is identifying those niches, those uncovered industries, activity sectors with proven skills and then operate adequately.

### **Research methodology**

In this paper the authors studied at the beginning the concept of entrepreneurship, and then search the Central Region of Romania to see the initiatives of entrepreneurship in all fields of activity. The data for this research were gathered from the local county representatives of the National Office of Commerce Register. The data collected covered the period 2000 – 2008 and

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refers to all counties from Central Region. Then based on this data, it was compared with the data registered at the level of the other regions of Romania. After that we will try to see in which area were recorded the largest number of initiatives and which are the activity fields that are preferred. Also, another objective of this study is to identify the activity fields that are not covered presently and they are asked by the economy's development.

### **The concept of entrepreneurship**

Entrepreneurship refers to an individual's ability to transform ideas into action with an economical and social accuracy. This includes creativity, innovation and risk taking, and the ability to plan and manage projects in order to achieve certain objectives. Employees aware of entrepreneurial skills, regarding their business context, are able to identify and quickly materialize the opportunities while knowing to form the basis of social and commercial activities.

An economy's capacity to grow and compete successfully depends on an optimum number of firms by encouraging more start-ups and management of business dynamics. Research has shown that there is a positive correlation between entrepreneurship and economic growth. Economic growth based on innovation and excellence requires a high number of start-ups that will produce more and better jobs. Countries that have high rates of entrepreneurship record low unemployment rates. Moreover, social systems are under accretive pressure due to the decreasing number of employees. If Europe wants to maintain a successful social model, it needs a sustained economic growth, more new firms and more entrepreneurs who contribute to innovation of both small and medium enterprises in state of development.

Entrepreneurship can also contribute to enhancing social cohesion for those less developed regions through employment of the discharged or disadvantaged. Moreover, it can germinate the entrepreneurial potential of women, which is an important resource, but deficiently exploited. Dynamic growth and internationalization of Romanian business base is how the economy can evolve to meet the unique requirements and market opportunities. Romania needs to invest in small and medium enterprises and in promoting entrepreneurial culture to create the necessary emergence of new business.

Romania's future economic growth must be based on value-added, increasing, economic activities and the needful switch from the economic model, based on export of raw and basic processed materials, to economic activities assuring a higher degree of remaking, capable of generating value. In order to develop this part the entrepreneurial skills are absolutely necessary.

Romania should develop a new generation of entrepreneurs with characteristic skills like responsibility, spontaneity, adaptability, foresight, initiative and self management that allows them to identify and implement appropriate strategies and continuing market penetration. These personal skills must be cultivated both during cycles of education (primary schools, high schools and colleges), but especially lifetime.

In Europe, concern for the promotion and development of entrepreneurship is found in most policy documents, starting with the Lisbon Strategy and continuing with the Partnership for Growth and Employment and the Entrepreneurship Action Plan.

### **Specific data**

The data that we present below are obtained from official statistics of the Trade Register, and various studies conducted during 1990-2008 in Romania, with samples of all developing regions, the Center for Entrepreneurship & Business Research (CEBR).

Tabel no. 1.

**Categories of operations realized in ONRC registers during  
December 1990 – December 2008, per total country and Centru Region**

|                | Operations realized |        | Subscriptions |        | Mentions |        | Offscriptions |        |
|----------------|---------------------|--------|---------------|--------|----------|--------|---------------|--------|
|                | Număr               | %      | Număr         | %      | Număr    | %      | Număr         | %      |
| <b>Romania</b> | 10906193            | 100,00 | 1847142       | 100,00 | 8495788  | 100,00 | 563262        | 100,00 |

|                  |         |       |        |       |         |       |       |      |
|------------------|---------|-------|--------|-------|---------|-------|-------|------|
| <b>R. Centru</b> | 1389097 | 12,70 | 214054 | 11,58 | 1055996 | 12,42 | 54906 | 9,70 |
| <b>Alba</b>      | 150584  | 1,40  | 29282  | 1,60  | 115452  | 1,40  | 5850  | 1,00 |
| <b>Brasov</b>    | 439181  | 4,00  | 57968  | 3,10  | 367846  | 4,30  | 13367 | 2,40 |
| <b>Covasna</b>   | 95536   | 0,90  | 15764  | 0,90  | 74830   | 0,90  | 4932  | 0,90 |
| <b>Harghita</b>  | 156205  | 1,40  | 28577  | 1,50  | 122003  | 1,40  | 5625  | 1,00 |
| <b>Mures</b>     | 311375  | 2,90  | 46434  | 2,20  | 185447  | 2,20  | 15353 | 2,70 |
| <b>Sibiu</b>     | 236216  | 2,20  | 36029  | 2,00  | 190408  | 2,20  | 9779  | 1,70 |

Source: National Office of Commerce

Tabel no. 2.

**Situation of the merchandisers registered according to HG 166/2002 (students) and the subscribed social capital value on developing regions at 31.12.2007**

| <i>Developing Region</i> | <i>Students merchandisers</i> |          | <i>Subscribed social capital</i> |          |
|--------------------------|-------------------------------|----------|----------------------------------|----------|
|                          | <i>Number</i>                 | <i>%</i> | <i>Value</i>                     | <i>%</i> |
| <i>Total Romania</i>     | 13735                         | 100,00   | 40403479                         | 100,00   |
| <i>Nord-Est</i>          | 3462                          | 25,21    | 20086025                         | 49,71    |
| <i>Sud-Est</i>           | 2164                          | 15,76    | 7441065                          | 18,42    |
| <i>Sud-Muntenia</i>      | 922                           | 6,71     | 4564049                          | 11,30    |
| <i>Sud-Vest Oltenia</i>  | 1878                          | 13,67    | 2671830                          | 6,61     |
| <i>Vest</i>              | 1084                          | 7,89     | 3848250                          | 9,52     |
| <i>Nord-Vest</i>         | 2517                          | 18,33    | 697760                           | 1,73     |
| <i>Centru</i>            | 1169                          | 8,51     | 473220                           | 1,17     |
| <i>București</i>         | 539                           | 3,92     | 621280                           | 1,54     |

Source: National Office of Commerce

Using a sample that has been put together by the Entrepreneurship & Business Research (CEBR), for the year 2006, including 1449 people in Romania (with breakdown of all the 8 development regions), this report aims to present and to identify demographic and social-cultural factors and motivations of people involved in entrepreneurial activities, to provide a broader vision regarding the characteristics and motivations of potential and new entrepreneurs in Romania.

The results of this first report show that women are heavily involved in entrepreneurial activities prior to starting a business (at a rate of 9.58%), while men have a somewhat greater weight in establishing business in recent years (16.75%). It has also found that the average age of those involved in entrepreneurial activities is between 33 and 35 years. However it appears that people aged between 36 and 50 are involved in a greater degree in business activities before the start of business (9.40%). When it comes to the newly engaged in entrepreneuring the highest proportion is found around people aged between 26 and 40 (18.14%).

Furthermore, the results indicate the importance of having business oriented people in the family of an entrepreneur to enhance business activities. A share of 38.60% of those involved in business activities start earlier if presence of an entrepreneur in their family is denoted, the example most often given is: this person being the father (22.81%). For people freshly involved in entrepreneuring, 20.69% of respondents come from an entrepreneurial family, and in the case of people engaged entrepreneurial action preceding a business-start, also the father is the family member most often given as an example (15.09%).

According to the sample, when considering the motivations for engaging in entrepreneurial activities, results indicate that people are motivated by various aspects of life prior to becoming an industrialist. More people perceive entrepreneurship as an opportunity to take advantage of business opportunities, to improve quality of life. More interestingly, the results indicate that respondents consider social aspects as important factors that motivate the decision to engage in entrepreneurial activities.

Basically, the study findings reveal the importance of identifying the first of these factors (either economic or socio-cultural) that stimulate individuals to become entrepreneurs before applying legal measures to promote entrepreneurial culture.

### **Identifying new business opportunities for the Central Region**

Apparent from the data analyzed, the Central Region ranked six of eight development regions, at the student-investors section and with percentage of 12.70% country wise, registered at ONRC, which leads to the idea that increased efforts are needed to promote entrepreneurship by all means and support all regional and local actors from the Community.

It is extremely important to further develop entrepreneurial activities in the Central Region, through specific activities, to achieve the following objectives:

Information;

Dedicated training;

Consulting in nationally and locally handled programs;

Funding under programs administered by a national and local level.

Information is addressed to micro, small and medium cooperatives, individual entrepreneurs seeking information, advice, assistance and answers to questions about legislation, policies, programs and funding opportunities from governmental and European funds.

By funding programs that are managed at national and regional level the goal is: creating a conducive environment to the establishment and development of private firms, boosting competitiveness, implementing European quality standards, promoting entrepreneurial culture as well as handicraft industry development.

The following services can be supported:

Developing strategies based on innovative solutions to create new products / services and technologies;

Business plans, feasibility studies and pre-feasibility studies on the implementation of eco-efficient and competitive technologies and creating competitive products;

Management, marketing and / or financial analysis to implement a particular project;

Strategies of publicity and promotion for a project;

Financial advice specific to a particular project;

Comparative studies on the use of tools and solutions or for a specified area;

Strategies and plans for human resource development to stimulate business towards the idea of expansion or implementing a specific project;

Evaluation and diagnostic studies for business transfer.

### **Conclusions**

The most important industries, considered niche markets as well, contemplating real opportunities regarding entrepreneurial development in the Central Region, based on the data summarized in the study by the Center for Entrepreneurship & Business Research (CEBR) are the following:

**Tourism and rural tourism** - because of the potential of the geographic and ethnographic region, offers multiple possibilities of obtaining EU funding;

**Transport specifically for mountain tourism**- linked to the growth in tourism there is a current need for new innovative means to enhance specific means of transport (trains on narrow lines, animal traction, lifts, etc.). and funding opportunities through grants from European funds attracting foreign capital;

**Services (for leisure)** – it feels increasingly needed to diversify most tourist services by specific amenities (e.g. mountain biking trails, motorcycle trails, ATV, paintball area, climbing routes for beginners, etc.). , thus the possibility of accessing European funds exists here as well;

**Business consulting and developing human resources** - more people would own a business but there is a striking lack of information and advice in the preparation of viable business plans and funding opportunities, many existing companies are in need of a staff amendment in some specific areas and can not find financing, also fundraising opportunities through the Sectoral Operational Programme Human Resources Development, remaining an accessible institution

specialized in providing continuous training;

**Road construction and technical sports equipment (winter-summer)** - road construction is a sector that will not be affected by the crisis, and technical construction of sport facilities are closely linked to the development of tourism and provision of innovative services in the field;

**Organic farming for vegetables and fruits** – there is a growing market-demand for organic products, even indigenous products with export possibilities which do not require an investment of large sums and thus attracting foreign investors would be a possibility;

**Caring for children in pre-school (kindergarten)** – the state preschool education system does not meet market requirements and more people are turning to the private sector that provides the best accommodation, meals and activities, and has access to European funds;

**Waste Recycling** - a relatively free market due to the large volume of existing waste and its recycling in very small quantities only in certain regional centers, thus the chance of attracting external funds and foreign capital for high technology is big;

**Alternative energy (solar, wind, thermal)** - a relatively new field in the region, part of the EU requirement to use an increasing percentage of these non-conventional energy sources, possibilities of using EU funds and work in partnership.

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