

ENTREPRENEURIAL MINDSETS IN ROMANIA AND BULGARIA

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ABSTRACT: The aim of this article is to provide a brief overview of the entrepreneurial mindsets in Romania and Bulgaria based on the survey coordinated by European Commission providing some insights into drivers and perceptions on entrepreneurship as well as the role of education in the entrepreneurial activity, highlighting the main changes in the entrepreneurial activity in the last few years in these two countries.

Keywords: entrepreneurship, self-employment, entrepreneurial perceptions and attitudes

JEL Codes: L26, O10, M13

Introduction

The economy was affected by the financial and economic crisis and through the process of globalization the negative impact spread rapidly around the world. The crisis has produced and aggravated, far-flung but differentiated impacts across the globe. EU as a whole and countries like Romania and Bulgaria were faced with new difficulties posed by the financial crisis and as part of the response to these new challenges attention was turned to entrepreneurship.

The economic recession can generate opposite effects on the entrepreneurial activity. On one hand it is more difficult to start new business and most non-competitive firms will exit the market but on the other hand new opportunities will arise and innovative start-ups could capitalize on those opportunities and turn ideas into viable SME that will contribute to the welfare of the economies.

Although entrepreneurship has been studied for many years, due to its multidisciplinary character there no consensus of how to define and measure it and it “is almost impossible to accommodate in one single definition” (Page and Ateljevic, 2009). In spite of that, most authors and scholars agree on the fact that it is a driving force for economic growth as key contributors to innovation and employment. Entrepreneurship has the benefit of wealth creation and distribution; entrepreneurs create wealth for themselves and others and for the community in which they operate. Because it has both an economic and social impact entrepreneurship should be used as a viable policy instrument for promoting economic growth and government ought to develop policies to foster (encourage) entrepreneurship

Due to its potential benefits, after the crisis, entrepreneurship started getting more attention because it could provide a solution for overcoming more rapidly the problem faced by the economies affected by the economic recession. “Entrepreneurship is thought to be one of the mechanisms that helps turn around recessions by reallocating resources in such a way that promising new activities replace obsolete economic activities”. (Săvoiu, 2009)

Due to its importance I consider that it is relevant to analyze the mindsets and determinants toward entrepreneurship in Romania and Bulgaria comparing the data with EU level of similar

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indicators. In this paper I will use indicators developed by international institutions like Eurostat, OECD and European Commission.

It will be a top-down approach, starting by using international indicators and collected data to see where Romania is situated according to these metrics in comparison with neighboring countries and with EU level as a whole. In further works I will try to determine more relevant determinants and restrictions for pursuing the entrepreneurial path at local level focusing on the various regions in our country.

The objective of this article is to review and describe why so many people would like to start their own business, entrepreneurship – as career of choice – is appreciated positively in Romania and neighboring countries. (Nagy et al., 2010), but very few actually do set-up a new business venture. It will try to determine which are the factors behind their motivations and actions; I will summarize the fears, risks and environment associated with setting up a new venture.

As we will see almost half Romanians and Bulgarians would like to be self-employed but only approximately a third think that this is feasible, and further more only a quarter of Romanians took active steps to start a business comparing with 36% of Bulgarians that did that in the last years.

The study of entrepreneurship enjoyed a special attention in the last few years by scholars in academic fields like economics, management, business, sociology, psychology and others.

Even if entrepreneurship gained the attention of various scholars and authors in recent years, the first mentions about it date from 1755 when Richard Cantillon in his “*Essai sur la nature du commerce en general*” pointed out the entrepreneur which played the role of an “*arbitrageur*” who was bearing the risk and was an important economic factor. We can find traces of the entrepreneur all over the history dating back as far as the ancient Mesopotamia, starting with the ancient Babylonian merchant enterprises. (Landes et al., 2010)

Since then many scholars from different academic fields tried to define the entrepreneur and the entrepreneurship but due to its multidimensional facets it is almost impossible to find a definition that is widely accepted which implies that the field of entrepreneurship will need a cross-disciplinary approach.

Despite the existing debate about how to define entrepreneurship most scholars and authors consider it to be an important economic factor and the entrepreneur is central to economic growth (Parker, 2009) and in recent years, economists recognize the crucial role of entrepreneurs in innovation and growth and the significant contribution (...) to prosperity and economic welfare (Acs and Audretsch, 2010).

An often encountered definition of the entrepreneur is the person who “perceives an opportunity, and creates an organization to pursue it” (Bygrave and Hofer, 1991, p. 14), this implies that new venture creation is the essence of entrepreneurship and more recent theories state that “entrepreneurship involves the nexus of two phenomena: the presence of lucrative opportunities and the presence of enterprising individuals” (Shane and Venkataraman, 2000).

A coherent definition of entrepreneurship has not yet emerged (Iversen et al., 2008) and without a unanimously recognized definition of entrepreneurship a clear distinction of its components it will difficult to assess its impact on the economic development and growth.

Many international institutions like OECD, World Bank, Global Entrepreneurship Monitor, European Commission and many other in their effort to sustain the development of entrepreneurship, developed a series of indicators and metrics in order to measure the impact and effectiveness of entrepreneurship on the economy and we will present in upcoming part of this article the one used by European Commission.

Data used

The main source of data used in this article was obtain from the survey – Flash

Eurobarometer No. 354 “Entrepreneurship in the EU and beyond 2012” and the country reports for Romania and Bulgaria (June 2012). The research is conducted by TNS Opinion & Social for the European Commission Directorate-General Enterprise and Industry. The methodology for collecting and interpreting the data was developed by TNS, interviews were carried using a questionnaire on population over 15 years old, for a minimum of 1000 interviews, in each country.

And I used also data from:

- OECD report Entrepreneurship at a Glance 2013

Romania and Bulgaria faced similar challenges in the process of European integration and both are classified according to the Global Competitiveness Report (2012-2013) edited by the World Economic Forum as countries in stage 2 with efficiency driven economies (Schwab, 2012). According to mentioned report countries are classified into three groups:

- factor-driven economies,
- efficiency-driven economies,
- innovation-driven economies

based on the level of GDP per capita and the share of exports of primary goods in total exports. World Economic Forum's Global Competitiveness Report (Schwab, 2010, p. 8)

Table no. 1

The sample size

Country	Number of interviews	Fieldwork dates	Population 15+
Romania	1.005	26/06/2012 – 28/06/2012	6.537.510
Bulgaria	1.005	26/06/2012 – 28/06/2012	18.246.731
EU 27	27.059	26/06/2012 – 28/06/2012	408.787.006

Source: Entrepreneurship in the EU and beyond – Report, Flash Eurobarometer 354, 2012, Romania & Bulgaria reports

Some facts and figures about entrepreneurship in Romania and Bulgaria?

1. Which status do people prefer self-employment or employee?

Almost half percent of the people in both countries say they would prefer to be self-employed rather than be employed by an enterprise. The preference level for self-employment in EU is 37% so each of the 2 countries registered a higher preference toward the entrepreneurial path than the average level of EU27.

47% in Romania and 40% in Bulgaria of respondents say the contrary, preferring to be employee, as it can be seen in table 2.

Table no. 2

If you could choose between different kinds of jobs, would you prefer to be...?

	EU 27 (%)	Romania (%)	Bulgaria (%)
Self-employed	37	48	49
Employee	58	47	40
None	2	3	5
Do not know	3	2	6

Source: Entrepreneurship in the EU and beyond – Report, Flash Eurobarometer 354, 2012, Romania & Bulgaria reports

Respondents in both countries have higher preferences toward self-employment in regards with the EU average but Romanian statistics show a decrease from 52% to 48% of respondents in the period 2009-2012 and in the same period Bulgarian numbers decreased from 50% to 49%. More people opt for employee status in Romania and Bulgaria, which matches the trend in EU where more people would like to be an employee (+9%, 2009 - 2012) rather than self-employed (-8 % from 2009 to 2012). A majority of EU27 respondents would prefer to be an employee.

At the EU level women tend to favor the employee status in comparison with men (63% female vs. 53% men); men tend to prefer self-employment (42% male vs. 33% female). The study shows that younger people are more likely to favor self-employment (45% age group 15-24). At EU level Bulgaria and Lithuania have the lowest expressed preferences toward being an employee.

Positive attitudes towards entrepreneurship in an economy can indicate the propensity for people to engage in this activity (Xavier et al., 2012).

Even though there more people preferring to be self employed than the one who prefer to be employees the economic situation generated by the crisis “push” people into preferring a safe job rather than taking risk and open a new business venture in a unfavorable economic climate.

Even with people who would like to start a new business there are different motives behind their option. Regarding this matter GEM identified two types of entrepreneurs:

- Driven by necessity – are those who are pushed into starting businesses because they have no other work options and need a source of income
- Motivated by opportunity – are those who start a new business primarily to pursue an opportunity and seek to improve their income or independence through entrepreneurship.

In countries like Romania 57.5% of early-stage entrepreneurs are motivated by opportunity and 41.3% by necessity. (Global Entrepreneurship Monitor – Entrepreneurship in Romania 2011 Country Report)

2. Why do they prefer to be self-employed? What are the reasons behind their option?

Over 50% of respondents in Romania (54%) and Bulgaria (56%) are attracted to the personal independence or self-fulfillment that derives with entrepreneurship/self-employment but under the percentage at EU-level (62%).

Second most important reason mentioned by Romanians and Bulgarians (both 26%) is the freedom to choose the place and time of their work.

The third reason mentioned by respondents in both countries (26% Romania, 17% Bulgaria) is better income prospects but only 16% of EU respondents expressed preference to work as self-employed due to the better income expectations.

So we can observe similarities between the 2 countries and these 3 reasons mentioned above are the top 3 answers mentioned in EU27 also as in figure 1.

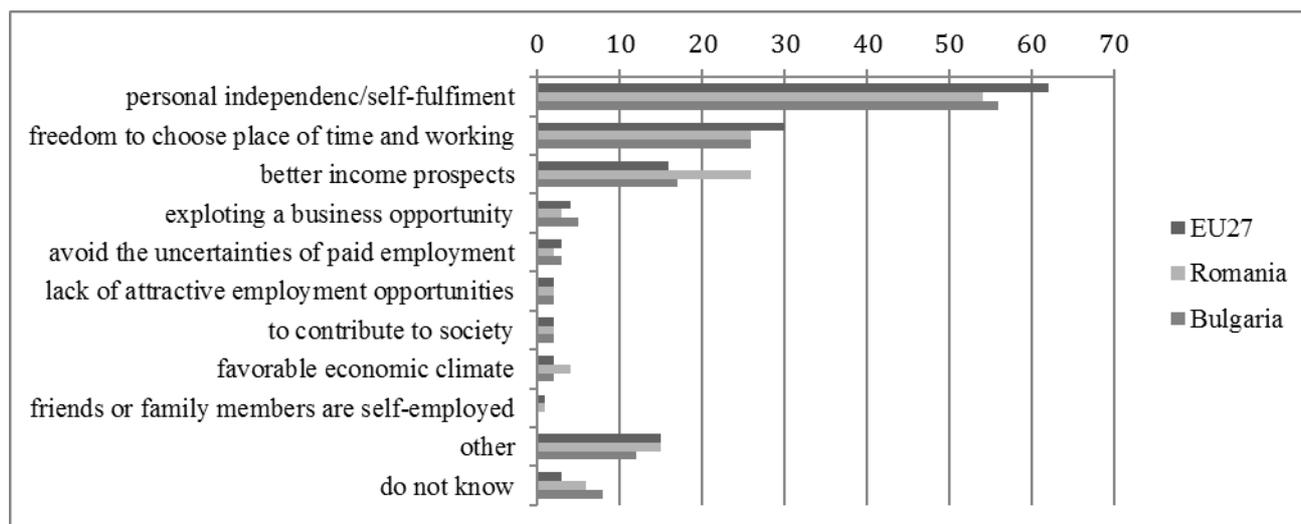


Figure no. 1 - Why would prefer to be self-employed rather than employee?

Base: those who said they would prefer to be self-employed (EU27=10082 / BG= 496 / RO= 477)

3. What is the feasibility of becoming self-employed?

36% in Bulgaria and 31% in Romania believe that taking the entrepreneurial path is achievable in the next 5 years. 15% more Bulgarians are thinking that it is feasible to become self-employed than in 2009 and 3% more Romanians respondents, than in 2009, giving the same answer. The level across EU is 30%. The number of respondents who consider self-employment to be feasible has risen slightly in EU since 2009.

Two thirds of Romanians and Bulgarians do not think that self-employment is attainable in the next 5 years, which is not a good indicator for the entrepreneurial activity. Maybe more efforts should be invested in order to encourage people to start new business. Before finding the most suitable actions for these situations we should have a look at the reasons why Romanians and Bulgarians think this is not an appropriate path for them. An encouraging fact for Bulgaria is that since 2009 the number of people who see the self-employment option as feasible outcome increased by 15%.

Table no. 3

Regardless of whatever or not you would like to become self-employed, would it be feasible for you to be self-employed within next 5 years?

	EU 27 (%)	Romania (%)	Bulgaria (%)
Very feasible	10	13	12
Fairly feasible	20	18	24
Not very feasible	22	23	23
Not feasible at all	45	44	36
Do not know	3	2	5

Source: Entrepreneurship in the EU and beyond – Report, Flash Eurobarometer 354, 2012, Romania & Bulgaria reports. Base: those who are not self-employed (EU27= 24551 / RO= 934/ BG= 925)

4. What are the reasons for unfeasibility?

The major reason for not starting a business is the lack of financial resources needed to fund the start-up. A great number of Romanians (48%) mentioned this motive and 29% of Bulgarians.

The level across EU for this reason is 21%. This high number (especially in Romania) could point out a problem regarding the access to finance for start-ups. Both private financing institution and government should carefully address such a problem because encouraging start-ups and easy access to credit for these businesses should be a priority. Hungary, Romania and Lithuania are the countries where the higher percent of people mention the lack of financial resources as a barrier to self-employment (HU 49%, RO 48%, LT 34%).

The second most mentioned reason is the fact that the economic situation is not suitable for starting a business, 15% in Bulgaria above the percentage in EU (12%) and 7% in Romania.

Next reasons mentioned both by Romanians (7%) and Bulgarians (9%) is that they feel that they do not have the required skills to start a business or become self-employed. The level across EU is 8%. This aspect could mean 2 things: either they do not have the basic knowledge about entrepreneurship or they lack self-confidence.

Another mentioned reason is the administrative difficulties 6% in Romania and 5% in Bulgaria which is above the 4% in EU. Measures against heavy bureaucracy were implemented only in the last years in the above-mentioned countries.

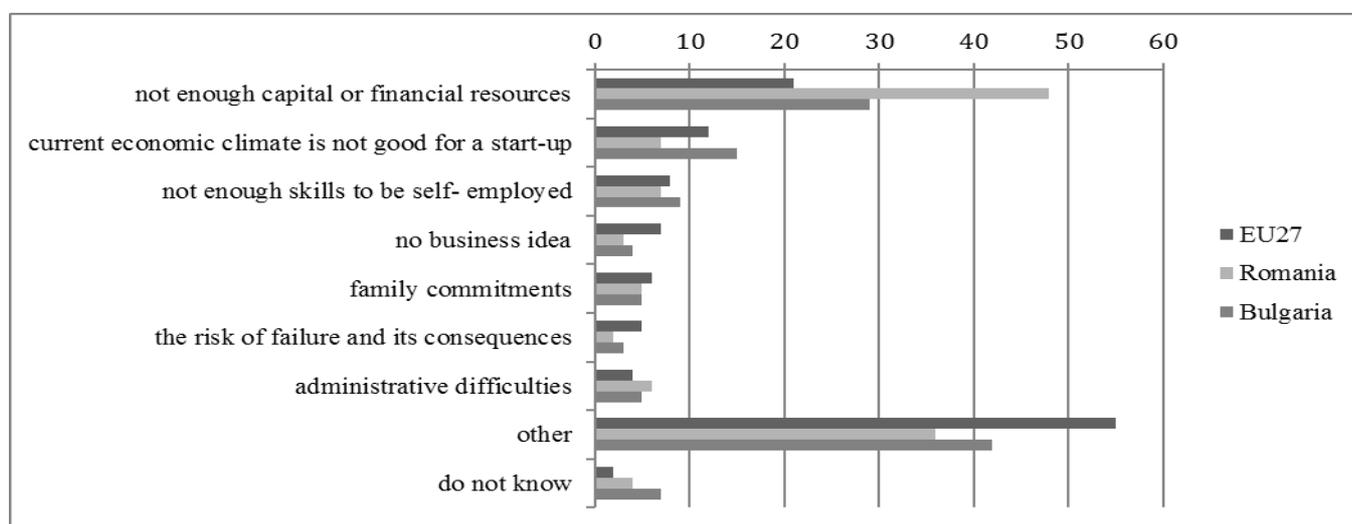


Figure no. 2 - Why would it be not feasible for you to be self-employed within next 5 years?

Base: those who said they did not regard self-employment as feasible for them within the next five years (EU27= 16473 / RO= 618 / BG= 545)

5. How desirable is for people to become self-employed in the short run

Table no. 4

Personally, how desirable is it for you to become self-employed within next 5 years?

	EU 27 (%)	Romania (%)	Bulgaria (%)
Very desirable	11	30	21
Fairly desirable	21	28	37
Not very desirable	22	14	16
Not desirable at all	43	26	23
Do not know	3	2	3

Source: Entrepreneurship in the EU and beyond – Report, Flash Eurobarometer 354, 2012, Romania & Bulgaria reports. Base: those who are not self-employed (EU27= 24551 / BG= 925 / RO= 934)

More than half of Romanians and Bulgarians (58%) think that self-employment is a desirable option. This is relatively high compared with the EU level of 32%. Three EU countries stand out when it comes to the percentage of respondents who say that self-employment is desirable: Romania and Bulgaria with 58% and Latvia with 55%. At EU level according to socio-demographic data collected males and younger people consider self-employment a desirable option.

There still is in both countries an important percent of people that say that self-employment is not desirable, 40% in Romania and 39% in Bulgaria. The EU level is situated at 65%.

We encounter similar percentage in both countries, the difference is that out of 58% Romanians 30 percent find self employment very desirable and only 21% Bulgarians see this path as very desirable (table 4).

6. Which are the risks people would be afraid of most if they were to start a business today?

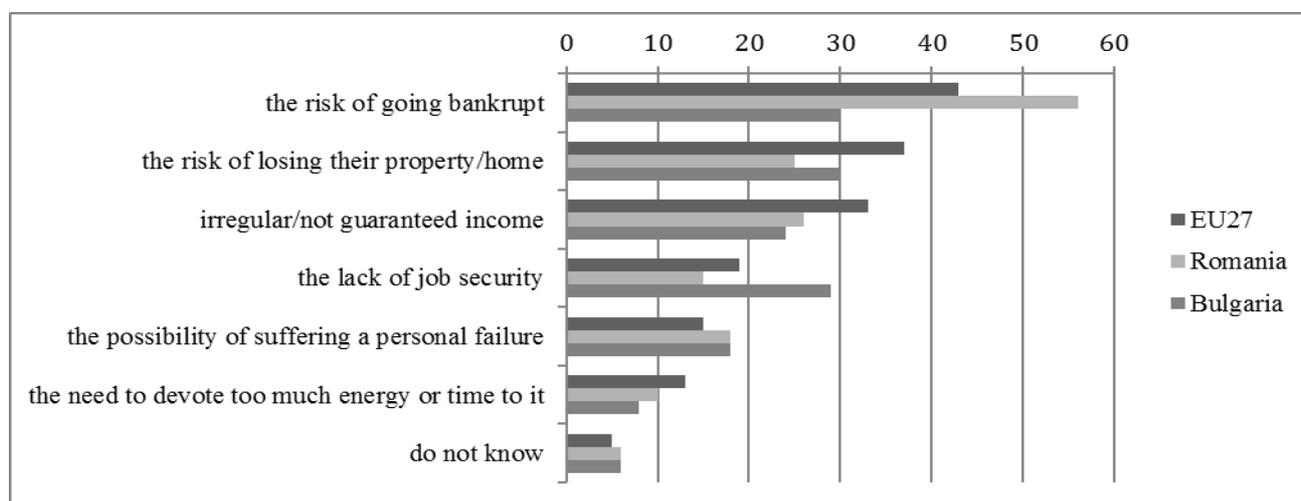


Figure no. 3 - If you were to set up a business today which are the 2 risks you would be most afraid of?

The risk of going bankrupt was mentioned by 56% of Romanian respondents but only 30% of Bulgarian respondents, so Romanian percentage is above the EU level of 43% and Bulgarian percentage is situated under this percentage.

Fewer people, comparing with EU level 37%, in Romania (25%) and Bulgaria (30%) say that fear of losing their home would concern them the most.

Approximately a quarter of respondents (26% Romanians and 24% Bulgarians) stated that that the risk of irregular/unsecure income would make them afraid of starting a business.

Bulgarians demonstrated a higher level of worrying than Europeans in regard to the job security, 3 out of 10 (29% Bulgaria, vs. 19% at EU level). Only 15% of Romanians mentioned this risk.

The data shown in figure 3 demonstrates some differences between the 2 countries in the fears people mentioned to be most afraid of. In countries like Romania, Greece or Portugal over 50% of people are most afraid of going bankrupt and the lowest fear of going bankrupt are registered in Bulgaria and Finland (23%).

Bulgaria as well as Italy and Slovakia have high values when it comes to the fear of job security.

7. How many started a business or took steps to start one?

Over a quarter (26%) of Romanian respondents stated that they had started a business or had been planning to do so – slightly more than the 23% of people at EU level who give the same answer. More than a third (36%) of Bulgarian respondents gave this answer. On the other hand 74% Romanian respondents and 64% Bulgarian respondents never had started a business or planned to do so; 77% of EU respondents said this. Bulgaria together with Cyprus, the Czech

Republic, Greece and Ireland are the countries in which over a 30% of people have either started a business, taken over one, or are planning to start one.

The figures in Romania matches the European trend without much changes from 2009 but in Bulgaria a lot more people (15% more in 2012 than in 2009) said started up a business or were taking steps to do so, which is an promising indicator for the growth of entrepreneurial activity and the benefits of this growth should be seen in the economic indicators.

Table no. 5

Have ever started a business, taken over one or taking steps to start one?

	EU 27 (%)	Romania (%)	Bulgaria (%)
Yes	23	26	36
No	77	74	64
Do not know	0	0	0

Source: Entrepreneurship in the EU and beyond – Report , Flash Eurobarometer 354, 2012, Romania & Bulgaria reports

8. The role of education in entrepreneurial activity

23% of respondents in Romania affirmed that they participated in a course about entrepreneurship or similar and 25% of Bulgarian respondents gave the same answer, EU level is at 23%. (Table 6).

Wide variations are observed between countries in EU concerning the issue of whether school has educated respondents about entrepreneurship but further research showed that more people in both countries (Romania and Bulgaria) consider that school education helped them to develop the sense of initiative and an entrepreneurial attitude. 61% in Bulgaria (+14% since 2009) and 73% in Romania (+13% since 2009).

School education also contributed to better understand the role of entrepreneurs in society, this is considered by 54% in Bulgaria (+8% since 2009) and 69% in Romania (+13% since 2009)

55% of Bulgarian respondents (+18%) and 61 % Romanian respondents (+16%) consider that school education has given them skills and know-how to enable them to run a business. Last but not least 43% of Bulgarian respondents (+12% since 2009) and 59% of Romanian respondents (+18%) consider that they interest in becoming an entrepreneur was awoken

Table no. 6

At school or at university have you ever taken part in any course or activity about entrepreneurship – that is turning idea into action, developing you own projects?

	EU 27 (%)	Romania (%)	Bulgaria (%)
Yes	23	23	25
No	76	76	74
Do not know	1	1	1

Source: Entrepreneurship in the EU and beyond – Report , Flash Eurobarometer 354, 2012, Romania & Bulgaria reports.

Education should play an important role in the development of entrepreneurship and government institutions should support entrepreneurial education as well. In order to start a business and manage it correctly in order to develop and generate profit people must have at least some basic knowledge about economics, finance and marketing. As we saw earlier one of the reasons why people regard self-employment as not feasible for them within the future years was the lack of skills or not enough skills to be self-employed. So measures that support and promote entrepreneurial education should be implemented.

A good sign is also that the perception of different employment types changed slightly in favor of entrepreneurs at EU level from 49% in 2009 to 53% in 2012. The professionals (doctors, lawyers, accountants) still have the most favorable image among respondents.

52% of Romanian respondents view entrepreneurs favorably and 43% of Bulgarian respondents consider the same. It worth mention that the Bulgarian percentage arouses with 8%.

Conclusions

Almost half of the respondents in Romania and Bulgaria would prefer to be self-employed and from 2009 more people tend to favor the employee status in both countries as well as at the EU level.

The main reason why people would like to become self-employed is personal independence/self-fulfillment, freedom to choose the place and time of their work and better income prospects.

Approximately a third of the respondents in both countries think it would be feasible for them to become self-employed within the next five year but Bulgaria registered a 15% increase since 2009 in the percentage of people who see the self-employment option as feasible.

The major reason in both countries for not starting a business is the lack of financial resources needed to fund the start-up but Romania registered this answer for 48% of respondents and Bulgaria only for 29% of respondents, both being above the 21% level registered at EU level.

A majority of Romanians and Bulgarians respondents (58% in both countries) think that self-employment is a desirable option, a relatively high percentage compared with the EU level of just 32%. Romania and Bulgaria together with Latvia (55%) are the first three EU countries in terms of respondents who say that self-employment is desirable option.

The risk that Romanians and Bulgarians are afraid of most when starting a business is the risk associated with going bankrupt (56% of Romanian respondents but only 30% of Bulgarian respondents). The Romanian percentage is higher than the EU level of 43% and Bulgarian percentage is situated under this percentage.

Over a quarter of Romanian respondents stated that they had started a business or had been planning to do so – slightly more than the 23% than the EU level who give the same answer. But more than a third of Bulgarian respondents gave this answer, value which increased by 15% since 2009.

A quarter of Bulgarians and slightly less Romanians participated in a course about entrepreneurship or similar and 25% of Bulgarian respondents gave the same answer. More and more people in Romania and Bulgaria believe that school education has an important role in developing the entrepreneurial attitude and initiative and that they could learn valuable skills for running a business. School education may help more people to become interested into pursuing the entrepreneurial way, which means good news for the future economy.

Supporting the development of new enterprises and encouraging unemployed persons to start a new business venture should be on the agenda of any government institutions because entrepreneurship can have important benefits economically and socially.

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