

DETERMINANTS OF ENTREPRENEURS' PERCEPTION ABOUT THE BARRIERS IN DEVELOPING A BUSINESS IN ALBA IULIA

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ABSTRACT: the paper deals with the results of a research carried out in 2015 among the entrepreneurs in Alba Iulia. Our hypothesis is that the size, the company's area of activity, the entrepreneurs' age and education, along with other variables, may be determinant factors of how the barriers in developing a business in Alba Iulia are perceived. The study's results may be useful in designing plans of measures and strategies that allow entrepreneurs to overcome the obstacles in their business development, especially by being aware of the fact that some of the perceived barriers are in fact surmountable.

KEYWORDS: entrepreneurs, barriers, business, education, perception

JEL Codes: D22, L10

Introduction

A study of Rutkowski and Scarpetta (2005) came into notice when we started the article. They ascertained an important gap between the objective data collected by the World Bank, on the one hand, according to which starting a business in Romania was easier in the 2000s than in most European countries, and on the other hand, the perception of European businessmen on starting a business in Romania, for they considered it as one of the countries where this process was very difficult to run. Therefore, it is very important to understand that there can be an important gap between the perception of a phenomenon, the entrepreneurship in this case, and the objective reality. Sometimes, even the objective macroeconomic reality can be discrepantly described by different indicators. In most cases, the situation is favourable for economic development in a particular country when both the reality and the entrepreneurship perception are consistent and positive.

In terms of overall perception of entrepreneurship, three dimensions can be identified:

- Government's perception and attitude towards entrepreneurship, particularly towards start-up's
- public opinion's relation with the entrepreneurship;
- the entrepreneurship's perception on the business environment.

The dimension that has the strongest effect in the short term is the entrepreneur's perception over his business. Recent studies show that even the perception of a country's terrorist threats or acts of violence exerts weaker influence than the direct perception of the business environment (Bruck, Llussa and Tavares, 2010, p. 4). We thus believe it is justified to head our study towards the entrepreneurs' perception of the barriers to business development.

Empirical model

We shall further analyse the results of a research conducted in 2015 among the entrepreneurs in Alba Iulia. Our hypothesis was that the company's size and area of activity, the entrepreneurs' sex and education, along with their opening towards social responsibility actions, are determinant factors of how the barriers in developing a business in Alba Iulia are perceived. The

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research is carried out in the context of urban regeneration and development of cultural marketing activities within the historic Citadel of Alba Iulia, Romania.

We used the data from the research called the Local Community Barometer, Alba Iulia, 2015 respectively from 180 entrepreneurs from Alba Iulia questioned in 2015 and from the 75 interviews conducted among entrepreneurs in Alba county, of which 50 in Alba Iulia (Marina, Muntean and Tomut, 2015, pp. 71-72)

Data, variables and descriptive statistics

The study is based on data from the survey of the Local Community Barometer, Alba Iulia, 2015 – barometer of the local entrepreneurs (*LCB entrepreneurs 2015*). The local community barometer is a research conducted annually in the city of Alba Iulia, Romania, beginning with 2014.

The empirical analysis has been carried out in several stages. The first stage was that of the qualitative research, where we talked to 75 entrepreneurs in the Alba County². The interviews had been recorded, transcribed, coded and interpreted. The second stage was that of the predominantly quantitative research, on the basis of the survey with the entrepreneurs in Alba Iulia. For processing and analysing the data, we have used the SPSS program. From the database of the LCB entrepreneurs 2015 research, we have selected the following sets of questions: the company size education, gender, whether the company was on profit or loss, whether there were barriers in the development of their company/organisation, which were the main causes impeding the company's development and whether the company has supported activities of social responsibility within the community.

The companies participating in the survey are mainly Ltd.s (92,3%), firms with up to 49 employees (76,7%), profit companies (58.3%). Depending on the activity, in the sample of firms we have: 9.4% in industry, 2.2% in agriculture, 55% in trading, 30% in services and 3.5% in engineering. The most important contribution to the total volume of employees in the sample has the industry (56%), followed by services and commerce. The most profitable companies (profit share) are in the industry area as well. Basically, our sample is one with a typical distribution for a medium size Romanian town, where the industry prevails, but is not over-represented and with few large firms (only 9.4% companies with over 250 employees).

Empirical results

The qualitative data synthesized by selective interviews, presented in table 1, suggested that there were sensitive differences in perception depending on the company's size and on the entrepreneurs' economic sector. Thus, small companies perceive obstacles strictly locally, and large firms, some of which are subsidiaries of national or even international companies, are more concerned with macroeconomic issues, legislation, market size etc. As a specific, the engineering companies are discontent with the unfair competition, regardless of their size.

With regard to the relation between the perception of own business's success and the city development, entrepreneurs see a close link, saying: “tourism development, the main strategy of the city, will bring many people in town, which will influence the increase of opportunities” (engineering contractor). Although the tourism sector has a small number of employees, the perception is that this sector, encouraged by the local policies, will develop.

² Twelve students from the Master of *Human Resource Development and Management*, Sociology, participated in the research as interviewers.

Table 1

Dominant perceptions regarding the obstacles in business development depending on the company's size and economic sector of activity – qualitative data from interviews

Company size	Economic sector of activity	Dominant perceptions
Small companies	industry	Educated human resources, wage claims
	agriculture	Lack of financial support
	commerce	Lack of local authority support
	services	Lack of specialists
	constructions	Unfair competition
Medium companies	industry	Small town
	agriculture	Low-income population
	commerce	Bushy legislation
	service	Low-income population
	constructions	Unfair competition

Source: Local Community Barometer 2015

Further, we used the logistic analysis in SPSS, in order to test the effect of the independent variables: the company size, profit company (yes/no), sponsor of activities within the community (yes/no), gender (male/female), age (young, mature, old), high education (yes/no).

The logistic regression model must have a strict control of each independent variables (Marina, 2015). To this end, we intended for all the variables of the models tested to be ordinal or categorical. The main advantage of logistic regression models is that they ultimately allow interpreting the effect of each independent variable on the dependent variable, given that the independent variables are simultaneously introduced in the model (the Enter method).

In table no. 2, the independent variables have statistically significant effect on the dependent variable of *perception of barriers to company development*. 98.4% of the cases were included in the analysis, and the Omnibus Test indicates that the model is significant at the 95% threshold.

On the basis of the first model presented in table 2, we can assert that the study hypothesis is confirmed over these data from 2015. The size of the company, the fact of making profit, the entrepreneur's age and high education affect the perception of barriers to company development. The gender and the sponsoring of social cultural activities in the community do not have statistically significant influences upon this perception.

Table 2

Logistic regression model for the dependent variable of *perception of barriers to company development*

Variables in the Equation	Model 1	
	B	Exp (B)
Company size	-0.311*	0.732
Profit (Yes/No)	0.071*	1.074
Age	0.029*	1.030
High education	0.123*	1.131
Nagelkerke R Square	0.061	

Source: Local Community Barometer 2015, authorial calculations

Notes: LCB 2015= Local Community Barometer 2015, B=coefficients B,

Exp(B)=exponent of B; * p <0.1.

The analysis of the data in table 2 shows that the entrepreneurs' perception of barriers is mostly determined by *education* (those with higher education are 13.1% more likely to perceive barriers) and by the *company size* (the bigger the company the lower the probability of perceiving barriers). The *entrepreneur's age* and the *company's profits* also have a statistically significant effect, but with a lower probability of influence compared to the other two factors.

Another group of dependent variables that are tested, mean the perception of barriers as well, but of point ones, such as: low income among the town population, small volume of population, low local demand for the company's products/services, local institutions that impede the company's activity, NGOs that undermine the company, adverse local infrastructure, favouring the firms from outside the city that make large investments, labour legislation and taxation. (see table 3). The independent variables used are those of model 1, table 2.

Table 3

Logistic regression models for the dependent variable of *perception of specific causes in the development of the company*

Dependent variable	Independent variables	B	Exp(B)	Nagelkerke R Square
The city population's low income	Company size	-0.263*	0.769	0.059
	Profit (Yes/No)	0.648*	1.912	
	Age	0.118*	1.125	
	High education	-0.144*	0.866	
The city population's low volume	Company size	-0.206*	0.814	0.044
	Profit (Yes/No)	-0.103*	0.902	
	Age	-0.304*	0.738	
	High education	0.461*	0.529	
Low local demand for the company's products/services	Company size	-0.295*	0.745	0.063
	Profit (Yes/No)	0.462*	1.587	
	Age	-0.338*	0.713	
	High education	-0.409*	0.664	
Local institutions that impede the company's activity	Company size	-0.341*	0.711	0.550
	Profit (Yes/No)	0.382*	1.466	
	Age	-0.032*	0.969	
	High education	0.302*	0.994	
NGOs that undermine the company	Company size	0.229*	1.257	0.179
	Profit (Yes/No)	-1.244*	0.288	
	Age	1.223*	3.398	
	High education	1.667	5.040	
Adverse local infrastructure	Company size	0.020*	1.020	0.059
	Profit (Yes/No)	-0.213*	0.808	
	Age	0.520*	1.682	
	High education	0.109*	1.115	
Favouring the firms from outside the city that make large investments	Company size	-0.222*	0.801	0.041
	Profit (Yes/No)	-0.021	0.980	
	Age	0.138*	1.148	
	High education	-0.033	0.997	
Aspects of labour legislation	Company size	-0.386*	0.679	0.035
	Profit (Yes/No)	0.211*	1.235	

	Age	0.442*	1.555	
	High education	0.041*	1.042	
Taxation	Company size	0.183*	1.201	
	Profit (Yes/No)	-1.031*	0.357	0.075
	Age	0.366*	1.442	
	High education	-1.061*	0.346	

Source: Local Community Barometer 2015, authorial calculations

Notes: LCB 2015= Local Community Barometer 2015, B=coefficients B, Exp(B)=exponent of B; * p <0.1.

We may see that, in table no. 3, the explicit model of the overall perception of barriers to business development are also validated by the logistic models of each of the 9 causes that prevent the company's development. In terms of the explained variance of the dependent variable, the highest percentage is in *the local institutions that impede the company's activity*: 55%. The effect of the dependent variables is however different and it separates two groups of barriers. On the one hand, the perception of the barriers of *population's low income, low local demand for the company's products/services* and *local institutions that impede the company's activity* is mostly influenced by the probability factor of *the company being on profit*. On the other hand, in the perception of the barriers of *adverse local infrastructure, favouring firms from outside the city that make large investments, labour legislation* and *taxation*, the factor with the greatest probability of occurrence is *the entrepreneur's age* (the probability of influence grows as they advance in age). For other two possible perceived barriers, the situations are different: there is no certain factor for *the too low volume of the city's population*, and in the case of *the NGOs that undermine the company*, there is the high education, which is not a statistically significant factor however.

Table no. 3, a result of certain punctual logistic regression models, can be, as mentioned in another study based on logistic regression (Marina, 2015), a practical support for those who design measure plans and strategies that help entrepreneurs to overcome the obstacles to business development, especially by being aware of that some of the perceived barriers are in fact surmountable.

Conclusions

The empirical results confirm that the hypothesis that the variables of *entrepreneur's age* and *the company being on profit* have a strong influence on the entrepreneurs' perception of punctual barriers in the way of business development. In addition, the regression models proposed reveal the importance of *the company size* and *high education* (yes/no). At the level of general perception, the determinant factors are the same, but with a reversal in terms of probability of influence, meaning that *the company size* and *the fact of having higher education* become more important. The importance and statistical significance of *gender* and of *sponsoring social cultural activities within the community* is not confirmed.

The logistic regression model we proposed, the one from table 3 in particular, can be used as a tool for the design of strategies and measure plans for the redesign of entrepreneurs' perceptions in relation to the obstacles to business development or within the entrepreneurial education courses.

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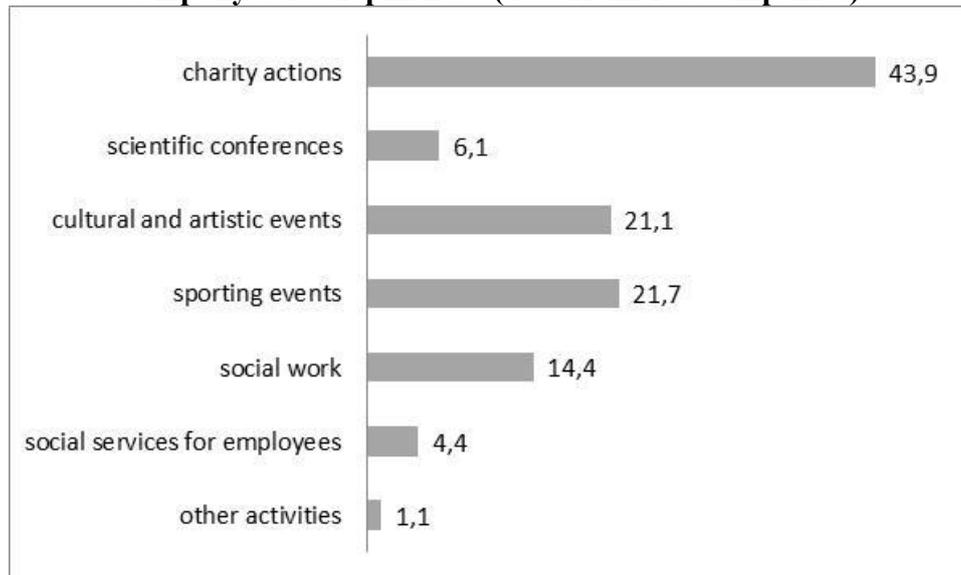
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APPENDIX 1

Graphic 1

Answers to the question “What are, in your opinion, the main causes that impede the company's development?” (data from 180 companies)

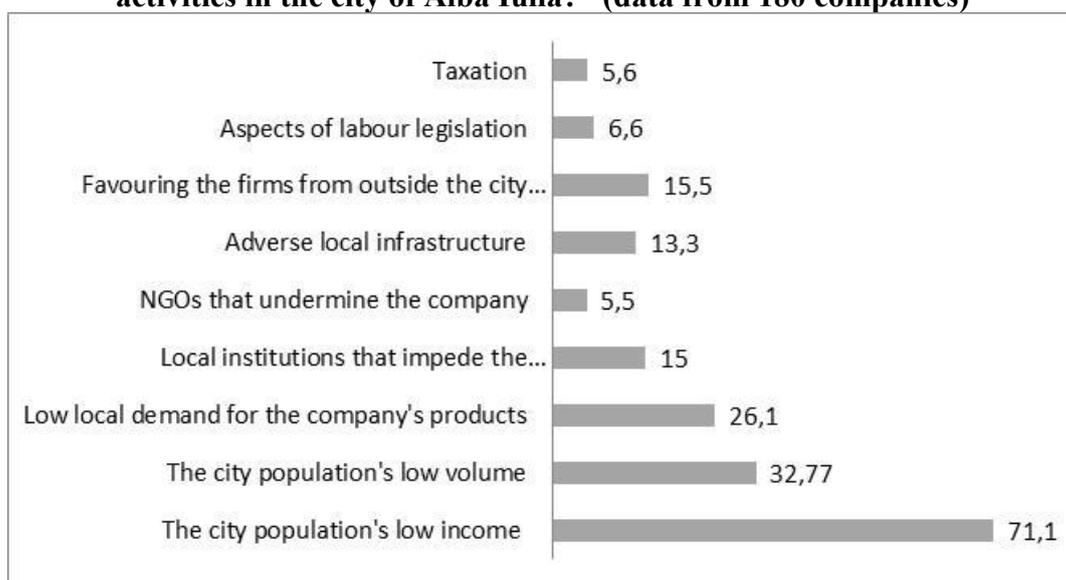


Source: Local Community Barometer 2015, authorial calculations

APPENDIX 2

Graphic 2

Answers to the question “Have you financially and/or materially supported the following activities in the city of Alba Iulia?” (data from 180 companies)



Source: Local Community Barometer 2015, authorial calculations