

Major Features of the Successful Romanian Entrepreneurs

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Abstract

This paper is based on the investigation of 1000 successful Romanian entrepreneurs by interviewing them. We shall present the main characteristic of Romanian entrepreneurs regarding: personality (sex, age, profession, occupation, entrepreneurial experience, a.s.o.), motivation for becoming entrepreneurs (self-realization, implementing new idea, get money, autonomy, a.s.o.), source of finance for SMEs (personal savings, family money, bank loan, a.s.o.) time using (work weekly hours, structure of activities a.s.o.), main problems faced by them (legal, institutional, managerial, financial, informational, technical a.s.o), the strategical options for the next 3 - 5 years (regarding the markets, new products and technology, managerial approach, information systems, a.s.o.). In the final part of the paper we shall reveal basic similarities and differences with similar investigations in other Central and Eastern European Countries.

Introduction

The main way of achieving a modern market economy in Romania is the accelerated and large-scale development of the entrepreneurial phenomenon. With a view to knowing the main “authors” of this phenomenon - entrepreneurs - we show some of the main conclusions drawn from the analysis of 1000 questionnaires filled in on the basis of interviews^{*}.

1. Who are the Romanian entrepreneurs?

Relative to the age of entrepreneurs (Fig.1) we have found that middle-age persons are predominant in a propotion of 61.2 %, more exactly between 31 and 40 - 30.5 %, and between 41 and 50 years of age - 30.7 %. Entrepreneurs of up to 30 years of age - 24.5 %, practically 1/4 of the sample, which proves their optimism, self-confidence and confidence and, last but not least, the courage characterizing younger generations. This involvement of young entrepreneurs is a positive aspect from several points of view. On the one hand, for understanding the laws of a market economy, for its “rulers of the game”, without the routine of the past years. It is all the more important as at present the mentality of a considerable part of the population is characterized by lack of initiative, by an atrophy of creativeness and dynamism, which are blocking the mechanism of the market economy. On the other hand, young people are more open to the environmental changes and manage to involve themselves creatively and adaptively into into the high rate of fluctuation of the environment in a shorter period of time than entrepreneurs of the second and third ages.

* An inquiry achived with the contribution of the students of the Departament of Management in The Academy of Economic Studies Bucharest.

As natural (Fig. 2), male entrepreneurs are predominant with a weight of 75.5 %, while female entrepreneurs account for only 24.5 %. We consider the male predominance as normal for at least 3 reasons: the difficulty of this occupation, the special time pressures, the large physical and nervous stress involved. This statement may entail some problems. That is why we consider it necessary to make the following specification: we do not deny the female entrepreneur's potential to be successful in business and all the less so the right of women to choose this occupation for themselves. We only draw attention to the fact that each occupation involves having specific qualities and the fulfilment of certain conditions, a rule from which the occupation of entrepreneur is no exception. If we think of the physical and nervous strength of an entrepreneur or of the special time pressures brought to bear, for reasons we do not consider necessary to speak about in detail, we can state that females as a rule "lose" in favour of males from the biological, natural viewpoint as well as from that of their marital status, as mothers and wives.

Relative to their training (Fig. 3), the largest weight, 58.3 %, was found to be held by persons with higher education; 30 % of interviewees had attended the secondary school and only 10.2 % had postgraduate studies. 1.4 % were leavers of only a general school. It is possible that a good part of the firms of the entrepreneurs in the last class may not resist in time mainly owing to the insufficient competence of the founders. Instead, the relatively large weight of entrepreneurs with higher education can only be of good men as there are better changes in this way for the strengthening and development of their firms.

Relative to the field of their studies (Fig. 4), interesting situations were recorded. It is surprising that the 48.3 % of the persons with technological training in their majority have trading companies and not companies specialized in their field of production, as it was to be expected. The large weight is explicable by the fact that by their vocation persons with a technological training in general and engineers especially know how to do something, how to produce something. To this one may also add the fact that most of the managerial staff in business, about 80 % in 1989, were engineers, managerial experience being a major advantage in opening a business. Another possible explanation, unfortunately strongly rooted in reality, is that of the lack of prospects of a considerable part of engineers in Romanian enterprises under the conditions of the lack of competitiveness of numerous enterprises. Economists rank 2nd with 27.6 %. They have a better outlined role, which is a natural situation as they by their training have specialized knowledge and are better endowed to utilize the specific instruments of entrepreneurial activities. Their weight is smaller as compared to that of engineers as opening one's own business was mostly in parallel to keeping one's position prior to the changes. It is a fact that demand on the labour market of specialists in economics, of economic education persons in general, still maintains very high. In addition, the number of engineers in Romania is over 9 times as high as that of economists. 6.4 % is held by persons with education in the humanities, 99 % of them are teachers. This situation can be accounted for by their low incomes, their lack of prospects in vocational self-achievement and progress and, last but not least, of material thriving of this social category in Romania. It is surprising that the comparatively small percentage of lawyers, 2.4 %, as compared especially with the situation in other countries and taking into account the major importance of the legal factor in this period of intensive changes of laws accompanying the transition to a market economy.

The structure of entrepreneurs related to their marital status naturally corresponds to the that of age groups. The fact that about 1/4 (23.6 %) are not married is to be correlated with the 24.5 % of the persons below 30 years of age, with the natural exceptions to the rule.

2. Experience and fields of activity

We considered it useful to record the number of years of experience in the professional activity as well as the number of years of experience in business and we related them to the percentages of adult entrepreneurs and those of young entrepreneurs. The importance of vocational experience is determined by the double, conflicting role it has: it may either be a positive factor underlying development or an adverse factor refraining the development of one's own business and implicitly of the national economy. We highlight the following situations:

a) In case the previous field corresponds to the present field of business and there is a greater experience in the professional activity, we can only grasp a positive influence on the display of the economic activity of the particular agent;

b) In case there is no experience irrespective of the field of activity, the situation is ambiguous and often major difficulties are come across in the development of the activity and inadequate behaviour of the management is recorded when they face "problem situations" which should be solved under the pressure of time as well as of other endogenous and exogenous factors of that particular firm;

c) Experience can sometimes be a limitation under the conditions of a mentality characterized by rigidity, inflexibility, closed system activity added to it, which characteristics are contrary to the present-day diametrically opposite conditions and requirements, which involve dynamism, suppleness, systemic view, high inventiveness. We referred to the interdependence between the number of years of vocational experience and mentality due to the fact that by our poll 34.8 % of entrepreneurs with a longer experience than 20 years were recorded, and 16.7 % between 16 and 20 years and 19.7 % between 10 and 15 years, respectively. The 12.6 % of the persons with an experience above 5 years in the field of business is comparatively small and is related to the persons who had also worked in trading positions before 1989. The experience of 12.6 % of entrepreneurs is a major advantage favouring the grasp and acquisition of the specificity of firms in the market economy, at the opposite pole of those characteristics of a supercentralized economy of the communistic type.

Relative to the field prior to the present business, as shown in the chart enclosed, the largest share, 34.9 % is recorded by persons who had worked in industry. This situation is not surprising and can be accounted for by the elements mentioned above. 20.7 % of the subjects had worked in other fields of activity and 15 % of them in trade. The comparatively low percentage of trade workers prior to the present business is not satisfactory. The existence of a great number of trading firms owned by persons with an economic speciality and who had previously worked in trade would have had a main advantage in their view on and experience of the market. Going along the coordinates presented above, this would have implicitly led to running economic activities at higher standards as compared to that of other companies.

We also find that none of the present entrepreneur covered by the sample had previously in such fields as insurance, real estate agencies, consulting.. Even if the investigation is extended to a larger sample, the situation will not change significantly and smaller percentages will probably be recorded. This situation is not paradoxical, as there are fields of activity which under the past

regime were very slightly developed. A questioning mark is the 16.9 % of the persons denying to state the enterprise in which they had worked, their position and field.

Relative to the present field of business of the firms in the sample, most frequently, in accordance with our expectations, they deal in trade exclusively - 37.52 %, in trade combined with services - 11.87 %, and in a combination of other fields - 16.15 %. Thus, about 2/3 of the entrepreneurs are engaged in trading activities and this situation can be accounted for by the small starting capitals, by the lower complexity and especially by the larger and faster profits as a compared to the situation in industry and agriculture. The second position is taken by the firms in the field of services, with a proportion of 9.02 % exclusively and of 26.6 % in that of services combined with other fields of activity. The entrepreneurs dealing exclusively in industry account for only 2.37 % and those who besides industrial processes also perform other types of activity hold 11.16 % of the total. Predominating are the businesses dealing in footwear, ready-made clothes, wheat grinding and bread making, gloves, etc. We list only some of the reasons accounting for this orientation: relatively simple technological procedures, accessible prices of installations and equipment, materials, secure outlet markets.

In the field of construction, 2.37 % businesses in the profile and 4.75 % in combination with other fields preponderantly trading activities were identified. It is surprising that in the investigated sample there is business achieving only transport activities but there are 5.46 % in combination with services and trade. Mention should also be made of the absolute absence of businesses strictly specialized in consulting. The approximately 3 % identified developed their activity in combination with insurance or real estate activities.

The low percentage - 0.7 % - of entrepreneurs specialized in farming seems to us normal, as the examined sample was in a proportion of 80 % from Bucharest. In combination with other fields, farming accounts for about 3 % of the examined businesses.

3. Age and types of firm

From the viewpoint of the seniority of the firms, the situation is rather balanced, as resulting from Chart 5. 1% of the firms were established before 1990. They are in fact family associations which continue their activities under present conditions.

The majority weight is held, as expected, by young firms established in the past 6 years. The best represented year in the sample is 1991 with approximately 30 %.

In dynamics, certain changes can be found depending on the class of activity of the economic agent. Thus, the firms with an industrial profile were as many as 60 % in 1992 and about the same were those with a mixed industrial and trading profile.

In exchange, the period in which most of the firms were opened in trade and services, in their proportion, was that of 1991. Such a development is natural and reflects the process of intensification of competition trade and industry, which makes them less attractive to entrepreneurs as well as the accumulation of capital ensuring the financial prerequisite for establishing industrial companies requiring perceptibly higher amounts of capital as compared to those in services and trade.

As related to the legal status of the trading companies, the situation is shown in a summarized form in Chart 6. From its examination, it results that out of the 5 types the investigated firms belongs to the class of limited liability companies (in the Romanian acronym, SRL's) with a proportion of over 80 %.

The second place is taken by general partnerships (in the Romanian acronym, S.N.C.'s). A small number, i.e. 15 firms, are public companies (in the Romanian acronym, S.A.'s), out of which 3 carry on their activity in the field of trade, and 8 in trade combined with other fields. The other S.A.'s, with the exception of one operating in industry, are in the field of services.

4. Capital and owners of firms

A variety of situations can also be found relative to the ownership of the firm's capital. Only in 44 % of the investigated firms 1 of the entrepreneurs owns over 75 % of the firm's capital, and in 8.5 % of them between 51 and 75 %. This structure is to some extent an expression of the shortage of capital, especially if we take into account that most of them are of small and medium size.

Another aspect to notice is that in the firms in which the entrepreneur managing is female the weight of her participation in the firm's capital is often small. Thus, in about 40 % of the firms in which the main shareholder is the owner of below 25 % of the total capital, the owner is female. This situation can be explained by the fact that in general, women are less willing to run risks. As a consequence, also in this case, female entrepreneurs preferred having business partners in order, on the one hand, to share responsibilities, thus having a higher degree of confidence when third parties are involved.

A certain correlation can be found between the entrepreneurs' age and their share in the firm's capital. As a rule, the older they are the larger the percentage of the firm's capital. For example, 55 % of the persons over 50 years of age and 51 % of the ones aged between 41 and 50 years own above 75 % of the firm's capital as against only 33 % corresponding to the entrepreneurs up to 30 years of age. The situation is fully explicable from the economic viewpoint. In order to open a business one needs money. Young persons are creative, they have ideas, many of the them are higher education graduates and they have the ability to put their in practice but have not the capital required. Those who, however, have a minimum capital necessary for funding a business.

Concerning the correlation between the level of training of entrepreneurs and their participation in the firm's capital, the following surprising, at least at first sight, situation is found: over 80 % of the entrepreneurs who attended the secondary school own a share of capital of over 75 % and are followed by those having higher education and who hold over 75 % of the firm's capital only in proportion of 24.6 %. The conclusion to draw is that the lower the level of education the more such entrepreneurs own of the firm's capital and the less they accept to have partners in establishing firms.

5. Entrepreneurs' time budget

A telling indicator regarding the nature of private property and the degree of motivation in entrepreneurs' work is the number of hours devoted to their own firms. 84 % of the entrepreneurs

work on an average over 40 hours a week, almost half of them - 47.5 % devoting over 60 hours to their firms. This factor accounts considerably for absolutely superior the economic achievements of private businesses as compared to those of state-owned enterprises. Entrepreneurs are also motivated in the existence of their own businesses as compared to those of state -owned enterprises. Entrepreneurs are also motivated in the existence of their own businesses as a consequence of the fact that they are masters of their own time and devote a large portion of it to the strengthening and expansion of the firms as they are aware that the financial achievements of their economic activities are in direct proportion to their own efforts and corresponding time devoted.

The marital status of entrepreneurs does not differentiate them in a significant manner from the viewpoint of the volume the amount of work. However, the figures concerning the correlation of amount of work with the field of activity are surprising. Thus, entrepreneurs who work in the industrial field work perceptibly less than 20 hours a week. This can be accounted for by the fact that there is no demand in the market for their products or they do not possess enough raw materials to produce at least 40 hours a week.

A relatively large number of hours a week, slightly exceeding 60 hours, is devoted to their firms by the entrepreneurs in the filed of services and trade. This is natural, as the business hours of trade firms are of about 10 hours a day. And entrepreneurs, besides selectively supervising the operations inside the firms, must be concerned with the successive supplies, at short intervals as compared to the case of the other branches, having in view the large amount of sales in various classes of goods. This involves seeking new supply markets, identifying new potential partners contacting them, having negotiations and concluding the corresponding contracts.

6. Size of firms

We also investigated the indicators related to the turnover and number of employees of the firms under consideration. For this purpose, our analysis included the following intervals:

- 1994,
- 1995,
- forecasts for 1996,
- forecasts for the coming 5 years,
- ideal forecasts.

For the turnover figures, data were solicited for 1994 and for 1995, in order to compare the achievement of the previous year with the forecast ones of the current year. The forecasts for 1996 as well as those for the coming 5 years prove the capability of entrepreneurs to make forecasts, an activity which involves taking into consideration several endogenous and exogenous factors and variables of the firms.

The largest share, 43 % is held by the firm which in 1994 achieved a turnover of approximately 10 million Lei, followed by 29.5 % of the businesses which had a turnover ranging between 11 and 100 million Lei.

A certain change is found for 1995, which may be caused by the high rate of inflation, which was taken into consideration by entrepreneurs, often doubled by their ambition and determination to make an additional effort for the increase in their incomes. Thus, if in 1994 43%

of entrepreneurs had a turnover ranging from 1 to 10 million Lei, in 1995 their shares decreased to 34 % but, however, there was an increase in the percentage of entrepreneurs with a turnover in the range of 11 to 100 million Lei from 29 % in 1993 to 41.8 % in 1994.

The newly established private firms have a special social importance as they employ labour and this is all the more so as at present Romania is facing a relatively high rate of unemployment. Relative to the number of employees, it was forecast to be over 50 in 21.9 % of the cases.

For 1996, a proportion of 55.7 % of the businesses suggested an increase in their number of employees of up to 50.

The opinions concerning the number employees do not show marked differences depending on the years of the employers' professional experiences depending on the hours worked in their firms but are differentiated by the structure of the number of employees is the following: in 48.7 % of the cases they have up to 5 employees, in 33.16 % of the cases they have up to 20 employees and in only 6.7 % of the number of employees exceeds 50.

This situation is natural as the largest weight in SRL's is held by trading companies, where as a rule it is not necessary to have a large number of employees. In industry and construction, 33.16 % of the firms have up to 20 employees, and in 6.7 % them they above 50 employees.

We, therefore, have found that the number of places of employment taken is relatively small as compared to the number of firms. Possible explanations are:

- the small volume of activity of the firms, even if they are in the industrial field and the small size in frequent cases as they are at incipient stages of a probable future development;
- the small floor space where they carry on their activities;
- the complex and difficult circumstantial conditions which do not favour a rapid development of businesses.

7. Complex motivations for becoming an entrepreneur

In order to understand, stimulated and develop the of entrepreneurship - the real motive force of the achievement of a genuine market economy - it is essential to know the motivations which caused the present entrepreneurs to run the risks of establishing small and medium size private businesses in Romania. For this purpose, the entrepreneurs investigated stated their opinions on 14 classes of motivations generally considered by specialists as common.

Motivation 1: Development and application of an idea of a product or a business

Out of the 14 elements considered, the motivation mentioned above was the one most frequently considered as a priority by the examined entrepreneurs. 86.4% of them appreciated it as a decisive element determining them to establish a private firm. Such a motivation derives from the fact that their previous places of employment, almost all of them state-owned enterprises and institutions, had not offered them the opportunity to show their initiative, to materialize their economic ideas or to achieve some products. Of course, such a situation is a consequence of the

kind of activity carried on in organizations based on state ownership which, by its very nature, is not entrepreneurial.

Motivation 2: Work with selected persons

The frequently with which this motivation was considered as a priority - in 84.3% of the total of responses - is surprising at first sight. In fact, such a position is very significant. It highlights the major role for each individual played by the people with whom he carries most of his activity during a day. In the second place, this shows in an indirect way but very convincingly that a good part of the present entrepreneurs were compelled in the preceding period to work with people with whom from the professional and/or human points of view they were not in agreement. On the motivational intensity of the variable "persons with whom one collaborates daily" an influence - not very great - has the level of training. It was found that entrepreneurs with a lower level of training assign a smaller weight to this factor. Thus, entrepreneurs who were general school leavers considered it in a proportion of only 66% as being prevalent in the choice of persons with whom he was to work in the substantiation of the decision to start a business.

Motivation 3: Personal and family security

This motivation falls in the class of those of a human nature as well. The percentage of entrepreneurs who placed it first is 83.7%. The explanations for the amplitude of this option lies on doubt in the uncertainties sweeping over our daily lives in this period of market transition as well as in the fact that state enterprises especially due to their poor economic condition do not offer the security of a safe place of employment. As a consequence, the persons who had the courage and, of course, a minimum of financial and/or material resources carry on their own economic activities which ensure them independence and, at the same time, a feeling of security for themselves and for their families. The priority position of this factor proves how intensely insecurity and risk are felt by the population.

Motivation 4: Self-achievement

We find full congruence with the previous motivations here. In as many as 81.2% of the cases, the achievement of the status of entrepreneur with its complex implications was chiefly caused by the necessity for acquiring a feeling of self-achievement. What underlines this option is obvious: for this class of persons the previous places of employment had not afforded them the essential and motivating feeling for each individual of self-achievement. Without generalizing, such a situation is showing very much about the preceding state of mind and the condition of personal involvement of a portion of the population under the conditions of the "multilaterally developed socialist society".

Motivation 5: Better earnings

Placing the motivation "obtaining better earnings" in the 5th position is, to be sure, not surprising. In as many as 79.5 % of the cases, the interviewed persons considered as a priority the size of personal incomes. When we interpret this figure, it is necessary to take into account some elements. In the first place, the difference from the previous motivations is not large, only some percentage points. In the second place, Romanian entrepreneurs lived fully or almost fully in Communistic type society, where an intensive campaign was against those who had large amounts

of money. Hence, some understatement towards other people and/or towards themselves in a part of the entrepreneurs in asserting the priority of acquiring their earnings. In the third place, there is no contradiction with the preceding motivations. For entrepreneurs who want to achieve something in life, the content of their activity, the environment of their work and the results on the plane of their own status and that of their families can often be the same, or even more important than immediate earnings.

To this conclusion also leads the analysis of the influence of the level of training of entrepreneurs. Those with a lower level of training considered personal earnings as the most important factor - 100 % of entrepreneurs having general school education. Instead, the other classes, with university level and postgraduate studies gave priority to the other motivations (1 to 4) with a higher frequency.

Various complementary motivations

We included in the class of complementary motivations the following:

- the desire to have more flexibility in one's personal and family life - 76.9 %;
- the desire to be master of one's own time - 74.5 %;
- the wish to have the opportunity to manage rather than be managed - 72.9 %;
- the contribution to the welfare of the community in which they live - 60.6 %;
- the wish to seize the opportunity arisen - 55.5 %;
- the desire to be respected by friends - 55.2 %;
- the wish to rise a higher rank in society - 50 %.

As resulting from our reading them, the motivations have a common point: the relation between the individual and his environment, with the concomitant placing of some important elements of it the first place such as society, friends, circumstantial opportunities social position.

8. Priority directions of action

Starting from the premise that the efficiency of each firm is conditioned to a considerable extent by the anticipation and preparation of one's own future, we suggested to the entrepreneurs to pronounce themselves on the possible activities in their firms in the years to come. This enables us to outline some defining features in the entrepreneurial behaviour.

A. Priority to the trade actions

A first group priorities of development is related to:

- adding a new product or service;
- selling in a new market;
- extending the channels of distribution;
- expanding promotional and advertising activities;
- research into new markets.

This group includes activities specific to the field of trade and, to a large extent, of marketing. whose existence is absolutely necessary but not sufficient for the development of a

firm. Entrepreneurs who did not set for themselves the listed activities as short or medium term objectives are to be found on an average in 81.5 % of the cases. It is a positive aspect proving that private businesses have integrated into the dynamism of the market economy, that their managers are aware that in order to set themselves in the market, to overcome competition, it is essential to expand their activities by adding new products. Likewise, the research into new markets with a view to identifying new outlets and advertising activity lead to superior economic achievements.

B. Stress on technical and computer endowment

Another group of priorities is related to funding for:

- replacement of present equipment - 58.7 %;
- acquisition of new equipment - 76.7 %;
- computer processing of running operations - 67.7 %;
- development of the informatic system - 62.5 %;
- adding new working floor space - 81.5 %.

The percentages above are relevant for the sharpness of the problems related to production equipment and floor space and computer endowment of firms. Their substantial expansion and improvement is essential for the development of firms. There is an ever better understanding of the fact that ensuring operative and relevant information and increasing the degree of substantiation of decisions and actions of their implementation depend in a decisive way on the informatic potential of the firm.

In this context, we stress the fact that about 62.5 % of the entrepreneurs opt for the development of the informatic system, which proves that there is already such endowment.

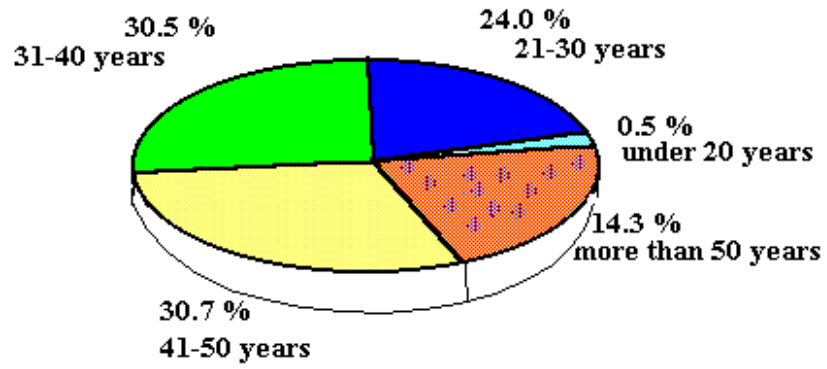
The option for renewing equipment is also caused by the fact that most of the entrepreneurs are convinced that their use is efficient and, on the other hand, that the financial achievements of the firm enable them to allocate funds for future development. The 41.3 % of the entrepreneurs who did not intend to replace their present computer equipment, was found in small firms, without large financial means and whose employers often have only secondary school education.

C. Problems of the human potential

Another major direction of development is related to the ensurance of superior human resources. The priorities in employing specialists and in the further training of employees were major in 75.5 % of the responses of the entrepreneurs. To this is added the search for specialists in consulting - 59.9 %. Such an orientation of entrepreneurs is edifying to the effect of accepting reality that in order to carry on superior activities and to achieve competitive economic results it is necessary to have a well - trained team. For this purpose, it is to be sure necessary to allocate considerable funds that will be recovered from the additional profits to the achievement of which they will contribute.

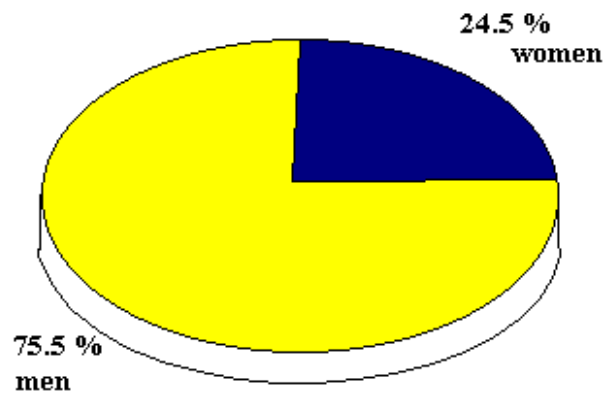
In conclusion, the interviewed entrepreneurs show a steady concern with carrying on multiple actions of development in the years to come and, what is also positive, within a multidimensional view: marketing, technology, informatic, systems, training and finances.

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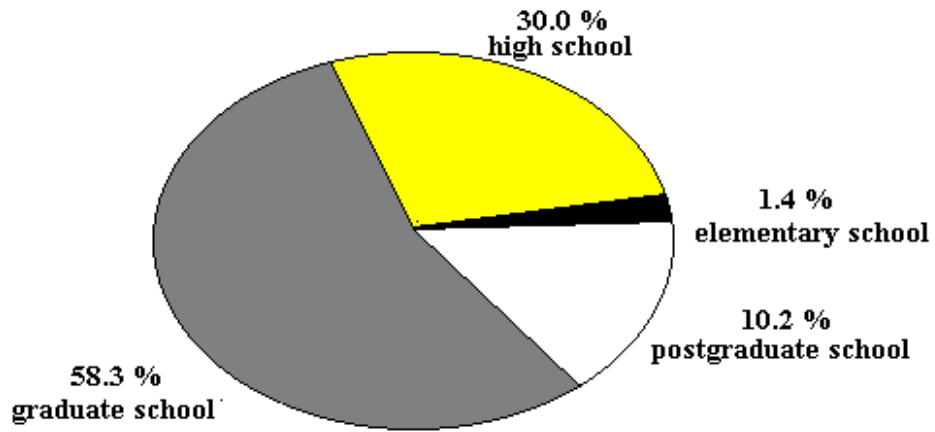
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SEX



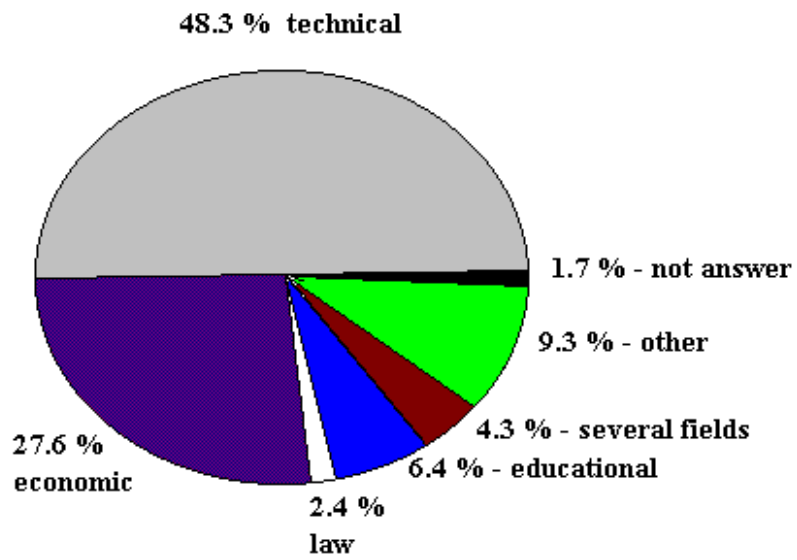
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TRAINING



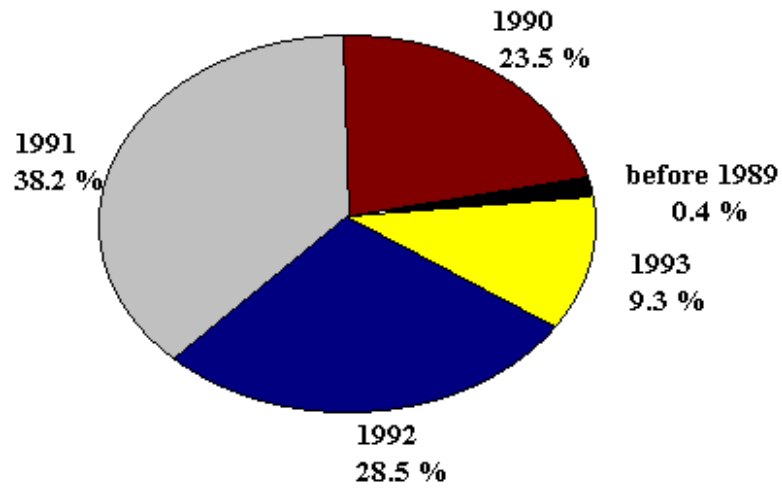
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EDUCATIONAL FIELDS



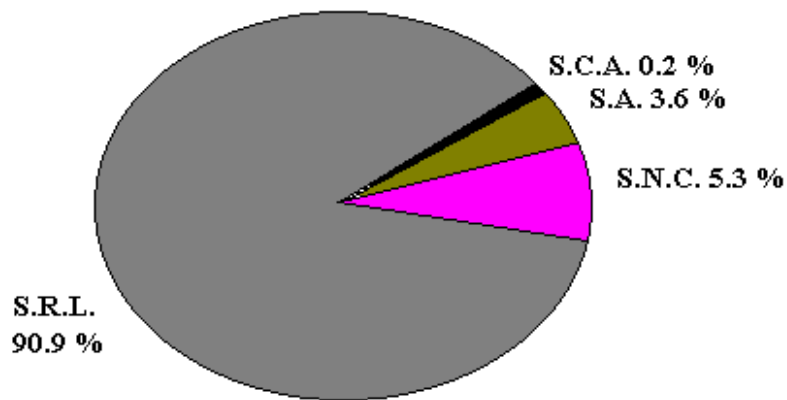
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BEGINING OF THE INVESTMENT



GRAFIC NO. 5

ENTREPRISE TYPE



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