

## **INTERDEPENDENCE OF ENTREPRENEURSHIP – ECONOMIC DEVELOPMENT**

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**ABSTRACT:** *The purpose of this paper, namely to inform about the entrepreneur's importance in the economic development of a country, is based upon the idea of occurrence and development of the entrepreneurial phenomenon and its implications regarding the person who makes the decision to become an entrepreneur and also on the scale and effects that this phenomenon may have on the development of a country and society in general. Thus, after a brief presentation of the qualities an entrepreneur must have we showed that these qualities are not restrictive and implicit for the development of a business, especially in this current dynamic economic environment and training is continuous and flexible. I also pointed out the importance entrepreneurial training has not only on the current or future entrepreneur but also upon the financial environment and on the education of future generations towards a pro-entrepreneurial attitude and even the formation of an entrepreneurial culture that has proved to be extremely beneficial for the development of the private economic activities within developing countries.*

**KEY WORDS:** *Entrepreneurship, Entrepreneur, Economic environment, Pro-entrepreneurial attitude.*

**JEL CLASSIFICATION:** *L21, L26.*

### **1. HISTORICAL LANDMARKS**

From historical point of view, an early form of entrepreneurship has been developed in conjunction with human evolution, so if at first there were problems of subsistence, later on the developments within the society linked entrepreneurial qualities to some specialized professional categories either in the agricultural sector, that of processing resources, or even in the field of construction.

Entrepreneurship started to be recognized during the reign of the French monarch Louis XIV who used to assert that "*the bourgeoisie and the handicraftsmen will become the source/generator of wealth*". Focusing on the relationship between

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work and capital, we can observe a significant change toward the end of the European Middle Ages, a historic moment for modern entrepreneurship being the year 1775 when in Europe, James Watt formed a partnership with Matthew Boulton for using the steam engine and in North America, during the American Revolution, the first American joint-stock corporation was hereby established.

The historic landmarks of entrepreneurship after this year are multiple and they point out outstanding entrepreneurs who generally are successful inventors who had a significant impact on the development of the company, Henry Ford, Thomas Edison or Bill Gates, being only three successful names of the inventor-entrepreneur correlation.

## **2. THE CONCEPT OF ENTREPRENEUR**

In Romania, during the centralized economy the entrepreneur was perceived as a person who, on the basis of contractual clauses and conditions, commits oneself to carry out various services in favour of another organization (industrial, construction, etc.) in exchange for a payment established in advance.

The term was used mainly in the construction field and the main contractor in this context had to contract with one or more sub-contractors part of the work for which the signed the agreement with the beneficiary.

Thus, due to the work contracted out, the contractual responsibility for the whole project falls with the main contractor who has the obligation towards the beneficiary to complete the task.

Even in the dictionary of the Romanian language the definition of “entrepreneur” shows that the word comes from French, meaning a person who undertakes a contract as opposed to a general vision presented in Romania by the entrepreneurial events and by the specialized literature of the past 5 years, whereby a contractor is a person who takes on tasks and is self motivated to carry them out.

The specialized literature presents several definitions of the concept, among which the most comprehensive is the one according to which the entrepreneur is the one who takes risks, innovates depending on the opportunities cropped up, gets and makes use of resources in order to produce and sell products and/or services required on the market (Burdus, et al., 2010).

Assimilated with this notion, the entrepreneur is a natural person or a legal entity who, individually or in cooperation with other authorized individuals or legal entities, sets up a company in order to carry out some tasks and trade activities which turn out profits from the provision of goods or services, from selling them on the market in terms of competition. (Law No. 133/1999 on stimulating private entrepreneurs to set up and develop small and medium-sized enterprises).

## **3. THE ROLE OF THE QUALITIES OF THE ENTREPRENEUR**

*The role of the entrepreneur* is to organize and coordinate the activities of a company in order to achieve a personal gain. He pays suppliers of materials, the rent for land, the salaries of employees; he manages all the capital required. What is more

important, the entrepreneur is the one who elaborates business development strategies, defines strategic objectives, supervises and evaluates their implementation. As Professor Howard Stevenson from Harvard University says, the entrepreneur pursues any business opportunity, beyond the resources in his possession or control. In addition, he 'involves' his personal initiative, talent and ability into planning, organizing and managing the company.

At macroeconomic level, the role of entrepreneurship is important as well and considering its size, in Kent writes in the Encyclopedia of Entrepreneurship that "turning out new products and technologies that best meet the consumer's demands and increasing productivity has been the most important force during the long and thorny history of human rising from an underdeveloped condition to prosperity".

Thus, in a world marked by changes, the globalization of businesses, the acceleration of the life cycle of businesses and products, the decentralization of production processes within small units, the development of the information society, the role of entrepreneurs is a particular one and the development of entrepreneurial skills is a must.

According to a synthesis made by Professor Vaduva S. (2004) both the quality and the quantity of entrepreneurial activities can be stimulated by a consistent investment in developing entrepreneurial qualities. Regardless of the field of activity or the level of professional training, the psychological profile of the contractor includes qualities such as:

1. **independence**, very much desired by entrepreneurs, perhaps the most valuable feature. Entrepreneurs like to be independent and to control situations. Many of those who decide to be entrepreneurs considers this management position one of the most important benefits of entrepreneurship (Crețu, & Daniliuc, 2012);
2. **self confidence** helps entrepreneurs to overcome inevitable problems, they are always positive and confident about the future of the business;
3. **perseverance and ambition**, two qualities that account for the success of entrepreneurs. They must make sustainable effort to reach the targeted goals knowing that success does not always come right away;
4. **discipline** is a requirement and a quality of the entrepreneur so that everything goes according to plan. Self-discipline helps entrepreneurs be professionals with effective solutions and results.

There are other important personality requirements that an entrepreneur must meet:

- **the entrepreneur is a good manager.** He must be able to bring together resources and to organize them in order to achieve the targeted goals. A good entrepreneur must make the correct decisions quickly and to keep him permanently updated with management issues and specifically human resource management issues. He is a successful leader and he always has a plan, a vision about a specific thing or situation;
- **the entrepreneur is an opportunist and an innovator** who can discern business opportunities, developing a new product, producing it or just placing it on the market. A good entrepreneur must know to develop

creative ideas. Creativity is present in every successful business and is a must. He is looking for opportunities or novelties, so as to better meet the demands or open new markets;

- **the entrepreneur is a 'player'** who loves and even creates challenges. Setting up a business or marketing innovations present a higher risk. Therefore, innovation means in fact uncertainty and this fact is proven by the difficulty of finding financial resources to start a business. The entrepreneur, as any player, has the idea that what he does will be a success and that the profit on the invested capital will be reasonable;
- **the entrepreneur is self-motivated**, the challenge is in fact one of his goals, and the success determined by the profit is the evidence of his good decisions/choices. The entrepreneur's motivation is the result of his ambition and perseverance, of his self confidence. The fact that he is willing to learn and to experiment at all times induces a positive attitude and thus he can encourage the people around him;
- **the entrepreneur is able to communicate**. On the one hand, his message must create a clear vision on the information submitted and on the other hand it is necessary to encourage communication within the company, both on the managerial level and in terms of communication between managers and employees. What is important, a really good leader avoids ambiguities and generalities, because these can lead to misunderstanding, to poor performance or even conflicts ([www.entrepreneur.com/article/227776](http://www.entrepreneur.com/article/227776)).

In a developed economy, the number of entrepreneurs is becoming bigger, a fact also revealed by both economic and social levers coordinated by the state and implemented for the stimulation of the business environment and by entrepreneurial capacities and the attitude of these people.

#### 4. THE INTERDEPENDENCE OF ENTREPRENEURSHIP AND THE LEVEL OF DEVELOPMENT OF A COUNTRY

From the entrepreneur's point of view, *the decision to set up his own company is influenced mostly by the following factors* (Vaduva, 2004):

- the existence of a valuable business idea and the size of the outlet market;
- the entrepreneur's culture;
- the extent to which the entrepreneur is willing to risk;
- the extent to which he capitalizes the business opportunities that arise;
- the support he can count on from his family, friends, business community;
- the example of teachers and successful entrepreneurs.

Thus, the entrepreneur's intention should be encouraged so that a growing number of people with different professional training would feel able to plan, set up and run their own business.

Entrepreneurial attitudes and perceptions influence the level of development of national economies. These attitudes must be educated and stimulated. In a country such as Romania, where the attitude towards entrepreneurs is a wrong one, the development

of the private sector development is not yet done according to the general principles and rules applicable in a capitalist country.

Business in Romania is still regarded as an illicit activity and the examples within the mass media come to reinforce these perceptions, to the detriment of so many examples of businesses and entrepreneurs who obviously represent the Romanian entrepreneurship not only in number but also in the volume of activity, number of employees etc.

The ruling out of some erroneous perceptions regarding the entrepreneurship must be made primarily by educating citizens and the younger generations. However, the paradox is that precisely those who should have an entrepreneurial education are the ones who distort the reality or create a negative image of it. Hereby we speak of entrepreneurial education in schools, colleges and even some universities of Economics within Romania. From this point forward up to the graduates' reluctance to start a business or to get involved in a political or social entrepreneurship there is just one step. The quantification of this phenomenon starts to have an impact upon macroeconomic indicators, as well.

According to Davidsson (1991) an important engine of national entrepreneurial capacity is how people perceive entrepreneurship. Initiatives to encourage entrepreneurship and the setting up and development of SMEs can be found within the economic development strategies in both developed countries and developing ones. The strategies for the development of small businesses and for stimulating entrepreneurship represent a "magic bullet" in trying to promote economic development and dynamism in a competitive global economy ([www.eoficial.ro](http://www.eoficial.ro)).

In this context, it is necessary that the entrepreneurial policies would be included in public policies and strategies, would be established based on a holistic approach with the effect of increasing the entrepreneurial capacity of the economy. On condition the biggest source of income for the State budget comes from private properties and in particular from private owned companies such an approach is necessary, and the tools used must be diversified and complex, they should start with the financial and entrepreneurial education of youngsters and clerks and continue with the stimulation of private operators by significant fiscal facilities.

Thus, there is no "magic bullet" the state could use, there are several policy instruments that can be used to promote entrepreneurship and economic development. Economies stimulated towards innovation and entrepreneurship require various types of entrepreneurial policies as compared to those stimulated by legal factors relating to the rule of law and property.

In addition to the essential role of the State in the development and implementation of tax strategies, or in starting programmes that support entrepreneurial activities, another important role is attributed to entrepreneurial education in schools. In conclusion, teaching pupils and students basic notions regarding the entrepreneurial activity is the teachers' duty and interest. At the same time, it is necessary to present a realistic picture of how private companies influence, through financial instruments the creation and implementation of the national budget and the labour market equilibrium. The importance of the entrepreneurial phenomenon in a country is huge and it stems from the effects it has on the economy of the country and on the welfare of its citizens.

## 5. STATISTICAL ABOUT SMES EVOLUTION

The European Commission aims to promote successful entrepreneurship and improve the business environment for SMEs, to allow them to realise their full potential in today's global economy. In Romania, nearly half (48%) people say that if they could choose between different kinds of jobs, they would prefer to be self-employed rather than be employed by a company. This compares with just 37% who express a preference for self-employment at EU level. About the same number of respondents (47%) in Romania say that they would prefer to be an employee – a result that is somewhat lower than the 58% of people who give this answer at EU level (European Commission, 2012).

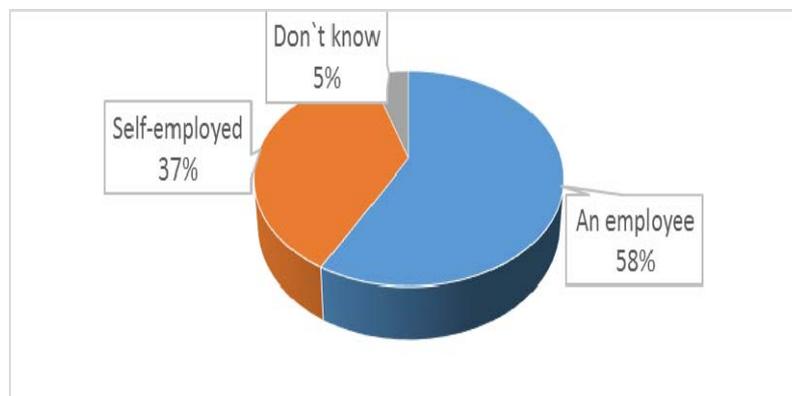


Figure 1. Preferences for entrepreneur in UE

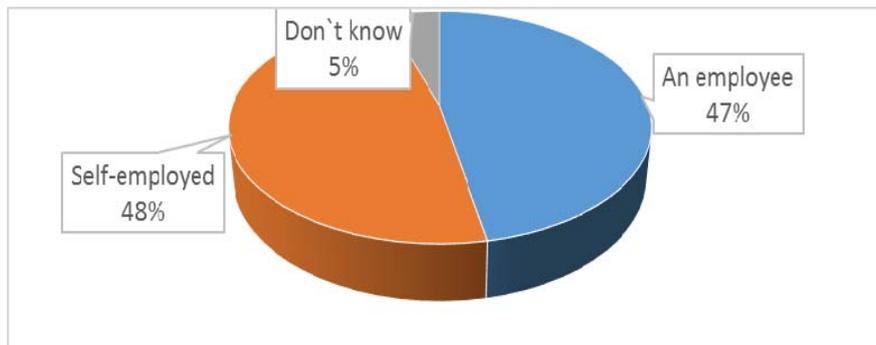


Figure 2. Preferences for entrepreneur in Romania

Employment in the private sector is mainly provided by small and medium sized enterprises (SMEs) in both industrialized and emerging economies.

The more than 20 million SMEs in the EU represent 99% of businesses, and are a key driver for economic growth, innovation, employment and social integration.

The statistics presented in Table 1 provides an overview of key indicators to SME sector in Romania in 2011.

**Table 1. SMEs in Romania**

	Number of enterprises			Employment		
	Romania		UE 27	Romania		UE 27
	Number	%	%	Number	%	%
Micro	464.659	88,5%	92,1%	1.075.822	24,4%	29,8%
Small	49.173	9,4%	6,6%	961.952	21,8%	20,4%
Medium	9.669	1,8%	1,1%	964.607	21,9%	16,8%
<b>SME</b>	<b>523.501</b>	<b>99,7%</b>	<b>99,8%</b>	<b>3.002.381</b>	<b>68,1%</b>	<b>66,9%</b>
Big	1.741	0,3%	0,2%	1.403.223	31,9%	33,1%
<b>Total</b>	<b>525.242</b>	<b>100%</b>	<b>100%</b>	<b>4.405.604</b>	<b>100%</b>	<b>100%</b>

Source: European Commission, Romania – SBA Fact Sheet, 2010/11

In terms of numbers, 99.7% of Romanian enterprises operating in the SME sector, and this percentage is almost identical to the average for the European Union - 99.8%. Regarding distribution by size class, most SMEs in Romania fall into the category of micro, which lies a percentage of 88.5% of the total, compared to an average of 92.1% of the Union.

**Table 2. Active economic and social operators of national economy, by size class in Romania in 2011**

Economic and social operators type (CANE Rev.2 sections)	of which: by size class, according to employees number				Total
	0-9	10-49	50-249	250 -	
Enterprises	394091	47790	8640	1650	452171
Agricultural holdings	12853	2066	205	28	15152
Enterprises from industry, construction, trade and other services	375479	45221	8335	1573	430608
Financial and insurance companies	5759	503	100	49	6411
Public administration	2675	6534	3716	475	13400
Private administration	81143	1793	261	25	83222
Private entrepreneurs	280377	-	-	-	280377
Total	758286	56117	12617	2150	829170

Source: Annual Statistical, Romania, 2011, [www.insse.ro](http://www.insse.ro)

The total number of SME's in Romania is 464.659. In the map presented above it can be seen that Bucharest alone represents approximately 20% of the total of companies listed with a number of 76.355 companies followed by Cluj with 4.3% with a number of 17.409 companies and Constanta with 4.1 % with 16.637 companies.

## 6. CONCLUSIONS

The SMEs have an essential role in the Romanian economy. They represent a source of entrepreneurial activities, innovation and have a job generator role. Some

solutions to sustain the activity of the SME sector, which is without a doubt the most important sector in the Romanian economy, but is never considered as such are: defrosting crediting for financing SME's; a large number of fiscal facilities meant to ease up the financial situation of SME's; decreasing social contribution percent age; facilitating crediting, guaranteed by the state etc.

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