

Chapter 3: Entrepreneurship

Promoting of the entrepreneurial culture represents one of the main strategic directions for developing SMEs sector in Romania. The most relevant measures that the Romanian Government has in view, in this respect, are:

- supporting training programmes for entrepreneurship developing;
- supporting the access of start-ups to consulting services;
- improving the managerial training by introduction of curricula with entrepreneurial courses in high schools and universities;
- involving mass media in promoting the positive image of entrepreneurs and of business success stories;
- organizing the National Top of SMEs.

The National Agency for SMEs and Co-operatives has paid increasing attention to promoting and supporting vocational education and training for the development of managerial and entrepreneurial skills. This private initiative could represent a career option for large numbers of young people of various educational levels if an entrepreneurial culture is developed in Romania.

3.1 Creation of an entrepreneurial culture

The achievements reached through the process of revision of education and curriculum aimed at facilitating the assimilation of the necessary entrepreneurial skills in order to guide the professional orientation of young people towards the establishment of businesses.

3.1.1 Primary and secondary education

In order to contribute to the consolidation of the scholar curricula for different educational levels (primary, secondary and university), NASMEC carried out, with the support of the Phare technical assistance programme, a set of studies focused on both the assessment of the current situation, and on making

recommendations for the improvement of the scholar curriculum. Some learning modules, exercises, games and methodological guidebooks were also prepared under the programme.

Entrepreneurial education is part of the compulsory educational curriculum in primary schools (a module within the technological education class) and in the 10th class plus the inferior cycle in high school. As a consequence, in the elementary school and in the lower secondary school - classes 9th and 10th, the educational offer includes technological education. In technical and vocational schools, entrepreneurial training continues in the superior secondary education.

As a result of the major findings of the studies carried out by NASMEC, the main problems to be approached are:

- Drafting a proposal for extracurricular activities in primary education (classes 1 to 4), based on an integrated system of games and simulations focused on the following areas:
- Personal skills development, such as creativity, initiative, self-confidence, responsibility and risk taking.
- The development of understanding about existing businesses offering day-to-day products and services.
- The development of ideas about potential businesses or activities that could be carried out independently, also in terms of the identification of potential customers

An alternative proposal for extracurricular activities is however needed for the secondary level (namely classes 6 and 7), which could be more complex in terms of cognitive skills and in accordance to the interests of this age category.

3.1.2 Entrepreneurship at the University

One may assess that entrepreneurial education in universities is a less systematic process than in pre-university education. Also, the initiatives and actions taken in

entrepreneurship in Romanian universities are lower and less systematic than in EU member states; which have created entrepreneurship departments (Belgium); developed entrepreneurship master programmes (Denmark); created entrepreneurship development centres encouraging the establishment of enterprises resulted from students' projects, etc. (Great Britain).

Although significant progress was recorded in the process of entrepreneurial education restructuring and adapting to new labour market demands, NASMEC considers that the following issues still need to be appropriately addressed:

- The management of change: universities should establish specialized departments playing the leading role in the assessment of different options to introduce entrepreneurial modules in the curriculum;
- New modules: in addition to a general Business Management course, and with a view to preparing for the start-up of enterprises, modules should be introduced on SME Management and other optional courses. The Faculty should train managers who are able to run other people's businesses, but also capable and determined persons to start-up their own businesses by establishing new enterprises. On the other hand, the introduction in universities, at a Master level, of a module on Commercial and Enterprise Technology would be recommended.
- University and the business community: universities should also introduce entrepreneurship ideas in all activity fields such as research; consulting; technological transfer; communication network building and promotion; as well as by the development of business incubators and scientific and technological parks, offering the necessary infrastructure to students and teachers. The creation of spin-offs to disseminate the results of research and innovation should be supported. Creating bridges between the university, the research community, and the sphere of private enterprises is also essential.

In the formal education system, as optional curriculum, students may gather the opportunity to acquire the entrepreneurial spirit within the projects developed in partnership with Junior Achievement Romania (see box below).

Box 3.a Junior Achievement Romania

It is part of Junior Achievement Worldwide, US and Junior Achievement -Young Enterprise Europe. Junior Achievement is active in 112 countries worldwide. Local, regional and multinational companies recognize the need for market economics education and support the quality of the Junior Achievement programmes.

Junior Achievement-Young Enterprise (JA-YE) programs have been offered in Romania since 1993. All programs have been translated and adapted, are available in Romanian and are implemented according to the agreement signed with the Romanian Ministry of Education, Research and Youth. By 2003, more than 250,000 students attended JA-YE programmes. JA Romania strategic plan, ACCESS TO SUCCESS, is to reach at least one in four Romanian students by 2005. JA Romania provides training, materials, service and technical support to the schools that have chosen to implement JA programmes as optional curriculum. Romanian JA students benefit from "Junior Achievers" scholarships and participate every year at International Student Conferences, Contests and Trade Fairs.

Mission Statement: *JA Romania aims to serve all schools that develop and implement economic education programmes for young people through a partnership between business and education.*

Target groups: *Students and young people*

Activities performed: *JA programmes are helping students to gain an understanding of:*

- *The importance of market-driven economies*
- *The role of business in a global economy*
- *The commitment of business to environmental and social issues*
- *The commitment of business to operate in an ethical manner*
- *The relevance of education in the workplace*
- *The impact of economics on their future*

Current training programmes: *JA programmes currently running in Romania:*

- *a,b,c- economy : - Me and My World (Elementary School Programmes)
Ourselves, Our Families, Our Community, Our City
- ABC of Business (Middle Grade Programmes) Personal*

Economics, Enterprise in Action

- **d-economy:** - **Business World** (High School and University Programmes)
Student Company, Applied Economics, Business Ethics, Stock Market
 - **Connections** (High School and University Programmes)
Success Skills, Workplace Internships, To be leader!
 - **Business Class** (Programmes in English) GLOBE, Student Company, YE Cambridge Examination,
 - **Fundamentals of a Market Economy** (University & Adults Programmes)
 - **Economics for Leaders** (University & Adults Programmes) My Money Business
- **e- economy:** - **Management and Strategy Games**, CAPS (Middle Grade Programmes), MESE, BIA (High School and University Programmes) SMG (High School and University Programmes)
 - **Web Based Programmes** (High School and University Programmes), Tourism & Travel Business, Student Company, Global Business Ethics

3.1.3 The Vocational Education Training system

However, mass investments in higher education, restructuring in such a way as to include the elements of successful entrepreneurial development, would not bring short or medium term results, and therefore it is assessed that they would not impact on labour productivity. In return, investments focused on adult training and vocational education would effectively contribute to entrepreneurial culture propagation and to the development of the skills needed to run small-scale businesses.

One may appreciate this approach as having certain results upon both the increase of labour productivity and the behavioural adjustment necessary to promote entrepreneurial culture. The results are foreseeable on the short-term, and they ensure an employment structure in relation to professional training levels similar to that of new and old Member States. Moreover, it is appreciated that this type of approach would impact at macro level, by being able to lead to the maintenance of a controlled unemployment rate even under the circumstances of a progressive employment reduction in agriculture - a condition

imposed under the perspective of European integration, and nevertheless a worldwide registered trend.

The reform of the Vocational Education Training (VET) system, regarded as a continuum process in Romania, paid special attention to an improvement of the cooperation between companies and the business community, and for meeting individual training needs. The new curriculum for the VET system introduced innovations with an emphasis on the *development of a new educational methodology focused on the student and on the individualization of the supply*. The new curriculum model focuses on professional skills, regardless of the background qualifications, is promoting the improvement of the capacity of adaptability to labour market as well as the entrepreneurial spirit. Entrepreneurial education is approached as part of the cross-cutting skills and emphasized in consequence in the policy documents on curriculum design. These circumstances require inter-institutional collaboration between NASMEC and the Ministry of Education and Research¹.

¹ Between December 2003 and November 2004 period, NASMEC benefits by the Technical Assistance Project RO0108.01 - „Institutional building”, PHARE Fiche 2001. Within Task 4 - Entrepreneurship development, a systemic landing in the detailed analysis of the entrepreneurial education in Romania, structured on primary, secondary, tertiary and university education was realised.

NASMEC organised meetings with the responsible factors in developing entrepreneurial education in Romania: Ministry of Education and Research, National Council for Curriculum, National Agency for professional Training of Adults, National Centre for Developing Professional and Technical Education, School Inspectorate of Bucharest, Romanian Centre for Economic Education, Institute of Education Sciences, Centre of Psycho pedagogical Assistance Bucharest, Bucharest Polytechnic University, National College "Mihai Viteazu", Economic College "Nicolae Kretzulescu", Technical College "Dimitrie Leonida", National Agency for Employment, Chamber of Commerce and Industry of Romania and Bucharest, National Council of Private Small and Medium-sized Enterprises, Romanian National Employers, General Union of Industrialists - UGIR 1903, Agency of Regional Development Bucharest Ilfov;

On 10.06.2004, an interactive and especially constructive workshop was organised at NASMEC headquarters, together with the main factors involved in developing tertiary education in Romania with the theme: *"Introduction of modules for stimulating entrepreneurial spirit in Romania"*;

Also in June 2004, a seminary with the theme *"Entrepreneurship at Higher Education and Bologna Declaration"* was organised at Polytechnic University of Bucharest, occasion with which the entrepreneurial education model realised by Ljubljana University from Slovenia was presented. With the same occasion, it was agreed, that the entrepreneurial education has a certain specificity and the teacher must to become a real trainer, being closer to students and developing interactive and attractive activities with many case studies, applications, games, exercises that give to the student complete liberty of affirmation and really stimulate the free initiatives;

3.2 Other actions to promote an entrepreneurial culture

Other actions have been designed to complement the promotion of entrepreneurship skills in the education system. Namely, the Romanian Government, through NASMEC, has been active in the training of potential new entrepreneurs and the support of consultancy services.

Indeed, besides the actions taken for the introduction of entrepreneurial education in the compulsory curriculum of the formal education system, NASMEC launched or participated in a set of initiatives for promoting entrepreneurship amongst young people. In 2003, the budget allocated for youth purposes financed local actions that aimed to stimulate young people's creativity, especially the technical and scientific areas. The newest programme focused on young people, START, was launched in September 2004 (see box below).

Several proposals were prepared by foreign and Romanian experts on the development of entrepreneurial education in the primary, secondary, tertiary and university education in Romania;

An *"Assessment and Certification in Modular Competence Based Curriculum"* was prepared on July 2004, and the brochure *"Business consultant guide"* was edited in September 2004, with the support of international experts from the Project.

The initiatives of the Ministry of Education and Research regarding the education and training of entrepreneurs materialized as follows:

- Preparation of normative regulations concerning the inclusion of entrepreneurship notions in the basic curriculum of the educational system;
- Edition of alternative textbooks;
- Further participation in the ECO-NET Programme through: revising the legislative framework, organizing seminars for disseminating the concept of "training firm" (for professors teaching economic disciplines and for headmasters), including seven schools in this Programme; partnership between M.E.R. and the Romanian Centre for Economic Education

Box 3.b START Programme for Young People

The programme for entrepreneurial skills development of young people under the education process, and supporting access to finance for business plans prepared by them.

Objectives: *promotion of an educational system aimed at facilitating youth mobility within the labour market as well as entrepreneurial skills' development of youth. This programme is aligned with the specific chapter of the National Development Plan (NDP).*

Programme's activities:

The programme will be developed in two stages:

1st stage: training in entrepreneurship development for targeted beneficiaries;

2nd stage: financing the first 100 business plans selected by a competitive process and providing micro-credits on advantageous terms through the Romanian Commercial Bank (BCR).

The training courses, which consist of several training modules, will be organized in several regions of the country: Bucharest, Braşov, Constanţa, Craiova, Iaşi and Timişoara. The final goal of the training course is to provide the participants with the required knowledge and skills to be able to prepare a business plan, which is going to be submitted to a contest of projects subject for further financing.

It is envisaged that 600 young people will be trained under the START programme.

NASMEC assiduously promoted the development and implementation of assistance and training programmes for existing or potential entrepreneurs. Below are listed some of the most relevant programmes which were managed by NASMEC in the reference period of this Report, namely:

- a. EMPRETEC (private initiative support);
- b. The programme for enterprises and entrepreneurial development, focused on SMEs;
- c. The National Programme UNDP / NASMEC - establishment and development of business incubators;
- d. The programme for the organization for the Fair of SMEs - TIMM;

- e. The programme for upgrading the quality assurance level in SMEs in the horizontal auto industry and the reorganization of a supply network

One of the most comprehensive and successful programmes is EMPRETEC. This is an international programme for the development and support of entrepreneurs. The programme is developed under the aegis of the United Nations Conference on Trade and Development (UNCTAD) and is operational in over 30 countries from North America, South America, Africa, Asia and Middle East. Romania is the first European country where this programme has been implemented. NASMEC was involved in EMPRETEC as UNCTAD's partner and co-financer of the programme.

117 persons participated in the EMPRETEC training courses organized in 2003, of which 56% were women, either company owners or employees of firms with potential for export. In terms of trainees' residence, 30% were from Bucharest and 70% from outside the rest of the country. The trainees came from different industrial sectors (orthopaedic products, IT -including web design- electric power distribution, machine building, tools, textiles, office supplies, printing houses, agricultural tools, synthetic fibres, plastics, shoes, pottery and glass, auto spare parts, constructions, wine export, paints production, furniture, wood processing, cosmetics, paper and cellulose, pipe production, aircraft industry, electrical engines and apparatus and) and the service sector (tourism, trade, transport, training and consulting, interior decorations/design, financial services and real estate (see box below).

Box 3.c The EMPRETEC Programme in Romania

Rationale

It is well known that entrepreneurs have critical roles in the development of an economy. They are recognized as the agents needed to mobilize capital, to add value concerning natural resources, the production of necessary goods and services, new jobs creation and trade means development. The role of the entrepreneur was succinctly described through the saying "no entrepreneurs, no development".

Objectives

EMPRETEC is an international programme for the development and support of entrepreneurs. The programme is developed under the aegis of the United Nations Conference on Trade and Development (UNCTAD) and is operational in over 30 countries from North America, South America, Africa, Asia and Middle East. Romania is the first European country where this programme is implemented. The National Agency for Small and Medium Enterprises and Cooperation (NASMEC) was involved in EMPRETEC as UNCTAD's partner and co-financer of the programme.

Expected results:

- Identification of potential entrepreneurs.
- Development of their business capacity and potential.
- Quality consultancy and support for the growth of productivity and competitiveness.
- Development of modern business techniques.
- Encouragement of an exchange of experience and the development of both local and international relations.
- Support in establishing business partnerships with companies around the world. Exports development.
- Assistance and support for entrepreneurs in obtaining finance for development and investment projects.

Target group and beneficiaries

EMPRETEC is designed for current or potential (future) entrepreneurs, including experts from public or private organizations deemed to behave as entrepreneurs. The envisaged targets are:

- Entrepreneurs from the private sector, especially SMEs
- Public sector, public clerks.
- Start-up businesses.
- Business initiatives of women.
- Experts, consultants, educational institutes.

Activities

EMPRETEC Programme develops the following main types of activities:

- Courses for personal development.
- Consulting services for business development.
- Services for supporting entrepreneurs in accessing finance and in export development.
- Building local capacity through training local trainers.

The experience achieved to date proves that basic education in entrepreneurship, and further entrepreneurship development training have to be coupled with the availability of appropriate and continuous business consultancy. In Romania, the activity of Business Centres is not widely recognized, and the existence of specialized Business Consultants is relatively rare. To date, there have been initiatives to create and develop business assistance centres across the country. A list of business development and consulting organizations based on the availability of data on various websites is presented in Annex 3. Although the list is quite comprehensive, it is far from exhaustive and there is no indication about the quality of the services delivered. In the view of NASMEC, a market-driven accreditation process would be required to assure the implementation of the quality control and monitoring measures.

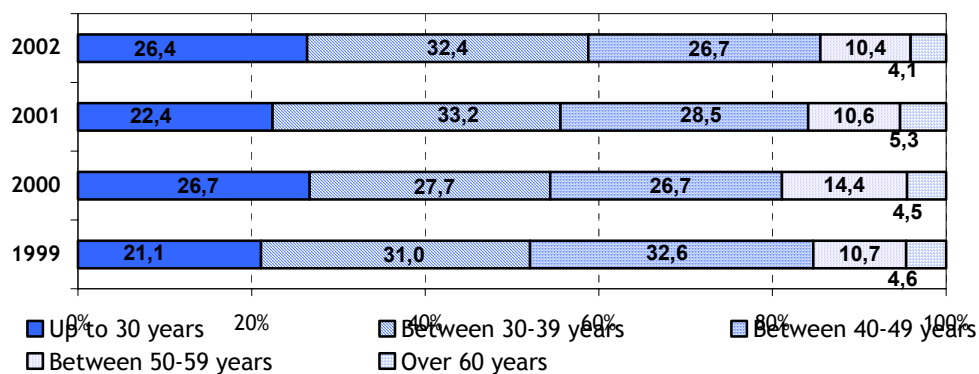
In order to support both those involved in consulting activities, and the SMEs who benefit from these services, NASMEC has disseminated (again under the Phare programme), a set of informative guides. As an example, a "Personal Business Advisor" Manual has been prepared in such a way that it can be used as a

reference work for experienced business advisers and as a training tool for new, or for less experienced ones.

3.3. The entrepreneur's profile

The annual qualitative research "New enterprises and entrepreneur's profile in Romania" carried out and published by the National Statistical Institute (June 2004) establishes a profile for Romanian entrepreneurs. Romanian entrepreneurs are young, two-thirds are men, have secondary or higher educational level, and were former workers.

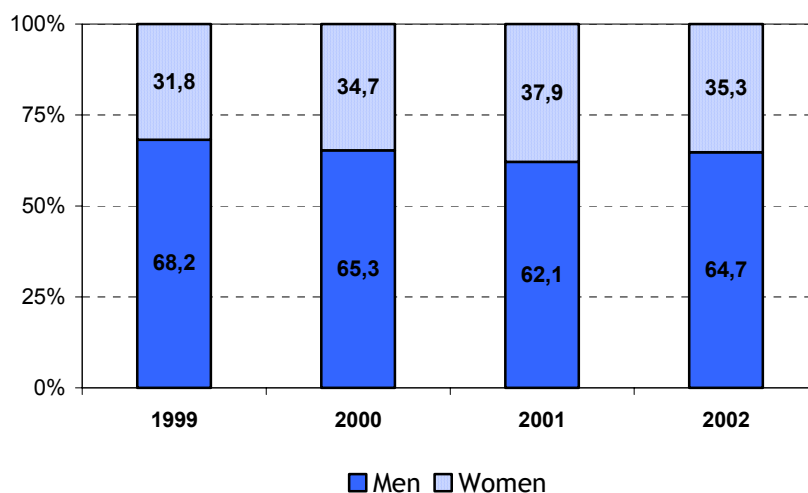
Figure 3.a. Distribution of newly established active enterprises, by age of the founder / manager (1999-2002)



Source: NIS, 2004 - New enterprises and entrepreneur's profile in Romania.

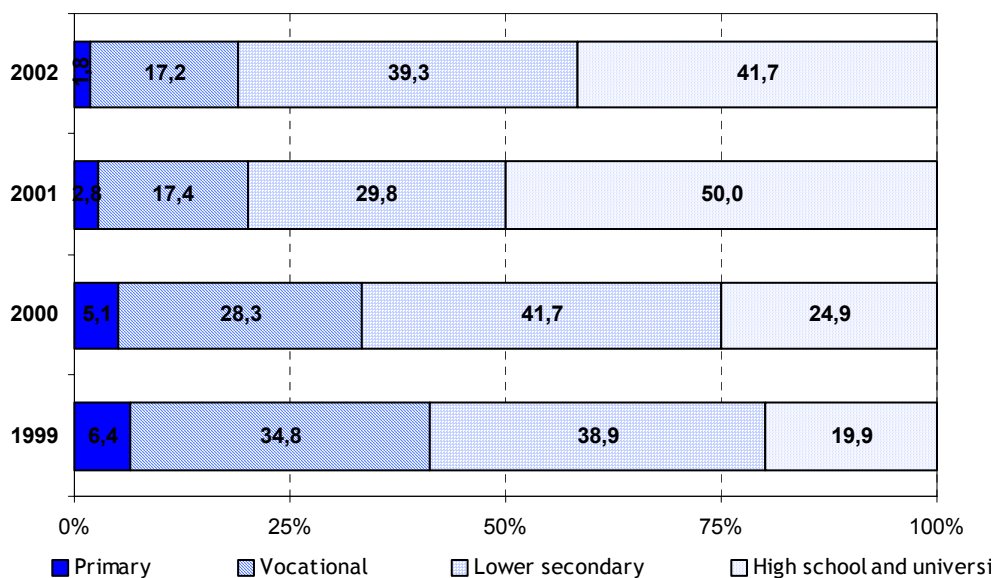
According to the evolution of the distribution of the age of new enterprises' founders, one may notice the trend towards younger entrepreneurs: the share of young founders -up to 30 years of age increase (from 21.1% in 1999 to 26.4% in 2002), as well as the proportion of new entrepreneurs aged between 30-39 years (from 31% in 1999 to 32.4% in 2002). The involvement of governmental institutions and NGOs has been sensed in this period and is continued through the creation of some programmes for entrepreneurial training; entrepreneurial culture awareness and propagation amongst young graduates; through the development of programmes to support young people in initiating a business; and through facilities granted to students willing to start-up a business.

Figure 3.b. Distribution of newly established active enterprises, by gender of the founder / manager (1999-2002).



Only 35.3% of new enterprises' founders or managers are women, slightly fluctuating in the last years around that proportion. Efforts have to be made for encouraging and assisting women in initiating businesses.

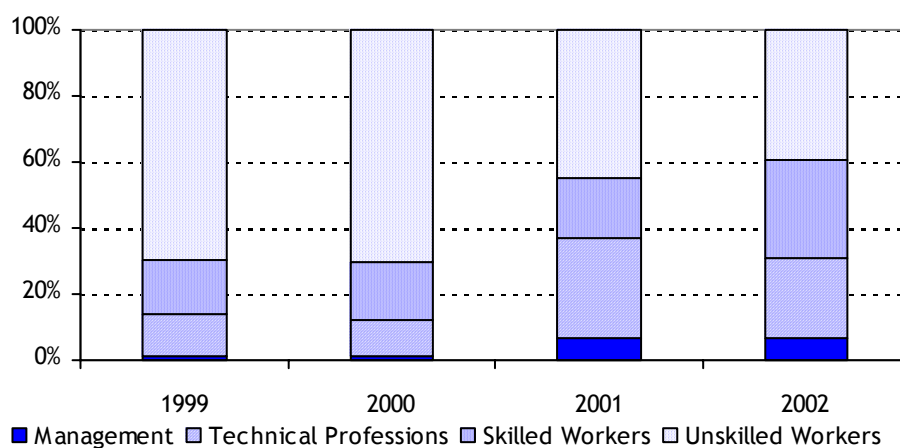
Figure 3.c Distribution of newly established active enterprises, by educational background of the founder / manager (1999-2002)



Source: NIS, 2004 - New enterprises and entrepreneur's profile in Romania

In 2002, less than 42% of new enterprises' founders had high school or university studies. However, it should be noticed that, though oscillating, the share of high school and university graduates is growing - as it gained 21.8% in three years. Correspondingly, the shares of vocational and primary education graduates are in a continuous decline, whilst the percentage of lower secondary education graduates is oscillating around 39%.

Figure 3.d. Distribution of newly established active enterprises, by the professional category of the founder / manager (1999-2002).



Source: NIS, 2004 - *New enterprises and entrepreneur's profile in Romania*, (Data for 1999-2000 include only natural personas and family associations)

Although in 2002 the large majority (69%) of individuals that established new enterprises were former skilled or unskilled workers, while observing the time evolution by professional category of the founders one may notice favourable structural changes: significant - though oscillatory - increases in the shares of founders having a technical professional background or that formerly were in management positions. Also, the substantial reduction in the unskilled workers' share in the number of new entrepreneurs - with more than 30% in three years - accompanied by the growth of the shares of founders who were formerly skilled workers or having a technical background, points towards the impact of programmes aiming both at raising the professional qualification or training level of the workforce, and at encouraging and supporting potential entrepreneurs in initiating a new business.

A modal profile of the founder or manager of a new enterprise may be then sketched out as it follows: a man, up to 40 years old, a former worker and graduate of a lower secondary school. Trends of change point towards younger entrepreneurs, a stable proportion of women at slightly more than one third, with a higher education level.

3.4. SMEs Membership of Associations

In this framework, another issue related to entrepreneurial culture and social responsibility is SMEs membership of Associations. The Constitution of Romania guarantees the freedom and right to association and in the period 2000-2004 the Government was equally interested in promoting through its governance act both the consultation of tripartite associative structures representing the employers' associations and trade unions (e.g. The Economic and Social Council) in compliance with the law, and other types of partnerships with the private sector on certain problems. Nevertheless, public-private partnership development in preparing and promoting the strategy for the SME sector was also considered in the NASMEC's approach. Taking into account the afore mentioned reasons, within the survey conducted during April-June 2004, NASMEC has also studied a set of issues related to SMEs membership in the different associative structures: employers associations, chambers of commerce and industry, professional associations, trade associations, as well as in other informal, non-institutionalized associations such as business clubs or networks for collaboration and information exchange.

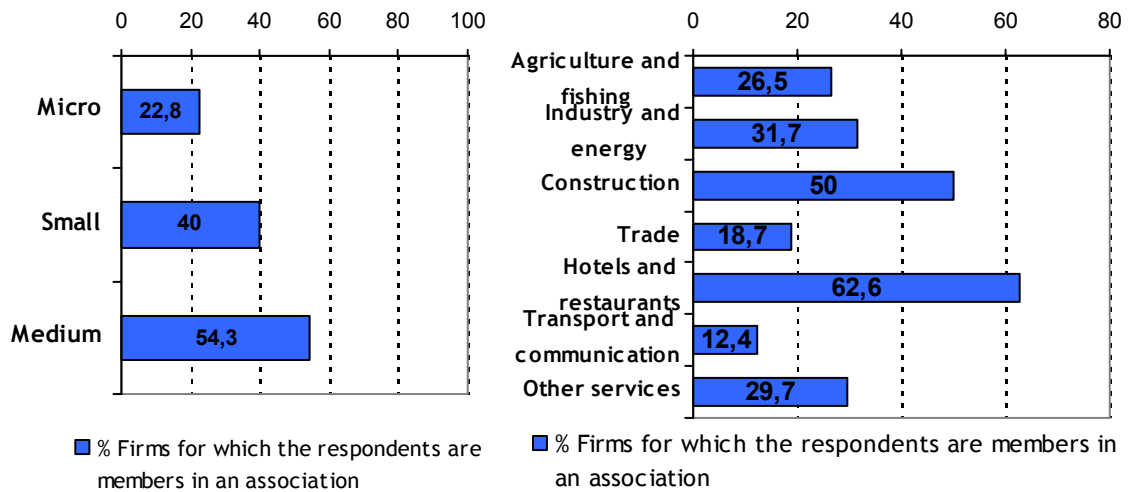
Related to SMEs' involvement and membership, the afore-mentioned survey reveals the following findings:

- 25.3% of the respondents were members of an association (either employers, or chamber of commerce, or professional association, etc.). SMEs' membership of business associations is much stronger in the sectors "hotels and restaurants" (62.6%) and in construction (twice the average). Transport,

communications and the trade sectors had the lowest number of SMEs is members in business associations, namely 12.4% and respectively 18.7%.

- As the size of enterprises grows, it is noticeable that they become more interested in business association membership. Thus, only 22.8% of micro-enterprises stated that they were members of an association, whilst over 54% of medium-sized enterprises are members.

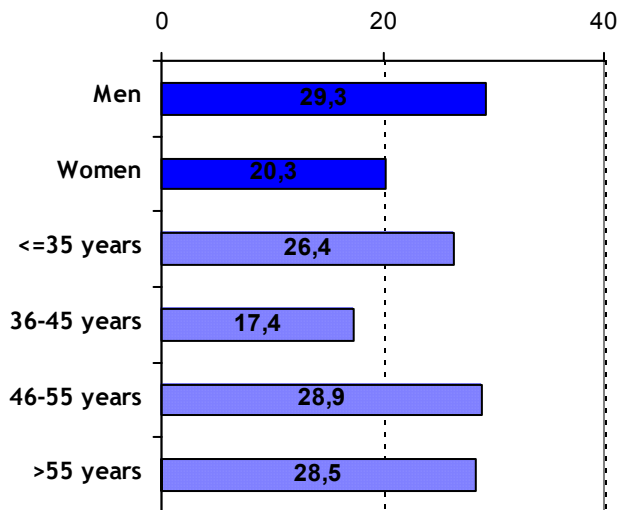
Figure 3.4.a Structure of associations' members



Source:NASMEC Survey, 2004

- There are noticeable differences by gender in terms of interest in participating in associations, namely a larger interest in the case of men. Significant differences were also signaled by age categories, as owners aged 36 to 45 years had the lowest participation in business associations (17.4%), whilst the participation of older people was above the total SME average.

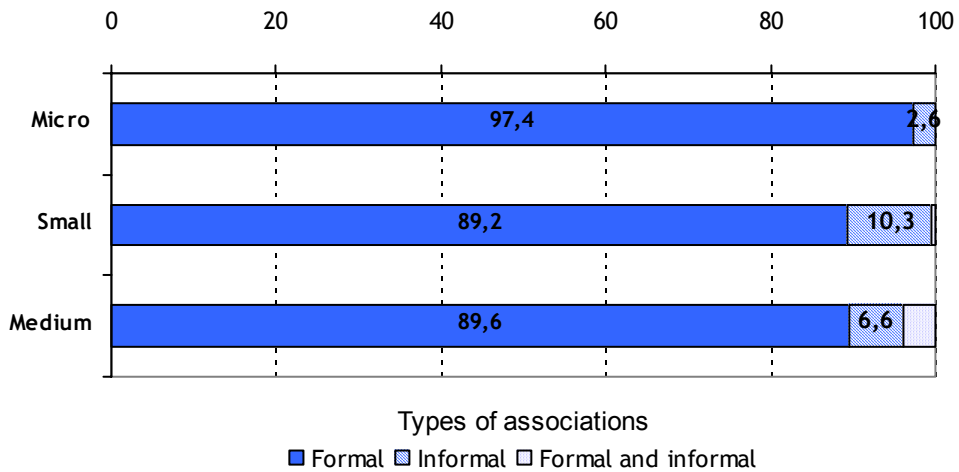
Figure 3.4.b Structure of the business associations' members on gender and age



Source:NASMEC Survey, June 2004

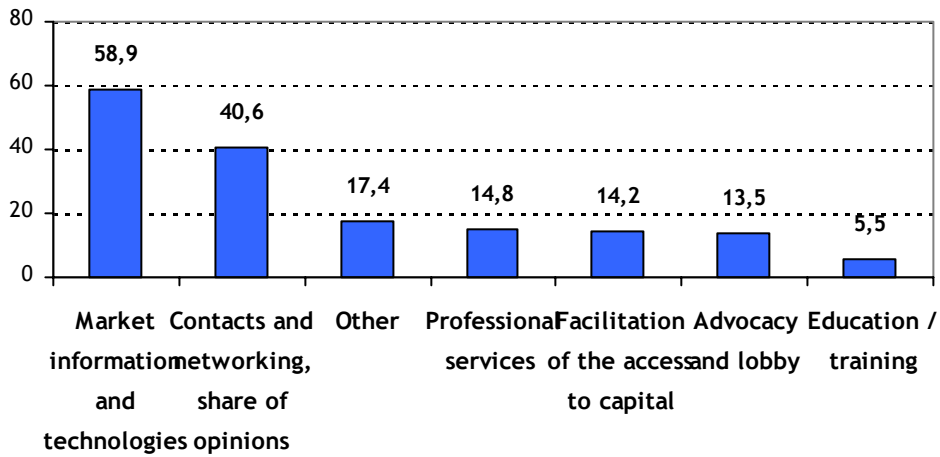
- Almost all firms (95.7%) that are members of associations participate in formal associations registered as independent legal entities. Participation in informal business associations such as business clubs or networks is much lower. For the informal one, a larger interest can be noticed from SMEs operating in industry (15%). The membership in a formal business association does not vary significantly by size categories. Nevertheless, the membership options' search shows no major differences by age categories and gender.

Figure 3.4.c Types of associations on size categories



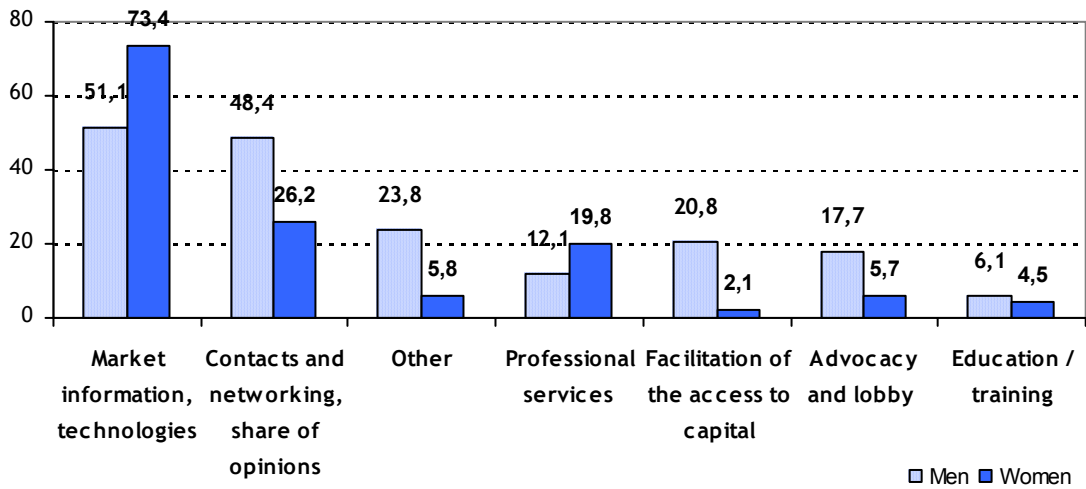
- SMEs which were members of a business association had multiple expectations to be met. On top is placed their desire to gain more and better market information as well as information about legislation and technologies (58.9%). This was followed by their desire to benefit from business contacts and a sharing of experiences (40.6%). Far away but on close levels, the respondents interviewed were interested in receiving professional services, to facilitate their access to finance, as well as to be supported in advocating their interest in relationship with the public authorities.

Figure 3.4.d Members' expectations regarding the associations



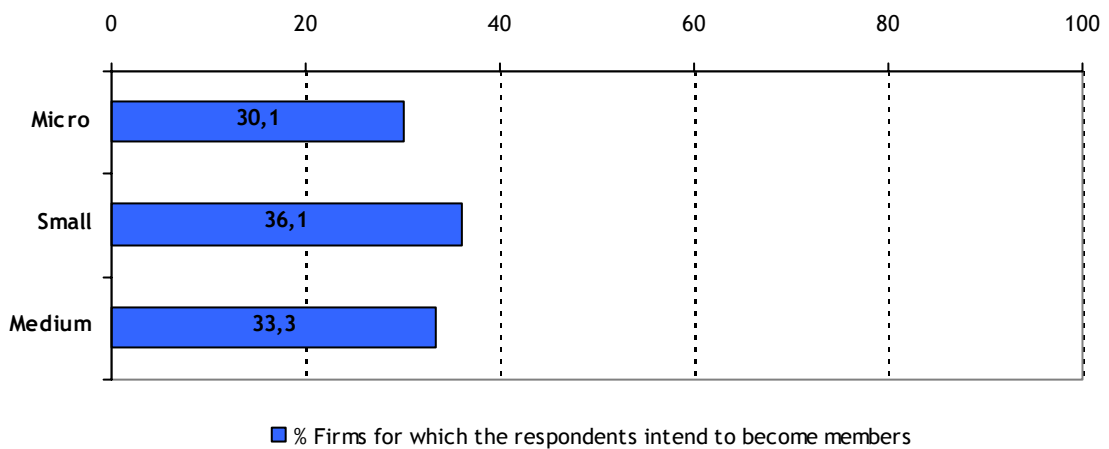
- By size class the most significant difference has been occurred between medium-sized and micro enterprises in terms of their need of representation in relations with public authorities. Thus, medium-sized enterprises were much more interested than the other categories in advocacy and lobbying.
- Without significant changes in the hierarchy of expectations by gender, however men that are members in associations were more interested in networking, a sharing of views, and business contacts, whilst businesswomen have shown an increased interest in receiving market information etc. Male entrepreneurs' expectations were also higher than the average with regard to advocacy and lobby. They were also very much concerned about the facilitation of an increased access to finance.

Figure 3.4.e Members' expectations regarding the associations on gender



- With regard to SMEs that were not members of an association at the time when the survey was conducted, only 30.7% of them were interested in become members in near future. The survey findings do not show significant differences by size categories. In return, by sector of activity, a slightly higher interest of the entrepreneurs doing business in other services (34.1%) and much lower in the case of those acting in hotels and restaurants industry (4.1%) can be observed. By age and gender categories, the differences do not vary greatly.

Figure 3.4.f Distribution on size categories of the companies that intend to become members of associations



Source: NASMEC Survey, June 2004