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CONTENTS

- I. Mathijs HAMMER: EXPLORING THE PREVENTION MEASURES FOR PREMATURE NEGATIVE ENTREPRENEURIAL EXIT?**
- II. Kornelia LAZANYI: ENTREPRENEURIAL SKILLS AND COMPETENCIES OF STUDENTS AT ÓBUDA UNIVERSITY**
- III. Ferenc KATONA: EXAMINATION OF MARKETING ACTIVITIES OF SMALL BUSINESSES IN HUNGARY**
- IV. Monica VOICU & Mircea MANIU: SME'S INTERNATIONALIZATION - DRIVERS AND BARRIERS: THE CASE OF THE ROMANIAN ECONOMY**
- V. Veronica MATEESCU: PERSPECTIVES ON SOCIAL ENTREPRENEURSHIP IN ROMANIA**
- VI. Florin DUMA: PROMOTING THE ENTREPRENEURSHIP EDUCATION IN EUROPE**

EXPLORING THE PREVENTION MEASURES FOR PREMATURATY NEGATIVE ENTREPRENEURIAL EXIT?

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Research interest: The general focus of the research is on creating and stimulating more entrepreneurship among innovative students. More specific the focus is on entrepreneurial exit, entrepreneurial behaviour and entrepreneurship education, where cognitive mapping and psychological cognitive prototyping are revered research methodologies.

***Abstract:** In the last decade, directed from the European Union, entrepreneurship and entrepreneurship education became a main topic on both, political and strategic managerial agenda's. Despite the enormous effort and money invested, the failure rate of starting entrepreneurs seems to be stable. Next to an increase of starting entrepreneurs, more young people are faced with the trauma of an entrepreneurial failure. This paper want to explore the causes of a negative entrepreneurial outcome an the possibilities to prevent from this.*

Keywords: Entrepreneurial exit, Entrepreneurship education, Cognitive mapping

1. Introduction

Running a business or enterprise, is a phenomenon that exists for millennia. Evidence of the exchange of values between persons or parties can be found before Christ. Nevertheless it was Joseph Schumpeter (1934) who in the early of the last century pronounced a positive relationship between economic growth and entrepreneurship. His

study was published in a period where the limitations of the industrial revolution were visible. In the last decade, the premise that entrepreneurship is an important factor on the economic development on a smaller scale like a region, is affirmed through many scholars (Ahmad and Hoffmann, 2008, Thurik and Wennekers, 2004, Minniti and Levesque, 2010, Zalan and Lewis, 2010). Carree and Thurik (2003) have shown that a high level of entrepreneurial activity contribute to innovation, competition, economic growth and job creation. For this reason, politicians on European, national and regional level, started to encourage activities promoting and stimulating new business creation (Sijgers et al., 2005, Khan, 2011, Raposo and do Paco, 2011). Organisations as the Organization for Economic Cooperation and Development (OECD) conducted many studies in this regard and do stimulate regional governments to focus on entrepreneurial development (Ahmad and Seymour, 2008, Ahmad and Hoffmann, 2008). Based on GEM-data it is known that since several years the Total Entrepreneurial Activity (TEA) is increasing worldwide and that a positive relation with the growth of the economy is found (Bosma and Levie, 2009). Though it is not surprising entrepreneurship became one of the most researched strategic management subjects. In literature, two mainstreams for fostering entrepreneurship can be found: one in the person of the entrepreneur (e.g. (Stewart and Roth, 2007), (Judge and Iliés, 2002) and Kirton, 1976) and the second in the process of entrepreneurship (e.g. Shane & Venkataraman, 2000; Shapero, 1982). Research on firm-level is mostly found in the common business management journals. From the late nineties first universities and later secondary and primary education developed programmes to stimulate entrepreneurship. A new twig of entrepreneurship research emerged, known as entrepreneurship education.

One of the leading researches on entrepreneurship education, Allan Gibb (2002), proposed more diversity and dynamics on the education of entrepreneurs. Other researchers as Walter and Dohse (2012) argue that education methods as active modes, are positively influencing the entrepreneurial education. Neck & Green (2011) conclude that the education structure requires a new approach based on action and practice. Whereas Mathews (2007) argues that constructivism leads to learning that is action-based where learners construct or make interpretations of their world through interactions in the real-world. Per Blenker et al (2012) argued that the entrepreneurship education has to be adopted for context, culture and circumstances, down to a personal level. Other scholars

argued that entrepreneurship needs other skills or competences (Groen et al., 2002, Kutzhanova et al., 2009, Leitch et al., 2012). A good example of a complete set of skills and competences is given by the QAA (2012). The support given to entrepreneurs in start-off can be divided in hard support, as tax reduction and provision of infrastructure and soft support as, coaching and training (Koopman, 2013). Communities as well as universities designed programmes to support the starting entrepreneurs to contribute to the economic growth in both elements of support, likely to have double chances achieving their objectives. A main stream of scholars finds that the support of person, the entrepreneur, has a positive impact on the development of entrepreneurship (Zalan and Lewis, 2010, Raposo and do Paco, 2011) and helps to avoid entrepreneurial failure (Parsa, 2005).

Despite the scientific knowledge and special designed programmes for entrepreneurs, quantitative research shows that the majority of the entrepreneurs do not survive the first five years (Parsa, 2005, Hayward et al., 2006, Bangma and Snel, 2009). For the last decades, many support systems for nascent and academic entrepreneurs were established (Hammer and Thuijs, 2012). The output of these programs shows a different score on entrepreneurial failure. Furthermore, it is assumed that entrepreneurial support systems are designed on the elements which lead to success, instead of the prevention for elements of failure, as it is common for support systems. Where the semantic opposite of success is failure, in the cognition of entrepreneurs, this word has a negative impact. Recent studies on this phenomenon prefer to tackle the concept of 'entrepreneurial exit' while 'failure' or 'success' might be a personal interpretation of an entrepreneurial exit (Wennberg, 2011). The negative entrepreneurial exit is not a prescheduled scenario among nascent and experienced entrepreneurs. Contrary to the North American culture, a negative entrepreneurial exit does not only result in a financial deception but also in a social one.

McGrath (1999), preferring to address the concept of entrepreneurial failure, argues that although failure is neither painless nor desirable, researchers have to overcome their bias in failure analysis, because understanding entrepreneurial failures allows for the discovery of valuable information, not just for society at large but for entrepreneurs in particular. McGrath (1999, p. 16) "by the continued denial of the entrepreneurial failure are many important lessons lost on the Entrepreneurial Failure and will not anticipate the negative consequences." "Careful analysis of failure, rather than put the focus on success rates researcher's systematic progress towards analytical models for value-based

entrepreneurship (McGrath, 1999, p. 28). Therefore, it seems to be fruitful to explore the expected impact of 'prematurely negative entrepreneurial exit' reduction elements in support systems. The first step in this explorative study is to shed light of the concept of entrepreneurial failure or 'prematurely negative entrepreneurial exit' which is presented in the next and second paragraph. Causes of negative entrepreneurial exit are mentioned on the third paragraph. The findings are validated by semi- and non-structured interviews among entrepreneurs with exit experience. From the causes identified, among educational and entrepreneurial experts an explorative questionnaire and peer review sessions were organised to identify prevention measures which could be proposed to support systems reducing the negative exit scenario. After the conclusions, recommendations are made.

2. Definition of negative entrepreneurial exit

In this paragraph an overview of the concept of entrepreneurial exit from the literature is given. According to (DeTienne, 2010), every venture will once exit this entrepreneurial process. The literature distinguishes two ways of entrepreneurial exit: (i) quit because of good outcome is good or positive (DeTienne, 2010, Wennberg et al., 2010). This is also called positive exit or wanted exit. The second alternative is (ii) because the outcome is not good (Wennberg, 2011, Samuels et al., 2008, Headd, 2003), also called unwanted outages or failure. About half of the cases of entrepreneurial exit refers to situations which are not desirable and in which the entrepreneur, e.g. (Ottesen and Grønhaug, 2005, Hayward et al., 2006, Simon et al., 2000), and its environment (Vaillant and Lafuente, 2007) have a role in the cause. According to Cardon (2003), about half of the cases of negative entrepreneurial exit, the then called failure seems to be avoidable, because the failure was based on mistakes (firm internal attributes) (Cardon et al., 2011).

There is no clear research known to what extent the half of 'not desirable' is similar to the half of 'avoidable'. Research shows that the relationship between positive and negative entrepreneurial exit, after the first seven years, is roughly equal (Wennberg et al., 2010). (Cardon et al., 2011) divide negative entrepreneurial exit further into two categories: tough luck and mistakes by the operator. Focussing on the word of entrepreneurial failure, within the entrepreneurial literature, many different meanings to the word 'failure' are used. An often used and small framed definition is that of 'bankruptcy'

or ‘insolvency’ (Zacharakis, Meyer and DeCastro, 1999). Other scholars add elements as ‘personal limitations of venture participants’ (Singh et al., 2007) or ‘do not yield enough added values for a reasonable income’ (Everett & Watson, 1998). In accordance with the taxonomy of exit routes (Wennberg et al., 2010), the ‘Distress Sale’ and ‘Distress liquidation’ seem to fit to the purpose of this research. To obtain clarification on an assembly of reasons for venture cessation, a more general definition of failure would be most helpful. In line with often-cited scholars on this topic, failure will be defined as ‘the termination of an initiative that has fallen short of its goals’ (McGrath, 1999). To put this general definition in an entrepreneurial perspective and addressing the role of the entrepreneur, the definition of negative entrepreneurial exit, used in this paper, will be ‘the termination of a venture creation that has fallen short of its goals’.

3. Causes of negative entrepreneurial exit

Based on a literature survey on ‘entrepreneurial exit’, ‘entrepreneurial failure’ and ‘business closure’, the main causes of negative entrepreneurial exit will be discussed and summarized in this paragraph. According to the above-argued definition of negative entrepreneurial exit, the causes can be found either inside or outside the venture. It is argued that internal causes are the far most reason for entrepreneurial failure (Wennberg, 2011), where one third of the small businesses are affected by exogenous factors (Everett and Watson, 1998) as can be allocated to external factors. Because of the fact that small businesses barely can influence the exogenous factors as economic recessions, shortage of raw materials and the appearance of substitution products (FEE, 2004), in this paper only the micro external causes are discussed. Among mistakes, according to (Cardon et al., 2011), issues such as business, mismanagement, unrealistic expectations, pride, finance and innovation mentioned. Other literature indicates that negative entrepreneurial exit is related to resources as for strategic importance for the venture (Michael and Combs, 2008), planning strategies (van Gelder et al., 2006), pride (Hayward et al., 2006), not able to cope with uncertainty (McGrath, 1999), over-optimism and overconfidence (Muir et al., 2007).

Baron (2000) and Simon et al (2000) propose, in a more general manner, that a biased point of view has a negative impact on entrepreneurs, which can lead to negative entrepreneurial exit. Within literature, a study of (Cardon and Potter, 2003) shed light on

the main courses of entrepreneurial failure. They studied over 500 citing's of news articles, addressed with entrepreneurial failure. They found that about 54% was caused by mistakes and 45% by misfortune. Focussing on the mistakes, 16% of the citations were caused by mismanagement and 18% by 'Conceptualizing a business and planning out its goals and the method by which to accomplish them...' (Cardon and Potter, 2003, p.11). The European Federation of Accountants (FEE, 2004) defines more financial causes of negative venture exit. In their paper, the FEE supplies a 10-item list of internal business failures for SME's: Poor management, deficit in accounting, poor cash flow management, inappropriate sources of finance, dependency on customers or suppliers, impending bad dept., overtrading, poor marketing research and fraud / collusion. In accordance with many scholars, no clear framework of causes could be found. Emerging from the many causes of negative entrepreneurial exit identified in literature, in this paper the next classification is proposed: mismanagement, poor concept and personal traits. The author is aware of the scholars might jeopardise this classification; e.g. mismanagement can be moderated by personal traits (van Gelder et al., 2006). For this reason the findings were validated with a field research. In this research 24 entrepreneurs with exit experiences were studied. Non- and semi-structured interviews were conducted with the entrepreneur or privileged witnesses as family or close friends. According to Pires (1997, p.72), it is a way of building up a sample in a homogenous way allowing for describing internal diversity within one population. Based on interview techniques as story-telling and cognitive mapping, where in-depth cognitive concepts can be identified (Khelil and Smida, 2012), the causes found in literature were confirmed by the entrepreneurs. The results are shown in table 1. During the interviews more causes were mentioned then extracted from literature. Partly these could be addressed to the classification, partly not. The latter are put together in a fourth group.

4. Prevention measures

Based on the above-proposed classification of causes of negative entrepreneurial exit, an explorative survey held on a group of entrepreneurial and educational experts, to identify the possibility for prevention measures identification was put into practice. The methodology for the survey was predominantly quantitative. First, the respondents were asked if they agree on the possibility to identify preventions measures on general causes

given and if they prefer to join the further research. Then, from the four classified groups of causes, they were asked to identify the prevention measures. From 10 sent questionnaires, 7 returned where 6 respondents declared to see possibilities to identify prevention measures in support systems. One respondent indicated not to be interested in exploring qualitative research.

Table 1. Identified Causes of Negative Entrepreneurial Exit

Classification	Identified causes		
	Theory	Theory	Practice (out of 24 cases)
Poor management	lack of financial knowledge	X	4
	no partners involved	X	5
	no experience in the branches (*)		4
	lack of financial resources (*)		6
	no social acceptance (*)		2
Poor concept	no clear focus on added value	X	8
	no paying customer group identified	X	2
	poor market information (*)		5
	not enough sales (*)		11
Personal traits	taken to much risk (overconfidence)	X	5
	hesitating too much on decisions	X	5
Other causes	found other job		3
	sold with profit		3
	bankruptcy		8

(*) not identified in theory but grouped within the classification

Supported by the results of the questionnaire two peer-groups of educational and entrepreneurial were formed and discussed on possible prevention measures. Each peer-group was assembled by 3 entrepreneurial experts like business coaches, venture capitalists and senior entrepreneurs and of 3 educational experts like senior lectures, professors and curriculum designers. There was no relation between both peer-groups and the discussions were held on different times at the same location. With the discussions a researcher chaired the session and a research assistant made minutes the session. A session started with a brief introduction of each participant, followed by the agreement of the aim of the session. In the middle of the discussion table a big sheet with the classes of causes was laid down. During the discussion several individual and all classed causes were discussed to share each other's understanding of the causes. Individual causes were written at the appropriate

classification. On regular basis the participants were asked to address possible prevention measures and write them down on a post-it paper and put them next to the classification or individual cause. The agitated results are shown in table 2.

After each peer-group discussion the results were evaluated. It was agreed that the outcomes, when looking back to the process of peer-discussion, were not spectacular nor felt odd. Somehow, they seem to be predictable. Confronting the results with actual entrepreneurship education programmes, not all prevention measures could be identified. These results are shown in table 2 in the last column. The preventions measures not appearing in support-systems yet seem to be hard to implement in standard entrepreneurship education programmes. For example, the prevention measure 'to let nascent entrepreneurs experience the dynamic of failure' cannot be taught from a book or during an internship. Another remarkable aspect is the lack of finding prevention measures for 'find a new job' and 'sold with a profit'. From both peer-groups it was argued that these causes, might feel a negative outcome as the event emerge, but might not be wanted to prevent. Dominantly, the entrepreneurs in the peer-groups indicated that a sale, although it might be a distress sale (Wennberg et al., 2010), can be seen as a positive outcome of the entrepreneurial process and therefore it might be better than going with the business and move into a bankruptcy.

5. Conclusions and recommendations

Considering the explorative character, the results of the research show that there are possibilities to reinforce the support systems like educational programmes, to prevent nascent entrepreneurs for premature negative entrepreneurial exit. Some measures seem obvious at first sight, but rarely applied fully in programmes. Other, not practiced measures need a change of the educational culture or maybe paradigm to be able designing effective support systems. The discussed example of the failure experience fits here. Arguments of the aforementioned paradigm shift in entrepreneurship education can be found in the fact that failure rates of starting entrepreneurs seem not the falling although for more than a decade theories for entrepreneurship education applied.

Table 2. Identified Prevention Measures

Classification	Cause	prevention measure	found in support systems
Poor management	lack of financial knowledge	get financial knowledge	X
		identify cost-consumers	X
		learn to use a bookkeeper	X
	no partners involved	learn networking	X
		do not start	
		apply / develop social skills	X
	no experience in the branches	find partners	X
		do not start	
	lack of financial resources	reduce costs	X
		find investors	X
		learn other business models	X
	no social acceptance	interact with stakeholders	
find partners		X	
Poor concept	no clear focus on added value	start researching the market	X
		consult experienced entrepreneurs	X
		use business development models	X
	no paying customer group identified	make realistic business plans, apply several models	X
		stop starting, keep in the laboratory	
		do market research	X
	poor market information	do market research	X
		learn networking	X
	not enough sales	learn market adaption	X
		improve sales skills	X
		apply cost reduction techniques	X
	Personal traits	taken to much risk	get early failure experience
learn to use a bookkeeper			X
hesitating too much on decisions		stop starting the venture (can be observed in the program)	
		learn applying decision making tools	
	search for partners	X	
Other causes	found other job	-	
	sold with a profit	-	
	bankruptcy	learn accounting	X
		learn to cope with losses	
	learn financial forecasting	X	

The identified prevention measure, which is not applied in existing support systems, provides support for this argument. As an alternative of the failure experience, it

is recommended to explore the effects of the increase of resilience to nascent entrepreneurs. Resilience is indicated as a psychological concept that helps to overcome the setback after excessive exposure to stress or trauma (Camperbell-sills and Stein, 2007) as the event of e.g. bankruptcy or entrepreneurial failure. Furthermore, it is recommended to redesign entrepreneurship education programmes to more action and real-life learning to provide young dynamic starting entrepreneurs with important cognitive baggage for their entrepreneurial journey. In this way an early social relation with possible stakeholders can be created. Moreover, the emotional distance between the relatively passive world of an adolescent, educated by the principles of pedagogy, and the active dynamic lifestyle of an entrepreneur could be reduced. It seems to be worth trying the learning principles of andragogy to this respect (Reischmann, 2004, Henschke, 2011).

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ENTREPRENEURIAL SKILLS AND COMPETENCIES OF STUDENTS AT ÓBUDA UNIVERSITY

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Research interests: The researcher is interested in topics related to organisational behaviour and organisational psychology, currently investigating entrepreneurial skills, competencies and motivation, in addition to the stressors and coping strategies of owners of Hungarian SMEs.

Abstract: *The economic contribution of SMEs in the EU is ever increasing; however the efficiency of Hungarian SMEs is below average. According to international researches, the causes are rooted in qualitative factors such as lack or deficiency of innovation or networking ability and the motivation to become an entrepreneur. It has long been well known that entrepreneurship is the gale of creative destruction, a phenomenon which through entrepreneurial spirit (Unternehmergeist) fosters innovation and along with it the evolution of markets and economies (Schumpeter 1934). Since entrepreneurialism is a mindset which embodies creativity, opportunity exploitation, risk and ambiguity tolerance and an affinity for innovation, it is of common interest to promote entrepreneurial skills among citizens, especially young adults. What is more, the entrepreneurial skills area not only necessary for people, who intend to work for, or start their own SMEs, but inevitably for everyone, in each and every sector or level of employment since intrapreneurship - entrepreneurial attitude and behaviour of employees is also highly appreciated. The present paper endeavours to explore the dimensions of the entrepreneurial skill-set (or the lack of it) among students of Óbuda University's Keleti Faculty of Business and Management, and investigate whether female or male students are fit to become entrepreneurs.*

Keywords: entrepreneurship, entrepreneurial skills, SME, students of tertiary education, genders

Introduction

Entrepreneurship is of utmost importance. Entrepreneurs literally make the world go round and contribute to the economic growth to an enormous extent (Szekeres 2005; Borbás, Kadocsa 2010; Csiszárík-Kocsir, Medve 2012, Francsovcics Kadocsa, 2012).

Small and medium sized enterprises (SME) play a crucial role in the EU's economy. The approximately 20 million SME's employ more than 87 million people (67.4% of total employment) and create 58.1% of the gross value added within the EU (Centre for Entrepreneurship, SMEs and Local Development 2013). The average company size, on the basis of the number of employees, has been 4.22 in 2012 and is showing a decreasing tendency in the past ten years (Wymenga 2012).

Compared to the EU standards, the Hungarian SMEs play an even more important role in the Hungarian Economy. Their relative number is higher than the average of the EU. 99% of the companies in Hungary are SMEs (KSH 2013). What is more, 94.8% of them are considered micro and 4.3% small enterprises (employing less than 49 employees). The average employee number (3.1) is also lower than the EU average (SBA 2012). The problem is that the gross value added (53.8% in 2012), generated by Hungarian SMEs, is also lower than the EU average (KSH 2013). According to SBA data (SBA 2012) Hungarian enterprises are lagging behind in all dimensions of effective performance excluding the responsive administration. There are even two SBA areas - "think small first" and "state aid and public procurement" - where the collective growth indicators for 2007-2012 were negative. Although some dimensions have been addressed in the past two years by the Hungarian government and its programs such as the Széchenyi Card, "second chance" and "internationalisation" did not receive special attention (SBA 2012). In line with GEM data (GEM 2012) internationalisation, networking, opportunity entrepreneurship (running an own business as a first career choice) and innovation are the areas where Hungarian SMEs are lagging behind.

Since it is not in numbers but due to qualitative features, the Hungarian SMEs are below the EU average in effectiveness; the forthcoming chapters aim to explore the features associated with entrepreneurship in international literature and measure the level of skills and competencies related to entrepreneurship among students of tertiary education.

1. Approaches of entrepreneurship in literature

Richard Cantillon (1723) was the first to define entrepreneurs as risk taking individuals. According to his understanding, an entrepreneur is a person who pays a certain price for a product to resell it at an uncertain price, making decisions about obtaining and using resources while consequently admitting the risk of enterprise. Two hundred years later, the notion of entrepreneurship was still defined along these fundamental characteristics. Frank Hyneman Knight, in his book *Risk, Uncertainty and Profit* (1921), once again declares that entrepreneurship is about taking risk.

After Knight had reintroduced the notion of entrepreneurship, many authors began looking for other traits that make entrepreneurs and their ventures successful. Joseph A. Schumpeter (1934) was the first one to state that entrepreneurs are unusual individuals, heroes, wild spirits. According to his ideology, they differ from the rest of the population in a competence called "Unternehmergeist" (entrepreneurial spirit). An entrepreneur is a highly creative individual; a person, who is willing and able to shatter the already existing processes and convert a new idea or invention into a successful innovation. By doing so, entrepreneurs are the catalysts for economic change, the gales of creative destruction.

Subsequently, the question "What characterises a good entrepreneur?" was wide open again. Besides the willingness and ability to take the initiative (McClelland 1961) and skills for instance opportunity exploitation and recognition (Drucker 1970), personal characteristics such as desire for independence (Collins, Moore 1964), internal locus of control (Shapiro 1975), aggressiveness (Wilken 1979) and uncertainty-tolerance (Mandgunjaya 2011) have been added to the colourful palette of must-have features.

The contingency approach has brought a new, holistic approach to the study of entrepreneurship, and along with this new crucial skills emerged. The social embeddedness, and through it the perception and decision processes of entrepreneurs became focal points when searching for the key factors for successful entrepreneurs and ventures (Singh 2000; Shane, Venkataraman 2000; Hoang, Antoncic 2003).

When researching the entrepreneurial skills and competencies of our students, I have taken into consideration the broadest definition, concentrating not only on skills and competences, but on the discoveries of the contingency approach as well.

2. Research on entrepreneurial skills and competencies

Along with the recommendations of international literature, some research has been made to explore the entrepreneurial skill-set of young adults in tertiary education of business and management. The research has been conducted at Óbuda University's Keleti Faculty of Business and Management in October and November 2013. Students had to evaluate 65 statements regarding perception, decision making, motivation, behaviour and expected outcome in entrepreneurial situations. The questions were rated on a five-point Likert scale (1 - not at all like me, 5 - very much like me). Basic demographic data, such as age and gender, along with data on studies and work experience, was also gathered.

5 additional statements, connected to everyday behaviour, were inserted into the questionnaire, so as to test whether the respondent is telling the truth or exaggerating: "Regardless of who I talk to I'm a good listener.", "I never get annoyed when things do not go as I would like them.", "I have made no mistakes in the past." "There has never been a case where I took advantage of others.", "If I do not know something, I'm never afraid to admit it".

3.1 Participants in the research

During the two months' period, 470 students answered an online questionnaire, among whom were full and part time students from every specialisation of Óbuda University's Keleti Faculty of Business and Management, namely Technical Management (BSc), Business Administration and Management (BA), Commerce and Marketing (BA) and Business Development (MSc). 171 students were in their first, 131 in their second, 107 in their third year of the bachelor program. Unfortunately, it cannot be clearly stated whether those attending Óbuda University for longer than 3 years (4 years: 39 respondents; 5 years: 22 respondents) were students attending the master program after graduating from their bachelor program, or those who failed to finish their bachelor program in time.

There were 237 male and 233 female respondents, providing an opportunity for a comparison of student's entrepreneurial skills by gender, which, according to literature data (Szekeres 2010), might provide relevant information.

The average age of the respondents was 21.64 years, the average for males being higher (22.15 years, Std. Dev.: 3.723) than for female respondents (21.12 years, Std. Dev.: 2.033). 9.6 % of the students had no prior work experience, and almost 30% of them did not have the at least 12 week long practice they are obliged to possess in order to graduate from the university. On average, students had more than one year of work experience (average: 14.49 months Std. Dev.: 18.082).

On the basis of the exaggeration control questions, only 0.8 percent of the student population researched (4 person) were overstating, claiming that they had never done any or some of the things the statements mentioned. Their answers were disclosed from the further analysis of the research data introduced in the following chapter.

3.2 Entrepreneurial skills researched

Through the research 12 factors connected to entrepreneurialism have been investigated: Taking initiative, Recognition and exploitation of opportunities, Endurance, Pursuit of information, Commitment to high quality work, Commitment to the fulfilment of the contract, Efficiency focus, Systematic planning, Problem solving, Self-confidence, Assertiveness, Persuasion and Use of influencing techniques, each of them had been explored by 5 statements.

The distribution of the students (those who were not exaggerating) is displayed in Figure 1. As it is visible, the distribution of students resembles that of a normal distribution, if scores higher than 20 are not considered. Medians and modes for every factor were within the 10.52 to 14.58 range (out of the 5 to 25 range), which means that most of the skills and competencies are hardly if at all possessed by them. In line with the skewness data presented in parentheses after the factors' name, Figure 1 suggests that the researched students tend to underperform in the entrepreneurial skills and competences investigated. For a more thorough picture the average scores for the total population are displayed in Table 1. Since the ratio of male to female students participating in the research

is almost equal, the dataset has made it possible to compare the scores of the male and female respondents. These data are also displayed in Table 1.

Figure 1: Distribution of respondents on the basis of their scores in factors of entrepreneurship

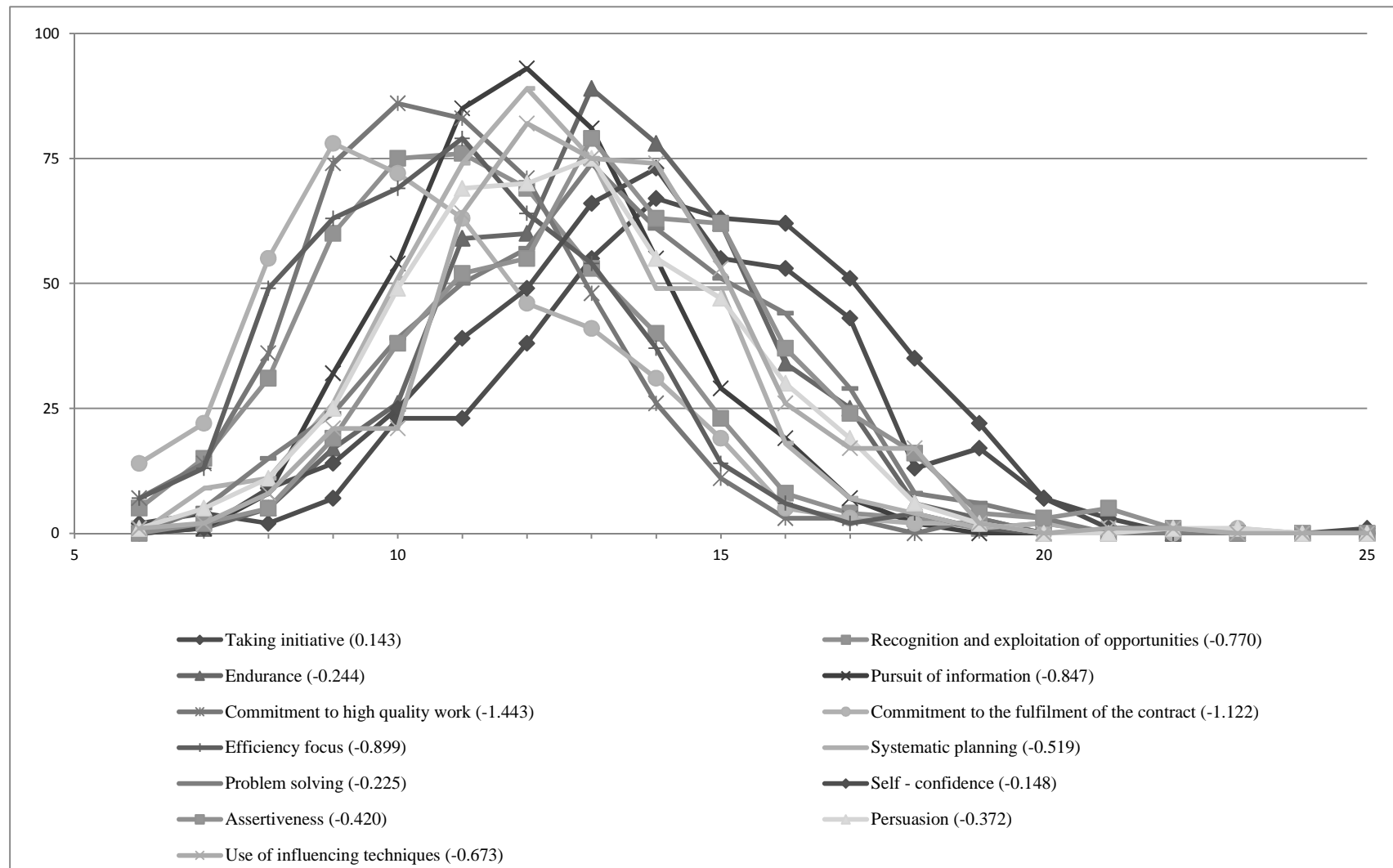


Table 1. The average scores of students on each of the factors, and averages by genders

	Over 80%	N=466		Male N=235		Female N=231	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Taking initiative	0,02	14,58	2,811	14,69	2,710	14,48	2,913
Recognition and exploitation of opportunities	0,00	11,22	2,388	11,35	2,371	11,09	2,404
Endurance	0,00	13,19	2,217	13,04	2,188	13,35	2,239
Pursuit of information	0,00	12,16	1,991	12,32	2,060	12,00	1,908
Commitment to high quality work	0,00	10,80	2,160	11,03	2,231	10,57	2,065
Commitment to the fulfilment of the contract	0,00	10,52	2,690	11,08	2,795	9,95	2,456
Efficiency focus	0,00	10,92	2,374	10,91	2,358	10,94	2,395
Systematic planning	0,00	12,63	2,472	12,66	2,368	12,60	2,577
Problem solving	0,01	13,07	2,637	12,83	2,563	13,32	2,693
Self - confidence	0,02	13,94	2,699	13,61	2,613	14,28	2,748
Assertiveness	0,02	13,37	2,634	13,30	2,543	13,45	2,726
Persuasion	0,00	12,63	2,404	12,87	2,274	13,19	2,523
Use of influencing techniques	0,00	13,03	2,404	12,87	2,274	13,19	2,523

As it can be seen in the table above, the students' levels of entrepreneurial skills leave a lot of room for improvement. Even the best scoring "taking initiative" factor has only gained 14.58 points in average, which is (out of the possible 25) not even 60%. The students performed on average the worst in the "Commitment to the fulfilment of the contract" dimension, reaching only 42% of the possible scores.

However, there is another potential way to interpret the data of the research. According to the Knowledge Institute (2010), individuals performing better than the 80% of the scores, namely those displaying behaviour, skills and competences more often when not connected to entrepreneurialism are fit to become entrepreneurs themselves, while others are better fit to become employees and follow others' directions. The situation is unsettling and disappointing. As it is displayed in the second column of Table 1, not even 1 percent of the respondents are fit to become entrepreneurs on the basis of their scores on the test. The situation is the most favourable in case of taking initiative, where 11 students answered that

they more often than not, or very often behaved in the way an entrepreneur is supposed to behave. In case of self-confidence and awareness, 9 students were able to stand up to the pre-requirements.

Unfortunately, neither male, nor female student performed significantly better. However, some factors displayed significant differences in means. The figures generated by an ANOVA Independent Samples t-Test are displayed in Table 2.

Table 2: Significant differences between male and female respondents' scores

		t	df	Sig. 2-tailed	Mean Diff.	Std. Error Diff.	95% Confidence Interval of the Difference	
							Lower	Upper
Commitment to the fulfilment of the contract	#	-4.627	464	0.000	-1.129	0.244	-1.608	-0.649
	##	-4.632	458	0.000	-1.129	0.244	-1.607	-0.650
Problem solving	#	1.997	464	0.046	0.486	0.244	0.008	0.965
	##	1.996	462	0.047	0.486	0.244	0.008	0.965
Self - confidence	#	2.692	464	0.007	0.669	0.248	0.180	1.157
	##	2.691	462	0.007	0.669	0.248	0.180	1.157

Equal variances assumed

Equal variances not assumed

Accordingly, male students were significantly better in "commitment to the fulfilment of the contract" than female students. However, female students performed better in "problem solving" and "self-confidence dimensions". Nonetheless, although the difference in means has been significant, neither male, nor female student could become successful entrepreneurs without further development.

3. Conclusions

The Óbuda University's students' intentions and motivation to become entrepreneurs has already been tested in previous research (Lazányi, Medve, Dudás 2014). According to its findings, around 55% of the students have the correct attitude towards entrepreneurship. However, in line with the findings of the present research, not even one percent of them would be successful on the basis of their skill-set. The numbers are, although disconcerting,

in line with the present situation of Hungarian SMEs. Accordingly, conscious efforts should be dedicated to the development of students (not only) in tertiary education in skills and competencies connected to becoming and being a successful entrepreneur. The room for development is vast, and since the number of SMEs in Hungary is enormous, its effects could indeed bring a gale of creative destruction to the Hungarian economy.

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EXAMINATION OF MARKETING ACTIVITIES OF SMALL BUSINESSES IN HUNGARY

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Research Interests: My main research area is represented by marketing activities of the SME sector, focusing on planning, analysing, evaluation and control. This particular field is referred to as marketing-controlling by experts.

***Abstract:** The volume of small businesses is significant, both locally and globally. Various recipes exist, providing different solutions for the SME sector to improve its efficiency participating in the economic cycle. I do not intend to present any of the support or encouragement systems of the EU or its member states. I would rather approach the subject from the SME's side, attempting to reveal the characteristics of their operation especially concentrating on their marketing activities. Furthermore, I would like to emphasize the possibilities for small and medium sized enterprises to increase their efficiency by improving their marketing activities. My study focuses mostly on small businesses, besides I evidently examined middle and large enterprises as well, descending to particulars of size differences and other aspects.*

Key words: marketing-planning, marketing analysis, marketing strategy, small business, SME 's

Marketing activities of Small businesses

Marketing is a special field when it comes to small businesses. Even the concept itself is not exactly clear to a lot of them, while others do not realize the importance of it. Many times, small business entrepreneurs identify marketing as advertisement only, stating they do not need it, or they lack sufficient funding and experts. However, in many cases, certain elements of marketing oriented approach would be enough in operating and managing a small business.

Utilization of marketing approach does not necessarily equal to high budget advertising campaigns; customer orientated attitude (see Meffert, 1998) also plays a key role

in my opinion and it has to influence every level of the operation.

It is naturally important to take the differences between possibilities of small and large businesses into consideration. According to Rekettye (2007) the following questions are relevant for small businesses:

- Who is the target group that the business wants to sell their products to? What is the proper segmentation of the market, based on what parameters (demographic and psychological)? Therefore the first important step is to identify the target market, to choose the right customer groups and set the structure of the company to be able to meet their needs.
- What should be the attributes of the product, what features appeal to the target market previously identified? What should be the proper product portfolio in order to satisfy different customer needs within the target market? What kind of after-sale services the company's customers may demand?
- How should they decide on the right pricing strategy? How to differentiate the prices within the product assortment? Should they apply any discounts depending on the volume of the order or payment conditions?
- What sales methods should they use? Direct selling or retail network would serve their interests better? What size of coverage is needed? How many retailers are needed to cooperate with? How should they persuade retailers to trade with their product?
- How should the company reach its customers? What channels should be used to inform the customers about the product, its benefits, how should they convince them of the necessity of purchase? Is advertising needed/possible? What are the available advertising channels they should use (television, radio, newspapers , posters , on-line media)

If the entrepreneur manages to answer the above listed questions, he actually has a marketing plan. Although this plan often only exists in the minds of small business entrepreneurs, very few record their marketing plan in writing or do the planning and analysis in a formalized way (Katona, 2010).

Hoffmeister-Tóth et al (2013) used a representative sample of 200 enterprises to study the behaviour of Hungarian micro, small and medium businesses' leaders. They experienced significant and rather specific differences compared to other countries and the EU average. One of these factors was the lack of long-term approach, where Hungarian SME managers have performed far below the European average. The study showed that Hungarian leaders are less open to new solutions; they rather stick to well-known methods of long standing. The short-term thinking roots in the soil of fear of change, that brings along the unknown and

insecurity, yet the ability to be renewed is the key of innovation within the organization. Chikán et al (2010) also arrived to a conclusion that the proportion of innovative companies is notably reduced recently. OECD (2010) studies also showed that the SME sector's innovation performance is far behind large businesses'; the only area where the SME's share exceeds 20% is the non-technology innovations, in other fields like product development, process development or co-innovation, it doesn't even reach 10% in most of the cases.

Considering Hungarian entrepreneurs, their willingness to evade uncertainty is quite high, they usually try to filter and prevent unforeseen or unknown situations. A major factor is the unlimited liability that affects several entrepreneurs, therefore they are less likely to risk everything they acquired (Hoffmeister-Tóth et al, 2013). According to the European Commission (2011) this is one of the main reasons why a significant number of Hungarian entrepreneurs prefer the security of fixed salary, which means they would rather be employees than entrepreneurs under the hard circumstances that small businesses have to face every day. The European Commission's (2011) study showed that 57% of Hungarian entrepreneurs do not take risks, and 60% feels uncomfortable in situations where they have to compete with other companies.

Leaning towards innovation in a company's life is an important aspect from this study's point of view, since introducing new methods, systems or processes can also be considered as a way of innovation. Nonetheless if the manager of a small or middle sized business is afraid of utilising innovations, because he considers them as risk factors, then he will not use those marketing methods that would be essential to increase the efficiency of the business activity.

Fear of uncertainty however is only one component in the inadequacy of marketing approach. Another factor is the lack of knowledge among company leaders. Not only do they struggle against innovative methods, but furthermore, small business managers rarely possess that kind of specialized knowledge. I also intend to examine the possibility and benefits of outsourcing marketing activities through hiring experts or specialized companies, as a way of substitution for their missing marketing skills.

Research methodology and sample characteristics

My research is based on questionnaires. The inquiry process was implemented in multiple phases. The last phase took place between May and September 2013. During the

research I evaluated nearly 300 (272 usable) questionnaires.

In case of minor deficiencies of the questionnaires (ignorance of some questions), I did not take into account those certain variables during the processing; missing plot techniques were not applied, considering their possible distorting affect.

The questionnaire based inquiry was carried out personally; postal and electronic (e-mail) ways alike. The limited funds unfortunately constrained the research in terms of inquiry methods as well as the time factor. Considering these conditions I applied the snowball method during the sample selection process. The sample should not be considered representative; therefore the statements of this thesis only apply to this particular sample.

Regarding the numbers, data of 272 enterprises are known precisely. Determining size categories based on the number of employees I used the categories of the European Union concerning small and medium sized businesses (2004. évi XXXIV. törv., EU 2003/361/EK sz. ajánlás):

- a) up to 49 person small business¹,
- b) 50-249 person medium-sized enterprises,
- c) more than 250 person large enterprises.

According to these categories, almost two-thirds (63%) of the examined enterprises are considered as small businesses, 18,5% middle-sized and 17,6 % are large businesses. 2 enterprises altogether did not provide their number of employees (0,7%).

Chart 1. Distribution of enterprises based on size categories

		Absolute frequency (no.)	Relative frequency (%)	Relative frequency without missing answers (%)
Valid answers	Small business	172	63,2	63,7
	Medium-sized enterprise	50	18,4	18,5
	Large companies	48	17,6	17,8
	Total	270	99,3	100,0
No answer		2	0,7	
Total		272	100,0	

¹ I used small business as sort of an umbrella term, since I did not examine micro businesses as separate category. They could only be part of the sample if they met certain requirements (evincible marketing activity).

Source: own primary research

Most of the companies examined (60 %) operates in Central Hungary. The study confirms the fact that can be generally experienced, namely the increasing proportion of the tertiary sector (58,8% of the sample). The majority of businesses (51 %) - supposedly also due to their size - only produce for domestic markets.

Results of the study

During my research process, I presumed that the increase of firm size goes hand in hand with more accurate planning and analysis, applying more tools and long-term investigation practices. This implicit assumption needs to be verified also in order to find the factors and critical points where significant improvement can be achieved regarding the marketing activities of small and middle sized enterprises, which contributes to increased efficiency.

In order to justify the assumptions, enterprises were asked to evaluate their practices in the light of their marketing activity results:

- they only care about the effect of the marketing activities (improving image, brand loyalty, awareness)
- they also try to accurately measure these effects and monitor their revenue change in relation with their marketing activity
- they try to accurately measure these effects, applying advanced statistical methods, analyse the correlation between factors, filtering other interfering factors that may alter the result
- do not analyse marketing activity results
- other

Small businesses typically (34%) do not examine the effects of their marketing activity as opposed to medium (18%) and large enterprises (20%). That is to say bigger sized companies are more likely to take their marketing activity results into consideration. 29% of small and medium sized enterprises admitted they only care about the effect of the marketing activities. On the other hand this proportion is only 15,56% among large enterprises.

I also examined the time interval of financial impact assessment of marketing

campaigns (chart 2.). Enterprises could answer in a ranking scale that they monitor the financial effects of their marketing actions:

- they do not monitor at all
- financial effect is secondary, the main point is to raise awareness
- directly after the action
- within the following weeks
- within the following months
- within the following year
- within several years

One third of the companies (31,5% in average) do not follow up on the effects of the financial impact of marketing actions (chart 2.), small businesses do monitor effects to a somewhat higher degree (35,5%), while the percentage value considering medium enterprises is only 28%. Large firms' approach is substantially different than smaller companies, this proportion is only 20,8% among them.

Enterprises generally do not share the opinion of financial effects being secondary compared to awareness (only 7% do). Especially medium sized enterprises did refuse this statement. (2% agreed).

Considering the whole sample, the monitoring of the financial impact of marketing activities is being executed within the next months following the action (43%), in the following weeks 28%, while 15% of the respondents examine financial impacts right after the action. I did not experience relevant differences in distribution based on the company size, however it is notable that the majority of small businesses do their investigations within the following months after the marketing action. Longer intervals are generally more widespread among medium and large firms, meaning they are more likely to run their examinations within the following year after the action. Observing small businesses, a shift towards narrower time frames can be detected, since the rate of those monitoring directly after the marketing action is the highest among them.

Chart 2. Time frame of financial impact monitoring breakdown by size category and for the whole sample

Categories based on employee number		Time frame of financial analysis					Total
		Right after the action	Within the following weeks	Within the following months	Within the following year	Within several years	
Small businesses	N	17	24	42	5	3	91
	%	19%	26%	46%	5%	3%	100,00%
Medium-sized enterprises	N	4	10	12	5	2	33
	%	12%	30%	36%	15%	6%	100,00%
Large companies	N	3	10	13	4	3	33
	%	9%	30%	39%	12%	9%	100,00%
Total	N	24	44	67	14	8	157
	%	15%	28%	43%	9%	5%	100,00%

Source: own primary research

The assessment of the results and effectiveness of marketing/advertising action can be analysed using several indicators. These indicators are usually divided into two categories, namely financial and psychographic indicators according to marketing-controlling² academic literature. I also researched the main indicators that enterprises typically use to evaluate the efficiency of their marketing efforts.

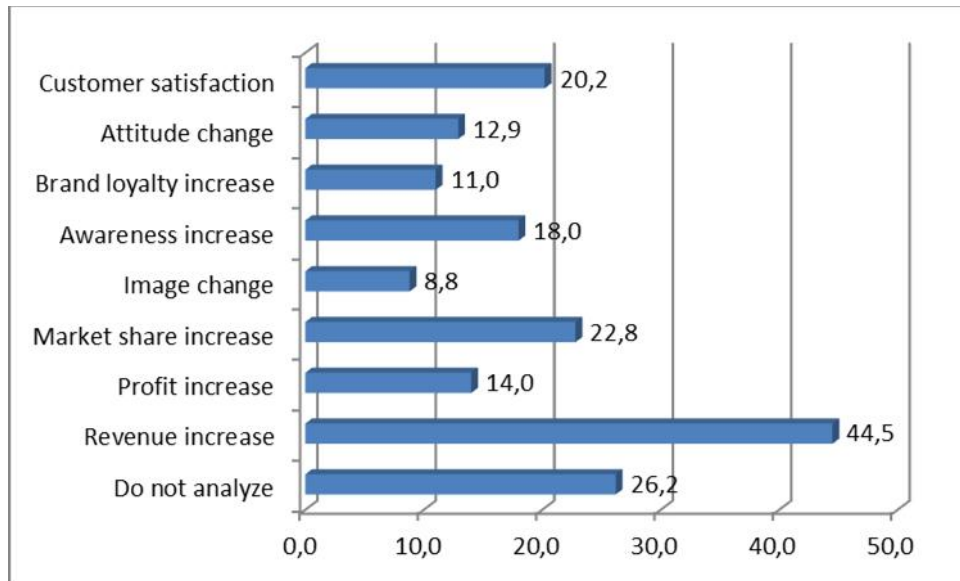
One-quarter of businesses (26%) did not monitor their marketing actions' results at all (chart 1.). The most widely used indicator was the increase of the business revenue following the action with 44.5%. The second most popular indicator was the growth of the company's market share 22.8% and the third was the rising of customer satisfaction. (20.2%). These are followed by increased awareness (18%), company profit (14%), and change of customer attitude (12.9%).

The conclusion is that enterprises prefer financial indicators (revenue and market

² The subject of marketing-controlling is the utilization of planning and monitoring information systems as part of the company's marketing strategy, in order to improve management efficiency (Link and Welsner 2006)

share increment), however psychographic indicators do appear from the third place on. Considering the general aspect, it can be said that companies prefer financial indicators overall.

Graph.1. Distribution of enterprises according to their usage of indicators analysing marketing activity



Source: own primary research

Chart. 3. shows marketing-measurement tools applied by enterprises and their distribution. With regard to the nominal scaling technique I used correlation analysis. Relations between variables were measured with Pearson's correlation coefficient.

The biggest differences regarding the use of certain indicators were shown between small and large firms. Even among those who do not evaluate the results, there is a noticeable gap, while only 15% of large firms do not analyse their marketing actions, this proportion is 32% regarding small businesses. Even considering the most often used indicator, the company revenue increase, there clearly is a difference, only it is not as significant, since this indicator is also popular among small businesses. In most cases, the use of the indicators is generally more prevalent among large firms, especially the financial indicators. Certain psychographic indicators show some divergence from the general trend, such as awareness increase or change of attitude, however the discrepancy shown regarding customer satisfaction was minimal. Observing the awareness increase factor, it is interesting to see that medium sized enterprises provided the largest proportion compared to the two other groups. At the same time they favour profit as a financial indicator the least out of the three (8%).

Relation between size categories and indicators as variables was statistically verified using Pearson correlation coefficient. The examination of market share growth and image change both showed slightly moderate relation with size categories (market share growth: $p < 0,000$; $r = 0,277$; image change: $p < 0,000$; $r = 0,252$). Correlation between customer satisfaction and size is also detectable ($p = 0,046$), the Pearson correlation coefficient is $r = 0,121$ indicating a weak relation between the two factors. There is weak and negative correlation with high reliability level between company size and not analysing marketing activities. Having said that the smaller the enterprise is, the better chance there is that the results of their marketing activity is not examined.

Chart 3. Distribution of marketing analysis tools used by enterprises in size category breakdown

	Empirical significance (two sided) Pearson correlation coefficient		Small businesses (172)	Medium-sized enterprises (50)	Large companies (48)	Total (270)
Do not analyse	$p = 0,006$ $r = -0,167$	N	55	9	7	71
		%	32%	18%	15%	26%
Revenue increase	-	N	71	24	26	121
		%	41%	48%	54%	45%
Profit increase	-	N	25	4	9	38
		%	15%	8%	19%	14%
Market share increase	$p < 0,000$ $r = 0,277$	N	27	12	23	62
		%	16%	24%	48%	23%
Image change	$p < 0,000$ $r = 0,252$	N	4	12	8	24
		%	2%	24%	17%	9%
Awareness increase	-	N	28	15	6	49
		%	16%	30%	13%	18%
Brand loyalty increase	-	N	17	7	6	30
		%	10%	14%	13%	11%
Attitude change	-	N	22	7	6	35
		%	13%	14%	13%	13%

Customer satisfaction	p=0,046	N	30	10	15	55
	r=0,121	%	17%	20%	31%	20%
Total		N	172	50	48	270
		%	100%	100%	100%	100%

Source: own primary research

More than half of the enterprises (54,4%, 148 companies) use only one indicator, 15,4% (42 companies) use two, 13,2% (36 companies) apply three different indicators to evaluate the results and efficiency of their marketing campaigns. 32 firms of the studied sample apply 4 to six indicators. 14 enterprises stated that they do not use any of these analysing tools.

I adopted cross tabulation analysis to examine the possible relation between the number tools applied and the company size. The majority of the enterprises use 1 to three indicators in their marketing evaluation process. I concluded that an increase in company size does result in increased number of applied indicators. (Pearson chi squared test two sided significance $p=0,007$, Cramer $V=0,225$).

Marketing planning among small businesses

In my research I also investigated marketing planning tools and techniques applied by enterprises. It was not possible to go deep into details due to the extension limits of this study. However, the analysis of marketing planning also confirmed my presumptions. Significant number of enterprises does not make any marketing plan (37%). This statement mostly applies to small businesses. Considering only the small business segment, nearly half of them (45%) do not prepare a marketing plan. Medium and large enterprises show better values the non-planning companies' shares are 'only' 22% and 21% among them. Since the studied variables are nominal I used Pearson correlation coefficient to reveal the possible relations between them. I managed to verify a slightly moderate correlation on high reliability level ($p=0,000$) between the company size and not making a marketing plan. There is also evincible correlation in case of several planning techniques.

Outsourcing marketing actions

As an additional topic to my study, I also examined the effect of third party professionals and specialized marketing companies regarding the efficiency of enterprises. I assumed that highly specialized companies who bear great experience in the field can contribute to the prosperousness and competitiveness of an enterprise. There was a significant correlation between the size of the enterprise and commissioning third party marketing professionals, media agencies for instance showed moderate relation ($r=0,359$) while in case of event organizers, advertising companies, PR agencies the relation was slightly moderate.

Further researches confirmed that the performance of the enterprises or their appreciation did not change positively as an effect of calling in third party specialists; on the contrary, results were decreasing. Meaning that financial and non-financial indicators used for evaluating the enterprises performance showed weak, negative correlation with hiring marketing service providers. During the examination of twelve financial and non-financial indicators, significant correlation could be verified in only a few cases.

These results may seem intriguing; however outsourcing marketing activity is an unambiguously expensive solution for enterprises that can affect prosperity negatively. It would be a natural presumption that the use of non-financial indicators (customer satisfaction, brand loyalty, creditability) may increase, since the company outsourced the marketing strategy to someone far more specialized and experienced in marketing services. Then again this statement could not be verified in this research. On the contrary, hiring third party marketing companies correlates negatively with financial and non-financial indicators alike.

Conclusion

In the light of the above introduced results of this study, it can be said that the size of the enterprise corresponds with its marketing activity. The research included examination of several marketing planning and analysis tools along multiple aspects. These confirmed the presumption that company size does matter when it comes to marketing activity. Several assumptions gained verification not only considering the number of tools, but also regarding time frames for instance.

However, the previous expectations regarding outsourcing marketing activities ended up in contradiction to the fact that surprisingly enough, hiring third party specialist could harm the profitability of the enterprise. Negative effect was revealed not only considering

financial indicators but also in case of non-financial factors as well; therefore possible decrease in profits could not be explained reassuringly with the extra costs.

Referring to my own primary research, and results of other studies introduced in my paper, I am making the following statements considering small businesses marketing activity:

- short-term approach, lack of long-term orientated mind set – examining marketing planning and analysis also confirmed this statement
- inadequate marketing knowledge – serious deficiencies assumedly can be explained not only with lack of interests, but also with missing skills
- risk avoiding attitude – due to unlimited liability, insufficient funds and lack of specialized knowledge in most cases
- fear of change – they are rejecting to innovative solutions

In my opinion, completion of the following suggestions may contribute to the solution of small businesses' problems:

- support from government and professional organizations not only financially but also
- extending marketing and other knowledge (finance, controlling etc.)
- mastering marketing oriented approach
- organising professional events
- supporting adaptation of marketing systems
- cooperation in executing marketing campaigns (on industrial level).

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SME'S INTERNATIONALIZATION - DRIVERS AND BARRIERS: THE CASE OF THE ROMANIAN ECONOMY

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Abstract: *This paper attempts to investigate the role of the internationalization process of the SMEs in shaping the domestic economic environment in this peculiar framework. It does this by contextualizing the processes of internationalization, and also the prospects of internalization, for the case of the Romanian economy. Furthermore, we analyze the most important facts available and relevant for the topic and concentrate on the blueprints of the Romanian SME's system. All these preliminary steps converge toward our capital target, namely to identify, reveal and describe in detail the features of the main drivers and barriers that are characteristic of the present day economic life of the Romanian SMEs, as observed within an accelerated internationalization process.*

Keywords: SMEs; internationalization; internalization; growth and development; innovation

JEL Code: D21, L25, L53

1. Introduction

Due to the fact that the European economy has faced over the past years a lot of difficulties and challenges, triggered mainly by the recent crisis, the role of the SMEs sector, as a driver of growth throughout the EU, has become more and more important. It is a fact that when it comes to the labor allocation, most of the EU's workforce can be retrieved within this area, while the obviously embedded flexibility would be an invaluable asset at a time when specific "SME buffer zones" as labor shock absorbers, could prove extremely

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important for the social stability of a given country or even continent. It is also a fact that the current global economic realities have significantly increased the level of international competition for the small entrepreneurs, traditionally camped in the low tech fields, meaning that small companies encounter nowadays many more difficulties on their road to market share achievement, due to the fact that international markets and also the global economic environment have changed dramatically over the last few years, mainly under the impact of the contemporary ICT stampede.

Evaluating the importance of the SME's sector which would be today the No. 1 employer, both at EU level – accounting for more than 98% of all companies and employing in 2012, almost 67% of the total employment³, but also in the peculiar case of the Romanian economy (as an example, the estimates, again for 2012, show that 99.7% of all companies are SMEs, hiring 65,6% of the total employees⁴), we cannot but assess that this sector sustains a flexible, dynamic, innovative, competitive economic environment along with an increasingly competitive framework for all the economic actors involved. In order to support this statement, we can recall Romanian statistical data which show that in terms of turnover, the SMEs contribute with more than 58% of the total turnover achieved in our domestic economy.⁵ It seems clear to us that in such a juncture, investigating and drawing pertinent arguments for a better design of the dedicated policies appears to be more important than ever.

2. Main research objectives

*The Entrepreneurship 2020 Action Plan*⁶, a benchmark for the European way of conceiving the framework, underlines and stimulates the potential of the entrepreneurial spirit

³ ECORYS, *EU SMEs in 2012: at the crossroads. Annual Report on Small and Medium-Sized Enterprises in the EU*, 2012, Rotterdam, p. 9, at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2012/annual-report_en.pdf], 10 January 2013.

⁴ EC, *SBA Fact Sheet 2013 – Romania*, 2013, p. 2, at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2013/romania_en.pdf], 13 March 2014.

⁵ Barta P., Modreanu I., Spirea N., Piti M., *Raportul fundației post-privatizare privind sectorul IMM din România*, Fundația post-privatizare, 2013, p. 59, at: [<http://www.postprivatizare.ro/romana/wp-content/uploads/2013/06/Raport-IMM-2013.pdf>], 24 May 2013.

⁶ EC, *Entrepreneurship 2020 Action Plan*, 2013, Brussels, at: [<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0795:FIN:EN:PDF>], 10 March 2014.

through its three interventional pillars, namely entrepreneurial education, creation of specific entities and spreading valuable models. In order to evaluate the way in which some of the objectives of the second pillar can provide support the internationalization process, in the case of the Romanian SME companies, we are going to try and find out which are the main obstacles in reaching this outcome and how we can overcome the barriers that jeopardize the chances of the Romanian economy to perform as well as its competitors in this area. By doing so, we are also going to focus our attention on the means that can stimulate the Romanian small businesses in developing various kinds of cross-border activities, but ultimately in order to internalize various sorts of operations as a result of their exposure to the international milieu.

The following chapters of this research focus on the impact of internationalization as observed within the economic environment of the SMEs and its consequences on growth and development. On this path, we reveal the fact that internationalization is actually an open door for internalization of production at a stage when SMEs can undertake higher tech output in their portfolio. Last but not least, and the core of our research from a pragmatic perspective, would be the identification and analysis of the drivers and barriers that push forward or brake the evolution of the Romanian SMEs on their track of becoming more and more internationally exposed.

3. The role of the SME's internationalization process in growth and development

One of the features that illustrate global competitiveness is the internationalization of production, a feature that underlines the interdependent linkages existing between different companies, different countries, or even blocks of countries, a reality that is generating nowadays a very complex and not seldom, fuzzy economic framework, no matter where we are looking around.⁷ The SMEs internationalization process can embrace today a significantly greater range of forms: exporting, importing, the creation of cross-border

⁷ Hatzichronoglou T., *Globalisation and Competitiveness: Relevant Indicators*, in *OECD Science, Technology and Industry Working Papers*, OECD Publishing, 1996, p. 7, at: [<http://www.oecd-ilibrary.org/docserver/download/51gsjhvj7nlw.pdf?expires=1394977884&id=id&accname=guest&checksum=BB0D97D54E82B9D2C6B4261C23DC642>], 10 March 2014.

alliances, the establishment of operations or offices in other countries etc.⁸ The internationalization (as well as internalization, as explained below) process should be considered as a core part of the company long term strategy and not only a time framed tactical activity or a side strategy, applicable for a short or medium period of time. Being one of the most important triggering factors for economic growth, the overall economic internationalization process needs to involve important and various resources, capacities and information in order to be effective and ultimately generate an increased level of competitiveness among the participants.⁹ Eventually, it generates a trend to internalize various economic processes through the SME's framework, as opposed to the externalization generated by the international operations of most MNCs.

Studying the complex and sometimes rather vaguely defined internalization process, we can rather easily identify a relationship that often occurs between this very process and the level of engagement to the innovation path of the investigated companies. This reality means that in the case of the truly innovative companies (thus able to internalize high tech, even state of the art operations at an obviously larger than average scale of that particular economy), the cross-border activities are by far more present and definitely more lucrative, innovation being today probably the most important factor that can increase the level of economic efficiency and aggregated growth of a specific geographic area.¹⁰ Moreover, it is statistically proven that most of these companies can and actually do benefit, in terms of innovation, from the cross-border activities, but only after a relevant administrative and managerial approach towards internalization, enabling them to escape the low added value production context. As a preliminary conclusion, we can state here that all the public policies that are encouraging the internalization process, along with the upgrading of the domain through innovation, could and should be complementary.¹¹

⁸ Wilson, K., Chapter 2. Encouraging the internationalization of SMEs, in *Promoting Entrepreneurship in South East Europe POLICIES AND TOOLS*, OECD Papers, 2007, p.45, at: [<http://www.oecd.org/cfe/leed/39872944.pdf>], 10 March 2014.

⁹ EC, *Supporting the internalization of SMEs*, Final Report of the Expert Group, December 2007, p.4, at: [http://ec.europa.eu/enterprise/policies/sme/files/support_measures/internationalisation/report_internat_en.pdf], 10 December 2012.

¹⁰ Maniu, M.T., Chapter 4. Re ele regionale de IMM-uri inova ionale, in *Regionalizare i inovare. Dezvoltare regional prin contribu ia firmelor inovative*, EFES, Cluj, 2009, pp. 92-119.

¹¹ Austrian Institute of Economic Research (WIFO), Fraunhofer Institut für System- und Innovationsforschung (ISI), *Barriers to internationalisation and growth of EU's innovative companies*, Final Report, Viena, 2010, p.

The R&D processes are known to be increasing the level of productivity, meaning that the companies that are implicated and determined to increase their level of output as well as their performance, are also going to report while performing international, cross-border activity, at least: innovative products or services; increased efficiency in terms of both quantitative and qualitative terms (expanded exports incorporating more added value); involvement in a more competitive labor market in terms of employment, with benefits concerning both the supply of labor and its skills; better compensation programs and stimuli for the workforce.

A survey carried out by the EU Commission in 2009, i.e. a study focusing on 9,480 companies across 33 countries, bluntly showed that there is an important linkage between internationalization and the size and lifespan of the company. While objectively, internationalization tendencies increase along with the growth of the company, meaning that larger companies tend to internationalize more, which is simply common sense, the report also indicated that manufacturing, transport, communication and e-commerce, not exactly SME illustrated sectors, are the most internationalized sectors. A typical fast moving SME will increasingly conduct added value operations domestically and gradually tend to start their cross-border activities by importing, the most common business partners being the EU countries followed by Brazil, India, Russia, China etc.¹² Moreover, The EU exports towards these countries identified by a study (*Opportunities for internationalization of SMEs*, study conducted by EIM Business and Policy Research and published by the EC in 2011) have reached 261.6 billion Euro, out of which the SME sector accounted for 134.6 billion Euro. The SME exports values of the EU countries are fluctuating between 39% - 62% of the total export activities.¹³ Internalizing seems the next logical step on the scale of increasing value added and efficiency.

The evaluation of the implementation of the SBA policy measures in terms of internationalization, a strategy that is considered of “high priority”, shows that some of the most frequently used measures were: “the coaching of the SMEs by large companies in order to bring them to the international market” and also “providing support to SME network-

V, at: [http://ec.europa.eu/enterprise/policies/innovation/files/proinno/innovation-intelligence-study-1_en.pdf], 10 December 2012.

¹² EC, *Internationalisation of European SMEs*, 2010, p. 5, at: [http://ec.europa.eu/enterprise/policies/sme/market-access/files/internationalisation_of_european_smes_final_en.pdf], 30 April 2013.

¹³ EC, *Small business, Big World – a new partnership to help SMEs seize global opportunities*, Brussels, 2011, p. 3, at: [<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0702:FIN:EN:PDF>], 10 March 2013.

building”.¹⁴ In Germany, for instance, SMEs account for 98% of the number of exporters and each region has a development bank that is able to sustain them with development loans.¹⁵

4. The internationalization of the SMEs sector. The case of the Romanian economy

EC sources reveal the fact that at the level of investigated countries (EU 27 member states, plus Croatia, Ireland, Liechtenstein, Norway, Turkey and Former Yugoslav Republic of Macedonia) the internationalization process of the SMEs has the following pattern: more than 40% of the European SMEs are involved in some form of international relations (but only 13% are internationally active outside the Internal Market), 25% of the SMEs within EU 27 are involved in export activities and 29% in import activities, 7% are involved in technological co-operation with a foreign partner, 7% are subcontractors to a foreign partner, 7% have foreign subcontractors and 2% are active in foreign direct investments.¹⁶ This outlook, clearly indicating a strong propensity towards “going international” is in fact replicated in most of the developed areas of the world, no matter if border crossing is less easy than for the European context.

The same view, this time focusing on Romania, points to the reality that the country lags significantly behind the EU average in this respect. For instance in 2009, 5.5% of the Romanian SMEs were engaged in export activities (generating 35.4% of the country’s total exports, thus generating a significant 10.3 billion EURO!), a percentage which is unfortunately outpaced by the one of the importing SMEs, which reached 17.7% (generating 50.1% of the country’s total imports, thus resulting 19.5 billion EURO!).¹⁷

The *SBA Fact Sheet 2013* indicates that in the case of Romania the trading conditions and the development of the international relations outside the EU market are generating the

¹⁴ EC, *Progress on the Implementation of SBA in Europe 2012-2013, Summary Paper*, SME Performance Review Study, August 2013, pp. 53-54, at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/summary-paper_en.pdf], 10 March 2013.

¹⁵ Edinburgh Group, *Growing the Global Economy through SMEs*, 2013, p.20, at: [http://www.edinburgh-group.org/media/2776/edinburgh_group_research_-_growing_the_global_economy_through_smes.pdf], 10 March 2013.

¹⁶ EC, *Internationalisation of European SMEs*, 2010, p. 5-17, at: [http://ec.europa.eu/enterprise/policies/sme/market-access/files/internationalisation_of_european_smes_final_en.pdf], 30 April 2013.

¹⁷ Pîslaru D., Modreanu I., *Contribuția IMM-urilor la creșterea economică – prezent și perspectivă*, București: Editura Economic, 2012, pp. 96-97, at: [http://facultateademanagement.ro/wp-content/uploads/Studiu_Contributia-IMM-urilor-la-cresterea-ec.-DP.pdf], 24 April 2013.

following results: in 2010, 4% of SMEs are importing from outside de EU (8% - EU average) and only 1% of SMEs are exporting outside the EU market (4% the EU average). In 2013, the average cost required to import a standard batch in Romania was USD 1495 (EU average - USD 1072) and to export USD 1485 (EU average – USD 1004), while the time spent in order to perform the operations was 13 days (EU average -5 days) to import and 12 days (EU average 11) to export. Meanwhile, the amount of documentation required to import -6 (EU average -5) and to export -5 (EU average 4).¹⁸

What do such statistics indicate? If one takes into consideration the recent history of the country and the inherited liability of having a state monopoly over the foreign trade that extended over almost half a century, the retrieval of the lost ground seems quite relevant. But if one looks deeper into the structure of the Romanian exports, as well as imports of the last decade, two conclusions can basically be drawn: no significant players among the SMEs and a lower value added structure of the exports as opposed to imports. A study conducted in 2008 (still a pre-crisis year in Romania!) on a sample of 226 SMEs from the *Northwestern Development Region of Romania*, shows a high concentration of import activities generated by reasons such as lack of domestic commodities and services while facing a booming demand. But what seems relevant here is their commitment towards exports, not yet developed due to reduced experience in their business, a fact that prevents them from taking higher risks.¹⁹ Those SMEs that surfaced the crisis are now exactly in this position if they want to carry on successfully: they should export and meanwhile cope, through internalization, with a more and more sophisticated and expensive foreign market.

5. Drivers and barriers for Romanian SMEs in the internationalization process

The difficult track towards the efficient internationalization of the Romanian SMEs can be classified into two main groups²⁰: the old and still not properly tackled issues

¹⁸ EC, *SBA Fact Sheet 2013 – Romania*, 2013, p. 15, at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2013/romania_en.pdf], 13 March 2014.

¹⁹ Negru a A., Ionescu Gh., The Role of Internationalization Activity for the SMEs Development – Case Study for Transilvania region, in *International Review of Business Research Papers*, Vol. 5, No. 6, November 2009, pp.264-267, at: [<http://www.bizresearchpapers.com/20.Adina.pdf>], 10 March 2013.

²⁰ Duma F., Developments and Constraints for the Romanian Small and Medium-Sized Enterprises, in *Proceedings-10th International Conference on Management, Enterprise and Benchmarking (MEB 2012)*,

(excessive taxation and fiscal controls, bureaucracy, unfair competition with the imported goods, training the employees and consequently retaining the highly trained ones, inadequate infrastructure, etc.) and the new, post-crisis issues (a sharp decrease in domestic demand, delays in the collection of receivables, the high cost of loans and the difficult access to them, the rather high volatility of the exchange rate, the postponed payment of invoices by the public sector etc.). Meanwhile, we can identify significant incentives to export in at least three areas, rather different from the value added perspective but quite well illustrated by SMEs: agriculture (as producers, not traders), automotive industry (as spare parts suppliers) and ICT (service providers and Lohn type of operations).

Gradually, other SME sectors will engage the track of internationalization and then hopefully internalization, under proper circumstances. This move will be objectively triggered, in our opinion, by the many links to be spotted between innovation and internationalization. We should underline the fact that basically, all the drivers and all the barriers we have identified are actually specific to both processes (innovation and internationalization) and they cannot act unless they are interconnected, so obviously they should be studied in the same manner. The following present day drivers could be considered as having the potential to generate economic dynamism and consequently growth and development:

- Knowledge of general and specific, even niche type of markets; identification of foreign business opportunities through various direct and indirect means; reliable and imaginative foreign permanent representation, not only of the country, but also of the regions and industries; presence at trade events and professional gatherings; professional lobby.
- Access to comprehensive information (standards and regulations, market specificities, cultural background); market transparency (or lack of it) and smart use of specific features; property rights protection and juridical status.
- Networking for spread of knowledge concerning the technologies available; state of the art technological capabilities, especially in the area of ICT.
- Educated, trained, skilled and permanently updated human resources; labor productivity and unitary cost of labor (areas where Romania is lagging behind in terms of both investigating and disseminating information).

- Access to adequate financial resources; diminishing by all means the cost of the objective process Investment) of internationalization.
- Research and development activities (many of them also linked to the financial framework); implementation of R&D pilots in order to build a niche that would be accessible to SMEs.
- Managerial and leadership skills, marketing abilities; international and global market strategy and current planning; general geopolitical and risk assessment.

It is empirically proven that for the case of SMEs, the manager or the direct owner would be the person that plays the main role in determining the strategic decisions, its capabilities, vision and knowledge of the business environment, either domestic or foreign. Being at the very heart of its reactions means that it can easily encounter limitations like: fear of undertaking the necessary risks, not seeking, or even seeking the opportunities, but not making them operational, this person or entity can also be the best barrier investigator. As companies that act properly over a competitive domestic market tend to become internationally active, this fact will shape the situation in which SMEs have international contacts and are more likely to resist at international level.²¹ So, they appear to be much better prepared to face various kinds of barriers and exogenous setbacks that usually hamper a business going international, especially if we are considering an SME type of business. We have determined the following types of barriers across the Romanian SME's international track:

- Governmental protectionism (foreign) combined with lack of own governments' support. The role of government and public institutions, through their policies, is actually determinant for setting the appropriate environment for the local businesses. From this perspective, their objectives should focus on: creating the positive framework in order to stimulate the internationalization process (provide information and incentives, public-private partnerships etc.), reforming the education, building networks, providing financial incentives and assistance, reducing the administrative burden and creating the necessary legal provisions for cross-border activities by encouraging trade and investment etc.²²

²¹ Cranmer, R., Factors Influencing the Internationalization of Small and Medium Size Enterprises, in *International Business & Economics Research Journal*, Vol. 7, No. 12, 2008, pp. 46-47.

²² Wilson, K., Chapter 2. Encouraging the internationalization of SMEs, in *Promoting Entrepreneurship in South East Europe POLICIES AND TOOLS*, OECD Papers, 2007, pp. 53-55, at: [<http://www.oecd.org/cfe/leed/39872944.pdf>], 10 March 2014

- Non-tariffs barriers – linked to the traditional non-EU destinations (not necessary for a large number of companies, but still valid).
- Market entry barriers (financial, technological, cultural, anthropological, social), which an unprepared SME simply cannot cope with.
- Differences among countries, in terms of managerial culture and risk assessment.
- Limited ability to raise capital for penetrating foreign markets.
- Flexibility would be an important asset over the domestic market, but it could easily turn into a liability over consolidated foreign markets.

Moreover, the process of internationalization of SMEs should be encouraged through the development of a better informational flow for entrepreneurs in order to be able to better tailor their supply to the needs and standards required on those foreign markets.²³ Without this step, the internalizing of high tech, a significant added value output, does not seem feasible.

6. Conclusions

There is no turning back in the process of internationalization and consequently the Romanian Government should develop and implement the necessary and appropriate policies to promote and facilitate the access of domestic SMEs to foreign markets. This is the pattern that has illustrated the way to prosperity of so many countries and it represents a decent benchmark to be adopted by the legislative framework governing the existence and evolution of SMEs in Romania. We are fully convinced that innovation within the Romanian economic framework in the years to come must be located precisely here, due to the demonstrated correlation between innovation and the level of internationalization.

Just as companies that have managed to become more internationally active represent a more stable ground for the domestic economic environment, through indirect transfer of technologies and know how, those companies which have been able to internalize higher tech output and more competitive products and services are better insulated in front of unpredictable and fluctuating economic evolutions. This situation is significantly enhanced

²³ Racolța-Paina N.D., Burc -Voicu M.I., The Competitiveness of SMEs in the EU Member States. Challenges and Lessons Ahead for Romania, in *Studia Europaea*, No. 3/2013, 2013, p. 52.

when SMEs are actually creating networks or even clusters of cooperation and technology/information sharing.

Our research, along with all the titles accessed by us, have led us to the conclusion that one of the main liabilities in the process of internationalization of the SMEs would be the lack of proper financing and access to various resources. Without a significant change in the policy governing this area, the gap between the domestic and the international framework in this regard will widen in the years to come and, consequently, the Romanian economy will lose more competitive advantage. It is our purpose to draw the attention towards SMEs, this hotspot of economic dynamism for every economy, Romania's included.

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PERSPECTIVES ON SOCIAL ENTREPRENEURSHIP IN ROMANIA

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***Abstract:** At the European Union level, there is a great interest in social entrepreneurship and social economy, which are correlated with a more efficient market competition, with the encouraging of solidarity and cohesion, with a high degree of flexibility and innovation that allows a rapid adaptation to the changing social and economic context. The issue of social entrepreneurship became more and more important as the financial and economic crisis evolved and brought to surface the necessity to foster not only economic development but also social inclusion. In Romania, social entrepreneurship is in its emerging phase, the non-profit sector being the major actor in this area. Through an exploratory research based on secondary sources, we aimed to identify the perspectives and the main initiatives and practices in social entrepreneurship area in Romania. The analysis focuses on the non-profit and for-profit sector, the academic area and the institutional and legislative framework.*

Keywords: social entrepreneurship, social business, NGOs, Corporate Social Responsibility, Romania

Introduction

Social entrepreneurship is seen as a promising instrument for addressing social needs (Peredo, McLean, 2006: 57). Thus, it became a major topic in the academic and non-academic area, being of high interest for both practitioners in non-profit and for-profit sector and (social) policy makers (Peredo, McLean, 2006: 56; Dacin, Dacin i Matear, 2010: 37).

Social entrepreneurship became more and more important as the financial and economic crisis evolved and brought to surface the necessity to foster not only economic

development but also social inclusion. The very concept of entrepreneurship, profit bound or social, would be primarily associated with the identification of various opportunities. But it is only the social entrepreneurship that focuses mainly on social issues in order to create what could be described as social value (such as income for the less advantaged social groups). Another important difference from the main track of profit bound entrepreneurship is the strong correlation with the peculiarities of the community environment, a context that often generates various social and institutional barriers on the road to accomplishing entrepreneurial tasks. If we add the organizational framework to these liabilities, the result is hybrid entities, targeting both profits and non-profit objectives. (Doyle, Ho, 2010: 636-637).

In Romania, social entrepreneurship is in an emerging phase, the non-profit sector being the major actor in this area. Although, as in many other countries, there is an increasing interest in social entrepreneurship, Romania did not construct the cultural and institutional mechanisms that are actually needed. Since 2011, the involvement of civil society in social entrepreneurship and social economy initiatives became more visible, as a result of few projects financed by European funds, i.e. the Social Economy Institute program, initiated by The Foundation for Civil Society Development as a part of a project financed by European Social Fund. The social entrepreneurship is sustained also by the for-profit sector, mainly by financing small scale projects or contests on social entrepreneurship/social innovation. At macro-institutional level, the main initiative comes from the Ministry of Labour, Family, Social Protection and Elderly, that elaborated a Social Economy Law project, which is still under debate.

I. Social Entrepreneurship – definitions, perspectives and international initiatives

The social entrepreneurship definition is controversial. One of the major questions is whether the social entrepreneurship is a phenomenon specific for the non-profit organizations or it could also be applied to businesses that have social objectives and activities (Peredo, McLean, 2006: 56)

Two main approaches can be distinguished: 1) social entrepreneurship as resource mobilization for social problem solving (statistically, the dominant tendency); 2) social entrepreneurship as a form of corporate social responsibility and responsabilization or as a result of corporate philanthropy and/or social innovation (Dacin, Dacin i Matear, 2010: 38).

Social entrepreneurship is also viewed as part of an ongoing reinvention process of the third sector and as an alternative problem-solving pathway (Dees, 2007: 27).

The social business definition is also controversial: “Social enterprise is a simple term with a complex range of meanings. Some experts say that a social enterprise is any venture that generates earned income for public benefit; others argue that the term denotes nonprofits that utilize efficient business metrics; still many see it as a movement not intrinsically business-like at all, but rather, entrepreneurial in the sense of pursuing innovative solutions to social problems” (Trexler, 2008:65) EMES European Research Network and United Nations Development Program define social enterprise as ”entrepreneurial activities focused on social aims”, including cooperatives, associations, foundations, mutual benefit and voluntary organizations and charities (EMES ERN, UNDP, 2008:3). Thus, social enterprise has both economic and social objectives, within the third sector (all non-profit organizations created by civil society) (EMES ERN, UNDP, 2008:5).

As already mentioned, social entrepreneurship is also conceived as a form of corporate social responsibility (CSR) and responsabilization or as a result of corporate philanthropy. In this case, the social business/enterprise would be any enterprise that redistributes the corporate profits to social causes and has social objectives and activities. From this perspective, the social business/enterprise is a “CSR firm” (Baron, 2005:4), and social entrepreneurship is any business company or corporation (sometimes even the government) that has a social purpose (Popoviciu I. & Popoviciu S.A., 2011: 47). In a reversed logic, the non-profit organizations include economic purposes (i.e., practices of cost recovery) along with the social ones (Popoviciu I. & Popoviciu S.A., 2011: 47). The hybrid entities, targeting both profits and non-profit objectives seem to become a characteristic of the social entrepreneurship field.

However, there is more agreement on the benefits of social entrepreneurship. The social entrepreneurship creates social values, having as benefits: the increase of employment, through job creation and training opportunities for various disadvantaged groups; innovation and product/service offer that satisfy social needs which are not addressed by other actors of community/society, contribution to sustainable economic and social development; the promotion of social equity; offers effective solutions to social problems; contributes to human well-being and environmental sustainability etc. (Orhei, 2007: 2-3; Dees, 2007:25-26; Olsen & Galimidi, 2009: 44; Popoviciu I. & Popoviciu S.A., 2011: 47)

At the European Union level, there is a great interest in social entrepreneurship and social economy, which are correlated with a more efficient market competition, with the encouraging of solidarity and cohesion, with a high degree of flexibility and innovation that allows a rapid adaptation to the changing social and economic context (EC, Social Economy, 2013). Thus, in December 1989, the Commission adopted a Communication on “business in social economy sector”, followed by financing, for several years, of various projects and activities. In 2000, the European Standing Conference of Co-operatives, Mutual societies, Associations and Foundations (CEP-CMAF) was created, which changed its name to Social Economy Europe in 2008. The European Parliament, the European Economic and Social Committee, and the Committee of Regions also encourage the social economy in order to exploit its potential for economic growth, employment and citizen participation (EC, Social Economy, 2013).

Since 2013, the European Parliament and the Council of the European Union adopted a Regulation on European Social Entrepreneurship Funds (No 346/2013), as a part of the Social Business Initiative established by the Commission in its Communication of 25 October 2011 entitled “Social Business Initiative — Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation” (EP, 2013:18).

The interest in social entrepreneurship has increased also as a result of including it as a discipline in various higher education study programs (i.e. “Social entrepreneurship and innovation”, Malmö University, Sweden). A great number of well-known universities (Harvard, Stanford, Columbia, New York University, Oxford, Duke) have centers or initiatives in social entrepreneurship area (Dees, 2007: 24), i.e.: *Harvard’s Initiative on Social Enterprise*, *the University of Alberta’s Canadian Centre for Social Entrepreneurship*, *Oxford’s Skoll Centre for Social Entrepreneurship*, and *Stanford’s Center for Social Innovation* (Braun, 2009: 75-76). Also, social entrepreneurship is promoted through academic journals creation (i.e. *International Journal of Social Entrepreneurship and Innovation*). We can also mention the initiative of World Economic Forum to create a top of the global competitiveness and, through Schwab Foundation, supports a social entrepreneurship program (Schwab Foundation for Social Entrepreneurship). All these institutional constructions have an interdisciplinary approach of the social entrepreneurship, which is absolutely necessary for understanding the complexity of the phenomenon (Braun, 2009: 76-79). Although in many countries there is a boom in social entrepreneurship, many

societies did not construct the cultural and institutional mechanisms that are actually needed (Dees, 2007: 27).

II. Perspectives on social entrepreneurship in Romania

After 1990 and after Romania's integration in EU (2007), the commercial entrepreneurship constituted a major concern for the Romanian government and different bodies/institutions, in order to accelerate the development of the private initiative and to create a functioning economy. The commercial entrepreneurship is also a main topic in the Romanian specialized literature, while the social entrepreneurship is rather marginal, even if, in academic area, a number of authors started to analyze the phenomenon (i.e. Bibu & Orhei, 2008; Borza & Cri an, 2012, Popoviciu & Popoviciu, 2011). The opening Report of the project "Social Economy Model in Romania" indicate, at academic level, insufficient information on social economy, but a growing interest in this area (St nescu (coord.), 2012). Moreover, another report, in the same project, indicates the lack of any academic social entrepreneurship program; in 2013, only 5 master programs and 2 postgraduate courses on social economy were registered (St nescu, (coord.), 2013: 15). The results of a focus-group on economics and political sciences students indicate: a low awareness of the social economy notion; an increased interest in a course on social economy; the social economy is seen as an alternative to the crisis of the current institutions and forms of economic organization (St nescu, (coord.), 2012: 31).

Romania, as other economies of Central and Eastern Europe during transition, confronts with severe economic and social problems – i.e.: social exclusion of a variety of groups: disabled people, rural workers, people over 50 years, young people with low qualifications, working poor etc. (EMES ERN, UNDP, 2008:4). Social enterprise is conceived as one of the solutions in societies characterized by weak and young welfare systems (EMES ERN, UNDP, 2008:4). But there are considerable obstacles for the social enterprises in these systems, mainly the institutional framework and the legal environment (EMES ERN, UNDP, 2008:6). For example, one of the problems raised by the Social Economy Institute is the lack of a specific legal framework for social entrepreneurship in Romania (IES a). In fact, there is a lack of specific legislation in the social entrepreneurship and social economy areas, even if recent researches indicate a growing social economy industry in Romania over the last years, in spite of the current financial and economic crisis

(IES, 2012). After Romania's integration in EU (2007), 3000 new social economy organizations started-up every year (IES, 2012). In 2010, the social economy in Romania included over 31 000 organizations and 100 000 employees (IES, 2012: 31; St nescu, (coord.), 2012: 31).

The main forms of the social economy in Romania are: associations, foundations, federations, agricultural and credit cooperatives, protected units (Work Integration Social Entreprises WISE, Associations of flat owners) (IES b), the non-profit NGO's definition matches better the definition of social enterprise (Bibu, Orhei, 2008). One explanation could be that this form of organization is already set up to advance social value (Popoviciu I., Popoviciu S.A., 2011: 47). A survey on the use of the term "social entrepreneurship" in scholarly and non-scholarly publications indicate that 83% employ examples from non-profit organizations, concluding that the social entrepreneurship is a phenomenon associated with the non-profit sector (Taylor, Hobbs, Nilsson, O'Halloran, & Preisser cited in Peredo and McLean, 2006:61). Thus, Romania is part of this general trend in social entrepreneurship area.

Two of the more visible social entrepreneurship initiatives of the Romania non-profit sector are: the Social Economy Institute program, initiated by The Foundation for Civil Society Development as a part of a project financed by European Social Fund, and the "Social Economy Model in Romania" project, co-financed by European Social Fund (this project is a partnership between a NGO, two universities and the United Nations Development Program in Romania).

These projects are not only visible, but they also make a great contribution to the development of social entrepreneurship in Romania. One of the main contributions of those projects is a systematized research on the social economy in Romania. Also, the setup of structures for promoting social economy and social entrepreneurship: Social Economy Institute, social economy incubators, social economy courses and training programs, guides for social enterprises for disadvantaged groups.

The Foundation for Civil Society Development (FCSD) promotes, through Social Economy Institute, the social economy, i.e., in 2011 elaborated, in partnership with other NGO's an NGO's White Paper for social economy sustaining (IES c). It is also actively involved in monitoring other institutional initiatives in this area, the most important being The Law of the Social Entrepreneur and The Social Economy Law. The Law of Social Entrepreneur was proposed in 2010, by a deputy, in order to create a legislative framework

for social entrepreneurship activities and to create a special sector of economy: the social economy that promotes the inclusion of disadvantaged and vulnerable groups (IES d). This law project was hardly criticized by FCSO (and other NGO's) for its negative effects on NGO's sector and social economy development as a result of the emphasis on the role of State and private enterprises as social entrepreneurs. The main critics of this law project are: 1) the false premise that in Romania there is no social economy sector; 2) the social entrepreneur is defined as the State and the multinational / national corporations; the NGOs are recognized as social entrepreneurs only as partners of the State or of companies – this approach contradicts the international and European theory and practices in the social economy field; 3) the social entrepreneurship is assimilated to CSR (corporate social responsibility) (IES, 2011).

The Social Economy Law is proposed by the Ministry of Labour, Family, Social Protection and Elderly. FCSO (and other NGOs that it represents) proposed some amendments to the law project and requested a public consultation of the Ministry of Labour, Family, Social Protection and Elderly with all the actors involved in social economy in order to elaborate a common document. The Social Economy Law is still under debate, scheduled for adoption in April 2014 (IES, 2014).

Another important promoter of the social entrepreneurship in Romania is NESsT Foundation. NESsT is an international non-profit organization that began its activities in Romania in 2007. NESsT is a contributor to the development of social enterprises in emerging market economies. The main instrument it employs is the organizing of social enterprise competitions. In addition, the foundation offers consulting, training and financial support for social enterprises (NESsT Romania, 2012: 4, 10). In partnership with PETROM, NESsT, launched in Romania the largest social enterprise competition, with funding of 350.000 EUR: “Fabrica în țara lui Andrei” ((NESsT Romania, 2012: 10; <http://www.taraluiandrei.ro/fabricat-in-tla>).

Other examples of NGOs involved in social entrepreneurship are: “The Association for Social Intervention and Communitarian Solidarity” (Bucharest), The “Close to You” Foundation (Iasi), the “Travelling Book” Foundation (Focsani) “Romanian Angel Appeal” Foundation (Bucharest), The “New Horizons” Foundation from Lupeni, Hunedoara (Botezatu, 2010), the Association for Community Relations (Asociația pentru Relații Comunitare) – develops social and community involvement programs for individuals and different organizations/companies (ARC). In 2006, a portal / (web page) for corporate social

responsibility promotion (www.responsabilitatesociala.ro) was created. The portal became a promoter also for the social entrepreneurship practices (<http://www.responsabilitatesociala.ro/taguri/antreprenoriat-social.html>).

The social entrepreneurship is supported also by the for-profit sector, mainly through the financing of small scale projects or competitions on social entrepreneurship/social innovation. Some of these private enterprises financed (at least partially) such projects, as part of their CSR strategy. For example, Guinness financed a contest on social entrepreneurship projects (CSR, 2010). BRD Groupe Société Générale financially supported the Communitarian Foundation (Cluj) in the “Investments in a Sustainable Future and Equal Chances” project (Împarte.ro, 2011). Junior Achievement, financed, in February 2014, a competition on social innovation projects for high school students (Junior Achievement Young Enterprise, 2014) The already mentioned social enterprise competition “Fabricat în țara lui Andrei” is an example for the contribution of actors from the for-profit area. Another example is the creation of a platform for those interested in social entrepreneurship – roPot Community, defined as an incubator and a community of people interested in social entrepreneurship (roPot 2012). The list of these initiatives could be extended, but our main aim is to grasp the phenomenon not to make an extensive review.

The analysis of the social entrepreneurship forms promoted in Romania by the civil society and those promoted by the private enterprises indicate different approaches. Thus, a characteristic of the social entrepreneurship promoted by the civil society is the inclusion of the disadvantaged and vulnerable groups; the emphasis is on social needs and social problem solving. The private enterprises seem to emphasize more the business aspect of the social entrepreneurship and its contribution to social innovation. Also, the private sector assimilates, to a certain extent, social entrepreneurship to corporate social responsibility practices.

At macro-institutional level, there are some initiatives in order to support social economy and social entrepreneurship, as the already mentioned Social Economy Law project proposed by the Ministry of Labour, Family, Social Protection and Elderly. Another important initiative is the creation of the biggest social enterprise from Romania, in Câmpia Turzii (Combinatul Social Câmpia Turzii), as a result of a project submitted in December 2012 at the European Commission by the Cluj Territorial Employment Agency (AJOFM Cluj). The project received seven million Euro financing (Fernoaga, 2014) and targeted the unemployed persons from the Integrated Iron and Steel Work Mechel Câmpia Turzii (Mediafax, 2013). The project aims to train ex-employees to qualify for the new 300 jobs in

the social enterprise (Fernoaga, 2014); the employees would become the owners of the social enterprise (Mediafax, 2013). The social enterprise is due to become functional this year, in the sports equipment production industry (Fernoaga, 2014).

Conclusion

Although, as in many other countries, there is an increasing interest in social entrepreneurship, Romania did not construct the cultural and institutional mechanisms that are actually needed. At this moment, Romania does not have specific legislation for social economy and social entrepreneurship, only a general framework of regulation and public policy (IES).

At the academic level, there is an increasing interest for social entrepreneurship field, but compared to the commercial entrepreneurship, in the Romanian specialized literature, the social entrepreneurship is rather marginal.

The non-profit sector is the major actor in social entrepreneurship and social economy promotion and development in Romania. This is not a characteristic for Romania, but a worldwide general trend. The analysis of the social entrepreneurship forms promoted by the Romanian civil society and those promoted by the private enterprises indicate a different approach. Thus, a characteristic of the social entrepreneurship promoted by the civil society is the inclusion of the disadvantaged and vulnerable groups; the emphasis is on social needs and social problem solving. The private enterprises seem to emphasize more the business aspect of the social entrepreneurship and its contribution to social innovation. Also, the private sector assimilates, to some extent, the social entrepreneurship to corporate social responsibility practices.

The main conclusion is that in Romania, the social entrepreneurship is in an emerging phase, but of a high interest for the academic area and for practitioners in non-profit and for-profit sector and also for the (social) policy makers.

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PROMOTING THE ENTREPRENEURSHIP EDUCATION IN EUROPE

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Abstract: *The economic crisis in Europe has not really come to an end yet and it seems that we still have some painful road ahead. How can we deal with this difficult recovery and how can we boost the economic development among the countries in Europe in a sustainable way? One answer is stimulating the entrepreneurship. We believe that the best way to stimulate entrepreneurship is promoting entrepreneurship education in the schools and universities all across Europe.*

Keywords: entrepreneurship, education, business incubators, start-ups, technology transfer

1. Introduction

As stated in the *European Charter for Small and Medium-Sized Enterprises*²⁴ the small enterprises are the backbone of the European economy and they must be considered a main driver for innovation, employment as well as social and local integration in Europe. In fact, in 2012 there were about 20.7 million small and medium sized businesses in the EU, accounting for 99.8 % of the total number of enterprises, of which the biggest share (92.2%) were firms with fewer than ten employees²⁵. Especially the last number refers to micro enterprises (where the majority are providing work for two persons, in average), showing the importance of the entrepreneurs in Europe. Unfortunately, being the most sensitive to any changes in economy, the small enterprises were heavily affected by the financial crisis that started in 2008. Therefore, constantly supporting and helping the entrepreneurs it is a must if

²⁴ European Charter for Small and Medium-Sized Enterprises, http://ec.europa.eu/enterprise/policies/sme/files/charter/docs/charter_en.pdf

²⁵ Ecorys, *EU SMEs in 2012: at the crossroads. Annual report on small and medium-sized enterprises in the EU*, Rotterdam, 2012, p. 9

we are looking to create more jobs and to boost the economic development among the countries in Europe in a sustainable way.

In the past years, the European Commission had several initiatives in order to promote the entrepreneurship in Europe. Among these, the most important were: the European Charter for Small and Medium-Sized Enterprises in 2000, followed in 2008 by the Small Business Act – ‘Think small first’ and more recently, in 2013, by the Entrepreneurship Action Plan 2020.

The European Charter for Small and Medium-Sized Enterprises was a document presenting ten brief lines of action in order to meet the small business’s needs.

The Small Business Act – ‘Think small first’ was already a much detailed and consistent document putting in place a comprehensive policy framework and providing the governance mechanisms for the small enterprises. This policy is synthesized in the following principles²⁶:

- Create an environment in which entrepreneurs can thrive and entrepreneurship is rewarded;
- Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance;
- Design rules according to the “Think Small First” principle;
- Make public administrations responsive to SMEs’ needs;
- Adapt public policy tools to SME needs;
- Facilitate SMEs’ access to finance;
- Help SMEs to benefit more from the opportunities offered by the Single Market;
- Promote the upgrading of skills in SMEs and all forms of innovation;
- Enable SMEs to turn environmental challenges into opportunities;
- Encourage and support SMEs to benefit from the growth of markets.

In the next chapter, we will discuss the most recent initiative, the Entrepreneurship Action Plan 2020, which has a very clear mandate: “Reigniting the entrepreneurial spirit in Europe’.

²⁶ EC – “Think small first” A ‘Small Business Act’ for Europe, Brussels, 2008, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52008DC0394:EN:NOT>

2. Reigniting the entrepreneurial spirit in Europe

As we saw previously, the concentration of small enterprises expressed as a percent of total enterprises (accounting for 99.8 %) is quite impressive. However, in absolute terms (20.7 million small and medium sized businesses in the EU), we are quite far away from the potential. The 2007 *Flash Eurobarometer*²⁷ on entrepreneurial mindsets shows that only 45% of Europeans would prefer to be self-employed, compared to 61% in the United States. The potential European entrepreneur is young, male, still in education and with one or both parents having had self-employed experience. The same barometer shows that half of the Europeans have never even thought about starting a business (doubled compared to the US percent).

The 2012 *Flash Eurobarometer* regarding European entrepreneurial mindsets points out an even bleaker picture. Only 37% of Europeans would now prefer to be self-employed, compared to 45% in 2007²⁸. The majority of Europeans (58%) would prefer to work as employees. This sharp deterioration of the entrepreneurial mindsets, in just five years, was mostly determined by the financial crisis that started in 2008 and from which Europe is recovering far more difficultly than the United States did.

Moreover when asked ‘how desirable is for you to become self-employed in the next five years?’, almost two-third (65%) of the EU respondents say it is not desirable, with 22% seeing it not very desirable and 43% viewing it as not desirable at all!

In the early 2013, the European Commission came up with a blueprint to address this disappointing trend and entitled it “The Entrepreneurship 2020 Action Plan”. The main objective of this initiative is to create more entrepreneurs in Europe. This document contains a set of initiatives and measures targeted at fostering entrepreneurial culture in Europe, change the perception regarding entrepreneurship and improve the business environment. The Entrepreneurship 2020 Action Plan is focusing on three main areas of intervention²⁹:

²⁷ Flash Eurobarometer – Entrepreneurship Survey of the EU25, United States, Iceland and Norway, The Gallup Organization Hungary, 2007, p.4, available at: http://ec.europa.eu/public_opinion/flash/fl_192_sum_en.pdf

²⁸ Flash Eurobarometer – Entrepreneurship in the EU and beyond, TNS Opinion and Social, 2012, available at: http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf

²⁹ EC (2013) – *Entrepreneurship 2020 Action Plan - Reigniting the entrepreneurial spirit in Europe*, Brussels, at: http://ec.europa.eu/enterprise/policies/sme/entrepreneurship-2020/index_en.htm

1. Entrepreneurial education and training.
2. Creation of an environment where entrepreneurs can flourish and grow.
3. Developing role models and reaching out to specific groups.

For the second area of intervention, the blueprint identify several actions to be taken, which are valid everywhere across Europe: better access to finance; supporting new businesses in crucial phases of their lifecycles; unleashing new opportunities in the digital age; easier business transfers; offering second chances for honest bankrupts and reducing regulatory burden: clearer and simpler rules.

The third area of intervention is focusing on underserved groups whose entrepreneurial potential is not being tapped into to the fullest extent. These groups should be provided with mentoring, training and support platforms (e.g. women, seniors, migrants, unemployed, young people and other potential entrepreneurs).

From this point on, we will focus more on the first area of intervention: entrepreneurial education and training.

3. Entrepreneurship education. Creating a more entrepreneurial culture in Europe

It is already a fact that there are not enough small enterprises in Europe and that, of course, is because of a lack of entrepreneurs. There are not enough entrepreneurs, because of a lack of entrepreneurial culture. We believe that the entrepreneurial culture can be developed through education. The question is, are schools prepared to make more entrepreneurs for Europe?

In the past years, the European Commission stressed the importance of entrepreneurship education in many occasions and organized several events for promoting this. Here are just some examples:

- The Oslo Agenda for Entrepreneurship Education in Europe (2006) – a framework to implement entrepreneurship throughout Europe
- The Budapest Agenda: Enabling Teachers for Entrepreneurship Education (2011) - wide introduction of compulsory entrepreneurship education and developing effective teacher education systems for entrepreneurship.
- First Laboratory for teacher education on Entrepreneurship (Dublin, 2012) - enabling teachers for entrepreneurship education in initial teacher education.

- Second Laboratory on enabling teachers for entrepreneurship education – continuing professional development, (Brdo, Slovenia 2012).

In 2006 the European Commission and Norway came with a framework to implement entrepreneurship throughout Europe and some years after, in Budapest was decided a plan to introduce compulsory entrepreneurship education in schools, while the specific methods and more details were discussed in two ‘laboratories’ in Dublin and Brdo.

One of the conclusions was that entrepreneurship education should be considered a key competence for all young people and entrepreneurship should be taught at all stage of the education process, starting from primary schools and continuing to universities.

Entrepreneurship education has to start in the primary schools because, as we mentioned before, entrepreneurship is above all a mindset. Entrepreneurship education should help children develop a sense of self-reliance. It should challenge them to take initiative, take some risks and think critically and independently. Teachers should take advantage of their natural curiosity. Children are already very imaginative and creative and we just have to encourage them to use their talents and natural skills through different games and business/ entrepreneurial simulation. They mostly have a divergent thinking which generates a great numbers of ideas, often unusual and they make unique and surprising associations or correlations. Later on, as entrepreneurs they should be prepared to recognize the opportunities and then to exploit them.

How can entrepreneurship be taught? Using examples of successful entrepreneurs and best practice cases is probably the most used approach. But, how effective it is? For sure it helps a lot, but entrepreneurship is not so much about ideas, as it is about applying ideas in the real world. Therefore a change in attitude is needed among the young people. On the one hand, aspiring entrepreneurs should be able to recognize viable business opportunities and to have the power to bring them into action, and on the other hand to change the pattern of reasoning from causal to effectual³⁰. To achieve these objectives, the students need real life experience as entrepreneurs. Real life experience is often about failure, but this will also contribute to their formation as entrepreneurs. How can real life experiences be integrated in the education process? We will discuss it in the next chapter about internships, business incubator and spin-offs as possible answers.

³⁰ Hammer, M.H.M. - *How Business Management benefit from Entrepreneurship*, [Proceedings- 10th International Conference on Management, Enterprise and Benchmarking \(MEB 2012\)](#), Óbuda University, Budapest, 2012, p. 4

4. Entrepreneurship at the universities

In universities, but not only, providing students with internship possibilities is a first opportunity for them, as part of their education process, to get in touch with the 'real life' experience of an entrepreneur. During these stages, the students can see and feel the satisfactions, as well as the obstacles that an entrepreneur encounters. These internship stages can vary in length from a couple of weeks to a year and sometimes they are even paid.

It is possible now, thanks to the European Commission Erasmus program, to have also international internships, the so-called Erasmus work placements, open to all the students from across Europe. Through this program the students have the opportunity to go abroad and gain experience in an enterprise or another organization. They will receive an Erasmus grant and possibly additional payment from the company.

Since 2007 when this program was initiated, the number of students who took an Erasmus placement in Europe has been growing constantly, reaching 48.083 students in 2012, with an average duration of the placement of 4.3 month³¹. For those who choose to do their internships in small enterprises, we expect that these experiences can be powerful tools which enhance their business skills through exposure to real life challenges and opportunities specific to the small business paradigm. These experiences will complement very well the formal entrepreneurial training received in a classroom setting. Actually, the Erasmus program goes much further regarding the entrepreneurship experiences. The European Commission created another exchange program named Erasmus for Young Entrepreneurs which is designated to offer the new entrepreneurs or the future ones the possibility to learn from experienced entrepreneurs, during a stage in another country in Europe where the host entrepreneurs are located. These stages are partially funded by the European Union.

A more complex approach of integrating the real life experience of entrepreneurship in the education process in the universities is by helping the students and/or the staff to start their own companies. Not simulations in laboratories, but real businesses.

³¹ Erasmus program in 2011-12: the figures explained, European Commission - MEMO/13/647 08/07/2013, available at: http://europa.eu/rapid/press-release_MEMO-13-647_en.htm

The support from the universities, for exploring business opportunities and creating start-up companies, can include the following³²:

- Assistance with preparing a business plan;
- Free office space and equipment;
- Free access to meeting and administration areas;
- Specialist industry advice from business mentors;
- Grants and financial assistance.

With such university support, students and/or staff can more easily start their own small enterprise. Sometimes such start-ups are very innovative, knowledge intensive and high tech and they exploit research available in the academic space. Small businesses created this way are often referred to as spin-offs or spin-outs.

The spin-outs are new entities formed by the staff from a parent organization (in this case, a university) which is based on some technology or intellectual property which was developed while the staff was employed there³³. The spin-outs are independent of the university, but in some cases the university might have an equity stake in these start-ups.

Regarding the spin-offs, these are part of a business that is separated from a parent company in order to develop freely. The main difference compared to spin-outs is that the spin-offs are owned and control by the university.

Some authors include in this category of spin-offs all the companies started by students and staff from a university or even those in which academic staff is in the advisory board. Other authors³⁴ are more restrictive, defining the spin-offs as companies made to exploit a piece of intellectual property created in a university. In this case, the spin-offs are a subset of all the companies created by students or staff of a university.

To summarize, we can say that spin-offs are created and developed by people that are in close relations with the university (students/staff) and represent the commercialization of the academic research.

³² EC Regional Policy, Connecting Universities to Regional Growth: A Practical Guide, September 2011, p. 18, available at:

http://ec.europa.eu/regional_policy/sources/docgener/presenta/universities2011/universities2011_en.pdf

³³ Ibidem, p. 16

³⁴ Shane, S. - *Academic Entrepreneurship: University Spinoffs and Wealth Creation*. Cheltenham, Edward Elgar Publishing, 2004, p. 4

Spin-offs, spin-outs or just simple start-up companies usually find good conditions for development in the business incubators. The incubators are an excellent structure for supporting the creation and the development of start-up companies. The main purpose of a business incubator is to provide a supportive environment for an entrepreneur. When his company is financially viable and he has developed the necessary survival skills, it leaves the business incubator and enters the open market³⁵.

In general, any incubator is providing the incubated start-ups with the following facilities³⁶:

1. shared office space, free or rented;
2. a pool of shared support service to reduce to reduce overhead costs;
3. professional business support or coaching;
4. network provision, internal and/or external.

Beside business incubator, around some universities we can find technology, research or science parks which are created to support the development of more mature companies, but not only and usually they do not offer business assistance like the business incubators.

Not only the universities are hosting business incubator, but we can also find across Europe independent private incubators, corporate private incubator or business innovative centers³⁷. Also, other structures, which are more and more popular, are the business accelerators.

The link between universities and business incubators should be the Technology Transfer Office (TTOs) or the Knowledge Transfer Office (KTOs). Those offices identify commercially viable academic research and bring it to start-up or spin-off companies in the incubators, usually in exchange for an equity stake. Such technology transfer offices are very useful in any university because, otherwise, very often the academic research remain only at theoretical level. According to ProTon (The European Knowledge Transfer Association) and based on the 329 KTOs that participated in their survey, 549 spin-offs were created in 2011 in

³⁵ Lyons, T.S., Li, S. - *The state of the Wisconsin incubation industry in 2002: an analysis of the results of the survey of membership*. Report prepared for The Wisconsin Business Incubator Association, 2003, p. 2

³⁶ Bergék A., Norrman C. - *Incubator best practice: A framework*, 2008, Technovation, Volume 28, Issue 1-2, 20-28, 2008, p.21

³⁷ Grimaldi R., Grandi A. - *Business incubators and new venture creation: an assessment of incubating models*, Technovation, Volume 25, Issue 2, 2005, p.111

Europe with the help of the European knowledge transfer offices.³⁸ The same survey shows that the European KTOs are 14 years old on average compared with the U.S. ones which have an average age of 18.5 years. European KTOs create an average of 1.9 spin-offs per KTO, relatively modest compared to the American average of 3.5 per KTO³⁹. Most of the KTOs in Europe are still very young (majority of them created only after the year 2000) and therefore we can say that this phenomenon is in process of development and hopefully will grow much faster in the next years.

5. Conclusions

Education in general and entrepreneurship education in particular, should not be considered a public expenditure, but an investment. In fact this investment has one of the highest returns for a country, but because of the long cycle, very often is considered just a public expenditure. Entrepreneurship education is vital for the creation of new companies, because this develop on the young people the necessary skills and attitudes for an entrepreneur. According to different surveys⁴⁰, between 15 to 20% of students who participated in a mini-company program in secondary school will start later on in life their own company⁴¹.

SMEs from most of the countries in Europe have not yet reverted to their pre-crisis level of value added and employment. Only three countries, out of the 27 members of the EU, exceeded their pre-crisis level in 2011: Austria, Germany and Malta⁴². One main explanation why SMEs in Austria and Germany performed better, both in terms of value added and employment, consist in the fact that these two countries have a high proportion of them operating in the high-tech manufacturing and knowledge intensive services. It is well known

³⁸ Piccaluga A., Baldere C., Daniele C. – The ProTon Europe Ninth annual Survey Report (fiscal year 2011), ProTon Europe, December 2012, p. 15

<http://www.protoneurope.org/download/Proton%202011%20report.pdf>

³⁹ Ibidem p. 9

⁴⁰ EC – *Entrepreneurship 2020 Action Plan - Reigniting the entrepreneurial spirit in Europe*, Brussels, 2013, p.5

⁴¹ Jenner C. – *Business and Education: Powerful Social Innovation Partners*, Stanford Social Innovation Review, 2012

⁴² Ecorys, *EU SMEs in 2012: at the crossroads. Annual report on small and medium-sized enterprises in the EU*, Rotterdam, 2012, p. 63

that the high-tech and the knowledge-intensive sectors are considered drivers of competitiveness at the EU level⁴³.

Considering this state of facts, more support is needed all across Europe for the development of such high-tech or knowledge intensive SMEs. This support can be for establishing more incubators around the Universities, which will lead to the creation of more spin-off or spin-outs that will use the academic research. Best practice cases of cooperation between universities, knowledge transfer offices and business incubators, should be replicated all around Europe.

Bottom line is that we believe that all these factors together (entrepreneurship education, spin-offs, spin-outs, business incubators, academic research and the technology transfer offices) can help, on the medium term, the European Union to achieve its objective, outlined in the Europe 2020 strategy of smart growth, of developing an economy based on knowledge and innovation.

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⁴³ Racolta-Paina, Nicoleta Dorina; Burc -Voicu, N. I., *The Competitiveness of SMEs in the EU Member States. Challenges and Lessons Ahead for Romania*, Studia Europaea, Categ CNCSIS B+, Anul LVIII, 3, p. 51, 2013
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