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# FOSTERING THE ENTREPRENEURIAL CULTURE, A PILLAR FOR REGIONAL DEVELOPMENT

Theoretical  
article

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## Abstract

*The potential of SME in the development of economy makes it necessary to find solutions to expand the role of entrepreneurship in the economy. Fostering it and the development of an entrepreneurial culture represents levers for solving some problems such as: unemployment, the economic growth in regions less developed, achieving a sustainable development of UE member states. There have been revealed the main problems facing SME and measures that can be taken to support entrepreneurship, including population groups considered disadvantaged.*

## 1. Introduction

At European Level, SME are considered more and more important, they offering employment opportunities for an important segment of population of all Member States, even there are some differences between them.

To support SMEs and to increase the number of entrepreneurs is necessary to find ways to remove potential barriers that hinder entrepreneurship expansion: business culture or administrative bureaucracy.

## 2. Role of education in the development of an entrepreneurial culture

In order to foster an entrepreneurial culture on the first place stays the entrepreneurial education (Figure 1). In the last years, European Commission has promoted the entrepreneurial education at all levels of education, to provide everybody a chance to start or contribute in starting a business. In this respect, it has run a series of programs and activities in all countries. One of them introduces secondary school pupils in the business world using mini-companies that they have the chance to manage. In higher education it is desired to extend the entrepreneurship courses to all specialties in order to provide all university graduates the possibility and the alternative to opt to engage in business.

Although entrepreneurial education should start in preschool period, unfortunately, in Romania, it is not considered even in elementary school. In secondary schools its character is rather voluntary, falling under extracurricular activities. Only in high school, entrepreneurship education is compulsory. In the university space there are a variety of courses in the field, both dedicated and related courses, at bachelor or master levels, not only in economic faculties, but also at the technical and several other specialties.

Teachers should provide to pupils and students courses and constantly updated information. Setting up mini companies and their management during studies contribute substantially to the formation of an entrepreneurial culture. Moreover, in recent years, in the EU Member States, an estimated 15% of schools have done such enterprises within the national programs. In the UE, such programs are funded by private entities, NGOs, and there is a significant part of them enjoying some support from public authorities.

Also, simulating activities within a real company offers the possibility of developing entrepreneurial and managerial skills and competencies. Of course, carrying out such activities in schools and universities requires additional effort and time from teachers, and appropriate specialized training both theoretical and practical. A solution in this direction is the involvement of private companies in entrepreneurial education.

Teaching subjects that offers the opportunity of entrepreneurial education should provide pupils and students, besides specific skills, also transversal competences, such as teamwork and good communication.

But, in very few universities has been considered the interrelation between students from different specialties (humanities, technical, economic) in order to create a complex team prepared for the start of a business.

The universities and the business and technology transfer incubators, managed by universities, would be beneficial to set up legal offices, after the American model, which provide support to students who want to start entrepreneurial activities even from university.

Training and life-long learning has known an expanding trend in the last years in the field of entrepreneurial education, benefiting from many programs of financial support from the European Union.

But, although a significant share of the population participated in education courses, entrepreneurial knowledge level is quite low, which may be due to their low quality.

One of the barriers perceived by young people in their attempt to start a business and accessing external funding to supplement their own resources is the corruption in the competition system for financed.projects. They perceived a need for administrative simplification measures for starting a business, reducing red tape and corruption.

Erasmus for Young Entrepreneurs, a cross-border exchange program, provides for young entrepreneurs and those who intend to start a business cross-border mobility and the ability to learn from the experience of small businessmen from other countries. Erasmus program for young entrepreneurs, is partially financed by European Union.

The program aims to stimulate young people to launch a business, promoting among them entrepreneurial attitudes and behaviors. This is aimed for those who aspire to become entrepreneurs, including students, people employed, starting-up entrepreneurs and even unemployed. Romania was in one of the top positions in terms of the number of participants in this program, young entrepreneurs benefiting from the expertise of successful entrepreneurs from other countries.

Presentation of the achievements of young entrepreneurs may have beneficial effects on youth perceptions regarding entrepreneurship. This opens the way for inclusion the entrepreneurship in career options for youth.

### 3. Financial support of entrepreneurship in Europe

European Commission offers support for SME, creating an information portal for them, which provides a set of information about the assistance and support services and funding opportunities.

Also, a number of other problems facing SME are in the attention of European officials: access to finance, EU programs, to the single market, international markets, information and advice and, not least, to public procurement.

Excessive taxation, high cost of administrative procedures, fierce competition, difficulty in hiring skilled labor are all challenges for which solutions must be found.

At UE level there are a range of financial solutions to extend private initiative among the population:

- widening the portfolio of financial products offered by the European Investment Bank Group SME;
- funds for micro credits;
- facilitating access to cross-border venture capital;
- revision of the Directive on delayed payments;
- reduced VAT rates for labor-intensive services;
- reduction of taxes in order to ensure a fair competitive environment;
- measures to protect SME late payment;
- financial instruments to facilitate obtaining bank credits;

During 2007-2013 period a significant share of the structural funds, more than two thirds, were allocated to promote entrepreneurship, employment and economic growth.

Funds were directed in the following areas:

- business support services;
- support access to finance;
- support for research and development, innovation, technology transfer;
- co-financing of business incubators;
- facilitating SME access to knowledge;
- promoting access to information and communication technologies;
- training schemes for SME;
- direct assistance to companies to help SME adapt to market conditions.

Enterprises that have a number under 250 employees, independent from larger companies with a turnover of less than € 50 million and an annual balance sheet under €43 million can benefit from EU support programs for SME.

Moreover, the European Commission invited Member States to create a more favorable tax environment for start up companies. The proposed measures include the simplification of the declaration and payment of taxes, measures to support the commercialization of innovation, research and development and the introduction of the VAT at the collection, measurement that Romania already introduced it.

Higher vulnerability of SME to delayed payments

determined concerns to find solutions in order to protect this type of facing such problems. At the European Commission level this resulted in the revision of rules on penalties applicable to late payers.

Despite the multitude of existing banks in the economic environment where start up, SME face difficulties in accessing bank financing, because banks are reluctant to offer credits without the existence of a financial history of the company, commonly used as a basis for calculation of the indicators used to assess their capacity for payment their debt. In order to support SME, European Commission has put in place certain financial instruments, venture capital investments in these entities and guarantees given for obtaining bank loans.

Also in support of SME, the European Investment Bank Group offers a variety of forms of financial support: micro-credits, guarantees, financing for capital development and research, support to continue a business after its transfer.

Reducing the period of registration of a company is one of the targets of the European Commission in an attempt to reduce the administrative burden for starting a small or medium sized business. Next to it were made important steps in many Member States in this area, such as reducing the number of financial reporting of the company, the costs to start a business and increasing the time interval between two statistical reports.

Over time, SME had difficulties in access to public tenders. Given the limited financial and human resources, to conduct research and development is difficult. Furthermore, neither to initiate partnerships to capitalize innovative ideas is easy.

Elaboration of a code of best practices for public procurement, facilitating access to information needed for SME on public contracts, makes easier their way to public contracts.

It is vital a correct and objective information, easily to access in order to identify the right mean of financing for the given type of economic activity of the entity.

### 4. Other forms of fostering entrepreneurship

Existence of more than 23 million SME in the EU who have a major role to play in the economic development with significant effects on innovation and reducing unemployment led the European Commission to promote entrepreneurship and provide a favorable business environment for SME. For example, in 2003 99.8% of all EU enterprises were SME. [Eurostat, 2003].

Among the support activities, receive a special attention the social economy enterprises, craft activities, and women entrepreneurs.

Stimulation of entrepreneurship for EU citizens is realized by many other levers initiated in the European Union:

- Promoting labor mobility;
- Schemes to promote mobility of apprentices;
- Supporting specific groups of entrepreneurs: women, young people and entrepreneurs belonging to ethnic groups;
- Support for innovation (Figure 2);
- Simplification of procedures and rules for SME participation in the Framework Program for Research and Technological Development;
- Establishment of support centers for SME in India and China, for European citizens wishing to do business in these countries;
- Management training programs for young managers in China;
- Counseling conducted by experts in environmental and energy efficiency.

According to the Global Entrepreneurship Monitor, the preference for Romanian entrepreneurs is well over the European average, the first place in terms of entrepreneurial intentions [Xavier, 2012].

Given that the rhythm of setting up companies in Romania is comparable with the European average, Romanian rulers should focus in the coming period for the use of levers towards sustainable growth of existing companies.

Associations of economic entities, such as business networks or clusters, facilitate the development of SME, bringing together companies from different fields and entities from public sector, as well as research and education [SEC, 2008].

Member States should be concerned not only by an increase in the number of new SME established, but also to support existing companies. In this respect, facilitating the acquisition of existing companies should be one of the topics to be kept on the agenda of the government, they having more chances of survival than newly established companies.

The whole Europe has felt the effects of the crisis started in 2008 and many of the SME are affected by it. Europe 2020 strategy comes to respond to changes of the society in recent years, creating the basis for future development. Member States are required to promote the value of entrepreneurship for the society.

Although the total female population of European citizens is 52%, only a third of those who have opened a business are women [Eurostat, 2007].

Besides the fact that women are facing more difficulties than men entrepreneurs, they have to cope with domestic problems and trying to provide a balance between family and business [Bekh, 2012].

The European Commission has committed to create a platform for women entrepreneurs to provide mentoring, consulting, training and business networking online. The role of Member States is to design and implement national strategies for increasing the share of women entrepreneurship, and to implement policies to support women in

their attempt to achieve a balance between carrier and household activities. In this regard an important role can play, for example, granting certain maternal rights or child raising facilities.

Given the significant share of the population over 50 years, exceeding 35% of the population of Europe, it is necessary to implement measures to value their experience, their knowledge, to keep active the elderly, enabling them to have an important role in expanding entrepreneurship. Mentoring young entrepreneurs may prove an important resource for new business growth by involving senior entrepreneurs in projects for initiation or development of enterprises.

It is very important to pay special attention to the unemployed who possess skills and competencies that can be exploited, offering them a set of services: access to micro-credits, training, counseling, and mentoring.

Creating a European network of mentors is an initiative of the European Commission in order to prepare, counsel and initiate partnerships, including a number of specific initiatives: the creation of Start-Up Europe Partnership and Web Entrepreneurs Leaders Club.

The main obstacles faced by entrepreneurs who want to extend their business in other countries than the country of origin are legislative differences, the regulations, language barriers, insufficient knowledge of the markets, difficulties in accessing finance (Figure 3). In order to remove these barriers European Commission has developed a network of contact points Enterprise Europe Network. Also, an important contribution to support entrepreneurs has the regional development agencies, the chambers of commerce and the university technology centers.

European Commission seeks to prevent abuse exercised by large companies to eliminate smaller companies, prohibiting anticompetitive mergers determining dominance or price arrangements.

More, in order to promote entrepreneurship, in 2012, the European Commission issued the Single Market Act offering the possibility of recognition diplomas and qualifications and the right to establish in another Member State [COM, 2012].

## 5. Conclusions

To change public perception about the entrepreneurs, distorted and sometimes incorrect, consequence of myths circulating in time, expanding the entrepreneurship education to a wider public sphere will allow the induction of a change in mentality on the entrepreneurial career.

From administrative point of view, reducing the duration of setting up of a company and to obtain licenses and permits, streamlining procedures for launching a business are stimulating factors to increase the number of SME.

Financing mechanisms for spin-off, various forms of micro-financing entrepreneurship, facilitating SME access to capital market, creating an attractive tax environment may constitute attractions for young people trying to build their careers in the field of entrepreneurship.

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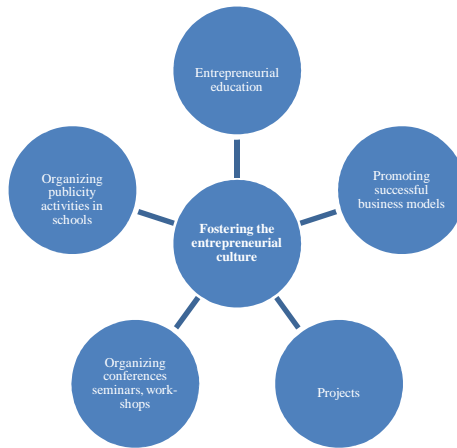


Figure No. 1. Means for fostering entrepreneurial culture

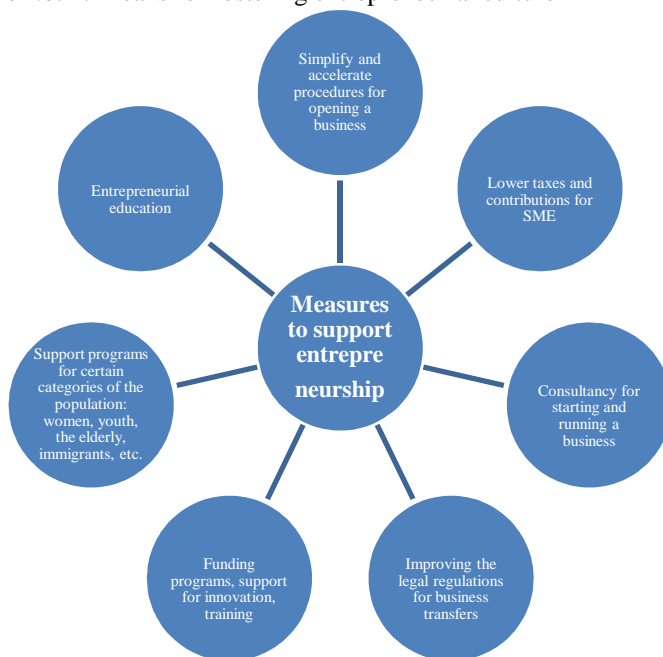


Figure No. 2. Measures to support entrepreneurship

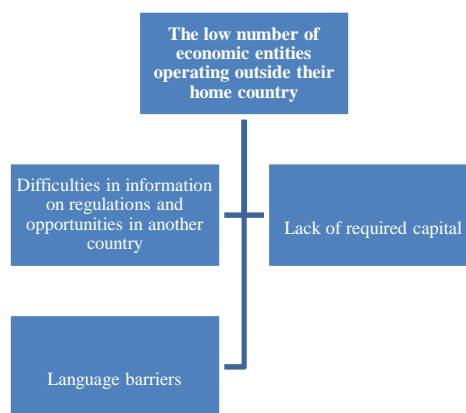


Figure No. 3. Causes of low number of economic entities operating outside their home country