Characteristics of the Romanian Entrepreneurial Prototype

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Abstract

The objective of this paper is to portray the Romanians’ entrepreneurial current prototype, following to their cultural background and entrepreneurial education – as result of the authors’ own research, and compared to previous similar studies. The research methodology includes both secondary and primary research. The landscape of the entrepreneurial activity in Romania is centred on the profile of the Romanian entrepreneur as offered by “The Global Entrepreneurship Monitor”. The results of two studies completed in Romania, based on Hofstede’s model of cultural dimensions, are analyzed too. As primary research, the paper presents the results of the authors’ investigations around two focus groups which were conducted in Romania. Consequently, the Romanian Entrepreneurial Prototype was developed (2008-2009). In this context, the importance of entrepreneurial higher education is highlighted as well. The research results are important for entrepreneurs and business consultants as well as for strategists and education policy makers – aiming at developing entrepreneurship.

Keywords: cultural dimensions, entrepreneurship, entrepreneurial prototype, entrepreneurial profile, entrepreneurial education, Romanian entrepreneurs

JEL classification: A23, M13, O52
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Introduction

Romania is situated in Balkans and the Romanian entrepreneurs are integrated in the global economy. Global economy of the 21st century most probably originates in smaller regional economies as those of the Balkans: Balkan people enjoy the rich and diverse cultural heritage of the Three Empires (Roman, Byzantine and Turkish). Romania’s territory has always offered wonderful opportunities for developing arts, crafts and trade. Doing business and trading the products over the boundaries, the people needed effective communication means in order to manage the businesses and administer the institutions. The folk wisdom has treasured – from popular prospective – this language of business in form of proverbs (Scarlat, 2008). This is why analyzing the Romanians’ proverbs from managerial and entrepreneurial prospective is a must in such research.

The current entrepreneurship in Romania is influenced by several background as well as impact factors: the Romanians’ old cultural behaviour (part of Balkan culture); half-century of imported communism; twofold transition (from centrally planned economy to free-market system; European Union accession process), and – finally – current global economic impact factors (Scarlat et al., 2009). According to Ernst & Young (2008): “Since early 1990, Romania has had a free market economy despite continuing government presence in the industrial sector. Successive governments have taken steps to liberalize and privatize the economy.” Romania becomes European Union Member State starting January 1, 2007.

Note that the effects of the current global financial/economic crisis are not considered as scope of this work. The main reason is this: the effects of the global crisis started to be visible for Romania right after the completion of this study (2009).

1. Research objective and paper structure

In order to achieve its research goal (to describe the Romanians’ entrepreneurial prototype), the paper displays the current situation of entrepreneurship in Romania, from the standpoint of entrepreneur’s profile, his cultural background, and entrepreneurial education. Consequently, its structure is this: Introduction; Romanians’ cultural dimensions; Entrepreneurial education in Romanian universities; Romanian entrepreneurs; Romanian entrepreneurial prototype, followed by Limitations and further research; Conclusions.

Research methodology

The research methodology includes both secondary and primary research. As secondary research, “The Global Entrepreneurship Monitor” and “Centre for Entrepreneurship & Business Research” have been used as valuable sources of background data about the entrepreneurial activity in Romania and the
profile of the Romanian entrepreneur. The results of two studies completed in Romania, based on Hofstede’s model of cultural dimensions, are analyzed too. The changes in the Romanians’ cultural dimensions might be explained not only by the time distance between the two studies, but mainly by the cultural changes induced by the complex transition, and combined effects of the changes in the Romanian educational system in more than 15 years (1989-2005).

As primary research, the paper presents the results of the first stage of the international research programme “Entrepreneurship Work in Organizations Requiring Leadership Development” (E-WORLD). Two focus groups were conducted in Romania and, consequently, the Romanian Entrepreneurial Prototype was developed (2008-2009) by the authors.

The research results are important not only for entrepreneurs and business consultants but also for strategists and education policy makers – aiming at developing entrepreneurship.

### 2. Romanians’ cultural dimensions

The goal of this paper is not to deal with organization culture or in-depth investigation of the business culture. However, in order to better understand the Romanian entrepreneurial profile, a summary of the previous author’s research work on the entrepreneurial meaning of the Romanians’ proverbs (as part of their culture in a broader sense), and a keen investigation of the existing research on the (Romanians’) cultural dimensions (as described by Hofstede) are vital prerequisites.

On the other hand, the current realities of Romania are just a result of historical development. The long life of the proverbs partly explains how the businesses and related organisations were successfully managed – many-many centuries before the time by when the modern management was born – based on ‘only’ common sense, experience and best practice, and continually transmitted along the generations.

The proverbs are one of the most significant means to synthesize, concentrate, distillate, and treasure this generations-long life experience. What is certainly true is that the proverbs are considerably older than the modern management science. However, quite recently Scarlat (2007a, 2008) and Afendras and Scarlat (2007) conducted systematic studies on how Romanian proverbs reflect the business management and entrepreneurship principles. From its origins (a collection of some 100 Romanian proverbs echoing entrepreneurship and business management) and original research matrix (by topic: business management and by geography: Balkans), the research has expanded its geographical dimension towards the Arab world. Most probably because of the influence of Ottoman Empire – the research findings count a number of proverbs, which are quite similar in Arabic and several Balkan languages (Scarlat and Afendras, 2008). A series of comparative studies followed: Romanian vs. Malay proverbs (Scarlat and Kasim, 2008); Romanian vs. Portuguese (Scarlat and Albuquerque, 2009); Romanian vs.
all these papers aim at analyzing the correspondence between elements of modern global business culture (as entrepreneurship and business management) – on one hand – and the meaning of proverbs – on the other. The results confirm the hypothesis that there are numerous proverbs emphasizing the people’s entrepreneurial features (as initiative and risk taking, innovation and creativity, opportunity and goal orientation, competition spirit, hard-working, flexibility), regardless the country of origin; there are remarkable similarities of proverbs belonging to different cultures. The in-depth analysis of the sets of proverbs might be used to develop and complete the entrepreneurial profile of nationals. Due to their educational value, the proverbs can be used as teaching aids as well (Scarlat, 2007a, 2009).

The original assumption that “global” means as well the “universal” applicability of the advanced (North-American) principles of business management has proved to be wrong (Adler, 1991): “far from ignoring the common body of knowledge, international dimensions expand our understanding of people’s behaviour at work to include the diversity and complexity of today’s global economic environment”. The blame for failures of international alliances is on cultural clash, on conflicting national and organisational cultures (Cacciaguida-Fahy and Cunningham, 2007). The typical intercultural conflicts are described between foreign managers and local staff – originated not that much because of the intercultural business communication process or linguistic issues but mostly because of different cultural attitudes (Hofstede, 2001). Conversely, the successful alliances are based on cross-cultural mutual understanding, which traverses cultural boundaries.

The five cultural dimensions as defined by Hofstede (PDI = Power Distance Index; IDV = Individualism Index; MAS = Masculinity Index; UAI = Uncertainty Avoidance Index; and LTO = Long Term Orientation Index - which was introduced by Hofstede after the completion of his first study, at a later stage) were subject for a more recent research in Balkan countries (Romania, Bulgaria). The comparative analysis of the values of these indexes demonstrate – surprisingly or mostly not – similarities as far as high PDI, low IDV, high UAI, and short term orientation (low LTO). The country cultural profiles are significantly similar to other Balkan countries (Luca, 2005, p.134).

Based on the Hofstede’s model, Interact & Gallup Romania conducted a new survey in Romania in 2005. According to Luca (2005), there are some significant changes as depicted in Table 1.

<table>
<thead>
<tr>
<th>Romania – Cultural dimensions</th>
<th>PDI</th>
<th>IDV</th>
<th>MAS</th>
<th>UAI</th>
<th>LTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hofstede estimation</td>
<td>90</td>
<td>30</td>
<td>42</td>
<td>90</td>
<td>-</td>
</tr>
<tr>
<td>Interact &amp; Gallup Romania</td>
<td>50</td>
<td>49</td>
<td>39</td>
<td>61</td>
<td>42</td>
</tr>
</tbody>
</table>

Table 1 Results of studies completed on the Romanians’ cultural dimensions
The differences that have occurred between the above studies might be explained not only by the time distance between the two studies, but mainly by the cultural changes induced by the transition from the centrally planned economy to the free-market competition, in more than 15 years (1989-2005). It is crucial to highlight an essential aspect: the centrally planned economy imposed by the communist regime over a half-century period was itself an accidental transition! The Hofstede estimation was probably influenced by the communist environment. The communism in Romania was just an unhappy and short intermission at the history time-scale; thus, it is reasonable to give more credit to the last figures. Closer, more reliable.

The free-market economy stimulates the entrepreneurial features, as individualism (higher IDV), and risk taking (lower UAI). The PDI drop off might be explained by momentous influence of the Western management models (mostly Anglo-Saxon), which are characterized by lower PDI. It was demonstrated that the higher the PDI, the more likely teamwork metaphors will be used (Gibson, 2001); and vice versa. As expected, Luca’s study highlights notable differences between Romanian provinces as well.

The MAS index did not change significantly. However, the slight drop might be explained by more active involvement of the women in the business life. Finally, as mentioned, the LTO index was introduced at a later stage and it should be considered as it is, as there was no reference base.

Undoubtedly, the changes in the Romanians’ cultural dimensions were also combined effects of the changes in the Romanian educational system. Like other ex-communist countries, Romania was engaged in a complex transition process, including higher education reform as a major component. The following section describes just a few elements regarding the entrepreneurial education in Romanian universities, and presents some specific, self-explanatory examples.

3. Entrepreneurial education in Romanian universities

Following to the Sorbonne Declaration (1998), a complex process for higher education restructuring has started in Europe. Then, 29 European countries agreed on joint objectives for the development of a coherent and cohesive European Higher Education Area by 2010 and signed the Bologna Declaration (June 1999). The “Green Paper of the European Entrepreneurship”, launched by the European Commission at Brussels in January 2003, states the necessity to support the entrepreneurial force, as effective as possible. Because the entrepreneurship dynamics is lower in EU (Romania included) than in US, to build an entrepreneurship-favourable environment in Romanian universities was a top priority (Scarlat et al., 2009). Consequently, starting with the academic year 2005-2006, new academic curricula are in place. In the area of entrepreneurial education, it is significant to mention that in all Romanian leading universities which were surveyed (Scarlat et al., 2009), the new curricula contain courses of entrepreneurial education (Table 2).
<table>
<thead>
<tr>
<th>No.</th>
<th>University</th>
<th>Faculty</th>
<th>Entrepreneurship subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>University of Bucharest</td>
<td>Administration and Business</td>
<td>Entrepreneurship</td>
</tr>
<tr>
<td>2.</td>
<td>University “A.I. Cuza” of Iasi</td>
<td>Economics &amp; Business Administration</td>
<td>Small business start-up and administration</td>
</tr>
<tr>
<td>4.</td>
<td>Academy of Economic Studies of Bucharest</td>
<td>Business Administration</td>
<td>Entrepreneurial Culture</td>
</tr>
<tr>
<td>5.</td>
<td>University “Politehnica” of Bucharest</td>
<td>Electrical Engineering</td>
<td>Entrepreneurship</td>
</tr>
</tbody>
</table>

It is interesting to mention the case of University “Politehnica” of Bucharest, the oldest and largest technical university in Romania, where the course of Entrepreneurship is offered to engineering students (since 2000). This subject is an important research field, as well (Scarlat, 2003). The reduction of the duration of graduate studies from 5 to 4 years and corresponding changes in engineering education curricula were largely based on labour market surveys and research conducted among professional associations of engineers (Scarlat et al., 2005a).

The research process started back in 2001 when the first research project (EDUCAT) was designed (Scarlat and Simion, 2003; Scarlat et al., 2005b; Scarlat, 2007b). The EDUCAT Project has identified requirements of the labour market regarding the creation of the managerial-entrepreneurial side of the graduates of engineering education, showing the necessity of transforming the classical university into an “entrepreneurial university” (Clark, 1998). This does not mean changing the mission of the university, but changing the curriculum and, above all, changing the methods of teaching. The efforts aiming at developing and changing the engineering education curricula in a technical university (University “Politehnica” of Bucharest) is depicted by Scarlat (2007c). An almost unique experience within University “Politehnica” of Bucharest is the “Center for Business Excellence”; it was the very first small business development centre in Romania, which served as kernel for a national entrepreneurship development network. In 2006 the “Center for Business Excellence” has celebrated 15 years of activity. Over years, it got recognition and prestigious awards as “The Project of the Year Award 1997” (National Association of Management and Technical Assistance Centers from USA); “The European Enterprise Award” (Romania, 2008) for the Business Plan Contest “Investing in Entrepreneurial Education” open to students since 2001. The Project “Investing in Entrepreneurial Education” was nominated for the “European Enterprise Awards 2008/2009” (Prague, May 2009).

All these have considerably impacted the Romanian business community and its environment as well as the entrepreneurship culture.
4. Romanian entrepreneurs

The best profile of the Romanian entrepreneurs is offered by The Global Entrepreneurship Monitor (GEM). GEM is a not-for-profit academic research consortium that has as its goal making high quality international research data on entrepreneurial activity. GEM is the largest single study of entrepreneurial activity in the world. Started as a partnership between London Business School and Babson College, it was initiated in 1999 with 10 countries, expanded to 21 in the year 2000, with 29 countries in 2001 and 37 countries in 2002. GEM 2007 conducted research in 42 countries (http://www.gemconsortium.org).

The GEM research program is an annual assessment of the national level of entrepreneurial activity, based on a harmonized assessment of the level of national entrepreneurial activity for all participating countries. It involves exploration of the role of entrepreneurship in national economic growth. The following data are available for Romania (GEM, 2007):

- Male entrepreneurs are predominant (62% male and 38% women)
- Only 29.4% of the adult population (18-64 years of age) feel they have the necessary entrepreneurial skills to start a business
- 41.6% of the adult population reported an acquaintance with an entrepreneur
- 82% of the new firms are opportunity-based (due to the economic growth over the last years) and only 18% are necessity-based
- The percentage of nascent entrepreneurs is as low as 2.9%
- New firm entrepreneurship: 1.3%
- Established business owners: 2.5%.

This landscape of the entrepreneurial activity in Romania is completed by the CEBR Report (CEBR = Centre for Entrepreneurship & Business Research; http://www.kfacts.com/). According to this Report, as cited by Lafuente and Driga (2007), a sample of 1,449 Romanian individuals (812 men and 637 women) unveiled remarkable information:

- Mean age to be involved in entrepreneurial activities is between 33 and 35 years old. However, individuals between 36 and 50 years old are more actively involved in pre start-up entrepreneurial activities (9.40%).
- In the case of recent entrepreneurs, the highest rate of new business creation is found for individuals between 26 and 40 years old (18.14%).
- Women are more involved in pre start-up entrepreneurial activities (9.58%).
- Men show a slightly higher rate of recent business creation (16.75%).
- 38.60% of individuals involved in pre start-up entrepreneurial activities report the presence of an entrepreneur in their family; the father is the main entrepreneurial referent for them (22.81%).
- For recent entrepreneurs, as many as 20.69% of respondents have an entrepreneur in their family.
In the case of people involved in pre start-up entrepreneurial activities, the most referred entrepreneurial example within the individual’s family is the father (15.09%).

Individuals mainly perceive entrepreneurship as an option to take advantage of business opportunities, to improve the quality of their life. Interestingly, results indicate that individuals also consider social aspects as important factors that motivate the decision to be involved in entrepreneurial activities (Scarlat et al., 2009).

5. Research results: The Romanian Entrepreneurial Prototype

The research team has used the opportunity offered by the international research programme “Entrepreneurship Work in Organizations Requiring Leadership Development” (E-WORLD, 2008-2010) that is focused on comparative studies on entrepreneurship and leadership development, in some tens of countries, worldwide. Romania is currently one of the countries partnering in this programme.

As members of the E-WORLD project team, the authors have designed the research methodology already presented and, during the first stage of the E-WORLD project, focus group-based primary research was conducted in Romania (among other countries).

In Romania, during the process of conducting two focus groups, various methods and procedures were applied and tested in order to develop methodology for the future large-scale cross-border research. The results were compared in order to highlight implicit beliefs about successful entrepreneurs in those countries. There are common features of entrepreneurs in all surveyed countries; however, cultural differences are evident in entrepreneurial attributions and optimism, and in the future orientation (Rozell et al., 2009).

The two Romanian focus groups (n=27) held in Bucharest in 2008 explored the characteristics of successful entrepreneurs. The major research question was: Which characteristics of entrepreneurs are shared among respondents? The results are presented in Table 3, picturing the Romanian “entrepreneurial prototype” (Rozell et al., 2009). Respondents in both focus groups were successful entrepreneurs running micro or small businesses in Romania or employees of micro or small businesses in Romania. Several descriptors of personal characteristics of successful entrepreneurs were identified by multiple participants (e.g. most participants thought that determination was a characteristic of a successful entrepreneur).

Table 3 presents the results of the taxonomic analysis and the implicit prototype of the Romanian entrepreneur as described in the focus groups.

It is worthy to mention that the Romanian entrepreneurial prototype includes features like “Risk-Taking” but "Assuming the Responsibility" lacks!
<table>
<thead>
<tr>
<th>Characteristics of successful entrepreneurs</th>
<th>Sub/Detailed characteristics of successful entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination and Resoluteness</td>
<td>Long-term orientation</td>
</tr>
<tr>
<td></td>
<td>Stress resilient</td>
</tr>
<tr>
<td></td>
<td>Patience in regards to success</td>
</tr>
<tr>
<td></td>
<td>Hard worker, ambitious, perseverance</td>
</tr>
<tr>
<td></td>
<td>Discipline</td>
</tr>
<tr>
<td></td>
<td>Creative, original</td>
</tr>
<tr>
<td></td>
<td>Open to new business opportunities</td>
</tr>
<tr>
<td></td>
<td>Able to identify niches and low/no competition markets</td>
</tr>
<tr>
<td></td>
<td>Vision</td>
</tr>
<tr>
<td></td>
<td>Intuition</td>
</tr>
<tr>
<td>Creative and Open Thinking</td>
<td>Leadership skills</td>
</tr>
<tr>
<td></td>
<td>Selling ability/negotiation skills</td>
</tr>
<tr>
<td></td>
<td>Conflict resolution skills</td>
</tr>
<tr>
<td></td>
<td>Organized</td>
</tr>
<tr>
<td>Business Skills</td>
<td>Client focus</td>
</tr>
<tr>
<td></td>
<td>Sociability, communication skills</td>
</tr>
<tr>
<td>“Go-Getter” Personality</td>
<td>Dynamism</td>
</tr>
<tr>
<td></td>
<td>Initiative spirit</td>
</tr>
<tr>
<td>Business Knowledge and Experience</td>
<td>Business experience/management experience</td>
</tr>
<tr>
<td></td>
<td>Knowledge of specific business area</td>
</tr>
<tr>
<td></td>
<td>Management and economics knowledge</td>
</tr>
<tr>
<td>Strong Moral Character</td>
<td>Self-confidence</td>
</tr>
<tr>
<td></td>
<td>Courage</td>
</tr>
<tr>
<td></td>
<td>Honest</td>
</tr>
</tbody>
</table>

A discussion of the Romanians’ entrepreneurial characteristics is detailed in further work (Rozell et al., 2009).
6. Limitations and further research

The data offered by the previous studies (as the one generated by Interact & Gallup Romania) are relatively outdated (2005). However, they are offering the most recent values of the cultural dimensions indexes. In addition, compared to the previous values, they indicate the evolution trend, as presented.

Improving the higher education curricula (to become more entrepreneurship oriented) is a more complex process, beyond the objective of this paper. However, all those interested in higher education reform – as higher education strategists and policy makers – could use the Romanian Entrepreneurial Prototype as a reliable background.

As stated in the Introduction section, the effects of the current global financial/economic crisis were not considered as scope of this work, because the effects of the global crisis started to be visible for Romania right after the completion of this study (2009). Although, this may be subject for further research.

Conclusions

The Romanian Entrepreneurial Prototype (Table 3) was concluded based on the authors’ joint design of the research methodology and team research work, which included both primary and secondary research. It is entirely original creation. Although this was just a part of a more complex multinational research programme (E-WORLD: “Entrepreneurship Work in Organizations Requiring Leadership Development”) led by Missouri State University, U.S.A. (2008-2010). The authors’ research part was completed between 2008 and 2009.

In order to achieve their research goal (to describe the Romanians’ entrepreneurial prototype), the authors had to analyze a great deal of existing data on entrepreneurship in Romania, from the standpoint of entrepreneur’s profile, his cultural background, and entrepreneurial education.

The Romanians’ – as well as other peoples’ – entrepreneurial characteristics might be unveiled by systematic analysis of their sets of proverbs. Subsequent comparative studies unveiled remarkable similarities of proverbs belonging to different cultures; many entrepreneurial features (as initiative and risk taking, innovation and creativity, opportunity and goal orientation, competition spirit, hard-working, flexibility) are common to several cultures, regardless the country of origin.

Amid common features of entrepreneurs in all surveyed countries, the Romanian Entrepreneurial Prototype emphasizes cultural differences, which are evident in entrepreneurial attributions and optimism, and in the future orientation. Several descriptors of personal characteristics of successful entrepreneurs were identified by multiple focus-group participants (most participants thought that determination was a characteristic of a successful entrepreneur).

The changes in the Romanians’ cultural dimensions – identified as a result of surveys based on the Hofstede model – might be explained not only by the
distance between the time by when the two studies were completed, but also by complex factors as: almost a half-century of communist environment; cultural changes induced by the transition from the centrally planned economy to the free-market competition, in more than 15 years (1989-2005); the changes in the Romanian educational system.

As far as entrepreneurial education, it is significant to mention that in all Romanian leading universities which were surveyed, the new curricula contain courses of entrepreneurial education.

The best profile of the Romanian entrepreneurs is offered by The Global Entrepreneurship Monitor and the landscape of the entrepreneurial activity in Romania is completed by the statistics of the Centre for Entrepreneurship & Business Research. The statistics on entrepreneurship are essential tools to develop business strategies and policies.

In line with the above, the research results are important not only for entrepreneurs and business consultants but also for strategists and education policy makers – aiming at developing entrepreneurship in Romania.

References


