

# Romanian Young Entrepreneurs Survey

Sebastian Ion Ceptureanu

Management Department, Bucharest University of Economic Studies, Bucharest, Romania

Email: ceptureanu@yahoo.com

**Abstract**—When considering entrepreneurial potential of young Romanians, there is almost not any data available. This paper aims to disseminate the results of a survey focused on young entrepreneurs, designed to fill the gap in the literature about Romanian young entrepreneurs' features. The empirical study was divided in five parts: A. Personality of young entrepreneurs, highlighting the main features of behaviour and personality of young entrepreneurs. B. Professional background, focusing on young entrepreneurs' background and how it influences their interest and performance improvement. C. Risk and crisis acceptance, highlighting the ability of young entrepreneurs to deal with critical situations. D. Business and business environment, focusing on internal and environmental aspects of the business. E. Social - cultural attitude, highlighting the attitude of society (incentives and disincentives) to entrepreneurial initiatives of young people.

**Index Terms**—youth, entrepreneurship, Romanian young entrepreneurs

## I. INTRODUCTION

Entrepreneurship is a source of innovation and change, and therefore stimulates increased productivity and economic competitiveness [1]. It is closely related to knowledge and flexibility, two factors that have gained a new significance as a source of competitiveness in an increasingly globalized economy. With changes in technology and increased global competition the hypothesis that by encouraging entrepreneurial spirit means encouraging the competitiveness of a country, it seems more valid today than ever [2]. The number of young people engaged in entrepreneurial activities in European Union remains relatively low. Only a small percentage of young people are setting up their own companies. According to the EU Youth Report [3], only 4 % of young people aged 15-24 and 9 % of those aged 25-29 in Europe were self-employed during the last 5 years. The main reasons why young people have a preference for employee status rather than being self-employed are that they prefer more stable, fixed income, are attracted by stable employment with fixed working hours and tend to emphasize on social security or insurances [4]. In addition, evidence suggests that, compared to adults, young people are disadvantaged in entrepreneurship (for example, young people face problems of access to resources, especially capital). As a

result, young people start their enterprises with less capital, are engaged in a narrower range of activities, are more likely to work from home, and are more likely to rely on limited or insufficient equipment [5].

In OECD *The Missing Entrepreneurs* study [6] it is stated that there are fewer young entrepreneurs than several years ago. Out of 30.8 million entrepreneurs within EU, more than 820,000 were in the age group between 15 and 24 years old (2.6%). At the same time, the tendency to become an entrepreneur is more pronounced compared to adults (4.1% vs 3.4%). Young entrepreneurs have fewer employees. Evolution is decreasing both as a trend (only 11.3% had at least one employee in 2012, compared to 18.9% in 2002) and by reference to entrepreneurs adults. The main areas addressed were: agriculture, forestry and fishing (12.6%), retail and wholesale (13.7%) while the proportion of young entrepreneurs vary between 1.2% in Denmark and 12.2% in Italy. There is a significant decline in the analysed period on young entrepreneurs' employment rate from 19% to 11% in 10 years, except Poland and Spain. Business rate stability (the percentage of entrepreneurs who have paid salaries and other benefits for at least 42 months) was significantly lower in the case of young people, except for Greece.

Junior Achievement Young Enterprise *Young Entrepreneur of the Year* study [7] summarize that the majority of young European entrepreneurs are men, although in recent years the number of young entrepreneurs - women increased considerably. On the other hand, average age for young entrepreneur is 26 years. Most young entrepreneurs leading SMEs in the EU, especially micro companies, prefer manufacturing of consumer goods, followed by the field of business products and services. It is also found along with them and the consumer and technical services; art and tourism; production of goods and services for education and housing. Most of them have set up these businesses before 2008, which means business as in other European Union countries was as severely affected by the economic crisis of that year, the same as that of Romania.

Study by Criscuolo and Menon [8] discovers that start-ups are in continuous decline, with significant differences between countries. Some are in decline even before the crisis (Hungary, France and Austria) while the lowest decline was registered in Finland. Major differences in size depending on the area start-ups, and the country (e.g. France). An interesting conclusion is that, in industry, an American company grows in average by 60% at seven years, while the EU growth rate is on average by 5-35%.

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Largest start-ups are registered in the industry, but more numerous are in services. European start-ups had, compared to American and Japanese counterparts, the lowest growth rates while young firms create significantly more jobs than the percentage of employment, especially in Spain and Hungary, except in Finland.

TABLE I. YOUNG SMES DISTRIBUTION BY COUNTIES

County	2014			
	Number of active legal persons	Distribution of associates/shareholders according to age, less than 29 years old	No. of active self-employed, sole proprietorships and sole partnerships	Distribution of proprietors / members according to age, less than 29 years old
Alba	10.763	2.064	11.952	2.493
Arad	15.030	2.330	10.463	1.767
Argeş	21.132	3.322	11.047	1.760
Bacău	15.383	2.599	10.652	1.780
Bihor	25.104	4.150	14.749	3.111
Bistriţa-Năsăud	7.953	1.479	9.297	1.739
Botoşani	6.354	936	7.480	1.208
Braşov	24.826	3.413	9.885	1.512
Brăila	8.892	1.267	5.867	810
Bucureşti	181.861	30.086	31.705	4.690
Buzău	12.150	1.702	6.748	1.062
Caraş-	7.277	1.316	5.380	911
Călăraşi	6.340	1.056	4.374	765
Cluj	38.779	7.208	17.880	3.173
Constanţa	30.740	5.734	11.119	1.741
Covasna	4.824	566	4.462	697
Dâmboviţa	10.244	1.755	10.265	2.018
Dolj	19.531	3.578	11.547	2.189
Galaţi	14.745	2.496	7.839	1.355
Giurgiu	6.628	1.386	2.924	549
Gorj	7.768	1.402	6.722	1.501
Harghita	8.959	1.040	9.323	1.510
Hunedoara	13.214	2.265	8.575	1.292
Ialomiţa	5.148	913	3.909	629
Iaşi	22.968	4.561	15.966	3.359
Iłfov	26.457	5.175	5.597	929
Maramureş	14.024	2.374	12.745	2.569
Mehedinţi	5.201	800	7.146	1.279
Mureş	16.314	2.452	10.279	1.564
Neamţ	11.253	1.699	8.343	1.269
Olt	9.306	1.553	7.616	1.318
Prahova	23.574	3.674	13.174	2.193
Satu Mare	9.515	1.626	7.576	1.291
Sălaj	5.779	1.047	6.405	1.481
Sibiu	14.384	1.934	8.805	1.379
Suceava	13.743	2.455	10.650	2.136
Teleorman	8.077	1.379	6.417	1.087
Timiş	34.688	5.556	11.759	1.916
Tulcea	6.074	978	4.795	894
Vaslui	5.895	956	6.933	1.210
Vâlcea	9.093	1.532	7.585	1.280
Vrancea	7.709	1.098	6.149	1.020

European Comission *EU Startup Overview of the Environment* [9] states that although the number of micro companies increased by 2% (370,000 companies) between 2008 and 2013 the total number of SMEs in

Europe stagnated. The most important problem remained start-ups access to finance. There were reductions in the volume of bank financing (traditional EU financing mechanism for SMEs), while venture capital fell 57% in the EU in 2007 (with an exception in the case of United Kingdom). There are significant difficulties in cross-border cooperation, for instance, only 12% of European citizens electronic payments were transnational while labour market declined, almost 26% of companies stating they had difficulty in hiring qualified staff.

Finally, OECD *Young SMEs, growth and job creation* [10] considers that in most EU countries, most firms are older (over 10 years) and mature (6-10 years), with significant numbers of start-ups (0-2 years old) in Spain, Hungary and France and young firms (2-5 years ) in the UK and Netherlands. Over 99% of young businesses employ fewer than 250 employees and over 97% less than 50 employees while young firms contribute 17% of the total employed population, but are responsible for creating 42% of new jobs and accounts for 22% of the total redundancies.

Romania has 5.628.758 young individuals in 18-35 years old interval, according to the last national census. Unfortunately, not many decide to become an entrepreneur [11]. According to National Trade Register Office [12], for 2014 the situation of young entrepreneurs, by county and considering number of associates/shareholders for legal persons and proprietors/member for self-employed, sole proprietorships and sole partnerships, is the following:

## II. METHODOLOGY

To get valid information regarding Romanian young entrepreneurs, we have designed a questionnaire following a common practice methodology: research design; the investigation; measurement variables; analysis, processing and interpretation of data; drawing conclusions.

### A. Questionnaire

The questionnaire was structured to allow getting relevant information about young entrepreneurs and their profile. It met with the general rules of questionnaire theory regarding: presentation, sequencing of questions, the difficulty etc. The questions were divided into five thematic modules:

a) Personality of young entrepreneurs, with a total of 12 questions, highlighting the main features of behaviour and personality of young entrepreneurs.

b) Professional background, with a total of nine questions, focusing on young entrepreneurs' background and how it influences their interest and performance improvement.

c) Risk and crisis acceptance, with a number of 6 questions, highlighting the ability of young entrepreneurs to deal with critical situations.

d) Business and business environment, with a total of 16 questions, focusing on internal and environmental aspects of the business.

e) Social-cultural attitude, which includes five questions, highlighting the attitude of society (incentives and disincentives) to entrepreneurial initiatives of young people.

### B. The Sample

The analysis was made on a sample of 84 SMEs - micro, small and medium - ran by young entrepreneurs, both women and men, belonging to age groups 18-35 years. The subjects were randomly chosen, according to three criteria: 1) have to be young entrepreneurs (18-25 years old); 2) has to own a young business (no more than 3 years since establishment); 3) has to be willing to participate in the survey.

According to age, 2% of the interviewed entrepreneurs has 18-20 years old, 24% were aged 21-25 years while 26% has 26-30 years. The highest percentage, namely 48%, belongs to 31-35 years old entrepreneurs.

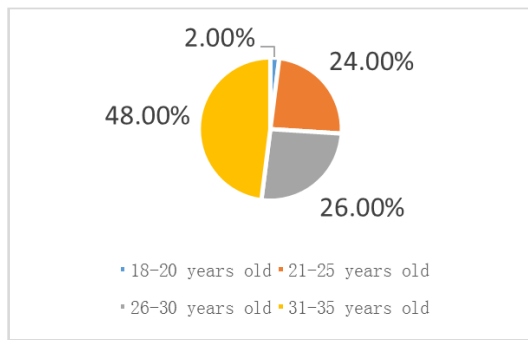


Figure 1. Sample according to age

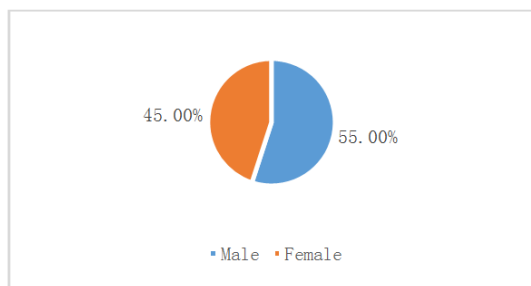


Figure 2. Sample according to gender

According to gender, 45% of surveyed entrepreneurs are women and 55% men. Although not hold a majority share, women still occupy a large proportion, which means that, in recent years, they are increasingly involved in business.

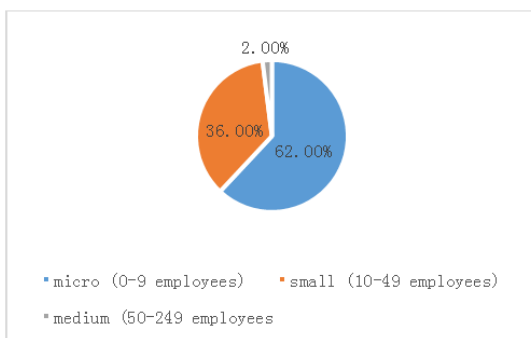


Figure 3. Sample according to size of young SMEs

Considering young SME size, micro companies represent 62% of all SMEs surveyed, small businesses account for 36% and medium sized companies only 2%. This classification was made according to the number of employees declared in the questionnaire, namely: 1-9 employees for micro, 10-49 employees for small and 50-249 employees for large companies.

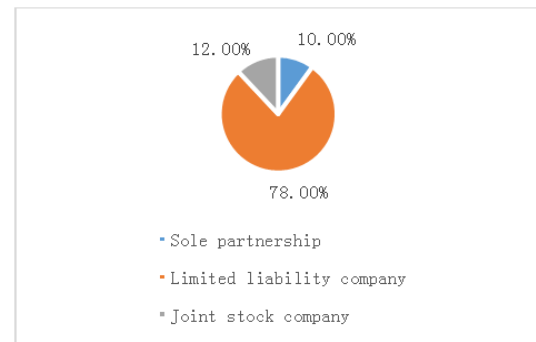


Figure 4. Sample according to legal form of young SMEs

Regarding legal form, 78% of companies surveyed are limited liability companies, 12% are joint stock companies and 10% are self-employed, sole proprietorships or sole partnerships. It can be said that the limited liability legal form is preferred by young entrepreneurs, is also the most comfortable for them, because it is more flexible than other types of companies and more appropriate for a single owner or a small number of members.

Considering activity, the structure of the investigated companies is: 25% of companies are operating in services, 29,76% in retail, 10,71% in tourism, 16,67% are operating in industry, 9,52% are active in agriculture, the rest in construction and transportation. We have considered the main activity, and many of the companies surveyed include more fields.

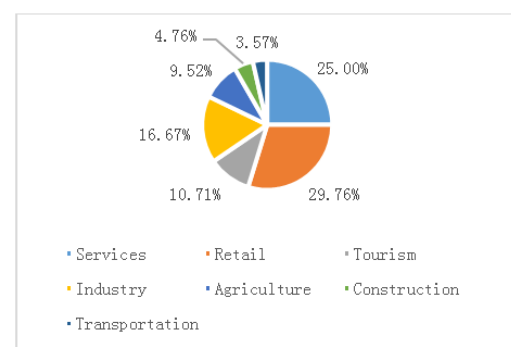


Figure 5. Sample according to main activity of young SMEs

## III. RESULTS

Regarding the innovative capacity of Romanian young entrepreneurs, 60% of them stated that they follow consistently to introduce new ideas, 24% generally accept new ideas, 14% do not bother to introduce new ideas only if they have to and only 2% prefer things to remain as they are. Typically, it is absolutely normal that young people are more creative, and more attracted to new things, and these features are intended to be present in the

business. According to the survey, the percentage of young entrepreneurs who introduce new ideas is large enough to be confident that innovation is a constant of their business. Of course, we must corroborate their answer to this question with the sample characteristics, where most of young SMEs investigated were from services or commerce, where innovation is less costly and has greater impact.

In connection with self-confidence, we have learned that 43% of respondents always have strong self-confidence, 36% of them are generally self-confident, 19% of young entrepreneurs sometimes seek the advice of others and only 2% of them always seek the advice of others when they take action. We consider this to be a positive thing, a fairly large proportion (79%) of young entrepreneurs feeling confident in their own forces. They do not depend on others, are not influenced by external factors. Self-confidence is an important issue for any entrepreneurs, being a characteristic cited by many specialists as one hallmark of an entrepreneur.

Regarding the young entrepreneurs ease in identifying opportunities, only 26% of respondents have a great sense of identify new opportunities, 50% generally identify them when they arise, while 19% of them admit that they do not have flair in referral opportunities, and 5% have no sense at all. The percentage of those who observe very easy new opportunities is quite small, which means that other times they do not have a sense of attention to detail and the opportunities or do not have sufficient experience in the business and are not familiarize to capitalize on them.

Regarding their entrepreneurial incentives, young entrepreneurs said they are primarily motivated by a substantial gain, followed by expressing their own personalities and solving family problems important. Among the last places are the materialization of an idea, improvement of skills and positive impact on the environment or social contributions. On this question, respondents could choose more choices and therefore the sum is not 100 percent. We consider that positioning substantial income and solving family problems as the two most important incentives to become entrepreneur has to do with desire to achieve financial independence and live in their own income, but also with a poorer financial background of the young entrepreneurs.

Regarding the factors that have led the young entrepreneurs to start their own business the first ranked is additional income, the desire to be your own boss and material independence, followed at a medium level of capitalizing on experience, linking job / business and passion / hobby, fulfilling ideas / visions and new challenges. On the last places ranks proximity, and unemployment. On this question, respondents could choose more choice and therefore could not achieve the exact percentage, but a classification. As in the previous question, related to desires that animates most in starting a business, and here we find, among determinants, first, additional income, which leads us to consider that money are one of the most important value of young entrepreneurs.

Concerning their last educational level, 26% of interviewed young entrepreneurs are high school graduates, 43% have a bachelor degree, 21% graduated master programs and 10% doctoral studies. A good thing is that 74% of them are university graduates, which suggests and implies specific competence in certain areas, which may even coincide with the business of the firm.

Regarding the influence of education and educational institutions attended by young entrepreneurs on their career, 31% of entrepreneurs stated that it provided strong support, 38% stated that they have positively influenced the career 29% say they have not influenced in any way their career, 2% believe that they have created impediments to entrepreneurial career and none of them felt that it had a negative influence. Most said that education and educational institutions influenced their entrepreneurial career in the best sense of the word. However a significant percentage, almost a third of respondents, claim that it have not influenced entrepreneurial career, what makes us consider lack of suitability of formalized education programs to entrepreneurship or even poor quality of education.

Regarding which institutions providing educational support for young entrepreneurs, NGOs and universities are the first in the ranking, followed by Chamber of Commerce, and training companies. Least supportive or interested are unions, followed by student organizations and other entities. It is remarkable that besides NGOs that prevails in ranking universities also occupy a good position (second), which means that Romanian educational system try to support and encourage entrepreneurial activities and initiatives of young people.

Regarding the subjects on which they were counselled for, accounting and marketing were in the top, followed by management and business ethics. These are followed by structural funds and other topics in the following categories: Services, franchising, health and social protection rules. Export issues and IC&T. places last. It appears that young entrepreneurs surveyed either have "weaknesses" in accounting and marketing professional or want to improve their skills in these areas. You can also interpret and often did not receive the necessary training at the right time (in college, master etc.) or training do not coincide with the business of the firm. There seems to be a strong desire for training on management, also.

Asked how many training courses related to the business of the company they attended in recent years, 36% of the subjects stated that they attended at least 2 courses, 33% to a single course, and 31% not at all. Even though two thirds of those surveyed are interested to train and perform well in their field of business, the other one third is worrisome, suggesting lack of interest or resources.

Regarding the current economic environment, 35% of young entrepreneurs consider it as an opportunity for their business, and 29% see it as a threat, while 36% of them do not know in which category to fit or how it affects their business. Perhaps those who find the current economic situation as an opportunity, were able to exploit the problems and needs of the population in such

moments. Those who consider the current economic situation as a threat to business, probably felt more negative effects of the current economic context, and those who do not know what is positioned, feel confused by the economic development of the country.

Regarding the convergence of firm activity with educational background of young entrepreneurs, we found that for 55% of them, the two are convergent, for 33% are partially convergent and 12% are not convergent.

When asked if before opening their business they previously have worked in the same or related field, Romanian young entrepreneurs stated that 60% have worked before in the same area, and 40% not. We note therefore that more than half of the respondents have experience in the business of the company they set up, which is a positive situation in terms of risk reduction and survivability.

Young entrepreneurs' respondents were also asked if in the past have held managerial positions. Their responses were grouped as follows: 81% of them have never held any, while 19% of them did. This is rather normal considering the focus of the study, being difficult to have a managerial position till 35 years old. However, this creates further risks in managing the business due to lack of expertise and experience or lack of specific contacts in business community.

We studied how young entrepreneurs consider cultural and social environment in which they live and found, in proportions close enough that 48% of them find it to be encouraging and 52% daunting. We also analysed and who encourages or discourages young people to start a business. The research revealed that parents and family have an essential influence, friends have a positive influence in principle and teachers and other entrepreneurs do not affect in any way. Respondents said they do not know how it would affect career counsellors, while media and business shows a negative influence in principle.

Regarding fears that young entrepreneurs face in starting a business, it seems that financial risks, access to finance and corruption were the biggest fears, while social risks or costs, lack of trust in their quality or suitability, administrative skills, fear of failure, workload and market demand were the lowest fears. The competition was a factor that had an average. It is noted that the biggest concerns are related to economic and social context in which young entrepreneurs operate, the smallest mostly related to themselves.

#### IV. CONCLUSIONS

The survey allowed us to identify some key features of Romanian young entrepreneurs:

- Follow consistently to introduce new ideas
- Has a strong self confidence
- Usually ends what started
- While not always need advice, accept it sometimes
- Generally notices new opportunities
- Seek independence as a social objective

- His main incentive is to obtain a substantial gain
- The factor that led to start his own business is the extra income
- Consider he is everything in the company, and the company cannot develop without him
- Consider the most important elements to an employee: experience, expertise in the field, general expertise and sense of responsibility
- Dedicate between 1-5 days for employee training
- Participated in at least 2 courses of training and specialization
- He is less or little scared of the current economic crisis
- Accept uncertainty as something natural in business
- Is able to improvise when situation calls for it
- Is able to focus in stressful situations and act rationally
- Partially willing to assume the risks in starting any business
- Is able to take his own initiative, responsibility and act accordingly without anyone to ask for
- Consider the most important opportunities as: increased domestic sales, the assimilation of new products and the use of new technologies
- For him, competition is a real challenge
- In the last year, the business has operated at the same parameters
- Consider the main difficulties in business activity: low domestic demand; hiring, training and retaining staff; increasing salary costs, excessive taxation and poor quality of infrastructure
- Use the Internet most often in the company for electronic payment transactions
- Has plans for future small investment
- Consider that his business will have an upward trend in the future
- In terms of economic circumstances have had other possibilities for financial support, but preferred to start a business
- Consider social and cultural environment deterrent to youth entrepreneurship
- Parents and family are those who have a key influence on starting a business
- The biggest fear in starting a business were the financial risks, access to finance and corruption
- The area where the real difficulties encountered most was on business support and infrastructure
- Education and educational institutions have positively influenced his career

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**Sebastian Ion Ceptureanu** is Lecturer PhD, and from Department of Management, Faculty of Management, Bucharest University of Economic Studies, Romania. Author or co-author of 15 books and more than 90 articles in professional journals and academic conferences.