Entrepreneurship Perspectives for Future Graduates in Romania

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Abstract. Entrepreneurship represents a process of willingness towards risks, management, innovation and organization in a market. The aim of this paper is to explore the variables aforementioned in Romanian higher education system for a research conducted to over 750 students across different leading educational organizations. The answers of the responders reveal that the interest for this path after graduations is really big, which is another good reason to support the entrepreneurship culture from earlier stages through workshops, access to information, mentoring, financing and promoting the right values.

Key words: Entrepreneurship, Higher Education, Students.
JEL classification: L26

1 Introduction

When talking about entrepreneurship we shall mention also words like ‘pursuit’, ‘opportunity’ or ‘beyond resources controlled’, as defined by Stevenson H.H. (1996). In a nutshell, entrepreneurship implies relentless focus, hardwood, short window of opportunity, vision, creating a better or a cheaper version of an existing product or service in a constraint environment. Shumpeter goes further by identifying the entrepreneurial behavior, such as:

- greatly value self-reliance;
- strive for distinction through excellence;
- are highly optimistic;
- always favor challenges of medium risk.

In this context, the Europe 2020 strategy builds itself around entrepreneurship sustaining that this is a key factor for sustainable growth. That is why European Commission created the Entrepreneurship Action Plan which main focus is promoting entrepreneurship, self-employment and its advantages across Europe through a series of educational programs and trainings.

Due to the fact that in most European countries education is mandatory up to 18 years old the role teachers is very important and that is why a research was conducted in this area on students and entrepreneurial across many leading higher education institutions in 2014.

Why is entrepreneurship a topic that should be studied in university? The answers came from the answers of the questionnaires handed over to student from different universities across Romania, like: Academia de Studii Economice București, Universitatea București, Universitatea Politehnică București, Universitatea Tehnică Cluj-Napoca, Universitatea Tehnică Gheorghe Asachi from Iași, Universitatea Babeș Bolyai Cluj Napoca, Universitatea Alexandru Ioan Cuza from Iași, Universitatea Petrol și Gaze from Ploiești, Universitatea Ovidius from Constanța, Universitatea Politehnică Timișoara, Universitatea from Pitești, Universitatea de Științe Agronomice și Medicină Veterinară, Universitatea Ștefan cel Mare Suceava, Universitatea Valahia from Târgoviște, Universitatea “1 Decembrie 1918” from Alba Iulia between 3-29 June 2014.

Nowadays when we hear so often the concept “fail fast, learn fast” the future entrepreneurs must enroll in concepts that have proved right, like the Lean Start Up methodology. This methodology can be easily taught in Entrepreneurship classes and summarize the plot like this: make a Minimum Viable Product (MVP) and ship it to potential customers for feedback. Based on this feedback you either pivot or continue by making incremental changes to your product. This approach can save you money and time because you can be in budget and time, but the customers to not wanting your product.
In the actual context the study of the Millennials, those born between 1980 and 2000, comes at the right time because this is the first generation to have access to everything (ex: Work & Travel programs in USA, internships at top companies like Google, Facebook and Microsoft, studying abroad through programs like Erasmus etc) on one hand and the radical changes on the labor market on the other hand (ie. jobs are fewer and fewer). Due to the fact that the number of companies in Romania continue to decrease from year on year (http://www.coface.ro/Stiri-Publicatii/Publicatii/Studiu-Insolventelor-pentru-Trimestrul-1-2015), starting your own company is an option taken in consideration by a large proportion of the future graduates.

When we refer to entrepreneurial education we must have in consideration not only the formal education, very important too – like business administration, marketing sales, human resources, communication and PR, finance – but also a non-formal one which consists in other aspects like meeting with entrepreneurs, conferences, business simulation labs etc. That is why the two paths presented above are complementary and future entrepreneurs must not only see the formal education, but also the ups and downs of such an option.

The options for a specific entrepreneurial education the answers were divided mainly between business schools (56% of the answers), promotion of success stories of entrepreneurs (18%) and mentorship programs (18%). Globally, Romanian entrepreneurs are in top 3 regarding the importance of success stories of entrepreneurs in their life. Although the State owns the large universities in Romania, the respondents are not looking for it direct involvement and in the classes, but through other actions like: credits for SMEs, credit guarantees and programs for start-ups.

**Entrepreneurs’ perception – Mentorship**

It is said that when much is given, much is required, so once you become an entrepreneur beside the success stories and formal education, the experience of other entrepreneurs who went through all the ups and downs in a business and how they passed over the critical moments are very important.

80% of the answers received from entrepreneurs say that they offer advices and mentoring in a formal or informal matter. Most of those who are doing that are using platforms like the ones developed by prestigious NGOs, like Romanian Business Leaders, Junior Achievement etc. Moreover, the information on key issues on startups is also shared in informal groups and networks but we see that now there is a tendency among incubators to offer a full packet of services (ie. hosting, know-how and mentoring).
The idea of teaching entrepreneurship started in 1947 at Harvard were Second World War veterans were coming home and the trend followed and since 1980 teaching entrepreneurship came common place across USA. There are more than 5000 entrepreneurship programs in the universities from USA (http://www.kauffman.org/what-we-do/entrepreneurship) and only recently this kind of programs were added to the curricula of faculties. Even more, there are less than 10 master program in Romania that offer entrepreneurship programs (research conducted on 5th of June 2015).

Kauffman Foundation, the most renowned foundation in USA that is promoting teaching entrepreneurship created a list of four key elements that every university must test before starting this adventure:

a) All faculties of the university must be involved in the debates regarding teaching entrepreneurship. Based on their feedback a new program can emerge taking in consideration all the aspects of entrepreneurship.

b) Leaders support – the support of informal and formal leaders through financial support and to make sure the entrepreneurial programs are implemented in all the faculties of the university

c) Customizable approach: teachers and faculties should develop the entrepreneurial programs according to their skills, needs and applicability. There should be a positive correlation between this and the faculty mission.

d) Spread the word – all the universities which are part of The Kauffman Campuses Initiative promote the entrepreneurship through regularly events where all the university is implied.

The Entrepreneurial University

The question that is often asked is the following: can the universities become business incubators of entrepreneurship?

The Entrepreneurial Faculty – a path of moving from ‘exporting’ professionals to entrepreneurs. Like the entrepreneurial companies there are also entrepreneurial universities. Those universities can be catalogued as entrepreneurial if they meet three topics:

a) Introductive courses on entrepreneurship and how to build entrepreneurial skills (from finance to marketing)

b) Encouraging entrepreneurship – through business ideas contests, business plan competitions, incubators, internships in start-ups and other companies etc.

c) Constant adaption to the labor market in order to make sure what they are teaching is also required by the market.
The best example in supporting the following above is the University of Stanford and the entrepreneurial ecosystem it created in Silicon Valley. In Romania, 44% of students answered that the University is preparing them to become entrepreneurs. There is no better way to find out that this is a confirmation of the progress that has been made in regarding to this aspect, but also a room for improvement. There is not a single solution for this situation like is for teaching theoretical topics and that is why is a warning that the involvement of the community, investors, mentors and other persons. What should contain the curricula for the entrepreneurial education? Looking to the most renowned universities in term of entrepreneurship we will found beside the traditional topics like marketing, HR, IT, accounting, finance, management etc. the following:

- introduction to entrepreneurship;
- developing a business plan;
- financing a small business;
- legal aspects for small businesses;
- case studies on small and medium enterprises;
- leading companies with high rate of growing.

It is comfortable to know that 38% of respondents said the curricula in Romanian Universities has somehow improved, while 25% said that no change (good or bad) has happened. From this point there is a good sign of the direction that the universities are facing and also this is the best validation that there is still hope.

**Community involvement**

Beside the exposure to theoretic topics, entrepreneurship depends mostly on practice, interaction with other people who are doing it and community members like mentors, venture capitalists, potential clients and/or suppliers. This is why their importance of involvement in curricula in universities is crucial. According to Entrepreneurship Education Comes of Age on Campus, there must be taken in consideration four aspects (source: http://www.kauffman.org/~media/kauffman_org/research%20reports%20and%20covers/2013/08/eshipedcomesofage_report.pdf):

- a network of mentors – the role of this network is to connect the ideas with the know-how of successful proven mentors;
- a network of finance – the role of this network is to constantly look up for financing the ideas;
- idea and business contest – where the events should not be considered only ‘university event’, but more like a community event;
- post-graduating partnerships – after graduation some form of help (ie. Access to know-how, mentors etc.) should continue.

At 50% of the classes who teach entrepreneurship were invited as guest business professionals with relevant experience in the field they have studied.

**Incubators and business accelerators in Universities**

81% of the students consider very important for their development the presence of a business incubator in a university. Ironically, 51% don’t know if one exists in their university. Marius Ghenea, serial entrepreneur and business speaker, said in an interview that “*a lot of business incubators and business accelerators in Romania work like real-estate businesses without offering networking, access to financing or an entrepreneurial education.*”

**Innovation and research in universities**

One of the most important source of start-ups in entrepreneurial universities is represented by the spin-offs inside the universities which end selling products and services resulted from inside research. That is why this concept of spin-off is seen as a win-win solution. Unfortunately, research in universities is one of the topics where Romania has still huge room for improvement. Research intensity (calculated as a ratio of all expenditure in Research & Development and the GDP) in 2013 recorded a value of 0.39%, decreasing with 0.09% compared to 2012.

In 2013, Romania has spent 2.465 million lei for R&D activities, which accounted 0.39% from GDP and those from public sector accounted for 0.27%, while private sector accounted only for 0.12% of GDP.
However, from the total amount 70% went to governmental sector while only 21% went to higher education system (Universities). Applied research remained like in 2012 around 30% of total expenditure, while the experimental development registered in 2013 an increase of 2.5% obtaining a 20% out of total. Financing sources from abroad for R&D were directed mainly to universities (45%), government (28%) and private sector (27%).

Table 1. Funding sources. Source: INSSE

<table>
<thead>
<tr>
<th>mil. LEI</th>
<th>Total</th>
<th>Private sector</th>
<th>Public sector</th>
<th>Higher Education sector</th>
<th>Non-profit sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,405.1</td>
<td>756.0</td>
<td>1,213.2</td>
<td>485.9</td>
<td>9.7</td>
</tr>
<tr>
<td>Companies</td>
<td>765.0</td>
<td>547.0</td>
<td>194.0</td>
<td>23.0</td>
<td>0.6</td>
</tr>
<tr>
<td>Public Funds</td>
<td>1,229.0</td>
<td>106.0</td>
<td>905.0</td>
<td>272.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Higher Education</td>
<td>28.0</td>
<td>2.0</td>
<td>8.0</td>
<td>18.0</td>
<td>-</td>
</tr>
<tr>
<td>Non-profit private</td>
<td>1.1</td>
<td>-</td>
<td>0.2</td>
<td>0.9</td>
<td>-</td>
</tr>
<tr>
<td>From abroad</td>
<td>382.0</td>
<td>101.0</td>
<td>106.0</td>
<td>172.0</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Universities benefited of approx. half a billion LEI for research in 2013. Only 1.5% from the innovative companies had research partnerships with Universities, which is a confirmation that innovation resulted from universities are make it to the market in a small fraction, mainly due to lack of financing. Moreover, between 2008 and 2010, 11% of the innovative companies had cooperation agreements with universities compared to 7.4% between 2010 and 2012 as can be seen below:

Table 2. Partnership based funding. Own source

<table>
<thead>
<tr>
<th>Partnership type</th>
<th>Total</th>
<th>Small</th>
<th>Medium</th>
<th>Big</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any type of cooperation</td>
<td>7.4</td>
<td>5.7</td>
<td>6.9</td>
<td>22.5</td>
</tr>
<tr>
<td>Other enterprises inside the group</td>
<td>2.0</td>
<td>0.8</td>
<td>2.3</td>
<td>11.7</td>
</tr>
<tr>
<td>Suppliers of equipment</td>
<td>5.3</td>
<td>4.2</td>
<td>4.3</td>
<td>18</td>
</tr>
</tbody>
</table>

The lack of capital for starting up

The biggest obstacle for starting up a business considered by students it’s the lack of capital (38% of the respondents). The fear of failure it’s also another important reason, followed by the economic situation in the country and excessive bureaucracy. According to Global Entrepreneurship Monitor 2012 US Report, 73% of entrepreneurs who started new companies in 2012 made it from personal savings. Also, another important source is considered the family, friends and banks, through different lending products (ie. loans, credit cards, etc). Related to our questionnaire, the most important source of financing is represented only by European Funds (25%), followed by parents (21%), grants (18%), salary (17%) and other. The European Funds making it to the first position is a success of the awareness of this opportunity and well as a valid option for future entrepreneurs. Other sources of financing like the grants offered by the state is another source of income (~ 9.500 EUR). Funds from parents and salaries account for less than 50% of the respondents which represent the lack of financing from this options.
Entrepreneurial Romanian culture from the perspective of entrepreneurs

In an earlier study conducted on Romanian entrepreneurs in 2013 it was revealed that 59% of the Romanian entrepreneurs consider that Romanian values and mentalities does not sustain entrepreneurship, compared to 43% of entrepreneurs from European Union and 29% of the G20 countries. If we take in consideration the answers of the Romanian entrepreneurs who think Romania has a positive culture (35%), only the entrepreneurs from Italy, France and Japan are less optimism in this respect.

Romanian entrepreneurs think that the mentality regarding the entrepreneurship has improved in the last year (35%) compared to 26% who think that got worst. If we go further into details by the age of the respondents we will see that among the young entrepreneurs 46% think that the image of the entrepreneurs has improved in 2013 compared to 2012 (46%), while the largest part of the senior entrepreneurs think that their image has deteriorated (24%).

Romanian entrepreneurial culture from the perspective or local entrepreneurs

Fear of failure is one of the biggest barriers in respect to entrepreneurship in Romania. Only 14% of respondents think that the failure in business is tolerated by the Romanian society, while 81% think that this fear will be a barrier in future business projects, a failure in career or the absence of some specific skills.

Exposure to entrepreneurship

56% of the students who responded the questionnaire said that they have been exposed to entrepreneurship in their family; by family it is understood any relative. 82% of the respondents have an entrepreneur in their extended network, while 50% have been involved in entrepreneurial activities. From this interaction and from interaction from school and participation to other entrepreneurial events (ie. business events, conferences, workshops etc), the students the vision as being the most important part of becoming a successful person, followed by motivation, passion and capacity to innovate; quality and loyalty are considered less important.

Have you been exposed to entrepreneurship in your family?

![Figure 3. Entrepreneurship. Source: author](http://www.ey.com/Publication/vwLUAssets/Study_ESO_Barometer_2013_Feb_2014/$FILE/Antreprenorii%20vorbesc_Barometrul%20antreprenoriatului%20romanesc%202013.pdf)

Success factors

All the factors available in the questionnaire were considered important, excepting luck, considered highly unimportant by the participants of the questionnaire. The business idea and the business plan are considered to be the most important in order to have success, while the networking and the capital ranking on 3rd and 4th position.

Risk taking

Over 50% of the respondents consider right to start a business after gathering some knowledge working for other companies, while 39% of the respondents think that the perfect timing to start a business is just right after graduating or while in college. This huge percentage (ie. 39%) means a highly openness to entrepreneurship, openness to taking risks, but also the fact that the students feel comfortable from their point of view with the level of knowledge and education that they have. Having in consideration this appetite for starting a business the future entrepreneurs should be encouraged through programs that are already working, like “Firma de exercitiu” (for high-school students), Intreprinderea Simulata (for students) and through other initiatives like Romania Start-Up (financed through European Funds in total amount of EUR 152m.) and the Program for sustaining starting small enterprises by youngsters.
Promoting business stories
The participants to the study “Barometrul antreprenoriatului romanesc” (eng. Romanian Entrepreneurship Barometer) consider that improving the communication of success stories of entrepreneurs and promotion of career opportunities offered by entrepreneurship will have the biggest impact on the image of entrepreneurship in Romania. The perception of the youngsters is quite opposed, because the success stories rank last. This ranking suggests the lack of maturity for the entrepreneurial culture in Romania, because in developed countries this aspect ranks first, before all other kind of programs (formal or informal). The trigger for opening new businesses are mainly composed of giving life to their ideas and, secondly, independent for working for someone else.

Successful entrepreneurs with notoriety among students
Models are considered to be very important, on the same level with models in medicine, engineering. Among the top entrepreneur models the respondents nominated Ion Tiriac, Marius Ghenea and Dragos Anastasiu. 84% of the respondents nominated an entrepreneur known to them, while 8% nominated someone from the family or their network. From the foreign famous entrepreneurs Bill Gates rank first, while Steve Jobs ranks second.

Conclusions
The study is a start in the entrepreneurial research and will continue yearly with an extended network of higher education institutions. There is a clear indication that entrepreneurship now plays a bigger role in the society due to the rise of start-ups like Uber, What’s App, Waze etc. which started only with a laptop, one idea and excellent execution. The 21st century is bringing huge social and economic challenges and while ‘waiting & see’ strategy has proven many times wrong the immediate action is impetuous. Connecting the business environment with the education will only bring more know-how and real life examples to future entrepreneurs which will make the classes more interesting and challenging.

It will be interesting to see the results on the same respondents in two years after graduation in order to see how many of those 52% who said...
that will start a business in the next two years after the research actually did it; meanwhile, the entrepreneurial perspective in the higher education institutions looks promising.

References


Author description

Sorin Anagnoste, PhD is teaching Entrepreneurship and Cross Cultural Management at the Faculty of Business Administration (in foreign languages). He has more than seven years’ corporate experience in finance, restructuring and management consulting. Moreover, he is involved in different entrepreneurial projects and it is in the board of two NGOs.