

Entrepreneurship – Some General Knowledge

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The aim of this article is to provide some general information about entrepreneurship and some insights on the early theories about it. A brief overview of the main entrepreneurship measurement programme will provide some facts about the evolution of the entrepreneurial activity in Romania in the last few years.

Keywords: *entrepreneurship, entrepreneurial activity, global entrepreneurship monitor, economic impact.*

JEL Classification: *L26*

1. Introduction

Interest in entrepreneurship and its effects on the economy rose in the last years and “entrepreneurship” became a buzzword in the specialized literature.

Even if entrepreneurship re-gained the attention of scholars only in the last decade, the first formal citation about entrepreneurship can be traced back in time to 1755 when Richard Cantillon, an Irish economist of French descent, stated about the entrepreneur that it is an arbitrageur, a person who was bearing the risk, Cantillon was underling the important economic role played by the entrepreneur. Regardless of the attention around this field entrepreneurship as a research field remain elusive for a long period of time.

2. Short literature review

Entrepreneurs and the first signs of entrepreneurship are considered by some authors to be as old as the first form economic organization dating back to ancient times, to Mesopotamian and Babylonian merchants and their “enterprises”. (Landes D. et al., 2012). But the earliest mention about it in the economic literature dates only from 18th century as presented above.

Ever since Cantillon introduced the term authors from many and various fields have studied the entrepreneurs and entrepreneurship and its effects on the economy and our society in general. Entrepreneurship has been studied from diverse perspectives of economic theory, management, business administration, sociology & anthropology, psychology, political science and history.

Some major (important) early contribution for defining the entrepreneurs and its role from an economic point of view, throughout the time, were made by Cantillon, Say, Marshall, Knight, Schumpeter, Kirzner, Schultz, von Misses and more recently with modern perspectives by Drucker, Casson, Shane and Venkataraman. Many authors from various other fields and disciplines also undertook research and generated new findings and insights about this “phenomena”.

In Cantillon view the entrepreneur bear the risk caused by price fluctuations in consumer markets.

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Knight (1921) took a step forward the idea about risk and uncertainty and distinguished between these two: risk, which is insurable, and uncertainty, which is not. He considered profit to be a reward for bearing the uninsurable risk and it was the reward of the pure entrepreneur.

Schumpeter (1934) in his vision of “creative-destruction” presented the entrepreneur as someone who creates new industries and thereby triggers important structural changes in the economy. Schumpeter is considered to be the first who outlined what is still considered by most as the “grand” statement of a general theory of entrepreneurship in his *Theory of Economic Development* (1911) (Cassis Y., Minoglou I. P., 2005).

Marshall (1919) emphasized the importance of small firms and described the role of these firms in some detail, but critically omitted them from his formal analysis of supply and demand. He saw the entrepreneur as a superintendent that organizes the production in a firm.

Kirzner (1973, 1985) emphasised the importance of the entrepreneur as a middleman, who is alert to profitable opportunities that are available to everyone. According to Kirzner, Successful entrepreneurs notice what others overlooked and profit from their exceptional alertness.

The literature review of early theories could continue and we can find more important insights on entrepreneurship but we just wanted to underline the richness and diversity of approaches about what is an entrepreneur and how entrepreneurship is approached.

There is no straight answer when asking how an entrepreneur is defined or what are his characteristics and we could point out that more than 10 roles of the entrepreneur could be found in the economic literature (Hebert and Link, 1989, but also Van Dijk and Thurik, 1995 and Van Praag, 1996) like: the individual that assumes the risk and/or uncertainty, an innovator, decision maker, organizer and coordinator of economic resources, manager, owner of an enterprise, an individual that realizes the start-up of a new business.

Several major themes could be identified according to Simon C. Parker in regards with the characteristics of entrepreneurship in the early theories such as: arbitrage and the bearing of risk and uncertainty, co-ordination of factors of production, innovation and creative destruction, leadership and motivation, personal or psychological traits.

The early theories can be splatted in two major categories (Parker, 2009) - neoclassical tradition (such as Knight, Marshall, Schultz), based on the idea that entrepreneurs lead markets into equilibrium, and those in the Austrian school tradition (such as Kirzner) which sees entrepreneurs as part of an on-going disequilibrium process of indefinite time period.

We agree with the following statement provided by Simon Parker in his book “The economics of entrepreneurship” that none of the theories offers a complete and comprehensive view of entrepreneurship: “To be sure, one can cite selectively from these theories to support a particular viewpoint, but none of them provides necessary or sufficient conditions for entrepreneurship” (Parker, 2009).

Mark Casson did not agree with the dichotomy between the approaches of economic theorists and economic historians, pleading for a convergence between the functional perspective and the indicative perspective. (Casson, 1991). The trend in recent years is to use cross-disciplinary approach in order to define and analyse entrepreneurship and the activity of entrepreneurs.

Entrepreneurship is defined in many ways and to sustain this statement we argue that Morris (1998) identified a number of 77 definitions and Gartner (1990) after having undertook an extensive literature review identified 90 attributes associated with the entrepreneur.

These facts and figures should point out the multidisciplinary character of entrepreneurship as field of study and at the same time it emphasizes the fact that study of entrepreneurship has to overcome some challenges like the lack of an unanimously accepted definition of what an entrepreneur is and what entrepreneurship means.

3. Sources of data on entrepreneurship

Even if there is no general agreement about what entrepreneurship is most authors consider it to be an important economic factor (Parker, 2009) and due to its importance in recent years, different sources of data on “entrepreneurship” were developed.

At international level there are some (both public and private) initiatives to measure the social and economic indicators which constitutes a key action in providing both government and international organizations with valuable information that will help better understanding the evolution of the phenomenon associated with the development and progress of our societies.

Some of the most important are GEM, OECD – Eurostat EIP, Eurobarometer Survey on Entrepreneurship, World Bank Group entrepreneurship snapshots, and Doing business report, World Economic Forum – World competitiveness report, Kaufmann Foundation Entrepreneurship programme.

Probably the most comprehensive effort to collect comparative international entrepreneurship research data is the multi-country annual GEM – Global Entrepreneurship Monitor study (Shorrock, 2008). GEM project is an annual assessment of the entrepreneurial activity, aspirations and attitudes of individuals across more than 80 countries since 1999 and it is considered being largest on-going study of entrepreneurial dynamics.

The main source of data used for the following part of this article was obtained from the Global Entrepreneurship Monitor (GEM) 2007-2012 and its Adult Population Survey database for Romania.

4. Entrepreneurial activity in Romania – some facts

In this section we will provide some information about the evolution of the entrepreneurial activity in Romania between 2007 and 2012 based on data from GEM.

The term “entrepreneur” is defined by GEM as “an adult who is engaged in setting up or operating a new venture which is less than 42 months old” and the main GEM indicator is (TEA) total early-stage entrepreneurial activity, which measures the percentage of the adult population (age 18–64) that is actively involved in entrepreneurship in two populations: nascent entrepreneurs and young (new) owner/manager of a business.

Nascent entrepreneurs are individuals who have, during the last past 12 months, taken tangible action to start a new business, would personally own all or part of the new company, would actively participate in the day-to-day management of the new company, and have not yet paid salaries wages, or any other payments for anyone for more than 3 months.

New business owners are defined as individuals who are currently actively managing a new firm, personally own all or part of the new company, business that has paid salaries, wages, or any other payments for more than 3 months but not more than 42 months old.

Established Business Owners represent the percentage of (18-64) adult population who are currently owner-manager of an established business that has paid salaries, wages, or any other payments for more than 42 months.

In 2011 the early-stage entrepreneurial activity rate registered in Romania in an international comparison indicates a lower level than the average value registered in countries with similar level of development, however it exceeds the values measured in countries like Hungary or Croatia according to the GEM Romania country report.

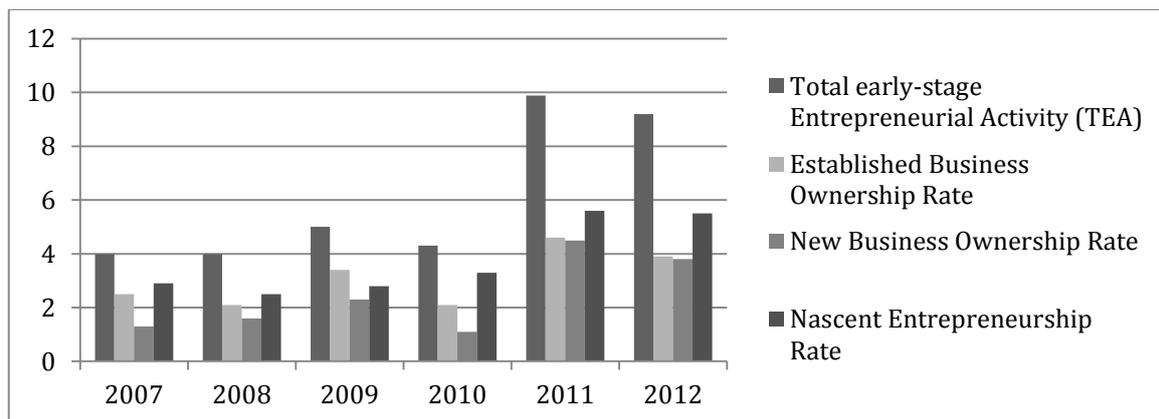


Figure 1. Entrepreneurial activity in Romania

Source: Global Entrepreneurship Research Association (GERA)

The total early-stage entrepreneurial activity rate (TEA) in Romania in 2012 is 9.2% decreasing from 9.9% in 2011 when it registered the highest value. The peak rate registered in 2011 was a higher rate than that recorded in Central-Eastern European countries, like Hungary, Poland and Croatia. The rate almost doubled in 2011 in respect with the present form 2010, which indicates a clear increase in the entrepreneurial activity.

In 2011 all phases of the entrepreneurial activity (nascent, new business owner and established business) were marked by a considerable increase in regard with 2010 but in 2012 all rates slightly decrease, so from this point of view 2011 could be considered a year with a stronger entrepreneurial activity in Romania.

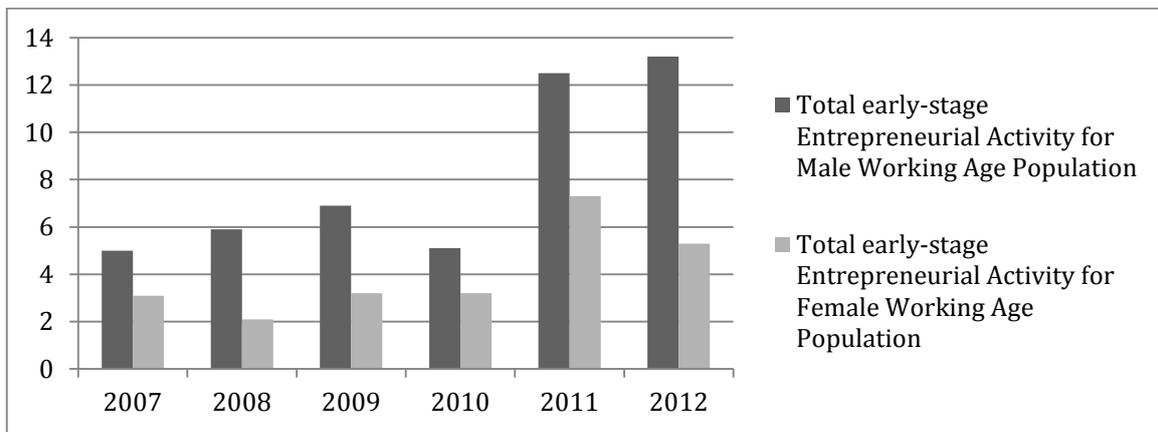
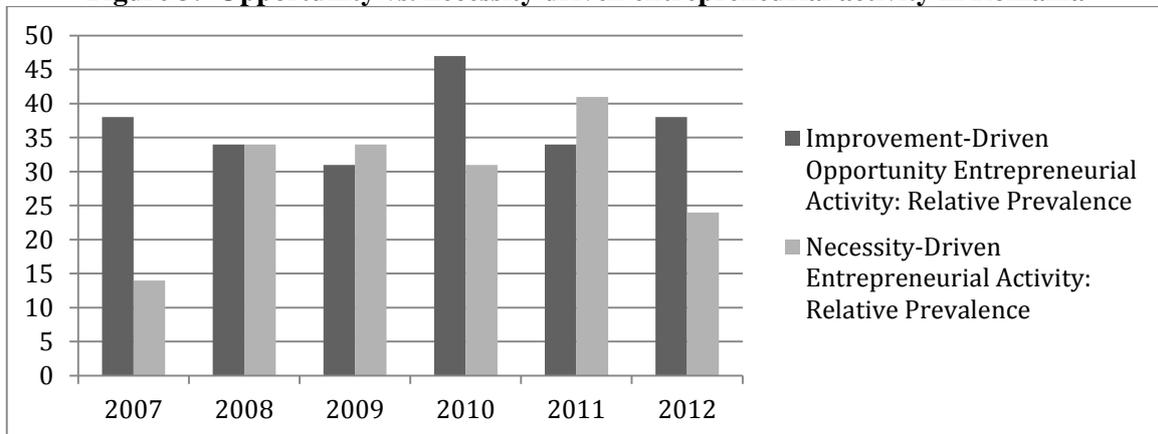


Figure 2. Female and male entrepreneurial activity in Romania
Source: Global Entrepreneurship Research Association (GERA)

Both male and female early-stage entrepreneurial activity rate increased in 2011 from 2010 but in 2012 in case of females the rate decreased from 7.33% in 2011 to 5,3% in 2012 and in case of males it increased from 12,5% in 2011 to 13,2 in 2012.

Figure 3: Opportunity vs. necessity driven entrepreneurial activity in Romania



Source: Global Entrepreneurship Research Association (GERA)

Romanian early-stage entrepreneurs motivated by opportunity to start a new business venture increased from 34 in 2011 to 38 in 2012. Romanian early-stage entrepreneurs motivated by necessity decreased from 41 in 2011 to 24 in 2012, reversing the trend from a year earlier when the improvement driven rate decreased and the necessity driven rate increased in respect with 2010.

According to GEM Romania country report our country is situated 23rd out of 54 countries at a global level in 2011, based on the total early-stage entrepreneurial activity rate.

5. Conclusions

As shown above the total early stage entrepreneurial rate increased form 2010 to 2011 but had a small decrease in 2012. More female intended to start a new business venture in 2011 in regard with previous years but 2012 the rate of total early stage entrepreneurial rate for female registered a downward movement but still above the rate registered in the period 2007-2010. More Romanians intend to start o business out of opportunity reasons, and as we acknowledged before an entrepreneur is someone who perceives an opportunity, and creates an organization to pursue it (Bygrave and Hofer 1991) but there still is an important percentage of Romanians that start a business because they have no other option for work, but no some many as in the years after the trigger point of the economic crisis. High unemployment and the reduced competition could “push” people to take the self employment path in order to secure a income for them and this may have been the case of Romania too and should be reflected by the evolution of necessity driven entrepreneurial activity rate.

The economic crisis can generate 2 contradictory effects on the entrepreneurial activity: On one hand due to the lack of capital or financing opportunities and declining demand for products and services it is harder to gather the needed resources for starting a new business venture but on the other hand crisis contributes to the growth of unemployment which is an opportunity to find qualified and cheap labour force, and competition is reduced in time of recession compared to periods when economies thrive.

Most new business ventures start as small and medium enterprises and any new firm no matter small or big contributes to the well-being of the community in which it operates by creating new jobs, paying its suppliers, paying taxes and it improves the figures aggregated in the macroeconomic indicators.

Entrepreneurship has an impact at both at local and national level and could have a positive influence on the development and growth of an economy. But despite diverse, and sometimes contradictory results of the research regarding the effects of entrepreneurship on the economy it is considered a very important factor for future development. That is why entrepreneurship education and programs promoting it should be on the agenda of any public institution in our country.

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