

# ANALYSIS AND CHALLENGES REGARDING WOMEN CONTRIBUTION TO THE SME DEVELOPMENT IN ROMANIA

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In Europe, entrepreneurship is promoting and in SMEs are over 99%. SMEs are viewed like the "economics engine", they are the one that are generating work places. The researches in the entrepreneurial field proved that there is a good relation between the level of the entrepreneurial activity (the frequency of which in an economy it is creating new enterprises) and the economic growth. More intense the entrepreneurial activity is, the more it will have positive effects on the economy in generally. In the past years, Europe has increased interest in female entrepreneurship. This support has resulted in the creation and implementation of public policies to encourage women to engage into business, and thereby stimulate economic growth. The contribution of women in the labor market is becoming more relevant. We present analysis, challenges and characteristics of women's contribution to the development of SMEs in Romania.

**Keywords:** business, economy, employment, entrepreneurship, female entrepreneurship, economic growth, public policies, SME, women

## 1. Introduction

In Europe, the successful economic model is characterized by a dynamic private sector, promoting entrepreneurship and social responsibility, being supported by a simple and effective legislation.

In present, SMEs are over 99% from the total number of business in European Union.<sup>23</sup>

The academic research is distinguishing the importance of the SME's into the progress and the revitalization of the economics. SMEs are viewed like the "economics engine", they are the one that are generating work places (two out of three of the private sector jobs) and contribute to more than half of the total value-added created by businesses in the EU. They are the "true back-bone of the European economy" and are responsible for wealth and economic growth. They influence directly the development of the innovations with the new products and services which they bring to the market.

The researches in the entrepreneurial field proved that there is a relation between the level of the entrepreneurial activity (the frequency of which in an economy it is creating new enterprises) and the economic growth.<sup>24</sup> Generally, it is considered that the measure of the entrepreneurial activity of a country is affecting in a good way the economic growth of that country.

The notion of entrepreneur and entrepreneurship is starting to infiltrate in the European academies by the curricula and by the helping system for the new business.

*The entrepreneur* is a person who initializes and develops a set of activities defined by risk and innovation with the purpose to achieve material and personal satisfaction. Generally, entrepreneurs act in all fields (education, medicine, research, engineering etc.), but most of them are in the economical field.<sup>25</sup>

L.Teoh found distinct differences in the mindset and motivations of both entrepreneurs and small business owners<sup>26</sup>(table nr.1).

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<sup>23</sup> European Commission, [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/index_en.htm)

<sup>24</sup> Dringa, O., Lafuente, E. 2009

<sup>25</sup> <http://www.entrepreneur.com/bizstartups/index.html>

<sup>26</sup> <http://www.biztechday.com/difference-between-an-entrepreneur-and-a-small-business-owner/>

**Table nr.1 Differences between an entrepreneur and a small business owner**

<b>Objectives and Views</b>	<b>A small business owner</b>	<b>An entrepreneur</b>
• Primary motivation	To make a living	To make a change and an impact
• Financial Goal	Regular income	Exit value of the company
• Career	Self-employment	Financial freedom
• Financing strategy	Bank loans	Investors
• Business strategy	Creating more sales	Providing value
• Profile of risk	Stability	No problem to fail
• Work environment	Extension of owner's home	Fast paces and growth focused
• Investment profile	Main investor/Owner of company	Investor/Involvement in different businesses
• Daily actions	Day to day Manager	Strategy, growth and collaboration

Source: <http://www.biztechday.com/difference-between-an-entrepreneur-and-a-small-business-owner/>, 03.06.2011

In both situations the contribution of women in the labor market is becoming more relevant.

## 2. Analyses regarding the women situation on the Romanian labor market

In modern society there is a new social image of the feminine. In such a context, Gilles Lapovetsky said that "female professional activity obtained the right of a fortress; it is now a value and a legitimate aspiration, female normal condition of existence. Refusal of an identity formed exclusively by the mother and wife functions characterizes postmodern feminine condition"<sup>27</sup>.

The statistical data regarding the sex population structure in Romania are showing a slight superiority of the percentage of women to men (force ratio is 96 men per 100 women). Because of the natural share, but also due to the professional training and the education received, the women represented a significant proportion of employments in Romania. Regarding the women involvement in the management structures of public, political or business the percentage has continued to remain, even after 1990 pretty small.<sup>28</sup>

For the period 2002-2010, the National Institute of Statistics and his Statistical Yearbook revealed the following situation (table nr.2):

**Table nr.2 Employment (thousands of persons)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010
TOTAL	9234	9223	9158	9147	9313	9353	9369	9243	9240
MEN	54,48	54,83	53,38	54,78	54,48	54,70	55,04	55,18	55,32
WOMEN	45,52	45,17	45,62	45,22	45,52	45,30	44,96	44,82	44,68

Source: Statistical Yearbook, INS, 2007, 2008, 2011,

**Table nr.3 Percentage of women in employment by professional status (%):**

<b>Name of indicators</b>	<b>2010 employment</b>	<b>2007 %women</b>	<b>2007 %men</b>	<b>%women in 2010</b>	<b>%men in 2010</b>
TOTAL OF WHICH,	4128	100,00	100,00	100,00	100,00
- employee	2742	66,58	65,99	66,44	64,98
- employer	29	0,68	2,11	0,71	1,76
- self-employed	532	12,82	25,35	12,89	26,35
- contributing family worker	824	19,92	6,55	19,96	6,91

Source: Statistical Yearbook, INS, 2011, <http://www.insse.ro/cms/ro/content/anuarul-statistic-2011>

Analyzing the tables and their information, we make the following comments:

- the percentage of women employment is maintained from 2002 to 2007 around 45% of total annual population, from 2008 to 2010 is around 44.8% , but it's a lower percentage if we compare with men registered for total employed population;
- among employers and self-employed, the percentage of women was 13.6% in the total female population employed;

<sup>27</sup> Gilles Lapovetsky, *A treia femeie*, Ed. Univers, Bucuresti, 2000, pag. 170-171

<sup>28</sup> Nicolai, M., Balcu, F. 2009

- Proportion of women among contributing family worker is high. In most cases it is about survival solutions to supplement incomes and combat poverty.

The number of women specialists with intellectual occupations was constantly increased because of proper training and proven skills in science<sup>29</sup>.

### 3. Characteristics of a female successful entrepreneur in Romania

According to a present study<sup>30</sup>, the women hold only 37,000 of the total of 695 500 Romanian firms, approximately 5%. This proportion shows the prejudices, the lack of business education, but show also the social problems in entrepreneurship development in Romania.

In the U.S., there are whole support systems *for women*: sites, networks networking, mentoring and coaching programs, courses, there are *specialized programs* for single or married women, for women with children, divorced women, for women second age, etc. We are not living in the U.S. but it began to appear in Romania youth and women entrepreneurship development programs, which is very important thing<sup>31</sup>.

A study published in 2010 by Kauffman Foundation of Entrepreneurship shows that *successful entrepreneurs*, even if they are men or women, have the same characteristics: the same level of education, *early interest for their own business*, desire to succeed and, in general, is confronted with the same major challenges. There are some *differences*: women need more encouragement and support from others, want to gain more experience before open a business and put greater value on the network of contacts and the relationships that they have.<sup>32</sup>

In his studies, Vivek Wadhwa concluded that women can run companies better than men.<sup>33</sup>

Therefore, at the levels that ensure business success, women and men start from a common denominator. But, the mentality of Romanians, which appeared due to lack of models of successful women who have actually built something through their own efforts, says that if a woman wants to have a business, she has to sacrifice her family life.

In Romania<sup>34</sup>, some studies claims that there is a particular profile, a standard of the *successful entrepreneur*:

- Entrepreneurs are seeking to reduce risk through better control of the business.
- The key factor to begin a business is the desire to control their destiny.
- An innovative idea is one element that distinguishes it from other entrepreneurs.
- An entrepreneur is oriented towards achieving a certain goal and is motivated by the chance to achieve it, supports unsafe situations and makes decisions under uncertainty, he/she is able to exploit and take advantage of uncertain situations.
- They have a higher degree of confidence in their own persons.
- They are realistic and recognize what can be done, and what must be renounced.
- They are par excellence, people of action.
- They have the ability to anticipate trends and recognize a good opportunity.
- They have the ability to work long time without feeling the need to rest and have team spirit. Partnership is the secret key dimension of business in an economy characterized by globalization.
- At last, but not least, the entrepreneur must be or quickly becomes an expert in its field and prove fairness, both in business relationships and in those with employees.

In Romania there are the following *types of entrepreneurs*:

- Potential entrepreneurs are those who, although not having yet a business, began preparations for a business activity (for example, persons who already have a business plan and began to seek various forms of financing their business), but still not win anything.
- New entrepreneurs are those peoples who have manifested a business and marketing in the past two years.
- Owners of SMEs are defined as those individuals with their own companies manifested in the market for more than 24 months.

<sup>29</sup> UNDP (United Nations Development Program), "The Status of Women in Romania 1997-1998"

<sup>30</sup> study of Business 24 from 8.03.2013

<sup>31</sup> <http://www.arenabiz.ro/de-ce-femeile-nu-sunt-antreprenori/> 2010

<sup>32</sup> McGrath Cohoon, J., Wadhwa, V., Mitchell, L. 2010

<sup>33</sup> <http://womenandwork.org/2010/07/23/entrepreneurs-not-who-you-think-they-are>

<sup>34</sup> according to the SME Annual Report 2008 and 2010

#### 4. Challenges and characteristics of women's contribution to the development of SMEs in Romania

In December 2009, in Romania, from databases CEBR - Centre for Entrepreneurship and Business Research resulted that in 2008 a national study was conducted. This study was conducted through interviews with 852 peoples who responded to the interview on their intentions or their entrepreneurial activities.

The interviews of people with the following characteristics:

- 626 of 852 subjects interviewed were taken into account for providing complete information;
- of all respondents, 60% are men and 40% are women
- geographical distribution of subjects is according to the Nomenclature of Territorial Units for Statistics - NUTS classification.

After analyzing the received responses were drawn conclusions and there are in a current table of the main particularities of female entrepreneurship in Romania (table nr.4).

**Table nr.4 Analysis Criteria of female entrepreneurship**

<i>Criteria</i>	<i>Characteristics and particularities</i>
<i>Starting a business</i>	<ul style="list-style-type: none"> <li>The percentage of women who expect to start a business in the next three years is less than that of men. The percentage is going down from one year to another.</li> </ul>
<i>Age</i>	<ul style="list-style-type: none"> <li>Between men and women there are minor differences in the average age of women entrepreneurs with a potential 42 years of age and men 41 years</li> </ul>
<i>Experience and knowledge in management</i>	<ul style="list-style-type: none"> <li>In 2008, women had experience in leadership: 49% and 73% for potential entrepreneurs to new entrepreneurs</li> <li>Both women and men mostly have enough knowledge management.</li> </ul>
<i>Previous work experience</i>	<ul style="list-style-type: none"> <li>In 2008, women had employment experience, a number of 15 years for potential entrepreneurs, 10 years for nascent entrepreneurs</li> <li>Women have more work experience than their male counterparts (between 1 and 3 years).</li> </ul>
<i>Number of women</i>	<ul style="list-style-type: none"> <li>In Romania the number of men involved in entrepreneurial activity exceeds that of women in all regions of the country (according to NUTS classification)</li> <li>From the historical point of view, the presence of women entrepreneurs is relatively recent compared with the presence of male entrepreneurs.</li> </ul>
<i>Stimuli or fears for Entrepreneurship</i>	<ul style="list-style-type: none"> <li>Stimuli for entrepreneurship: the presence or influence of examples in family, friends or a great confidence in their abilities as an entrepreneur</li> <li>Fears for entrepreneurship: fear of business failure, fear of the social consequences.</li> </ul>
<i>Main motivational factors</i>	<ul style="list-style-type: none"> <li>Desire to be your own boss, because they detected a business opportunity, to increase quality of life and have a social status of an entrepreneur (admiration), to make money and to bring a contribution to society, to exit from unemployment, pay fewer taxes, following the family tradition</li> </ul>
<i>The motivation to start a business</i>	<ul style="list-style-type: none"> <li>For potential entrepreneurs and new entrepreneurs, the three most powerful reasons in descending order are: 1.desire to improve quality of life, 2.desire to have money and 3.desire to have a business, and for men the order is 2, 3, 1.</li> </ul>
<i>Optimism or pessimism?</i>	<ul style="list-style-type: none"> <li>Women entrepreneurs were more pessimistic in 2010 compared to previous years, the percentage who said they had more business opportunities decreasing dramatically from 42.9% in 2009 to 11% in 2010.</li> </ul>
<i>Necessary time to start a business</i>	<ul style="list-style-type: none"> <li>Time from idea to business and actually begin to seek more information is on average 14 months (more than men -11 m.)</li> <li>The time period between the execution of activities related to creation and effective start of business the company is averaging seven months (more than men -5 months)</li> </ul>
<i>The main funding sources</i>	<ul style="list-style-type: none"> <li>The main form of funding: personal savings, followed by bank loans (mortgage and other bank loans), borrowed money from family members. Very few women are based on sources from public institutions (e.g. grants).</li> </ul>

Source: *Women Entrepreneurship in Romania, CEBR, 2008 and 2009 and Study Promovarea antreprenoriatului ca factor cheie pentru dezvoltarea economica, oct. 2012*

It can be concluded that frequently more women create their own businesses and they manage to lead successfully. Women priorities of business are oriented by light industry, textiles, cosmetics, advice, training, travel services, agro-tourism and hairdressers.

In Romania, an importance has given of free courses of entrepreneurship. At these courses it is presented law modules, business psychology, accounting, business finance, electronic commerce, marketing, franchise system etc. The certificate obtained after graduation offered the graduates the possibility to work in SMEs or to start their own business.

In the period 2005-2012 a Multiannual National Program was developed for the entrepreneurial culture among women entrepreneurs in the SME sector in Romania.

## 5. Conclusions

Regarding the contribution of women in Romania to the development of SMEs, we can observe that female entrepreneurs are more involved than men in international business.

Female entrepreneurship in Romania is under developed, with a decreasing trend of developments in the period 2007-2010.

Women tend to start smaller businesses than men established by entrepreneurs, but their firms grow faster than those established by men, and in the case of 47% of companies founded by women, they are single owners<sup>35</sup>.

For women in business, there are not enough business models to inspire and encourage them to become entrepreneurs. Previous experience is important for individuals involved in starting up businesses and entrepreneurial activities. They are young with a low level of experience<sup>36</sup>.

The main problems of the entrepreneurs are related to *lack of resources*, limited access to credit and lack of customers; on the demand side, most problems gravity are related to greater competition and failure to promote marketing company.

In conclusion, men entrepreneurs still predominate, they are holding two thirds of the number of created businesses. To give a solution to some of the issues related to resources, potential women entrepreneurs should be informed about the business support programs and funding opportunities. Financial and private institutions may provide micro-credits to SMEs but only under a business plan.

In the past years, Europe has increased interest in female entrepreneurship because women represent an important group of potential entrepreneurs in Europe.

European Commission wants to create a European online platform for guidance, counseling and education for women entrepreneurs and to provide access to the information and support female entrepreneurship at national and regional level by promoting exchanges of best practices between Member States<sup>37</sup>.

This support has resulted in the creation and implementation of public policies to encourage women to engage in business, and thereby stimulate economic growth. The entrepreneurial activity is more intense, the more it will have positive effects on the economy in generally.

Although women represent a minority entrepreneurship, we can anticipate in the next years, an increase in Romania as in other countries, at regional, European and global level of the number of women who started a business on their own.

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<sup>35</sup> Dringa, O., Lafuente, E.M., 2009

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