

ENTREPRENEURS' PERCEPTIONS OF THE STATE IMPLICATION IN THE BUSINESS ENVIRONMENT MODELLING IN ROMANIA

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Abstract

One of the main economic purposes of state administration in every country is to ensure an enabling business environment. The study has two main objectives: first, to reveal and analyze the perceptions of Romanian SMEs – 99.9% of economic companies – regarding the quality of business environment, its main opportunities and difficulties; second, to evaluate the capacity of the Romanian government to face economic crisis and its consequences. The analysis is based on the interviews of 1723 SMEs entrepreneurs and managers in 2011. We have identified a predominantly unfavorable Romanian business environment and a low capacity to face the complex elements associated with economic crisis. Conclusions are grouped at three levels of state administration – national, local and sectorial – and followed by a set of recommendations regarding the improvement of business environment.

Keywords: state intervention, business environment, entrepreneurs, SME's, environment opportunities, public administration, economic crisis, environment modelling



1. Introduction

Two of the most influential determinants of SMEs performance are business environment and the central and local administrative bodies' capacity to deal with their specific problems. In the context of the recent economic crisis these two factors have been analyzed by many specialists from different points of view (Nicolescu *et al.*, 2011a, pp. 5-9; Grilli, 2011; Lavric, 2010, pp. 931-939; Bâră, 2010; Nicolescu, Bâră and Borcoş, 2011, pp. 25-28; Bumgardner *et al.*, 2011, pp. 102-105; Nicolescu *et al.*, 2011b, pp. 62-79; Nicolescu *et al.*, 2011a, pp. 28-48; Lloyd, Mumby and Sear, 2010, pp. 391-403; Borcoş, 2010; Ciocarlan-Chituca and Popescu, 2010). The main conclusions of all mentioned studies refer to the multiple impact of the business environment on the SMEs activities and the crucial role of the state in the construction of an enabling environment. In order to obtain more information on this topic in Romania, we have organized a comprehensive empirical research in 2011, which provided interesting and useful information regarding the characteristics and the evolution of the Romanian business environment and its perceptions by the entrepreneurs, in the context of the measures taken by the Romanian Government to face the economic crisis.

2. Business environment, state administration and companies

In the last two decades, business environment became a central field of analysis in numerous micro, macro, domestic and international studies, dealing with strategic elements of the economy, administration and society. There are different approaches of the business environment. In our research we have used the following definition of business environment: 'Business environment represents all the exogenous organization elements – economic, administrative, managerial, technical and technologic, demographic, socio-cultural, scientific, ecologic, juridical and politic – which influence the organization established objectives, the resources used, the adopted and implemented managerial decisions and the companies' performance' (Nicolescu and Verboncu, 2007, pp. 74).

Without any doubt, business environment is very comprehensive and complex. It incorporates a large variety of components which are very dynamic, even 'volatile'. These are grouped in categories of factors. Among them, the administrative factors have a focal position. Central and local administrative bodies (see Figure 1, Nicolescu and Verboncu, 2007, p. 75), by their strategic, tactical and daily decisions, by the human resource quality and its behavior and efficacy, by the administrative mechanisms, rules and procedures, determine to a large extent the functionality and the performance of the business environment. Among the administrative state bodies which exert a major impact on the characteristics of the business environment we could mention the Government, the Ministry of Economy, and the Ministry of Finance, the Ministry of Labor, the Parliament, the county and city councils etc. National, sectorial and territorial strategies and the policies elaborated by them, yearly budgets, enacted laws and other regulations issued by them could favor or impede the creation of enterprises, their activities, as well as their potential and competitiveness. This is one of the main reasons which explain why many specialists dealing with economy and enterprise competitiveness or

with the living standard of the population pay a major attention to the administrative components of the business environment. Two of the major ‘diseases’ of the business environment – bureaucracy and corruption – are the result of interaction between central and local administration and other components of the economy and society.

The expression of this reality is represented by the European Union priority addressing the administrative reforms in every member state. Mandatorily, in the preparatory process of becoming an EU member, the administration reform plays a central role. Romanian, Hungarian, Czech experience is relevant for this process, showing the major role of the administrative elements in the construction of the modern business environment.

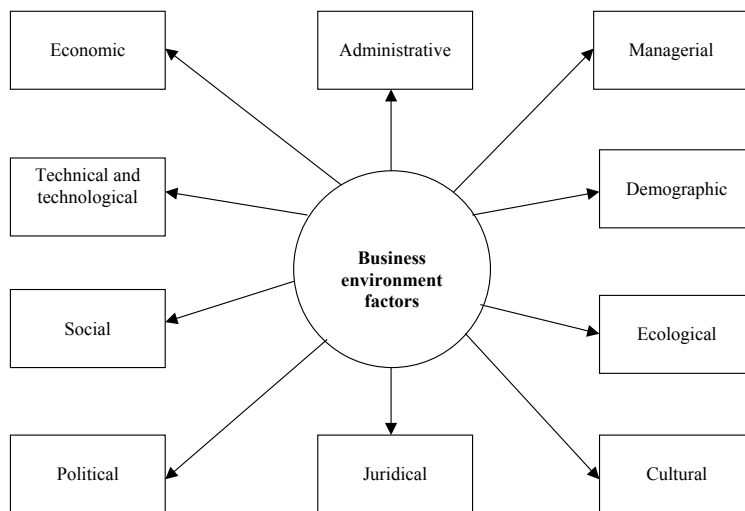


Figure 1: Main categories of business environment factors

One of the most important characteristics of business environment is its capacity to facilitate the entrepreneurship and the companies’ performance, which generate a major part of the economic wealth in every country (Norwood, 2011). According to the analysts in this field, taking into consideration this capacity, it is possible to distinguish among three types of business environment.

- a) *An enabling or favorable environment* is characterized by national and regional juridical, institutional, fiscal, commercial, monetary, banking, social, technical conditions and parameters which determine the easy and low cost start, work and development of the competitive companies. The countries able to assure such a business environment have a high density of companies, generating competitiveness, many jobs and successful innovations. In an enabling business environment, state institutions substantially contribute to generating and developing numerous contextual opportunities for the companies: job creation incentives; R&D innovation stimulants; stimulants for increasing domestic demand; low level of taxation; export stimulants; grants for development; low bureaucracy and corruption; easy business partnership etc. In most developed countries, enabling business environments are predominant almost all the times.

- b) *A permissive or neutral business environment* is characterized by certain contextual conditions for companies – juridical, institutional, fiscal, monetary, banking, social etc. – which allow their creation and development, but to a large extent with substantial costs and facing notable difficulties. This type of business environment partially stimulates the companies' economic, technical, social and ecological performances and development. The companies' density and economic potential are lower comparatively with the enterprises working in an enabling environment. Permissive business environment is frequent in the developing countries.
- c) *An unfavorable business environment* is characterized by many juridical, institutional, fiscal, monetary, banking, commercial, social contextual conditions which negatively influence the startup, the functioning and the competitive performance of the companies. The unfavorable environment prevails seldom and usually not for long time. The former communist countries, Romania included, are classical examples for such type of business environment. The unfavorable environment contains many threats and difficulties for companies: excessive taxation; high inflation rates; heavy bureaucracy and corruption; low level of internal demand; excessive administrative controls; instability of national currency; poor quality of infrastructure; unpaid invoices by state institutions etc. Most of these are generated by the low quality of central and local administration bodies' decisions, actions and behavior.

So far, no scientific indicators that evaluate the characteristics of the business environment as a system exist. The main explanation for that is the predominance of the qualitative elements in the business environment which are difficult and often impossible to measure quantitatively.

The most used approach to evaluate the type of business environment and its influence on the companies, national and local economy, are the empirical investigations based on interviews and questionnaires addressed to the entrepreneurs, managers, economic specialists etc. These individuals work in the real economy and deal on a daily basis with different components of the business environment. In fact, by using this approach we obtain their perceptions about the business environment, its characteristics and impact on the economic and social performances.

For the companies' startup, development and performance are very important – and often even determinant – the entrepreneurs and managers' perception of the business environment and its characteristics, including the perception of the central and local administration bodies' decision quality and capacity to solve problems. On one hand, when the entrepreneurs and managers consider or evaluate the business environment as unfavorable and believe that there are major difficulties and threats for the companies' work and performance, they tend to decrease the frequency and the amplitude of the decisions, actions and behaviors focused on the investments, innovation, development, production increase, products and services sale, new jobs creation etc. On the other hand, when the environment is perceived as enabling and the entrepreneurs and managers believe and identify major contextual opportunities, then their decisions, actions and behaviors which are focused on production increase, product and services

sale, investments, innovation, new markets penetration etc., are frequent and involve more resources.

For this reason it is essential to acquire knowledge about the entrepreneurs and managers' perception of the business environment. Due to that some prestigious organizations like the World Bank, the European Commission, and OECD are implementing more and more often empirical investigations on entrepreneurs and managers' perceptions of different components of the business environment. The entrepreneurs and managers' perceptions on the business environment as being enabling or not is usually associated with their confidence in the state administration bodies, with positive evaluations of the quality of administrative services offered and with their capacity to approach and to solve economic and business problems at national, regional, sectorial and local levels. SMEs entrepreneurs and managers' perceptions are very important because they represent 99% of companies in every country and their capacity to solve business environment difficulties is lower comparatively to larger companies. SMEs performances and implicitly national economy competitiveness are conditioned to a large extent by the perceptions of their entrepreneurs and managers (Dunkelberg and Wade, 2012).

All of the above mentioned elements explain the necessity and the high utility for political and administrative bodies, for administration and business specialists to know and analyze the SMEs entrepreneurs and managers' perceptions regarding the business environment, its opportunities and difficulties and state and administration's capacity to determine the normal functionality of the economy and society.

For all these reasons and arguments we have achieved a comprehensive empirical research in 2011, interviewing 1,723 SMEs entrepreneurs and managers from all branches and all Romanian counties. In the next paragraphs – after analyzing the state's role in modelling the business environment and the Romanian Government measures in order to solve the economic crisis – we present shortly a part of the results focused on the relationship among business environment, state administration and SMEs as they are evaluated by the entrepreneurs and managers.

3. State's role in the modelling of the business environment

In every country, the business environment is built during a long period of time. Its construction and development has a deep processual character involving numerous components. Business environment is determined by many elements: country traditions, population's culture and education, dimension and characteristics of the national territory, natural resources, geopolitical position, ideology of the leading political parties, state bodies' performance, major international economic and political events etc. Each of the elements mentioned influences the evolution of business environment and its parameters. Many analysts consider that the state has a determinant role in modeling the business environment. Our analysis has identified two categories of ways used by state bodies to influence business environment:

a) *Direct approaches and ways projected and implemented by the state in order to develop a certain type of business environment and to attain planned economic objectives.*

In this category we included mainly: national economy strategy; state economic policies for the main branches (industry, agriculture, construction etc.) and for the main fields (financial, R&D, international cooperation etc.); quality of the economic and social laws and other juridical regulations; yearly central and local administration budgets; infrastructure development; public investments; efficiency of the central administrative bodies; efficiency of the local administrative bodies etc.

It is the task of the government, parliament, ministries, national, regional and local agencies, counties and municipalities councils to elaborate and implement these approaches. Their quality determines to a large extent the characteristics of the business environment. For example, when a country has a good national strategy with a clear and clever mission, effective strategic objectives, realistic and efficient strategic options, well defined and dimensioned resources, reasonable terms and well selected competitive advantages, then the construction of the enabling business environment is easier, quicker and more effective. A professional national strategy represents the background for projection and implementation of other approaches and ways by the state bodies.

b) Other state approaches and ways dealing with different components of the economy or society which indirectly influence significantly the business environment.

In this category we include the approaches and measures taken by the government or parliament regarding the following aspects: education and training; science research and development; social protection; health care and medicines; social partners and social dialog; ecological standards and regulations; economic foreign state policy and actions etc.

This category of ways is much larger comparing to the first one. We have just mentioned some of them which have a notable impact on the business environment. Usually, the impact on the business environment is not direct, but indirect through the results and effects generated in the specific fields involved – human resources, science, social protection etc.

For each state the construction of an enabling business environment and its permanent improvement should be a priority. Economic history indicates that the most developed countries in the world, with the best performances – USA, Germany or Great Britain – have needed several centuries in order to construct an enabling business environment, having good strategies and policies, as well as functional and efficient administration bodies. Unfortunately, to convert an enabling environment within one country to an unfavorable environment could be done very fast and with many negative economic and social consequences. Therefore, for each country it is essential to be able to construct and maintain an enabling business environment. In fact, from an economic point of view, this should be the first priority for each state body. The pre-accession processes of Romania and other Central and Eastern countries and the transfer of the *aquis communautaire*, have had as main objective the achievement of an enabling business environment.

4. Recent measures of the Romanian government focused on business environment

Romania – like the majority of the European countries – has faced an economic crisis during the last couple of years. In Romania, the economic crisis has started later than in other countries, but has been very strong. Romania has had in 2010 the second largest GNP reduction in Europe – 7.2%. The Romanian government had to react in order to stop the economic crisis and maintain the functionality of the economy. The governmental measures could be grouped in two categories depending on the objectives and on the impact on the economy (Boc, 2001).

A. Measures to achieve the macroeconomic correlations and equilibrium, stopping the economic crisis. These measures have been oriented in three directions:

- a) The reduction of public expenses
 - 15% reduction of all public sector salaries;
 - decrease with 100,000 in the number of public sector employees;
 - state pension system reform;
 - reduction of current public administration expenses; and
 - reduction of public investments in infrastructure, R&D and other fields.
- b) The increase of state budget incomes
 - increase of the VAT from 19% to 24%;
 - taxes increase (incomes from capital market, gambling, renting apartments, car owners);
 - elimination of certain costs eligible in the calculation of the company's profit (fuel for the cars) in order to increase the incomes from profit taxation;
 - excise increase for oil, tobacco etc.
 - amplification of the degree of taxes collection.
- c) The accords and agreements with the international organizations – IMF, World Bank and European Union – in order to obtain supplementary finance and to achieve certain structural reforms regarding state companies, central and local administration and health system, helping the country to re-establish macroeconomic correlations and functionality and to reduce the state budget deficit.

Generally, the effects of these measures on the macroeconomic correlations have been positive. Romanian state expenses have decreased concomitantly with an increase of certain incomes. State budget has been able to finance the main public activities, salaries and pensions have been paid regularly. Moreover, Romania has a relatively low deficit of the state budget, respecting the international standard and requirements established by IMF, World Bank and EU. These measures have prevented the damage of the general economic situation, avoiding more critical situations like those in Greece, Italy and Spain. In the same time, these measures have had negative effects on the market. Because of the reduction of salaries and enterprise profits, the demand on the national market has decreased with considerable adverse effects on the economic development and living standard of population.

B. Measures aiming to re-launch the Romanian economy

- The finance of the state program ‘the first house’, offering in 2010 and 2011, 37,632 guaranties with a total value of 1,531.8 million euros;
- The creation of the National Contra Guarantee Fund which multiplied four times the capacity of National Guarantee Fund for SMEs to support companies;
- The cancel of the taxes on the reinvested profit in certain equipment and machines in order to stimulate private investments;
- The special finance program for micro-enterprises;
- The program ‘START’ for the development of the entrepreneurial abilities of young entrepreneurs;
- The co-finance program for the rehabilitation of houses heating;
- The finance of the state program ‘Rabla’ in order to stimulate the car industry;
- The flexibility of Labor Code according to the European good practices, offering better conditions for the productivity increase; and
- The improvement of the methodologies used in Romania for the European Union structural funds in order to increase the absorption degree.

Other essential measures announced by the Government regarding the infrastructure investments, delayed payments and absorption of the structural funds, have not been implemented.

Regarding this category of measures we should make two remarks: a) these measures have not been enough, offer poorly finances and frequently only partially implemented; b) the effects on the recovery of the Romanian economy have been weak, the degree of the structural funds absorption in Romania was the lowest in EU, domestic and foreign investments decreased sharply and GDP had a modest increase in 2011 and 2012, after the high reduction in 2010.

Unfortunately, the complex and difficult economic and social situation in Romania has overlapped with a very complicated political situation and climate, resulting in negative synergies. Also, the international context, especially in the European Union, had a negative impact on the economic, social and political situation in Romania. For the evolution and performance of the economy not only the governmental measures implemented are important, but also their perceptions by the entrepreneurs, managers and specialists working in the economy. Perceptions related to the effects of the governmental measures, which could be more or less correct and complete are essential, because they represent the main ‘raw material’ for entrepreneurs and managers’ decisions, actions and behaviors, which are determinant for the economy functioning and development. For this reason we have investigated a representative sample of entrepreneurs and managers regarding their perceptions of the business environment and of the state bodies’ recent performance.

5. SMEs sample structure and dimension

The study has been conducted in 2011 by questioning a sample of 1,723 companies – micro, small and medium sized – from all fields of business, age categories and development regions, the sample being considered to be representative for the Romanian economy.

The average age (Figure 2) of the enterprises which made up the object of study is below 5 years (37.05%), being followed by the companies with an age between 5 to 10 years (23.75%), those between 10 to 15 years (21.45%), and the companies which existed for over 15 years (17.76%).

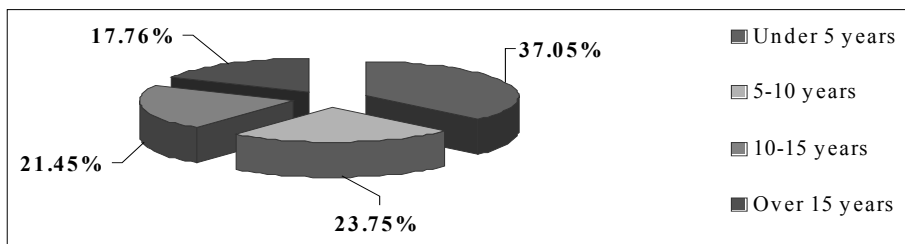


Figure 2: Sample structure subject to companies age

The distribution of small and medium-sized enterprises per Romanian development regions is as follows: the South Region – 22.28%, the South-West Region – 14.14%, Bucharest-Ilfov Region – 14.08%, the South-East Region – 12.97%, the Center Region – 11.46%, the North-West Region – 10.65%, the North-East Region – 10.01% and the West Region – 4.42% (Figure 3).

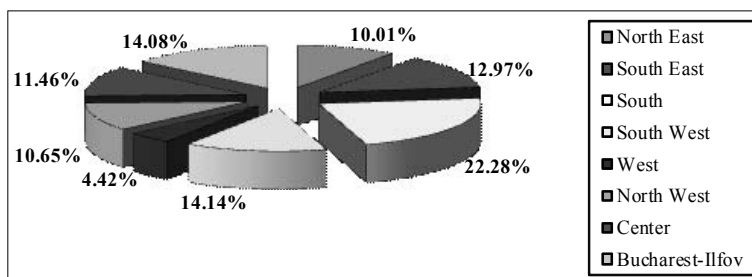


Figure 3: Sample structure per development regions

Taking into consideration the dimension of companies, micro-enterprises stand for 71.83% of the total of SMEs under investigation, small companies weigh 21.83%, and medium-sized ones hold a percentage of 6.44%.

If we are to classify companies by fields of activity, the SMEs sample shows the following structure: 37.64% of the companies are from trade field, 20.49% act in services field, 17.22% are industrial companies, 10.48% conduct their business in transportation field, 7.49% operate in tourism and 6.67% in constructions field. Many of the companies cover more such fields of activity, due to the fact they focus on identifying and turning business opportunities to good account, which is a basic characteristic of the SMEs both in Romania and in other countries as well. We hereby mention the fact that for each company, we have considered the NACE code of the main activity field. The graphical representation of the enterprises distribution, by fields of activity is displayed in Figure 4.

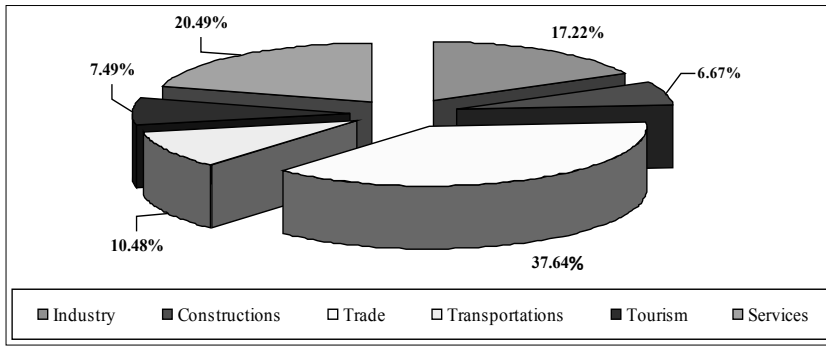


Figure 4: Sample structure by activity fields

The elements being shown point out the main characteristics of the sample under investigation, which makes it representative for the SMEs Romanian sector.

6. Entrepreneurs' assessments of the overall evolution of Romanian economic environment

Regarding the opinions on the evolution of the environment in 2011 (Figure 5) and by the end of 2012 (Figure 6), we have noticed a significant increase in the proportions of SMEs, which leaders believed that the Romanian economic environment shall be enabling for business development (13.16% companies in 2011 and 27.35% companies in 2012), reflecting that more entrepreneurs trust in a short and average-term positive economic evolution in Romania.

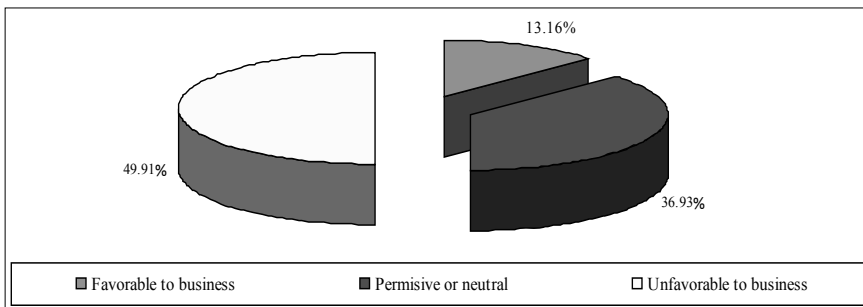


Figure 5: Entrepreneurs' evaluation of 2011 economic environment evolution

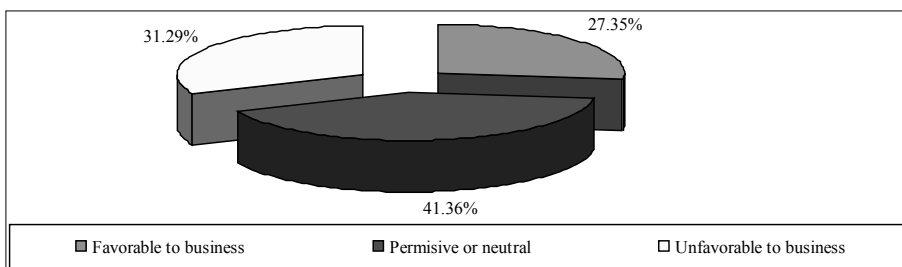


Figure 6: Entrepreneurs' estimation of 2012 economic environment evolution

The grouping of enterprises by development regions, points out the following significant aspects:

- the proportion of entrepreneurs who evaluated an neutral economic environment in 2011 is higher in the Bucharest-Ilfov region (53.42%) and lower in North-East (29.34%);
- the largest percentage of companies with leaders who appreciated/estimated a favorable evolution of the environment in 2011 and in 2012 is registered in the Center region (18.56%) and, respectively, in the South-East region (41.51%);
- the Bucharest-Ilfov region has the lowest proportion of respondents who considered that the economic environment was/will be unfavorable to business development in 2011 and by the end of 2012 (Table 1 and 2).

Table 1: Differentiation of entrepreneurs' assessments of 2011 economic environment evolution

Economic environment future status	SMEs grouped, by development regions							
	North-East	South-East	South	South-West	West	North-West	Centre	Bucharest-Ilfov
Favorable to business	10.78%	18.10%	8.45%	16.29%	10.81%	11.86%	18.56%	11.54%
Permissive or neutral	29.34%	34.76%	38.42%	35.39%	36.49%	32.20%	31.96%	53.42%
Unfavorable to business development	59.88%	47.14%	53.13%	48.31%	52.70%	55.93%	49.48%	35.04%

Table 2: Differentiation of entrepreneurs' assessments of 2012 economic environment evolution

Economic environment future status	SMEs grouped, by development regions							
	North-East	South-East	South	South-West	West	North-West	Centre	Bucharest-Ilfov
Favorable to business	30.25%	41.51%	20.73%	24.38%	25.68%	17.44%	27.75%	32.47%
Permissive or neutral	38.89%	32.55%	39.78%	44.38%	36.49%	51.74%	38.74%	48.92%
Unfavorable to business development	30.86%	25.94%	39.50%	31.25%	37.84%	30.81%	33.51%	18.61%

The notable regional differences could be explained mainly by two factors: the level of economic development and the quality of local administration involved. Thus, Bucharest-Ilfov region, with the highest level of economic development in Romania and with better local administrative specialists in the country has both for 2011 and 2012 the lowest percentage of entrepreneurs considering unfavorable business environment.

7. Business environment opportunities

The analysis of the main business environment opportunities for SMEs in 2011 points out the following aspects: most frequently has been indicated the increase of sales on the internal market (in 74.08% of the companies), which shows that, despite the difficult economic situation in Romania, entrepreneurs keep on staking on the power of purchase of both the population and of the local enterprises. Other significant opportunities, as pointed out by SMEs are the assimilation of new products (48.27% of the enterprises), entering new markets (47.58%), the accomplishment of a business partnership (28.54%),

use of new technologies (28.03%), getting a grant (15.12%) and the increase of exports (7.28%) (Figure 7). Other economic opportunities (1.53%) are the following: opening new business facilities, public tenders' transparency, leasing of spaces, business activities reorganization, attracting new clients, changing the location/space where business activities are conducted, attracting investments for modernization etc.

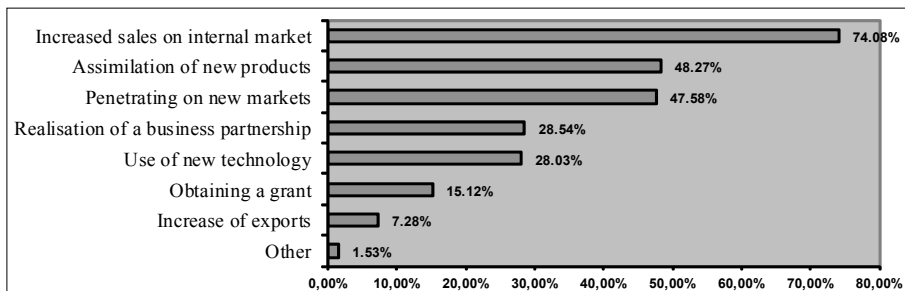


Figure 7: Frequency of business environment opportunities accessible to Romanian SMEs

The structure of the opportunities indicates the insufficient orientation of the Romanian economy and of the national strategies and policies towards the international markets. The opportunity 'the sale on the domestic market' is 10 times higher than the export opportunity.

The distribution of SMEs, by development regions, points out a series of differentiations, as compared to the overall sample (Tables 3). These differences between the intensity of opportunities at regional level and national level are quite often at 10-15%. We note a balanced distribution of firms with the highest frequency of mentioned opportunities by regions and surprisingly, the most developed regions – Bucharest-Ilfov and West – with better quality of real administration, registered high percentages only regarding the assimilation of new products and penetrating new markets.

Table 3: Frequency of business environment opportunities, by development regions

2011 business opportunities	SMEs, grouped by development regions							
	North-East	South-East	South	South-West	West	North-West	Centre	Bucharest-Ilfov
Increase of sales on the internal market	72.09%	80.72%	75.98%	44.44%	73.68%	83.06%	86.29%	81.82%
The assimilation of new products	50.00%	43.50%	48.56%	33.74%	60.53%	59.02%	52.28%	53.31%
Entering new markets	46.51%	50.22%	46.21%	34.57%	48.68%	66.12%	37.06%	55.79%
Accomplishment of business partnership	36.63%	31.39%	39.69%	26.34%	25.00%	13.11%	14.21%	27.27%
Use of new technologies	32.56%	34.08%	31.59%	23.87%	27.63%	18.03%	27.41%	27.69%
Getting a grant	30.81%	17.49%	19.84%	14.40%	7.89%	8.20%	6.60%	9.92%
Increase of exports	11.63%	2.69%	9.92%	7.00%	7.89%	6.01%	5.58%	6.61%

8. SMEs' environment difficulties

The entrepreneurs and managers have indicated that in 2011 they faced the following most frequent environment difficulties: the reduction of the internal demand (67.77% of SMEs), excessive taxation (48.44%), inflation (44.40%), bureaucracy (41.39%), corruption (36.10%), excessive controls (31.15%), high costs of credits (27.80%), delay of the invoices payment from private companies (27.52%) and difficult access to credits (25.53%). The full picture of the main difficulties encountered by SMEs in 2011 is graphically represented in Figure 8.

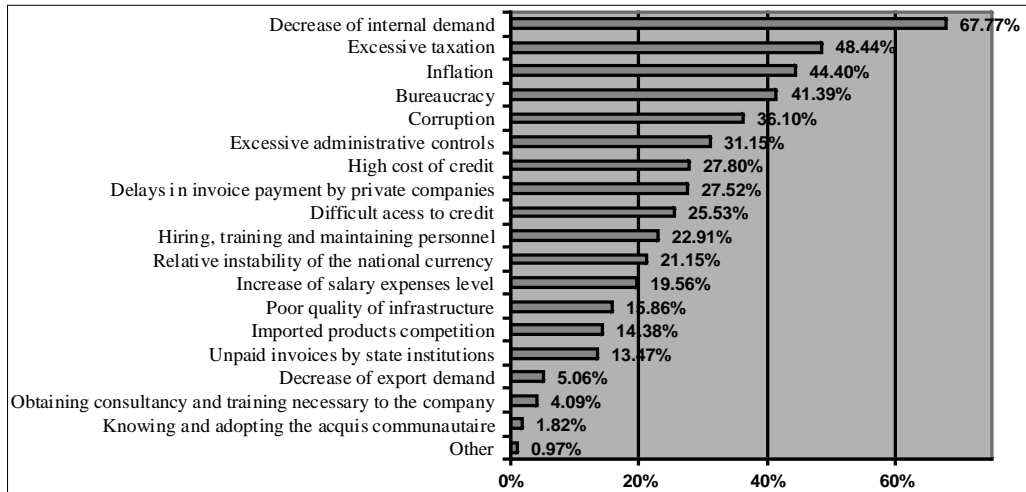


Figure 8: Frequency of major environment difficulties faced by SMEs

The structure of the business environment difficulties indicates the large contribution of the Romanian state to the 'construction' of an unfavorable environment. Five out of six biggest difficulties are generated directly by the state: excessive taxation, high inflation, heavy bureaucracy, strong corruption and excessive control. Moreover, the toughest difficulty – the decrease of the internal demand – has been caused to a large extent by the massive reduction of the public sector employees' wages. If we compare the environment opportunities and the difficulties, we identify an apparently contradictory situation. The increase of the sales on the internal market is the first priority (74.08%) and the decrease of the demand is the most frequent difficulty (67.77%). The main explanations of this situation are the following:

- a significant part of the SMEs are working only for domestic market and the increase in sales on the domestic market is their chance for company development;
- the peak of the economic crisis has passed and according to numerous economic analysts and prognosis, the economic situation shall gradually improve and implicitly, the companies' domestic sales shall increase;
- the demand for numerous products and services during the crisis in 2010 and 2011, has decreased, representing a major threat for many companies; and

- the majority of companies sell a variety of products and the demand for them is different, as such for certain products sales increase, for other products and services the demand and sales decrease.

In this situation, the evolution of the demand is concomitantly an opportunity and a threat for certain products.

Examination of the business environment difficulties at the regional level shows generally rather little variations (with two exceptions), that is due to the fact that the strongest difficulties are generated by the state economic strategy, policies and taxation which are almost the same for all eight regions in Romania (Table 4).

Table 4: Differentiation of the main environment difficulties faced by SMEs

2011 environment difficulties relating to a company	SMEs, grouped as per development regions							
	North-East	South-East	South	South-West	West	North-West	Centre	Bucharest-Ilfov
Decrease of the internal demand	71.51%	73.99%	68.67%	60.08%	53.95%	74.32%	67.01%	69.83%
Excessive taxation	49.42%	50.22%	45.95%	42.80%	56.58%	47.54%	53.30%	48.76%
Inflation	30.23%	34.53%	46.74%	29.22%	47.37%	71.04%	48.22%	51.24%
Bureaucracy	47.67%	44.84%	34.99%	27.16%	44.74%	43.72%	46.19%	50.83%
Corruption	31.40%	47.09%	35.25%	11.93%	25.00%	46.45%	42.13%	47.11%
Excessive controls	34.30%	33.18%	31.33%	25.10%	22.37%	33.88%	21.83%	40.08%
High costs of credits	34.30%	32.29%	32.64%	26.75%	36.84%	15.85%	21.32%	25.21%
Delay of the invoices payment from private companies	33.14%	28.70%	36.81%	25.10%	36.84%	10.38%	21.32%	26.86%
Difficult access to credits	28.49%	30.04%	26.63%	19.75%	19.74%	26.23%	22.84%	26.45%
Hiring, training and maintaining personnel	25.58%	22.87%	18.54%	18.52%	26.32%	34.43%	26.90%	21.49%

9. Entrepreneurs perceptions relating to Romanian government's capacity to face the economic crisis

During the period of the economic crisis, the government of every country plays a major role in fighting its negative effects and in achieving economic recovery, by the accomplishment and enforcement of specific programs and measures, based on the internal and external economic realities. The analysis of entrepreneurs' perceptions regarding government's capacity to contribute to the prompt recovery out of any such crisis (Figure 9) points out the following:

- 47.83% of businessmen believe that the government has low capacity to face the crisis problems;
- 35.89% of entrepreneurs feel that the government has no capacity to rapidly fight the economic decline;
- 12.07% of SMEs entrepreneurs estimate that the government has an average potential to solve major difficult problems;
- only 4.22% of the people interviewed have stated that the government has a high capacity of countering recession.

We have noticed the low percentage of entrepreneurs trusting the government's potential to contribute to the rapid recovery of the Romanian economy. This situation may be explained mainly by the incoherence of the anti-crisis measures, adopted by the Romanian state. In 2010-2011 the Romanian government has elaborated several plans and programs to counter the national and international economic crisis, but most of the involved measures have not been implemented at all or have been partially put into practice.

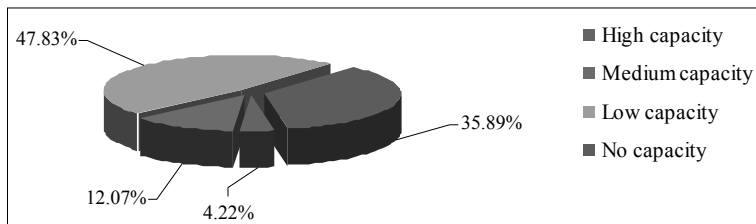


Figure 9: Entrepreneurs' opinions regarding Romanian government's capacity to contribute to the fast recovery out of crisis

The differentiation of the analysis, by the size of SMEs (Table 5) points out the following aspects:

- the percentage of companies, where the state administration is perceived as not having the potential to fight the recession, is higher among micro-enterprises (37.74%);
- small enterprises register the highest weights of companies; the leaders of these enterprises considered that the government has an average (15.55%) and a low capacity (50.61%) to rapidly counter the economic crisis;
- the weight of entrepreneurs who appreciated that the government has a high capacity to rapidly contribute to the economic re-launching is the highest among medium-sized enterprises (7.92%).

Table 5: Entrepreneurs' opinions about Romanian state administration potential to contribute to a rapid recovery out of the crisis

Government capacity to recover after the crisis	Company Size		
	Micro-enterprises	Small enterprises	Medium-sized enterprises
High	4.09%	3.96%	7.92%
Average	10.93%	15.55%	13.86%
Low	47.24%	50.61%	45.54%
No capacity	37.74%	29.88%	32.67%

The analysis of the information illustrated in Table 5 indicates a correlation between the business potential of the enterprises and the perception of state's capacity to face the economic crisis. The increase of the business economic potential associated with the company size is reflected in a better perception of the state capacity to solve the complex problems of the economy. The explanation of this correlation is represented by the absence of the state strategy, policies and mechanisms differentiation according to the SMEs size. Normally, the microenterprises need a different business treatment

compared to medium or large companies. For these reasons, European Union Small Business Act has the principle ‘think small firstly’, which should be implemented in every state member, including Romania (Irimieş and Maruşca, 2010).

As to entrepreneurs’ perceptions, subject to the field of activity of such SMEs, we find the following relevant aspects:

- the enterprises in the tourism field, registered the highest percentage of companies, where leaders considered that the state administration has no capacity to face and deal with the crisis (40.40%) and the lowest percentage of entrepreneurs believing that the state administration has a high power of countering recession (2.02%);
- companies from the constructions field have a bigger percentage of SMEs within which decision-makers appreciated that the state bodies have an average potential to counter the economic problems (14.61%);
- the entrepreneurs from the trade field believe more frequently that the state administration has a low capacity to rapidly fight the crisis (49.29%);
- businessmen working within transportation field perceive more often the government as having high possibilities of ending the decline (7,19%) (Table 6).

Table 6: Entrepreneurs’ perceptions about Romanian government’s capacity to contribute to the rapid recovery out of crisis, subject to the fields where enterprises activate

Government capacity to contribute to the rapid re-recovery out of crisis	SMEs, by field of activity					
	Industry	Construction	Trade	Transportation	Tourism	Services
High	4.02%	5.62%	4.28%	7.19%	2.02%	3.07%
Average	10.27%	14.61%	10.18%	10.79%	12.12%	10.73%
Low	46.88%	44.94%	49.29%	46.76%	45.45%	48.28%
No capacity	38.84%	34.83%	36,25%	35.25%	40.40%	37.93%

From the above mentioned information we could state the following important aspects: there are some differences between the economic perceptions of the entrepreneurs from different branches, regarding the capacity of the Romanian state to counteract the effects of the crisis. These differences reflect the specificity of each sector and the performance potential of the SMEs involved; there is an obvious lack of sectorial strategy and policies. Specific approaches able to counter the effects of the economic crisis with pragmatic results and to re-launch the sector have not been elaborated and implemented in any of the economic branches.

10. Conclusions and recommendations

The information and the analysis from the previous sections allow us to formulate certain conclusions regarding the three levels of interactions among the state and its administration on the one hand, and the SMEs and their entrepreneurs on the other hand.

- a) *National level – central administration.* The predominant perception of the SMEs entrepreneurs regards the weak capacity of the state bodies to build an enabling business environment. This conclusion derived from the high proportion of Romanian entrepreneurs evaluating that the business environment is not enabling

for them. The second argument which supports this conclusion is represented by the fact that 83.34% of first six most frequent difficulties are generated directly by the state: excessive taxation, inflation, bureaucracy, corruption and exaggerated controls. The third argument is represented by the absence of the business opportunities depending mainly on the state (state aid, public-private partnership etc.) or by their very low frequency (by e.g. obtaining a grant) (Figure 7).

- b) *Regional level – regional and local administration.* SMEs' entrepreneurs have not identified regional and county strategies and policies able to improve business environment, to generate business opportunities or to decrease environment difficulties. There are differences among SMEs' entrepreneurs regarding business environment opportunities and difficulties, but they are generated mainly by differences in the level of regional economic development or by the region placement around of more or less developed areas in the neighboring counties or in Romania. SMEs' entrepreneurs need pragmatic strategies, policies, mechanisms adapted to the local conditions, using the opportunities offered by the EU regional funds.
- c) *Sectorial level.* SMEs' entrepreneurs have not identified specific state measures focused on the particular problems and conditions of each business sector – industry, tourism, construction etc. This explains why all Romanian sectors have major difficulties to overcome the economic crisis and its consequences. Of course, there are differences among the perceptions of the SME entrepreneurs from different sectors, but being generated mainly by the specificity of each of them and by different national and international sectorial conditions.

Our conclusions, although differently, are nonetheless complementary with the conclusions of other Romanian specialists, Profiroiu (2010) and Anghelache (2010), regarding the continuation of the state administrative reform.

Based on the previous analysis and conclusions, we formulate a set of recommendations, aimed both at increasing the government and other state bodies' capacity to develop and maintain an enabling business environment and at generating better entrepreneurs and managers perceptions:

- the elaboration of the Romanian EU post-accession Strategy, our country being the only one which does not have such a strategy. This strategy should be correlated with EU 2010 Strategy;
- the completion of the administration reform, very well designed ten years ago, with EU assistance and 'lost' on the way;
- the transition to the 'sliding' multi-yearly planning at national, regional and local level – inclusively for the public budgets – in order to avoid the 'discontinuities' and 'blockages' in administration and economy;
- the elaboration and implementation of the strategies and policies at national, regional and local levels, necessary not only for administrative bodies and companies, but also for the correlation of the Romanian development with EU plans and budgets for 2014-2020;

- the elaboration of the impact study for each new law, governmental economic decision in order to maximize economic and social effects and minimize the possible negative consequences. According to the EU Small Business Act, special impact analysis for the SMEs are mandatory in each EU country for every economic legislative and administrative regulation;
- the continued training of central and local administration human resources, focused on real economic and social needs;
- the proper motivation and stability of the human resources in central and local administration;
- the increase of the efficacy and responsibility of the human resources working in state bodies, based on the Ethic Code;
- the re-launching of the social dialogue with social partners at all levels in order to increase the quality of the strategies, policies and administrative mechanisms and to improve the social and economic climate;
- the acceleration of best practices transfer from EU to Romania in such fields as administration, economy etc.

In our opinion, the implementation of these recommendations could ameliorate the Romanian position regarding the quality of business environment in the hierarchy established by the World Bank. We mention that in 2012, according to the World Bank, Romania holds the 56th position out of 183 countries regarding business environment, reflecting a decrease of 2 points compared to the last year (World Bank, 2012).

Our final remarks refer to the importance and impact of the entrepreneurs and managers perception at the country level. The poor perceptions of SMEs' entrepreneurs regarding the business environment quality, environment opportunities and state capacity to overcome the economic crisis and its consequences – although a relatively high degree of subjectivism is present – plays an essential role in SMEs entrepreneurs' investments, R&D, marketing and financial decisions. For this reason, it is imperious to make radical changes at the level of central and local administration, at the level of all state bodies, in order to create as soon as possible an enabling business environment, considered as such by entrepreneurs and managers – elements without which it is not possible to re-launch the Romanian economy and society and to have a sustainable development.

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