

Index approach to determine the entrepreneurial competence profile

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Index approach to entrepreneurial competence profile determination: *The paper is based on particular practical application of worldwide investigated indexes for doing business and competitiveness elaborated by the World Bank. The paper considers the assumption for a bilateral relation between entrepreneurial competencies of business managers and their companies' competitiveness, which influences and in the same time depends on the performance of their national economy and thus predetermines the forthcoming government reforms.*

Key words: *Entrepreneurial competences, Index method, Training needs, Educational programmes, Comparative studies.*

1. INTRODUCTION

The current report is initiated within the first stage of a joint project named "Comparative study regarding the training needs for development of entrepreneurial competences in the context of EU post-integration" elaborated by "Angel Kanchev" University of Ruse (Bulgaria) and "Politehnica" University of Timisoara (Romania). The project implementation is financed upon two contract agreements signed in both member states: on Romanian side – National Authority for Scientific Research and "Politehnica" University of Timisoara [1]; on Bulgarian side – Scientific Research Fund and "Angel Kanchev" University of Rousse [2]. As far as participants in that study are students and entrepreneurs within the areas of both universities in their capacity of project partners, there are some limitations to the scope of the study. But regarding entrepreneurial competences as object of research, there are no restrictions within the national boundaries of the both member states since different forms of entrepreneurship are regulated by common national laws in the two countries and there are no internal obstacles for human resources migration and business start-up within their territories.

The aim of the current report is to present basic analysis concerning the responses of entrepreneurs on a questionnaire elaborated by the project team. The tasks of the report are: to study the profile of entrepreneurial competences; to examine the factors that determine it within national economic systems of a few EU states; to formulate the focus of educational programmes which to stimulate the implementation and development of entrepreneurial competences; to present some basic results of a comparative study of the training needs according to several Bulgarian and Romanian entrepreneurs.

2. Entrepreneurship as instrument for sustainable economic growth

The entrepreneurship, in the context of global financial and economic crisis, more and more convincingly is accepted as instrument that guarantees sustainable future growth. Governments face plenty of transformative challenges in their attempts to safeguard the economic recovery, such as "an increasing scarcity of natural resources, significant demographic shifts, and the environmental and social implications of climate change" [5], which increasingly force them to rely on corporate sector support. For that reasons, nowadays entrepreneurs are recognized as "general drivers of economic and social progress", and rapidly growing entrepreneurial initiatives are considered as "important source of innovation, employment and productivity growth" [5]. On that background, the traditional dispute if the entrepreneurship is the fourth production factor or not looks like aimless, and the concept of entrepreneur as individual who has initiative spirit for starting up a new business and flair for business opportunities and dealing with risk [3] is not enough spread to define the increasing responsibilities and area of impact expected from today's entrepreneurs. In Linda Rottenberg's words, co-founder and chief executive of Endeavor (a global non-profit organization that supports entrepreneurship in

developing markets), the key for economies progress does not consist of common approach to entrepreneurship, but of focusing resources in favour of entrepreneurs with the highest potential for growth and impact [8], i.e. innovators who have potential to create more workplaces and to generate greater income. From that point of view, governments should actively promote entrepreneurship through all appropriate forms of support, including educational and training programmes that reckon with modern requirements and dynamics of business environment. Furthermore, the adopted entrepreneurial educational programmes should possess “the knowledge effect”, i.e. to bring “the right information in the right hands” so to achieve amazing things [7], such as poverty reduction, economies growth, and climate change.

3. Index approach to study entrepreneurial competences

To support national governmental policies for entrepreneurship promotion, following meanwhile the general goal to improve economic development and quality of life, several reports providing key data in that field are elaborated in the framework of the World Bank and the World Economic Forum – “Doing Business 2011: Making a difference for entrepreneurs”, “The Global Competitiveness Report 2011-2012”, and “Global Entrepreneurship and the Successful Growth Strategies of Early-Stage Companies”.

Worldwide, possibilities for doing business in every national economy are estimated through quantitative measurement of current regulations in 9 directions of enterprises' life cycle. The implementation of procedures in these 9 directions contributes to the increase or decrease of entrepreneurial activity, i.e. how easy or difficult it is for a local entrepreneur to start and manage a small or medium enterprise taking into consideration certain regulations [4]. In comparison with data regarding ease of doing business in all the EU 27 member states that related to Bulgaria and Romania are worrying. Bulgaria and Romania takes respectively 21st and 22nd place followed only by Czech Republic, Poland, Italy and Greece.

Table 1. “Doing Business” Ranks of selected EU member-states among 183 countries

economy	Year	Ease of Doing Business Rank	Starting a Business Rank	Dealing with Construction Permits Rank	Registering Property Rank	Getting Credit Rank	Protecting Investors Rank	Paying Taxes Rank	Trading Across Borders Rank	Enforcing Contracts Rank	Closing a Business Rank
Bulgaria	2010	51	50	117	56	6	41	95	109	88	79
Bulgaria	2011	51	43	119	62	6	44	85	108	87	83
Romania	2010	54	41	93	92	14	41	147	48	53	92
Romania	2011	56	44	84	92	15	44	151	47	54	102
Czech Republic	2010	82	127	75	62	44	92	121	57	78	115
Czech Republic	2011	63	130	76	47	46	93	128	62	78	32
Poland	2010	73	115	166	86	14	41	148	46	76	86
Poland	2011	70	113	164	86	15	44	121	49	77	81
Italy	2010	76	74	85	97	87	57	128	54	157	29
Italy	2011	80	68	92	95	89	59	128	59	157	30
Greece	2010	97	146	51	107	87	153	74	81	89	43
Greece	2011	109	149	51	153	89	154	74	84	88	49

Source: <http://www.doingbusiness.org/Custom-Query>

At first sight that really seems strange, but having a detailed look at the numbers it becomes obviously that the lower position of Czech Republic owes probably to stronger or aggravating regulations upon procedures related to new business registration, bank loan adoption, taxes paying, and less concessions for investors. The same trend is observed in the data set of Poland with one important notice comparing it with Romania – in both states there are almost equal ranks for procedures related to getting credit, protecting

investors, and foreign trade. That prompts the existence of some common tendencies concerning their government policies in these fields. Greece is generally known with its conservative attitude to new entrants and foreign investors on the market. Together with Italy, probably due to the great size of their public debts, Greece imposes more restrictions on credits. But what is most confusing, as we would see further below, is that despite all the restrictions or strong regulations of business in Czech Republic, Poland, Italy and Greece, these countries are quite more competitive than Romania and Bulgaria.

Ranks are estimated for every element (direction) of the final (aggregate) rank on the base of specific, for each country, quantitative values of variables, such as:

„*time*“ (the time needed, according to current national legislative norms, for institutions to process a certain documentation, to verify its content and to issue certificates necessary for particular business activity),

„*number of operations*“ (the quantity of operations, different in type and essence, which should be implemented in order to finish a particular procedure successfully, e.g. initial provision of certificates, blanks filling, concordance of documents with other authorities, fares payment, processing of the final documentary portfolio, etc.),

„*expenses*“ (expenses that need to be made for institutional fares and other services provided by authorities, calculated as percentage of GDP per capita), as well as presence of public registries, depth of credit information, legislative power of rights, size of tax rates (estimated as percentage of profit), etc. The evaluation of current regulations in each country in the directions mentioned above is provided from the point of view of local enterprises, primarily small in size, based on the significance that these 9 regulations have in enterprises' life cycles.

The elements involved in the final rank predetermine the competences that entrepreneurs need to obtain in order to deal successfully with legislative circumstances that regulate doing business in their national economy:

- competences **to identify** appropriate, usually institutionally defined, documentation necessary for a certain business activity, **to fill** in blanks correctly or **to compose** other type of documentation that usually requires awareness of huge number of legislative interrelated acts and their specific terminology, as well as **to indicate** forecast data which on its turn relies on another type of competence;

- competences **to organize** (in time and space) and **to distribute** responsibilities which are connected with the quality of execution of operations needed in particular business activity, in order to reduce the loss of time and financial resources that occur during the term for documentation processing by competent authorities. The negative effect of time and money loss leads to delay of subsequent actions and limits the abilities of enterprises to obtain a competitive market position;

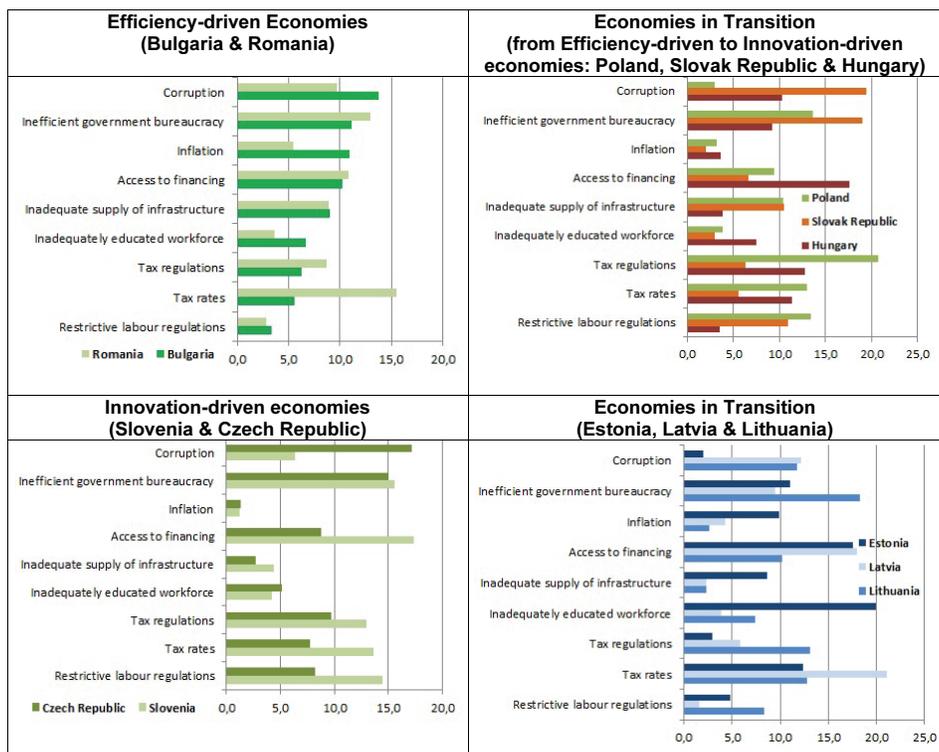
- competences **to communicate** and **negotiate** with third parties to the enterprises (such as lessors, lenders, public utilities companies, constitutors of real rights on property, etc.), especially in these cases when the competences and efficiency of the third party have impact on procedures implementation, which on its turn determine the final economic results of the enterprise;

- competence **to overcome** negative effects caused by eventual corruption practices, ignorance or inefficiency of employees (of institutions, as well as of enterprises), confidence rule infringement, etc., which requires awareness of effective and legal techniques and tools to prove illegal actions.

The “Global Competitiveness Report 2011-2012” provides confirmation to a certain extent of the doing business ranks. Compiled in the framework of the World Economic Forum, the competitiveness report provides the opinion of managers and executive officers in 142 countries, including Bulgaria and Romania, upon the most problematic factors that hinder doing business in their country in greatest extent [6]. Figure 1 shown below represents an extract of data collected in Bulgaria and Romania, Slovenia and Hungary, Czech Republic, Slovak Republic and Poland, Lithuania, Latvia and Estonia. The

choice of these economies is on purpose – all of them are former socialist republics which requires additional efforts to be made by entrepreneurs to overcome the common inherited disadvantages in behavioral models and managerial practices, as well as efforts to reduce the great gap in competitiveness of their small and medium enterprises in comparison with those ones in developed west European countries. In addition, the states chosen are grouped according to the stage of their current economic development. Among all the EU member states only Bulgaria and Romania are classified as economies in the second stage of economic progress, i.e. economies driven by production efficiency. Poland, Hungary, Slovak and Baltic Republics are economies in transition, i.e. economies which have already achieved efficiency of their production processes and endeavor to become innovation-driven economies. Czech Republic and Slovenia are in the third stage of economic development, namely innovation – driven economies.

Figure 1. **The most problematic factors in doing business according to executives in Central and East European EU member countries (former socialist republics)**

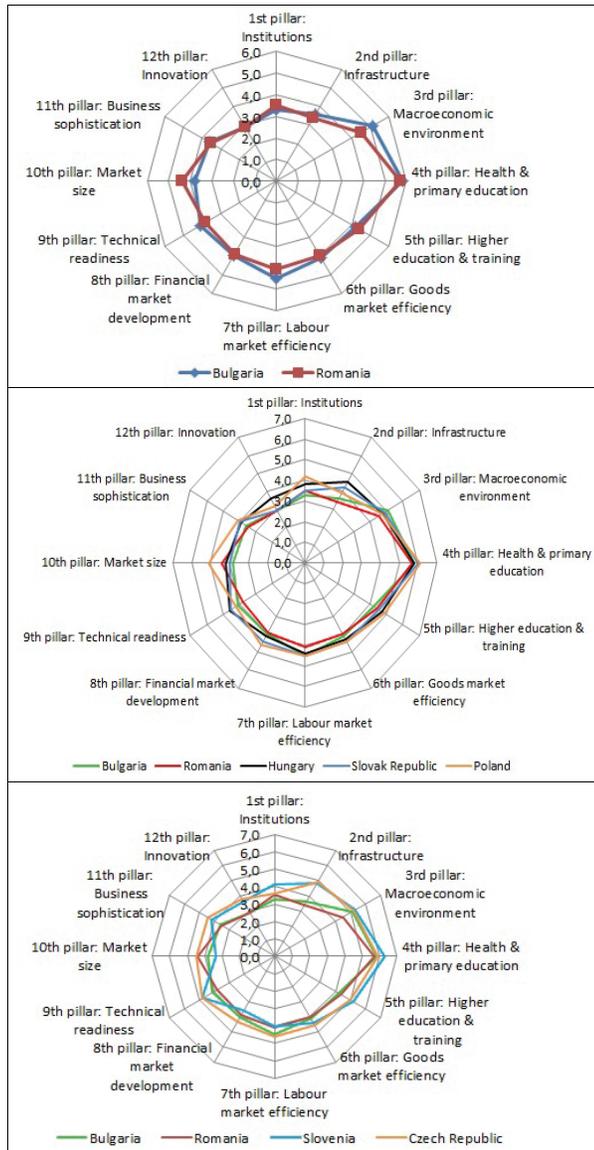


Source: Figures are based on data, extracted from "The Global Competitiveness Report 2011-2012" in the framework of World Economic Forum.

Interesting relations could be observed in the statements of executives in these countries independently of the divergence in their stage of economic progress. The three most often mentioned among first five problematic factors are inefficient government bureaucracy, access to financing and corruption although they have different rankings in each particular economy. Moreover, the corruption and bureaucracy goes hand-by-hand in Bulgaria, Czech and Slovak Republics. The greatest difficulties in access to financing are

faced by the executives in Hungary and Slovenia, followed by Estonia and Latvia, Bulgaria and Romania, Czech Republic and Lithuania. The rankings given to “Tax rates” and “Restrictive labor policy” factors are similarly close in between, probably due to the common tendencies in East and Central European countries, as Romania, Poland, Estonia and Latvia have the most sensitive reaction to the size of tax rates and regulations.

Figure 2. Competitiveness comparison of Central and East European EU member countries (former socialist republics)



Inadequately educated workforce is involved as well in the list of problematic factors for doing business but not among the first five places which could be interpreted that having unskilled employees is not such a significant hindrance to starting and managing business.

Nevertheless, while upon Doing Business Rank Poland and Czech Republic follow Bulgaria and Romania, according to Global Competitiveness Rank Poland and Czech Republic takes far advanced position. Hence, the success of enterprises does not depend only on business environment defined by local institutions, infrastructure and macroeconomic features.

Figure 2 presents a comparison between Bulgaria and Romania on the 12th pillars involved in Global Competitiveness Rank, and also a comparison between all the former socialist republics that are currently EU members.

The indexes of higher education and training, technical competences, innovation and business refinement seem to be considerable points of divergence which makes them objects of greater future impact on the way to successful entrepreneurship and higher competitiveness.

4. Comparative study of the training needs according to entrepreneurs

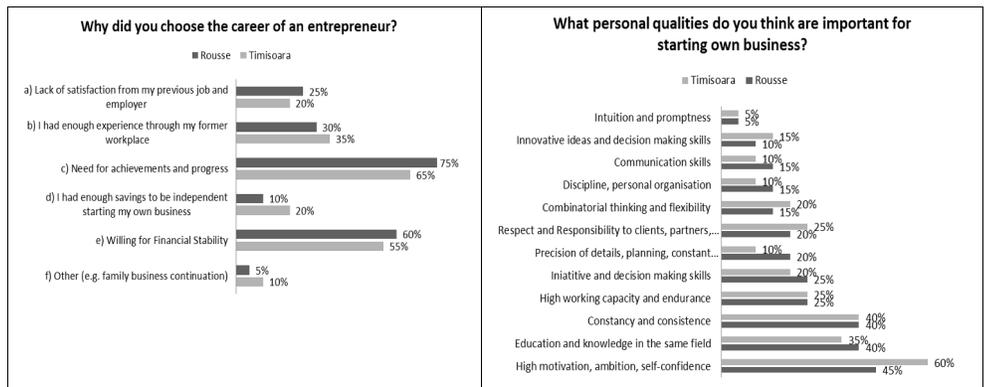
In order to determine the impact of training on individuals in decision making for business start-up and on the success of a brand-new enterprise and its survival as whole, the project team has elaborated a questionnaire of 22 questions, part of which are closed, and another part of which are open. The questionnaire allows collecting the statements of 20 entrepreneurs from Rousse (Bulgaria) and 20 entrepreneurs from Timisoara (Romania) in different economic fields¹, in different stage of development (early-stage or later-stage [7])². The purpose of questionnaire is to determine the following important circumstances:

- what are the factors that stimulated individuals to start their own enterprise;
- what was necessary for them at the moment of starting and who helped them;
- to what extent the individuals were aware of the specific features of the field in which they started a business;
- what obstacles they faced at starting their business and what helped them to overcome their problems;
- what mistakes they have made at starting business and its management;
- to what extent their education was an advantage and helped them to plan and manage their business in a better way;
- what (facts, relations, information, etc.) individuals have missed at starting their business and how they compensated the deficiencies.

Some of the most valuable results of the questionnaire are shown in Figure 2. On some of the open questions the amount of respondents is above 100% because some of them have given several answers.

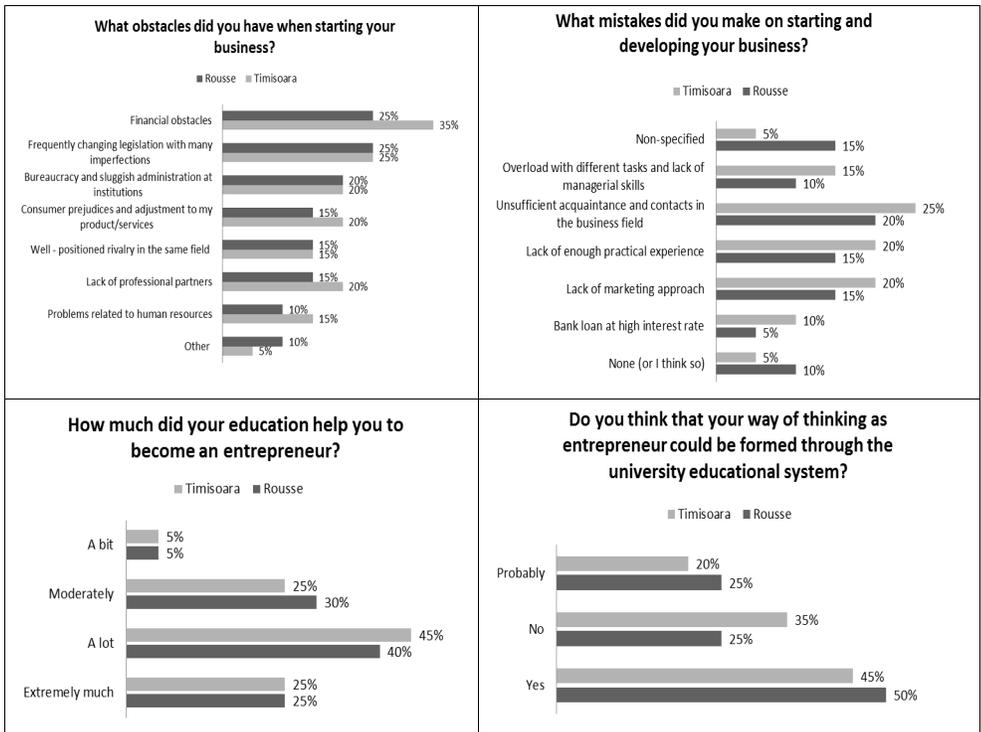
With a view to entrepreneurship educational programs it is very positive to have in both countries more than 50% of respondents who associate entrepreneurship with financial stability, achievements and progress. Another essential result, also common to the two member states, is that education and knowledge in the same field as of future entrepreneurial activity is the third answer in range given by the most participants to the query on personal qualities of brand-new entrepreneurs following high motivation and consistence.

Figure 2. Statements of entrepreneurs on entrepreneurial competences profile



¹ Entrepreneurs are chosen occasionally and represent different economic activities: agriculture, milk products production, apparel production, furniture production, publishing and advertising, construction, transport services, designing, accounting services, consulting, retailing, etc.

² These terms are taken from "Global Entrepreneurship Monitor: A Global Perspective on Entrepreneurship Education and Training", a report elaborated in the framework of World Economic Forum.



The answers given to the question of obstacles faced by entrepreneurs at the moment of starting-up a business confirm the data provided by Global Competitiveness Report concerning lack of financial resources, frequently changing local legislation and institutional bureaucracy. The most interesting observation is the identical range and equal amount of respondents supporting the obstacles mentioned above. Some of the most often mistakes made by new-born entrepreneurs are consecutively the insufficient networking in the business field and practical experience, as well as the omission of implementing marketing approach to the business field before establishing a start-up. Finally, the main findings in data comparison within both countries are divided in two directions: the first one represents the confirmation provided by almost the half of participants on **the significant role of education upon their shaping as entrepreneurs**; the second one shows that almost half of the respondents share the conviction that **entrepreneurial competences is possible to be formed through the higher educational system**. Other queries comprised in the questionnaire help to collect more detail information on different aspects of the three major pillars of the entrepreneur's profile: **knowledge** (technical, managerial, marketing, financial, legislative, etc.), **skills** (negotiating, self- control, leadership, etc.) and **attitudes**. Soundly, the next logical step for further investigation of the training needs in order to stimulate entrepreneurial activity in both countries is the structuring of a profile of entrepreneurial competences based on the opinions of active local entrepreneurs and the students' perception on major characteristics of an individual that are most likely to shape him as a business starter.

CONCLUSIONS

The index approach to entrepreneurship study proves the presence of common tendencies in former socialist Central and East European countries that are connected generally with inefficient government bureaucracy, difficulties in access to financing and corruption practices. But it also proves that the competitiveness of a certain economy does not depend only on local infrastructure, legislative system and macroeconomic circumstances, but also on higher education and technical readiness, business sophistication and innovation which tend to be the main pillars of divergence of countries.

The analysis of managers' responses on the questionnaire confirms the role of education for obtaining entrepreneurial competences as market approach and awareness of economic circumstances and regulations. Furthermore, it confirms that entrepreneurial way of thinking could be formed through education.

Finally, although the most of entrepreneurs do not follow any particular model for successful entrepreneurship, they have strong support from their close encirclement (family and friends) and are highly motivated to do business driven by their willing for achievements and financial stability.

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The paper has been reviewed.