Favourable environment for the entrepreneurship development

CARMEN NASTASE
Faculty of Economics and Public Administration
"Ștefan cel Mare" University of Suceava,
ROMANIA
carmenn@seap.usv.ro

CARMEN CHASOVSKI
Faculty of Economics and Public Administration
"Ștefan cel Mare" University of Suceava,
ROMANIA
carmenc@seap.usv.ro

MIHAI POPESCU
Faculty of Economics and Public Administration
"Ștefan cel Mare" University of Suceava,
ROMANIA
mihaip@seap.usv.ro

Abstract: The global economy is creating substantial changes for organizations and industries throughout the world special after the economic crises. Supporting entrepreneurship at local level is crucial namely as far as innovative firms are concerned. Creating an innovative environment, stimulating start-ups through access to finance and providing advice, information and expertise, represent fertile local grounds for business ideas and better performance of regional economies. The most important purpose of this article is to identify key participants who contribute to the dynamics of entrepreneurship: entrepreneurs, entrepreneurship, entrepreneurship research and policy of research development. The priority goal is to find grounding link between entrepreneurial dynamics and research policy development consistent with changes in international European and national. A key objective of Europe 2020 is the objective of investing in research and development 3% of GDP, especially by providing more favorable conditions for private investment and establishing a new indicator for innovation. The final part of the paper examines the possibility of improving the framework conditions for companies and access to funding for research and development so as to stimulate investment throughout the Union.

Key-Words: - entrepreneurship; entrepreneurial dynamics, networks and projects funding entrepreneurship, supporting entrepreneurship

1. Introduction

Theoretically, the work aims to identify institutional and economical factors with impact in development of research development policy needs. From a practical point aims to adopt some internationally developed models using dynamic indicators of entrepreneurial dynamic (Fayolle, 2007). Design phase of the research involves the analysis of different stages. The starting point in establishing research objectives is the preliminary stage of theoretical and methodological knowledge at interdisciplinary level that will integrate approaches regarding economics, neo-institutional economy, research development policy. The EU manufacturing industry accounts for about 20% of European GDP but its strategic importance is far greater because industry is at the very heart of innovation (with 80% of all research and innovation expenditure) and global competitiveness (with 75% of exports). A highly competitive industry can provide resources and many solutions for the societal challenges facing the EU, such as climate change, health, ageing population. Employment in industry represents 18% of the total and has declined in by about 0.6% over recent years. At regional level, highest shares of industrial employment are found in regions with a lower GDP than average (‘Convergence’ regions: 21%), while the share represents 17% in those with an above-average GDP. Geographically, regions with highest specialisation in industry can be found in Western Poland, Western Germany, the North of the Czech Republic, the West of Romania, Northern Italy, the South of France and at the Spanish Mediterranean coast.
Over recent years, the EU has developed a more strategic, integrated perspective of industry rather than employing crisis-prone, ad-hoc interventions. This perspective is market-oriented, focusing on improvement of performance of all sectors, namely those promising future growth sectors via the promotion of an integrated approach including innovation, standardisation, support for SMEs, and lifting administrative burden. Research has pointed to the role of knowledge spillovers as compared to capital accumulation and economies of scale and identified it as an important source for increased competitiveness. For the analysis of endogenous growth, cities, economic agglomerations or functional regions seem to operate as ‘open economies’ independently of national boundaries and provide for high internal mobility of capital, labour and ideas.

EU programmes, networks and projects funding entrepreneurship, industrial change and innovation are numerous and it is not always easy for local actors to identify synergies, a fact which has been criticised by EU institutions and observers alike during the preparation of the next EU budgetary period.

On the involvement of regional and local authorities in the Europe 2020 strategy and the Industrial Policy flagship initiative, the Committee of the Regions (CoR) has adopted a number of Opinions and initiatives and will probably adopt the relevant Opinion of Patxi Lopez (ES/PES), President of the Basque Government, in October 2011. It will highlight the fact that local and regional authorities have built up wide-reaching skills and experience on economic and industrial development, and on other policies which are directly related to competitiveness.

2. Problem Formulation

2.1. The regional and local aspects of entrepreneurship at the EU level
The majority of the 5.5 million industrial enterprises active in the EU are SMEs, which provide for two thirds of industry’s employment. Supporting entrepreneurship at local level is crucial namely as far as innovative firms are concerned. Creating an innovative environment, stimulating start-ups through access to finance and providing advice, information and expertise, represent fertile local grounds for business ideas and better performance of regional economies.

An ‘integrated industrial policy’ at regional level therefore creates favourable, stable and predictable framework conditions promoting excellence of enterprises, innovation and sustainability, supporting competitiveness, energy and environmental performance, and increasing efficiency of public investment in research and innovation.

The geography of industrial restructuring is much dependent on the development of global value chains. Namely manufacturing industries have been in decline and structural change since the 1970s in Western European countries and since the end of the 1990s in countries in Eastern Europe with massive impacts on regional economies and employment.

Many European regions and cities have developed expertise and concepts in managing industrial trajectories and regional policy approaches across the EU have become more sophisticated over the past decades.

2.2. Development policy research and the dynamic entrepreneurial - the model of cluster in implementing change
In the context of market integration, the EU has sought to accompany such processes through state aid regulation and cohesion policy focusing on regions most affected by industrial change and lagging behind in development and competitiveness.

Clusters are an important element in smart specialisation strategies, being recognised as drivers of industrial innovation and competitiveness. This is largely due to their strong inherent capability to mobilise and bring together different innovation actors, fostering business-academia cooperation and facilitating internationalisation of enterprises, especially of SMEs. At the same time, clusters are increasingly seen in modern economies as strong building blocks for accelerating industrial transformation and developing new competitive advantages in a region that will speed up the creation of new companies and jobs and drive economic growth.

The cluster organisation provides the framework for cooperation activities, the strategically cooperation itself is made by the cluster members. Nevertheless, the experience from many European clusters shows that an efficient organisation and defined cluster processes are necessary to run successfully a cluster in traditional industries. Cluster in this context is defined as a geographic concentration of interconnected companies, specialised suppliers, service providers and institutions along an industrial value chain (Porter, 1998).

Clusters are referred to in the Europe 2020 strategy as instruments for ‘improving business environment, especially for SMEs’ in the context of the industrial
policies have to take account of regional and local circumstances and levels of development to operate successfully.

Regions hosting high-tech industrial sectors and knowledge-intensive services are better equipped to master industrial change and to realise competitiveness gains by smart specialisation strategies. The top 20 regions with most employees in high-tech industries and knowledge-intensive service come from eight member states, in seven of which the capital region is included. Regions from Germany (5), the UK (4), France (3) and Spain (3) score highest in employment figures. However, between 2000 and 2006, employment growth rates were highest in regions from cohesion countries: Among the top 20 performers, 10 were ‘convergence’ regions and only three from the high-tech employers regions, which indicates a shift of certain of high-tech industries from the centre to the periphery (European Commission 2009).

Figures in research and innovation employment or expenditure mask significant differences in individual industrial sectors. R&D investment in the pharmaceuticals sector continues to rise whereas the automobile and IT hardware sectors show a substantial decrease. At global stage, the pharmaceuticals sector consolidated its position as the top R&D investor, increasing R&D by 5.3%. In contrast, the automobiles and parts sector was severely hit by the crisis, decreasing R&D by 11.6%, and R&D investments in technology hardware and equipment also fell significantly (-6.4%). The alternative energy sector continued the rapid growth trend seen in the past three years, in terms of both number of companies and size. The Scoreboard now includes 15 companies (9 more than last year) fully focused on clean energy technological development. These companies, 13 based in the EU and 2 based elsewhere, invested more than EUR 500 million in R&D in 2009, representing a considerable increase of 29% compared with the previous year (European Commission 2010c).

3. EU Programmes in creating an favourable environment for the entrepreneurship

3.1 EU programmes, network and projects funding entrepreneurship environment

EU programmes, networks and projects funding entrepreneurship, industrial change and innovation are numerous and it is not always easy for local actors to identify synergies, a fact which has been criticised by EU institutions and observers alike during the preparation of the next EU budgetary period (European Parliament 2011; CEPS 2010). The most important sources of EU funding between 2007 and 2013 are:

The Competitiveness and Innovation Framework Programme (CIP), which supports innovation activities, better access to finance and business support services in the regions, namely for SMEs, e.g. networks such as the European Enterprise Network, Pro Inno Europe and Europe Innova. CIP encourages a better take-up and use of information and communications technologies (ICT) and also promotes the increased use of renewable energies and energy efficiency. With a total budget of EUR 3.6 billion, the programme runs from 2007 to 2013. Responsibility for CIP is shared between DG Enterprise and Industry, DG Information Society and Media, and DG Energy.

The 7th Framework Programme for Research (FP7), is the main research policy instrument of the European Union and totals EUR 50.5 billion. FP7 comprises four strands: ‘Cooperation’ (collaborative research projects: EUR 32.4 billion), ‘Ideas’ (basic research: EUR 7.5 billion), ‘People’ (education and academic exchange schemes: EUR 4.75) and ‘Capacities’ (research infrastructures, SME and regional schemes: EUR 4.1 billion). While industry and research infrastructure have access to the first three strands, one third of the ‘capacities' programme (EUR 1.3 billion) goes to finance measures to encourage SMEs to become more involved in research activities, EUR 1.8 billion (45%) goes to creating an adequate level of infrastructure for research right across the EU and the remainder (12%) goes to strengthening the research potential of regions generally (EUR 126 million) and that of 'convergence' regions in particular (EUR 340 million).

Structural Funds: With one third of the EU budget or EUR 347 billion and a highly decentralised implementation through regional administrations, the EU structural funds, the European Regional Development Fund and the European Social Fund,
are by far the most important source supporting entrepreneurship, industrial modernisation and innovation. In addition, a significant increase for these subjects could be observed for the more than 450 national and regional programmes: 25% of the total allocation – as compared to about 11% during 2000-2006 – or about EUR 86 billion are earmarked to be spent on creating an innovative environment for enterprises at local level. In addition, network programmes such as INTERREG IVC and URBACT II, activities such as 'Regions for Economic Change', and research carried out under the ESPON programme provide for exchange, expertise development and policy advice for regional and local administrations. The item of 'delocalisation' of enterprises within the EU and its support by structural funds was critically discussed over previous budget periods. It might attract attention again during the future discussions on cohesion policy regulations post-2013 due to the fact that the Commission might suggest granting investment aids co-financed by the structural funds only to SMEs.

3.2 Enhancing the transfer of managerial know-how
The 20 million of SMEs in the EU represents 99% of all businesses and is a key factor for growth, innovation, employment and social integration. European Commission aims to promote successful entrepreneurship and business environment for SMEs to enable them to achieve their full potential in the global economy.

To achieve the best possible international transfer of managerial know-how, Romanian specialists recommended the specifically designed application guide that includes six stages:
- Identify needs for transfer of methods and management techniques;
- Determine the real possibilities of transfer of managerial know-how in organisation;
- Adaptation to the specific transferable elements to management organization;
- Awareness and training for stakeholders and the company for assimilation of the international managerial know-how;
- Actual implementation of elements of managerial know-how;
- Evaluating the transfer of international managerial know-how.

Following the adoption of the Europe 2020 strategy by the Council in June 2010, the Commission launched the flagship initiative ‘An Integrated Industrial Policy for the Globalisation Era - Putting Competitiveness and Sustainability at Centre Stage’ (COM(2010) 614 final) on 28 October 2010. It sets out a strategy that aims to boost growth and jobs by ‘maintaining and supporting a strong, diversified and competitive industrial base in Europe offering well-paid jobs while becoming less carbon intensive.’ Ten key actions for European industrial competitiveness are suggested:
- ‘Competitiveness proofing’ of new EU legislation;
- ‘Fitness checks’ of existing legislation with the aim of reducing the cumulative effects of legislation so as to cut the costs for businesses in Europe;
- Support of SMEs by making it easier for them to access credit and help their internationalisation;
- Strengthening European standardisation to better meet the needs of industry;
- Upgrading European transport, energy and communication infrastructure and services to serve industry more efficiently;
- Presentation of a new strategy on raw materials for sustainable supply and management of domestic primary raw materials.
- Addressing sector-specific innovation performance through actions in sectors such as advanced manufacturing technologies, construction, bio-fuels and road and rail transport, particularly in view of improving resource efficiency.
- Adapting to challenges of energy-intensive industries through actions to improve framework conditions and support innovation.
- Pursuing a European space industry policy covering the whole supply chain.
- Continued annual reporting on EU and member states’ competitiveness, industrial policies and performances.

4. Conclusions and implications
The process of starting up and developing a business is not just an adventure, but also a real challenge. In order to help entrepreneurs with this, it is essential to create a favorable business environment. Ensuring easier access to funding, making legislation clearer and more effective and developing an entrepreneurial culture and support networks for businesses are all instrumental as far as the setting up and growth of businesses are concerned.
However, creating a favorable business environment does not mean simply improving the growth potential of businesses. It also means turning Europe into a place in which it is advantageous to invest and work. In this way, the promotion of corporate social responsibility is contributing to making business in Europe more attractive.

Small and medium-sized enterprises (SMEs) make up 99% of European businesses. Their small size makes them very sensitive to changes in the industry and environment in which they operate. It is therefore vital for their well-being to be a focus of political attention.

Promoting sustainable development through innovation can be considered a challenge in creating a favorable environment for companies. Proposal for revised innovation policy focuses on developing products and services based on user needs and user involvement in development work. The aim is to strengthen innovation policy by bringing government actors together in a strategic lead entity. This will require the introduction of new tools and support functions and reform of existing organizations.

References