

Iacobuta, Andreea-Oana; Socoliuc, Oana-Ramona

Article

European Entrepreneurship in Times of Crisis: Realities, Challenges and Perspectives

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EUROPEAN ENTREPRENEURSHIP IN TIMES OF CRISIS: REALITIES, CHALLENGES AND PERSPECTIVES

Andreea-Oana Iacobuta*
Oana-Ramona Socoliuc**

Abstract: *The role of entrepreneurship in economic growth and development has been largely debated and acknowledged, both in literature and in policy making. Within the context of the present crisis, at a European level, entrepreneurship development is seen as the main solution for job creation and sustainable economic growth. As a consequence, there have been several calls and initiatives to make entrepreneurship the growth engine of European economy and to put the principle of “think small first” at the core of national and European policies. This paper discusses the challenges and the perspectives for entrepreneurship development in European countries from the point of view of the three areas of intervention proposed by Entrepreneurship 2020 Action Plan. The research methods are the analysis of different reports and policy papers and comparative analysis of statistical data from international databases. The main findings confirm the differences in entrepreneurial activity, level and nature of entrepreneurship existing at European level during the crisis, and also point out the strengths and weaknesses of European countries in the three areas proposed by the 2020 Action Plan.*

Keywords: entrepreneurship; crisis; entrepreneurial education; culture of entrepreneurship; European Union.

JEL Classification: L26; M13; Y1.

INTRODUCTION

The role of entrepreneurship in employment, economic growth and innovation has been largely debated and unanimously acknowledged, both in literature and in policy making. The current economic crisis has increased attention on entrepreneurship and its essential role in all economies.

The existing literature shows no consensus about the effects of the crisis on entrepreneurial activity (Peris-Ortiz et al., 2014). Some authors argue that economic downturns provide opportunities for enterprises (Bartlett, 2008) while other researchers conclude that the crisis hampers the possibilities for entrepreneurs to discover and exploit opportunities and innovation. Using panel data for 93 countries, Klapper and Love (2011) show that, during the crisis, the majority of countries were affected by a significant decrease in new firm registration.

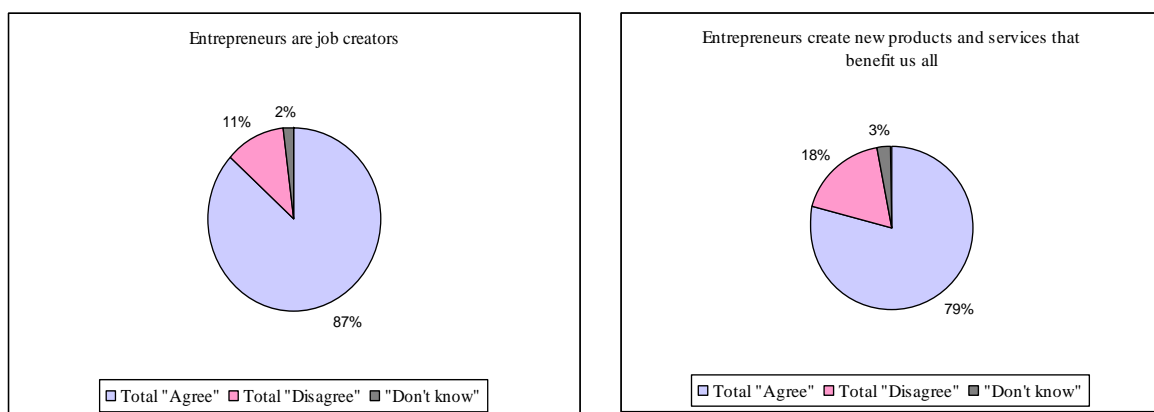
* Lecturer PhD, Professor of Economics at the Alexandru Ioan Cuza University of Iasi, Romania, email: andreea_iacobuta@yahoo.com.

** PhD and Adjunct Professor of Economics at the Alexandru Ioan Cuza University of Iasi, Romania, email: oanasocoliuc@gmail.com

The common denominator in literature and policy making is the perspective of entrepreneurship development as a solution for the problems created by the crisis. Researchers argue in its favour as a “way out of the economic crisis in Europe and other regions” (Rudiger et al, 2014). Official reports point out in the same direction. “To bring Europe back to growth and higher levels of employment, Europe needs more entrepreneurs” (European Commission, 2013, p. 3).

The general public also acknowledges the positive role entrepreneurs play for economy and society. Using data from the latest Eurobarometer on entrepreneurship in European Union, Figure 1 shows people perceptions on entrepreneurs as job creators and their role in creating products and services for the benefit of the whole society. It can be noticed that a vast majority of Europeans has a positive perception on entrepreneurs and agree on the benefits of entrepreneurship.

Figure 1 - Perceptions of the role of entrepreneurship, EU - 27, 2012



Source: Authors’ presentation based on data from European Commission (2012), Flash Eurobarometer 354 *Entrepreneurship in the EU and beyond*, http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf

Considering the aspects presented above, this paper aims at providing an overview on the dynamics of European entrepreneurship during the crisis and at highlighting the challenges for its development in European countries from the perspective of the three areas of intervention proposed by Entrepreneurship 2020 Action Plan: entrepreneurial education and training, creating a supportive business environment and enhancing entrepreneurial culture and reaching out to specific groups.

The next section of the paper presents the research data and methodology. Section 2 provides a comparative analysis of the dynamics of European entrepreneurship from 2008 to 2012. Section 3 intends to assess the situation of entrepreneurship in EU countries. The last part summarizes the conclusions.

1. RESEARCH DATA AND METHODOLOGY

The paper uses secondary data from international databases - Global Entrepreneurship Monitor – GEM and Doing Business and The Entrepreneurship Database – registered for 2008 – 2012, and Flash Eurobarometer 354 *Entrepreneurship in the EU and beyond*, 2012.

The main indicators used in this paper for the comparative analysis of entrepreneurship dynamics and the assessment of the situation of entrepreneurship and its enhancers in European countries are:

- Total Early-Stage Entrepreneurial Activity (TEA) – “*the percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business*” (Global Entrepreneurship Monitor Key Indicators and Definitions, <http://www.gemconsortium.org/docs/download/414>);

- Business Entry Density Rate – “*the number of newly registered companies with limited liability per 1000 working-age people (those ages 15-64)*” (Doing Business and The Entrepreneurship Database, <http://www.doingbusiness.org/data/exploretopics/entrepreneurship>)

- Entrepreneurial Intention - “*the percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who intend to start a business within three years*” (Global Entrepreneurship Monitor Key Indicators and Definitions, <http://www.gemconsortium.org/docs/download/414>).

- Total early-stage Entrepreneurial Activity for Female Working Age Population – “*the percentage of female 18-64 population who are either a nascent entrepreneur or owner-manager of a new business*” - (Global Entrepreneurship Monitor Key Indicators and Definitions, <http://www.gemconsortium.org/docs/download/414>).

- Difficulties encountered when starting up a business (Flash Eurobarometer 354 *Entrepreneurship in the EU and beyond*, http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf).

- Perceptions on entrepreneurship and the role of education (Flash Eurobarometer 354 *Entrepreneurship in the EU and beyond*, http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf).

Based on data availability for the selected indicators and 2008-2012 period, the following EU countries were included in our analysis: Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Latvia, Netherlands, Romania, Slovenia, Spain, and United Kingdom.

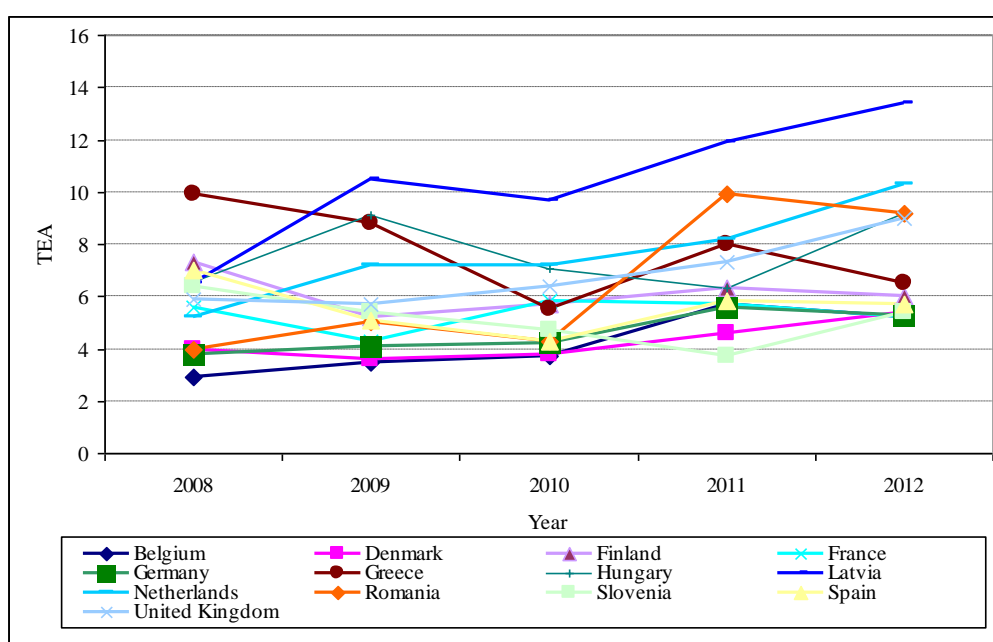
The research methods are the analysis of different reports and policy papers and comparative analysis of statistical data from the international databases mentioned above.

2. THE DYNAMICS OF EUROPEAN ENTREPRENEURSHIP DURING THE CRISIS

When analysing the evolution of the percentage of nascent entrepreneurs or owner-managers of a new business in the selected European countries between 2008 and 2012, we notice different patterns. On average, the level of TEA increased at the beginning of the crisis from 5.7% in 2008 to 5.9% in 2009. It decreased to 5.5% in 2010 and again increased in the following years (6,8%, in 2011 and 7,3%, in 2012). Large differences can be observed at country-level. We can distinguish between countries like Denmark, Finland, France, United Kingdom which had all experienced a decrease in TEA from 2008 to 2009 and a continuing increase from 2009 to 2012, and countries like Belgium, Germany, and Netherlands which display positive trends for TEA for the whole period. There are also several countries (Greece, Slovenia and Spain) which registered ups and downs in the percentage of nascent entrepreneurs during the crisis and were, in 2012, far from the level of 2008.

Figure 2 presents the evolution of Total Early-Stage Entrepreneurial Activity (TEA) between 2008 and 2012.

Figure 2 - Total Early-Stage Entrepreneurial Activity (TEA), selected countries, 2008-2012

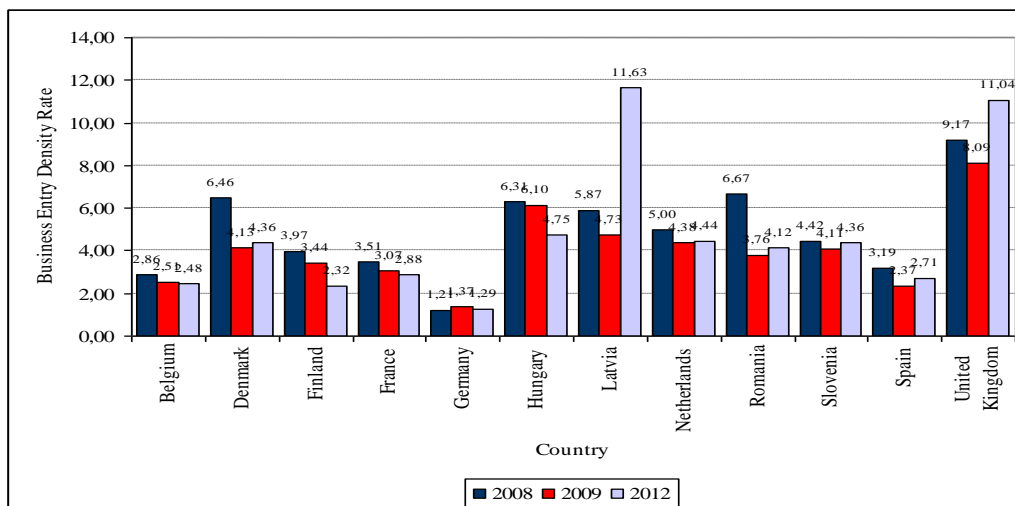


Source: Authors' presentation based on data from GEM database, <http://www.gemconsortium.org/key-indicators>

Figure 3 presents the evolution of business entry density rate in 2008, 2009 and 2012. Out of the analysed countries, only Germany shows a positive evolution at the beginning of the crisis (from 1,21% in 2008 to 1,33% in 2009), all the others experiencing drop-outs for this indicator.

Worthwhile mentioning is the high level of business entry density rate in Latvia after a significant increase from 2009. This aspect shows that entrepreneurship is a viable alternative for employment, Latvia being significantly affected by the crisis.

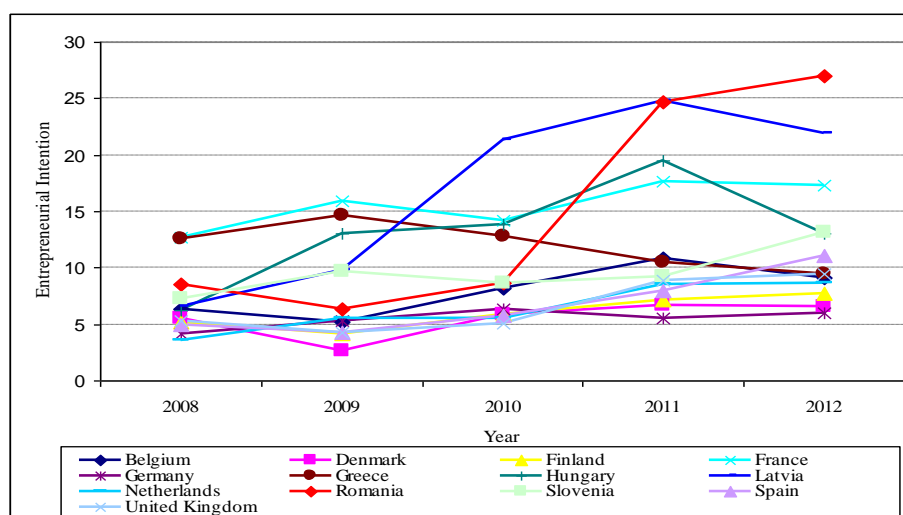
Figure 3 - Business Entry Density Rate, selected countries, 2008, 2009, 2012



Source: Authors' presentation based on data from Doing Business and The Entrepreneurship Database, <http://www.doingbusiness.org/data/exploretopics/entrepreneurship>

The encouraging positive evolution of business entry density rate is supported by the growing percentage of Europeans who intend to start a business within three years. Figure 4 shows the dynamics of entrepreneurial intentions in the analysed countries from 2008 to 2012. Most of the analysed countries registered a decrease from 2008 to 2009, as a normal consequence at the beginning of the crisis, with ascending trend subsequently. The most significant increase can be noticed in Romania (from 6,3% in 2009 to 27% in 2012).

Figure 4 – Entrepreneurial Intention, selected countries, 2008-2012



Source: Authors' presentation based on data from GEM database, <http://www.gemconsortium.org/key-indicators>

The comparative analysis of the dynamics of European entrepreneurship during the crisis points out on one side, relatively low levels of entrepreneurial activity in most of the analysed EU members and, on the other side, an encouraging situation, if we consider that people are willing to become entrepreneurs and the indicators which describe the level of entrepreneurship development show positive evolution from 2009 to 2012.

The next section of the paper addresses, in the context of Entrepreneurship 2020 Action Plan, the challenges for developing entrepreneurship in Europe.

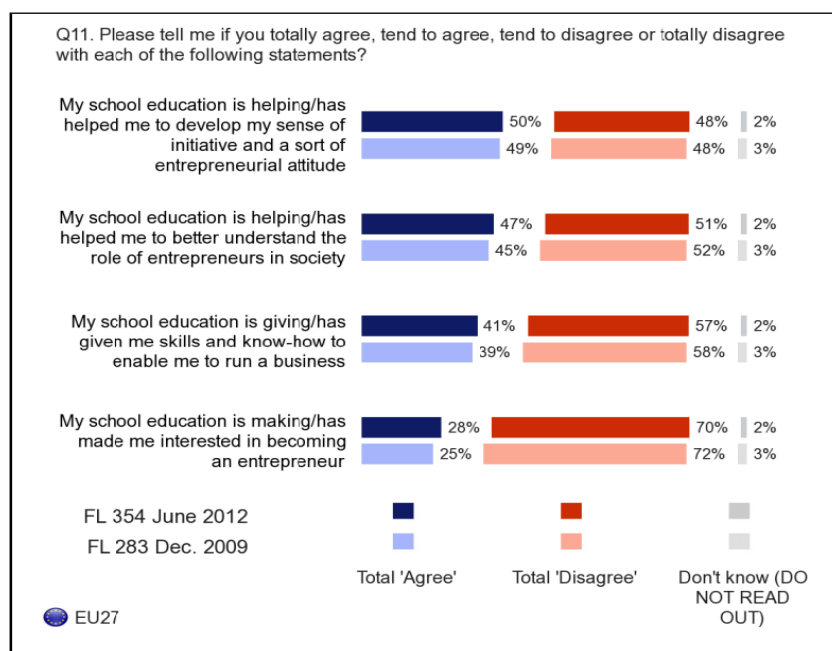
3. CHALLENGES AND PERSPECTIVES FOR EUROPEAN ENTREPRENEURSHIP

3.1. Entrepreneurial education and training

Existing literature points out a positive influence education, in general and entrepreneurial education, in particular, has on entrepreneurship (Robinson, 1994; Honig, 2004). Surveys suggest the same positive relationship between the two variables (European Commission, 2013).

Figure 5 presents the Europeans' level of agreement in this matter. 50% of the respondents agree that education helped them to develop a sort of entrepreneurial attitude. Only 47% agree that education helped them understand the role of entrepreneurs in society while 41% consider that education provided them with the know-how to run a business. Finland, Romania and Spain are the countries with the highest levels of agreement for the education-entrepreneurship related statements.

Figure 5 – Perceived role of entrepreneurial education, EU-27, 2009 and 2012



Source: European Commission (2012), Flash Eurobarometer 354 *Entrepreneurship in the EU and beyond*, http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf

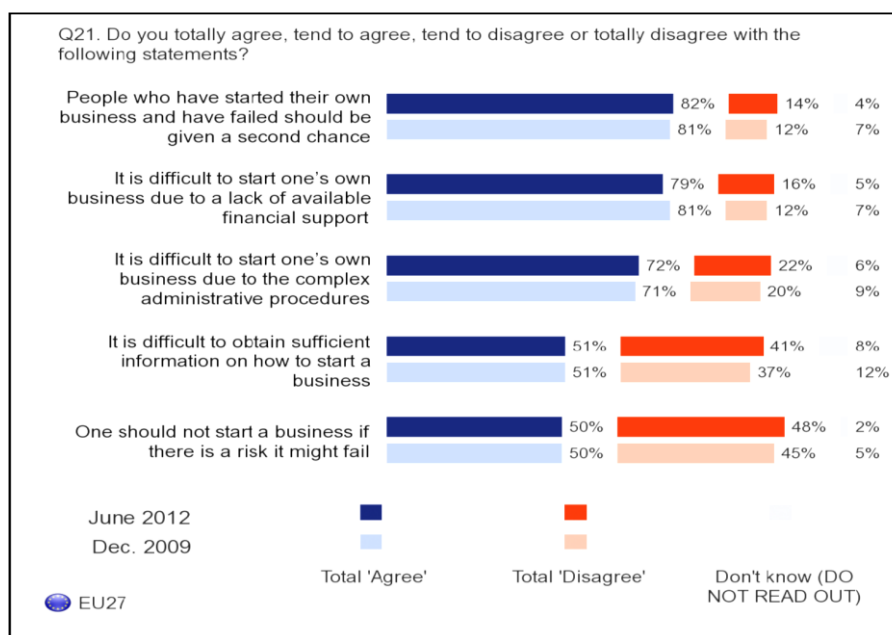
From Figure 5 above it can also be noticed a slight increase in the level of agreement between 2009 and 2012 which speaks about the need to promote and to support entrepreneurial education in all European countries.

3.2. Business environment

The creation of a supportive business environment is the second action pillar of Entrepreneurship 2020 Action Plan. The document also sets six key areas to remove the existing difficulties in starting-up and new business growth (European Commission, 2013, p. 8): “access to finance, support for entrepreneurs in the crucial phases of the business lifecycle and their growth, unleashing new business opportunities in the digital age, transfer of business, bankruptcy procedures and second chance for honest entrepreneurs, and regulatory burden reduction.”

The bottom up perspective is in line with the issues addressed by the Plan. Figure 6 presents the perceived difficulties which might be encountered when starting up a business. The comparison between data from 2009 and data from 2012 shows the same perceived obstacles with minor changes in the percentages. The “availability” of second chance for those who failed, access to finance, the burden of administrative procedures, the difficulty of getting information, fear of failure, are considered as main difficulties in starting-up a business.

Figure 6 – Difficulties in starting up a business, EU-27, 2009 and 2012



Source: European Commission (2012), Flash Eurobarometer 354 *Entrepreneurship in the EU and beyond*, http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf

At country level (European Commission, 2012), in 2012, over 75% of the respondents agree that people who started their own business and failed should be given a second chance. Only in Hungary and Slovenia, the percentage is lower, namely 69% and 60%. The lack of available financial support is considered an obstacle by 96% of Greek respondents, 90% of Romanians, and 89% of Spanish respondents. The level is considerably lower in Finland (52%) and Germany (65%). The complexity of administrative procedures is a real burden in Italy, Greece, Romania, Latvia, with a level of agreement of over 80% while in Netherlands, Slovenia and United Kingdom the percentage of agreement falls below 65%.

3.3. Entrepreneurial culture and new horizons

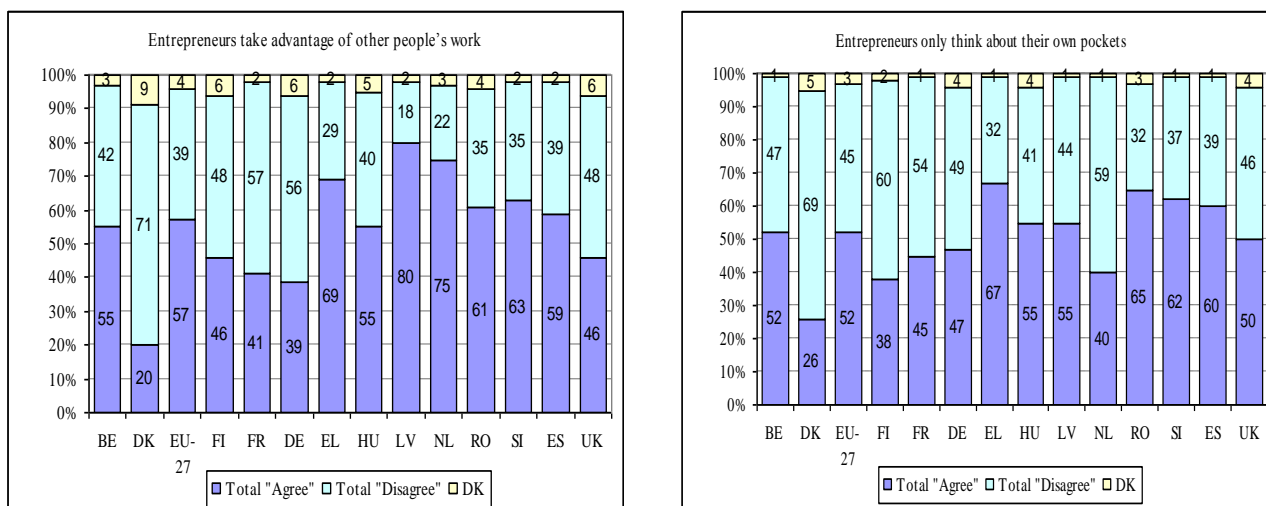
3.3.1. Entrepreneurial culture

Only 53% of the European respondents in the 2012 Flash Barometer 354 have a favourable opinion about entrepreneurs while 38% declare a neutral opinion, and 7% view them unfavourably. In the countries considered in our sample, entrepreneurs enjoy the best reputation in Denmark (74%), Finland (67%) and Spain (62%). On the opposite, in Hungary and Slovenia entrepreneurs are viewed less favourably. Although the positive role of entrepreneurs is acknowledged by most of

the Europeans, as shown in Figure 1, the situation is different when it comes to entrepreneurs motives. They are rather perceived as exploiters and selfish.

Figure 7 below shows the level of agreement with two statements: “Entrepreneurs take advantage of other people’s work” and “Entrepreneurs only think about their own pockets”.

Figure 7 – Perceptions of entrepreneurship motives, selected countries, 2012



Source: Authors’ presentation based on data from European Commission (2012), Flash Eurobarometer 354 *Entrepreneurship in the EU and beyond*, http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf

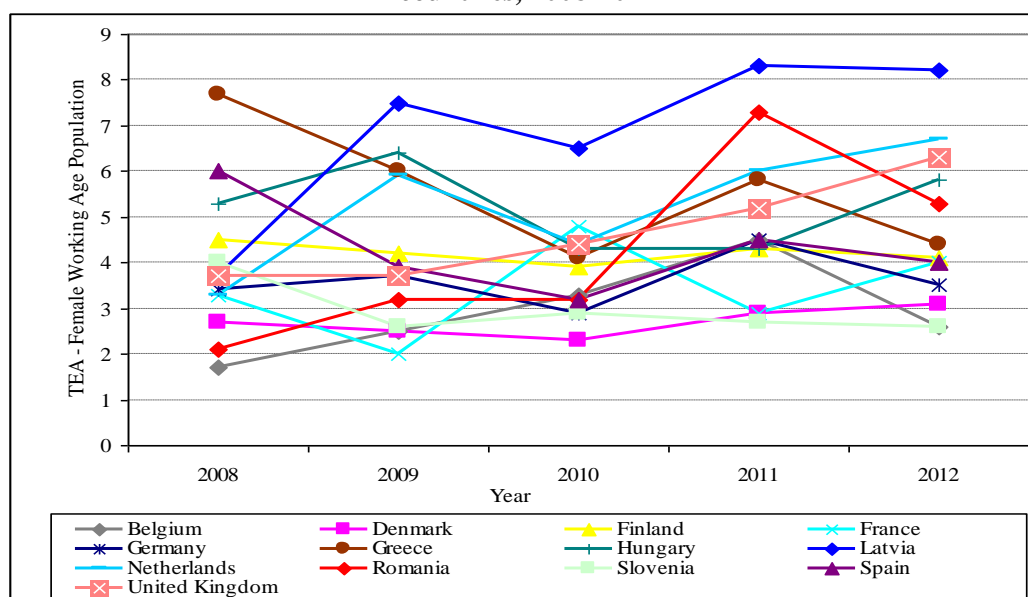
We notice that the EU-27 average is 57% “total agree” with the first statement and 52% “total agree” with the second one. This aspect shows that entrepreneurs are not seen as role models and the culture of entrepreneurship is rather low in EU countries. In our sample, Denmark is the country which appreciates the most entrepreneurial occupation. The opposite situation characterizes Greece and Romania.

3.3.2. Reaching out to certain groups

One of the challenges for entrepreneurship at European level consists in opening new horizons and reaching out to women, seniors, migrants and the unemployed young people (European Commission, 2013, p. 22). That is, designing specific activities adapted to each group and includes them in entrepreneurial training programmes.

If we consider, for example, the entrepreneurial potential of the female population, the reality shows that it is underexploited. Figure 8 below supports this statement.

Figure 8 – Total early-stage Entrepreneurial Activity for Female Working Age Population, selected countries, 2008-2012



Source: Authors' presentation based on data from GEM database, <http://www.gemconsortium.org/key-indicators>

The percentage of female 18-64 population who are either a nascent entrepreneur or owner-manager of a new business is very low if taking into account that women constitute 52% of the total European population (European Commission, 2013, p. 22). Out of the analysed countries, between 2009 and 2012, the highest values are registered by Latvia which for this period is also the country with the highest Total Early-Stage Entrepreneurial Activity.

CONCLUSIONS

This paper aimed at analysing the dynamics and the patterns of entrepreneurship in several European Union member states from the perspective of the three areas of intervention proposed by Entrepreneurship 2020 Action Plan.

The comparative analysis of the evolution of several indicators of the dynamics of European entrepreneurship during the crisis points out on one side, relatively low levels of entrepreneurial activity in most of the analysed EU members and, on the other side, a positive situation. Although registering low values, the indicators mentioned above display ascending trends, after a significant decrease in the first year of the crisis. Besides, a growing number of Europeans are willing to become entrepreneurs.

The main challenge at a European level consists in increasing entrepreneurial activity and providing support for more and more people to become entrepreneurs.

The premises already exist. The measures undertaken up to the present are meant to overcome the challenges. Europeans are aware and declare their recognition of entrepreneurship as a solution for job creation and growth. In most countries, progress has been made in creating a supportive business environment; with less administrative burdens and easier access to finance; more people are aware of the importance of entrepreneurial education and the need to include specific groups in the training programs. We believe the most challenging endeavour is to create a real entrepreneurial culture, to reach that moment when almost unanimously Europeans appreciate entrepreneurs as models and choose entrepreneurship as desirable career choice.

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