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Aspects in Entrepreneurial Activity - Comparison between Romania and Turkey

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Abstract: Nowadays, at times of pressing social challenges, such as climate change, pandemics, migration, social inequalities and population growth, people realize that attitudes and skills are needed in order to pursue creative tasks, and offer new solutions for complex social problems at international level. This situation calls for entrepreneurial behavior, and further more for an entrepreneurial society - that rewards such a behavior. Creativity always helps entrepreneurs with one of the most important steps in their business journey: coming up with a fresh business idea. As a result, entrepreneurs with a high level of creativity are often able to come up with exceptionally creative business ideas that fill a niche gap in the market. The article aims to make a comparison of the entrepreneurial activity existing in Romania and Turkey, at this moment.

Keywords: innovation; creativity; entrepreneurs

JEL Classification: B21, M21.

1. Introduction

Development stages of entrepreneurship differ from one country to another, and even in the case of countries where the economies have similar stages of development, that is not all entrepreneurial endeavors appear to have the same impact on economical growth.

The data from the GEM 2022 report shows that the intention to start a new business is lower in countries where the population has a higher standard of living, and the explanation lies in the fact that in case of these countries, jobs are sufficient, stable and well paid.

We can also identify the bivalent social component of entrepreneurship, from this information. More precisely, on the one hand, entrepreneurship is born from the need that the entrepreneur identifies in the market, that he believes he could satisfy through a utility-creating business, and on the other hand, entrepreneurship can be considered a solution to the problem of lacking jobs in the market. Thus the entrepreneur is forced to generate a business idea, that would secure himself a job, which he would not have easily found it on the labor market, or to the extent of expectations.

Joseph Alois Schumpeter, austrian economist, sociologist and economic historian, argued for the first time in 1912 in the work “The Theory of Economic Development” that the engine of economic progress is innovation, without this the economy would stagnate and it would be reduced to a simple circuit. Innovation determines dynamism and profit, it is at the origin of interest and credit.

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Today, after more than a century, we discuss about innovation in entrepreneurship, and consider it the solution to future activities.

Innovation in entrepreneurial activity refers to the introduction of new ideas, processes or products that bring added value, and lead to increased efficiency and competitiveness. This can take the form of technological innovations, innovative business models or innovative market strategies.

Innovation in entrepreneurial activity is a crucial factor for economic and social development. Innovative entrepreneurs are the driving force of change, turning ideas into reality and shaping the future. In an ever-evolving world, supporting and promoting innovation in entrepreneurial activity is essential to build a prosperous and sustainable society.

2. Synthetic Data Analysis

The present study aims to carry out a simplistic comparative analysis of the entrepreneurial activity in Romania and Turkey, from the perspective of the typology of companies and the total number of the population in each of the two states - based on the data available at the end of 2022 at the level of the economies of the two countries. The results of the analysis were obtained based on the data processed by the National Institute of Statistics for Romania and the Turkish Statistical Institute for Turkey.

From the analyzed data, it could be seen that the total number of companies both in Romania and in Turkey - followed an upward trend in recent years, as the annual growth being relatively constant, together with the challenges of the economic environments which are corresponding to each country.

In the case of Romania, the entrepreneurial spirit did not find its object for many decades on the national market during communism, when private initiative was practically non-existent. Even though more than three decades have passed since the transition to the free market, entrepreneurial activity in Romania cannot be still compared to that of countries with a strong entrepreneurial tradition, as it is the case with Turkey. That is precisely why the present material manages to present more the aspects which differentiate than those that bring the two countries closer from the perspective of entrepreneurship.

The limited creativity of many business ideas is added to the weak initiative of the adult population, which - combined with the fear of failure, bring Romania in lower places in any European entrepreneurial ranking. The ambiguous and unstable legislation in the commercial and tax field is another discouraging element in the decision to become an entrepreneur. The reluctance of the Romanians is also due to the poor education in the field of business, as Romania does not yet have a strategy to approach entrepreneurial education, that is implemented in many countries and it validates its results for a long time.

From all the above elements, a small number of companies per thousand inhabitants in our country is evident, which places us at the lower limit of the European ranking.

By comparison, Turkey is a country where entrepreneurial culture has existed and developed for centuries. The government's support of young entrepreneurs and the education system's interest in entrepreneurship education provide a favorable perspective for this field. Although the economic context in Turkey is unstable due to the steep devaluation of the Turkish lira, that destabilized the entire business environment, the large flow of migrants that burdened the national economy, or natural phenomena that also influenced the economic pressure, the entrepreneurial environment in this country continues to demonstrate its resilience and regenerative capacity.

What the business environment in Turkey lacked until recently was the innovative component of business. Many of the existing companies in Turkey were active in the established fields of tourism and trade. The recent reality has changed the vision and orientation of companies founded by young people, with Turkey standing out for its industrial diversity, from traditional sectors such as textiles and agriculture to emerging fields such as technology and renewable energies. The stimulation of these industries represents the evolution of the Turkish economy and the role it plays in the world market.

In the following, this material aims to comparatively analyze the number of companies in Romania and in Turkey, from the perspective of their typology and the total number of the population.

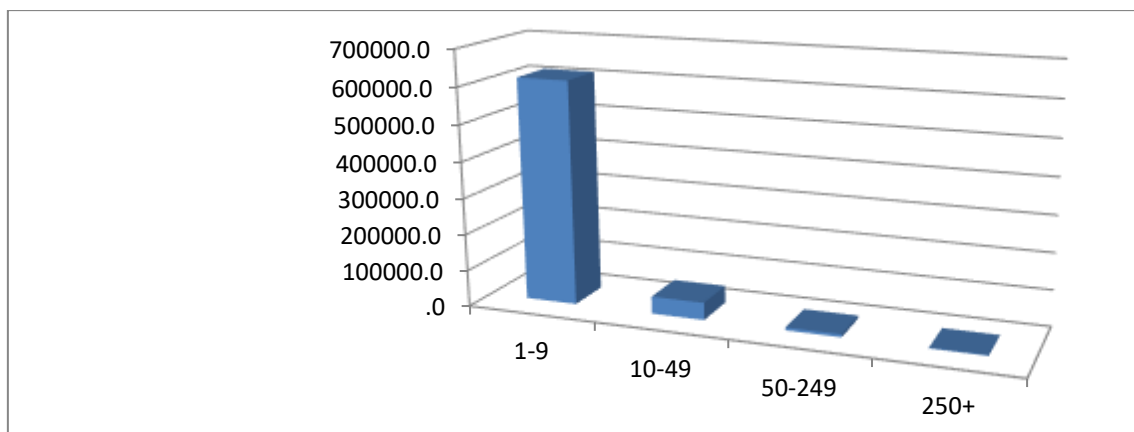


Figure 1. The Number of Active Enterprises in Romania according to Their Type in 2022

Source: author processing based on the National Institute of Statistics data

As it could be seen from Figure 1, in Romania - at the level of 2022, micro-enterprises hold the numerical supremacy, being followed in descending order by small and medium-sized enterprises, and thus the number of large enterprises being the smallest.

The large differences between enterprises in each category represent an economic X-ray of the business environment, because they provide valuable information about the financial capacity of companies and it should represent the foundation of public policies and economic strategies that encourage and develop the SME sector.

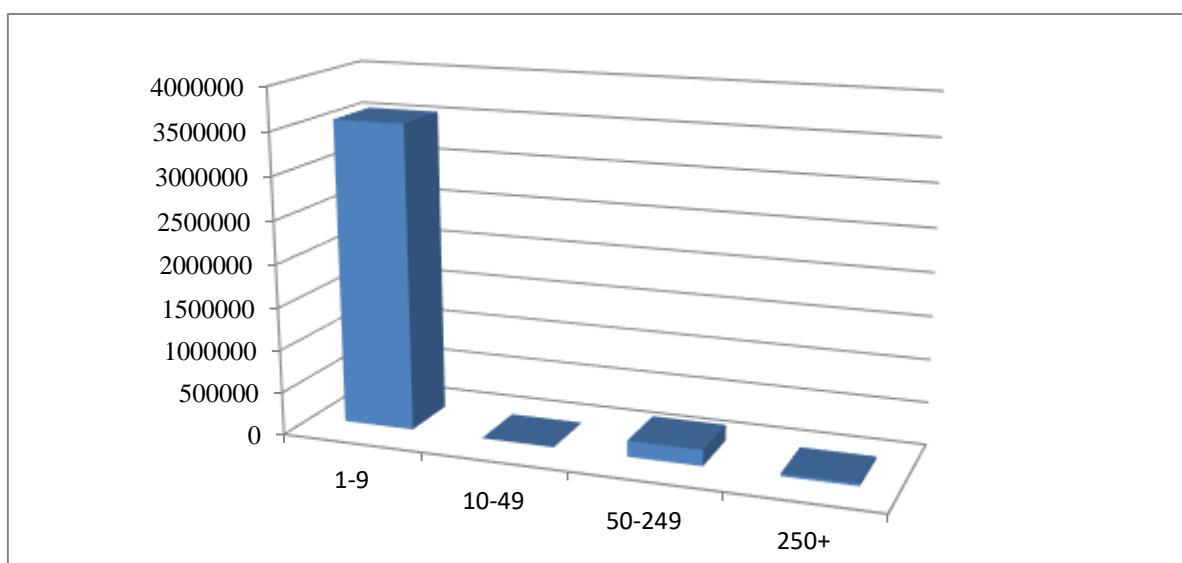


Figure 2. The Number of Active Enterprises in Turkey According to Their Type in 2022

Source: Author Processing Based on Tuik data

As it can be seen from Figure 2, in Turkey at the level of 2022, micro-enterprises have the numerical supremacy here as well, but this time they are followed in a decreasing manner by medium-sized and large enterprises, and the number of small enterprises being the smallest.

In Turkey, enterprises that employ less than two hundred and fifty employees annually and whose annual net sales revenue or financial balance do not exceed 250 million Turkish Liras (7,750,000 million euros) are defined as Small and Medium-Sized Enterprises (SMEs).

And in the case of Turkey as well, the difference between the types of enterprises is caused by several factors. What stands out from Figure 2 is the small number of small enterprises, compared to the other categories of enterprises. These factors are interconnected and related to the economic, social and political context specific to the country.

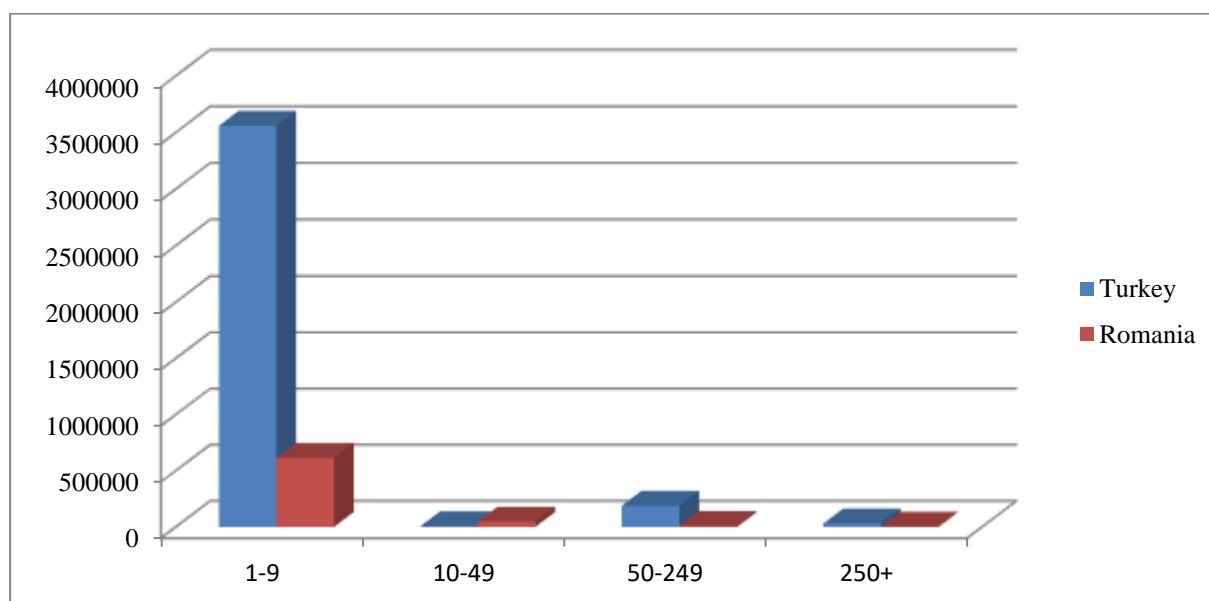


Figure 3. The Number of Active Enterprises in Turkey and Romania, According to their Type, in 2022

Source: author processing based on INS and Tuik data

Figure 3 compresses the data from graphs 1 and 2 for a better visual identification of the differences between the categories of enterprises in each of the two countries. It can easily be seen that the number of small businesses is higher in Romania than in Turkey, which seems unnatural, considering that the total number of companies in Romania represents less than 20% of the total number of companies in Turkey. Considering this proportion, the comparative situation of this category of enterprises reflects the differences in tax policies, and the interest given to this type of enterprises by each of the two governments.

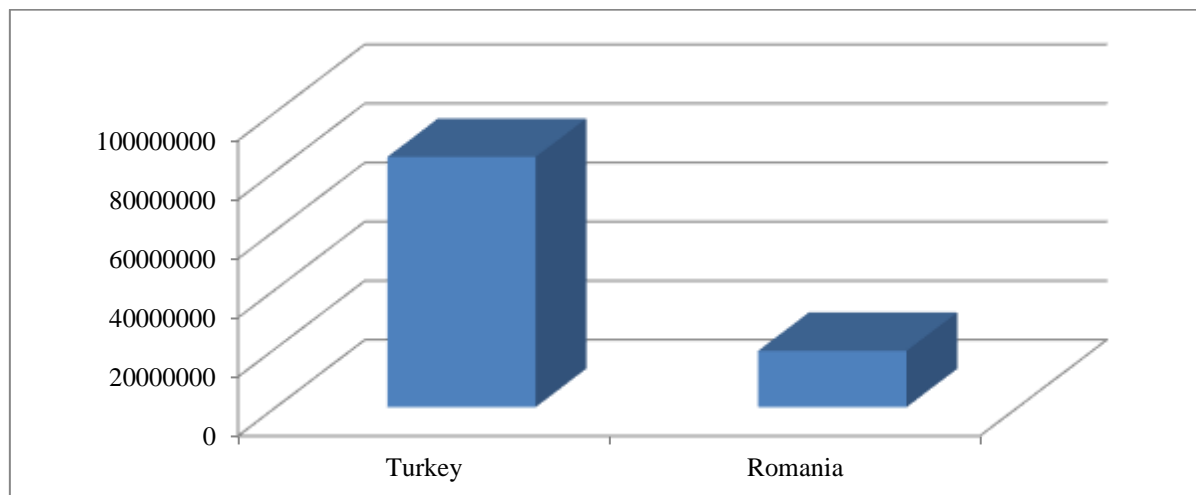


Figure 4. The Total Population of Turkey and Romania in 2022

Source: Author Processing Based on INS and Tuik Data

Figure 4 represents the total population of the two analyzed countries and as it could be easily noticed that the population of Romania represents only 22.5% of the population of Turkey. Although the percentage is small, the number of companies in Romania compared to those in Turkey is even lower, being below 18%.

The number of companies per thousand inhabitants is an indicator that provides a perspective on the entrepreneurial environment and the general economic climate.

Analyzing this indicator, it can be seen that in the case of Turkey, the number of companies per thousand inhabitants is higher than in Romania, which indicates a business climate more favorable to entrepreneurship. In Turkey, government efforts to simplify administrative procedures, to reduce bureaucracy and to create an environment accessible to young entrepreneurs have been essential in stimulating entrepreneurial initiatives. By comparison, in Romania, in recent years, this indicator has had a constant upward trend, but it still remains very low compared to the one existing at the European level, which denotes the need for the active involvement of the government to stimulate and develop entrepreneurial activity.

3. Conclusions

The gap in the development of entrepreneurship in Romania is attributed to the communist stage, that blocked independent activities for several decades, but this statement loses its value if we analyze the entrepreneurial context in other countries, that were part of the communist bloc. The blockage of liberal activities for several decades, together with all the current strategic blockages or dysfunctions, lead the results of entrepreneurship in Romania, far from those of neighboring countries that were also part of the communist bloc, but also from those countries - not necessarily neighboring, such as the case of Turkey, but which currently registers macroeconomic indicators similar to those of Romania.

Analyzing the evolution of the number of existing companies in Romania at the recent years, anyone can notice their upward trend, which has its explanation in the interest that the state has given to this sector in the last period, but there is still a lot to be done for the Romanian business environment to closes the gap with the previously mentioned countries.

Comparatively, the entrepreneurial environment in Turkey has evolved significantly, reflecting the commitment and sustained efforts of the government and the business community. Despite the

challenges, Turkey can be seen as an entrepreneurial hub with a growing diversity of sectors, and a prominent presence on the global stage. Continued investment in innovation, education and government support will strengthen Turkey's position as a pole of entrepreneurship in the region and the world.

Improving access to financing, stimulating innovation, simplifying administrative procedures and increasing interest in entrepreneurship in the education system are just some of the solutions that can be replicated in Romania, following the successful model of the solutions implemented by Turkey.

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