

BUSINESSES. PRESENT AND FUTURE

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Abstract: *A successful business is tough to define: a business passes through several milestones, which, when reached, prove that the business is on the right track. These milestones serve as indicators that the business is growing and expanding - in the right direction. A successful business does not happen overnight. Considering the climate of Romania nowadays and also the supposed interest or lack of interest in starting a business, we have tried to identify and measure the factors considered to contribute to the success of a business.*

Key words: *business, success, failure, economy.*

1. Introduction

The main idea we have tried to develop in the project that we have written is to find the differences between entrepreneurs and people who want to start their own business in the future. We also tried to identify possible mistakes that future entrepreneurs might do.

Also, we focused on the past and present situation of Romania and on finding indicators of the future business environment.

For this purpose, we have interviewed 100 persons between the age of 18 and 59 (40 of whom have already become entrepreneurs), using two types of questionnaires. By doing so, we have received 87 surveys, determining a response rate of 87%, from which we have tried to outline the answer of the most common and important question referring to the Romanian business environment.

The questions were designed to identify significant information although the sample size is very small. General information about the interviewed subjects:

male 70%, female 30%; students or higher education 95% and 67% are 25 or younger.

2. Business failure and success

Small businesses fail at an alarming rate in Romania. Every day, tens of small businesses close their doors because they were not able to effectively blend the many elements needed for success.

Based on information provided by the Chamber of Commerce [1], only 10% of the newly founded businesses pass the first year of activity. Furthermore, approx. 10% of the companies that pass the first year; succeed in passing the first 5 years.

There have been many articles and books written on the subject of why businesses fail, and most of them [2, 3, 4, 5, 6, 7, 8, 9, 10] point to the same reasons, such as: inadequate funding, bad location, lack of a well thought-out business plan, poor execution, bad management, expanding too quickly, insufficient marketing or promotion, inability to adapt to a changing marketplace, failure to keep overhead costs low and underestimating competitors.

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These reasons are widespread and no doubt cause many businesses to fail. However, the reason for a company's failure is not always something so obvious. The entrepreneurs we interviewed had slightly different opinions about why businesses fail.

We think that the most important of all causes is not taking an opportunity. The foundation of a good business is a good business opportunity. As an entrepreneur, you want to fill a need in the marketplace. Unfortunately, many businesses are started solely to fulfil an entrepreneur's ego (or, to put it less harshly, to satisfy one of the entrepreneur's interests).

This can often be seen in the restaurant industry, where too many entrepreneurs open shop because it is a "cool" thing to do. Many more others take a business route because that is what they learned in school, or someone in their family had a certain type of business. Such businesses rarely

succeed. In the questionnaires that we have applied on people who want to become entrepreneurs we were able to highlight this.

Thus, 35% of the people interviewed want to open their businesses in real estate, construction or service auto market, which are in a huge decline because of the global crisis. Also, 60% of real estate companies filed for bankruptcy in the last trimester of 2008.

Also, when asked what opportunity they found in a certain area or what current unsatisfied need they want to fulfil with their new business, they did not know how to answer because they had not thought about that.

As for the number of hours expected to work versus working hours, 81% of people interviewed expect to work 40h/week or less and 70% of entrepreneurs interviewed work 60h/week or more, as shown in Figure 1 and Figure 2.

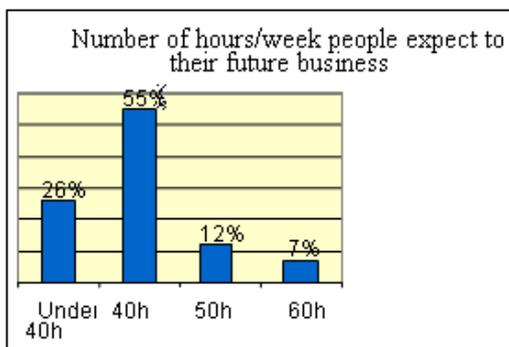


Fig. 1. *Image of expected hours to work*

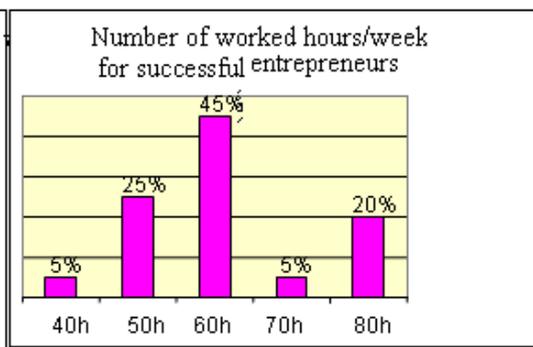


Fig. 2. *Image of worked hours.*

As shown in Figure 3 and Figure 4, money are perceived differently by entrepreneurs which put more accent on experience and innovation, since most of them, namely 45% have indicated these as

being the most important things when starting a business. As for the future entrepreneurs, most of them, namely 57% have chosen money as being the most important thing when starting a business.

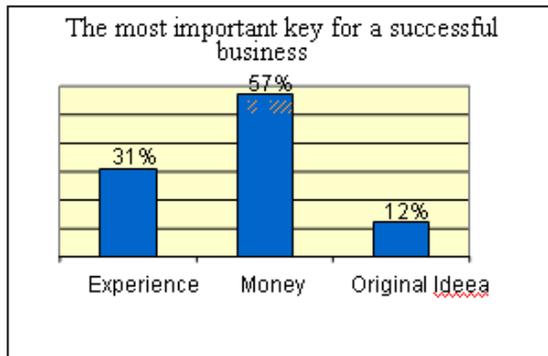


Fig. 3. *Important things for a business - future entrepreneurs*

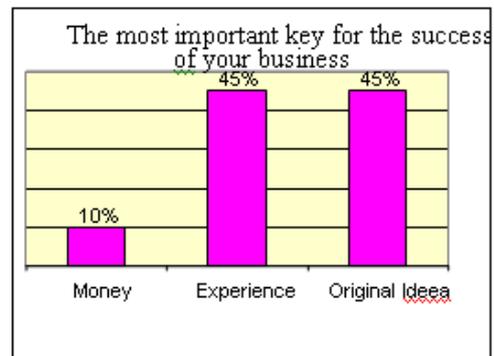


Fig. 4. *Important things for a business present entrepreneurs*

Also, as shown in Figure 5 and Figure 6, only 14% expect to earn over 8000 RON/month, considering that the medium salary in April 2010 was 1211 RON. Even

though it has increased since 2008, it is still situated at 15% of the Europe's average.

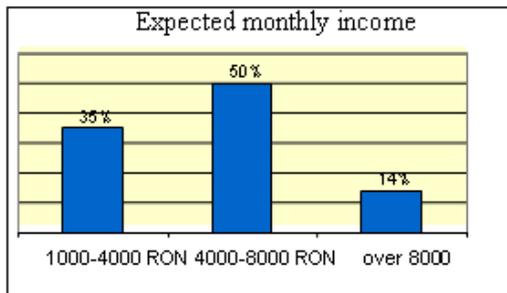


Fig. 5. *Expected income - future entrepreneurs*

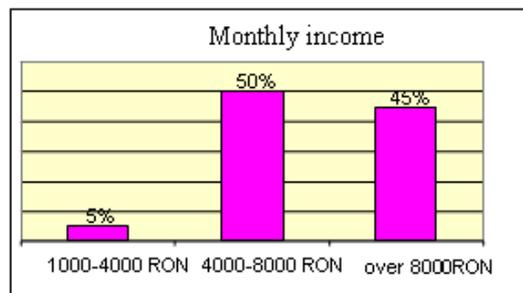


Fig. 6. *Monthly income - present entrepreneurs*

3. Conclusions

The future economic climate will be harder for new businesses in Romania, all statistics [11] indicating a decline in growth and stability. Romanians are very optimistic about starting a business in the current economic climate.

We could identify a pattern and clear difference of opinions between people wanting to start a business and current entrepreneurs, which leads us to the conclusion that the high percentage of business failures will continue in the future.

People who want to become entrepreneurs are expecting to work fewer hours than current entrepreneurs, but they do not have high expectations regarding income.

The information received in school is considered less important by entrepreneurs and quite important by people wanting to become entrepreneurs.

The business plan is not considered as being so important for the development of a company by entrepreneurs, while people wanting to become entrepreneurs consider it a must.

Most of the people who want to become entrepreneurs are not aware of the real pitfalls and do not fully understand the consequences of the economic global crisis.

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