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# **The Romanian Economy. A Century of Transformation (1918-2018)**

**Proceedings of ESPERA 2018**

**Volume 2**



**PETER LANG**

**Bibliographic Information published by the  
Deutsche Nationalbibliothek**

The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data is available online at <http://dnb.d-nb.de>.

**Library of Congress Cataloging-in-Publication Data**

A CIP catalog record for this book has been applied for at the Library of Congress.

Printed by CPI books GmbH, Leck

ISBN 978-3-631-67332-4 (Print)  
E-ISBN 978-3-653-06573-2 (E-PDF)  
E-ISBN 978-3-631-70799-9 (EPUB)  
E-ISBN 978-3-631-70800-2 (MOBI)  
DOI 10.3726/978-3-653-06573-2

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Internationaler Verlag der Wissenschaften  
Berlin 2019  
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This publication has been peer reviewed.

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## Entrepreneurship and Entrepreneurial Values: Evaluation of Macedonia

**Abstract** *The paper elaborates the main findings of a survey conducted in the line of evaluation identifying challenges that need to be overcome for the development of entrepreneurship: low level of entrepreneurial spirit and culture. The paper intends to assess the current situation between indicators of entrepreneurial intentions and entrepreneurial activities through the perceptions and attitudes as the identification of business opportunities, business skills and perception of business. For this purpose we analyzed the results of relevant research of the Organization of Employers of Macedonia (ORM) and the Business Confederation of Macedonia (BCM) with support from the International Labour Organization (ILO). Moreover, the paper listed the specific problems that can be strengthened economic growth and national policies for entrepreneurship. The goal of research is to provide evidence for the existence of a gap between entrepreneurial intentions and entrepreneurial activity, resulting in fewer new or high growth businesses that the entrepreneurs are facing in Macedonia. The contribution of this paper consists the enrichment of the weakly developed academic work in Macedonia for resolving this issue.*

**Keywords:** *Entrepreneurship; SMEs; Entrepreneurial Values; Macedonia*

### Introduction

Unlike the period before the transition where the most important issue was industrialization, and later the intensification of agriculture and the development of other business activities, nowadays one of the most popular questions is the one of small business that is for small and medium enterprises. Neglect of small business of the Republic of Macedonia led to serious structural imbalances that eventually seen as inefficiency and low competition in the economy (Uzunov, Georgiev, Nedanovski 2008, p.405).

Considering the negative experiences of the past, the aim should be not simply to increase the number of SMEs, but primarily made for them to show their true capabilities. Small and medium-sized enterprises (SMEs) are an important and vital part of the economy of a country. They are significant in terms of their cooperation and they represent competition from large enterprises when it comes to their participation in the creation of new jobs, products and services, and making more profits. In this context, hereafter we present the gross domestic product

**Table 1:** Number of active business entities in Macedonia according to the number of their employees

Year	2012	2013	2014	2015	2016	2017
Enterprises with 1–9 employees	52,910	59,398	59,276	60,620	61,053	60,599
Enterprises with 10–49 employees	3,351	3,706	4,051	4,452	4,732	4,776
Enterprises with 50–249 employees	1,177	1,159	1,211	1,187	1,280	1,291
Enterprises with more than 250 employees	189	204	203	185	201	209

Source: [www.stat.gov.mk](http://www.stat.gov.mk)

(GDP) of the Republic of Macedonia for a period of four years, which means that we have a basis on which we should be able to further analyze the impact of SMEs on the creation of GDP, as a of the basic ways to measure performance of the economy.

The real growth rate of GDP compared to 2012 was 2.7 %. Because active business entities who act in GDP, many research papers aim at identifying which businesses according to their size have a larger or smaller share of GDP. Statistics show that in the country of micro and small enterprises are the main factors affecting the GDP growth from year to year (as shown in Table 1), and as a result a lot to contribute to real economic growth of the country.

It is obvious that the actual rates of economic growth can not be qualified as satisfactory ones to strengthen the base and the state of the domestic economy, and to increase the living standards of the population. This is supported by the fact that the average value of GDP per capita in Macedonia is still very low. For example, in 2010 this value is 3.459 € with consistent growth until 2013 when it rose to 3.930 €, and as such are still far below the level of GDP in developed countries.

## 1 Literature review

Taking into consideration the importance of showing the relationship between entrepreneurship and economic results, this paper provides an overview of high quality, Economics and Management Studies, focusing on different types of contributions that entrepreneurs can achieve in the economy in terms of quantitative measures and evaluating performance of entrepreneurs in the socio-economic areas.

Parker (2004) in a number of studies provide (pretty thoroughly) review of empirical studies to assess the extent of contributions to creating economic value to entrepreneurs. (Wynarczyk and Watson (2005); Maes et al. (2005), or Norton and Moore (2006); Hartarska and Gonzalez Vega (2006).)

For our theme, we reviewed five previous and recent studies that are somewhat related to each other: Acs and Audretsch (2005) entrepreneurship and innovation; Carree and Thurik (2003) entrepreneurship and economic growth from the macroeconomic perspective; Biggs (2002) analysis of small and medium enterprises (SMEs) and employment and innovation; Caves (1998) focus on entry, exit and circulation The companies and the growth and production efficiency, and finally, Sutton (1997) employment generation.

Based on a panel of 36 countries, Wennekers et al, (2005) show that correlation between the level of entrepreneurial activity and innovation capacity of a country (p. 297) was positive in more developed countries such as the US and Europe. Likewise, Acs and Varga (2005) revealed a positive relationship between entrepreneurial activity and technological change in the European Union, which confirms the foregoing.

Growth in value added was investigated at company level (Brouwer et al 2005) and more aggregate levels (Baldwin 1998; Carree 2002; Robbins et al, 2000; Carree and Thurik 2007). The results show that the growth of entrepreneurs' added value is relatively high. At company level Baldwin (2005) shows that the rate of productivity growth in terms of production and added value in terms of cost of production factors is inversely proportional to the size of the company, that is, small firms have higher growth rates productivity. Rodríguez et al. (2003, Spanish Canary Islands) use the Framework Code of Gibrat and underpin this result.

Based on pooled data, Baldwin (1998) shows an increase in the stake of the smallest classes, the cost of those larger classes. Hence, economic activity is shifting towards small companies (possibly without any real growth in the total value of the shipment, or GDP).

## 2 Development of SMEs in Macedonia

Macedonia, as many other former socialist countries, started with the development of SMEs in the transition process. Based on various changes in the economic and political system of the country, the process of spontaneous entrepreneurship was initiated. On the other hand, the establishment of large number of new SMEs was expected reaction of the citizens due interrupted social and economic security caused by transition, privatization and growing unemployment (Fiti et al 2007, p. 224).

The dynamic of registering new SMEs was particularly intensive in the period from 1990 until the end of 1993, followed latter on by smaller intensity (due to embargo) and gaining in force once again in 1996.

Until 2004, the share of SMEs in the trade sector was substantially reduced compared to 1993, getting to 54 % (APPRM, 2005). Concerning the regional aspect, the largest part of the SMEs is concentrated in Skopje, Bitola, Kumanovo, Prilep, Ohrid, Strumica and Tetovo.

In 2004, based on the changes within the Company Law, Macedonia adopted the methodology for classification of the enterprises based on the size, proposed

by the EU Commission. According to this methodology, the enterprises are classified upon three criteria. The first criteria (number of employees) is accepted in Macedonia and consequently there are micro, small, medium and big enterprises. The other two criteria (size of the turnover and total amount of the assets) are adjusted to fit Macedonia's conditions. Hence, small enterprise in EU is an entity with yearly turnover of 10 million EUR, while in Macedonia it should have only 2 million EUR.

The State Statistical Office of the Republic of Macedonia is entitled to follow the development of the SMEs in terms of growth, sector and regional structure, demography etc.

In 2012, there were 74,424 enterprises in Macedonia, out of which 99.7 % or 74,223 are SMEs. In this line it should be noted that the SMEs are significant not only for having the dominant share of total entities in Macedonia, but for their contribution to the GDP (over 55 %) and to employment in the business sector (over 75 %). Additional conclusion arises in the line of sectorial changes in the SMEs in Macedonia. Namely the trade has decreased its share for additional 17 % compared to 2004. (Serafimova, Petrevska 2015, p. 41)

### **3 The impact of subcultures on the entrepreneurial economy**

In Macedonia, the combination of national, ethnic, organizational, professional and other subcultures result in a unique environment. But those values have a big impact on entrepreneurial activity in its economy. According to research by the Macedonian social values (Klekovski, Krzalovski, Stoyanova 2011) Macedonian social values, the most important values for citizens: human rights (15.6 %), peace and non-violence (15.4 %), democracy (13.3 %), the rule of law (10.4 %) and respect for human life. At the bottom of the least important values for Macedonian citizens, accountability / transparency (1 %) and self-realization (1.6 %).

These indicators are important because of the emphasis on self-fulfillment as a value, which is usually attributed to entrepreneurial individuals in the country.

But there are other factors that affect entrepreneurship. How people look more and more successful entrepreneurs in their environment, so you can improve the perception of their own capabilities without increasing the actual skills. Accurate perception of the population of the success of entrepreneurs, is evident from the survey on the perceptions and attitudes towards entrepreneurs Data from Global Entrepreneurship Survey (Table 2).

According to data from Table 2, it can be concluded that there is a decline in the desire for starting a business, followed by the perception of entrepreneurship as a good career.

On the other hand, media coverage of entrepreneurs is high which is consistent with the perception of entrepreneurs as people with high status in the country. Of great importance for the generation of new businesses is that there is a decline in

**Table 2:** Perceptions and attitudes towards entrepreneurs in Macedonia in 2012, 2014 and 2016

<b>Perceptions/Attitudes</b>	<b>2012</b>	<b>2014</b>	<b>2016</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Business opportunities	47.00	34.26	30.79
Fear of failure	35.00	30.90	44.91
Knows an entrepreneur*	46.00	41.15	38.16
Has business skills	62.20	59.72	55.11
Has desire to open a business**	39.00	26.70	29.14
Business as carrier	79.76	71.27	69.59
Media coverage	66.18	56.03	64.09
High status of entrepreneur	71.97	66.2	66.73

Notes: \*Calculated from the percentage of sample at age of 18–64 population who feel that there are good business start-up opportunities;

\*\*Calculated from the percentage of sample at age of 18–64 population not involved in entre-preneurial activities.

Source: Data from Global Entrepreneurship Survey 2012–2014–2016(p.53)

the desire to open a business, 39 % in 2012 to 29 % in 2016 What is interesting is the large gap between the desire to open a business (29.1 %) and real business to start (only 7 % of respondents are new entrepreneurs or started to organize resources for business activities).

#### **4 Snapshot on access on entrepreneurial values in Macedonia**

Compared with other countries, Macedonians are more confident that they possess the necessary skills to start a business from residents of Croatia, Slovenia and Ireland, and have more desire to engage in entrepreneurial activities. On the other hand, media coverage of entrepreneurs in Macedonia is high (see Table 3).

Respondents' domestic experts in Data from Global Entrepreneurship Survey felt that the business culture of Macedonia provides support to individual success through their own efforts, like Croatia and Slovenia.

Ireland, on the other hand, significantly supports creativity and innovation. It seems that the attitude of professionals about whether the population encourages entrepreneurial risk taking is different from the observed common values. The 4 is the average score given by the experts in Macedonia, expressed a neutral position on whether the Macedonians are encouraged to take entrepreneurial risks (see Table 4).



**Table 3:** Perceptions on own Skills Required for Starting Business (in %)

<b>Self - perceptions</b>	<b>Macedonia</b>	<b>Ireland</b>	<b>Slovenia</b>	<b>Croatia</b>
Fear of failure*	44.91	41.22	41.5	46.3
Personally knows an entrepreneur**	31.34	37.33	40.08	23.48
Has business skills	55.11	45.16	51.32	44.06
Has desire to open a business in next 3 years**	29.14	7.97	14.68	23.58
Business as carrier	69.59	45.41	52.73	64.18
Media coverage	64.09	61.45	51.08	39.72

Notes: \*Calculated from the percentage of sample at age of 18–64 who feels that there are good business start-up opportunities;

\*\*Calculated from the percentage of sample at age of 18–64 not involved in entrepreneurial activities

Source: Data from Global Entrepreneurship Survey 20012–2014–2016 (p. 55)

**Table 4:** Cultural and social norms

<b>Statement</b>	<b>MK</b>	<b>IE</b>	<b>SI</b>	<b>HR</b>
In my country, the national culture is highly supportive of individual success achieved through own personal efforts	2.86	3.43	2.22	1.98
In my country, the national culture emphasizes self-sufficiency, autonomy, and personal initiative	2.86	3.03	2.39	1.98
In my country, the national culture encourages entrepreneurial risk-taking	2.54	3.05	1.92	1.82
In my country, the national culture encourages creativity and innovativeness	3.03	3.22	2.5	2.07
In my country, the national culture emphasizes the responsibility that the individual (rather than the collective) has in managing his or her own life	2.83	2.95	2.22	2.02
<u>Average</u>	<u>2.82</u>	<u>3.14</u>	<u>2.25</u>	<u>1.97</u>

\*The scale of possible answers is from 1 to 5 where 1 denotes completes disagreement with the statement whilst 5 signifies complete agreement with the statement.

Source: Data from Global Entrepreneurship Survey 2016

## 5 Methodology and research frame

The survey covers a combined methodological approach: identifying key areas for current employers in the country through focus groups on specific areas were developed questionnaires for interviews managers of 170 Macedonian companies at random. The survey results were used simultaneously with the analysis of secondary data. They included research previously available and reliable data from the World Bank, the International Monetary Fund, the International Labour Organization and other institutions.

As compared to countries based on shared history, geographical proximity and geographical size selected were: Serbia, Croatia and Slovenia, as a country with rapid economic development has been included and the Republic of Ireland. Organization of Employers of Macedonia (ORM) Business Confederation of Macedonia (BCM), favorable business environment for sustainable enterprises in Macedonia, 2013 (p. 5).

Data sets relating to the period of 2008–2013. Since quantitative analyzes provide key facts necessary for pointing out the final words about certain issues and analyzes based on qualitative approaches additionally introduced. The idea is to assess the effects of the operations of SMEs, in terms of their economic value to the economy in Macedonia.

## Conclusion

In Macedonia, unlike the other countries mentioned in the survey, there is a gap between entrepreneurial intentions and entrepreneurial activity, resulting in fewer new or high growth businesses. This may also be due to entrenched values that put less emphasis on self-fulfillment, independence and creativity, which are characteristics of successful new and innovative enterprises. With the growing fear of failure in starting a business, the number of new enterprises started to decline.

Respondents to the survey of employers feel that there is entrepreneurial business culture to some extent, however, they do not point out the main obstacles to the further development of an entrepreneurial culture in the country. However, the identified challenges that need to be overcome for the development of entrepreneurship is low entrepreneurial spirit and culture as entrepreneurial values that need to pay particular attention that would significantly affect the number of new companies in the area of employment. Their contribution would increase the low level of cooperation between the business community, providers of business services and higher education institutions. To continue the intensive promotion of entrepreneurial culture, and further increase the flow of information about starting a business.

On the other hand, the authorities are fully aware that SMEs are important business segment with a significant contribution to sustainable economic development. Therefore, they identify measures and actions to support the development of SMEs and entrepreneurship in terms of institutions and instruments.

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