

# Opportunities for Romanian Entrepreneurs in Digital Single Market

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## Abstract

*Digital single market represents the future of European companies. This is no longer a desiderate, but is a certainty of how the business environment would be in the future Europe. The aim of the paper is to determine what are the main opportunities for national business in order to become more digitalized and easily access the financial opportunities that the European Strategy in the field is given. The paper identifies that not all small companies in Romania have possibilities for accessing digitalization, and yet, they have other market opportunities for obtaining financing in order to become more competitive. The success is much closer for those which shall implement digitalization in their operational and management activities. Added value of the paper is given by the listed opportunities for future entrepreneurs and future activities for entrepreneurs in the context.*

**Key words:** entrepreneurs, digital market, business incubators, new business models

**J.E.L. classification:** M21, O1, R1

## 1. Introduction

**Purpose:** The main purpose of this paper is to determine what are the main opportunities for national business in order to become more digitalized and easily access the financial opportunities that the European Strategy in the field is given.

**Methodology:** The research question is: What are the opportunities that Romanian entrepreneurs do have in the context of European Strategy in the field of digital single market? In order to reach the answer, a descriptive statistic analysis was made. The tested hypothesis are:

- Romanian small enterprises are very vulnerable to market changes.
- Romanian small enterprises are less prepared than the big enterprises for enhancing digitalization
- There is a lack of national education for digitalization.
- Romanian business environment offers market opportunities for small enterprises in different shapes and scales depending on localization and activities types.

**Findings:** The paper identifies that not all small companies in Romania have possibilities for accessing digitalization, and yet, they have other market opportunities for getting financing in order to become more competitive. Still, the success is much closer for those which shall implement digitalization in their operational and management activities.

Added value of the paper is given by the pragmatic approach of the paper. It gives some ideas for future entrepreneurs and future activities for entrepreneurs in the context of single digital market.

Paper type: literature review, statistical analysis, comparative analysis.

**Limits of the study:** The present study may be continued with taking into consideration other indicators and correlations between indicators, such the digitalization degree of companies and

their performance. Future research may include the construction of other conceptual models and multiregressions analysis for better indicate solution in the field.

## 2. What about digital single market

Digital single market represents the future of European companies. This is no longer a desiderate, but is a certainty of how the business environment would be in the future Europe. European Commission extended in its strategy that "The digital Single market strategy aims to open up digital opportunities for people and business and enhance Europe's position as a world leader in the digital economy" (<https://ec.europa.eu/digital-single-market/>, accessed on May 2019).

Of course, there are strong opinions who consider that the developments of the digital economy will have an elementary impact on economic systems (Zimmermann, H.-D., 2000, p. 729). Yet, the consumers will still be those who will better decide for them in the digital market (Kumar, A. et al, 2018, p. 674).

In all these situation „new technologies are therefore enabling a new category of intermediaries to appear" (Blackman, C., 2016, p3). Here may be the opportunities for Romanian entrepreneurs and not only to accomplish competitive business and to better create added value.

While all these, authorities that regulates these Single Digital Market should take into consideration the data preservation, the protection of identities and the ethics of all these issues. Obviously, there are big differences and contrasts between public policies at international level (Holt, L., Malcic, S., 2015, p 155).

In any conditions, SME's have become conscious about the importance, as well as they become increasingly aware (Grimes, S., 2003, p. 174) of the need to face the challenge of effectively exploiting the opportunities presented by the digital economy.

The market opportunities should take into consideration not only the current needs and demands, but also, the financial help that public administration is given, as well as the support offered by modern structures that aims at developing business.

## 3. Research methodology

The motivation of the paper is given by the fact that Romania appears to be very digitalized, but there are so many companies in different sectors which do not really neither implement digitalization in the production and management systems nor use computer in their daily activities. Therefore, the research question is: What are the opportunities that Romanian entrepreneurs do have in the context of European Strategy in the field of digital single market?

The main objectives of the paper is to determine what are the main opportunities for national business in order to become more digitalized and easily access the financial opportunities that the European Strategy in the field is given.

The hypothesis tested in the present research paper are:

- Romanian small enterprises are very vulnerable to market changes.
- Romanian small enterprises are less prepared than the big enterprises for enhancing digitalization
- There is a lack of national education for digitalization.
- Romanian business environment offers market opportunities for small enterprises in different shapes and scales depending on localization and activities types.

An important part of the present paper is descriptive statistics, in the area of number of small companies in Romania, their survival capacities.

The second part of the analysis refers to the impact of the modern structures that supports business development in Romania.

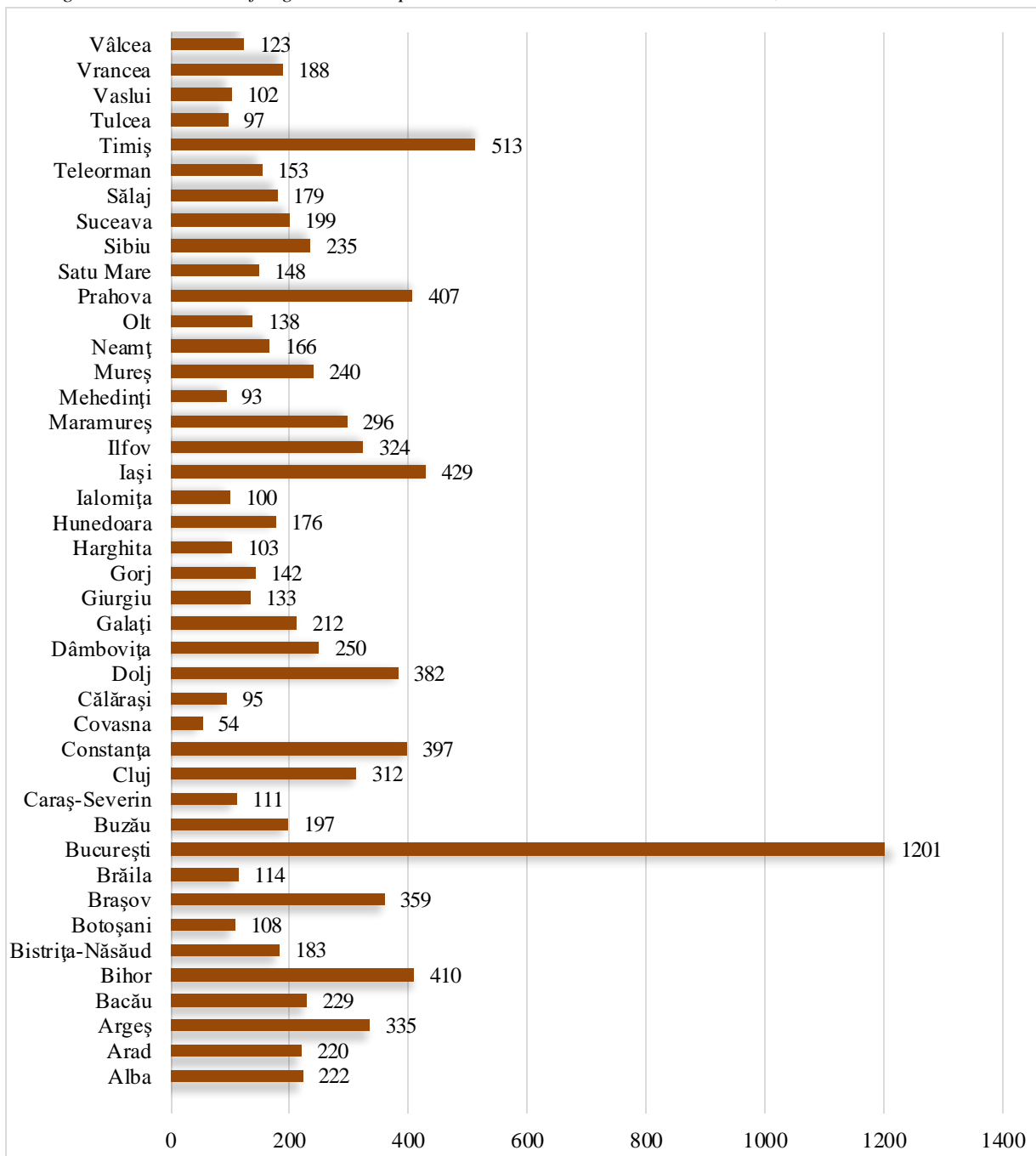
Then, a list of main market opportunities according to specificities of local economy is being exposed.

The conclusion of the present paper are that not all small companies in Romania have possibilities for accessing digitalization, and yet, they have other market opportunities for getting financing in order to become more competitive. Still, the success is much closer for those which shall implement digitalization in their operational and management activities.

#### 4. The survival struggle of Romanian small companies

The official registration degree of Romanian companies has a decreasing trend for the last years in the majority of the Romanian counties, as shown by National Trader Register Office ([www.onrc.ro](http://www.onrc.ro), May 2019), and the total number of new registered firms in 2018 is -0,85% against 2017.

Figure no 1 Number of registered companies between 01.12.2018 - 31.12.2018, in Romania



Source: ([www.onrc.ro](http://www.onrc.ro), May, 2019)

Still, there are regions in Romania where the number of new registered firms is much higher than in other counties, such as Iasi, Cluj, Dolj, Constanta. The average number of registered firms in Romania in 2018 was 3227 per county, but Bucharest has a total of 19979 firms, almost six times higher than the national average ([www.onrc.ro](http://www.onrc.ro), May 2019).

Table no 1 The dynamics of erasure Romanian companies between 2017-2018

County	Number of erasures between 01.01.2018 - 31.12.2018	Number of erasures between 01.01.2017 - 31.12.2017	Dynamics
Alba	1692	1698	-0.35%
Arad	1888	1710	10.41%
Argeş	2377	2748	-13.50%
Bacău	2193	2057	6.61%
Bihor	2867	2516	13.95%
Bistriţa-Năsăud	1222	1259	-2.94%
Botoşani	1101	947	16.26%
Braşov	2236	2566	-12.86%
Brăila	1130	1149	-1.65%
Bucureşti	13034	13475	-3.27%
Buzău	1214	1198	1.34%
Caraş-Severin	912	933	-2.25%
Cluj	4024	3602	11.72%
Constanţa	2973	3290	-9.64%
Covasna	595	681	-12.63%
Călăraşi	611	848	-27.95%
Dolj	2478	3389	-26.88%
Dâmboviţa	1724	1344	28.27%
Galaţi	1627	1631	-0.25%
Giurgiu	866	656	32.01%
Gorj	1068	1076	-0.74%
Harghita	970	1116	-13.08%
Hunedoara	1674	1790	-6.48%
Ialomiţa	606	577	5.03%
Iaşi	3137	3720	-15.67%
Ilfov	2683	2199	22.01%
Maramureş	1806	1888	-4.34%
Mehedinţi	1011	1112	-9.08%
Mureş	1717	1847	-7.04%
Neamţ	1401	1489	-5.91%
Olt	1502	1918	-21.69%
Prahova	2640	2772	-4.76%
Satu Mare	1221	1130	8.05%
Sibiu	1438	1733	-17.02%
Suceava	1542	1546	-0.26%
Sălaj	1048	919	14.04%
Teleorman	679	737	-7.87%
Timiş	3178	3190	-0.38%
Tulcea	840	911	-7.79%
Vaslui	799	762	4.86%
Vrancea	1044	906	15.23%
Vâlcea	1413	1260	12.14%
<b>Total</b>	<b>80181</b>	<b>82295</b>	<b>-2.57%</b>

Source: ([www.onrc.ro](http://www.onrc.ro), May, 2019)

Obviously, this may be explained by the fact that these regions have both more citizens than other and more market opportunities.

On the other hand, in the same analyzed period, less companies were erased in 2018 than in 2017.

This is a good market sign for the companies survival, even if is not sufficient for an accurate interpretation on long run of their survival capacities.

## 5. Modern support structure for Romanian companies

In Romania, in the last two decades, many national Programs were run in order to boost the entrepreneurial manifestation and to create added value. Thus, modern structures such as business incubators, clusters, business centers, and even hubs were more or less financed by the state in order to help those persons who would intended to create an enterprise to really realize this.

After years of implementation of the National Programmed for Business Incubators, the current situation is not very encouraging for these modern business supportive structures. The Program has provided funding between 2012-2016 for the establishment of new business and technology incubators and for the development of existing ones for several eligible expenditure categories (Impact National Programs 2009-2014, 2015) through :

- Construction and / or renovation / rehabilitation and arrangement of each new location to be included in the Business incubator program;
- Rehabilitation / renovation and refurbishment of the incubator building at the beginning of each new incubation cycle;
- Purchase of IT & C equipment and furniture for the equipment of each new incubator;
- Designing and hosting an Incubator's own web site where the activity will be presented;
- Utilities and related services (water, sewerage, electricity, methane gas, heating, telephony, internet, sanitation, cleaning, disinfestation);
- Non-reimbursable financial allocations to each incubated firm for consulting and procurement of technological equipment (machinery, equipment and work installations), site, IT equipment, software and licenses, furniture, office equipment, vans, fairs, exhibitions, promotional activities;
- Funds to pay to the Business Incubator Administrator and to organize events.

The impact of the Program was oscillated between the analyzed period, according to a study made by Ministerul pentru Mediul de Afaceri, Comert si Antreprenoriat .

Table no 2 The impact of National Programme for Business Incubators

Year	Budget Lei	Beneficiaries			Impact		
		Incubators number	Incubated firms number	New created jobs number	Sum/Incubator lei/number	Sum/incubated firm lei/number	Sum/new created job lei/number
2009	2000000	3	30	25	666666.667	66666.6667	80000
2010	2400000	5	59	73	480000	40677.9661	32876.71
2011	6150000	6	54	59	1025000	113888.889	104237.3
2012	-	9	65	170	0	0	0
2013	1410000	13	13	33	108461.538	108461.538	42727.27
2014	5400000	15	20	20	490909.091	270000	270000
<b>Total</b>	<b>17360000</b>	<b>15</b>	<b>241</b>	<b>380</b>	<b>2771037.3</b>	<b>599695.06</b>	<b>529841.3</b>

Source:(<http://www.imm.gov.ro/mmaca/mediul-de-afaceri/>, May, 2019)

In the same time, the situation of the Business centers is in advantage for Bucharest, with 33 such centers followed by Ploiești:5, Deva: 2, Arad: 5, Cluj-Napoca: 4, Braşov: 4, Piteşti: 3, Oradea: 3, Timişoara: 4, according to the same study ( <http://www.imm.gov.ro/mmaca/mediul-de-afaceri/>, May, 2019). The same situation, were Bucharest is the national leader, is also for the number of hubs and co-working places study (<http://www.imm.gov.ro/mmaca/mediul-de-afaceri/>, May, 2019): Bucharest: 13, Timişoara: 2, Cluj-Napoca: 2, Oradea: 2, Braşov: 2 Târgu Mureş: 1, Iaşi: 1, Constanţa: 1, and Sfântu Gheorghe: 1.

## 6. Business opportunities for Romanian small companies

The business opportunities for small and medium enterprises are very diverse and they are given by series of situation in which Romanian entrepreneurs may decide to involve, such as bioeconomy, clusters, smart agribusiness, circular economy – reuse and recycling, alternative

energy, outsourcing.

In order to digitizing their activities, companies may access Europe's Digital Innovation Hubs, which intend to be "not-for-profit one-stop-shops that support companies – in particular small and medium-sized enterprises (SMEs) – and public organisations in their digital transformation, offering them services such as" (FactsheetDigitalInnovationHubs.pdf, May, 2019):

Figure no 1 Services offered by Digital Innovation Hubs



Source:(FactsheetDigitalInnovationHubspdf, May, 2019, May, 2019)

Even if Romania starts from only 8% of companies that have digitalized activities, there are strong activities that may involve these orientation. Romanian entrepreneurs may consider best practices projects (<https://ec.europa.eu/digital-single-market/en/projects/75989/76256>, May 2019) and develop their owns, such as:

- Creating and construction of drones able to monitor fields and crops, turbines, and weather conditions;
- Developing smart tools as meters and sensors in order to boost water efficiency in agriculture, irrigations etc.;
- Creating and designing smart devices able to assist gardening, even farming depending on local and weather conditions;
- Creating and designing smart devices in order to better implement activities specific for smart cities, as waste, energy saving systems etc.;
- creating and designing smart tolls for companies to become more and more competitive and digitized.

These may be only few opportunities in the current areas for Romanian companies to better evolved and implement European financing, and national.

## 7. Conclusions

Following the findings, we may consider that the Romanian small enterprises are very vulnerable to market exchanges and they are not so well trained to face them, as the number of the companies that are being erased each year is still high.

Second of all, small enterprises are not ready to implement digital activities in their operations. One of the current objectives of the public policy in the area of entrepreneurship is to boost the use of computers in the companies management and daily activities and to stimulate the web-site creations for each financed company.

Only 8% of Romanian companies use digital tools, therefore tere is still a lack of national education for digitalization.

Romanian business environment offers market opportunities for small enterprises in different shapes and scales depending on localization and activities types. Bucharest and other big Romanian cities better integrates the entrepreneurial manifestation and attracts smart activities, while rural areas do not provide the same facilities. This is supported by the huge number of firms created in these cities and the huge number of modern facilities that are offered in these areas, against the rural ones.

In the context of future digitalized world, were Romanian companies benefit of grants, modern structures that supports business development, a more creative and competitive business environment and better quality of life, Romanian entrepreneurs should overcome all weaknesses and threats and go further.

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