ENTREPRENEURIAL INITIATIVES IN IASI COUNTY AND THEIR ROLE IN SOCIAL AND ECONOMIC DEVELOPMENT

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Abstract. Entrepreneurship development is a key component of economic and societal development. The contribution of SMEs to the economic growth, job creation and innovation has been globally acknowledged and recognized. The entrepreneurial initiatives and their dynamics in Iași County have been strongly influenced by many factors that reflect the spatial variations of the number, size, performance and activity profile of enterprises. This paper looks at these factors and analyzes the main characteristics of the entrepreneurial sector. It also assesses the impact of entrepreneurial initiatives on the social and economic development of Iași County.

Key words: entrepreneur, entrepreneurial initiative, SMEs, local development, Iași County

1. Introduction

For the Romanian economy, entrepreneurship development is an important component of the economic restructuring policy, which positively influences the economic growth. Small and medium enterprises are valuable tools in the development of the market economy by contributing directly to the economic growth, to job creation, and by supporting the innovation, as well as the technical and technological progress. SMEs are characterized by a greater flexibility, being more responsive to the market needs, more innovative and skillful in meeting the consumer demands, and enhancing the market competition (Ișfănescu, R., 2005).

According to the Law no. 133 from 1999 an entrepreneur is a authorized physical or juridical person that individually or in association with other authorized physical or juridical persons found a company in order to carry on an activity with the purpose of obtaining profit, by producing common goods, respectively performing services and selling them on the market in competitive conditions (the Law no. 133, 1999).

Entrepreneurial initiative is a set of actions coordinated by a central idea which has as a final purpose the development of an economic activity (Braghină et al., 2010) and mean „the founding of a new enterprise by assuming some risks” (Hoffman, K., Russel, R., 1994, p.6).

The emergence and dynamics of the entrepreneurial initiatives in Iași County depend on many factors that influence the local variations concerning the number of the enterprises, their size, their performance and their activity type.

The intensity of the impact of the enterprises on the local development is directly proportional with the variation of all these characteristics of the entrepreneurial sector.

2. Factors that favored the emergence and development of the enterprises in Iași County

Several factors have influenced the dynamics of the small and medium enterprises in Iași County after 1990. The political, economic and social contexts that characterized the last two decades have played a decisive role in shaping an entrepreneurial sector in the county.
The geographical position, the economic and social potential, the infrastructure, the business environment, the entrepreneurial culture, have spurred the emergence and development of the enterprises in this part of the country.

Iasi County occupies a central position within the historic Moldova with easy access to the southwest, towards the Subcarpathian basins and the middle part of Siret valley, as well as towards and north-west, to Suceava Plateau and towards the mountainous area of Bucovina. In the northeast part of the county, the hilly plains of the middle Prut river provides easy access to the Dniester (Nistru) basin, and the Prut Valley opens widely the County to the Lower Danube river. The geographical context, expressing a privileged position within the Carpathian-Dniester area, assured the success of Iasi County and particularly of Iasi Municipality, which has emerged as a leading social-economic center at national level (Iațu et al., 2009).

The economic potential of the territory is another important factor in the development of the entrepreneurship in Iasi County. The existence of reliable resources that can be exploited by SMEs have led to the individualization of areas characterized by different types of economic potential. The largest part of Iasi County is characterized by a predominant agricultural potential. Some SMEs that have emerged in these areas, due to the variety of agricultural products (cereals, vegetables, industrial crops) are able to diversify their activities.

In addition to the traditional agricultural areas with a potential represented by the agricultural cropping, in the county there are also vines areas (the most famous being those of Cotnari, Râducăneni, Bucium, Copou, Uricani) and orchards (Comarno, Deleni, Cotnari, Strunga), which may constitute arguments for the location of some enterprises using fruits and grapes as raw material.

In relation to crops some enterprises emerged focusing on animal husbandry, especially in those localities situated close to the cities (such as Râzboieni, Uricani, including Podu Iloaiei city) where there is bigger potential for consumption. Some enterprises exploit the piscicultural potential of some lakes (Vlădeni, Podu Iloaiei Osoi, Tansa, etc.), whereas others exploit the touristical and recreational potential of the lakes (Ciurbești, Dorobanți, Aroneanu, Trei Iazuri).

The high plateau areas from the southern and western part of the county are characterized by predominant agro-touristical and forestry potential which supported the emergence and development of some small enterprises in these areas. The existence of several areas of outstanding natural and anthropic touristic resources in Iasi County ensures a great potential in developing tourism activities that could be integrated into complex tourist routes either at the county or at the regional level.

Other SMEs were developed based on the exploitation and processing of building materials (ballast) in the corridors of Moldova (between Cristeștii and Miroslavoștii) and Siret (between Lespezi and Mirceștii).

The analysis of the economic potential of Iași County highlights that the territory provides many opportunities for the development of the entrepreneurial sector.

High human potential is another important factor favoring the development of the enterprises in Iasi County.

The volume and the quality of labor resources are essential in developing the entrepreneurial sector (Isfânescu, R., 2005). Urban centers benefit from a high human potential both quantitatively (the biggest share of working population being concentrated in cities), but also in terms of the quality. High human potential is record also in the peri-urban settlements of Iasi municipality. Areas with very low human potential in terms of labor resources are characteristic to the peripheral communes affected by depopulation, with a high percentage of elderly population. These areas are concentrated in the south-eastern, north-central and western part of the county.
The quality of labor resources plays an important role in the development of the entrepreneurship, given that a good professional qualification of potential entrepreneurs, as well as a highly skilled laborforce increases the likelihood of the entrepreneurial success. Thus, the existence of Iasi university center, which prepares highly skilled workforce, is certainly an asset in the development of the SMEs in the tertiary sector of economic activity (such as software, consulting for large companies, electronics, etc.).

An example in this regard is the Science and Technology Park "TEHNOPOLIS" Iasi, founded in order to use the results of the research, to apply the advanced technologies in the economy and to increase the participation of the higher education institutions in the socio-economic development through science and technology, and operating companies in many sectors of activity.

The existence of the markets and consumer demand plays a decisive role in the emergence and location of SMEs. The concentrations of population in cities can be looked upon as potential markets for selling the products, that being the reason for the largest concentration of SMEs, especially in commerce and services in these areas.

Other factors that led to the emergence and development of the enterprises in Iasi County are the culture and the entrepreneurial motivation of the population as well as the capacity of the entrepreneurs to turn to good account the geographical space, depending on their technical and managerial skills (Isfanescu, R., 2006).

Generally, urban centers are very favorable economic environments to the localization of small and medium enterprises, due to the possibilities for cooperation between SMEs and large enterprises, the first functioning as their main suppliers, and also due to the potential consumers represented by the population of the cities (I. Ianoș, 2000).

Iași Municipality, together with its surrounding villages, is considered the most favorable for the emergence and development of SMEs, being characterized by a sharp dynamic of the entrepreneurial sector. Other important economic environments are represented by the other urban centers in the county: Pașcani, Târgu Frumos, Podu Iloaiei, Hârlău, and in several other locations favored by the presence of local resources, labor resources and high accessibility.

The most restrictive economic environments are specific to those areas with modest natural, human, and financial resources, characterized by low entrepreneurial tradition and culture, with a low degree of accessibility, lack of markets, factors that were holding back the development of the entrepreneurship sector.

3. Characteristics of the entrepreneurial sector of Iasi County

The analysis of the entrepreneurial sector is an important step in assessing its impact on the economic growth of the county. In 2008, SMEs accounted for 98.85%, which highlights the importance of this sector in the economy of the county.

In terms of size classes, micro-enterprises are prevalent, holding 85.5 percentages in the total number of SMEs, indicating a low entrepreneurial potential, followed by small enterprises (11.6%) and medium enterprises (1.7%). Big companies account for 1% in the total number of enterprises whereas the share of very big enterprises is of just 0.15%.
The very large share of the SMEs should not mean an underestimation of the role of big companies, especially considering their importance in the economy of each region, particularly in industry. They also led to the emergence of many SMEs in this region, given the complementary relationship that exists between them and small enterprises.

Most companies act in commerce and tourism (45% of total), followed by services (29%), industry (11%), construction (8%), research and high-tech development (5%) and agriculture and fisheries (2%).

The analysis of the dynamics of the active enterprises in Iasi County shows a continuous increase especially of those acting in the construction sector which almost tripled during the period 2003-2007. An upward trend recorded as well the enterprises acting in research and high-tech development, services, agriculture, fishing and fish farming. Less dynamic have proven to be the enterprises acting in the fields of industry, commerce and tourism.
Statistics also reflect significant differences in the type of activity and the number of the enterprises between the urban areas compared to those located in rural areas. In terms of the number of the enterprises, 5 urban centers host 83.2% of all the enterprises in the county, while only 16.81% are located in 418 villages, which show that the urban environment is unequivocally the most favorable for business and investment (Borg Design database).

The fact that 74.18% of all the enterprises in the county are concentrated in Iasi Municipality highlights the decisive role of factors such as the local business environment and that a diversified economy offers a wide range of possibilities for starting a business.

Other important factors are related to the possibility of establishing supply chains for large companies, to higher household income, to the existence of a highly qualified workforce, and, last but not least, to the existence of an infrastructure to support entrepreneurial activities (consultancy centers, the existence of the science and technology park etc.).

Urban centers were the first nuclei of emergence of the SMEs, due to their favorable environment for the concentration and diversification of activities. From large urban centers SMEs expanded in a diffusion cascade to suburban areas, to the localities located along the most important communication axes, particularly in medium and small cities, and lastly, in isolated rural areas with low accessibility (Ianoș, 2000).

Whereas the total number of companies in Iasi County provides a general overview concerning their regional distribution and variation, more interesting is the relativization of these global values by the ratio between the number of firms and the number of people (I Ianos, 2000).

Higher concentration in cities of this indicator is confirmed by its value of 15 enterprises/1000 inhabitants, in comparison with the average of this indicator in the rural areas, of just 3.8 enterprises/1000 inhabitants.
The analysis of the territorial distribution of this indicator illustrates the existence of areas of varied concentrations regarding the number of enterprises. The highest values were recorded in Iasi and Valea Lupului, both accounting for 27 firme/1000 inhabitants. High values were recorded as well in the other cities, between 9 and 16 enterprises/1000 inhabitants and in the settlements located in the peri-urban areas (especially of Iasi municipality: Miroslava, Ciurea, Rediu, Tomeşti, Bârnova).

The analysis of the entrepreneurial sector in Iasi County shows that the concretization of the entrepreneurial initiatives by the emergence and development of SMEs, is of particular importance in the economy of the county, contributing strongly to the local and regional economic growth, SMEs playing a vital role in the revitalization of some economically weak communities.

4. The role of the entrepreneurship in the local development

Local development is defined as "a process of diversification of the economic and social activities in the territory starting with the exploitation of local resources" (Goeffe, 1984, quoted by Isfănescu, 2006).

The ability of SMEs to innovate, their characteristic mobility and flexibility generate a strong impact on the process of adapting the production to the market needs. These are some of the reasons why SMEs are considered to be valuable tools in the local economic growth policies.

Enterprises play an important role in the capitalization of the local natural resources, which, for many communities in Iasi County, especially for rural ones, are an important source of local economic growth, favoring an increase in the income and hence in the living standards of the residents, as well as a wider range of the use of workforce (mostly involved in agriculture in the rural areas) which prevents the migration of young people of working age, the modernization of the roads and the expansion, modernization and rehabilitation of the physical infrastructure.
The emergence and development of the entrepreneurial sector in Iasi County is closely related to the use of the local workforce, thus preventing the unemployment phenomena.

By the field of activity, during 2003-2007 the highest dynamic regarding the number of employees was recorded by the companies providing services to the population and to other companies.

Important dynamics of the number of the employees were having the enterprises acting in commerce and tourism, as well as those acting in research and high-tech development.

![Graph showing the dynamics of employees in Iasi County by activity profile during 2003-2007](image)

*Fig. 5 Dynamics of the employees of the active enterprises in Iaşi County by their activity profile during 2003-2007*

*Source: The strategy for economic and social development of Iasi County for the period 2009-2014*

The emergence of the enterprises brought changes in the physionomy of the localities, especially of the urban localities, where they are more concentrated, by the emergence of new buildings, the renovation of the old ones, and by the modernization of the roads that provide access to the enterprises (Isfănescu, 2006).

![Map showing territorial differences of turnover in Iasi County in 2008](image)

*Fig. 6 Territorial differences of the turnover in Iasi County in 2008*

*Source: Borg Design database, 2011*
**Turnover** is an indicator that illustrates the level of performance of the enterprises and demonstrates the importance of the entrepreneurial sector in the dynamics of the economy of Iaşi County. This indicator represents the selling volume of a company and is being used as a classification criterion of the enterprises by their importance.

The territorial distribution of the turnover per inhabitant show higher values in cities and rural communities located in the peri-urban areas, and of those located along the major transport routes, where companies encountered the most favorable context to develop.

The development of the entrepreneurial sector also has some indirect effects on the local development. Some of these effects are: raising the economic and social attractiveness of communities as a consequence of job creation and the diversification of the job offer, preventing the loss of young people by emigration and contributing to the reduction of the aging phenomenon and of the depopulation of rural communities located in areas poorer in natural resources and with a low degree of accessibility.

At the same time SMEs generate an increase of the income and life standards for the residents, and have a positive impact over the modernization of the infrastructures and services, as well over the diversification of the economic activity.

**Conclusions**

The geographical position, the economic and social potential, the infrastructure, the business environment, the entrepreneurial culture and tradition are the main factors that have spurred the emergence and development of the enterprises in Iaşi County.

The analysis of the characteristics of the entrepreneurial sector showed significant differences between the urban and rural environment in the type of activities and the number of the enterprises.

Whereas urban centers host 83.2% in the total number of the enterprises in Iasi County, rural communities account for only 16.8%, which demonstrates that the urban environment is undoubtedly the most favorable for businesses and investments.

The fact that 74.18% of all the enterprises in the county are concentrated in Iasi Municipality highlights the decisive role of factors such as the local business environment and that a diversified economy offers a wider range of possibilities for starting a business.

Other important factors are related to the possibility of establishing supply chains for large companies, to higher household income, to the existence of a highly qualified workforce, and to the existence of an infrastructure that supports the entrepreneurial activities.

From the total number of enterprises, in 2008 the SMEs accounted for 98.85%, of which the micro-enterprises are holding a share of 85.5 percentages, indicating a low entrepreneurial potential.

The role of the entrepreneurial sector in Iaşi County partially derives from the size and the structure of the enterprises that influence their ability to innovate, but also from the establishment of strong connections with the communities where they emerge and develop by capitalizing the local resources, by creating new jobs, and by bringing about economic and social development.

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