

## **SUPPORTING POLICIES FOR DEVELOPMENT OF CROSS-BORDER COOPERATION - THE ROLE OF UNIVERSITY IN BUSINESS ENVIRONMENT**

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*The universities are an important actor in education and training to support economic growth and the development of the knowledge based society. The article aims at charting possibilities of knowledge transfer between university and business environment, especially SME. This article has a specific focus on universities as a regional channel for business development in a cross-border area. Cross-border cooperation on the external borders of the EU is a key priority both in the European Neighborhood Policy. The research questions of this paper are: How does the university contribute towards building the cooperation between cross-border partners? Studies, analyses, research activities to provide quality information and enough relevant data for the development of the exchange of good practices? The study will conclude by recommendations how to support to develop university networks and enterprises for business development.*

*Keywords: enterprises, innovation, networks, policies fostering investment, role of university*

*JEL Classification: O12, A23*

### **1. Policies fostering investment in support of development**

The proposed framework is based on the most recent theoretical background underpinning the Lisbon strategy and its further developments and describes both the role of innovation in the economic structure of a country, and the functionality parameters of the innovation system defined. Usually the innovation process involves five elements:

- the research system (which is the center of knowledge production);
- the innovation drivers (enterprises, which transform knowledge into market products);
- the innovation infrastructure;
- the capital and financing channels;
- the labor resources and education services (human capital).

In reality the five elements are often overlapping, as for instance a research unit can also function as an innovation driver, companies might have their own research units, etc. but theoretical simplification may be more useful in order to grasp better the different functions of an RDI system.

Currently, Romania is a laggard in terms of competitiveness. According to Global Competitiveness Report 2008, Romania is ranking on the 26 position out of 27 countries of European Union. This is particularly worrying, as besides the challenges coming from global market competition, Romania will confront with the internal competition of EU. This creates a huge pressure at the current gap. The goal of convergence calls for an accelerated transformation given that EU is in itself a fast moving target.

Most of the domestic firms produce goods or services designed in other, more-advanced countries. Technology is assimilated through imports, foreign direct investments and imitation. Firms have limited roles in the value chain, focusing on assembly, labor intensive manufacturing,

and resource extraction. However, there is also a part of the economy, which may be considered investment-driven. The last couple of years have brought new investment in efficient infrastructure and policy measures aimed at creating a business-friendly administration. The products and services become more sophisticated. Technology is accessed through licensing, joint ventures, FDI and imitation. At the same time, embryos of an innovation-driven economy have developed, especially in the Information and Communication Technology sector, which has a high competitive potential.

Organizational innovations in *business practices* involve the implementation of new methods for organizing routines and procedures for the conduct of work. Innovations in *workplace organization* involve the implementation of new methods for distributing responsibilities and decision making among employees for the division of work within and between firm activities (and organizational units), as well as new concepts for the structuring of activities, such as the integration of different business activities. New organizational methods in a firm's external relations involve the implementation of new ways of organizing relations with other firms or public institutions, such as the establishment of new types of collaborations with research organizations or customers, new methods of integration with suppliers, and the outsourcing or subcontracting for the first time of business activities. As business model innovation is not an explicit category in the OECD definition and classification, it should be included under this category

## **2. Innovation and development policies - relation between university and SME sector**

Universities have an important role in regional innovation systems. The University role in the integrating innovation and development policies is hampered by the little presence of innovation concept and idea in the daily life. In the actors discourses, the innovation is perceived mostly as being related with invention. The public policies in the innovation field are not strongly enough to alter this perception. It is significant that during the interviews the aim of the study has to be re-worded as being the study of the role of the University in the regional economic development system, not on the regional innovation system.

The European Union gives a main role to the research, development and innovation domain (RDI) for consolidation of the competitiveness and for the economical growth; this domain will be called synthetically Research and Development (R&D). Changes occurred in technology and society demands introduce changes in traditional higher education, quality being seen as a knowledge generation in academia nowadays.

In Romania the most important objective of the Universities is the education of the young generation and through its specialization in various fields of activity. The goals of the university in this direction are: boost the cross-border economic development process by increasing the amount of entrepreneurs who are establishing start ups cross-border; to upgrade human resources by enhancing the number of start-up entrepreneurs cross-border with viable business plans and by training local trainers.

During programming period 2007-2013, Romania and special North East of country will benefit significantly from structural and rural development funds, and will receive about 17 billion Euro in Structural Funds (includes 11.143 for convergence) and approximately 8 billion Euro in agriculture and rural development funds. These resources offer the financial means to address critical and strategic local needs, but also pose significant challenges in terms of absorption capacity, effectiveness and efficiency of expenditures. Strategic thinking, selectivity and synergies between operational programs, especially territorial aspects of regional and rural development are important to maximize the impact and absorption of EU funds.

### **3. Material and methods of research – the comparative introduction of the economical environment from Suceava town and Chernivtsi area.**

From a study made by The Ministry of Regional Development and Housing of Romania there result that the North-East region is the less developed area of Romania. A major problem recorded in Suceava County is the un-industrialization process to which it was subjected in the last 10 years, which brought to an aggravation of the economical situation. Another major problem that has the Suceava County in this moment is the migration of the work force because of the missing work places, of the precarious remuneration and of the fact that the young people aren't motivated to start their own business or to work in manager positions.

According to the National Agency for Occupying the Workforce Suceava the work market from the county is confronted, from 2007, with the dismissal of 1.475 wage workers. The statistics show that, even if the rate of the unemployment is a lower one in Romania (7,2% in November 2007), there are a lot of young people that don't have a work place. According to the dates presented by the statistical arm of the European Commission (Eurostat), in the third trimester from 2007, Romania was situated on the second place from the countries members of the European Union, as regarding the unemployment rate of young people (21,9%). In our country, even if there is a staff crisis, finding a work place isn't an easy mission. At present Romania is confronting with a high lack of qualified work force, and the qualification level had become, in over 80% from the cases, the main criteria for hiring the personnel from SMEs.

Collaboration between North east region of Romania and Chernivtsi means and promotion of the Romanian Ukrainian cross border area and attraction of foreign investments, development of collaboration with similar organs and institutions from the EU and participation in international projects with regional and local interest.

Within the general policy context set out above, cross-border cooperation (CBC) has an essential role to play, distinct from other forms of cooperation by virtue of operating for the benefit of both sides of the EU's external border, and drawing on funding from both external and internal headings of the EU budget.

According to a study regarding the competition from the SME sector made in 2006 in the North-East region there is recording a low number of SMEs, under 18 SMEs/1000 inhabitants while the country average is 26 SME/1000 inhabitants, and the European average is over 50 SME/1000 inhabitants. In Romania there is also a lack of mobility of the firms, by existing few business transfers, few place changes. This conservatism can be noxious regarding the management of change, the fast adaptation on a new conjuncture. According to the same study the majority of the entrepreneurs from Romania are starting off a business in another domain than the one which they have been prepared to, which isn't good regarding to the professionalism side and to the capacity to be in the top of the profit firms. Romania is situated between the countries with very weak number of the young people in businesses, and giving some extra chances to the young people to launch themselves in businesses, to utilize the capacities in the country's advantage must be seen as an investment with big shot for success.

Between the constraints identified in Suceava county and which impose this research as a necessity are counting the next ones: the absence of some significant investors, a low level of the cooperation between the economical agents from Suceava county and Chernivtsi area, a low level of the entrepreneurial spirit and the absence of a tradition and an entrepreneurial culture in the aimed regions, the absence of some models, of some positive examples to inspire them and to motivate the young people to involve themselves in entrepreneurial activities.

Analyzing the situation from the Chernivtsi area it is determined that the problems and needs are similar with the ones from Suceava county: low level of the foreign investments, massive migration of the work force to the occident, very low technology, low level of the remuneration, high level of the unemployment.

#### **4. The role of university in business environment - project Young entrepreneurs in Bucovina**

The political environment of the European Union is trying to mobilize the universities because of them to bring the complete contribution to the Lisbon Treaty “Studying must include beside the specialty knowledge also transverse abilities (for example the ability to work in a team and the entrepreneurship)”.

The researchers and the experts from the entrepreneurial domain have shown within numerous studies that the founding of new enterprises represents a key element in the development process and economical refreshment. The new firms generate work places and contribute to the development, implementation and propagation of the innovations having, in this way a positive impact on the economical growth in general.

The activities nominated in this project aim the entrepreneurs forming, capable to start off and administrate a business and will be organized in collaboration with the young people from Chernivtsi, which will lead to create a community of future entrepreneurs with a modern vision in the business domain, which will contribute to the activation of the local business environment. This will lead to the overtaking of the regional lack of balance and to the intensification of the economical and social integration process of the area. Consequently within this project it is facilitated the mobility of the young people from Bucovina, that will contribute to the development of a prosperity area and of a cordial neighborhood.

Promoting the entrepreneurship it will be realized within understanding the statute and the importance of the entrepreneurship in the economical and social life of the area and also within creating an entrepreneurial culture. Within the promoting and the development of an entrepreneurial culture it is evidenced the three dimensions of the attitudes and of the entrepreneurial behavior, “the innovativeness”, “risk assuming” and “the proactivism” (the vocation for implementation).

The activities included in this project aim to create an optimum background for collaboration, background that it is necessary for forming, preparing and for professional improvement of the young people, and also for creating, maintaining and developing some communication channels between the communities from the border area of Romania with Ukraine.

The project aims the forming of future entrepreneurs capable to start off and to administrate a business in the border area. This will be realized within a correct and complete informing on the possibilities of founding, developing and funding of the own businesses and also within the development of some practical activities which will have as finality the development of the entrepreneurial spirit and of some abilities and attitudes necessary to some future entrepreneurs.

The actions of this project will develop the entrepreneurial abilities for the Romanian and Ukraine young people with the aim to create communication and durable cooperation links in the entrepreneurial domain, in the border area. Within the development of the entrepreneurial abilities it is encouraged the free initiative and the involvement of the young people in the economical life of the area, basing an efficacious collaboration. Within this project it is encouraged the creative utilization of the knowledge about the local needs and interests, to promote activities and events, where persons from one and the other side of the frontier to meet each other, to work together and to participate with regularity to different commune activities. It is desired to offer to the young people a practical alternative to the knowledge cumulated in the university background creating in this way a community of young people with entrepreneurial abilities. During the development of the activities, the participants will receive support from the trainers to put into practice their ideas, respective in writing some viable business plans for the border region and in their implementation. It is also kept in view starting some firms by participants.

The participants to this project will assimilate, through these trainings for start-up in business, leadership and negotiation, some strategies, techniques and instruments, that will help them to fulfill the professional attributes, no matter their nature, in a much creative and efficient way.

The problem of the entrepreneurship is very important also for Ukraine and also for Romania, and it's solving is seen as being a progress and a development source. Unfortunately, because of the lack of knowledge and entrepreneurial abilities, the young people from the border area of Romania with Ukraine avoid the start-up in business domain, even if the potential of economical development had by Suceava county and Chernivtsi area is big.

This project will help the young people from these regions to be aware of the importance of the entrepreneurship, also as practical alternative for carry into effect the knowledge obtained in university and also as initiation way in the business domain.

The project aims, among other things, the education of 18 young people regarding the opportunities of starting off, developing and funding of a business and forming them in the business domain, elaborating 5 business plans viable for the border region, which will be presented to some business mans or bankers for obtaining a financing and for founding at least a firm. Moreover, the activities that will be developed in this project will lead to the forming of some durable bounds between the young people from the border area of Romania with Ukraine, the entirely program being a promoting campaign of the entrepreneurship and of the entrepreneurial culture. The project aims to develop a new generation of Romanian and Ukrainian entrepreneurs with proper abilities, and also with responsibility, spontaneity, adaptability, initiative and managerial spirit and to encourage the young people to start off a business in the cross-border area.

The activities included in this project have the purpose of creating one optimum collaboration staff, necessary for professional forming, preparation and perfecting of the young people, as well as creation, maintaining and development of some communication channels between the two areas of Bucovina. The creation of this favorable context will allow the exchange of experience between young people from Bucovina as well as the identification of the collaboration opportunities between them. From a study made by CERB (Centre for Entrepreneurship and Business Research) in 2007 about feminine entrepreneurship from Romania results that "the main motivation for IMM owners to involve in entrepreneur activities was detecting a business opportunity. On an average, 55% of the IMM owners declared that they started a business from the reason mentioned".

Through this project it desires to offer to the young people a practical alternative to the accumulated knowledge during university, creating in this way a community of young people with entrepreneur aptitudes. The participants will get support from the trainers for putting in practice their ideas, and for writing some viable business plans for border region and in their implementation. The young people will get assistance in establishing their personal firms as well. Concerning that in present Romania confronts with an acute absence of qualified working force and with a very high level of unemployed young people, through this project we propose to offer to the young people the possibility of perfecting and putting in value their potential. The project can be described as a preparing program of human resources in entrepreneurship domain, which will contribute at the development of business average from the boarding area of Romania with Ukraine. Because young people representatives in business average is very reduced, and SME's number from Suceava is reduced as well, we propose to support young people in writing their business plan for accessing the finances from European programs and to offer assistance in implementing business ideas and in start up firms.

Between the constraints identified also in Suceava county and also in Chernivtsi area and which impose this project as a necessity it is counted the followings: low number of SMEs, a very high level of the unemployment rate between the young people (21,9%), week representatives of the young people in businesses, a low level of cooperation and of the information flow between the communities from the border region, a low level of the entrepreneurial spirit and the lack of an entrepreneurial tradition and culture in that regions, the lack of some models, some positive

examples which to inspire the young people and to promote them to involve themselves in entrepreneurial activities.

### **Conclusions**

The result extension of this project will be centered mainly on continuing exchange experience in the entrepreneurial domain, extending the collaboration also in the social domain and promoting the project to the regional level as “best practice” model. This project can constitute an example of developing the entrepreneurial competences and of cross-border cooperation and can be a model for other organizations from the area or from the other regions of the country. The persons involved in this project can also be the information multipliers in the entrepreneurial domain, in the organizations, faculties or other groups that they belong to.

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