

## THE BUSINESS PLAN – A PREREQUISITE OF FEMALE ENTREPRENEURIAL SUCCESS IN THE WESTERN PART OF ROMANIA

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*It is more and more obvious that a proper planning of various activities/actions is a key of long-term success of a business organization. Writing a well grounded business plan is not easy, but nobody says that. What we can state is the fact that is worth it! Certainly no business plan guarantees success, but at least reduces the risk. And so the vulnerability can and should be reduced and kept under control. My research topic is integrated within the framework of the project called “The Entrepreneurship and the Equality of Opportunities. An Inter-Regional Model of Entrepreneurial School for Women (AntrES)”, implemented in 6 counties situated on the Western border of Romania. The main objectives of my paper were to explore the chances for success of the futures business delineated in the business plans and to prove that these business plans represent a resource of the female entrepreneurship in the Western part of Romania.*

Keywords: *business plan, correlation coefficients, female entrepreneurial success*

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### **Introduction**

Today, the topic on the agenda is the crisis! More or less knowledgeable, but more numerous are those who complain of excessive consumption, lack of entrepreneurial spirit and culture of winning. Romania's entrance in the second project of modernity, the European integration process involves: 1. To break the blockage on periphery condition; Romanians to be otherwise and Romanians to be someone else, to internalize the culture of democracy and entrepreneurship 2. To leave the logic of loss, represented by the fact that modernity has not been treated first organically, the formula for importing institutional recipes was preferred, of change from top to bottom, in the absence of standards regarding consistency and time horizon of transformation<sup>245</sup>. Paradoxically, as the world is economically integrating and as the global economy becomes more and more open, more important are small businesses<sup>246</sup>. Spirit of democratic capitalism, which has led to development was to encourage individuals, based on the understanding that it represents the main source of economic and social power<sup>247</sup>. Learning a new culture of the area located far enough from habitat of forms without substance, focusing on proactive attitude and the direction change from the bottom up, is conditioned in our opinion by the definitely desertion of what the team of researchers led by Polish sociologist Piotr Szompka called the “culture block”. It is a cultural background acquired over four decades of socialist regime characterized by: the predominant orientation towards the sphere of private life against the public one, to the detriment of future past, to a rather fatalistic attitude to the detriment of the individual acting power, by utility at the expense of truth<sup>248</sup>. If traditionally men were those in the leadership of a company and dealt with assertiveness, often exclusive, their professional career, in the present context the chances of women to develop a successful career substantially increased, to occupy leadership positions, to set up their own businesses. Of vital importance for a successful business

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<sup>245</sup> Dinu Marin, Globalizarea. Modelul explicativ, a supplement of the journal Economie teoretică și aplicată, seria Sinteze, p.63, 70

<sup>246</sup> Naisbitt John, Global Paradox, Avon Books, New York, 1995

<sup>247</sup> Novak Michael, The Spirit of Democratic Capitalism, New York: Simon and Schuster, 1982

<sup>248</sup> Cf. C. Mereuță, L. Pop, C. Vlaicu, L. Pop, Culturi organizaționale în spațiul românesc. Valori și profiluri dominante, Editura Expert, 1998, pp. 31-34

is apart from confidence in your own strengths, a more careful planning and more realistic. An indispensable tool designed to increase chances of success of any entrepreneur is the business plan. Writing a well grounded business plan is not easy, but nobody says that. What we can sustain is the fact that is worth it! Besides rationality, intuition plays an important role for an entrepreneur. Businesses are not built with dreams. But neither without them! It is estimated that women are inclined to a more careful and prudent analysis regarding business risks, which emphasizes the role of the business plan by the effects of an increased clarity and a greater realism. Certainly no business plan guarantees success, but at least reduces the risk. And so the vulnerability can and should be reduced and kept under control. It is crucial to become able to identify and recognize the challenges imposed by new risks for what they really are: opportunities for defining new directions to stimulate renewed activity in the context of our aspirations for growth and social reality<sup>249</sup>.

My research topic is integrated in the framework of the project called “The Entrepreneurship and the Equality of Opportunities. An Inter-regional Model of Entrepreneurial School for Women (AntrES)”, implemented in the Western border of Romania in the follows counties: Bihor, Timiș, Arad, Maramureș, Caraș-Severin, and Satu-Mare.

My main objectives were to explore the chances for success of the futures business delineated in the business plans and to prove that these Business Plans represent a resource of the female entrepreneurship in the Western part of Romania.

### **Materials Studied and Methodology Approach**

The study was conducted based on two questions: “Why do most business plans developed by students concern the services sector?”, “What is the value of their business plans for female entrepreneurship in western Romania?” So have emerged two working hypotheses:

- First case: the services sector is generally dominated economy, the economy in western Romania in particular, as demonstrated by the number of viable SMEs in this sector which is “a guarantee” for female entrepreneurs in western Romania;
- Second case: a lot of business value lies in its founder's mind, and because business plans are drawn up in a very special asset, although you will need to study and learn more about the importance of intellectual capital and on unaudited values.

The Business Plans - 360 were issued during July 1 to December 31, 2009, of the 360 graduates of the Entrepreneurial School organized at the level of 6 Territorial Centers: Bihor, Timis, Arad, Maramures, Caras-Severin, and Satu-Mare (144 female managers, ages 20-66, monthly income – 2611 lei; 144 women wishing to start a business, ages 19-58, monthly income – 1197 lei; 72 women-formators who recently graduated Economics). In the 6 months that were conducted business school courses, the 360 students developed, based on identified business idea and developed gradually over the 6 issues: a business plan for starting a business or for business growth which they already have. Developed business plans include information on: business, products and services, marketing, sales strategy, customers, competitors, location, management, personnel, financial issues.

AntrES general objectives aim on one hand side, the development of entrepreneurial and managerial skills of women in counties located along the western border of Romania (Maramures, Satu Mare, Bihor, Arad, Timis, and Caras-Severin), the improvement of the current performance and their training, the development of the entrepreneurial spirit and the generation of an increasing number of businesses, both rural and urban; on the other hand, the promotion of equal opportunities in entrepreneurship by encouraging women's involvement generally, rural women in particular, the initiation and development of their own businesses in the context of

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<sup>249</sup> Giarini Orio, Stahel Walter, *Limitele certitudinii. Înfuntând riscurile în noua economie a serviciilor*, ediția a II-a revizuită, Editura Edimpress-Camro, București, 1996, pp.110-111

sustainable development of communities in the counties located along the western border of Romania.

The research based on theoretical documentation, analysis of documents prepared in the Territorial Centre 6: Bihor, Timis, Arad, Maramures, Caras-Severin, and Satu Mare and on collecting data from the participants, allowed the analysis of business plans and testing the two working hypotheses.

### Results and discussion

Out of the 360 business plans developed by women in the 6 counties located on the western border of Romania, 314 business plans, or 87.23% have a business idea based on the services sector. By counties, the order is: Arad (95%), Caras-Severin (91.66%), Satu Mare (90%), Bihor (86.66%), Timis (83.33%), and Maramures (76.66%).

Business Plans distribution on major sector activities – Western Part of Romania

SECTOR	Business Plans developed BIHOR		Business Plans developed TIMIȘ		Business Plans developed ARAD		Business Plans developed MARA MUREȘ		Business Plans developed CARAȘ-SEVERIN		Business Plans developed SATU-MARE		Business Plans developed in the 6 counties	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Agriculture, forestry, fishing	5	8.33	3	5	1	1.66	8	13.33	-	-	1	1.66	18	5.00
Industry, energy	3	5	6	10	2	3.33	4	6.66	5	8.33	5	8.33	25	6.94
Construction	-	-	1	1.66	-	-	2	3.33	-	-	-	-	3	0.83
Services	52	86.66	50	83.33	57	95	46	76.66	55	91.66	54	90	314	87.23
<b>TOTAL</b>	<b>60</b>	<b>100</b>	<b>60</b>	<b>100</b>	<b>60</b>	<b>100</b>	<b>60</b>	<b>100</b>	<b>60</b>	<b>100</b>	<b>60</b>	<b>100</b>	<b>360</b>	<b>100</b>

Source: author's calculations based on data provided by partners: Bihor, Timiș, Arad, Maramureș, Caraș-Severin, Satu-Mare

In developing the 360 Business Plans, 60 for each territorial center, the Entrepreneurial School graduates had in mind the opportunities of the area: the favorable geographical location, close to the borders of western markets, economic development top the national average, business friendly environment, skilled labor and business opportunities in areas as services, tourism, trade, agriculture.

Several SMEs are operating in the 6 counties, whose number and distribution sectors are presented below:

Number of active SMEs as the sector in western Romania, 2007

SECTOR	Business Plans developed BIHOR		Business Plans developed TIMIȘ		Business Plans developed ARAD		Business Plans developed MARA MUREȘ		Business Plans developed CARAȘ-SEVERIN		Business Plans developed SATU-MARE		Business Plans developed in the 6 counties	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%

SECTOR	Business Plans developed BIHOR		Business Plans developed TIMIȘ		Business Plans developed ARAD		Business Plans developed MARA MUREȘ		Business Plans developed CARAȘ-SEVERIN		Business Plans developed SATU-MARE		Business Plans developed in the 6 counties	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Agriculture, forestry, fishing	518	2.88	718	3.22	698	5.68	504	2.75	349	3.79	342	4.19	3129	3.54
Industry, energy	2082	11.59	2443	10.96	1593	12.97	2314	12.63	1181	12.84	1151	14.11	10764	12.20
Construction	1583	8.81	2236	10.03	1116	9.09	1645	8.98	952	10.35	1241	15.23	8778	9.95
Services	13771	76.72	16883	75.77	8867	72.24	13853	75.64	6709	72.98	5420	66.47	65503	74.28
<b>TOTAL</b>	<b>17954</b>	<b>100</b>	<b>22280</b>	<b>100</b>	<b>12274</b>	<b>100</b>	<b>18316</b>	<b>100</b>	<b>9191</b>	<b>100</b>	<b>8154</b>	<b>100</b>	<b>88174</b>	<b>100</b>

Source: Statistical Yearbook Romania, 2007 and author's calculations based on statistical data: Bihor, Timiș, Arad, Maramureș, Caraș-Severin, Satu-Mare County Directorates of Statistics, 2007.

In the 6 counties researched, the number and structure of employment are as follows:

Primary data on employed population, absolute and per cent values – Western Part of Romania, 2007

*thousands of persons*

EMPLOYED POPULATION 2007	Employed population in BIHOR		Employed population in TIMIȘ		Employed population in ARAD		Employed population in MARA MUREȘ		Employed population in CARAȘ-SEVERIN		Employed population in SATU-MARE		Employed population in The six counties	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Agriculture, forestry, fishing	87	31.28	74.1	22.09	47.5	22.45	73.2	37.16	42	34.26	56.1	37.25	381	29.34
Industry, energy	71.6	25.75	92.8	27.66	68.6	32.42	46.2	23.26	27.4	22.35	38.6	25.63	345	26.6
Construction	14.5	5.21	20.9	6.23	10	4.71	8.5	4.28	7.1	5.79	7.9	5.25	68.9	5.31
Services	105	37.76	148.2	44.02	85.9	40.51	71.0	35.32	46.5	37.60	51.4	31.87	508.01	38.75
<b>TOTAL</b>	<b>278</b>	<b>100</b>	<b>336</b>	<b>100</b>	<b>212</b>	<b>100</b>	<b>199</b>	<b>100</b>	<b>123</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>1303</b>	<b>100</b>

Source: Statistical Yearbook Romania, 2007 and author's calculations based on statistical data: Bihor, Timiș, Arad, Maramureș, Caraș-Severin, Satu-Mare County Directorates of Statistics, 2007

Research links (interdependence) between business plans developed by industry sector (y) and the number of active SMEs by sector (x<sub>1</sub>) that the number of employed population by sector (x<sub>2</sub>) was performed using the Simple correlation coefficient (or statistics), denoted by “r”<sup>250</sup>:

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

Where:

x<sub>1,2</sub> - independent factor, x<sub>1</sub> - the number of active SMEs by sector, x<sub>2</sub> - the number of employed population by sector

y - dependent factor;

The Simple correlation coefficient “r” can take values belonging to the interval (-1,1). The symbol “r” shows us the meaning of relationship and the value of “r” shows the intensity of the link.

When “r” is positive, between x and y factors, there is a direct link, and when “r” is negative, the link between the two factors is indirect. If:

r ∈ (0,0,2) there is no connection between the two factors;

r ∈ (0,2-0,5) between the two factors exists a weak link;

r ∈ (0,5-0,75) between the two factors exists a link of medium intensity;

r ∈ (0,75-0,95) between the two factors exists a strong link;

r ∈ (0,95-1) between the two factors exists a very strong link (deterministic relationship between the two factors).

Correlation Coefficients for the six counties analysed, separate and cumulated – Western part of Romania, 2007

<b>Correlation Coefficient Value (r)</b>	<b>BIHOR</b>	<b>TIMIȘ</b>	<b>ARAD</b>	<b>MARAMUREȘ</b>	<b>CARAȘ-SEVERIN</b>	<b>SATU-MARE</b>	<b>Cumulated (from the 6 counties)</b>
Correlation between y and x <sub>1</sub>	0.98	0.99	0.98	0.98	0.98	0.97	0.98
Correlation between y and x <sub>2</sub>	0.75	0.85	0.74	0.76	0.70	0.60	0.73

Source: author’s calculations based on data provided by partners: Bihor, Timiș, Arad, Maramureș, Caraș-Severin, Satu-Mare

Interpretation of results:

- The positive signs of the two coefficients indicate a direct link between the indicators measured;
- The values of two coefficients shows that there is a strong link between the business plans by sector and the number of active SMEs by sector and a moderate link between the business plans and the number of employed population by branch.

In our opinion, the results show that:

1. in developing business plans for expansion / development of business owned, for starting a business, respectively, the female managers, respectively women who want to start a business have taken into account general trends and examples of success. We can assume

<sup>250</sup> Ionciă Maria (coord.), Probleme-Proiecte-Teste, Editura Uranus, București, 1997

that they have been strongly influenced by the specific examples that they saw nearby: functional service companies, business owners in this domain, “entrepreneurial success stories” etc. There were no differences by county. At this point we can launch the assumption that the 360 graduates of the Entrepreneurial School at local level in western Romania have “carefully weighed their chances of success and have opted for services because it is a sector with potential and can provide some security”;

2. the factor, the existence of a skilled workforce was considered to a lesser extent in developing business plans for expansion / development of business owned, respectively for those starting a business by the 360 graduates of the Entrepreneurial School at local level in western Romania. The results are more different by counties, the intensity of the relationship between the two indicators in a decreasing order are as follows: Timis (0.85), Maramures (0.76), Bihor (0.75), Arad (0.74), Cara- Severin (0.70), Satu-Mare (0.60). We state that the majority of the employed population is working in trade, industry dominated by the big players with a large number of workers per commercial unit.

## Conclusions

Therefore, the first working hypothesis is verified: the services sector generally dominates the economy, the economy in western Romania in particular, as demonstrated by the number of viable SMEs in the sector and the share of employed population in services, which represents “a guarantee” for the 360 women-manager, respectively women who want to start a business, and have pursued rationally and intuitively to reduce the risk of failure.

Long-term success of a business organization considers Harrington & Harrington<sup>251</sup>, is determined by three main categories of factors: 1. proper planning of various activities / actions: 2. proper implementation of various plans / strategies, 3. luck/chance or non-chance in a given context (but the chance never comes to an unprepared mind). Results to confirm this second hypothesis, namely: “a lot of business value lies in its founder's mind, and therefore developed business plans are drawn up in a very special asset although we will need to study and learn more about the importance of intellectual capital and monetary values / unaudited”. What entitles us to say this?

First of all, the fact that developing a business plan is a first step towards success in business because in its development, the female-entrepreneur will have to find answers to many different questions that will allow better knowledge of the business. This will receive a shape/form and *anything with shape can be defined and everything that can be defined can be defeated*<sup>252</sup>. Work remains unrewarded because it changes the entrepreneur who: is able to avoid some mistakes because she has already overcome the mind, gains the skills to plan a business and thinks on a long-term, gains confidence in her managerial capacity to initiate and conduct business effectively, develops her skills to be persuasive in presenting ideas on which the business is based. And *running a business is not just something in terms of improved production, improved quality control, improved labor relations, (and) improved management of creative personnel, but it is management that improves the person involved and improves the world*<sup>253</sup>.

Second of all, the business plan becomes a resource. Resources are everything (good, service, idea etc) that can be used in a business. Currently, traditional resources are added to others. The Business Plan presents the characteristics of resources: by its appropriate use we may gain profit, it appears as an expense and therefore has value and price, it can be replaced and supplemented with other resources, and in some ways it can be mobilized (put on moving). The great advantage

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<sup>251</sup> Harrington H.J., Harrington J.S., **Management total**, Editura Teora, București, 2001, p.86

<sup>252</sup> Cleary T., *The Lost Art of War*. Sun Tzu II, Harper Collins Publishers, New York, 1996; translation into Romanian:

**Sun Bin – Nobila artă a războiului. Manuscrisul ascuns**, Editura Incitatus, Pitești, 2004, p. 120

<sup>253</sup> Maslow A. H., **Eupsychian Management**, Richard D. Irwin, Homewood, Illinois, 1965, pp. 1-2

of this resource, other, is the fact that it depends almost exclusively on the female-entrepreneur and can be “certified” in accordance with her own objectives and abilities.

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