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## Rural Entrepreneurship – Aggregation Factor of Local Stakeholders!?

### *Abstract*

The Romanian rural area is characterized by high conservatism, at attitudinal level, and to be an entrepreneur, under these circumstances, is a social innovation. Furthermore, this role is assumed in the conditions of an extremely unfavourable business environment.

The present study intends to clarify the rural entrepreneurship capacity to form a nucleus that should gather round it the whole rural community, so that the actions of all the rural players should contribute to the economic and social community development. An answer to the following question is attempted here: "can the rural entrepreneurs establish rural network nodes?"

**Keywords:** entrepreneur, rural network, rural development

**JEL classification:** D85, L26, R11

### Who are the entrepreneurs?

Max Weber defined *the ideal entrepreneur type* as a person characterized by the positive definition of the situation, a great capacity to accept the risk and a high valorization of work.<sup>3</sup>

In an economic reform environment, to be an entrepreneur, as Dumitru Sandu stated in a recent work<sup>4</sup>, is a *social innovation* on one hand, and an *adaptive response reaction to the economic environment challenges*, on the other hand. The *novatory* character of the entrepreneurial manifestations results from the need to learn a new social role, which was denied and blamed during the communist period; furthermore, this role is assumed in the conditions of an extremely unfavourable business environment. Assuming an entrepreneurial behaviour can be considered, in such conditions, as an active response to the economic environment challenges by adopting a new economic strategy for survival or for success.

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<sup>3</sup> Weber, M., *Etica protestantă și spiritul capitalismului*, Ed. Humanitas, 1993

<sup>4</sup> Dumitru Sandu, *Spațiul social al tranziției*, Editura Polirom, 1999

The Romanian rural area is, by excellence, an agrarian, patriarchal one, which imprints, at attitudinal level, quite a high conservatism level. Private initiative development has to face the social pressure that targets the preservation of the pre-existing social and economic order.

In this context, the present study intends to clarify the rural entrepreneurship capacity to form a nucleus that should gather round it the whole rural community, so that the actions of all the rural players should contribute to the economic and social community development. An answer to the following question is attempted here: "can the rural entrepreneurs establish rural network nodes?" In order to have this function, the perception of the entrepreneurs should consider them as a social category able to assume this role. In this context we shall firstly consider *the public perception of the entrepreneurs*; secondly, *the authorities' perception of the entrepreneurs*. On the other hand, the entrepreneurs themselves must also accept assuming the role of rural development network node – *the entrepreneurs' point of view* being the last item of the study.

The following documentation sources were used: the data from the OSF Rural EuroBarometers from 2002 and 2005 as well as the conclusions of the field surveys conducted by the team of researchers from the Institute of Agricultural Economics of the Romanian Academy.

## I. Public perception of the entrepreneurs

The modality in which the rural people perceive the entrepreneurship involvement in actions generating the progress of the community is reflected by the structure of answers to two of the questions of the Rural EuroBarometer of 2005 regarding: 1) *the causes of success/failure of a community project* 2) *hierarchization of persons with initiative who have done something for the rural community*.

From the analysis of the answers from the representative sample, it results that the determinants of the success of a community project are, in the first place, the social cohesion and solidarity, as 40 % of the respondents consider that a community project would have success as "it would be in the interest of all people", while other 36% consider that the success is due to the contribution in labour of the members of the respective community.

In the public perception, the entrepreneurs' involvement in a successful community project would be low, only 5% considering that the firms would contribute with money and assets to the project.

Figure 1. Listing the causes of community project success / failure



Data source: Rural Euro Barometer, OSF, November 2002

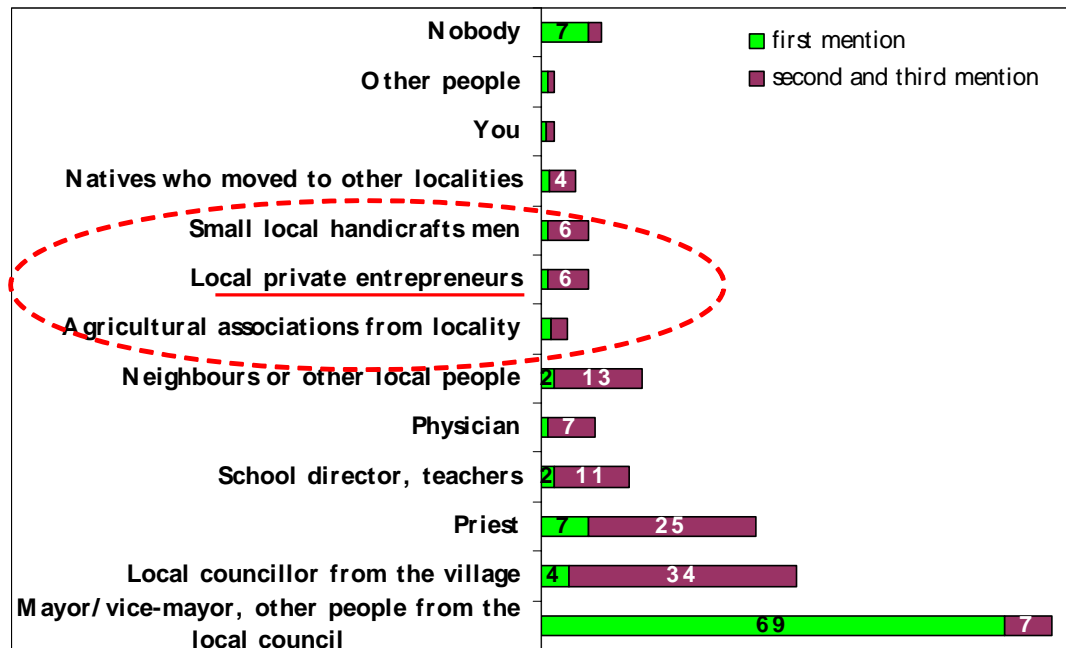
The failure of a community project, in most respondents' opinion, is due to the local authorities; there is also another cause, mentioned by 12% of the respondents, according to which the members of the community, mainly those who would have the necessary resources to finalize the community projects, i.e. the entrepreneurs, "don't care about the village".

In the respondents' opinion, the main element that would recognize the contribution of entrepreneurs to the community development initiative is the answer to the question "Who are the people with initiative who have done something for your village?"

In the respondents' opinion, the mayors, followed by the local council and priests are considered as the most important initiators of the actions meant to improve the living conditions in the locality. Only 6% of respondents consider that the private entrepreneurs in the locality had initiatives benefiting the community. Other 6% consider that the small handicraftsmen in the locality also contributed to the initiation of community projects. As a result, only 12% of respondents

consider that the local entrepreneurs are the initiators of actions benefiting the community; yet, it should be specified that this percentage refers to the second and third answers of the interviewed people and not as a first answer.

Figure 2. Who are the people with initiative who have done something for your village?



Data source: Rural Euro Barometer, OSF, November 2005

As a result, the public perception of the entrepreneurs' capacity to set up network nodes generating community development is rather a negative one, most of the interviewed people in November 2005 considering that the private firms contribute to the success of community projects only to a low extent and they are not among the main initiators of actions benefiting the community.

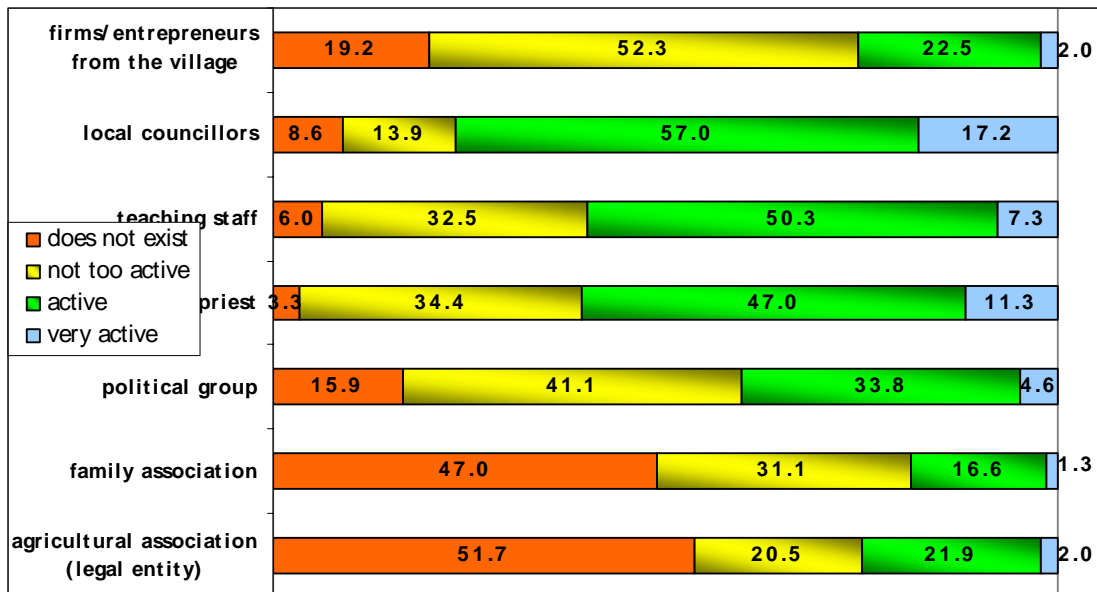
## II. Authorities' perception of the entrepreneurs

Not only the population's perception in relation to the entrepreneurs' involvement in the community development is important, but also the public authorities' perception, as most often the community problems can be solved up only on the basis of a public-private partnership. To what extent this partnership operates and whether it actively involves the local entrepreneurs or only the private persons are questions that get a complete picture of the local perception regarding the entrepreneurs; it is these questions that can

be best answered by the public authorities' representatives as part of this partnership.

The authorities' perception of the entrepreneurs was reflected by the answer to two questions addressed in the Rural EuroBarometer of 2002 to the representatives of the local public authorities. On one hand, these questions target the involvement of the local players in solving up the community problems, also including here the local entrepreneurs as a reflection of the public-private partnership operation. On the other hand, the answer to the second question is meant to reflect, as in the case of the public perception, the perception of the local players' capacity, of the entrepreneurs' capacity in particular, to exercise their influence in the direction of solving up community problems. The higher the capacity of a local player to influence the solving up of community problems, the more it can be estimated that the respective local player can represent a central factor, aggregating the local stakeholders.

Figure 3. How actively are the following players involved in solving up the local problems?



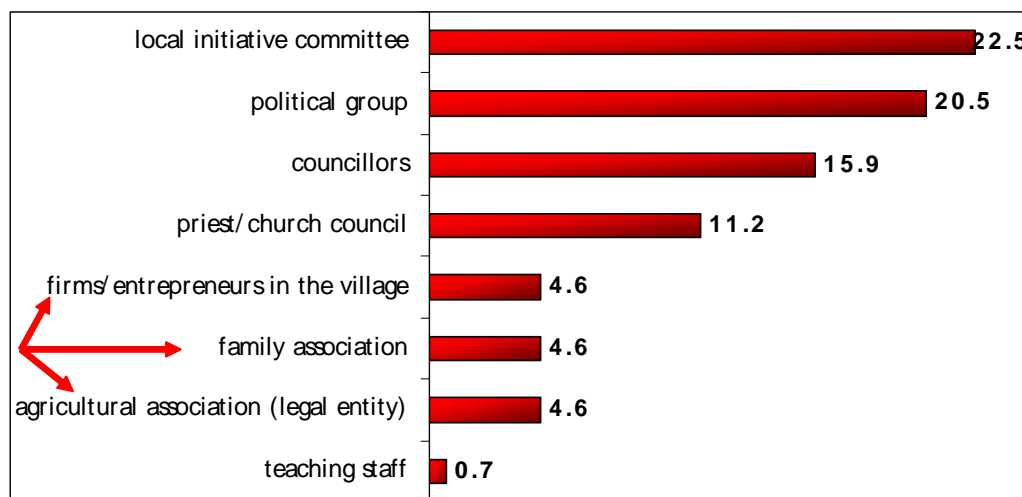
Data source: Rural Euro Barometer, OSF, November 2002.

As regards the involvement in solving up the local problems, the local public administration representatives have rather a negative perception of the local entrepreneurs. Yet, it should be highlighted that, compared to the public perception, at the public administration level there is a more important valorization of the private entrepreneurs' contribution to solving up the community problems. While only 5% of the interviewed private persons considered that the private firms also contribute to the success of a community project, 24%

of the public authorities' representatives consider that the firms from the village are actively and very actively involved in solving up the local problems. Yet this percentage is much lower compared to the other local players (councillors, teaching staff and priest).

The family associations and the legal associations are not very much appreciated either as regards their involvement in solving up the community problems. The latter set a record as regards the absolute non-involvement, as about half of the local public administration representatives considered that in 2002 the involvement of these two institutional players in solving up the local problems "was null".

Figure 4. Which local players mostly influence the solving up of the community problems?



Data source: Rural Euro Barometer, OSF, November 2002

In the public authorities' perception, none of the private initiative representatives has the capacity to influence the solving up of the community problems – neither the firms in the village nor the family association or the legal association. As a result, none of the above-mentioned players will be considered by the public authorities as an aggregation factor of community development initiatives as their power to impose their point of view is not recognized.

### III. The entrepreneurs' point of view

As a result of the above-mentioned facts, it can be estimated that learning adaptive answers to a hostile business environment influences the entrepreneurs' behaviour rules.

The great challenges of the business environment generate private entrepreneurial responses that rather hinder the positive and progressive manifestations of the entrepreneurial spirit. Thus, the four greatest difficulties that the entrepreneurs are facing are the following:

- Economic, legal and institutional *instability*, generated by setting the economic structures on capitalist bases, by the frequent modifications of legal provisions regulating the business environment and by the great mobility in the establishment and liquidation of certain institutions, in investing and limiting their attributions. The entrepreneurship response is materialized in the high valorization of *prudence* and the diminution of *risk tolerance* as adaptive reactions to the negative perception of the economic environment
- *Low solvent demand* resulting from the rural population poverty limits the business opportunities and the growth possibility of firms, which hinders the structuring of competition markets
- *Corruption*, which tends to affect all the structures and representative institutions of the state, continuously *erodes the institutional trust*, generating a particular form of survival strategy, based upon solving up the problems that would fall into the responsibility of these institutions by certain modalities outside the acceptable legal system
- The existence of significant *regional differences* regarding the business opportunities acts either as a *catalyst* or as an *obstacle* in business dynamics, favouring the performances of firms operating in the developed regions from the economic point of view, which generate frequent market flows and hence larger incomes for all the economic players.

As a result, the entrepreneurship responses to the economic and business environment challenges highly appreciate the prudence and non-assuming the risk, with the tendency to restrict private initiative both in business growth and mainly in initiating new businesses.

*In the relation with the rural community*, the entrepreneurs adopt a behaviour adapted to the image associated to them in the public perception.

- They regard the relation with the community in the light of the cost/benefit ratio. The community needs will encourage the entrepreneurs' involvement to the extent to which their own business interests are satisfied in this way.
- For the entrepreneur, money has a productive and fruitful nature; the entrepreneur will invest in the interest of his own business, which will also bring benefits to the rural community where the business is located.

At a first glance, it seems that an antagonism exists between the attitude of rural collectivities vis-à-vis the initiators of entrepreneurial behaviour and the expectations of entrepreneurs with regard to the community where they develop their business. While the community considers that the entrepreneurs are those who exploit the natural, material, human resources only for their own benefit, the entrepreneurs consider that the members of the community would be grateful to them for the prosperity they bring to the whole community, as they

provide job opportunities, pay taxes to the authorities from which the community infrastructure is funded, etc. Given this situation, for the moment, the entrepreneurs do not represent local development network nodes.

### **References**

1. Weber, M., (1993), *Etica protestantă și spiritul capitalismului*, Ed. Humanitas
2. Dumitru Sandu, (1999), *Spațiul social al tranziției*, Editura Polirom
3. \*\*\* OSF, Rural Euro Barometer, November 2005
4. \*\*\* OSF, Rural Euro Barometer, November 2002