

**ANALYSIS OF THE ENTREPRENEURIAL ENVIRONMENT IN THE SOUTH-WEST REGION OF OLTENIA IN THE CONTEXT OF THE COVID-19 PANDEMIC**

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***ABSTRACT:** THIS ARTICLE IS BASED ON THE OBJECTIVES OBTAINED BY IMPLEMENTING THE SUSTAINABLE ENTREPRENEURSHIP PROJECT IN THE SOUTH-WEST OLTENIA REGION (POCU 82/3/7 INCREASING EMPLOYMENT BY SUPPORTING NON-AGRICULTURAL ENTERPRISES IN URBAN AREAS, ID 106931). THE BUSINESS ENVIRONMENT IN THE SOUTH-WEST OLTENIA REGION WAS SEVERELY AFFECTED BY THE COVID-19 PANDEMIC. THE START-UPS SET UP BY THIS PROJECT CROSSED THE COVID-19 PANDEMIC WITH DIFFICULTY, BUT MANAGED TO MEET ALL THE INDICATORS REQUIRED BY THE PROJECT DURING THE IMPLEMENTATION AND POST-IMPLEMENTATION PERIOD. A RELEVANT ANALYSIS OF THE ENTREPRENEURIAL ENVIRONMENT IN THIS REGION IS NEEDED TO BUILD A SUSTAINABLE FUTURE.*

***KEYWORDS:** ENTREPRENEURSHIP, PANDEMIC, DEVELOPMENT, RESTRICTIONS, SUSTAINABILITY, STRATEGIES.*

**Introduction**

Companies around the world have felt and continue to feel the effects of these behavioral changes, and economists predict that the virus will cause an economic loss of several hundred billion dollars. All major pandemics have affected humanity and business alike. Each of them has cost society between thousands and tens of millions of lives lost.

Although each pandemic is unique, and the world has changed dramatically in the last 2,500 years, they share some commonalities in how society adapts, behaves, thinks and innovates. As extreme and cruel as these diseases have been to society, each has changed the way we live and function, leading to innovations that facilitate the changes we have made in our lives<sup>2</sup>.

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<sup>2</sup> R. Birau, S. Idris, (Ed.) (2018) Promoting Global Environmental Sustainability and Cooperation, Part of the Research Essentials Collection, (pages: 260), Chapter 7 “Global Implications of Sustainability and E-Society Infrastructure in Developing Economies” (pages 162-183)

The great disasters that mankind has faced have given birth to a new world and a new order of thought that has shaped our lives for centuries and influences the way we live and think today.

The COVID-19 crisis was a seismic shock on our way of life, our way of working. Employers' and business organizations around the world have been at the forefront of efforts to help the companies they represent withstand the storm.

They also participated in the implementation of the measures through collaboration with national governments to raise public awareness and address the immediate risks to health and well-being, to save businesses and to keep jobs.

This unprecedented period requires unprecedented action. SMEs have played a central role in ensuring that these measures are appropriate and applied at the right time, and so as to produce the desired effects.

### **The influence of the global Covid-19 pandemic**

The coronavirus crisis poses a threat to the European economy and the living standards of its citizens. During this health crisis, it is vital to protect not only the critical sectors of the economy, but also our assets, technology and infrastructure. But first and foremost, we need to protect jobs and workers.

The economic impact of the coronavirus crisis varies from one economic sector to another and from one enterprise to another. It depends on a number of factors, including the ability to adapt to supply chain disruptions, the existence of stocks or dependence on "just in time" production processes.

The pandemic and the restrictions imposed by the authorities to limit the spread of the virus have substantially affected both demand and supply, the world economy contracted by 3.3%<sup>3</sup> in 2020. A sharper decline was avoided as a result of extremely broad stimulus measures. fiscal and monetary policy adopted in many countries. After significant declines in economic activity in the first half of 2020, when international trade and investment declined considerably, in the second half there was a return, amid the removal of a significant part of the restrictions, the adaptation of

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<sup>3</sup> Romanian National Bank, Annual Report 2020, p.9

economic activity to the new rules. pandemics and the prospect of implementing viable solutions for collective immunization through vaccination.

According to a report by the International Labor Organization (ILO)<sup>4</sup>, a specialized agency of the United Nations with general competence in labor and social security, by 2023, the global labor market will not return to pre-pandemic levels.

The report on employment and the social outlook in 2021 estimates that by 2021 around 220 million people worldwide could remain unemployed, with only a slight improvement expected next year.

The labor market has been severely affected by the pandemic and the recovery process will be slow. Specialists estimate that, in 2022, in the records of the employment offices, there will be 205 million unemployed - a figure much higher than the one existing in 2019, of 187 million unemployed.

"By at least 2023, employment growth will be insufficient to offset the losses suffered,"<sup>5</sup> the report said.

Increasing unemployment leads to even more extreme poverty

The massive loss of jobs has exacerbated global inequality, with women, young people and informal sector workers being the hardest hit.

According to the IOM report, since 2019, another 108 million people have ended up living in poverty or even experiencing extreme poverty.

"The pandemic has canceled five years of progress in combating global poverty."<sup>6</sup>

The UN Agency for Labor and Social Security estimates that globally, 30 million new jobs could have been created without the pandemic. Instead, many small and medium-sized companies have gone bankrupt or are facing difficulties that threaten their existence on the market.

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<sup>4</sup> ILO Report, <https://www.dw.com/ro/raport-al-onu-pia%C8%9Ba-muncii-nu-se-va-redresa-p%C3%A2n%C4%83-%C3%AEn-2023/a-57767600>, May 2021.

<sup>5</sup> Ibidem.

<sup>6</sup> Ibidem.

The world of work will be different after the pandemic.

The report predicts the beginning of an uneven growth of the labor market, starting in the second half of 2021, with the creation of about 100 million new jobs. However, the jobs that will be created will, in many cases, be insufficient. "And to make matters worse, we expect many of the new jobs to be of low productivity and poor quality."

On the other hand, the interim economic forecasts for the summer of 2021 show that the EU and euro area economy will grow by 4.8% this year and by 4.5% in 2022. Compared to previous spring forecasts, the growth rate for 2021 it is significantly higher in the EU (+0.6 percentage points) and in the euro area (+0.5 percentage points), while for 2022 it is slightly higher in both areas (+0.1 percentage points). Real GDP is projected to return to pre-crisis levels in the last quarter of 2021, both in the EU and in the euro area. For the euro area, this is a quarter earlier than expected in the spring forecast.

The Recovery and Resilience Mechanism is expected to make a significant contribution to economic growth. The total value of the wealth generated by the Mechanism in the period analyzed in the forecasts would reach approximately 1.2% of the EU's real GDP in 2019.

18 months after the start of the pandemic, GDP growth forecasts for 2021 have been revised upwards (+ 5.6%), but they are mainly the result of positive developments in the United States. The improved growth outlook is reflected in world trade: after a 5% drop in volume last year, Coface forecasts an 11% increase for 2021<sup>7</sup>.

### **The influence of the Covid-19 pandemic in Romania**

In Romania, for the whole of 2020, the decline in real GDP was only 3.9%<sup>8</sup>, less severe than that recorded in the European Union (-6.1%). A contribution in this regard is associated with the structure of the economy, in the sense that the tourism and hotel sector - the segment that feels the strongest effect of the pandemic crisis - has a low share locally compared to other countries. At the same time, the less pronounced adjustment of the Romanian economy for the whole year

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<sup>7</sup> Barometer T2 2021: A changing world

<sup>8</sup> BNR, 2020 Annual Report, p.9

was also due to the introduction with a certain gap of lockdown measures, which favored the registration of one of the most alert real GDP growth in the first quarter in Europe.

The survey conducted by Omnicredit revealed the difficulties faced by entrepreneurs in the first 6 months of 2020

At the country level, half of local small businesses reported decreases in revenue in the first half of 2020, only 26% of small business owners said that their income increased during this period, and 83% of employers said that additional capital was required.

A study conducted by Omnicredit<sup>9</sup>, dedicated to supporting small businesses in Romania, conducted on the basis of Omnicredit customers, representing approximately 2,500 entrepreneurs, small and medium business owners, once again revealed the poor capitalization of the sector represented by SMEs, firms which represents over 99% of the total registered in our country.

54% of the surveyed entrepreneurs stated that their business currently operates with their own financial resources. Basically, these businesses are kept afloat from the personal financial contribution of the owners.

In addition, only 7% of businesses are financed with factoring or discounting solutions, although they are not a debt of the company, but a way to collect invoices on time, avoiding the risk of late payments by suppliers.

Only 52% of business people anticipate that they will face a decrease in demand for the products or services they offer. No less than two-thirds of respondents plan to expand or develop their business this year, while 17% plan to resume and continue work at the pre-pandemic level.

In contrast, 53% of entrepreneurs appreciate that their field of activity has completely changed its dynamics following the impact caused by the pandemic, which could indicate that we are witnessing a reorientation of businesses towards more flexible business models.

Given that most business people surveyed work in the areas of trade and services, entrepreneurs are likely considering the transition to online operations. Furthermore, most small

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<sup>9</sup> Omnicredit, online fintech platform, <https://investigative-report.ro/micile-afaceri-au-avut-probleme-cu-incasarile-in-primele-5-luni/>

business owners say that the biggest problem facing small businesses is the lack of access to finance (85%), followed by bureaucracy and rigid conditions imposed by banks (83%).

Given the reluctance of businesses to bureaucracy and risk, it is not surprising that small entrepreneurs prefer microcredit solutions when asked what financing solutions they have in mind for the future.

More than half (52%) of Romanian entrepreneurs who owned physical stores launched pandemic online stores, considering that it is a much safer business in the current context, shows an analysis of the software manufacturer CIEL Romania. The trend of moving the online store or creating an eshop is an upward one this year as well, with many entrepreneurs even preferring to give up their presence in marketplaces to have their own virtual store<sup>10</sup>.

Entrepreneurs fear that instability and lack of predictability will persist in the Romanian business environment.

### **The effects of the pandemic on the entrepreneurial environment in the South-West Oltenia region**

Businesses bear the consequences of an isolated economy.

The new normal is now teleworking. This is already growing, the newly established enterprises through the Sustainable Entrepreneurship project in the South-West Oltenia region have adapted to the new situation. Only the New Brâncusiana enterprise, profiled on tourism sharing home, suspended its activity for a period of 9 months. The other start-ups suspended their activity for a period of 2-6 months. Telework was also the new way of working for newly established enterprises. Working from home has brought a multitude of changes to the workplace, affecting teamwork, productivity, collaboration and communication. Since the coronavirus epidemic, the actions of Zoom, the telework tool of choice, have far surpassed the market in value. This is a first sign of a market that is already anticipating change. We can expect these transformations to have a continuous impact on business interactions and collaborations.

In addition, people are now one meter away from each other and people are increasingly avoiding public places. The delivery of food and other products online was the way of survival of

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<sup>10</sup> CIEL Romania 2021 study.

the companies profiled on distribution. Changes in our lifestyle are already underway and will be exacerbated by this deadly disease. The reorientation towards IT and the online distribution of products was a priority during this period

Cooperation between start-ups was a chance for them to survive.

This collaborative approach is an indisputable asset.

Of the 31 companies newly established through the project, most collaborated with each other and supported each other in the supply-sale process.

### **Survey conducted among entrepreneurs in the South-West Oltenia region**

A survey conducted among entrepreneurs in the South-West Oltenia region highlighted the difficulties faced by entrepreneurs during the Covid-19 pandemic, as well as the innovative measures they took to get through this period of crisis.

They participated (through answers to the questions of the posted questionnaire) in the survey "Oltenian entrepreneurs in the Covid-19 pandemic", which was organized on the Google platform (ISondaje.ro - an online survey service for companies), a number of 124 entrepreneurs from the 5 counties of the South-West Oltenia region.

1. The breakdown of the entrepreneurs who answered the questions in the questionnaire is as follows:

Dolj: 38 (30,65%)

Vâlcea: 27 (21,77%)

Gorj: 22 (17,74%)

Olt: 23 (18,55%)

Mehedinti: 14 (11,29%)

2. Demographically, the proportion of male founders in the South-West Oltenia region versus female founders is unbalanced. The data from 2021 show us that the highest percentage is represented by:

- males - 61.7%,

- the share of females being at 38.3%.

On average, the founders of the business are:

- males

- are between 40 and 55 years old

- have higher education.

3. All entrepreneurs stated that they were affected by the Covid-19 pandemic.

4. 42% of entrepreneurs have suspended their activity for at least 3 months during the pandemic;

5. 86.6% of entrepreneurs fired at least 10% of staff;

6. 90.5% stated that they did not receive support from the Romanian state

7. 64% reported that the formalities / bureaucracy for obtaining funds for support led them to request help from the Romanian state.

8. 79.5% stated that the banking environment was hostile to entrepreneurs, trying to recover their losses from entrepreneurs.

9. 81.8% stated that inflation significantly affected the costs of products created and services provided.

10. 65.2% of entrepreneurs are dissatisfied with the support provided by the Romanian state compared to economically developed Western states.

11. Almost all entrepreneurs (92%) say that costs to suppliers have increased

Most of the entrepreneurs who say this are those from Dolj County (96.7%).

12. 77.6% of them claim that the instability will persist in the business environment, taking into account the current political context.

13. More than 38% of entrepreneurs who answered the questions in the questionnaire stated that they did not notice any real change in the first half of 2021 compared to 2020,

14. From the data collected it results that over 80.5% of the respondent entrepreneurs admit that, in 2021, the degree of predictability in the local business environment decreased compared to the previous year, and only 8.7% of the respondents consider that it has increased.

15. The turnover increased only to 8.8% of the companies from the South-West Oltenia region.

### **Possibilities for further development of enterprises in the South-West Oltenia region**

Increased ability of entrepreneurs to adapt to an ever-changing environment.

Increasing the anticipatory capacity of entrepreneurs regarding the development of future phenomena.



The responsible contractor assumes his own risk. It is therefore bound to innovate and meet new expectations; otherwise it goes bankrupt

On the road to sustainability, every danger must be like an opportunity and not a brake or a constraint.

Bringing together economic actors for new businesses

In normal times and especially in times of crisis, there is power in unity.

Creating a business is done with actors from related backgrounds who share the same values and the same goals. Motivated to establish benevolent and united collaborations, new business creators are attracted to horizontal organizations and the sharing of responsibilities.

The meeting of economic actors is also expressed through the use of connected tools and practical applications. These tools are used to communicate faster and easier. They also allow the automation of tedious tasks to focus attention on decision-making and the development of expertise.

Developing self-entrepreneurship as a long-term solution

The development of start-ups has been remarkable in recent months. However, another type of business is growing. Self-employment or micro-enterprise has been the solution for many people who have seen their main business stopped.

As recent health events have required adaptability, the status of the self-employed makes it possible to follow market trends and needs. Administrative procedures are kept to a minimum to take advantage of as many opportunities as possible and to support the implementation of single projects.

Self-employment offers a progressive approach in the field of entrepreneurship. It can be set up as part of a secondary activity, to develop other areas of interest or to earn a sum of money to supplement the salary of its main activity. This status emphasizes the motivation of workers to choose a living environment adapted to their desires and lifestyle. You can change business and professional activity more easily. Therefore, this requires more traditional companies to adapt to a new way of working with its employees to avoid turnover or other human resource incidents.

Business sectors in full expansion for the coming years

Invited to grow in the context of strengthening sustainable development, industrial companies are seeing major changes in their operating methods and the use of new technologies. Less polluting, using machines wisely to facilitate the missions of its employees, Industry 4.0

sector tends to adapt to modern needs and questions. Therefore, the developing sector is that of personal assistance. In Romania, there is a large part of the aging and isolated population. This makes it possible to predict an increase in business and job creation in this sector. It is about helping frail people in their daily tasks. These are also less common tasks, such as shopping, moving from the countryside to the city, and managing real estate.

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