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RETURNEE ENTREPRENEURSHIP IN ROMANIA – DETERMINANTS AND PERSPECTIVES

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Abstract:

The present paper aims to identify and analyze the factors (both favorable and inhibitory) which determine entrepreneurship in the context of the returnee migration and the economic and social impact of entrepreneurship in a specific Romanian context. In order to fulfill these goals, we have collected a set of data through an online survey, which was answered by 92 migrants, which after a period of time spent abroad (for work or studies), returned to Romania and opened their own business. The results of the study are showing that the returnees perceive the Romanian business environment as having many barriers for entrepreneurs. Because of this, many of our respondents are showing a clear intention to leave the country again.

Keywords: returnee entrepreneurship, entrepreneurial intentions, migrant return migration

1. Introduction

Throughout the last two decades, migration has become one of the prevailing topics for researchers, academics, governments, national and international institutions (UN, OECD, World Bank, IMF) and supranational authorities (EU). Such concerns are highly justified, due to the magnitude, dynamics and social, economic and political effects of this phenomenon.

Hence, its magnitude has increased constantly, shifting from a national to a global phenomenon, since all the countries are now affected. Statistics indicate that beyond the traditionally established South-North migration, also, North-North, North-South and South-South instances of migration have developed. Currently, in accordance with a report released by the World Bank (2016), South-North migration was exceeded, i.e. the percentage of total migrating population, by the South-South migration - 34% vs 38%, while North-North migration registered 23% and North-South migration only 6%.

Regarding the dynamics, the same report shows that while in 2000 the number of international immigrants amounted to 175 million people, in 2013 it reached the threshold of 247 million, i.e. 3.4% of world population (a number of 251 million was estimated for 2015).

When referring to Romania, various statistics and studies have put forward multiple values. In the following lines, we will show only the data from a very recent OECD report regarding Romanian migration (OECD, 2019). In this report, the emigration is considered a major economic and social problem for Romania, it being responsible for the decrease in population from 22,4 million in 2000, to 19,5 million in 2018 (the emigration is responsible for 75% of this decline). The Romanian diaspora is appreciated to be around 3,6 million people, being the fifth largest in the OECD (after the Mexican, Chinese, Indian and Polish). However, Romania is the first when it comes to the percent of total population (17%) which is living in OECD countries. The main countries where Romanians have settled are Italy (over 1 million), Germany (680.000) and Spain (573.000). The Romanian migration reached its peak in 2000-2001 and 2015-2016, in these periods over 2,3 million Romanians have left the country (OECD, 2019)

Thus, we can highlight the manifestation of multi-layered consequences of migration, localized both in the country of origin and the targeted countries. Current research studies have focused mainly on economic, social and demographic variations (as well as on specific issues, such as the brain-drain phenomenon, a serious concern of modern Romania – Georgescu, 2011; Goschin and Roman, 2014).

Within this context, our paper proposes a mainly quantitative analysis, focusing on entrepreneurship-related activities carried out by Romanian returnees, from an economic perspective.

The paper starts with a close analysis of the relevant mainstream literature of returnee entrepreneurship, based on the broader frame of returnee migration. Next, we proceed with a description of the data, the processing methods and we present the main results: a profile of the Romanian which lived abroad, came back and opened his own business in Romania; the identification of the factors which favored or inhibited the entrepreneurial initiatives; the impact of these experiences upon the returnees' decision to stay or leave Romania for good; the positive effects of the returnee entrepreneurship.

We shall conclude our paper by pointing out the implications and limitations of our study, while also providing suggestions for future research directions.

The focal aim of our research study is, in the long run, to analyze those mechanisms that trigger an entrepreneurial behavior in the country of origin, exhibited by those individuals that have worked abroad. The results of our research analysis can become the starting point in the design of new programs and policies (not just public ones) to enhance long-term positive outcomes of this phenomenon nationwide.

2. Literature Review

Return migration is still a novel topic in Romania, brought to the foreground due to the economic crisis in 2007 (Sandu, 2009; Martin and Radu, 2012; Vlase, 2013; Anghel et al., 2016). Although official data are scarce, we consider that the final-

return phenomenon among Romanians working abroad is still small-scale, mutations occurring rather at the intent level. A relevant example in this regard is described by Sandu (2009): a survey in early 2007 among the Romanian community members in the region of Madrid indicated that only 7% of Romanians intended to return home. However, a similar study carried out later, in the autumn of 2008, within the same community, revealed that 71% of the respondents had the intention of returning to Romania (47% in the following five years, of which, only 39% were confident and certain about their return). According to some Gallup surveys conducted between 2009 and 2018, 70% of the Romanian citizens which left the country what to settle in their actual country of residence, 26% want to leave their current country (just 1 out of 3 want to return to Romania), while 4% did not answer the survey (OECD, 2019)

We should not regard Romanian migrants' return simplistically, only as a result of the economic crisis, but as an "overall social phenomenon", a result of the equation of resources, of the issue of status, and, also, of their state of mind, intensified, in many cases, by their family members (Sandu, 2010). At the same time, the Romanians' return may be seen as the result of a well-designed plan, followed steadily, or triggered by unforeseen events.

In the same line, Stoiciu et al. (2011) endorse that the immigrants' return occurred (is to occur) following the fulfilment of their financial objectives, whereas the economic problems in the host country stand only as a "catalyst of their return". Moreover, various research studies highlight that on their return, most immigrants already have a "survival plan", i.e. they have identified a reasonable job, planned to set up their own business, or, they are self-assured that they can live on the income from abroad.

Within the Romanian context, the entrepreneurship does not seem to be the first option, because, according to Sandu (2010), "the social norm is to buy or build a house, in the first place, then to set up a business and finally to provide a better life for the family".

The topic of returnee entrepreneurship has been extensively featured in the foreign mainstream literature. A review of the most important works shows that the focal topics approached by various researchers are: the origin of this phenomenon (Saxenian, 1999); the return entrepreneur's features (Akkurt, 2008); differences between returnee entrepreneurship and other entrepreneurial forms associated with migrants (an outline of the mainstream literature on this topic was carried out by Bai, 2017); return reasons (Alarcon and Ordonez, 2015); entrepreneurial behavior determinants on the return to the country of origin (see Table no. 1); the impact of returnee entrepreneurship on the economies of the regions/countries of origin (Filatochev et al., 2009; Piracha, Vadaean, 2010; Wang and Yang, 2013); the link between returnee entrepreneurship and internationalization of companies' processes (Filatochev et al., 2009; Wang et al, 2011); the impact on the attitude and the policies of the local authorities (Murphy, 2000); the performance of the companies set up by the returnees (Marchetta, 2012).

However, the topic of entrepreneurship associated with the returnees is still underdeveloped in the domestic literature. Generally, this topic has been related to migration issues in works authored by Toth and Toth, 2006; Oteanu, 2007, Suditu et al., 2013; Anghel et al, 2016. The research carried out is based mostly on qualitative methods, highlighting the advantages of entrepreneurship among immigrants or

aiming to identify strategies and means to support and enhance this type of entrepreneurship.

Grosu (2015) considers that, if managed properly, the phenomenon of returnee entrepreneurship can support the economic development of certain regions, contributing to the development of certain sectors, where immigrants have gained experience and a high level of expertise from abroad.

Pamfilie et al (2015), after interviewing Romanian returnee entrepreneurs, concluded that they perceived entrepreneurship as an opportunity, rather than a necessity (we do not share this opinion, although we do not have further solid data to validate other perspectives). Businesses were set up, in most cases, within the same sectors where the immigrants had worked abroad. Also, it was noted that while facing a number of problems, the respondents appreciate this career option allowing them to be their own boss and conferring them an important status within the community.

Croitoru (2013) carried out a study among the Romanians' community in Austria, seeking to identify different types of entrepreneurship and the reasons that hinder the Romanians settled in Graz to set up a business in Romania. Accordingly, the main reasons proved to be the institutional bureaucracy in Romania, lack of reliable partners in the country and awareness of inherent difficulties regarding business management from another country.

Anghel and Coşciug (2015) conducted a comprehensive research of the patterns of return migration in Romania. The issue of returnee entrepreneurship is systematically examined among the returning immigrants. The two authors note that the entrepreneurship among the returned immigrants is not a widespread social practice. Furthermore, they identify five categories of entrepreneurs among those that returned home and set up their own business: transnational connectors; transnational entrepreneurs; investment brokers; survival and developing entrepreneurs. The authors highlight that the last category is still underdeveloped.

Grosu and Dinu (2016) advocate that the return of the Romanian immigrants can have a powerful social and economic impact, if properly supported, encouraged and promoted, thus providing our country with long-term competitive advantages. This can be achieved by capitalizing the knowledge, skills and competences acquired abroad within employment or business activities carried out in Romania.

3. Research objectives

Our research is mainly descriptive and exploratory and is using a quantitative approach. The research methods applied were in compliance with the current Romanian landscape in the field, i.e. the scarcity of research studies in the Romanian mainstream literature, mostly descriptive, qualitative (Grosu, 2015; Pamfilie, Grosu and Bumbac, 2015; Anghel and Coşciug, 2015) in nature.

The methodologic approach involved 3 stages: 1) establishing a profile of the returnee which opens his own business once returned to Romania (descriptive analysis); 2) Identifying the favorable and inhibitory factors related to returnee entrepreneurship and the analysis of the way in which the returnees have adapted to the social and economic conditions of Romania (through correlation and

descriptive analysis); 3) identifying the positive aspects brought by the returnee entrepreneurship to the Romanian business environment (descriptive analysis).

The data was collected through an online survey. This survey was constructed by the research team, based on the study of relevant literature on this subject (including some surveys used by other authors – Sabadie et al, 2010), personal experiences, as well as informal and unstructured talks with several Romanian returnees who opened their own business in Romania.

The target population for the survey were the returnees who opened their own business in Romania. Due to the fact that at the national level, there are no statistics or databases regarding the returnees who opened their own business, the process of identifying the potential respondents was hard and we had to resort to informal searches.

Following these actions, the survey was filled in by 97 respondents, out of which 92 responses could be used. From the 97 responses, we have eliminated those which were incomplete or contradictory. Moreover, we have eliminated the respondents which declared that they have spent less than 1 year abroad, considering that they did not spend enough time abroad in order to understand and assimilate certain elements of culture, mentality, work-related good case practices in order to transpose and adapt them in the Romanian context.

The survey was conducted between February and June 2018.

4. Results and discussion

Resorting to a descriptive analysis of the sample comprising Romanians returnees who set up their own business, we developed the profile of the Romanian returnee entrepreneur, as indicated in Table 1.

The data overview shown in Table 1 below indicates that returnee entrepreneur is, more often than not, male, aged between 31-40 years old, holding a Bachelor's degree, and having worked for more than seven years abroad, mainly as an employee. They attended training programs abroad and held managing positions. Occasionally, they sent money back home. On return, they were not informed about the existence of public funding programs for repatriated migrants or they did not resort to such programs. The business started in Romania is in the manufacturing or trade sector. Furthermore, in addition to the data in Table 1, it is worth highlighting that the countries were most immigrants activated (the data is not highly relevant because some of the respondents lived and worked even in three other countries) are: Italy (29.34%), Spain (20.65%), and The United Kingdom (17.39%).

Table 1 draws our attention to an unbalanced gender ratio. This situation requires further in-depth investigations, since, according to Cruceru (2010) during 1990-2009 (the estimated timeframe when most of the returnees left Romania) 60% of the individuals that left Romania were women. A report published by the National Council of Private Small- and Medium-Sized Enterprises in Romania (CNIPMMR – Romanian acronym) in 2016 indicates that 69.7% of the Romanian entrepreneurs are men. The European Commission report of 2014 on women entrepreneurs recorded a similar ratio for Romania, i.e. 29% women entrepreneurs (close to the EU-28 average of 30%). Thus, we can conclude that our sample is consistent with the Romanian reality (primarily due to socio-cultural reasons).

Table 1

Profile of the returnee-entrepreneur on their return to Romania

Gender (%)		Education and training abroad (%)	
female	28,0	academic background	18,5
male	72,0	certified training programs	50,0
		no training programs	31,5
Age (%)		Management experience abroad (%)	
18-24 years	9,8	yes	50,0
25-30 years	15,2	no	50,0
31-40 years	39,1		
41-50 years	23,9	Remittance (%)	
51-60 years	7,7	regularly	32,7
over 60 years	4,3	occasionally	38,0
		never	29,3
Education (%)		Awareness of the existence of public funding programs for returnees (%)	
secondary school	5,5	they were informed and accessed them	9,8
vocational school	6,5	they were informed, but did not access them	21,7
high school	22,8	such programs did not exist on their return	21,7
university studies	48,9	not aware	46,8
postgraduate studies	16,3		
Length of migration (%)		Field of activity of the business set up in Romania (%)	
1-3 years	20,3	trade	18,5
3-5 years	24,6	manufacturing	12,0
5-7 years	17,4	civil engineering	8,7
over 7 years	37,7	IT	7,6
		agriculture	5,4
Activities carried out abroad (%)		food industry	4,3
own business	5,4	other	43,5
studies	13,0		
studies, own business	2,2		
studies, employee	15,2		
studies, employee, own business	3,3		
employee	42,3		
employee, own business	4,3		
none of the above	4,3		

Regarding our topic, various situations probably exist, in which the financial resources and the know-how of the female returnees were invested in a business set up by (or with) male family members (husband, son, etc.)

Also, as indicated in Table 1, we could register another category of respondents (though not very well represented) not mentioned in any of the pre-defined situations with regard to the work type abroad (studies, own business, employee). Most likely, here we find those individuals that: migrated looking for a job; worked, but not legally; only accompanied a family member employed abroad, while performing exclusively domestic work; attend / attended various informal training, research and development programs etc.

Furthermore, we continued the analysis of the returnees which opened their own business in Romania. In table 2 we can observe the reasons which determined our respondents to return to Romania. In the survey, we included 7 factors which