

DUAL NATURE OF THE MICROENTREPRENEUR – BUSINESSMAN AND EMPLOYEE

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ABSTRACT

The paper focuses on the microentrepreneur work, the largest category of entrepreneur in each country. For the first time - at least in Romania - work of the microentrepreneur is approached taking into consideration its two main sides - the work as businessman and work as employee. There are indentified and analyzed the main characteristics of the microentrepreneur work, as businessman and-separately - as employee, the essential convergences between both sides and the relevant divergences between them. In the last chapter are formulated 4 conclusions and 11 recommendations useful to the Romanian policy makers and administrative bodies in order to relaunch the micro entrepreneurship and to increase rapidly and sustainable its performances, taking into consideration the both sides of entrepreneur activities.

KEYWORDS: *microentrepreneur, business work, employee work, SMEs, entrepreneurship*

JEL CLASSIFICATION: *L26*

1. INTRODUCTION

There are thousands and thousands of books and millions of papers on the entrepreneur, entrepreneurship and small and medium size enterprises (SMEs). They have contributed to better understanding of entrepreneurship phenomenon and to the increasing the entrepreneurs and SMEs performances.

One characteristic of (almost) all these books and papers is the approach of entrepreneurs as a homogenous category. This situation is similar with the market approach in XIX century, at the beginning of modern economy, when market has been perceived like a homogenous field, being approach globally. Later market has been approached differentiated, taking into consideration its many segments very heterogeneous. Based on this thinking has been developed the modern marketing a new science and praxis, essential for the contemporary economy.

What happened in the evolution of market approach is necessary to be developed in the entrepreneurship field. Entrepreneurs - like the markets – are very heterogeneous from many points of the view, starting with the size of their enterprises. The structure of the SMEs in Romania and European Union (table 1 – according to the last official statistics) is proving our statements. Microentrepreneurs and the small entrepreneurs are the most frequent category.

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Table 1. Structure of the SMEs

No.	Country	SMEs		
		Micro enterprises	Small enterprises	Medium enterprises
1.	Romania	449,502	47,890	8,370
2.	European Union (28 countries)	21,000,000	1,353,766	219,936

Source: adapted from INS, Eurostat

Without any doubt microentrepreneurs and microenterprises, representing in every country more than 98% of business population, should be on the central scientific and pragmatic analysis. The analysis should take into consideration the main characteristics of the entrepreneurs – work nature, personality, competence, responsibility, management style, level of education, age, sex, performance a.s.o.

In our paper we shall focus on the microentrepreneurs from the point of view of their work nature. Based on this criterion we could separate the work of the microentrepreneur as businessman and the work of entrepreneur as employee. (see figure 1)

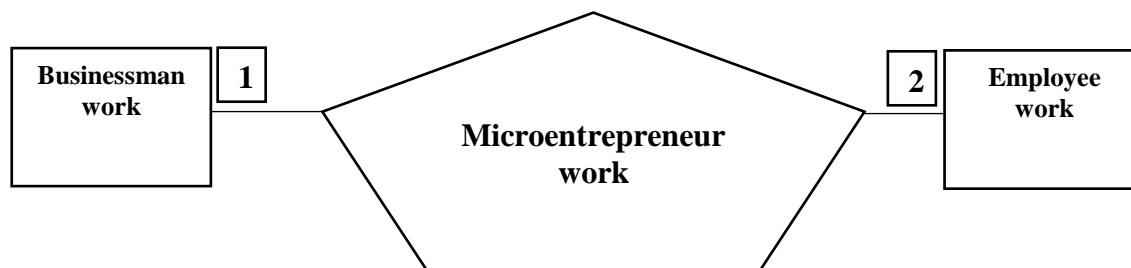


Figure 1. The two major parts of the microentrepreneur work

2. SPECIFIC CHARACTERISTICS OF MICROENTREPRENEUR AS BUSINESSMAN

Entrepreneurship means the ensemble of the thinkings, decisions, actions and behaviors which starting from a business opportunity build an enterprise, a business able to produce certain products and services generating profit. The person who is doing entrepreneurship is named entrepreneur. Of course, the entrepreneurs are very different, but all of them practice businessmen work. The microentrepreneur activity presents from work point of view a comprehensive set of the essential features. (see figure 2)

- a. **The risks take over** regarding the start of business, allocation and use of resources, producing and selling of products and service, obtaining the cash from the clients a.s.o. This generates a strong stress on the entrepreneurs actions and daily life, very difficult to support. The mankind long history demonstrates that only small part of population is able to take and support business risks.
- b. The business work starts with the **identification of a business opportunity** which according to the entrepreneurs' judgment is able to generate profit in the next future. Business opportunities could refer to the production and/or sell of a certain product or service having specific characteristics to the certain consumers. Not everyone is able to identify a profitable business opportunity. (Nicolescu & Nicolescu, 2009).
- c. In order to valorize the business opportunity the entrepreneurs should be able to **establish and obtain the necessary resources** - financial, material, information-knowledge and

workforce. To determine the adequate size of the resources is an essential step in the business start. Over or underestimation of necessary resource could “kill” the business. The most difficult part of this process is to obtain the necessary resources an especially the financial resource. Almost always entrepreneurs need to lend a part of financial resource from friends, family, bank, financial company a.s.o.

- d. Business work involves as a rule, **the investment in the business of the entrepreneur own resource**. A minimum amount of own money is mandatory in entrepreneurial undertaking. Any organization or person – bank, friend, family a.s.o. – shall not provide financial resource to the future entrepreneurs if this has not been able to accumulate a certain amount of money allocated to the future business. This proves his or her ability to obtain money and in the same time- the future entrepreneur confidence – in the profitability of the starting business.

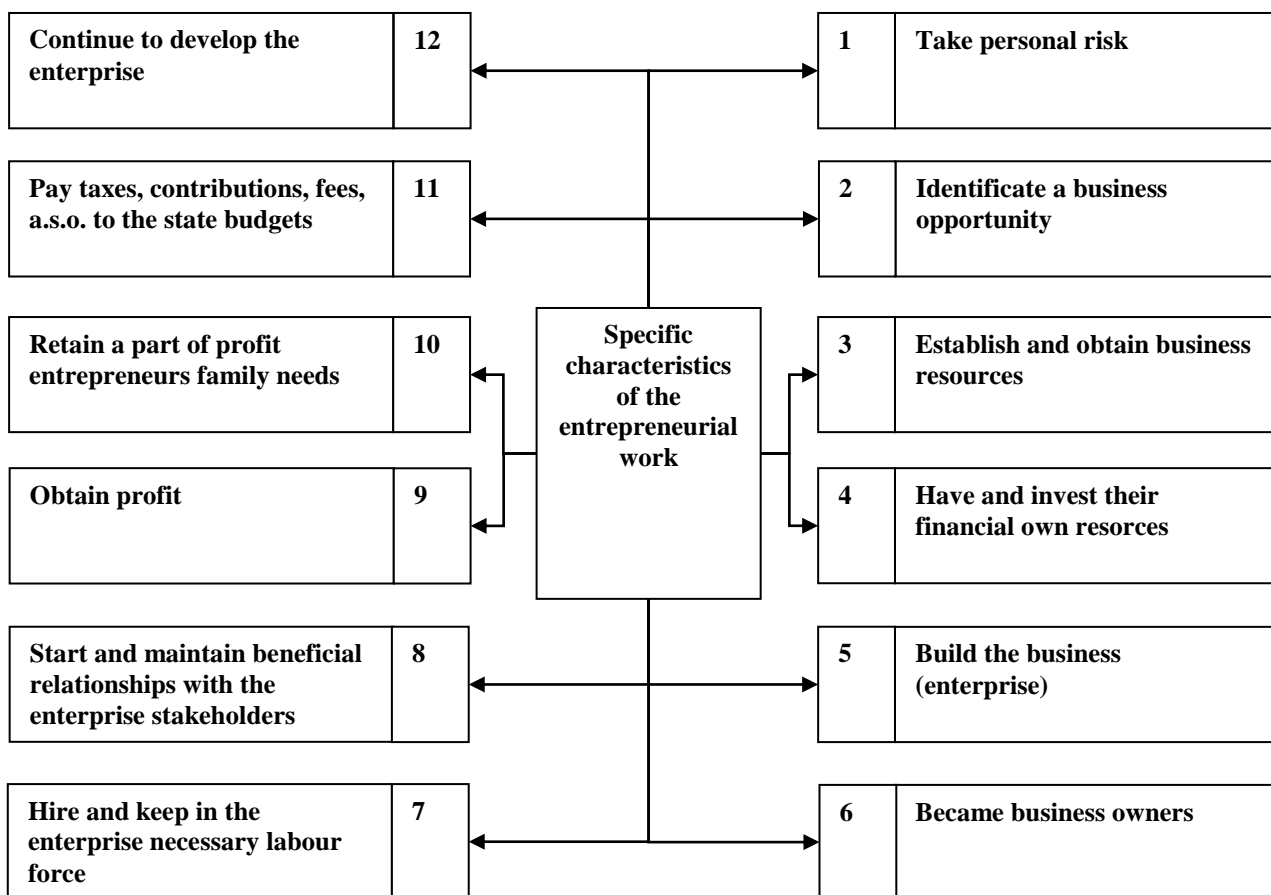


Figure 2. The main specific characteristics of the microentrepreneurs entrepreneurial work

- e. Business work means to **build the business, the enterprises system**. This involves many and different types of decisions and actions - juridical, managerial, financial, technical, commercial etc. It is a very complex and time consuming undertaking, in which managerial competences are determinant. Quite often the business construction takes many months or even more than year.
- f. New business transforms the entrepreneur in a **owner of a property**. To be owner, to have valuable property is not easy. The main responsibilities of the entrepreneur toward the business patrimony is to protect the property, to maintain the functionality of the assets and

- to develop them in order to do profitable business. Many specific tasks and competences there exercised by the entrepreneur as owner of business.
- g. A major component of the business work is **to hire and keep in the enterprise the necessary labor force**. To have performant employees - managers, specialists and workers – is crucial for developing a profitable and sustainable business. Selecting, hiring, evaluating, motivating, training, protecting a.s.o. The employees – even a small number – requires special abilities and permanent and skilful efforts.
 - h. Business work means also to be able **to start and maintain beneficial relationships with all outside stakeholders** of the enterprise. Among these, we mention: suppliers, dealers, consumers, bankers, representatives of administrative bodies (financial, social protection, commercial inspection, police a.s.o.). Without normal relationships with these stakeholders, the business activity could not be profitable or even might be entirely blocked.
 - i. **Obtaining the profit** is mandatory for any enterprise. For this reason business work should be focused on the profit generation which is conditioning the survival and the development of business.
 - j. **Retaining a part of the company profit by** the entrepreneur for his personal needs is another specific component of business work. In fact getting the profit from business is one of the major reasons to found and run a company. For the most part of the entrepreneurs, obtaining profit is the essential motivation for doing business. For businessman welfare and for company development is very important how much of profit is taken by entrepreneur, when he or she takes it and how profit it is used.
 - k. **Payment of the taxes, contributions and feeds to state and public bodies** is also a permanent part of entrepreneur responsibilities and work. Monthly, trimestrial, semestrial and yearly the company should pay VAT, taxes on salaries, social contributions, taxes on buildings land, equipment, profit, dividends etc. In Romania, businessmen should make yearly almost 100 payments in this field which means concern, efforts, expenses and even potential threats. Without paying all these financial obligations, the company could not continue its activity.
 - l. An important preoccupation of the most part of the entrepreneurs is to **continue and to develop the company**. A company which is not developing shall be on short time out of business. For this reason, the business work should contain the anticipation and preparation of the company future though strategies, policies, business plans, special stakeholder relationships, a.s.o.

The characteristics mentioned are valuable for all entrepreneurs, not only for microentrepreneurs. Specific for microentrepreneurs, which differentiate them from bigger entrepreneurs are the smaller available resources, lower business activities higher business and personal risks, lower social prestige, the frequent lack of consideration of small business specific interests by legislative, governmental and administrative bodies and even population.

The final conclusion: **small entrepreneurs fulfill complex, responsible and difficult business work**.

3. CHARACTERISTICS OF THE MICROENTREPRENEUR AS AN EMPLOYEE

The microentrepreneurs there are not only businessmen but also employees. **The main features of the microentrepreneur (see figure 3) as employee are the followings:**

- a. The microentrepreneur has with enterprise – like any other employee - a **labor contract** signed according to the juridical procedures provided by Labor Code and other official juridical documents. His or her labor contract contains the same elements like an employee contract. The entrepreneur labor contract in Romania is registered at the state Labor Inspection, the specialized state body for this field.

- b. The entrepreneur receives **monthly** salary according to the labor contract. He could receive all other labor benefits if the labor contract provides such rights.

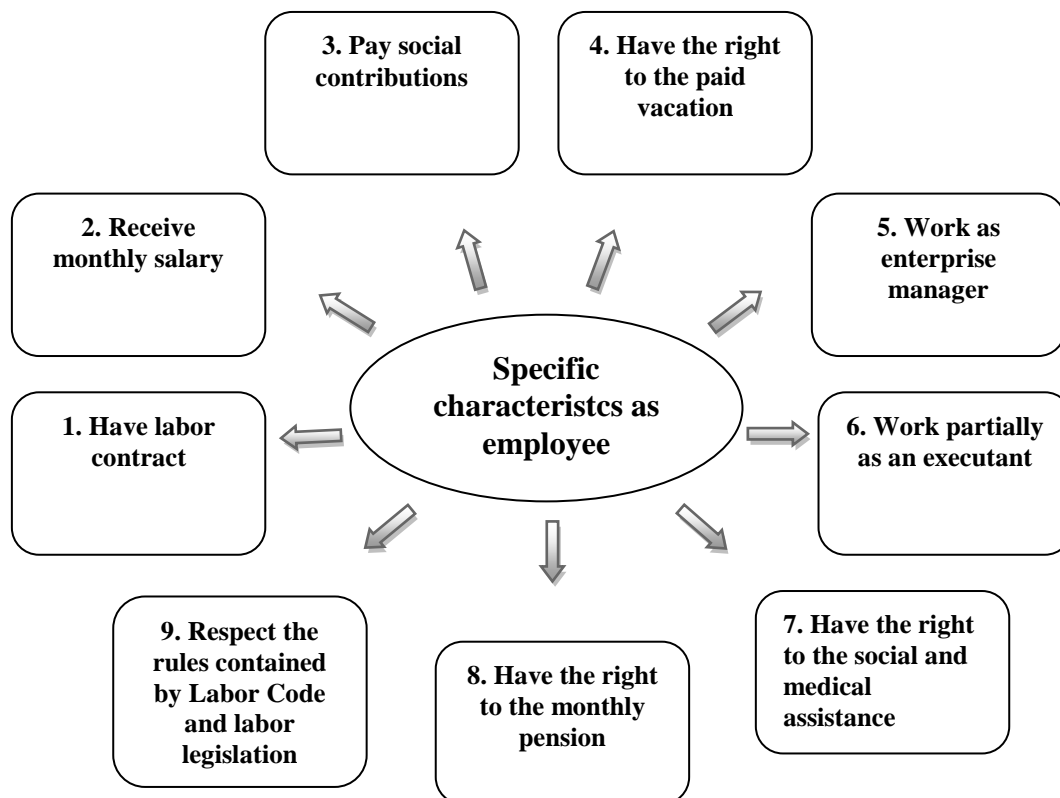


Figure 3. The main specific characteristics of the microentrepreneurs work as employee

- c. Monthly, the entrepreneur pays **social contributions and salary taxes**, like every other microenterprises employee.
- d. Yearly, the entrepreneur has the right to the **paid vacation**. The length of vacation is calculated according to the Labor Code, taking into consideration the previous number of work years and the nature of work done.
- e. The microentrepreneur work effectively as **an enterprise manager** taking and implementing decisions concerning the prevision, organization, coordination, motivation and control-evaluation of the company activities. For all managerial decisions and actions, the entrepreneur has the same juridical and economical responsibilities like any other manager. Managerial work represents quite often a large part of his daily work.
- f. The microentrepreneur **works partially as an employee**, as an **executant** in the microenterprise. It is a normal situation if we take into consideration that in Romania, like in the UE, the average number of hired persons in a microenterprise is approximately 2.5 - 2.7. The most frequent, the microentrepreneur fulfils the supply with raw materials, spare parts, fuels and different other goods necessary in the organization, and the sell the microenterprise products and services to the clients. The other tasks frequent made by microentrepreneur are in the fields of accounting, transport store, production, package a.s.o. of the microenterprise products.
- g. The microentrepreneur has the right to the **medical and social assistance** financed by his social contributions.
- h. When the microentrepreneur shall retired, he receives **monthly pension** calculated in the function of length and size of his social contribution to the state and private pension funds. Microentrepreneur pension is from all points of view similar to employee pension.

- i. In all his activities in microenterprise, the entrepreneur respects the **rules contained in Labor Code** and in other components of the labor legislation. Also, he enjoys all rights provided by labor legislation like any other employed person in a company.

The employee work of the entrepreneur represents usually a smaller part comparative with business work. In the very small microenterprise, the employee work of the entrepreneur is smaller than in an microenterprise which has eight or employees. Our analysis has revealed that between the two parts of entrepreneur work there are complex relationships concomitantly based on their similarities and differences. (see figure 4)

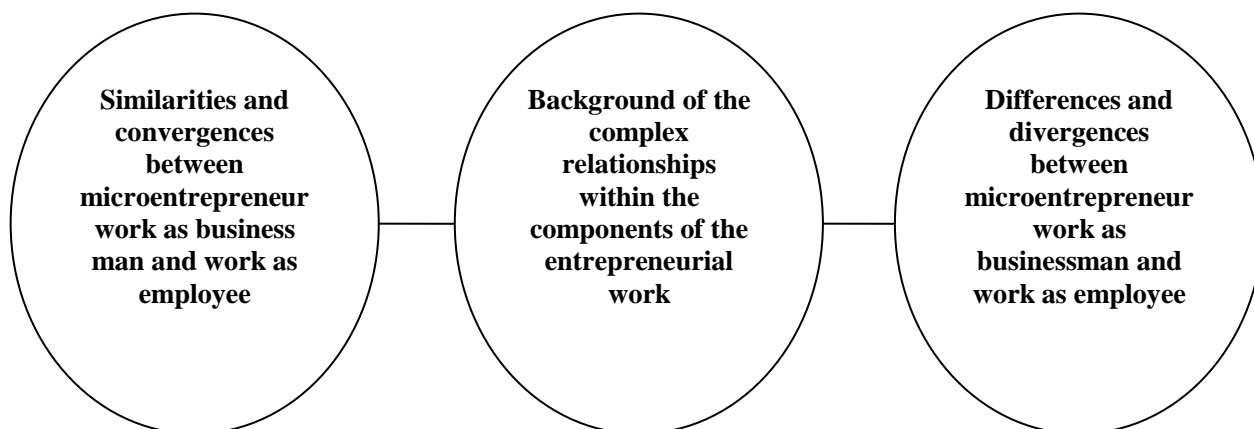


Figure 4. The background of the complex relationships between both sides of the microentrepreneur work

4. THE CONVERGENCE BETWEEN THE STATUS OF BUSINESSMAN AND THE STATUS OF EMPLOYEE

The evolution of the economy and the society and – in the last decades – the transition to the knowledge based economy and knowledge based society – was influencing to a large extend the content and the ways to exercise the microentrepreneur job. The background of this impact is represented mainly by the intellectualisation of the the work process in society and the increasing role of the knowledge and the development of the knowledge based enterprise (Nicolescu & Nicolescu, 2011). Our analysis has revealed many **significant similarities and convergences at the level of the microentrepreneurs between the status of businessman and the status of employee.**

- a. Both statuses consist in **the work processes** achievement, which means time consuming, effort, use of the certain skills and productions means, respect of specific rules and procedures, a.s.o.
- b. Microentrepreneur exercises both statuses in the **same organization, having in mind the organization objectives**, acting in the same people community, using the company assets a.s.o.
- c. Both works done by microentrepreneur, as businessman and work fulfilled by entrepreneur as employee, **contribute to the well functioning of the company and to its development.** Without any part of these entrepreneur' works the present and the future company performance will be negatively influenced.
- d. Both activities of the microentrepreneurs generate positive effects on the **three levels - personal, organizational and societal.** At personal level, businessman and employee works increase his personal abilities and competences, his potential for development and

competitive capacity on the labor market and on the businessman market. It is generated a synergy effect on his professional productivity. For company level, we have already mentioned the positive effects on its functionality, development and performances. Activities done by microentrepreneur determining the increasing performance of the enterprise, influence positively the local and country economy and the society by its products, services, jobs, VAT, taxes a.s.o.

- e. Both categories of work as businessman and as employee there are **changing permanently, updating** the knowledge and skills involved, becoming better and more productive.
- f. All taxes fulfilled by microentrepreneur **should respect the legislation provisions** - Labor Code, Fiscal Code, commercial laws a.s.o. Any impeachment of legal regulations as businessman, either as employee could be punished. Of course, usually the microentrepreneur has higher responsibilities and risks for the business work comparative with employee work.
- g. For the well functioning of the microcompany there are very important enterprise organizational culture and the social climate. In order to develop in the enterprise a competitive organizational culture and a human social climate it is extremely important that the microentrepreneur has a **good behavior and to respect the ethical and equitable social norms** in all activity components (Nicolescu & Nicolescu, 2006).
- h. All microentrepreneur activities – respective of their nature – are significantly influenced by the national economy development stage, present economic situation, and business environment characteristics. Also, the society parameters in every country, by the national culture, education, demography, science, public health, legislative and judiciary systems, national strategy and policies, have many impacts on both sides of microentrepreneur work. **Better economy and society stimulate easier and more productive businessman and employee activities.**
- i. **The utility and the necessity of the both sides of the microentrepreneur work are recognized by the society.** Starting with Schumpeter – who more than a century ago has demonstrated that the most important source of richness and development is the entrepreneurship - work of the entrepreneur has become more and more appreciated. This is reflected in the social status of the entrepreneur and in the stimulative legislation regarding the entrepreneurship implemented in many countries.
- j. During the last decades we could observe that microentrepreneur activities regarding the both sides of his work **involve more and more knowledge - entrepreneurial**, technical, commercial, financial a.s.o. The new knowledge became essential for the microentrepreneur productivity as businessman and as employee and for the competitiveness of the microenterprise. Taking into consideration the convergence elements and similarities between his tasks as businessman and his tasks as employee, we could state that both dimensions increase and became more complementary generating an important synergy at the level of microentrepreneur and in the entire microenterprise.

5. TENSIONS AND DIVERGENCES BETWEEN MICROENTREPRENEUR STATUS AS BUSINESSMAN AND ENTREPRENEUR STATUS AS EMPLOYEE

Among the components and characteristics of microentrepreneur work there are not only convergences and similarities, but also certain tensions, even divergences, which make more complex and difficult his job. In our opinion, **the main tensions and divergences between the two main components of microentrepreneur activities** as businessman and as employee are the followings:

- a. As businessman the microentrepreneur needs **entrepreneurship spirit, managerial talent and leadership**. Without these, the microentrepreneur can not found and started a successful

- microenterprise. All these native qualities should be developed by specific training, transforming the native born entrepreneur into a performant professional entrepreneur. Concomitantly, the microentrepreneur should have specific skills in the fields and/or branches very strong connected with entrepreneurial opportunity.
- b. Microentrepreneur uses these knowledge and skills like every other employee of his microenterprise. The executant specific knowledge and skills help the entrepreneur to develop a successful business, but in the same time there are – to a certain extend – hampering the full use of the entrepreneurial and managerial talents. The real life demonstrates that quite often the best entrepreneurs there are not the best skilled executants and the vice-versa.
 - c. For a person with native entrepreneurial and managerial talents, in order to become entrepreneur is mandatory **to have also a minimum of economic potential**. Seed capital or at least a significant part of the seed capital required by the new enterprise should be in the hands of the new entrepreneur. Any other types of resources – land, equipments, buildings or knowledge – are also very important, helping the entrepreneur to create and to run the business. As employee the microentrepreneur does not need this economic potential. The specific skills and knowledge required by the new enterprise are helpful for the entrepreneur. The real life demonstrates that only very seldom the persons with entrepreneurship talent and economic potential have also high skills and knowledge in the certain fields.
 - d. The microentrepreneur usually has **both economic motivations as businessman and employee**. As businessman the microentrepreneur motivations are to create a business, to get high revenues and to have a sustainable company. As employee in his own enterprise the microentrepreneur is interested to have a permanent and long lasting job and to get monthly a good salary. Between these two types of motivations there are certain divergences regarding the level of revenue as entrepreneur and the level of the salary as employee, regarding the allocation of the value added for salaries and current needs and on the other side the allocation of resources for enterprise investment and development.
 - e. This means that the **specific economic objectives of the microentrepreneur as businessman and as employee are partially different**. As businessman the microentrepreneur desires and plans performant objectives regarding the size of the profit, dividends and investments. As employee the microentrepreneur wants and expects high salary and good work conditions. Of course, there are certain opposition between the two types of objectives, because the incomes and financial resources are limited. Any increase in profit, dividend and investment shall decrease, at least on short term, the salary and work conditions and the vice versa.
 - f. The microentrepreneur has a large set of **competences and responsibilities**. The largest part and the most important of them regard the entrepreneurship, his work as businessman. In the same time, many microentrepreneurs have some competences and responsibilities associated with their work as executants, as specialists. Quite often for the microentrepreneur is difficult to achieve right harmonization between the two work categories. The microentrepreneurs with powerful entrepreneurship spirit allocates much time and attention to the businessman part of the activities and sometimes neglects the specialty tasks as executant. By contrary the microentrepreneurs who are very good specialists in certain field often focus on these and neglect certain part of business work.

Our final remark based on the previous analysis refers to the **big challenges faced by the microentrepreneurs in order to harmonize the two major parts of their specific objectives, tasks, competences and responsibilities as businessman and as employee**.

6. CONCLUSIONS AND RECOMMENDATIONS

In our opinion, **the main conclusions** which could be formulated are the followings:

- a. The microentrepreneur is concomitantly a businessman and an employee and **he should be approached taking into consideration the both sides**. A such approach is a basic premise for the microentrepreneurs number increasement, for facilitating their activities and for amplifying the economic and social microenterprises performances, all these representing a major national interest in any country.
- b. **The microentrepreneur represents a main national richness**, a major development driving force, being the most numerous entrepreneurs category, who produces a large part of the GNP, export, jobs and state budget incomes, essential for the wellbeing of the population.
- c. **The microentrepreneur is significantly different from small, middle and large entrepreneurs**. The main differences regard the resource, activities, the main interests, social status, microbusiness birth rate, enterprise mortality rate etc. For example, in Romania, the number of microentrepreneurs has been 22/1000 inhabitants, and all other categories of entrepreneurs has been 2.8/ 1000 inhabitants (the figures are for 2014, the last official information published by INS).
- d. The microentrepreneurs, because of their double nature work and their other particularities **should be approached** substantially different in all phases of entrepreneurial undertaking (cycle) – enterprise foundation, microbusiness functioning and development, enterprise sell and/or liquidation. Without such specific approach by the political, legislative and public administration bodies, the microenterprises number and performances shall remain low.

For the national economy entrepreneurship pragmatic point of view we formulate a set of recommendations which are based **four on premises**:

- Analysis and conclusions previously fulfilled previous within this paper
- Certain of the entrepreneurial analysis and proposals elaborated by National Council of the Romanian SMEs (CNIPMMR, 2016) and by Management Faculty from Bucharest University of Economic Studies (Nicolescu et al., 2016a).
- Content and consequences of the knowledge based economy transition, the crucial mutation of our times, which increases the entrepreneurs and SMEs necessity and importance, and especially of the microentrepreneurs and small business.
- European Union Strategy 2020 (EC, 2010), Small Business Act for Europe (EC, 2008) and other strategic European Union documents focus on the Europe development and the entrepreneurship amplification.

The main recommendations (see figure 5) for the Romanian policy makers and administrative bodies, in order to relaunch the microentrepreneurship in Romania and to increase rapidly and sustainable its performance, taking into consideration the both sides of microentrepreneurs activities are:

1. Because in Romania there are much less entrepreneurs to 1000 inhabitants comparative with EU average, **the increasement of the microentrepreneurs number and performances** should represent a strategic objective for our country.
2. The **development of the intensive entrepreneurial education starting with kindergarten**, in order to assure that an important part of the young generation has the desire and the entrepreneurial and speciality knowledge to became entrepreneurs.

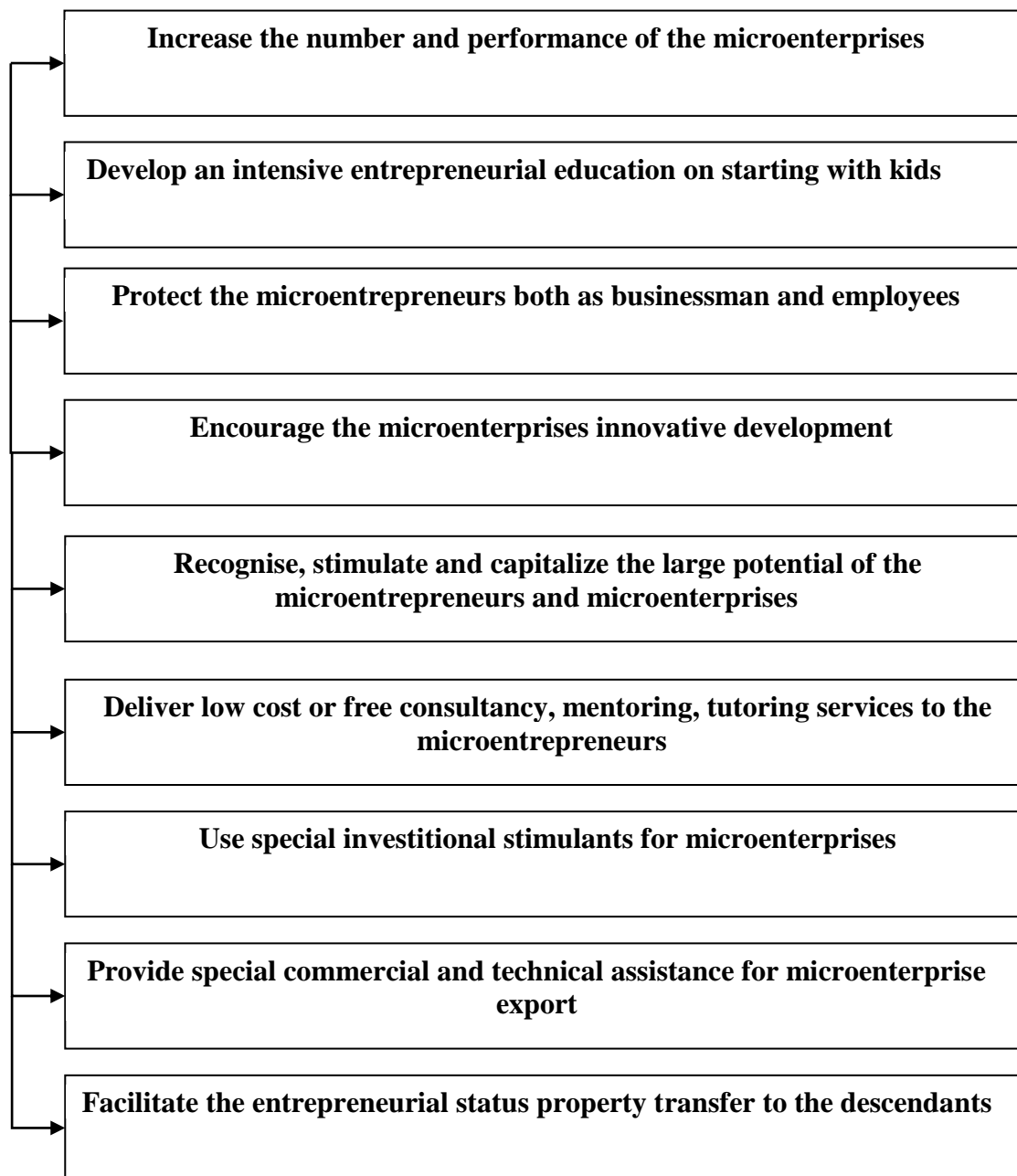


Figure 5. The main recommandations in order to relaunch the microentrepreneurhip in Romania

3. **The protection of microentrepreneurs** as businessman and employees, taking into consideration their specific vulnerabilities, in order to decrease the enterprises sustainability.
4. **The encouragement of the microenterprises development** and the calculated risk taken by the microentrepreneurs, focus on the amplification of the innovative, economically and socially performances, according to the knowledge based economy characteristics.
5. The microenterprises and the microentrepreneurs present an **very important development, potential, which should be recognized stimulate and valorize** for wellbeing of the local communities and country development.
6. The delivering of the **specific consultancy, tutoring and mentoring services to the microentrepreneurs** at the low fees, eventually free, using the voucher system which has generating very good results in other EU countries.

7. The use of the **special investitional stimulents for microenterprises**, especially in the branches with competitive advantage in Romania, employing the best EU tools like, state aide scheme, special funds for innovative microenterprises etc.
8. **The special commercial and technical assistance for microenterprises export**, taking into consideration the strong economy internationalisation and globalisation.
9. The facilitation of entrepreneurial status **transfer of the microentrepreneur to the direct descendents or other potential entrepreneurs**, in order to avoid the business lost; France has a very good legislation and practice in this field which could be used in Romania, too.

The all these recommendations – which are not exhaustive - should be integrated in a **national strategy focused on the microentrepreneurship development**. In its elaboration, with the implication of all major entrepreneurship stakeholders, is beneficial to take into consideration the positive influence of the transition to the knowledge based economy on the microbusiness. **Foundation and development of the microenterprises in the next period will be easier comparative with the previous times** because the knowledge based economy has certain enabling characteristics for micro and small business (Nicolescu et al., 2016b). Among these we mention: the easier and much cheaper access to the knowledge for the population majority, including the potential entrepreneurs; the miniaturisation of the equipments and technologies making them easier to be used in microenterprises; knowledge dematerialisation and their rapid circulation allowing their use concomitantly by a large number of entrepreneurs and specialists; the increasement of the importance and of the efficacy of the individual knowledge and intellectual capital because of the diminution of the size and percentage of the material and financial resources in the total investment necessary to create and/or develop an enterprise. Above mentioned elements shall amplify the productivity of the microentrepreneurs both as businessman and as employee and therefore the microenterprises performance and competitiveness.

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