

Entrepreneurship in times of economic and financial crises, methods of adaptation and survival

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Abstract: This paper shows the main results of a research activity conducted in the South – East region of Romania during November 2009, over 117 small and medium-sized enterprises. The results help to better explain some of the social problems that have been generated in the region as a snow ball effect, due to the economic and financial crisis. The research has revealed the following:

The majority of the employees of the companies that were interviewed do not participate in training courses related to project management and personal development. However, company administrators consider that such courses are useful to increase competitiveness in times of economic and financial crises. Personnel under 40 years of age suffer from a lack of professional training and dedication to job requirements. Companies have expressed an interest in accessing European Union funding. However, they do not have complete information that would allow them to start a project and finalize it. This lack of information is mainly due to lack of access to specialists who would write the projects and submit them. The majority of entrepreneurs consider they cannot write the projects themselves but on the other hand they do not have access to consulting companies or other organizations that could help them. Their main information source is the mass-media.

As a result, companies have adjusted to the effects of the economic crisis, diminishing their activity and laying off people, decreasing the running expenses and stopping investing in their development.

Key words: entrepreneurship, economic crisis, investment, development, survival methods.

1. Introduction

The small and medium-sized enterprises (SMEs) form the most numerous and important form of entrepreneurial association. They perform economical, technical and social functions by generating the greatest part of the Gross Domestic Product in every country, usually between 55-95 percent. They also offer jobs to the majority of the occupied population, generate a great part of the technological innovation and have a high level of dynamism in the market economy given by the evolution of their number, the volume of turnout, and the labor they employ. SMEs manufacture products and services at more reduced costs than bigger companies, due to advantages like smaller operational costs, higher intensity of labor and greater motivation of employees. They benefit from a faster decision-making process from the entrepreneurs, giving them greater flexibility in the changing market mechanisms and making them generate one of the most important sources of income to the state budget.

However, SMEs have weaknesses. According to Professor Alexandru Maniu from the Romanian Academy of Economic Sciences, these include limited resources, excessive dependence upon one person—the entrepreneur and lower technical endowment compared to big companies.

At a European level, SMEs form the majority of the European private companies, accounting for 99.8 percent. Big companies alone, with over 250 employees, account for only 0.2 percent of the total number of companies. SMEs have over 67 percent of the employees from the private sector. From all SMEs, the micro companies—having one to nine employees—represent 91.5 percent, the

small companies—having 10 to 49 employees—represent 7.3 percent, and the medium companies—having 50 to 249 employees—represent 1.1 percent. Considering the employees of the entire private sector, the micro companies account for 29.6 percent, the small companies for 20.6 percent, the medium-sized companies have a share of 16.8 percent, while the big companies have 32.9 percent of the total number of employees.

According to the Romanian National Institute for Statistics, the company structure in the Romanian economy in December 31, 2007 included the following:

- 110 autonomous companies (former publicly-owned companies).
- Approximately 32,600 shares corporations.
- Approximately 1,187,100 limited liabilities companies.
- Approximately 39,300 other types of companies.

This paper shows the main results of the research activity that was conducted within six counties that together form the South – East region of Romania. The counties are Galati, Braila, Buzau, Vrancea, Tulcea, and Constanta. According to the 2009 White Paper of the SME sector from Romania, there are over 2.9 million people in this region, with a density of 80 people per square kilometer. The overall country average is 91 people per square kilometer. Galati has the highest density, with 139 people per square kilometer, while Tulcea, with its Danube Delta has only 30 people per square kilometer. Cities have 55.5 percent of the total population of the region. Constanta is the biggest city, with a little over 300,000 people, while Tulcea has approximately 93,000 people. In 2007, approximately 71,442 SMEs were active in the

South – East region of Romania. This is a 45 percent increase from 2001. The dynamics of the SMEs given the number of employees is shown in Table 1.

Year	0-9 employees	10-49 employees	50-249 employees	Total
2001	49,664	3,279	750	53,723
2003	54,324	3,669	831	58,824
2007	64,994	5,383	1,065	71,442

Source: White Paper of the Romanian SMEs - 2009 Edition, CNIPMMR

The density of companies for 1,000 inhabitants in the South – East region has had a steady increase from nearly 18 in 2001, to 21 in 2003 and 25 in 2007. However, the county distribution is disproportionate. Constanta, which is the most important Romanian harbor at the Black Sea, has the highest density, with 36 companies per 1,000 inhabitants, while Vrancea has the lowest density, with only 20 companies per 1,000 inhabitants. This shows a big difference between the levels of development of the SME sector among the counties of the region. The turnover of the 71,442 SMEs was 40 billion Lei in 2007 (approximately 11.8 billion euros), which is almost an 8.5 percent share from the total turnover of the SMEs from Romania. The mean turnover of the companies in the South – East region is 555,619 Lei, or approximately 163,000 euros.

The profit generated by the companies is an important indicator that shows the evolution of the SME sector and the domains that need some sort of support. Region-wide, the 2007 situation shows that there were 31,069 profitable micro companies, 4,298 profitable small companies, and 915 profitable medium companies. One can see that from a total of

71,442 SMEs in the region, only 52 percent of them generated profit. A total of 27,520 companies had losses, while 6,940 had zero accounting turnovers. The lowest rate of profitability occurs within micro companies, with 48 percent, while the same rate is much higher for medium-sized enterprises, with 86 percent. The net benefit of the SMEs in the South – East region was of 2.7 billion Lei, or approximately 0.9 billion euros.

The research in the South – East region of Romania was done according to scheduled visits to SMEs in each of the six counties. A survey was applied directly at the visited companies and also through phone calls and emails. Many of the companies that were visited asked for a short period of time to fill in the survey form and then sent it back. The 117 companies that were contacted have together 574 employees, or almost 5 persons per company. The findings of this research offer grass roots examples of entrepreneurial behavior with implications in the social life of the local communities they serve. The study is important to prepare local communities to better tackle the social problems that are generated from the business environment, during an economic crisis. The public opinion needs to be aware of the measures that small businesses are taking in order to survive and the social tradeoffs that accompany these measures.

2. Literature review

There is probably no other person so greatly identified with the financial crisis than Richard S. Fuld, Manager of Lehman Brothers. Until the autumn of 2008, he was perceived as a hero on Wall Street, but after that date his name has been associated with

all the errors of the crisis. An article in "The Globe and Mail" cited Fuld when referring to the reasons of the financial melt down: uncontrollable forces of the market and rumors that Lehman Brothers does not have sufficient capital to sustain its investment. Lehman Brothers could have survived had the American Government helped the company the same way it did with Goldman Sachs. As a result, the confidence in the company went down, which later severely affected its credibility. The fall of the mortgage market in 2007 generated greater effects in other sectors of the financial markets than it was initially estimated. Lehman proposed the Government to take measures that would help the company and the trust in the financial markets. Their proposals were refused, but they were later put in practice for other banks, after the bankruptcy of Lehman.

The most important thing that an entrepreneur wishes for during holidays, is a healthy economy, according to a Columbia Business Times article. If this macroeconomic stability is months away, the question becomes how can entrepreneurs create better economic perspectives through means they can control? The article is citing research made by Kauffman Foundation in 2008. Americans reported they believe that entrepreneurship is the solution to the current financial crisis. Over 70 percent said that the economy is dependant upon the success of the entrepreneurs and 80 percent want the Government to use its resources and encourage the development of the entrepreneurial potential in the United States. Entrepreneurs are good at solving problems and are looking for ways to turn the economic crisis into opportunities. When times are difficult, people tend to find partnerships and negotiate

almost everything. People become more creative in managing their finances and maintaining a good credit record because loans are more difficult to obtain. Entrepreneurs rely more on friends, families and other private funding sources for their investment projects. The times of recession offer the possibility to rethink the business, to revisit the business plan, to rethink the marketing strategy and the relationship with the clients. Also, it is now when new applications are invented and young people are stimulated to become entrepreneurs and find new markets for products and services. Now it is the time to be aggressive on the market, to develop the online presence and to find social marketing opportunities. It is also advisable to work with small business partners because governments are more likely to help them.

In today's worsening economy, one of the most important measures that governments, business people and civic organizations may consider, are related to the development of the entrepreneurial spirit. Monitor Group, one of the biggest consulting companies from the United States, published the study "Paths to Prosperity; Promoting Entrepreneurship in the 21st Century." The study is interviewing entrepreneurs from 22 countries to determine the attitudes and policies needed to develop entrepreneurship in different regions around the world. The main conclusions are:

- The existence of an entrepreneurial conscience among the population, defined by values like individualism.
- Legitimacy of entrepreneurship as a career choice and the capacity to recover quickly from failure.
- Funding strategies like public listings, spin-offs or buy-outs, form an efficient source to develop the business.

- Reduction of the income tax, increasing deductions and offering incentives to benefit from the results of research and development are seen to have greater impact than business incubators or reducing bureaucracy.

- Teaching entrepreneurship at all levels of formal education has great impact on the development of the pro-active spirit around the globe.

The business environment in times of economic crisis is like the economic Darwinism, where the most adaptive manage to survive. The relevant question here is how can the entrepreneur survive and be ready to develop his business when the market recovers. Experts from the U.S. Small Business Administration, as well as financial institutions offer advice: manage money well, evaluate creditors and debtors, consider other business options, identify new clients, and take initiative to adapt to the market in due time.

John Paul DeJoria explains in the book, "The Worst-Case Scenario Business Survival Guide," what are the 11 measures that could help a business survive crises. First, the company stops hiring and freezes expenses with salaries, entertainment, travels, and other costs that do not directly affect its profitability. Then, the entrepreneur has to think of the beginning of the business when he did not have employees and solid financial resources. A third measure that could be considered is laying off the people who are not productive enough. The entrepreneur has to identify those expenses that seem to be exaggerated and usually related to communication, consumables, printing, cleaning, mailing, insurance, bank commissions, and leasing. Also, everything is negotiable, even if it was previously

negotiated, so research about competitors providing the same services is important. If prices can not be negotiated, then payment dates and types may be. The manager may also relocate into a cheaper office or partner with another company to benefit from group discounts. Another measure that could be applied is for the entrepreneur to engage employees in identifying the measures needed to reduce costs and in making the budgets for the company's projects. Communication in times of recession is also vital. It has to be clear, honest and open to employees, suppliers and clients. Another essential aspect is the ability to ask for help.

Frances Hesselbein and Rob Johnson strengthen in the book, "On Mission and Leadership," that what really matters is the present: what is important in reinventing the company is the way labor is organized in the present, given the demand from the market and the technology available. The way people and companies interacted in the past do not matter in the present. However, if you want to develop good imagination for the future, it is good to appreciate the past. As a result, the two authors introduced the notion of "quite management." The quite manager is an inspiration for the others, is attached to the company, makes changes in a slower pace, and takes initiative. Instead of "cutting the problem from its roots," quite managers spend a great deal of time preventing problems. They also tend to know the activity of the company from the bottom-up.

In the book, "Visionary Leadership. Creating a Compelling Sense of Direction for Your Organization," Burt Nanus is analyzing the behavior and the measures taken by Microsoft to constantly adapt to the changing market conditions. Bill Gates, the

founder of the company, managed to make five billion dollars by the time he was 35 years old, quitting Harvard and without having an MBA. His secret lies in the fact that he created a 21st century company in the 20th century and is managing it with a strong visionary leadership. In order to adapt better to times of recession and even to anticipate them, companies need to be aware of the major forces that are influencing the markets and the economic activity in general: technologic advances in computer science, genetics, space, and engineering; the dominance of postindustrial economies; the globalization of businesses, policies, cultures, and of the environmental problems; restructuring of the national economies due to increased competition and the gradual transition from military dominance to economic dominance; a general decrease of confidence in all institutions, including government and church; an increase of economic stress due to the level of borrowing, global competition, vulnerable banking systems, and outdated infrastructure; demographic changes; relative abundance of goods and the decrease of values like job security or time spent in the family. Burt Nanus is also showcasing the main characteristics of the 21st century companies. They have highly qualified labor, products and services that incorporate science, global development perspectives, and complex organization. Moreover, the activities in such companies unfold in many locations, meeting various needs and having many objectives. The 21st century companies are not just economic organizations, or social organizations, or political, artistic, or environmental. They are a mix of all these areas. Microsoft is conducting its activity mainly to provide qualitative and innovative products to its clients.

On the other hand, the company is providing for its employees' needs like education, leaves, athletics, or social events. Nanus also argues that a company, regardless of its size, can not do everything alone to accomplish its mission. Even big companies need partners. Microsoft has such close ties with its partners that one would not know if he is working in a place owned by the company or by a partner.

Ali Quazi and Majharul Talukder argue that innovation is a solution to adapt and survive times of economic and financial crises. In the paper, "Innovation as a survival strategy during the global financial crisis: The Bangladesh case," the two authors are analyzing four key fields of activity that may be improved through innovation: management, marketing, human resources, and funding. Innovation in management may be classified as administrative and technical innovation, product innovation, process innovation, and radical innovation. Technical innovations include products and technologies used to manufacture the products and provide the core services of the company. The administrative innovations are related to the organizational structure of the company and its administrative processes. Product innovations are benefits introduced to employees and clients, while process innovations refer more to product delivery. The two authors are analyzing largely the administrative and management innovations because they are more likely to generate efficiency and productivity. The entrepreneur may consider the following actions: developing management abilities through training courses, because managing financial crises needs knowledge and adequate competences; improving the efficiency of labor because this is essential to every challenge the company is facing,

including economic crises. For example, the efficiency of the managers in the public sector may be improved through seminars and symposia where financial and management experts offer precious hints regarding ways to overcome crises.

In the book, "Entrepreneurship and SMEs in Southeast Asia," Denis Hew and Wee Nee Loi are analyzing the major transformations that affect SMEs in times of recession and economic boom. As a result of their research, when the economy is developing, companies are employing new labor. At the same time, small companies tend to close down their activity and the pressure to establish new companies is low. During recessions however, companies stop hiring people, diminish their activity and even face bankruptcy. As a result, the reduced opportunities in the economy determine people to start their own businesses, even if they generate little revenue. The authors also mention that smaller companies are more flexible than bigger companies when having to adapt to new market conditions. Moreover, companies tend to associate in groups of companies and benefit from economies of scale in terms of production costs and marketing expenses. The microcompanies for example, having less than five employees, developed during the Asian crisis and offered jobs to people laid off from the big companies.

3. Theoretical Background

Research for this paper was conducted in the six counties forming the South – East region of Romania: Galati, Braila, Buzau, Vrancea, Tulcea, and Constanta. Overall, 117 SMEs were interviewed, using a survey that was applied using direct visits at their

headquarters, phone interviews and email notifications.

4. Paper Content

4.1 SME Staff Training

SMEs in the South – East region of Romania have very poor participation in training courses. The majority of the companies have never sent a single employee to such programs. The managers of the companies that were interviewed offered the following reasons for this situation:

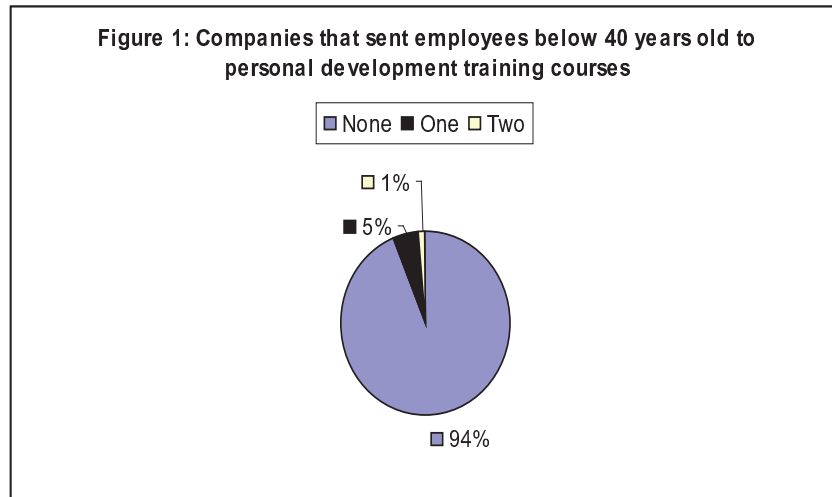
- They have never been contacted to attend such training programs. When they were indeed contacted, the costs were too high for the company or the employees, to attend.
- The company does not need to develop the types of skills that were mentioned in the questionnaire.
- Lack of time.
- Lack of trust in such training programs.

A majority of the managers acknowledged that they have never been interested in training courses for their employees and admitted that they would not think of that in the future, due to other priorities. Figure 1 shows that only five percent of the companies have sent employees under 40 years old to one training course.

When asked if they felt an improvement of the efficiency of their employees as a result of a training course of personal development, over 90 percent of the managers admitted that they were pleased with the added value of their employees. When asked if the courses had some utility for their company, only 48 percent of the managers admitted that the training courses may have been useful.

We could observe greater distrust within the firms from the rural areas. They are almost ignoring to develop the competences of their employees and sometimes they do not understand its advantages. The decision to attend training courses and to develop the

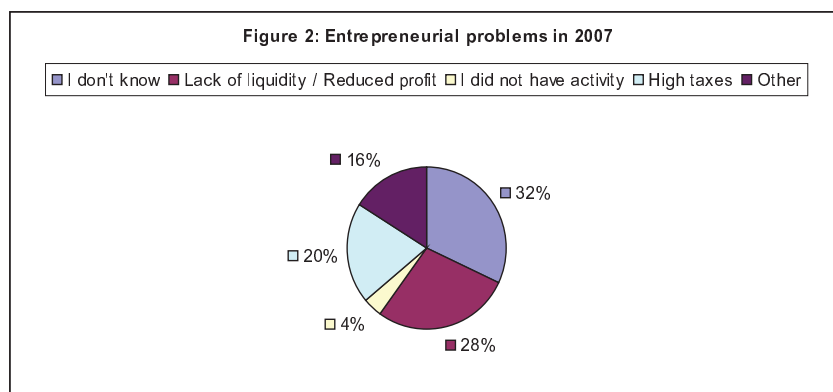
personal competences of their employees depend on the duration of the course, whether the course is scheduled in weekends or during periods of slower activity for the company, the costs, and the type of diploma to be awarded.



4.2 Problems that the companies from the South – East region of Romania are facing

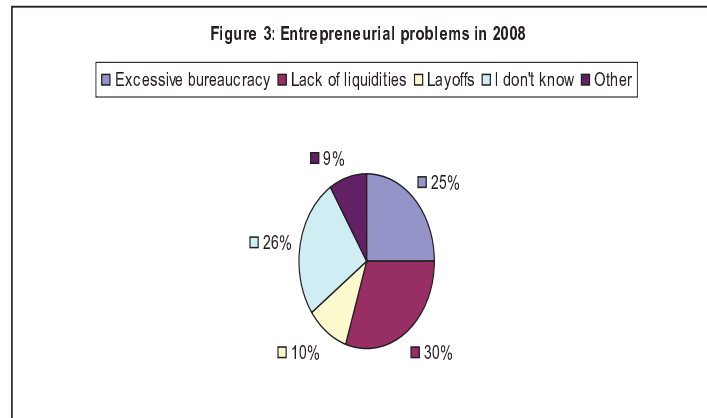
The problems of the South – Eastern SMEs from Romania are very much the same as the ones of the rest of the country. Prior to 2009, they confronted high bureaucracy and lack of liquidities. In 2007, the lack of liquidities and the high level of taxes were the major

problems. In 2009, the effects of the global financial and economic crisis were mentioned as the biggest problem. A good number of companies that were interviewed were established after 2007. Some managers even responded that one of the problems in their line of work is that they are not members of the right political party. Figure 2 shows the problems that managers confronted in 2007.



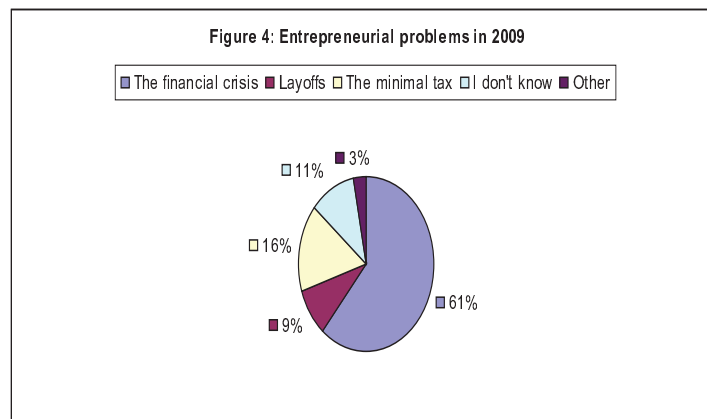
In 2008, companies faced major problems regarding excessive bureaucracy, net losses, and layoffs, as shown in Figure 3. The

problem of liquidities persisted due to the development needs that come as activity grows.



The year 2009 was indeed a major crisis year for the companies from the South – East region of Romania. Over 60 percent of them mentioned that they were hit by the effects of the crisis. As a result, the Romanian Government imposed a new tax called the “minimal tax” that makes it compulsory for

companies that have no or little income, to pay a certain amount of tax to the state budget. This measure was mentioned as the second most important problem that companies were facing. Layoffs also played a major role, as shown in Figure 4.



The managers of the companies were also asked about the general problems of the area. In their vision, the activity of their companies is greatly affected by excessive bureaucracy, high taxes, and negative externalities like poor public infrastructure and a lack of overall development prospects and vision. However, given the type of business they are conducting, some entrepreneurs

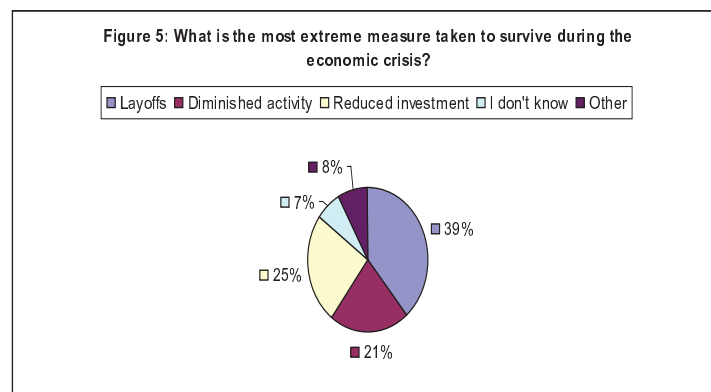
expressed concerns about the lack of interest of the local administration for the business sector and corruption.

4.3 SMEs From South – East Romania In the Context of the Economic Crisis

The National Council for the Small and Medium-Sized Enterprises from Romania conducted a survey in all of the eight

development regions from Romania. The results show that almost 24 percent of the companies have been affected at a devastating level and for 26 percent the negative effects have been very high. Nevertheless, 36 percent of the SMEs admitted little impact of the new economic and financial environment upon their activity and 12 percent declared that their business has suffered just a little. The most important measures that

companies took in order to face the challenges of the economic crisis consisted mainly in reducing their costs by laying off people, diminishing the activity and reducing investment. The SMEs from the South – East region of Romania have adopted the same strategy to maintain business. Some of them even reduced their other fields of activity. Figure 5 shows the most extreme measures that companies have taken so far.



One can notice that layoffs are at the top of the measures with 39 percent of the managers having taken that initiative, followed by diminishing the activity of the company. Together, the two measures generate a snow ball that is closely followed by an increased rate of unemployment, higher burden on the state and local budget, and social problems. Almost 10 percent of the companies that were initially contacted suspended their activity during 2009, due to the great effects of the crisis. The entrepreneurs were skeptical when referring to the time that the crisis will last. Most of them consider that the prospects of recovery will be felt after at least two more years.

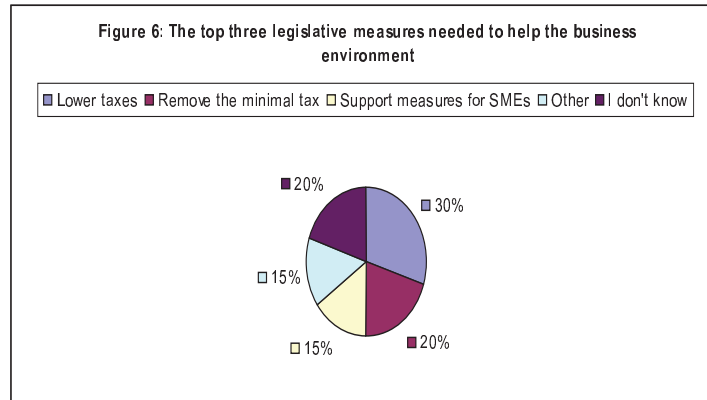
European funding for various investment projects is a source of income that many entrepreneurs are aware of. The ones that were questioned have thought about this option out of the crisis, but haven't made

projects and haven't applied, due to various reasons. They either haven't found reliable sources of information, or haven't contacted a consulting company for guidance. SMEs from the rural areas did not think of such possibilities. When asked if they would apply for EU funding if they had support to write a project, entrepreneurs said they would consider this option. However, one could notice a widespread lack of information regarding the institutions that are managing EU funds and their development role. Among the 117 companies that were questioned, only one obtained EU funding, which counts for a very small percentage.

When asked about the solutions that the governmental institutions could take to help the business environment, entrepreneurs gave various answers, based on their vision and knowledge of the legislative and

executive sectors. The general pattern showed a desire to decrease taxes, remove the minimal tax for companies, and specific support

measures for SMEs, as shown in Figure 6. The firms from the rural areas were more reluctant to give a specific answer.



5. Conclusions and implications

As a result of the research conducted over 117 SMEs from the South – East region of Romania, the great majority of the companies that responded to the survey have never sent employees to training courses of personal development and project management. However, when asked if they would attend such programs, entrepreneurs declare themselves willing to train their personnel, considering them useful to improve the activity of their company during the economic crisis that Romania is facing. There is a big difference between the rural and urban entrepreneurial behavior. The companies from the urban places are much more open towards vocational training opportunities because they have access to better information resources. Managers from the urban areas seem to have understood better the important role that training may play in their company future development.

The main problems that companies are facing in their activity include the level of taxes, the new minimal tax, excessive

bureaucracy, and the effects of the economic crisis. Personnel under 40 years old suffer from a lack of vocational training and commitment in fulfilling work assignments.

Entrepreneurs have basic ideas for changes in the legislation that is directly affecting their line of work. In order for their companies to perform better, they want reduced bureaucracy, lowered taxes, removal of the minimal tax, and a visionary development plan that would boost economic recovery. Some expressed ideas related more to their line of work, but a great number of managers answered "I don't know." This shows a lack of information and interest in the legislative process.

With regard to the economic crisis that Romania is facing, companies have adjusted their activity in order for them to reduce its negative effects as much as possible. These measures are temporary, until the economy is boosting again, with stronger positive effects in the region. As a result, companies have diminished their activity and laid off people. At the same time, they diminished the running costs and stopped investing in development.

A limited number of companies diminished their promotion budget as well.

EU funding for SMEs is an interesting tool for the companies of the South – East region of Romania. The majority of the surveyed companies are interested in ways to receive funding, but they do not have complete information resources to submit a project, receive funding and unfold the project. The informational problem occurs due to the small number of specialists who are proficient in attracting funding and the big discrepancy between the quality of the information in the urban areas and in the rural areas. The majority of the entrepreneurs consider they cannot write a project alone, but at the same time they do not know persons or institutions that could do that for them. The major source of information for managers is the mass-media. Internet access is however well developed, with over 80 percent of the companies using it. Informational emails could be a way to provide information for these companies, both for training opportunities and for EU funding opportunities. The interviewed companies showed themselves interested to use their email accounts for information exchange.

The majority of the managers consider it is beneficial for their companies that their personnel be trained to develop their personal and entrepreneurial skills. However, they are not aware of such training opportunities. The general perception is that training opportunities are very expensive and require too much time to attend. This would affect the activity of the company on the short run, and the tradeoff is not worth the effort.

Entrepreneurs are not eagerly trying to influence the public administrations to enact better policies for the business environment.

They are also not forming entrepreneurs associations to make their voices better heard in the community. Very few companies are applying for EU funding and manage to finish a project successfully. These facts show that there is a need to perform information campaigns more consistently. What has already been done, is helping managers become more aware of the need to have better trained personnel and better access to additional funding resources. They are also more aware that in order to access EU funding, they need a constant flow of information and a thorough training in project management.

The problems that small and medium-sized enterprises face during economic and financial crises have direct and strong implications on the local communities. These are affected by increased social problems generated by the measures that the companies are taking. The research has shown that the adaptation and survival methods of SMEs during crises is a function of layoffs, reduced activity and reduced to none investment.

Layoffs determine greater pressure on the social protection policies and diminish the local expenditure on goods and services. The diminished expenditures on goods and services determine a chain effect that spreads to other consumer-goods businesses, credit reimbursements, and various services. This situation requires governmental intervention to protect the increasing number of poor. The measures that were successful in Thailand's response to the 1997 economic crisis and that seem to work in the Romanian environment include "an improvement to the strategic design and coordination of the social policy, protection measures to the poor and to the elderly, strengthened social protection of workers, and improved monitoring

of living standards." These measures require intervention at the macroeconomic level, with results to be seen on a short to a medium period of time. From this regard, managers that were interviewed seem to have been objective when stating that recovery is to be seen within the next two years.

Thailand instituted a comprehensive social protection program for workers, aimed to strengthen labor demand, reverse the unemployment trend, and halt the decline in wages. "A variety of market labor policies were implemented to promote re-employment of laid-off workers through training and job placement services. The government established a task force, with representation from workers, employers, and government, to design, target and rigorously evaluate the cost-effectiveness of training programs for unemployed workers." Also, a reform of the social security policy needs to be revisited and adjusted to cope with the new social problems in a more effective manner.

Companies are diminishing their activity because they cannot sell as much as they used to, due to the lower purchasing power of the population. Those companies that made prior investment plans and relied on cash flow projections made before the crisis, found themselves in the situation to even close the business. Investment is slowed down or even reduced to zero because there are no liquidities. The jobs that were initially supposed to be created or kept with the initial development needs have halted, adding up to the pressure on the social protection system. Under these circumstances, the business environment needs to receive governmental support and restructure. One major goal is to provide businesses with liquidities, to start to invest. But to accomplish this goal,

the financial institutions need to be reformed first. Important lessons may be learnt from Thailand's financial sector reform following the 1997 economic crisis. The objectives of such a reform would be to make troubled institutions leave the market in an orderly way, impose tighter supervision on the remaining players, and provide sufficient information to companies to analyze the risks of the available options. Macroeconomic steps have been taken at a European level in this regard, improving the rules of the activity of the credit rating agencies.

The Thai government first ensured that assets controlled by the affected financial institutions were not impaired and owners were held accountable for their mistakes. At the same time, the fiscal costs were kept so that to avoid the burden on the taxpayer, in an orderly and transparent manner. In the next step, the government reestablished the financial institutions on sound footing. This was done by identifying and addressing the problems like lack of power for the central bank, fraud, poor management of certain financial institutions, and action on non-compliance. Also, the Bank of Thailand established a principle that when it intervened, it would change the management of a financial institution or reduce its capital so that shareholders are the first to take losses. Trust for the financial sector was increased with two other important measures related to strengthening prudential regulations and strengthening supervision. The new regulations "obliged finance companies, like banks, to submit semi-annual credit plans to the Bank of Thailand that reflected portfolio diversification, risk profile, and growth planning and to issue loan-to-deposit, or promissory note, ratio guidelines." Also, the

government established an interagency task force to review and recommend changes in the legal and regulatory framework for supervision. These kinds of measures could be taken and adjusted to the Romanian macroeconomic environment in order to regain confidence in the financial sector and boost investment. The results though are to be seen on a longer period of time, but they form a

solid foundation to tackle the chronic social problems.

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