

CREATIVITY AND INNOVATION IN STARTUP BUSINESS

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ABSTRACT

The paper is a short brief analysis of the innovative startups in the creative industry category of the North-East Development Region and a comparison between the development regions of Romania. Creative industries generate economic value from intellectual property and are understood through creative or cultural industries: advertising, architecture, art, crafts, design, fashion, film, music, stage arts, publishing, research and development, software , games and toys, radio, TV, etc.

The research results can be used and implemented for the next edition of the Startup Nation Program in Romania, an inclusive approach aimed to accelerate the development of the North-East region through the development of business ideas such as creative industries. Also, the research results reveal a number of characteristics of Romanian entrepreneurship by providing a series of information for subsequent editions of this program.

Keywords: startup nation, entrepreneurship, development regions, business plan, innovative character, creative industries

INTRODUCTION

The aim of the paper is to evaluate innovative startups from the category of creative industries fund in Romania by the Romanian Government through the Startup Nation Program 2017 and to carry out an analysis of the Northeast development region and a comparison between the development regions of the country. At the present, creative industries - those sectors or areas whose activities combine creative and economic domain, such as architecture, art and design, photography, media and crafts, in eleven such sectors - account for 7% of Romania's GDP , according to data provided

by the Ministry of Economy in 2014. The aim and prediction of the authorities are that by 2020 this percentage will reach 10% of GDP.¹

For Romania, 2017 was the year of economic uncertainties and a lot of changes in the political market. Romania has a maximum financial impact in the business environment and a very low level of entrepreneurship. The significant increase in the minimum wage by 16% since February this year discourages the creation of new companies and reduces almost all of the fiscal savings for existing firms, according to an analysis by Coface's financial consulting firm.²

MATERIAL AND METHODOLOGY

The study uses public data available on the website of the Romanian authorities responsible for implementing startup programs and policies, but it is based on official data provided by the institution that carried out the StartupNation program in the territory following a written request in this respect, from Agency for Small and Medium Enterprises, Investment Incarnation and Export Promotion Iasi. As primary data, research uses statistical information based on Excel. The quantitative results of research have been correlated with existing national and regional policies.

For a better interpretation of the results, were used a few lessons learned from the author's practical experience, particularly in providing advice for the implementation of innovative startup projects.

CREATIVE INDUSTRY AND STARTUP NATION

It seems that Romania is ready for change. In the recent years, a new kind of business has made its place slowly but surely in our country: the creative industries business. There is nothing new in the fact that creative businesses can save the economy of a city, where traditional economies, based on agriculture, industry or commerce have failed. They represent the happy combination of two qualities, the "artist" and "businessman". Are those sectors of creative and technological development that generate profit and rethink culture as a driver of regional and national development.

¹ Andra Imbrea "How creative are the creative industries in Romania and what does the creative community have with Sabina Baci, the Oricum Association", <https://www.wall-street.ro/articol/Economie/210693/despre-cat-de-sustinute-sunt-industiile-creative-in-romania-si-ce-planuri-are-comunitatea-creativa-cu-sabina-baci-asociatia-or.html>

² Marius Alexandru Stanciu, *Romanian Entrepreneurship at the lowest level in the last 10 years: raising the minimum wage cut the enthusiasm of entrepreneurs*, <https://www.wall-street.ro/articol/Companii/210043/antreprenoriul-romanesc-la-cel-mai-mic-nivel-din-ultimii-10-ani.html>

The concept of "creative industry" enters the following fields whose work involves artistic or scientific creativity: urban architecture and regeneration, art and design, performing arts, film and video, photography, industrial invention and artificial intelligence, media , audio and video), fashion and fashion design, traditional crafts, monuments and cultural tourism, music, advertising, interactive video and video games, printing and tying, web design. In short, the creative industries target everything produced by artistic and scientific creativity and have industrial potential, that is, they enter the economic circuit, produce value, generate public revenues through taxes and fees, create jobs and profit, help regional development and national.³

RESULTS

In this analysis, I will develop the topic of applicants for the North-East Development Region and implicitly an analysis of the country's main three development regions, considered to be the poorest region. ⁴Based on the statistical analysis based on the Excel program, we found that 932 applicants, 409 females, and 519 males, were accepted in the North-East Region, and in terms of the number of applicants by age category , 184 applicants were registered for the first age category (18-25 years), 365 for the second age category (26-35 years), for the third age group (36-45 years) 224 applicants, (46-60 years) 146 applicants, for the last age category (≥ 60 years) 44 applicants.

For the North-East Development Region, there is a significant competition between men and women, and women seem to be as capable as men to start a business with startup funds, which is surprising compared with other years. Also, 498 of the applicants in this region, half of them, are young 21 to 35 years, analyzing this region more significant from the point of view of economic competitiveness, 932 applicants will create at least 2 jobs for a period of time for 3 years, according to the Startup Nation Program criteria.

³ *"Creative industries, the new wave in Romania"*, <https://www.wall-street.ro/articol/Marketing-PR/12592/Industriile-creative-noul-val-in-Romania.html>

⁴ Eurostat-GDP Bulletin, 2016

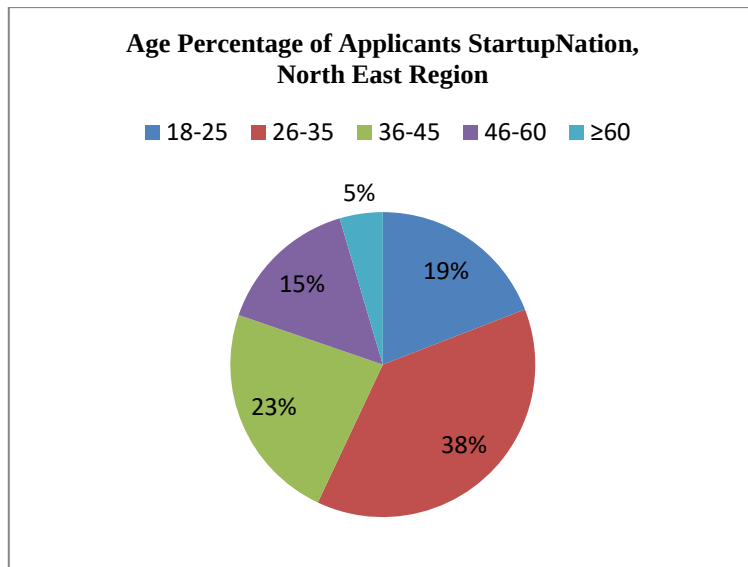


Figure 1. Applicants' Age Percentage in Startup Nation - North-East Region, Source: Author

Which means that 1864 jobs will be created in this developing region, considering a minimum economy of 1950 lei (408, 8 EUR / gross minimum wage), although the amount allocated to salaries is settled up to the maximum level 3137 lei gross / employee / month, (657,65 EUR), plus the employer's contributions, for three categories of persons: underprivileged (cf. HG 799/2014), unemployed compensated unemployed - unpaid unemployed , or graduates after 2012. The program allocates this non-reimbursable support for salary spending in these categories of people for one year and is seen as a real support for startups at the start of the road, a considerable advance to help them survive on the market by the time their development in the direction of independence.

Moreover, the North-East Development Region is known in Europe as one of the poorest regions of the country (the analysis being made for 2016), immediately after the South-West Oltenia Development Region, but in 2016 the situation had changed in a better way, had advanced 5 positions above the European level, according to the press information.⁵

That is why it is very important to point out in the article that its pace of development is faster than other regions. For this analysis, regarding the areas of activity of startups included in the Program, I made a comparison between the three internal regions of the country considered to be the poorest in Romania in terms of the sectors of activity in which they operate business, (North-East Development Region, South East Development Region, South-West Development Region).

⁵ Eurostat-GDP Bulletin, 2016

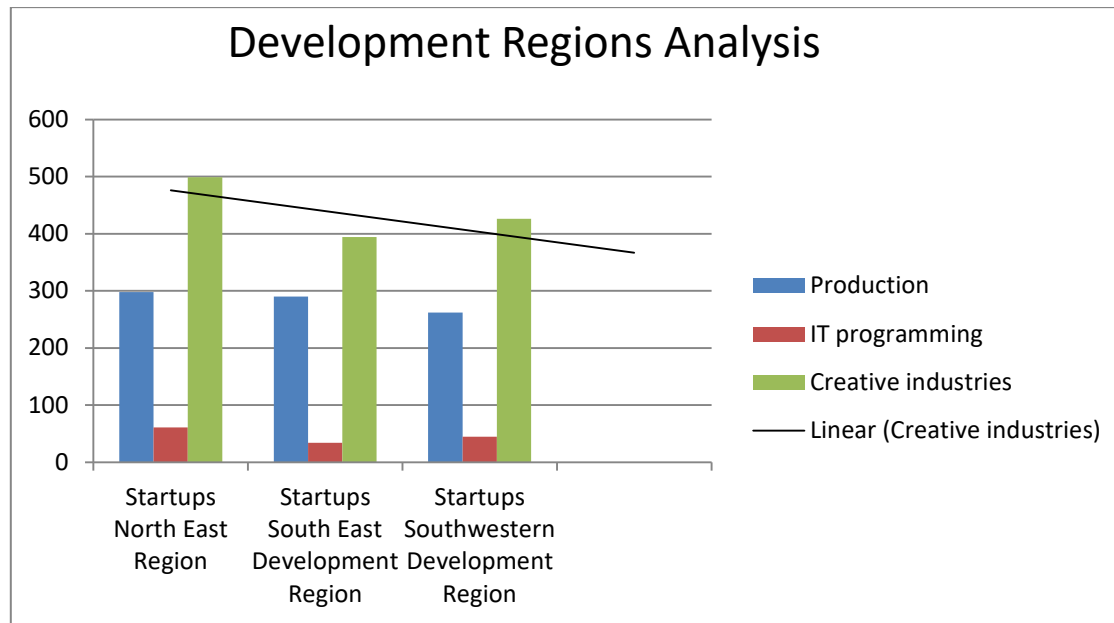


Figure 2. Number of applicants accepted for the StartupNation Program for 3 categories of activities: Production, IT Programming, Creative Services, Source: Author

This analysis clearly shows the growth trend of startups and their interest in production activities, IT programs and creative services as higher in the North East development region than in the other two regions. The increase can be explained by the development of several activities such as the promotion of non-reimbursable programs in the North-East region, but also through the existence of intermediary bodies that facilitate access to applicants for funding through good practices. (universities, hubs, consultants, NGOs)

From the point of view of innovation, the Start Up Nation Program grants 10 points for the investment of at least 50% of the non-reimbursable grant exclusively for equipment, and gives 5 points for the equipment innovation criteria for investing in equipment 25% of the amount.⁶

Applicants who have been accepted for funding are required to purchase equipment and software to demonstrate their innovative character at the first request for reimbursement / request for payment by evidence from the manufacturer / supplier that the goods purchased at least 25% of the value of the business plan embraces technology / technology and / or software necessary to carry out the activity not older than 3 years.

⁶ Startup Nation Program 2017, www.aippimm.ro

In this way, the Start Up Nation Program itself is an innovative program that brings real support to entrepreneurs at the beginning of the road with the desire to assert themselves on the Romanian market and which is also an investment program in the development of the Romanian state and for the development of all regions. Although, so far, I have talked about the "innovative character" of equipment, I am looking at the sector called "creative industries", which should bring innovative business ideas for the development of this sector. (excluding here the IT Program industry, which is innovative in any business of this type, due to the technology that is continually advancing).

From Figure 2, it is clear that more and more entrepreneurs rely on a business idea in the creative industry area, and invest in innovation with the help of this state-funded grant program. The North-East Development Region is the area with the largest number of applicants in the creative industries - 499 business ideas in this sector, we can call it the creative region of Romania.

Not surprised at all these data, the capital of the region - Iasi, was named in 2005 by the British Council, following a competition titled "Creative Cities" - "Iasi, the creative city of Romania".⁷

In addition, Iasi is part of a Southeast European network of "creative cities", including the cities of Plovdiv (Bulgaria), Split (Croatia), Novi Sad and Belgrade (Serbia - Montenegro), Tuzla (Bosnia) , Pristina (Kosovo), Skopje (Macedonia) and Tirana (Albania). Mainly, these cities are placed secondarily in the country's economy, marginalized by the centralist policies of the capital. There are cities that count on culture as an important way to make them more visible and find funding for the local community and the administration.⁸

The results of the research reveal that the North East Development Region shows a higher interest, given by the other two analyzed regions, in the form of the entrepreneurial spirit towards the creative industries, in this Program of non-reimbursable financial assistance supported by the Romanian Government. These findings provide an initial knowledge base at both macro level (for the future public policy) and micro level (to improve the business plans of future applicants in this area of activity). The empirical study encourages further research into the prospects for financing innovative initiatives in Romania in the creative industries sector.

⁷ *Creative industries, the new wave in Romania*, <https://www.wall-street.ro/articol/Marketing-PR/12592/Industriile-creative-noul-val-in-Romania.html>

⁸ *Idem 7*

DISCUSSION AND CONCLUSION

One of the main conclusions is that the Romanian innovation, entrepreneurship is receiving quite a lot of interest from the state, highlighted mainly through government support tools, specifically through the Startup Nation Program, which finances most businesses from the IT sector and creative industries through this Program. *(by giving a favorable score)*

Of course, the Start Up Nation Program cannot be considered sufficient to ensure sustainable development in each region, as was the type of this program for the state of Israel, where the idea came from in Romania. That's why I recommend rethinking the score grid for the Business Plan business areas, with the highest score for "Creative Industries" and not for "Production".

In this way it will attract many entrepreneurs from the age of 25 to 35 who works in the area of creative entrepreneurship, and support the development of all regions, especially of the poor regions.

For future research, I will focus more on the micro-level to investigate best-in-class entrepreneurship in some initiatives that are considered to be innovative and successful in the creative industries sector, funded under the Startup Nation Program, and I will direct my research goals to the field Marketing that can guarantee the success of a startup.

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Figure 2. Number of applicants accepted for the StartupNation Program for 3 categories of activities: Production, IT Programming, Creative Services, Source: Author

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