

THE BASIC PRINCIPLES, PROBLEMS AND AREAS FOR IMPROVEMENT OF BUSINESS SUPPORT

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INTRODUCTION

In the Republic of Moldova, the forms and methods of business support are in the process of their formation and testing. Lessons from European countries may be useful for our country as well. The diversion of the international experience regarding business support to the conditions of Republic of Moldova has allowed formulating the basic principles that government policies for business development in our country must comply with:

- Compliance with the main goals and objectives of the policy of business development to main targets / objectives of other public policies (economic, social, regional, innovation, investment, etc.).
- Consistency, which involves the provision of state support to different groups and companies in various forms, in line with the objectives set by the special public institutions, in the existence of a feedback from business.
- Transparency, meaning that support is provided strictly in accordance with the legal basis and the public has the opportunity to ascertain its interest, which business entities benefited from the support and based on what legal conditions.
- The selectivity, suggesting selective support of certain groups of companies, but not the individual economic agents.
- Specificity, that means well-defined directions, measures, deadlines and target groups of business support.
- Program-oriented approach that implies that the support is realized based on the adopted programs with the establishment of the objectives, specific tasks, list of actions, as well as performers and expected results. Initially, a target group, as well as the support, terms of the program and its funding are determined.

EVALUATION OF THE BUSINESS POLICY

The analysis of the system of state regulation of business in Moldova made it possible to evaluate

its pros and cons. Key findings of the evaluation policy for business development in R. Moldova are the following:

1. Business development policy is formally an important part of the main national public policies [3, 4]: Roadmap for improving the competitiveness of the Republic of Moldova [Government Decision on approval of the Roadmap for improving the competitiveness of Moldova. Nr. 4 of 14/01/2014. In: Official Gazette of the Republic, 24.01.2014, no. 27, Government Action Program. However, in practice the policy of entrepreneurship development has been neglected, entrepreneurs do not feel the support from the state.

2. It is developed a legislation regulating the main issues of business development. At the same time, the mechanism for the implementation of the legislation is not always effective and the effective control of the implementation of existing legal provisions is not adjusted, as well.

3. It is developed and implemented a set of policies that have a direct or indirect impact on the business: the policy of cluster development in the industry, the development of public-private partnerships; regional development reform. However, in many ways a first step is made, which is often limited by the adoption of the relevant documents, which are not implemented.

4. Certain government agencies (Ministry of Economy, MIEP, ONE, etc.) authorized to develop and implement the main tasks of the state policy are developed and run. However, the coordination of their activity is not always satisfactory.

5. A variety of forms and methods of support of business, which is effectively used in other countries, is used in Moldova as well. At the same time they are not always sufficiently adapted to the situation in Moldova and do not take into account the human and financial capacity of the state. In addition, the main emphasis in the use of the methods is made on the development of standard methods of business support at the expense of institutional ones.

6. A regulatory reform is implemented over the years, As a result, the registration procedure is simplified, the number of licensed activities is reduced, etc. However, the activities of civil

servants involved in the enterprises' regulation and control is not aimed at improving the conditions for business development. Often, it is predominantly of an accusative and fiscal nature.

7. The current policy does not have a significant impact on the improvement of the business environment. The reforms are felt weak at the enterprise level, the activities of the officials remains under political influence, a high level of corruption is being maintained. Taken together, all these do not promote the development of business and investment business.

The analysis of the current policy to support entrepreneurship in the Republic of Moldova allows us to make another conclusion: *a completely different focus is made on different groups of entrepreneurial activity. In particular, the existing policy is overwhelmingly focused on the support of the SME sector.* This priority, which is indeed very important, has already received a significant development in the country, in particular: (i) the legislation aimed at the development of small-sized enterprises has been introduced; (ii) many state programs directly aimed at supporting SMEs are implemented; (iii) part of the program is implemented and financed by the resources of external donors; (iv) it is set up a public agency committed to implement policies to support SMEs - ODIMM. At the same time, *the role of big business, especially of manufacturing and innovative companies, in the policy is underestimated.* This shows the indicators of their activities and development trends as well.

As the market is unable to resolve the problem of innovative development necessary for the sustainable economic growth, it is required, first and foremost, to strengthen the state's role in boosting the innovation activity of the business. In this regard, it is necessary to more deeply analyze, justify and specify as *a priority the development of entrepreneurship – the support for innovative businesses.* It is important that we are talking not only about the SMEs, but of any innovative business as well.

PROBLEM REGARDING THE INNOVATIVE BUSINESS

Currently, the Republic of Moldova does not solve many problems related to innovation policy:

1. State innovation policy - its goals, objectives and measures envisaged – are not enough integrated in the economic and social policy (policy

of business development, industrial policy, regional policy, etc.).

2. The legal framework of regulation and innovation support is imperfect.

3. There is a lack of financial resources for the scientific research and the implementation of innovations.

4. The market of innovative products in the country is limited.

5. An effective mechanism for the development of priority directions of development of science and technology, taking into account the interests of Moldovan enterprises is not formed yet.

6. A feature of the state innovation policy is the high activity in the preparation of legislation and the low level of implementation of the practical measures that are felt at the level of enterprises.

7. Certain attention is paid to the state support of science, while the innovative activity in enterprises remains at the periphery of government measures.

8. Lack of a mechanism for the effective activity of national economy innovative development institutes.

9. The achieved level of the infrastructure institutions functioning – techno-parks, innovation incubators, etc. do not allow a wide range of companies to take advantage of the offered support tools. Some positive examples are more symbolic, and can only serve as a model for the introduction of support instruments at national and regional levels.

10. There is little activity in the creation of financial institutions and instruments to support innovative companies, especially start-ups and high-tech enterprises.

One of the major factors hindering the development of innovative business, including the establishment of cooperation between entrepreneurs and researchers, is *the insufficient development of the legislative and regulatory framework.* Currently, the legislation on innovation and the innovation activity has a considerable number of documents, but remains fragmented. The basis of the legislation is the CODE on Science and innovation [1]. Although both concepts - science and innovation - are equally used in this Code, the focus, however, aims at research and development of innovations. At the same time, very limited attention is given to aspects of innovation in enterprises. In particular, the key concepts of the innovation process in business are not regulated; there is no definition of innovative business and its classification. Since the legislation does not give a definition of innovative business, in Moldova there is a lack of innovation

statistics. As a result, there is no possibility for the analysis of the innovative development and management decisions taking within the framework of improving the policy development of innovative business. In this regard, *it would be advisable*:

- Change the focus in the Code, by paying relatively more attention to innovation implementation in enterprises.

- Introduce the definition "innovation enterprise" in the legislation and specify the most important groups of innovative enterprises. In particular, it makes sense to classify the innovative enterprises, primarily depending on: the involvement of enterprises in the process of development or implementation of innovations (Enterprises that generate, absorb or develop innovations), types of innovators (food, technological, managerial, and organizational); other types of innovative enterprises, in particular of "spin-out" and "spin-off".

As for the institutional support of innovative enterprises, today the country lacks many important institutions.

In our country, the state supports two types of incubators - business incubators and innovation incubators. Meanwhile, the government is focusing on the development of business incubators, nowadays it is created their network, and they are supported by attracting funding from external donors. At the same time, the number of innovative incubators is insignificant; they only work at the Academy of Sciences of Moldova and at several universities in the country.

Innovative incubators have been created only in the last few years and have a very limited number of residents. Preferential attention of the Government to the business incubators in the detriment of innovation reflects the prevailing emphasis in public policy to increase the number of new businesses, rather than on the growth of business competitiveness through innovation. In more detail, *the problems of activities of such institutions will be discussed in the next section*.

The Republic of Moldova has not established institutions of financial support of innovative companies - venture capital funds, business angels. Moreover, it did not even adopt any legal documents regulating their activities. There lacks the need to justify the mechanisms of activity of these institutions and the concept of laws, since the draft law on venture capital funds in the Republic of Moldova had already been developed and discussed many years ago, and is currently at central public administration authorities for adoption.

MEASURE TO SUPPORT INOVATIVE BUSINESS

On the background of the lack of a number of the necessary institutions, today of a great importance is the *activity of the Agency for Innovation and Technology Transfer* (AITT). The agency is a subdivision of the ASM. It aims to unite scientists, business representatives and employees of public authorities in order to coordinate, promote and implement effective mechanisms in the field of innovation and technology transfer. The scope of activities of this organization originally was wider: it had to contribute to the implementation of the research results of the organizations throughout the country, including coordinating innovation incubators at universities. Nevertheless, today AITT, predominantly, aims to work with the institutions of the ASM.

- The increased interest of entrepreneurs and researchers in the activities of the AITT is because the organization is empowered to organize calls for proposals on innovation and technology transfer, followed by partial funding for their implementation. An analysis of the barriers faced by entrepreneurs in AITT when submitting the application for innovation and technologic transfer projects showed the following [5]:

- Terms of development of innovation and technologic transfer projects include mandatory participation in the application of representatives of Moldovan researchers, holders of the degree of Doctors of Science. Entrepreneurs cannot understand why they are not entitled to financial support, thus attracting Moldovan researchers who do not have a degree of Doctor of Science, or by incorporating the results of research developed abroad, which are often cheaper.

- The proposed application form is quite complicated for SMEs; this is why often the entrepreneur only artificially attracts researchers to develop an application for the project, without the need for the participation of researchers in the further process of the project implementation.

Another form of support for business innovation is the *innovation voucher*. This well-known abroad mechanism facilitates the financial burden of entrepreneurs in the implementation of innovation and at the same time encourages researchers to cooperate with business. The state or a donor subsequently remunerates the work of researchers through vouchers. AITT had a small project for the introduction of innovation vouchers funded by foreign donors, thus the respective experience should be expanded. This will allow

entrepreneurs who have specific questions related to the implementation of innovations, to seek free advice from researchers.

A quite important area of public policy is the *assistance in the development of an innovation culture in the society*. The development of an innovation culture requires long-term concerted actions to support higher education, support for business education and the formation of an innovative public conscience.

Additional opportunities for the development of innovation in Moldovan enterprises are their *foreign trade activities*. Given that Moldova is on the border with Romania, an EU member state, consideration may be given to cross-border collaboration of enterprises, taking into account the significant role given to this form of cooperation in the European Union.

A significant area of support of innovative enterprises is *the policy of clustering*. The state policy of creation and development of clusters in the Republic of Moldova is regulated by a single document – The concept of cluster development of the industry in Moldova. The implementation of cluster policy implies a set of measures, which in the first phase include the following directions of activities [3]:

1. Introduction to policy documents, laws and regulations of the concept of clusters, as well as the mechanisms of state support.

2. Promotion in the business community of new features related to the development of clusters.

3. Development of a cluster map, which indicates the sectors and regions where clustering is the most economically feasible.

4. Selection and training of trainers in clusters (facilitator), which are designed to actively support and promote the idea of creating clusters.

5. Identify companies interested in cooperation through the creation of clusters.

6. The process of training the cluster manager, claiming the role of leaders in future clusters.

7. Development of a package of teaching materials for the creation of clusters to help public institutions that develop cluster policy, as well as entrepreneurs - potential participants of clusters.

Among the measures listed above that do not require significant financial resources, it should be noted the training of mediators (facilitator), which help to create clusters and of potential managers of the future clusters. For the organization of training of trainers (facilitator) and cluster managers, there is a brief Curriculum of the course "Formation and development of business clusters." This document,

according to the author, should include the following topics of study:

- The association of enterprises as an opportunity to strengthen their capacity. Limited business resources. Advantages and modern forms of association of companies: consortiums, holdings, financial and industrial groups, clusters, etc. Background of the clusters in the Republic of Moldova: the high geographical concentration of enterprises; Experience of businesses' association; the activities of public institutions concerned to support the creation of clusters; the successful practice of the EU to encourage the development of clusters.

- The specificity of the cluster as a form of association. The voluntary nature of the association. Saving the legal independence of the members. Sharing part of the potential. Innovative directions. The combination of large, medium and small enterprises. An established process of exchanging knowledge and technology transfer. The cumulative effect of cooperation, aimed at increasing the innovative activity of cluster members

- Promotion of cluster initiatives in the community. Cluster initiatives "from above" (by the government) and "from below" - coming from the business community. The role of public policy. The role of the business community to promote cluster ideas. Identification of active and interested parties as mediators and managers of clusters. Promotion of social ideas of clustering.

- Develop a cluster map. The concept of cluster map, which reflects the economic sectors and regions where there are the best conditions for the creation of clusters and their government support could lead to the best results. Stages and methods for developing maps of clusters: a regional analysis of statistical data; Surveys and interviews with entrepreneurs, members of business associations, representatives of the regional public administration. The need for updating the cluster map.

- The main tasks during the creation of clusters. Availability and preparation of facilitators and potential cluster managers. Detection of the range of businesses that are potentially interested to create a cluster. Formulation and analysis of the main objectives that could unite these businesses. Search for new cluster members, which are necessary to achieve its objectives: public authorities, academic institutions. Possibilities of accumulating financial resources for the creation of clusters. Selecting the location and frequency of cluster's meetings. Approval of the strategic and

tactical objectives, as well as of the clusters' development plan.

- Legal form and management structure of the cluster. Appropriate legal forms of clustering. Controls, their powers and responsibilities; control bodies' selection procedure. Existence of a Cluster Management Company. The procedure for entering and leaving the cluster. Rights of cluster members and their participation in the activity. Advantages and limitations of official registration. Cooperation within the cluster and with external partners. The constituent documents and internal regulations governing the activities of the Cluster.

- Factors limiting the development of clusters. Existing barriers: lack of a culture of cooperation among entrepreneurs; low level of trust; environment not conducive to an open exchange of business information; a significant period of time from the creation of the cluster to obtain a serious effect; lack of the necessary legal framework; weak interest of enterprises and research institutes in collaboration; lack of active leaders. Strategies to overcome the existing barriers.

- Policy on clusters in Moldova and European countries. The documents of state policy: The concept of cluster development of the industrial sector of Moldova. The goals, objectives, principles and steps of the state of cluster policy. Key sectors of clusters - industry development. Possible sources of financing: the resources of members of the cluster, the borrowed funds. Lobbying interests of the clusters and their integration into public policy.

CONCLUSIONS

1. In the Republic of Moldova the forms and methods of business support are in the process of their formation and testing. Their improvement requires a detailed study of international experience, as well as an analysis of their development in the country for the previous period.

2. The forms and methods of business support implemented in the Republic of Moldova include the legislative and regulatory frameworks governing the establishment and development of entrepreneurship in the country; the economic methods of business support, implemented by legal instruments; institutional methods and forms of business support, meaning support for certain institutions / organizations and the implementation of public policies and targeted programs.

3. The evaluation of business development policy in our country leads to the following conclusions: there has been developed the

legislation regulating the main aspects of business development, but not always it is established the control of its implementation; various groups of business are given a different account which is often insufficient - large industrial enterprises; there is developed and implemented a set of policies that have an impact on the business, but in many ways there is made only the first step, which is often limited by the adoption of appropriate policy documents; there are set up and operate public institutions, however, the coordination of their activity is not always satisfactory; various forms and methods of business support which are effectively used in other countries are used in Moldova as well, while they are not always sufficiently adapted to the situation in Moldova; the implemented policies do not significantly impact the improvement of the business environment.

4. The evaluation of the foreign experience in the conditions of Republic of Moldova has allowed to formulate the basic principles of the state support of business for our country:

- a. compliance of the goals and objectives of entrepreneurship development policy to goals / objectives of other related policies;
- b. the systemic approach, which involves the provision of state support to different groups and companies in various forms;
- c. transparency, which means that support is provided strictly in accordance with the legal basis and the public has the opportunity to ascertain its interest, what business entities benefited from the support;
- d. electivity, suggesting selective support of certain groups of companies, but not of individual economic agents;
- e. specificity, which means clearly defined directions, measures, deadlines and target groups of business support;
- f. program / target-oriented approach which implies that the support is realized on the basis of programs adopted with the establishment of the objectives, specific tasks, the list of actions and expected results of the performers.

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