

IDENTIFYING ENTREPRENEURSHIP READINESS FOR THE APPLICATION OF THE LEAN STARTUP PRACTICES IN THE SERVICE INDUSTRY – CASE STUDY ROMANIA**Nicoleta Dorina RACOLȚA PAINA***Babeş Bolyai University, Cluj Napoca, România
nicoleta.paina@ubbcluj.ro***Andreea Maria ANDRIEȘ***Babeş Bolyai University, Cluj Napoca, România
andriesandreeamaria@gmail.com***Abstract**

The Lean Startup approach revealed around 2011 came as a novelty in the field of entrepreneurial management. The abbreviated version of the principles that mold the entire concept, states that instead of spending years developing a product towards perfection, a product that in the end might not even be desired by the market, the entrepreneurs should use their time more productively in understanding what clients really want. They should shape their product during the development cycle so that it would satisfy the final consumer. Based on the interviews taken for this research, the conclusion is that private company owners and managers face great challenges but also important opportunities to develop their business and change the economic life of a nation towards sustainable growth. Even though not entirely understood and still looked upon with distrust, Lean Startup is seen as an interesting methodology by Romanian entrepreneurs in the service sector who responded to this study. When promoted by keen adapters, it will go on as a valid business methodology that can lead to eliminating waste and lower the failure rate even though, now, the more trusted approach is the traditional one where the customers are met at the end of the process, after the products or services have been delivered.

Key words: *entrepreneurship, Lean Startup, qualitative research, service industry, România,*

JEL Classification: *M1; O3*

I. INTRODUCTION

The latest global report (Kelley, Singer, & Herrington, 2016) shows a staggering average of 68% of working age adults that perceive high status for company owners in their countries; therefore we may say that entrepreneurs are highly valued in society. Also, more than half of the people questioned think it would be a good and advantageous career choice and that they have the capacity of starting a new business. The same study reveals that the majority of people around the world start their own company more because they found an opportunity than out of necessity, either in economies based on innovation or in those based on efficiency. The reality is that entrepreneurial opportunities of all types exist in every part of the world, and there are ambitious entrepreneurs everywhere with the aspirations to pursue them (Kelley D. cited by Zipkin, 2016).

However, current times have brought tough conditions for entrepreneurs. The social environment has become harsh and unreliable, especially for new companies. Business owners face rapid and unpredictable economic movements which deeply affect their companies. In order to succeed, they need to adapt, to experiment, and to retrieve quickly and most importantly, they need to learn. According to the latest data, the failure rate of new startups is very high:

-The U.S. Bureau of Labor Statistics stated that about 50% of all new businesses survive five years or more, and about one-third survive ten years or more (United States Department of Labour, 2016);

-The Small Business Administration (The SBA) reported that close to 66% of small businesses will survive their first two years and that about 50% of businesses fail during the first year in business (United States Small Business Administration, 2012);

-In a study on 2.000 companies that received venture funding between 2004 and 2010, Harvard Senior Lecturer Shikhar Ghosh found that 75% have failed (Deborah, 2012).

Thereupon, the focus lies on the potential leading factors of breakdowns, which evolve around stakeholders' demeanor, customer behavior, and competition, lack of knowledge, a stiff business plan, the business strategy, clients conduct, management decisions, market request or the product quality itself. What is important here to see is what the studies have shown after several analyses on failure causes: most casualties are self-inflicted wounds. The problems come mostly within the startups' founding teams (Wasserman, 2013), (Hamrouni & Akkari, 2012).

The Romanian entrepreneurship environment faces the same difficult conditions as abroad, if not even more challenging considering the state of the economy. According to a comprehensive study performed on 225

Romanian companies (Akcees.com, 2013), there is a strong positive attitude towards entrepreneurship and even a large entrepreneurial activity (ranked 6th in the EU) (Kelley, Singer, & Herrington, 2016). But the problems appear afterwards, where more than 50% of the new ventures do not survive the first 42 months.

The official institutions that deal with the business environment do not publish any statistics related to the failure rate of new companies. However, several independent studies have shown similar answers as above, concerning the main obstacles and reasons of bankruptcy: insufficient financial knowledge, unprepared team management, a bad business plan, lack of measuring and evaluating the efficiency of processes and employees, low sales, fiscal unpredictability, lack of entrepreneurial culture, loss of funding, bureaucracy, high taxes and lack of information (Eyromania.ro, 2015), (Toma, 2015), (Barbu, 2015), (Akcees.com, 2013), (Scarlat, 2014).

Overall, the situation is not as grim as the statistics lie out because the development premises are there and need to be activated towards final success. The chasm can be crossed (Moore, 2014). Academic researchers together with the business practitioners have intensively studied the several setbacks in starting a new business or launching a new product of an already existing company. The need to understand why the failure rate is so high has been impelling studies, tests and analyses in order to find a plan that works before running out of resources (Maurya, 2012).

II. LITERATURE REVIEW

Starting more than a decade ago, a new breed of literature emerged with Steven Blank up front (Blank S. G., 2003), literature that provided a stronger focus on actual implementation and hands-on recommendations for entrepreneurs (Gustafsson & Qvillberg, 2012). Among the ideas that made a real impact on the market and are considered innovative in diminishing the failure rate of new startups, recently, the lean methodology has reserved an important spot in the business world upon writings by (Cooper & Vlaskovits, 2010), (Blank & Dorf, 2012), (Mullins & Randy, 2009), (Christensen, 2003), (Christensen & Raynor, 2003). Besides these studies, successful business ventures created good examples for the other entrepreneurs in a quest for faster breakthroughs and lower incidence of failure rate.

All the good procedures that lead to success are sought thoroughly in order to be taught and learned so that in the end it will lead to faster growing businesses, more profitable and efficient. In this regard, Eric Ries's book *The Lean Startup* has been seen as the most up to date with recent economic circumstances. With a strong entrepreneurial experience in initializing several startups and based on the lean production system from Toyota, he makes a compelling argument about what business developments lead to failure and what decisions that otherwise would work, in startups, have exactly the opposite effect. This paved the way to a series of researches where the authors dive down into Lean Startup implementation-level details, providing information on how it can be put to use (Ries, 2011): (Maurya, 2012), (Croll & Yoskovitz, 2013), (Gothelf, 2013), (Klein, 2013), (Humble, Moleski, & O'Reilly, 2014).

All the authors mentioned above agree that there are several certainties that the business world faces nowadays. First, there are probably more entrepreneurs operating today than at any time in history, thanks to profound changes in the startup landscape (Maurya, 2012). However, novel startup companies often face not only risks, but also unforeseeable uncertainty meaning the inability to recognize and articulate all relevant variables affecting performance (Sommer, Loch, & Dong, 2008). The ruthless truth is that most new businesses fail (Surowiecki, 2014). Most products are unsuccessful. Most new companies do not resist much on the market and do not reach their true potential. Surprisingly, hard work and perseverance do not work anymore like they are supposed to and mostly, like they are expected. Even if, in the beginning a startup has a promising idea, a well prepared team, a good manager and they invest time, work and money, the reality is that there is still something missing from turning the bright idea into a highly profitable company. The life of a new company is often brutish and short (Lewis-Kraus, 2014).

In this topicality, the Lean Startup method comes as a good tool for entrepreneurs because it gives a better understanding of the rebuff factors and how to change it towards faster success. Continuous learning is the key to solving the problems of the business environment as soon as possible. An abbreviated version of the principles that mold the entire concept of customer development, states that instead of spending years developing a product towards perfection, a product that in the end it might not even be desired by the market, the entrepreneurs should use their time more productively in understanding what clients really want. They should shape their product during the development cycle so that it would satisfy the final consumer. Customer development can discover and validate the market for the product, help build the right product features and solve customers' needs, test the correct methods for acquiring and converting customers and deploy the right resources to scale the business (Cooper & Vlaskovits, 2010).

This new approach is characterized by experimentation instead of static market polls, experiencing learning about the real needs of the customers instead of an opaque version of the market trends and changeableness instead of obstinacy in developing the initial product. This new process works faster and better for the new startups and even for the older businesses that have been down several blind alleys. It is also a new

approach of constant and meaningful innovation. The entrepreneur is encouraged to scan the environment, collect information, and form and evaluate educated guesses so as to make accurate judgments and decisions (York & Danes, Fall 2014).

The starting point in addressing these issues is Eric Ries's definition of a startup: -a human institution designed to create a new product or service under conditions of extreme uncertainty. (Ries, 2011). Darwin's conclusion about the species also expresses in a perfect way the situation of the business environment, especially nowadays: *It is not the strongest of the species that survives, not the most intelligent, but rather the one that is most adaptable to change.* With the economic environment being so unpredictable, startups need to grant the utmost importance to the issues that can lead to failure and address them to fit the market necessities.

The key point is that there is a great need for an adequate process that would lead to finding success faster. The traditional management theory would say that this approach is not functional and even more that it can lead to failure. It is unconceivable to release a product full of errors and not suitable for the market. Also the changes to the initial project are much too fast. But this idea proved to work in different companies from the smaller ones to multinational businesses and even in the public sector because it focuses on what the customer really wants and rapidly innovates the product towards market straits.

Based on Ries's book (Ries, 2011), there are five principles that constitute the baseline of this theory:

1. Entrepreneurs are everywhere. You don't have to have certain prerequisites in order to be an entrepreneur. The stories of people starting to work on an idea in the back of the garage are not accurate anymore. You can work in a multinational company or in the public sector.

2. Entrepreneurship is management. Considering the uncertainty of the social context nowadays, it can easily be deduced that we need a different kind of management to cope with the inevitable new challenges that this environment will definitely produce.

3. Validated learning. The general common mentality says that a company exist only to make money and profits and to create a product or a service for clients. The new approach brings a fresh view on this outdated line of thought. The companies exist to learn how to build a sustainable business. If this notion would prevail on the bad habits of mind, there would be a healthier entrepreneurial environment.

4. Build-Measure-Learn. The basic activity of a startup lies around the following loop and the management should focus on continually maintaining and improving this cycle: -transform ideas into products → evaluate the clients' reactions → lean if it is necessary to change (pivot) or abide the steps.

5. Innovation accounting. In order to efficiently streamline the work load and to quantify the results, we need to set the milestones and measure the progress. The main focus is to empower the entrepreneurs and to improve the results.

The fundamental elements of Lean Startup are learning, prototyping, running experiments and validating initial business assumptions. (Patz, 2013). Being adapted after a manufacturing system, this theory changes the entrepreneurial context towards asserting that business owners should devalue progress differently than other types of companies and economy sectors, using a different notion of progress than just developing the product – the validated learning. The starting point is that using this validated learning as a standard component, a company can discover and eliminate an important part of waste which is one of the leading causes of failure. This kind of approach mitigates cognitive biases that otherwise can contribute to poor decisions (Eisenmann, Ries, & Dillard, 2012). Besides all these technical aspects, the new method happens to have arrived just in time to help existing companies deal with the forces of continual disruption. The lean start-up approach will help them meet the change head-on, innovate rapidly, and transform the business as we know it (Blank S. , 2013).

Based on all the relevant studies presented here (Ries, 2011), (Blank & Dorf, 2012) and the Business Model Canvas by Alex Osterwalder (Osterwalder & Pigneur, 2010), the steps a new company should undertake in order to create innovative products and reach success faster are the following: 1) Start, 2) Define, 3.) Learn, 4) Build and release a minimum viable product, 5) Focus on validated learning, 6) Experiment/test, 7) Innovate, 8) Measure trough innovation accounting, 9) Pivot or persevere, 10) Accelerate, 11) Grow.

The main question an entrepreneur needs to answer is if the company makes sufficient progress towards the right path. Furthermore, it is essential for the company to realize what activities create value and what activities are wasteful. Once this is understood, several rationalization techniques can be used in order to improve the product and to grow the efficiency of the valuable activities. The Lean Startup theory is based on the assumption that most wasteful actions in innovation can be avoided if the causes are properly understood. It is not enough to work more. The problem is that we try too much to create things that the market doesn't need through actions that we do not need and end up losing the real goal of innovation which is to learn what is currently unknown. (Ries, 2011)

Innovation is the main concept, constant innovation bringing value to the product and good outcomes for the company. The correct question to be asked is - How many of our efforts create value and which are the useless ones? (Ries, 2011) By analyzing the answers and the data received from customers, the entrepreneurs manage to discover waste and eliminate it systematically towards a faster success rate. In our opinion, the Pareto principle could explain this quest of the lean thinking. If for many events, roughly 80% of the effects come from

20% of the causes, than the image of how much time companies spend on wasteful activities that do not lead to success comes as a logical conclusion.

Critical views on Lean Startup

Even if this methodology was and still is quite hype in the business world, especially in the USA, some critical thinking is necessary. It is important to review the flaws because every theory has its downside and it may not be applicable to all the actors in the business environment. Even if there is nothing plainly wrong with the methodology, the Lean startup has to be applied with caution and a grain of salt (Heitmann, 2014). Even now, there is practically no scientific evidence that the methodology of being lean in startups is advantageous (Patz, 2013). There is little information both about the results and also about the flaws or this kind of practices.

Another critique to this methodology made by the economic literature is that it cannot be applied to all the new companies and startups disregarding the field of business. For example aerospace environment would not be able to apply this kind of procedure simply because it would be too expensive and unsafe.

But the main reason for which The Lean Startup is not fully trusted is the quality issue. Several entrepreneurs and investors emphasized that by developing a minimum valuable product, the companies would sacrifice quality and release inferior commodities or services on the market, so basically, the customer would pay for the management's learning (Finneran, 2013), (Kortman, 2012), (Andreessen, 2012), (Burgstone, 2012).

Obviously the Lean Startup theory as expressed by all the authors presented above has some flaws but even so, in itself it has never claimed that it is the clearest path to a smooth success and gross profits. In Ries's own words, this methodology is a framework not a blueprint of steps to follow. It is designed to be adapted to the conditions of each specific company (Ries, 2011). Even with the different pitfalls and shortcomings, practitioners have tested it in different countries. The results were encouraging and at least one conclusion that resurfaces is that the biggest contribution of Lean Startup is making entrepreneurship theory more accessible to entrepreneurs (Nilsen & Ramm, 2015). In our opinion, it brings at least one alternative to the stringent entrepreneurial issues from today's business environment.

III. RESEARCH QUESTIONS, METHODOLOGY AND CHALLENGES

The theory has pro and counter arguments so the major question is if it works in practice and if entrepreneurs are willing to adopt it and apply it in their own companies. The highest success of these ideas was registered in Silicon Valley. Several companies have applied the methodology and they made a real breakthrough, becoming known worldwide and are now being worth millions of Dollars (Ries, 2011): Dropbox, Wealthfront, Grockit, IMVU, Vortizen, Aardvark, SnapTax, Kodak Gallery and famous apps like: CandyCrush, Evernote, KissMetrics, 37Signals.

Analyzing both the theory and the case studies of companies that used the Lean Startup methodology, determined the first main question for the present research: Have the Romanian company owners heard of Lean Startup and is it applied in real situations? However, after the initial preparations for the research, the data showed no real knowledge of these theories among entrepreneurs from this country. Even the most educated managers have not heard about the Lean Startup movement, though they applied some of the main ideas but without fully acknowledging the difference to other methods and the specific results.

This development in the initial phase of the research, led to the second and most important research question, the major aim of this paper: Are young entrepreneurs in the service sector ready for applying new theories like Lean Startup in their companies? Based on the main inquiry issue, this study is trying to gather up all the main results of the research conducted on young company owners from the Romanian business service sector, bring up some discussions on new or unexpected ideas and draw up the conclusions.

The best method to provide valid answers to the main questions was the qualitative method with semi structured interviews that allowed ideas and discussions to emerge from the main issues asked. Also, since it was not about proofing results already found, the interviews were the most adequate way to reach sustainable and reliable research results. The theory has been presented to those who did not know it in form of explanatory videos and paper charts. But the first part of the interview was based on questions to figure out some main characteristics of the category of people interviewed. The theory was presented only in the last part of the interviews in order not to influence and alliterate the sought responses on some key issues that will be presented in the following parts of this article.

Data sampling was done personally by one of the authors, face to face, in seven interviews and three focus groups between January and September 2016, totaling a number of 13 people interviewed. The targeted audience was formed of young entrepreneurs in the service sector, age 25 to 40, both males and females, either with higher education or otherwise, all of them having previous experience in being employees before entrepreneurs or currently working as employees in either public or private sector in the same time as owning their own companies. All the respondents activate in services, so this research will be based on this field of economy and not production. In regards to experience, the persons interviewed have either a lot of experience in entrepreneurship by starting several companies or they just began their first startup. The respondents were

elected from the entrepreneurial environment (formal or informal gatherings) in the city where the study was conducted (the second largest city of Romania with a very active business community).

Challenges need to be addressed because they influenced the data collection process and they have shifted the research results towards the current conclusions which will be presented shortly. The main problem with the data sampling was the difficulty of expressing own points of view because the respondents were scared that their ideas might not be the proper ones and they distrusted the academic dissemination of research results. Also, the lack of knowledge in business theory among respondents even with those who had university studies, made it even more difficult to explain several concepts in a matter that would create valid answers. Finally, during data collection, the respondents manifested a lack of involvement in discussions and denial of analyzing personal misconducts in business.

Only after surpassing these deficiencies and giving leeway to the interview questions, the research finally got some interesting new points about the characteristics of the Romanian business environment but only specific to the category interviewed (young entrepreneurs in services) and for the geographical area sampled. This was the first research of this kind in this region and it establishes grounds for future studies both qualitative and quantitative since the business society is constantly growing

IV. RESULTS AND DISCUSSIONS

As an overview, a few general aspects of the findings are important to be mentioned:

-There was no difference in men’s responses in regards to women’s responses. The gender difference was extremely subtle. Both genders with the same other attributes had approximately similar points of view.

-However, there was a significant difference between entrepreneurs with the sole scope of making a profit in contrast with entrepreneurs who started a new business in order to capitalize a hobby. The first category was less inclined to change and apply new ideas, while the category that started a company out of hobby was more open to new methodologies and to learn from and about their customers. The findings showed that the entrepreneurs who only seek profits, see clients only as those who pay while the other category of entrepreneurs see customers more like partners and an important part of the company.

-Also, the study reviled a big difference between respondents with higher education and/or business knowledge contrary to respondents without business knowledge. The two categories reacted differently to new ideas about the market as well as being willing to learn from the customer’s behavior and accepting that the initial business idea may not have been so successful.

Upon thoroughly analyzing the research results, we divided the interview findings into four major parts with its own breakthroughs, followed by a general conclusion of the study.

Why do startups fail?

When asked to answer questions about the causes of failure, all the respondents indicated answers mostly concerning outside factors perceived as independent from their own possible misconducts (See Table IV.1).

Table 1 The failure rate reasons according to the respondents of the research

Reason for failure	Nr. of respondents (out of 13)
High taxes	12
Difficulty to find good employees	12
Irresponsible, less involved, inexperienced, inefficient employees	12
Lack of business knowledge	9
Lack of experience in entrepreneurship	8
Not having the proper professional expertise	8
Lack of patience	6
Uninformed market	6
Lack of involvement and passion from the owner	3
High expectations on a huge profit	3
Bad quality supplies	2

What this line of questioning has shown is that the entrepreneurial environment is highly unpredictable in this region and in the opinion of young company owners, the authorities should do more in regards to helping startups exist and prosper. Their expectations are to have more tax stipends, reduced fees and more fiscal facilities from the Government. This category of entrepreneurs believes that the tax burden is very high and this is one of the main reasons of failure.

Then comes the difficulty to find good and reliable employees. Almost all respondents (11 out of 13) argued that nowadays employees are not reliable and well prepared. Some company owners interviewed, exemplified their own case where they did not find workers for some positions for a long time. Their most

stringent difficulty in dealing with employees is the capability to motivate the new workers to grow together with the new startup. Also, the expectations on the job market are very high and they get higher as the economic situation improves.

Lack of experience in entrepreneurship and lack of knowledge both in business and the professional area in which the company is conducting its activity have been laid out as important reasons for failure by almost three quarters of the people interviewed (9 out of 13). What is important here to distinguish is the difference in respondents with higher education from the opposite ones. Entrepreneurs who had some sort of other types of higher education no matter if in business or other fields, considered lack of knowledge the most important reason why startups fail. According to them, entrepreneurial education should be a significant part of a company owner's formation. This idea is also valued in other scientific studies (Duma, 2014). Related to this line of questioning there are other points of view argued by the respondents. High expectations and lack of patience are also failure reasons. In the opinion of less than half of the people interviewed (3 out of 13), most entrepreneurs, especially the younger ones, go into business with unrealistic expectations. They are deluded by high quick earnings but overpass the hard work and end up being disappointed or even bankrupt having to close down the business. In one focus group, the respondents suggested that each person applying for a business license should follow a mandatory entrepreneurship course where real economic situations would be displayed and the new manager would be showed what owning a company or a startup implies.

How does a business need to be conducted in order to be successful?

This line of questioning was based on the following steps: How was the first startup launched? What were the chronological steps from idea to results? Why did you decide to become an entrepreneur?

The findings can be gathered up in three major directions: Relational marketing; The business idea came out of passion of hobby; Traditional management approach.

For almost half of the respondents (6 out of 13), the business idea came out of passion or hobby so the steps taken towards success were not made out of necessity but more natural. When entrepreneurs start a company based on what they love doing, the expectations for high profits are not so big and do not alter the business principles. These respondents were much more inclined to change and more opened to new ideas than the ones that started the company simply as a mean to get paid.

What was clearly noticeable in the responses of people that were passionate about their business was the fact that when analyzed, their business model actual passed all the steps that Eric Ries and Steve Blang have theorized, just not with such clear distinctions and not as procedural. One couple of young people that answered our study, very involved in their business, actually spent 12 years working on their hobby before transforming it into the product of a company. During this time they were in the validated learning phase where they gathered all the information about possible clients and their needs and expectations. When they finally started a business, they had already passed through the market's magnifying glass. Even though they have not called it Lean Startup, they applied all the principles and procedures more or less in the same manner.

In this category we also found people interested in business more than the product itself (5 out of 13). They are also entrepreneurs willing to always improve and to adapt new ideas in order to grow their venture. They too are open minded even if they might change companies of completely sift directions, since they don't have such a strong connection to the product. Their implication is less than the first category but still they are very much involved in running and developing the startup.

The other half of the respondents did not start a business out of passion or hobby but more because they wanted an easier way to make a profit and most of them wanted to be their own boss. As the interviews showed, in this case, the novelty and breakthroughs in the entrepreneurial study around the world do not cross the web of traditional ideas about business that at least the owners of this study apply. They explained that their view on starting a company is based on necessity on one hand or opportunity on the other hand, no matter if you are in the field or not. They apply a traditional approach from the moment when they think about a product or service to launch to the final selling process.

Almost all respondents in this category did not have higher education in any field and formal business knowledge. The difference in opinions compared to the previous group was noticeable and it showed a degree of distrust in studies and theoretical ideas about entrepreneurship. They had difficulties understanding the academic terms, even though after applying them to practice, they recognized and agreed the fact that they have used it. Basically, there was reluctance in applying new methodologies that differ from the traditional approach.

The last finding of this line of questioning was relational marketing. When asked why he has decided to become an entrepreneur, a company owner answered that he thought he had a lot of connections that would make his business succeed. Basically, relational marketing was the only reason for opening and the only promotion that his business used. This has worked so far but it is not considered a sustainable reason for future development considering technological fast innovations and the unpredictability of the market.

The chronological progress of opening a business

The majority of the respondents to the interviews and focus groups militated towards the following chronological progress of starting a company: 1) Have a business idea. 2) Maybe do a market research. 3) Make

a business plan. 4) Find financing sources. 5) Develop the product or the service. 6) Start selling the product or the services. 7) Promotion.

This logical path that can be deduced from the interviews shares the components of the waterfall model used in software development where testing is done in the end (Hughey, 2009). This method has been applied to business management as well, describing the process of developing a product or service and launching a new startup. However, just like the waterfall model was replaced by the agile movement that seeks alternatives to traditional project management (Agilemethodology.org, 2008), the business model was also changed by Lean Startup. It is not a good solution anymore to meet the customers in the final stages of the process because the market might not need the product that is being sold, thus leading straight to failure.

From the interviews of the current research, we conclude that the majority of the respondents (10 out of 13) trust this approach and even more, they trust their business idea from the beginning. Most of them (9 out of 13), showed reluctance to meeting the customers in advance, with a minimum viable product. Some even stated that it would not be suitable for their business to go on the market with a product that does not fit all the requirements. One respondent stated that by doing so, it might chase away customers. When asked how is he sure that the new venture will be successful if not tried on the market, he answered that it is not possible to know in advance but if the business ideas are good, than the profits are guaranteed.

The application of Lean Startup and opinions about it

After the interviewed people were showed and explained the principles and methods of Lean Startup, mostly all the respondents found it an interesting idea. They were inquiring about the procedures that it implies and the results that it may bring. When asked if Lean Startup would have a greater success than what methods are used now, most of the respondents (9 out of 13) were inclined to say that maybe it would, depending on the company where it will be applied. Their opinion is that it does not work in any field and in any new startup, but more likely in the IT ones.

Concerning their own companies, entrepreneurs that answered the interview questions were reluctant in applying something that they are not used to. They trust their business instincts very much, even if the new venture will fail.

The respondents that had some business knowledge or other higher studies were less inclined to refuse to see the benefits of a new approach. They were more open minded towards learning and applying it. In half the cases interviewed, the entrepreneurs already tried on some Lean Startup principles and ideas even if they did not follow the steps precisely or in some cases they did not take the innovation all the way to the end.

V. CONCLUSIONS

The Lean Startup theory remains a novelty in the field of entrepreneurship, at least at this point, even if recently it has been analyzed and studied by several authors in Economics. Validated or not in practice it represents a new way in which startups can solve some of the problems that so far have led to failure in an accelerated rhythm, thus the worrying data on bankruptcy among young companies. The methodology certainly has some valid points, that when applied, would change a company's future so it remains an important and genuine contribution in the field of entrepreneurship.

From the secondary research, the desk analysis of relevant literature, studies, scholarly articles and other relevant materials, as presented in the first part of this paper, the main conclusion is that Lean Startup theory brought new methodologies in the entrepreneurship world, leading to fixing new companies' problems in a much faster and innovative way. It shifts the focus on the product rather than management and it represents a pragmatic approach to some major business issues, that left unsolved, would lead to a short lifespan and fast failure of a startup. Even if it cannot be applied to all the new companies and to all entrepreneurs and it is not a sure and clear path to success, the Lean Startup made a breakthrough and represents a strong and reliable theory that every entrepreneur should read.

After a thorough analysis of the theory behind Lean Startup, the expectations of a field research were much higher but the reality turned out different. In practice, in a country not focused on innovation like Romania, the Lean Startup does not have any followers, not at this moment at least and not in the services industry.

The main limitation to this study is the small geographical area in which the research was conducted as well as the size of our study sample. The respondents were chosen randomly from the entire services sector, thus creating valuable results. However, the findings cannot be generalized to all the entrepreneurs in Romania and to all the fields of economy. This study does not represent the opinion of all the company owners in Romania, but it can certainly draw up some deductions and raise some interesting points on the outcome of the interviews taken with young entrepreneurs in services. Following this line of research, further studies can be done to evaluate the state of entrepreneurship in the region or in the entire country and researches like this would make an important contribution, since official institutional data on the matter of company performance are scarce.

Based on the interviews taken for this research, the conclusion is that private company owners and managers face great challenges but also important opportunities to develop their business and change the economic life of a nation towards sustainable growth. Even though not entirely understood and still looked upon with distrust, Lean Startup is seen as an interesting methodology by Romanian entrepreneurs that responded to the study. When promoted by keen adapters, it will go on as a valid business methodology that can lead to eliminating waste and lower the failure rate even though now, the more trusted approach is the traditional one where the customers are met at the end of the process, after the products or services are delivered.

One of the main findings of the study is that Romanian entrepreneurs that responded find government politics of high taxes, lack of trustworthy employees, well prepared work force and precarious business knowledge as main reasons for early stage failure. In comparison, the American entrepreneurs from the study presented earlier, place market needs first, while in our research, it ranks almost last. According to these findings, Romanian entrepreneurs should focus more on products and finding out customer behavior. But, at the same time, authorities should revise the tax strategy for the private business sector so that it would lead to better results and less bankrupt companies in the long run.

All across the research, the need for entrepreneurial education has been constantly standing out. Not having business studies or at least some courses or trainings in this field, was actually considered a failure cause by most of the respondents to these interviews. Also, differences in approaches and opinions were easily noticeable among those with higher university education contradictory to those without. In this regard, the suggestion of one young entrepreneur from a focus group who proposed that each person applying for a business license should follow a mandatory entrepreneurship course with real economic situations, is a very good idea for the development of entrepreneurship spirit in Romania. This would finally lead to lowering the failure rate of new startups and to a sustainable growth of this field of economy in the future.

What the international studies have shown about small medium enterprises in Romania - the idea that people here have a very good opinion about starting and managing their own companies was noticeable along data sampling for this study as well. People might have a very good opinion on entrepreneurship but the failure rate of new ventures is very high, meaning that they have difficulties properly managing the companies.

Another finding of this research is that even if they face great challenges in conducting business in an economic environment that is yet not so prone towards entrepreneurship, the interviewed Romanian company owners lack patience and have high expectations to reach great profits in a very short time. The reality however showed that this kind of business behavior can lead to bankruptcy.

In regards to innovation, this concept is not a stranger to Romanian entrepreneurs but they make hesitating steps in this direction and they don't take it all the way through the end. More focus on product development would lead to greater results and more profitable companies.

The main research question produced these results that can constitute basis for future studies. In regards to the Lean Startup methodology the general opinion was that it is an interesting theory and it might work. But as we stated before, a high degree of distrust was distinguished among almost all the respondents. Obviously, not the entire Romanian business environment is in doubts about new ideas but the sampled category (young entrepreneurs in service industry) certainly has this characteristic.

The majority of the respondents described the process of business starting with the idea, continuing with organization, development and finally the launch of the product where the client and the market are met. This is precisely what the Lean Startup theory says it should be changed in order to avoid spending a lot of capital on creating a product that the market might not need. At that point it would be too late to change and pivot to a different direction because the company might have spent all the money. As seen in these interviews, some Romanian entrepreneurs do not agree with releasing minimum viable products on the market because it might scare customers away. They have a great confidence in their initial business idea, they make a traditional market research (the Lean Startup disagrees with this kind of research and switches it with experimentation) and they meet the clientele with a final product.

Some of the respondents actually applied ideas that match those of Lean Startup but not as procedural as we laid out in the literature review part. Romanian entrepreneurs make innovations, they do validated learning, they learn about their customers, they do experimental market research and they react fast enough to changing factors in business but they do not have the same courage in their actions like entrepreneurs in innovation driven economies or Silicon Valley.

The conclusion that we would like to draw is that among young Romanian entrepreneurs in service industry that participated to the study, at this point, there is still a lot of distrust in new theories but that doesn't mean that it will not be applied. The Lean Startup is a proved theory that if followed, it can bring important results, but it will not work on any kind of company and in any circumstances.

VI. REFERENCES

1. Agilemethodology.org. (2008, October). The Agile Movement. Retrieved September 20, 2016, from Agilemethodology.org: <http://agilemethodology.org/>
2. Akcees.com. (2013, September 5). Tu ce faci pentru dezvoltarea antreprenoriatului în România. Retrieved September 20, 2016, from Akcees.com: <http://akcees.com/wp-content/uploads/2013/09/Akcees-StudiuAntreprenoriat.pdf>
3. Andreessen, M. (2012, December 03). Not every startup should be a Lean Startup or embrace the pivot. Retrieved September 20, 2016, from Gigaom.com: https://gigaom.com/2012/12/03/marc-andreessen-not-every-startup-should-be-a-lean-startup-or-embrace-the-pivot/?utm_source=social&utm_medium=twitter&utm_campaign=gigaom
4. Barbu, P. (2015, May 15). Profilul antreprenorului român în primii 25 de ani după comunism. Retrieved September 20, 2016, from Cariereonline.ro: <http://www.cariereonline.ro/articol/profilul-antreprenorului-roman-primii-25-de-ani-dupa-comunism>
5. Blank, S. (2013, May). Why the Lean Start-Up Changes Everything. Harvard Business Review.
6. Blank, S. G. (2003). The Four Steps to the Epiphany: Successful Strategies for Products That Win. Raleigh, North Carolina: Lulu Enterprises Incorporated.
7. Blank, S. G., & Dorf, B. (2012). The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company. CA, USA: K & S Ranch Publishing LLC.
8. Burgstone, J. (2012, May 10). What's wrong with the Lean Start-up. Retrieved September 20, 2016, from Inc.com: <http://www.inc.com/jon-burgstone/flaws-in-the-lean-start-up.html>
9. Christensen, C. M. (2003). The Innovator's Dilemma: The Revolutionary Book That Will Change the Way You Do Business. New York: Harper Paperbacks.
10. Christensen, C. M., & Raynor, M. E. (2003). The Innovator's Solution: Creating and Sustaining Successful Growth. Boston, MA: Harvard Business Review Press.
11. Cooper, B., & Vlaskovits, P. (2010). The Entrepreneur's Guide to Customer Development, A "cheat sheet" to The Four Steps To The Epiphany. USA: Cooper-Vlaskovits.
12. Corbin, J., & Strauss, A. (2015). Basics of Qualitative Reserch, Techniques and Procedures for Developing Grounded Theory, Fourth Edition. Los Angeles: SAGE Publications, Inc.
13. Croll, A., & Yoskovitz, B. (2013). Lean Analytics, Use Data to Build a Better Startup Faster. Sebastopol, California: O'Reilly Media.
14. Deborah, G. (2012, September 20). The Venture Capital Secret: 3 Out of 4 Start-Ups Fail. Retrieved September 08, 2016, from The Wall Street Journal: http://www.wsj.com/articles/SB10000872396390443720204578004980476429190#articleTabs_comments%3D%26articleTabs%3Darticle
15. Duma. (2014). Promoting the Entrepreneurship Education in Europe. On-line Journal Modelling the New Europe, 67-79.
16. eDevTech. (n.d.). Waterfall Method. Retrieved September 20, 2016, from Modern Requirements by eDevTech: <http://www.modernrequirements.com/wp-content/uploads/2015/06/Waterfall-1.jpg>
17. Eisenmann, T. R., Ries, E., & Dillard, S. (2012). Hypothesis-Driven Entrepreneurship: The Lean Startup. Harvard Business School Entrepreneurial Management Case No. 812-095.
18. Eyromania.ro. (2015, May). Antreprenorii vorbesc, Barometrul antreprenoriatului românesc 2015, ediția a 3-a. Retrieved September 20, 2016, from Eyromania.ro: <http://www.eyromania.ro/sites/default/files/attachments/ESO%202015.pdf>
19. Finneran, J. (2013, April 01). The Fat Startup: Learn the lessons of my failed Lean Startup. Retrieved September 20, 2016, from Jihnnfinneran.com: <http://www.johnfinneran.com/blog/fat-startup-learn-the-lessons>
20. Gilletta, A. (2013). Mastering the Semi-Structured Interview and Beyond. New York and London: New York University Press. <https://doi.org/10.18574/nyu/9780814732939.001.0001>
21. Gothelf, J. (2013). Lean UX, Applying Lean Principles to Improve User Experience. Sebastopol, California: O'Reilly Media.
22. Griffith, E. (2014, September 25). Why startups fail, according to their founders. Retrieved September 20, 2016, from Fortune.com: <http://fortune.com/2014/09/25/why-startups-fail-according-to-their-founders/>
23. Gustafsson, A., & Qvillberg, J. (2012). Implementing Lean Startup Methodology. Gothenburg, Sweden: Department of Technology Management and Economics, Division of Innovation Engineering and Management, Chalmers University of Technology.
24. Hamrouni, A. D., & Akkari, I. (2012). The Entrepreneurial Failure: Exploring Links between the Main Causes of Failure and the Company life Cycle (Qualitative analysis using NVivo 7software). International Journal of Business and Social Science3.4, Special Issue.
25. Heitmann, J. (2014). The Lean Startup - A pragmatic view on its Flaws and Pitfalls. Twente, The Netherlands: University of Twente.
26. Hughey, D. (2009). Comparing Traditional Systems Analysis and Design with Agile Methodologies. Retrieved September 20, 2016, from The University of Missouri-St. Louis: <http://www.ums.edu/~hugheyd/is6840/waterfall.html>
27. Humble, J., Moleski, J., & O'Reilly, B. (2014). Lean Enterprise, How High Performance Organizations Innovate at Scale. Sebastopol, California: O'Reilly Media.
28. Kelley D. cited by Zipkin, N. (2016, February 22). More Than Half of Adults Think They Have What It Takes to Start Their Own Business. Retrieved September 20, 2016, from Entrepreneur.com: <https://www.entrepreneur.com/article/271127>
29. Kelley, D., Singer, S., & Herrington, M. (2016, February). Global Entrepreneurship Monitor, 2015/2016 Global Report. Retrieved September 20, 2016, from Gemconsortium.org: <file:///C:/Users/PC/Downloads/gem-2015-2016-global-report-110416-1460370041.pdf>
30. Klein, L. (2013). UX for Lean Startups, Faster, Smarter User Experience Research and Design. Sebastopol, California: O'Reilly Media.
31. Kortman, P. (2012, November 21). The problem with a Lean Startup: the Minimum Viable Product. Retrieved September 20, 2016, from Paulkortman.com: <http://paulkortman.com/2012/11/21/the-problem-with-a-lean-startup-the-minimum-viable-product/>
32. Lewis-Kraus, G. (2014, May). No Exit: Struggling to Survive a Modern Gold Rush. WIRED Magazine.
33. Maurya, A. (2012). Running Lean, Iterate from Plan A to a Plan That Works. Sebastopol, CA: O'Reilly Media Inc.
34. Moore, G. A. (2014). Crossing the Chasm, 3rd Edition: Marketing and Selling Disruptive Products to Mainstream Customers (Collins Business Essentials). New York: Harper Collins.
35. Mullins, J. W., & Randy, K. (2009). Getting to Plan B: Breaking Through to a Better Business Model. Brighton, MA: Harvard Business School Press.
36. Nilsen, G. T., & Ramm, N. A. (2015). Lean Startup: A success factor? A quantitative study of how use of the Lean Startup framework affects the success of Norwegian high-tech startups. Repräsentralen, Universitetet i Oslo.

37. Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*. Hoboken, New Jersey: John Wiley and Sons.
38. Patz, M. (2013). *Lean Startup – Adding an Experimental Learning*. Twente, Netherlands: Universiteit Twente, Netherlands, and Technische Universität Berlin, Germany.
39. Ries, E. (2011). *The Lean Startup, The movement that is transforming how new products are built and launched*. Retrieved September 20, 2016, from Theleanstartup.com: <http://theleanstartup.com/>
40. Ries, E. (2011). *The Lean Startup: How Constant Innovation Creates Radically Successful Businesses*. London: Portofolio Penguin.
41. Scarlat, I. N. (2014, 03). *Antreprenariat în România*. Retrieved September 20, 2016, from The Forum for Sustainable Development and Entrepreneurship: <http://www.fsde.ro/wp-content/uploads/2014/03/Dezvoltarea-ecosistemului-antreprenorial-rom%C3%A2nesc.pdf>
42. Sommer, S. C., Loch, C. H., & Dong, J. (2008). *Managing Complexity and Unforeseeable Uncertainty in Startup Companies: An Empirical Study*. *Organization Science* 200920:1, 118-133.
43. Surowiecki, J. (2014, May 19). *Epic Fails of the Startup World*. *The New Yorker*.
44. Toma, A. (2015, 05 20). *Top 5 probleme cu care se confruntă antreprenorii români sub 30 de ani*. Retrieved September 20, 2015, from Cariereonline.ro: <http://www.cariereonline.ro/articol/top-5-probleme-cu-care-se-confrunta-antreprenorii-romani-sub-30-de-ani>
45. United States Department of Labour. (2016, April 28). *Business Employment Dynamics*. Retrieved September 4, 2016, from Bureau of Labour Statistics: <http://www.bls.gov/bdm/entrepreneurship/entrepreneurship.htm>
46. United States Small Business Administration. (2012, September). *Advocacy: the voice of small business in government*. Retrieved September 4, 2016, from SBA Office of Advocacy: https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf
47. Wasserman, N. (2013). *The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup* (Kauffman Foundation series on innovation and entrepreneurship). Princeton, New Jersey: Princeton University Press.
48. York, J. L., & Danes, J. E. (Fall 2014). *Customer Development, Innovation and Decision-Making Biases in the Lean Startup*. *Journal of Small Business Strategy* 24.2, 21-39.