

# The Coordinates of a Sustainable Economic Development Strategy by Reconfiguring the Romanian Entrepreneurship - Generation Y and Lean Startup Method -

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## Abstract

*Economic philosophy for a given configuration mode of production and consumption, in particular from the post-war period is guilty of environmental degradation and current mutations that have negative consequences on social, economic and morale aspects. The logic that inspired the post-war economic growth and development, according to which environment and natural resources are simple tools made in the service of growth, formed and encouraged excessive and quantitatively consumption behaviour. This type of behaviour, chaotic and wasteful, culminated eventually in the economic crisis of 2007. Its effects are still felt in all branches of the Romanian economy. As a side effect, the labour market was destabilized as a result of the bankruptcy of many private companies and there has been registered a high unemployment rate, especially among young people. Thus, in the current socio-economic context, we ask the question: Could be sustainable entrepreneurship the solution that would reconcile the man with himself and with the nature also and at the same time, this may generate profit?*

*The aim of this study is to perform an analysis, involving the observation of the three dimensions of sustainability, which are: people, profit and planet, an analysis that will lead to a formula of sustainable economic growth in Romania. Starting from this consideration, the present paper aims to examine whether representatives of the generation Y from Ștefan cel Mare University of Suceava, have inclination toward entrepreneurship and if it is possible to build sustainable businesses which would lead over time to the creation of a sustainable ecosystem, using Lean Startup method.*

**Keywords:** *sustainable economic development; sustainable entrepreneurship; Generation Y; Lean Startup*

**JEL Classification:** *L26; Q01*

## Introduction

In the context of a political and economic climate in continuous motion at the global level, influences such as the economic crisis of 2007, the wars on the territory of Asia, North Africa and more recently in Central and Eastern Europe, make the business environment an environment increasingly unstable. The public sector and the national administration of a country can control only limited, only under certain circumstances, the functions of resuscitation and stabilization are redistributing to entrepreneurs, business people, and private sector which

undertakes these tasks in the context of the enlargement of the market economy and capitalism at the global level. In these circumstances, a new wave of research focuses on entrepreneurship, with specificity for sustainable startups, more and more necessary for rebuilding Romanian economy foundation. The same opinion we meet at Schick, Marxen and Freimann (2002, p. 60) whom said that “it is easier to plant, to developers of new business, the idea of sustainability rather than rebuild and redesign organizational culture of existing companies.”

The concept of sustainability has been defined in the last few years under a variety of definitions and meanings, generated by various directions of research, sometimes raising even controversies. In the present work we will stop on the formula given by Elkington (1994) according on which, sustainability involves three dimensions: people, planet and profit and bears the name of Triple-Bottom-Line concept (TBL). In Elkington’s vision, sustainable entrepreneurship must focus simultaneously on social dimension, economic dimension and also on the environment generating economic prosperity, quality of the environment and social justice.

The first dimension, society (persons), refers to strategic value made by labour force in the entrepreneurial process. In accordance with TBL, ensuring the right climate in the organizational environment of a company brings the benefits of both sides: the employer and the employee. So, a particular accent must be put on the right man in the right job.

The second dimension, environment, brings to attention, ecological aspects, which must be taken into account with full responsibility and seriousness. As we have mentioned above, effects of production and of consumption of goods chaotically and wastefully begins to be more and more pronounced and noticeable, changing the quality of life of the present generation and threatening the future generations. This is why a change in the behaviour of producers and consumers it is imperative.

And the third dimension, profit (economy), it refers to the viability of the business itself, generating the profit, but more than that it refers to the profit generated towards the community, society and last but not least to the environment.

Having these premises, the present research has started from the need of a strategy for sustainable economic development in Romania, using as reference points, TBL model coordinates. Thus, it was aimed the identification of those three hypothetical dimensions - environment, profit and society - in local contemporary reality. And, it has been attempted exploiting their potential through modelling and intersecting them having regarded as their final aim, creating a clear model of involvement of the three components in development, having regard to the centre the economic component, in this case, sustainable entrepreneurship.

## Literature Review

Richard Cantillon (1680-1734) was the first economist whom used the term “entrepreneur”. From his conception, the entrepreneur had three meanings: the land owner capitalist, the entrepreneur that he called moderator and the paid manager (Tanțău 2011).

A bold approach of entrepreneurship is meet at Kent et al.(1982) on Encyclopedia of Entrepreneurship : “The launch of new products and technologies to satisfy consumer demands better and increase productivity represented the most prominent force throughout the long and thorny history of the ascent of man from underdevelopment to prosperity” (Văduva, 2004). This definition brings entrepreneurship on one of the most important positions of the society, from which it may be easily noticed the magnitude and the contribution as it has in the development of a region or a community.

However, definitions and roles of entrepreneurship were consolidated by researching a society based on massive production and irresponsible consumption. In the last few years a solution has

been sought to bring together profit generation and the satisfaction of the social and environmental requirements by approaching the concept of sustainable entrepreneurship. Theoretical approaches of sustainability confirm the conceptual diversity which starts from the idea of economic growth, social equity and environmental awareness (Choi și Gray, 2008).

## **Dimensions of Sustainability in the Romanian Socio-Economic Context**

### **Economic dimension - Romanian entrepreneurial ecosystem**

General opinion with regard to the entrepreneurial ecosystem in the former communist countries is that they are behind other European countries, and the differences between East and West are felt when it comes about the performance of the newly established companies. However, Romania has a pretty strong entrepreneurial ecosystem, despite the low level of economic development.

Contrary to general opinion, according to the Akcess study, entrepreneurship is highly regarded in Romanian society, with 48% of the population expressing a desire to work on their own compared to the European average of 37%.

Problems appears however when we take a look at sustainability of Romanian business environment. Although ranks the 6th place in Europe from the point of view of total entrepreneurial activity, with 9% of the population being at the stage of start-up or pre-start-up, over 50% of the newly established initiatives do not survive the critical period of 42 months (Akcess, 2011). In this context, the accent should be put on increasing the sustainability of existing companies through continuous development of innovating processes, as well as stimulating the establishment of new startups which have the premises of sustainability through experimentation and continuous evaluation and then by validated learning as a proof of effort submitted for development, support and durability.

### **Social dimension - generation Y**

Generation Y, selected in our research as social dimension, it is the generation who has entered the labour market since the year 2005, started the innovation process and also the new technology, it is interested in the actions of social commitment of companies in which they are employed or even that some of them hold. It wants to change the surrounding world, works being permanently connected to the internet through cutting-edge technology, at any time and from a place that would inspire.

If it is allowed to express opinions and strategies, which is more important than financial incentives, it is very likely to capture through creativity, efficiency and proficiency. Some of the young people of this generation are proposed for important positions of management since the ages considered tender, others do not find a job because they do not meet the criteria imposed by employers, and if they do, the discontents of youngsters relating to the working conditions become obstacles in the process of employment. And so, it happened that the unemployment rate among the young people is rising, the number of vacant posts begins also to grow, there is plenty of labour force, employers are searching for specialists but the gap between these two categories is widening from one day to another. Some employers have been able to understand how the new generation is acting, others do not. However, what remains to be done? Can be entrepreneurship with all his types of reflections, the solution for the generation which some specialists called the lost generation?

### **Ecological dimension – ecological footprint of Romania**

As regards the ecological dimension, we can say that, at present, most countries in the EU are facing significant environmental deficits. Romania, which had an ecological footprint of about

2.4 hectares overall per person (Stanciu, 2009) in 2009, still lies on a favourable position with a small ecological deficit, in comparison with other European countries, despite its current economic behaviour, which tends to reduce this advantage. This implies urgently need for a more stringent control of the environmental dimension, the way of life and production and consumption in our country. Thus, even in the context of the economic crisis, which has left deep traces on global but also national level, on the medium and long term, the main objective of our country must be stimulating the economy by reshaping production and consumption with increased care in relation to ecological component.

## **The Methodology of Research – Inclination of Generation Y toward Entrepreneurship**

### **Purpose and hypotheses of research**

The aim of this research started from the need for sustainable economic development in Romania by reshaping Romanian entrepreneurship. We believe that this would be possible by: involvement of youngsters, whom currently, representing a disadvantaged collectivity, in active life by stimulating entrepreneurial competencies; through responsible use of resources and conservation of the environment and by reducing waste generated by startups which fails and the tendency of the market to consume quantitatively.

Following the previously mentioned directions of research and summarizing the present research intentions we have formulated the following assumptions:

- Young people of the generation Y have developed entrepreneurial spirit, indicated by the intention to open their own business;
- Lean Startup method proposed as a tool for building a sustainable business fits on the profile of the young generation Y and answer to his fears.

### **Description of research**

The methodology used in the research is the quantitative paradigm. Data collection occurred through statistical survey that was elaborated and applied to generation Y from the 'Ștefan cel Mare University of Suceava' in period 1st-15 October 2014. The questionnaire used in this investigation included 18 questions and was aimed to identify the respondent profile and his vision of entrepreneurship. It was included closed questions, Likert's scale, or questions with only one answer or multiple answers. As far as follows we will stop only on the relevant aspects of the present theme of research.

The type of sampling used was probabilistic sampling, using mechanical selection process on the basis of a step of counting. For setting the step counting the following formula was used:  $k=N/n$  where “N” represents the total number of students and „n” represents the number of units of sample. Distribution on three age groups and by gender it was made in relation to the total number of students, resulting a slightly increased number of female subjects in relation to the number of male subjects. In the end 100 questionnaires were validated.

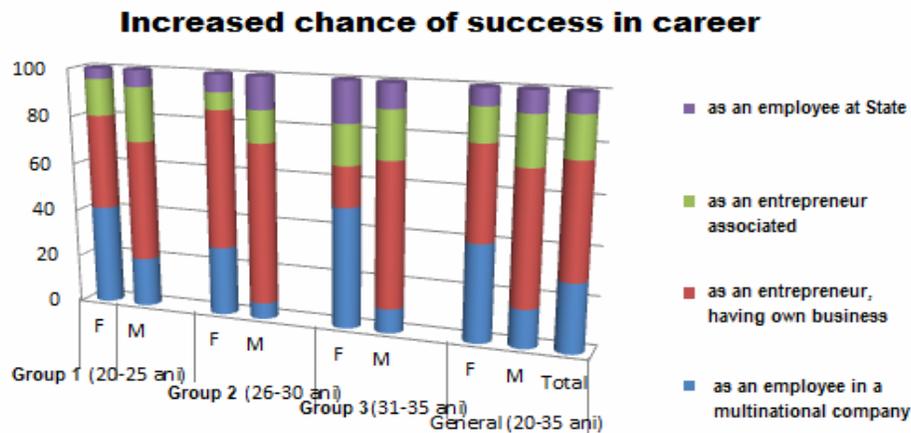
Due to variations in equity of the selection of components of sub-colectivity, random sampling error, can be reduced by increasing the number of sample size, but this was not possible in this case for organizational and financial reasons.

## Results and Discussions

### Presentation and interpretation of results of the questionnaire

Our research aims to highlight: the status which young people associates with success in career; their intention to launch a startup in the near future or rejection of the idea of entrepreneurship; fears associated with opening their own business, as well as the financing sources preferred by the young people. The results are presented in the following graphs.

Thus, from the analysis of data generated on the basis of the interpretation of their answers, we can see in Fig.1, that most of the youngsters, 64 % believe that success occurs with entrepreneurial initiative, whether they aspire to their own business or a business run in partnership. Also, we notice, that entrepreneurial spirit is more developed for men, reaching 75%, against women, that only in a proportion of 53% are of the opinion that the status of the entrepreneur offers success opportunities in their career.



**Fig. 1.** The opinion of young people regarding the status that is associated with career success (%)

Source: Graphic based on data obtained from survey

The mirage of multinational companies is not to be disregarded either; according to the mentality of 28% of the respondents, job in such a company brings professional satisfaction, women having clear inclination to this career opportunity with a percentage of 40% compared with men who prefer it at the rate of only 16%. Only 8% of the total respondents believe in public employment in the state sector as a chance of success in their career, surprisingly, the percentage of male respondents 9% being slightly increased compared to the female with a rate of 7%. As regards the variation of replies depending on age group, men believe in the entrepreneurial career as being successful, for all three age groups, while women tend to believe in the success brought by multinational companies in their career.

In Fig. 2 we can see the percentages relating to young people's intention to initiate a startup in the forthcoming period, in parallel with the satisfaction that is obtained from the status of employee. It appears to be noted that the vast majority of young people want their own business and they are going to open it in the next five years, more specifically 62% of all respondents, but considers that it is necessary to gain experience working in a different company before doing this step. The percentage of those who already hold their own business is quite small, only 9% however confirms the results at European level and we can see that most of the entrepreneurs are in third category of age and are male with a percentage of 44 %.

Young people want to run their own business but there are certain fears and barriers which interfere with their wishes and facts. On the other hand, the increased percentage of people who

reject the idea of entrepreneurship is of female respondents from second group of age, representing 14%. Persons falling within this group are of the opinion that the status of employee gives them satisfaction, and don't want the responsibility of their own business.

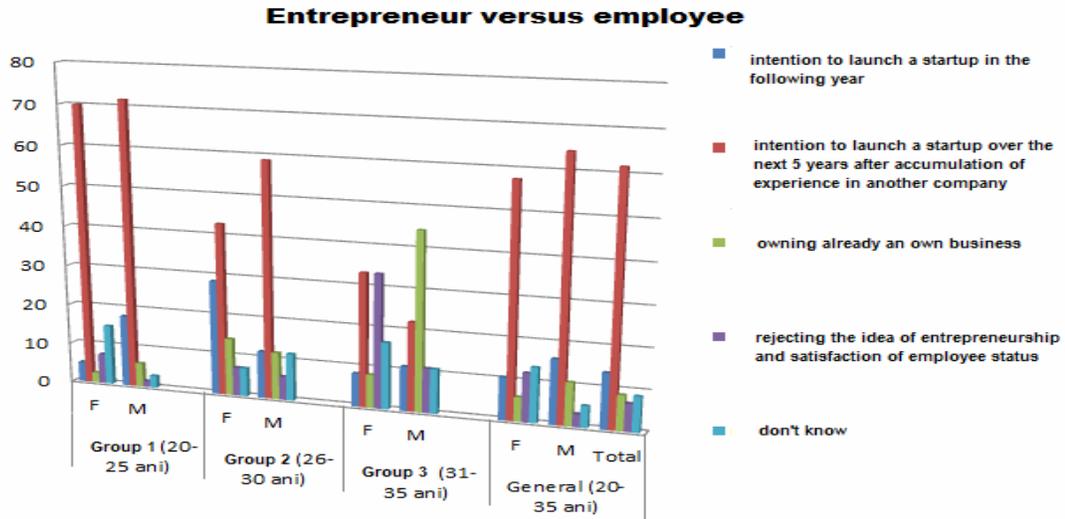


Fig. 2. The intention of youth to become entrepreneurs (%)

Source: Graphic based on data obtained from survey

From Fig.3 we see that the greatest fear of young people is the lack of financing for opening and sustaining a startup 32 %, lack of outlet markets or saturation of existing ones 29% for the goods and services they may offer and lack of experience needed for opening and running their own business 22%. The smallest fear is that to be judged by the people from entourage in the case that their business fails obtaining a rate of 6%. It is also noticed that, fears of young people vary depending on age group and gender. For the first group the largest percentage was recorded by the lack of finance for male respondents 34 %, for the second group, there is a common concern among men, whom we have seen before, that are most prone to initiate a startup, the percentage increasing slightly with age, reaching 40%, and for the third group things change, the most increased percentage was recorded by the fears of women in connection with markets saturation with a percentage of 45 %.

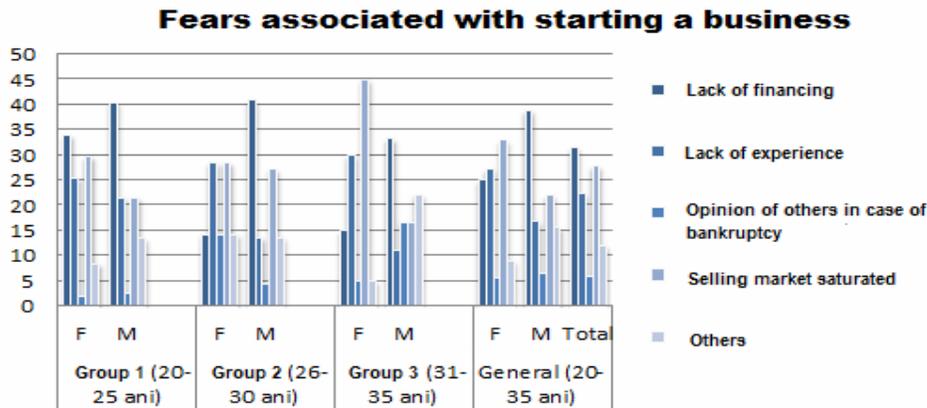
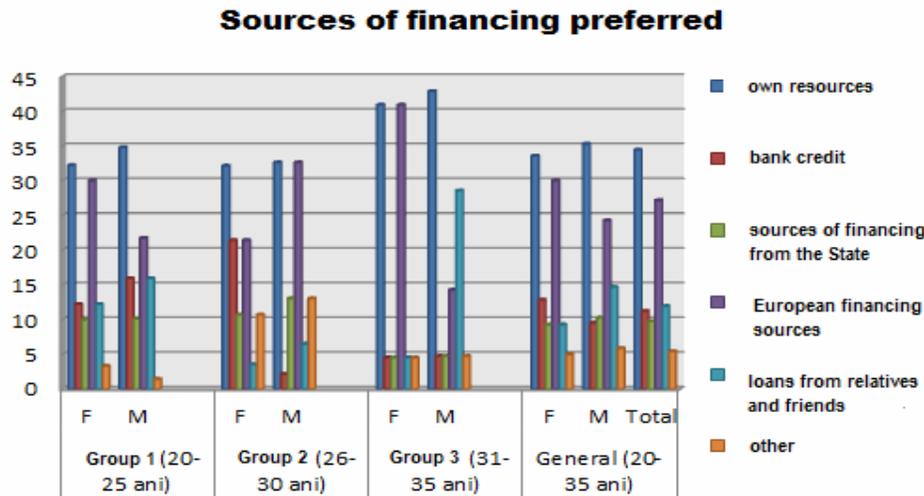


Fig.3. Fears of young people associated with starting a business

Source: Graphic based on data obtained from survey

As regards the financing sources preferred by the young people, we can see in Fig.3 that the highest percentage was recorded by their own resources 34% and European sources of funding 27% that in the last 2 years have become increasingly accessible in our country in comparison with the previous years. Bank credits records 11% and sources of financing from the State with 10% loose more and more ground among youngsters. We can see that the greatest financial independence have respondents from third group of age by the increased percentage that this source of funding is recording – 40% among women and 43% among men.



**Fig.4.** Sources of financing preferred by the young people to open and sustain their own business  
 Source: Graphic based on data obtained from survey

We can say that, young peoples in Romania want to have their own business, but they are afraid that they do not have sufficient experience, that they have to experience first in other companies the abilities and skills they have and then to start on their own. Resources are also limited, being at the beginning of their careers, a little bit better, positioning respondents in the third age group whom managed by the age of 30 years to win and achieve experience and capital on which to start the initiation of business, some of them already having their own business.

We believe that through this analysis, we have proved the first hypothesis according on which young people of the generation Y have developed entrepreneurial spirit, indicated by the intention to open their own business. This is why we propose in the following paragraphs a model of startup successfully used in the entrepreneurial world. We believe that it fits the profile, needs and resources of young people in Romania.

### The 'Lean Startup' Method - a Solution for Young People to Develop Sustainable Startups

“Lean” concept has its origin in the sphere of production and was developed first in Japan, by Toyota company, where Taiichi Ohno (1988) argued that only the organizational processes creates value for customers. “Lean” thinking has reformatted the way of production systems and supply chains are managed. It has demonstrated the discrepancies between waste and activities which creates value and showed how to reintroduce quality into product from inside out. Although it seemed that this theory can be applied only to an existing production process leading to a recalibration, Eric Ries (2011) in his book “The Lean Startup” approached it

differently. Having Taiichi's philosophy as reference, he was able to modify and optimize it in such a way as to fit the challenges faced by an entrepreneur in the initiation process of a business. Thus, Lean Startup method appeared on five major principles (Fig.5).



**Fig. 5.** The 5 principles of the Lean Startup method

Source: Graph prepared by researching Lean Startup method

Ries (2011), started firstly from the principle that anyone who has an idea that can turn into reality can be entrepreneur, whether working for State, or if is top manager or unemployed, and he understands by a startup company “a human institution designed to create new products and services under conditions of extreme uncertainty”. Lean Startup method can be adopted by any company regardless of size, sector of activity or industry.

The second principle adopted was that no business startup can operate without a strategy for management. Because the entrepreneurial environment is one filled with uncertainty the management strategy must be flexible and should be adjusted according to the present context.

The following two principles are interrelated. Ries (2011), creates a new term for learning namely “validated learning” which we'll explain later.

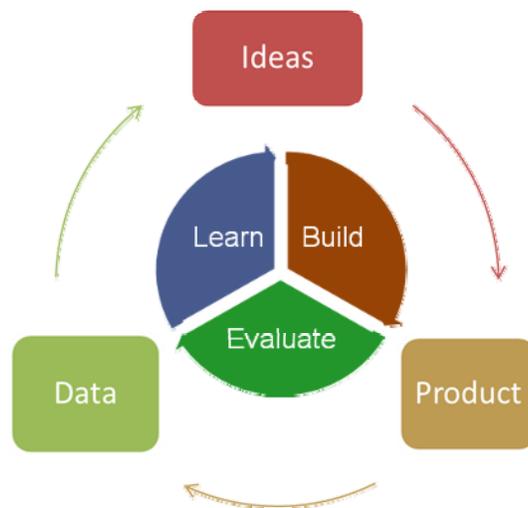
Lean Startup method is based on a different kind of thinking and asks from the entrepreneurs to see productivity differently. What's the use of the production of a good enclosed within a budget and in a temporal planning while chasing strictly the business plan, if the result is not desired by customers?

Lean Startup builds sustainable and effective companies because it allows businesses into the startup phase to test and recognize when it is time to change strategy, without consuming resources irresponsible relying on predefined and pre-accepted strategies. This leads to decreased wastage of time, money and resources invested.

A product that wants to come out on the market must always be tested and improved in accordance with the customer's suggestions which they have tested. The experiment, or as it is called in the classic literature 'market testing' has to be more than a theoretical research as in the classical cases, must be a first product – which bears the name of MVP (minimum viable product).

At the beginning of a business, the amount of customers who test the product can be a small number, so, in this way, the low initial production can be explained. They are called “early consumers”. On the basis of their reactions, a good manager must persevere or change strategy so that product to become sustainable and saleable.

The initial testing process is called 'validated learning' and is appointed by Eric Ries (2011) as the main antidote to the problem of lethal failure of a startup. The goal of each experiment produced by a startup company is to discover how to build a sustainable business around the vision to which the company has been started. Productivity should be seen through the vision of clients, the consumers of that product or service, to ensure that the business will become one viable and not through technological process efficiency in itself. Also, 'validated learning process' it is based on the fourth principle namely transforming vision into real product through three steps cycle (Fig.6) which has to be repeated until perfection, until the construction of a product which coincides with customer needs. Most of the times, it is very difficult to do this at the beginning because the customer itself does not know in advance what he wants.



**Fig.6.** Lean Startup cycle

Source: Figure designed after Eric Ries cycle

The fifth principle, according to Fig. 5, is the measurement of results and progress made by experiments undertaken. You cannot know which the next step is if you don't know in which direction you're heading and if you need to persist or to change the strategy.

Regarding a startup company as a whole, it can be said that it is more than a fictional design and planning. Financial aspects included in the business plan shall contain estimates relating to expenditure, income, the number of customers in which it is estimated that it will have them and even the profit. Unfortunately many times this business plan is just an ideal, it is difficult to achieve, far from the initial situation of startup. That's why, with Table 1, we are trying to highlight a few of the reasons for which this method has chances of success much higher, than a simple business plan, and, in order to strengthen success rate on which it has been granted the use of this method, we present in Table 2 (Annex 1) examples of companies in the IT sector

which have adopted it, the way they have been transformed and if they have been successful or not. It is important to note that this method is still in the pioneering period at entrepreneurial level, being tested only in recent years with the rise of the blog and the book of Eric Ries. Also, it should be noted that we have chosen to present the example of companies from the IT field because this domain respond most easily to changes, being in a dynamic development and continuous transformation.

**Table 1.** Lean Startup versus classic Startup

<i>Lean Startup</i>	<i>Classic Startup</i>
<ul style="list-style-type: none"> <li>○ <i>Empirical research of the market by creating a minimum viable product (MVP);</i></li> <li>○ <i>Low initial production, avoiding waste of resource for a product that is likely to be unsaleable;</i></li> <li>○ <i>Reduced time of execution of the first versions of the product/service that comes on the market;</i></li> <li>○ <i>Use continuous innovation for improving the quality of the product as a function of early customer feedback;</i></li> <li>○ <i>The failure of the product/service can be determined earlier through testing, when production is reduced in quantity. In this way is reduced also the risk of bankruptcy;</i></li> <li>○ <i>The focus is on the quality and value offered to the customer according to his needs, by involving him in the design process to the final product.</i></li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Theoretical Market Research, customers cannot testing practically the product;</i></li> <li>○ <i>Production increased to streamline production costs;</i></li> <li>○ <i>Extended time of planning, design and implementation of a new product/service entered on the market;</i></li> <li>○ <i>Use innovation only in the design and creation process of the product/service;</i></li> <li>○ <i>The failure of product is identified only too late, when the risk collapsing is eminent and most of the resources are already consumed;</i></li> <li>○ <i>It is built a quality product from the perspective of the producer.</i></li> </ul>

Source: Table prepared by authors

This method is based very much on: innovation; a considerable decrease in the risk of a large investment from the start and at the same time of the bankruptcy; reduced capital for the beginning; easy testing and improvement of the product after market requirements, avoiding in this way a waste of raw materials. We believe that these are the premises that Romanian economy needs to achieve a sustainable economic development. Also we can say that there is confirmed hypothesis no. 2 namely that Lean Startup method proposed as a tool for building a sustainable business fits on the profile of the young generation Y and answer to his fears.

## Conclusions

The impulse from which our research started was to find the coordinates of sustainable economic development strategies by shaping Romanian entrepreneurship.

The involvement of young people in active life and support for business development based on continuous innovation, built using Lean Startup method, having low risk of bankruptcy and responsible consumption of resources. We believe it is one of the solutions which would have a high success rate, contributing to Romanian ecosystem development in a sustainable way. In addition, this could lead to the creation of jobs and involvement in labour market the increased number of unemployed persons, especially among young people.

The young generation Y, manages to adapt more easily to the rhythm imposed by the new capitalist economy, and the flexibility specific for transitional generation, helps them to adopt and implement any model successfully applied by other companies or entrepreneurs, these, also,

most influencing the decision to open their own business. With the help of this generation can also start exchanging behaviour amongst consumers, generation Y being a generation which increased emphasis on quality instead of quantity.

However, we should take note that Romania has a long way to be travelled in terms of investment in the development of the SME sector and in the promotion of entrepreneurial culture, as well as in stimulating appropriate framework of occurrence of new business starting with generation Y. Promoting Lean Startup method could, however, be an important point in this strategy.

## Research Limits

This research can be enlarged not only at the level of study of the interest of the young people of generation Y about entrepreneurship but also referring to availability for the use of this method in practice, by extending the number of respondents and even the collectivity selected for interviewing, getting more accurate results, and at the level of the effects obtained by companies that have adopted Lean Startup method also in other areas, or making comparative studies between startup companies which functions after a classic business plan and those that have been constructed on the basis of the model Lean Canvas. Also, it can be tested, by applying the method and observing the results on an exercise firm or even by starting a startup.

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## Annex 1

**Table 2.** Examples of companies that had adopted Lean Startup method

Company	Transformations carried out by using the method Lean Startup	Success
1. Aardvark	Aardvark, a company that was acquired by Google, developed a social search engine, allowing users to ask subjective questions, which were then distributed other users to respond. Aardvark has tested the concept through construction of minimum viable product (MVP), intended for testing the ways through it can be solved the customer's problem. Only the 6th variant of the software has been successful and has been bought by Google.	Yes
2. BackupAgent	BackupAgent is a provider of software solutions for backup in cloud with an impressive ascent. The company was founded in 2005 when the market trends towards increasing broadband, increasing volume of data and increased dependency in relation to digitalisation of data for business sustainability has created a vision for the founders. A vision to develop a replacement for traditional backup methods with a strong platform for backup and easy-to-use - cloud.	Yes
3. Dropbox	After the founder and general manager of Dropbox has discovered the blog of Eric Ries with regard to the Lean Startup method, The company has begun to replicate product more quickly for the purpose of testing customers' needs earlier and more often. Using Lean Startup principles in 15 months, Dropbox came to have from 100,000 users, 4,000,000.	Yes
4. Good People Dating	Good PeopleDating was developed to create a meeting place for Jewish community.	Yes
5. IMVU	Founded in 2004, IMVU is the largest chat 3D in the world. On the IMVU, users can meet new people can socialize and play games with friends. IMVU use experimentation to develop new product features and processes to develop these characteristics. IMVU has reached 50 million registered users and a growth rate of 40 million dollars in annual revenue.	Yes
6. LiveTweetApp	LiveTweetApp is an online solution to provide support for searching, moderation and displaying pleasant tweet on a large screen. This application increases social interaction during events and conferences.	No
7. Scuttlebutt	Is a Mac product that helps in keeping in touch with other users.	No
8. Votizen	On the establishment of Votizen, David Binetti has swung several times between a social network of voters and the first social platform lobby in American history.	Yes
9. Wealthfront	It is a platform aimed at meeting of top investors and managers of companies. Founded in 2009, the company now manages more than \$ 200 m, and processes over \$ 2 M per day.	Yes
10. Word Sting	Word Sting focuses on developing logic models that are the equivalent of nonprofit business plans. By using their software, writing these models should be simple and effective.	No

Source: Table retrieved and processed from the work of E.J.P. Markerink (2014), *Enhancing Organizational Creation, Product Development and Success Through the use of Lean Startup in Relation to the Information Technology Sector*, Master thesis in Business Administration, University of Twent