
The new challenges for transition countries: Female entrepreneurs in regions with industrial decline

Kiril Todorov

Introduction

Comparing the rapidly growing number of studies in the field of entrepreneurship as a phenomenon, as a role and a process, the field of female entrepreneurship is still a little studied. This is a lot more valid for the transition countries in Central and Eastern Europe due to a series of objective and subjective reasons. Among the most significant the following ones can be mentioned:

- The underestimated role of women in the socialist countries, as a result of the fast industrialization, i.e. an economic structure most of all oriented to the man
- The socio-psychological understanding, considering the woman more as a family pillar and less considering the female labour as a source of significant income
- The youthfulness of entrepreneurial activity and the different starting conditions for men and women
- The lack of specific support for finding and supporting the potential female entrepreneurs (with information, training, consulting)
- The women's value system, who at least in the beginning of transition preferred to be hired than to grasp the faith into their own hands.

Profound changes in the society and the economies of the transition countries during the last 12 years caused different related effects and problems, which needed adequate response. One such fundamental problem is the demolition of the old model economy and industry, projected to serve specific necessities within the framework of COME-COM. Many regions in the former Soviet countries were excessively industrialized, using mainly energy-consuming and old equipment, while the industrial workers in them were in most cases "built in the open field" – former peasants, turned by force into industrial prosperity.

The decline of such industrial regions, not accompanied by significant new alternatives, put forward not only the increasing number of unemployed men, but also the increasing problem of female employment. If until several years ago employed women had a reliable job in former state industrial enterprises and had significant (in comparison to the average for the country) incomes, now they are placed in an unknown and difficult situation, especially when both family members acquire the statute of unemployed. In the other older case most women were housewives and counted on the relatively high salary of their husbands – miners, metallurgy-workers or machine-builders.

Under these new conditions, without any preparation and external support, many women had to grasp "the scepter" in their own hands – especially in families where the woman turned out to be the more active "element". Due to the rapidly and constantly

decreasing working places in a series of cases women were forced to think about self-employment or – in other words – to start their own business in an unfavorable business environment.

This paper makes an attempt to analyze main problems of female-entrepreneurs in regions with industrial decline. The paper is based on the findings within a “training” project called *Women in business*, implemented in the period from 3rd January to 30th June 2002, in one of the until now most industrialized regions in Bulgaria – the region of the town of Pernik.

Female entrepreneurship – a little background

As we mentioned in the introduction, female entrepreneurship is an increasingly popular object on the side of policy makers, researchers and trainers. Here the efforts of the EU must be mentioned with its different institutions, commissions, directives and other initiatives designed to provide equal opportunities to women, in starting positions and own business management.

Research in the area of female entrepreneurship is seeking answers mainly to the question *Does Gender Matter?*¹ Other questions in this context are *Why are there so few women entrepreneurs?* and *Which are the obstacles in front of the female entrepreneurs and how they could be overwhelmed?*². In the later and in other sources we identify the results from different studies, which in the general case discover both overall and different characteristics among male and female entrepreneurs. The studies by I. Verheul and R. Thuvik (starting in 2000 with Dutch entrepreneurs from whom 1500 are men and 500 women) identified that among men and women (the starting entrepreneurs) there is no great difference concerning the type of the capital utilized at the start; difference comes more with size, less with female entrepreneurs. There are also no great differences in the relation of source of borrowed capital (bank loans).

The same researchers identified distinguishing for female entrepreneurial characteristics like: desire to work on a part-time; operating in the services sector; having limited experience in the financial management; spending less time on networking; being less biased to risk taking. At the end they are coming to the conclusion that female entrepreneurship as a whole has its specific characteristics and implications.

E. Lundgren³ states that the status of female entrepreneurship (Why are there so few women entrepreneurs?) could be searched in the context of: *The gender segregated labour perspective* (the orientation of the education of women to work in the public sector); *The different gender-role perspective* (duties in family limit possibilities for self employment); *The institutional perspective* (the image of the entrepreneur overlaps with the image of the man); *The leadership analogy perspective* (the wide-spread understanding that women are is weaker in the management of strategic thinking).

1 Verheul, Thurik, R.: *Start-up capital: Differences between male and female entrepreneurs Does Gender matter?* Rent XIII, London, 1999.

2 Ljungren, E.: *The new business formation process: Why are there so few women entrepreneurs?* Rent XIII, London, 1999.

3 Ljungren, ibid.

Besides targeted research, characteristics of female entrepreneurs could be identified indirectly in many training programmes for starting female entrepreneurs. By regarding training programmes of the Management Institute, University of Ulster “Women in Enterprise Programme”⁴, it could be seen that, although varying to sectors, businesses of female entrepreneurs are concentrated in clothing, food production, crafts and healthcare services. This might explain why it is not useless that within the programme there was set also training on individual problem solving and networking, in addition to business development (business planning, finance and marketing).

A considerably interesting object for studying and training are female entrepreneurs in the transition countries. On one hand in these countries there is an unique transition to market economy, while on the other hand, there were profound changes in the value system realized that affect especially the women due to their alternated role (including their use in the role as entrepreneurs). At the same time, as Miroslav Glas points out in his publication⁵, there are also bigger possibilities for female entrepreneurship, taking into consideration:

- The elimination of many administrative barriers before firm creation
- The development of service sector (requiring less skills and starting capital)
- The globalization development, which provides growing possibilities for the educated women to take things into their own hands

As a result of his studies, M. Glas makes some basic conclusions:

- Female entrepreneurs concentrate in the so-called “feminized economic sectors”
- In comparison to male entrepreneurs, for female entrepreneurs personal satisfaction is more important than financial results.

As a whole M. Glas concludes that the reason and the motivation of women to start their own business is similar to that of male entrepreneurs in Slovenia and the other European countries. In the end he provides valuable recommendations for improving the conditions for female entrepreneurs such as: create an “enterprise culture”; establishment of institutions for support of female entrepreneurship; including women in the institutions and the information centers, supporting entrepreneurship.

One specific, but very significant aspect of female entrepreneurship is to be both encouraged and developed in the industrial regions (former leaders in the economic development, but now in decline). Due to their specific characteristics (dominating role of men, lack of entrepreneurial culture, lack of sufficient working places and woman’s role mainly as a family guardian) there are present problems that additionally complicate female entrepreneurship. Below we will make an attempt to present the main problems and characteristics of female entrepreneurship in these regions, using the example of a training project for the region of the town of Pernik – one of the most (until recently) industrialized regions in Bulgaria.

4 The Management Institute, University Of Ulster: *Women in enterprise programme*. General profile, Belfast, 2001.

5 Glas, M.; Drnovsek, M.: *Slovenian women as emerging entrepreneurs*. University in Ljubljana, Ljubljana, 1999.

Industrial regions in decline

Conditions and problems of the region

The Pernik region is one of the regions in Bulgaria which is most severely affected by the structural reform. Main reason for the strongly negative impact of the structural reform is the branch and measure structure of the enterprises in this part of the country – formed during the time of the planned economy. The prevailing share of the economic activity in the region was concentrated in industrial giants from the mine and steel-industry. At the same time branches like tourism, food-processing industry, light industry, agriculture and services were slightly blunted. This is valid more for the development of sectors of “the new economy”.

After the start of the reforms the big industrial enterprises started to relatively fast lose their market positions and their competitiveness. The main reasons for this were: the strong dependence on external (mostly Russian) sources of raw materials; loss of the markets in the countries of the former COMECON; opening of the economy and increased competition; technological backwardness, etc. A direct consequence of this trend was the reduction of a great number of working places, respectively – increase of the unemployment. At the moment the situation in the region can be characterized in the following way:

- Relatively high unemployment – during the month of June 2001, the unemployment level as a percentage of the economically active population for the region of Pernik is 15,63%⁶. This level is lower than the average for the country (18,19%), but it still continues to be a significant social problem. Here we should point out our particular investigations of the presence of latent (hidden) unemployment, as well as the fact that part of the former high-paid specialists are not registered as unemployed due to many reasons (prestige, work in the gray economy)
- Decreasing population incomes
- Relatively weak developed entrepreneurial culture among the local population, leading also to
- Relatively low entrepreneurial activity – the region of Pernik is at one of the last places in the country based on the company density. For 1999 the number of companies for 1000 people of the population is 1998. For comparison, this index in Bourgas is 34.32, in Varna – 33.87, while in Blagoevgrad – 26.88⁷
- Lack of considerable sources of local cheap and accessible natural resources.

Thus the illustrated unfavorable economic and social situation in the region of Pernik⁸ outlines the necessity of targeted policy, measures and means for promoting the development of the region. Some of the most suitable and high potential directions for such development is the stimulation and the support of the entrepreneurship, respectively the establishment and the development of small and medium-sized enterprises, the

6 National employment service.

7 SMEs Report 2000, Agency for small and medium-sized enterprises, Sofia, 2001.

8 The last statistic data show a relative decline in the region of Pernik due to many economic indexes, such as: net profitability of the companies, company share in the gross value added, company share in the export revenue and others (see the above sources).

formation of entrepreneurial culture within the local population. For this purpose clusters of training projects and support were formed for regions like Pernik, part of which is also the project considered in the paper – *Women in business*.

Reasons for the selection of target groups and activities in the project

The main reasons for the selection of laid-off women as a target project group for training can be summarized as:

- The business environment as a whole in Bulgaria, as in most of the CEE countries, is not very inclined to women entering the business.
- There exist specific market niches, the conquering of them can relatively easily be achieved by women.
- The gender structure of Bulgarian entrepreneurs as a whole shows a very strong men domination. This is a proof for inequality of gender regarding the entrepreneurial abilities.
- The situation is also similar in the region of Pernik, where the female entrepreneurs are less than one third of all entrepreneurs.⁹
- In the region of Pernik there is a relatively big number of unemployed women – laid-off from the mine and steel industry, or belonging to families with members, laid-off from these industries.
- It is known that in comparison to men, women have less abilities for professional career and narrowed circle of alternatives for realization due to their roles of wives, mothers and housewives. In this sense, most of them can face the danger of falling into a condition of lasting unemployment after the disclosure of their former working places without present alternatives.
- More dramatic is the situation of those whose husbands are, or will be laid-off in the future, i. e. they will be less prepared for it.

Project activities description

Selection

Within the framework of the project 45 women from the region of the town of Pernik are anticipated to be trained and supported in starting their own business. From the total number of the direct beneficiaries (45 people) after the initial training stage there are expected 30 women to have ideas and real business intention. On the next stage they pass to the starting preparation, including the business plan elaboration. From those who elaborated a business plan 8–10 people are expected to start in reality.

The achievement of these results requires the realization of three main groups of activities: selection of 45 women with entrepreneurial potential from the target group; practically oriented training of the selected women; consulting the process for starting preparation. They were chosen initially among 110 candidates.

⁹ Regional labour bureau.

The women participants are divided into 3 groups, each of 15 people, whereas the work with each group is carried out regardless of the others. This division is imposed because of the fact that in a group with larger than this size the training process loses part of its effectiveness. The work with the three groups is parallel implemented, whereas within this process some corrective activities are carried out. After the end of the training of the first group and its transition to starting preparation, there starts the training of second group participants.

The main project activities are described in details in the following way:

Project starting preparation and office establishment

The project implementation requires establishment of an office in the town of Pernik, which is responsible for the entire coordination of the project activities, for elaboration and maintenance of the necessary documentation, for communication among the project team and the beneficiaries on one hand, and on the other – between the team and the people responsible for the project for employment in the regions with mine and steel industry.

Final group selection

The selection of female participants in the project is of considerable importance for its final success. Therefore at the selection stage it is necessary to identify women with entrepreneurial potential, which should be developed in the following stages.

It is expected to carry out the selection in two stages – initial selection and selection/filtering of the candidates. The initial selection should supply 30–45 participant-candidates for each group of 15 women. It is implemented by means of regional labour bureaus and by means of announcements in local press, radio and most likely other medias.

Selection (filtering) of the candidates: in the process of one week the candidates meet a psychologist, financial expert, marketing expert, experienced trainer in entrepreneurship “at a cup of coffee and white cherries gem”, where the personal impressions of each specialist about every course-participant are noted down.¹⁰ Based on the summarized opinions of the group of experts 15 women-participants are selected for each group.

Training of participants

The training was implemented in the halls of the Entrepreneurship Development Centre (EDC), UNWE – Sofia. The very training is conducted by an EDC team, where for some of the courses external specialists are attracted. The training of each of the groups lasts 17 full working days. The training courses, that are implemented are: Introduction in the economics and business management; Basics of the entrepreneurship (starting small business); Small and medium-sized enterprises (SMEs) management; SMEs

¹⁰ The method is approved by the trainers during the time of training unemployed specialists from the municipality of Sredets – Sofia.

change and growth management; Business communications and presentations skills; Computer literacy; Business plan preparation (key issues, chapters).

Main significance of the training is its practical orientation. It is realized by active participation of the trained in the process, discussions on basic questions, considering and solving practical cases and tasks, meetings and discussions with the active female entrepreneurs.

Consulting the participants in the process of business plan preparation

The consulting on business plan elaboration and starting preparation is conducted in the project office in the town of Pernik by a team of the Entrepreneurship Development Centre. The beneficiaries are assisted/ consulted in the following basic directions:

- Business ideas generation – the finding of a good idea for new business is even more important than the preparation of a good business plan. The EDC experts participate actively in the process, assisting the women in gathering of a bunch of ideas for new business and filtration of those with highest potential.
- Business plan preparation – the EDC experts assist women-participants during the whole process of business planning. According to the EDC team estimation, based on experience, the preparation of one business plan takes approximately two months, of which one is necessary for market investigation and gathering the rest of the information. Three to four weeks are necessary for writing down and designing the plan.
- Physical business start-up: At this stage the future female entrepreneurs receive consulting support in finding finances, in legal issues when registering a company, in choosing equipment, personnel selection, etc.

Last consulting, presentation and business plans' defense by the participants

The business plans' defense is implemented in the project office in the town of Pernik. The future female entrepreneurs present and defend their plans in front of a commission which consists of expert-consultants and external specialists (credit experts from the local banks, representatives of the local authorities and active entrepreneurs). Thus the defenders receive valuable feedback about their ideas and have the ability to test their communication and presentation skills. And – last but not least – they have the ability to establish contacts with external specialists (their future stakeholders).

Advices and newly-started businesses' popularization

At this stage the starting women-entrepreneurs receive support in the company management, in partners' finding, in establishing contacts with the local administration at region and municipality level, etc. When necessary, the companies receive some other office services. These activities are conducted by Regional Business Centre for Small and Medium-sized Enterprises Assistance, Pernik.

Conduction of a seminar for dissemination (results' dissemination)

Within the framework of the project a concluding seminar is anticipated for obtaining results' dissemination and providing a possibility for female entrepreneurs to establish additional contacts. The seminar is expected to be participated by the project team, the

started entrepreneurs, external guests – representatives of the financing institutions, the administrative authority, active entrepreneurs, media representatives.

Methodology (project implementation strategy)

Implementation methods

For achieving the project goals two main groups of methods are used: training methods and consulting methods.

Following training methods are used: interactive, practically oriented lectures; discussions; games; role playing; “learning by doing”; discussion and case studies; solving practical problems and tasks, assigned by the participants.

In the consulting process, except from the direct provision of expert advices and information, there are also used: the discussion in focused groups, brain-storming, the method “side-thinking” and others.

Findings

- New companies are started by women, who have undergone the training
- In the newly-started companies, additional to the self-employed, approximately the same number of people will be employed, mainly from the families and the network created by the training participants
- In a long-term plan in the process of development of the started businesses an additional increase of new working places can be expected
- The self-employed female entrepreneurs will receive higher incomes than they would receive by being employed by other companies
- Increase of self-confidence and female status in economic and public plan
- Incapability of some of the participants to supply starting capital
- Motivation and entrepreneurship incline within the beneficiaries was established
- The female participants gained basic and specific knowledge, necessary for starting and successful development of an own business
- The fields, in which the female entrepreneurs start(ed) their own businesses are: laundry services; textile design and retailing; house and office cleaning services; coffee shops; books and office equipment shops, etc.
- Greater specifics (more difficult situation among the women entrepreneurs compared to the other regions)
- A very careful selection for the target group is required (casting)
- The utilization specific interactive and psychological methods
- Selective strategies towards certain subgroups of women:
 - University graduates with big experience (older)
 - With high school education (house women)
 - Young without experience and networking
- A continuing escort after the start is required (the environment in the families is not advantageous)

- Establishment of networking first among them during the training
- Informal approach in the training and consulting
- Creating alumni society (by the idea of new women entrepreneurs).

Conclusion

The results of the different studies as well as the experience we gained show the increasing significance of female entrepreneurship for economy and society. For the transition countries it is a source of dynamics, a possibility for solving significant business and social problems and a suitable instrument for entrepreneurial culture development.

Along with the common (with male entrepreneurship) characteristics, female entrepreneurship puts specific problems, which require adequate solutions. This is more valid for female entrepreneurs in defined regions, such as those in industrial decline. Except the traditional training disciplines and instruments, there are also necessary selective strategies to the respective groups of female entrepreneurs. This refers mainly to their extracting out of stress and their adaptation to new business and social environment; the belief in their own potential and the self-confidence increase; the establishment of personal networks; the formation of entrepreneurial and management skills. It is considerably important for female entrepreneurs to be escorted and supported after their business start-up – this is valid mainly for those on part-time, combining also the family functions. And something of considerable importance: the establishment of interest clubs and alumni societies on the initiative of the women themselves – incredible instruments – for promotion of female potential in the civil society.

References

- GLAS, M., DRNOVSEK, M.: *Slovenian women as emerging entrepreneurs*. University in Ljubljana, Ljubljana 1999.
- LJUNGREN, E.: *The new business formation process: Why are there so few women entrepreneurs?* Rent XIII, London, 1999.
- THE MANAGEMENT INSTITUTE, UNIVERSITY OF ULSTER: *Women in enterprise programme*. General profile, Belfast, 2001.
- PHARE PROJECT BG-9915.01 SMAEP: *Women in enterprise*. Implemented in the region of Pernik, 2001–2002.
- Verheul, I., Thurik, R.: *Start-up capital: Differences between male and female entrepreneurs. Does Gender matter?* Rent XIII, London, 1999.