

CHAPTER 2

MANAGEMENT IN FIRMS AND ORGANIZATIONS

Female Entrepreneurship in Transition Polish Economy

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Abstract

While research on women entrepreneurs in developed countries is extensive, little has been written about female entrepreneurs in transitioning economies. The research presented here focuses on the characteristics, problems, and performance of family businesses owned and operated by Polish females. The results indicate that while women entrepreneurs exhibit many similarities with their counterparts in developed countries, they differ in their reasons for success and the problems they encounter. In part these differences reflect the effects of a transition economy's different political and economic structure. The findings suggest that the theories regarding women entrepreneurs based on transition economies need to be carefully examined in other countries of the region before any general conclusions are derived and applied to those nations.

Introduction

In 1990, political and economic changes led to the creation of free markets in Poland. This then led to the creation of an enterprise culture that has enabled Polish entrepreneurs to take reasonable risks and seek profit opportunities. Positive societal factors have also helped influence potential entrepreneurs to start their own businesses. This combination of economic, social, and cultural factors has also greatly influenced women's role in business. Women's participation in entrepreneurship has flourished in the reforming Polish economy due to the many opportunities available to them in the new market environment (Zapalska, 1997).

Poland's success has, to a substantial degree, served as a stimulus for reform elsewhere in Eastern Europe and the former Soviet Union. Moreover, as the number of women business owners and their role in the transitional economy increase, it is important to assess their performance, motives, and objectives. A comprehensive and integrated view of female entrepreneurs and their firms in Poland can provide insights that are useful in formulating public policy on entrepreneurial growth and development in other countries of the region.

Since little is known about the performance of women-owned businesses in transitioning economies, the purpose of this paper is to examine how individual factors affect the performance of Polish women-owned businesses, and then compare them to what is known about factors influencing performance from Organization for Economic Cooperation and Development (OECD) countries. As one of the few systematic studies of Polish women entrepreneurs, this paper is guided by three questions: What factors influence the business performance of Polish women entrepreneurs? Which factors explain any variance in performance among businesses of Polish women entrepreneurs? How similar are these explanatory factors to those found in research conducted in other countries? More specifically, the paper addresses a number of performance factors and their effect on the level of economic profit and employment size. These factors include: demographic and human capital factors, motivational goals, decision-making, business history, and industry grouping. The chosen female family businesses were randomly selected from a membership list of the regional tax offices, which were provided in 2002 by the national association of small businesses.

From the evidence presented in this study, it is proposed that the factors contributing to positive performance among female businesses, to some degree are similar to those that the literature on this subject generally also attributes with positively influencing male businesses. However,

a closer look at the results for female businesses in the sample has implications for understanding the situation of female entrepreneurs in a transitional economy. The findings of the study can be used to make recommendations to policy makers in nations having transition economies, so that they can improve the business environment in a way that fosters entrepreneurial growth. This paper highlights the lessons and some of the requirements for the firms to become successful. It also provides insights into how government agencies can tailor their assistance to more effectively promote entrepreneurship among women in the transition economies of Central and Eastern Europe.

Literature review

Entrepreneurship is universally acknowledged to play a leading role in economic growth. Approaches to studying entrepreneurship are multi-dimensional (Sexton et al., 1982). An approach now gaining support explains entrepreneurship by combining cultural, behavioral, personal, sociological, economic, and political variables that promote or hamper the creation and development of entrepreneurship (Bliss and Garratt, 2001). Similarly, Zapalska et al. (2003) argue that entrepreneurship activity in the region of Central and Eastern Europe results from the interaction of individual characteristics, traits, background, and exposure to examples of success.

To date, there have been few studies on success and failure of entrepreneurial firms run by female entrepreneurs (Aldrich, 1989; Cooper et al., 1991; Brush and Hisrich, 1991; Corman et al., 1996; Lerner et al., 1997). The most comprehensive study of individual factors influencing firm performance was noted by Cooper and Gascon (1991), which examine such factors as race, experience, education, occupation of parents, gender, age, and entrepreneurial goals. This study, drawn from previous literature examining performance (Stevenson, 1986; Vesper, 1990), concludes that successful male enterprises are those who are achievement-motivated, able to manage risk, and engage in systematic planning. However, Kalleberg and Leicht (1991) found that female businesses are just as successful as male businesses. According to Johnson and Storey (1994), female enterprises are smaller and more likely to employ female workers.

According to Corman et al. (1996), entrepreneurial success depends on the effectiveness of the entrepreneur's social network, including relationships with bankers, customers, suppliers, and others in a position to influence the development of the new venture. Bliss and Garratt (2001) suggest that it may be harder for women than for men to cultivate one linkage in these networks because of the stereotype that women are lacking characteristics necessary to become successful entrepreneurs. To the extent that women have greater difficulty in establishing linkages in these social networks, the likelihood of the success of female-owned businesses may be seriously diminished (Johnson and Storey, 1994).

Although increasing interest exists in measuring the successes and failures of the transition processes in Central and Eastern European (CEE) countries (Hisrich and Szimal, 1993; Lipton and Sachs, 1990; Peng and Hearsh, 1996), to date studies examining the performance of female businesses in transitional economies are very limited. Bliss and Garratt (2001) analyze a variety of historical and cultural factors that hinder Polish women's efforts to successfully participate in this transition and take advantage of the associated benefits. The authors argue that there is little organizational or governmental support for entrepreneurs-male or female in countries moving from socialism to capitalism. As a result, women entrepreneurs face both discrimination and a lack of formal support for their endeavors. In an earlier study, Brush and VanderWerf (1992) argue that the differences in social and political structures across transitional economies suggest variation in individual factors affecting the performance of female businesses.

As entrepreneurial firms in transition economies face various problems and uncertainties from the continuing instability of fundamental rules of the market economy paradigm, the profile of the environment in Poland remains important. This study contributes to the existing literature by analyzing various factors' effects on the performance of female entrepreneurial businesses, and has been guided by three questions: (1) What factors influence the business performance of Polish women entrepreneurs? (2) What factors explain any variance in performance among businesses of Polish women entrepreneurs? and (3) How similar are these explanatory factors to those found in

research conducted in other countries? More specifically, the model developed addresses the effect of demographic and human capital factors, motivational goals, decision-making, business history, and industry grouping on the level of economic profit and the size of employment.

Methodology

The data for this analysis were collected by telephone survey in March and April 2002 from a sample of thirty-seven Polish family businesses owned and operated by females. Survey instruments were sent to each of the businesses prior to the telephone survey. The letters informed the businesses about selection and provided them with information on the reasons and the goal of the research project and the confidentiality of the results. While not perfect, the telephone survey is the preferred method of data collection. The 100% response rate to the telephone questionnaire is in itself a sign that non-response bias is mitigated.

The questionnaire elicited information on the size and nature of operation, family business objectives, entrepreneurial motivation, level of employment, financial assistance received and desired, non-financial support, business training needs, socioeconomic conditions, credit financing, and reporting requirements for small businesses.

Hypotheses and the Model

The linear regression model is used to determine factors affecting female-owned enterprises' performance in the southern region of Poland. The dependent variable for this study is business performance, with profit and size of employment used as its two main indicators. The size of employment represents the total number of workers, including both full-time and part-time workers, proprietors, and family workers. The last month's profit (at the time that interviews were conducted) is used as a performance measure.

The independent variables are grouped into six categories:

1. Demographic: age of the owner/manager; age of business, number of family workers, and whether or not the business has competition;
2. Human capital: whether the operator is also the owner of the business; whether the owner/manager has had training; whether the owner/manager is also the initiator of the business;
3. Motivational goals: whether the owner/manager was motivated to enter into business by economic considerations or by a desire for independence or other motivation(s);
4. Decision-making: whether important management decisions were made by owner/manager alone or otherwise (for example, through consultation with friends and family);
5. Business history: the family business; and
6. Industry grouping: food, textiles, trade, tourism, hospitality, services, manufacturing, or other.

The aims of this study are summarized in the following hypotheses: (1) the age of an enterprise affects its performance; (2) the influence of close family ties will have a positive impact on the performance of family businesses; and (3) differences in business sectors, entry situation, capital investment, and competition will affect the performance of family businesses with regard to profitability and labor intensity.

Results

The vast majority (98.0%) of study participants operated sole-proprietorships. The businesses were family operated, small, and they were largely a heterogeneous group, belonging to the so-called "informal sector." Many businesses operated by women entrepreneurs are in traditionally female dominated occupations. According to our results, Polish women are also broadening their participation in traditional fields. Table 1 presents the enterprise distribution by type. It shows that female entrepreneurs were mainly concentrated in textiles (24.3%), services (16.2%), and other sub-sectors (16.2%).

The average annual rate of employment growth was calculated and the results are presented in Table 1. They indicate that the number of workers grew by 88% in the textile sector, 74% in the trade sector, 66% in the hospitality sector, 50% in the tourism sector, 28% in the service sectors, and 30% in the "Other" sectors from March 2001 to March 2002. These results indicate that the rate of employment growth of female businesses has been substantial, except in food services, which experienced a negative growth rate of 22%.

According to Table 1, the average number of workers, including the proprietor, was eight. The average annual profit paid to female workers was about Polish Zloty 41,697 (about \$US10K). The average age of female entrepreneur was forty and the average age of business was seven years old. The average initial capital invested by a female entrepreneur was Polish Zloty 15,395 (less than \$US4K).

Table 1

Characteristics of Female-Operated Family Businesses		
Average profit to family business per year (in Polish Zloty)		41,697+/-14,474
Initial capital invested (in Polish Zloty)		15,395+/-4,464
Average number of family workers		7.3 (+/-2.3)
Average age of family business owner/operator (in years)		40 +/-4.5
Average age of business (in years)		7.2 +/-1.7
Number (percent) of entrepreneurs who had training		21 (57% +/- 16.3%)
Type and Number of firms (percentages)		Annual Growth Rate of Employment*
Food processing	3 (8.2% +/- 9.0%**)	-22%
Textiles	9 (24.3% +/- 14.1%)	88%
Trade	5 (13.5% +/- 11.2%)	74%
Tourism	4 (10.8% +/- 10.2%)	50%
Hospitality	4 (10.8% +/- 10.2%)	66%
Services	6 (16.2% +/- 12.1%)	28%
Manufacturing	0 (0%)	-
Other	6 (16.2% +/- 12.1%)	30%

*Growth rate= $[(\text{Current employment}-\text{Employment at the start})/\text{Employment at the start}]/100$.

** Bounds for the error of estimates correspond to the 95% confidence level.

There were only 21 (57%+/- 16.3%) female entrepreneurs who had received some business training. Most of these women did not have extensive backgrounds in family business, but had some business experience. The female entrepreneurs with parents who owned and operated entrepreneurial ventures during the 1980s had garnered their experience from their involvement with these family firms. Some women regarded work in the private sector in the 1980s as providing the best training to learn how to create and run a new start-up firm.

Interviewees were also asked to identify their own managerial characteristics from the list provided. The list of attitudes and behaviors that are manifested by successful entrepreneurs is long and generally includes internal locus of control, aggressiveness, ambition, and need for achievement (Cooper et al., 1991). The instrument asked female entrepreneurs to rate themselves as managers on many of these personality characteristics.

According to the responses, masculine characteristics dominate the self-reported profile of our successful female entrepreneurs. Female entrepreneurs indicated they possessed aggressiveness, assertiveness, strong leadership behavior, communication skills, as well as objective and analytical thinking. They believed that they possess a set of leadership skills and attributes that include a high level of internal locus of control, autonomy, ambition, energy, responsibility, innovation, and creativity. They also indicated a high propensity to take risks and readiness for change,

strong social skills such as persuasiveness, a low need for support, a lack of emotionalism, and a high level of ability to inspire others. Although they rated themselves as more emotional than men, our results indicate that there are no significant differences in personality attributes that characterized both male and female entrepreneurs in OECD economies.

The female interviewees were also asked to indicate what had motivated them to become an entrepreneur. Regarding motivation, the women indicated that their primary reasons for turning to self-employment were to have more control over their lives, to alleviate the problems of dissatisfaction with previous employment (usually at a state-owned enterprise or institute), to find a job, and to realize greater financial satisfaction than was available in the state sector. Most women indicated that their career choices had been influenced by both political and economic motivations.

Other emerging motivational reasons included the need for achievement, the desire to be independent, the need for job satisfaction, economic necessity, and the need for money as a measure of success. They were also motivated by the desire to create an organization that could inspire, motivate, and reward psychologically the desire to avoid being in a subordinate relationship to others. The achievement motive also led them to seek out situations that challenged their skills, allowed them to perform better, gain confidence, and succeed professionally.

The interviewees expressed being innovative by initiating a large variety of qualitative and quantitative changes in business practices within their industry. Included among the most common types of changes initiated were: creating new product and service markets; adopting product innovations and new methods of production, as well as organizing new sources of supply; initiating factor innovations; and implementing new forms of organization and management. In some cases, the women entrepreneurs' actions included more than one of these changes.

The production innovations most frequently initiated by female entrepreneurs were technological innovations (computerization), the creation or invention of new techniques of production, new management strategies, and organizational innovations (which basically involved changes in the structure of relationships between workers and managers). Market and product innovation involved producing goods and services that had not already been produced, improving the quality of a preexisting product, or reducing its production cost. These innovations were necessary to accommodate new production processes and services in very competitive Polish conditions.

Performance evaluation and discussion of results

Regression analysis has been used to determine the impact of various variables on the performance of female enterprises. The regression results (model coefficients along with corresponding P-values) are shown in Table 2. The regression results indicate that the age of the female entrepreneur is positively related to the performance of female enterprises, implying that businesses operated by older women performed better than those operated by younger ones. Since age of enterprise is also positively related to firm performance, the results of this study substantiate Jovanovic's (1982) learning theory that the age of an enterprise and its growth rate are positively related.

Results also indicate that competition has a significant positive impact on the performance of women enterprises. Our results indicate that both performance measures (profits and number of workers) are not significantly related to the total number of family workers. These findings do not suggest that enterprises with a large number of family workers perform better than enterprises with fewer or no family workers involved with working for the family business. The type of enterprise (whether it belonged to the textiles, food processing, services, or manufacturing sector) is not significantly related to either profit (log profit) or to employment¹.

The literature on marriage and family indicates that women are more likely than men to have domestic responsibilities. This situation may cause difficulties for women trying to balance their business and family lives (Aldrich, 1989). In general, it is observed that women entrepreneurs are more inclined to divide their time between their families and jobs than to spend time for them-

¹ Analysis of the variance test was performed in both cases and the p-values were 0.5261 and 0.9310 respectively. Consequently, variable "business type" was not included in the model.

selves and their recreational activities (Stevenson, 1986). Being obliged to perform several roles at the same time can negatively influence the professional success and satisfaction of women, and might cause stress (Lerner et al., 1997). In contrast, our results do not indicate that firm's profits are significantly related to the marital status of the females interviewed. Moreover, the strong drive for success, need for achievement, desire for job satisfaction, and/or a desire to be independent have inspired and motivated our female respondents to seek out situations/solutions that allowed them to succeed professionally, regardless of their marital status.

Table 2

Regression Models for Profit and Number of Workers in the Female Family Businesses

	Dependent Variables	
	Profit	Number of workers
Independent Variables	R-square = 0.72	R-square = 0.38
Constant	8.205	-6.498
Age of owner	0.023 (0.006)	not significant
Marital status	not significant	not significant
Age of enterprise	0.034 (0.100)	not significant
Number of family workers	not significant	not significant
Presence of competition	0.347 (0.001)	not significant
Owner as well as operator	0.166 (0.132)	1.778 (0.013)
Training	not significant	not significant
Initiator	0.145 (0.166)	not significant
Economic motivation	not significant	not significant
Sole decision-making	-0.228 (0.116)	-2.104 (0.028)
Initial capital	0.100 (0.227)	not significant
Business family history	not significant	not significant

Economic motivations are found to have no effect on firms' performance measured by profits and changes in the number of workers employed. In contrast, the presence of competition is a significant variable that positively affects firms' profits, but does not significantly affect their level of employment. These results indicate that most Polish entrepreneurial firms must operate under extremely competitive pressures coming from both domestic and the Western competitors. According to respondents, in order to remain competitive they had to develop products and services that equal western standards and quality, while remaining at competitive prices.

Studies in developed countries (e.g., Lerner et al., 1997) found the level of education, previous experience, occupational experience, and skills are the most significant variables influencing performance of female enterprises. Interestingly, our results show that entrepreneurial training and education had no influence on female entrepreneurial firms' performance. These results are explained by the fact that most of the training received was informal.

The results also indicate that the variable, "owner as well as operator", has statistically significant positive effect on both the amount of a firm's profit and increases the number of workers employed. In contrast to our earlier discussion on the role of innovation, the regression analysis indicates that there is no effect of "an initiator" on the number of workers employed. However, this effect positively influences the level of profits. Similarly, initial capital positively affects entrepreneurial profit, but not the number of workers.

Women in a sample were more profitable if they had previous ownership experience and training, or if they perceived themselves as the "entrepreneurial type." The patterns that emerge suggest that women do not report a great confidence in their perceived business skills. Perhaps this has grown from prior business experience that the women have not yet gained or from the social acceptance that better prepared men for the challenges of entrepreneurship.

Polish female entrepreneurs are primarily concerned with developing competencies that influence profitability only after their businesses reached maturity and when they receive sufficient confidence from their professional associates. The respondents stated that they operate their business in the economy that does not have very strong cultural and economic environment conducive to development and growth of their entrepreneurial firms.

Like training and work experience, motivation and family background also influence the performance of entrepreneurial firms. The empirical evidence supporting these assumptions has been drawn from studies of male entrepreneurs (Srinivasan et al., 1994). While such a characterization appears sensible, this study has found these factors have a statistically insignificant relationship to the profitability of female owned businesses.

It is clear that women entrepreneurs are beginning to feel more confident about their own skills, as they build their own commercial networks, establish credibility with customers, suppliers, and bank managers, and start successful and non-traditional (i.e., service or retail) businesses. The growth of women-owned business is a reflection of a changing society and the reforming Polish economy. It does not appear to reflect differences between the sexes in skills and motivation. Further, it is likely that the profile of Polish women entrepreneurs in the future will continue to adjust to their changing environment, and move closer to the profile of their male colleagues.

Policy recommendations

Based on the above analysis, the most important areas to be addressed by Polish public policy are: (1) increasing the opportunity for female entrepreneurs and creating an environment that fosters women's participation in entrepreneurship; (2) creating an "enterprise culture" that leads females to take risks and seek profits within the market discipline of a competitive environment; (3) encouraging the establishment of institutions that support women participating in entrepreneurship; (4) making clear that all firms will have sufficient start-up financing; and (5) developing educational and short-term training programs in the areas of business plan preparation, competitive pricing, market penetration, marketing strategies, business organization, management of the work force, negotiation and managing cash flow.

Conclusion

The purpose of this study is to identify the factors that affect the performance of female family businesses. In this study, the successful performance of female family businesses is measured by profit size and the increase in workers employed. The study shows that the future success of female business ventures in the reforming Polish economy depends upon a number of factors. Overall, the most influential performance variables in family businesses in the transitional Polish economy were age of enterprise, age of entrepreneurs, and initial capital invested. The number of family workers employed and industry sector do not play an important role in determining a firm's success.

In sum, the factors affecting the performance of female enterprises in Poland presented in this paper differ from their counterparts in other OECD countries. It appears that these findings might reflect the impact of problems related to transitional economies. To fully understand the importance of these factors with regard to performance, one needs to compare the findings about Polish female entrepreneurs to findings about women entrepreneurs from other non-OECD nations and developing countries. This will help determine if these results are gender specific or a function of social structures.

Overall, this research suggests that theories regarding entrepreneurship in particular, derived from research in OECD countries, need to be carefully examined and tested before being employed in non-OECD and developing country contexts. The social and transitional structures of an economy are particularly likely to affect the motivations and human capital that influence the business performance of women entrepreneurs in a country like Poland

This study provides a foundation for further research regarding the entrepreneurial performance of women in the transitional Polish economy. It is recommended that this investigation be replicated in other areas of Central and Eastern Europe and that a comparative study, featuring a comparable population of males and females, be conducted. Moreover, the results of this study

suggest that future research will be more meaningful if it focuses on factors pertaining to women entrepreneurs in the broader socialization context. Specifically, further study of the relationships between performance, related self-confidence, motivation, and business type and entrepreneurial success is needed. It promises additional insight into the nature of and prescriptions for women-owned businesses.

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