

WOMEN & Entrepreneurship *in* LATVIA

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TeliaSonera Institute Discussion Paper No 4

Women and Entrepreneurship in Latvia

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May 2006

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Acknowledgements

We are indebted to Vyacheslav Dombrovsky, Arnis Sauka, LIDERE, and Lursoft for the data used in this study. We also thank Alf Vanags and Anders Paalzow for their valuable discussions and to Aiva Viksna from LIDERE for her assistance and time.

Foreword

This is the fourth of the TeliaSonera Institute discussion paper series. The Institute, which is located at the Stockholm School of Economics in Riga and is generously supported by TeliaSonera, aims to promote applied economic research in areas such as entrepreneurship, regulation, and many other aspects of market economics. This discussion paper, on Women and Entrepreneurship in Latvia was prepared by Friederike Welter and Susanne Kolb for the TeliaSonera Business Day organized in October 2005 at SSE Riga.

The first three discussions papers were entitled: Venture Capital in Latvia, Entrepreneurship in Latvia, and the New EU Regulatory Framework in Electronic Communications, respectively. Copies of the discussion papers can be ordered from the SSE Riga library.

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1. Introduction

More than one-third of all entrepreneurs in Latvia are women [Dombrovsky and Uebele, 2005]; moreover, the average female entrepreneur is aged between 35 and 44. Little research has so far been done on their business preferences, their motives for becoming entrepreneurs, their business objectives, characteristics of their ventures, and the overall development of female entrepreneurship. Therefore, this paper sets out to give an overview of female entrepreneurship in Latvia by exploring its nature and extent, based on statistical and survey data.

First, we contextualize female entrepreneurship by explaining its various economic and social roles, and by identifying the factors that influence it - especially in a country undergoing transition. Next, we analyze female entrepreneurship in Latvia with the help of primary and secondary statistical data, describing different aspects of the nature of female entrepreneurship in Latvia. Finally, we draw conclusions from our analysis, and discuss policy recommendations for fostering female entrepreneurship².

2. The Context for Female Entrepreneurship

2.1 Economic and Social Roles for Female Entrepreneurship

Entrepreneurship plays an important role in modernizing and transforming economies and societies [Smallbone and Welter (2001)]. Entrepreneurship is generally said to contribute to innovation. New enterprises also create employment, if only for the individual entrepreneur at the start, thus adding to income and family welfare. For women, becoming an entrepreneur was often one of the few possibilities left to them to earn an income after socialism collapsed, as they were the first to be fired and the last to be rehired in the transition towards a market economy. Transformation to market economies deprived a majority of women in the former Soviet states of their paid jobs and of most social security provided under socialism [e.g., Degtjar (2000), Hübner et al. (1993), Moghadam (1992), Lokar (2000)]. This often had the effect of reinforcing the traditional gender relations that persisted even during Soviet times, despite an ideological commitment to promoting female emancipation through their labour participation [Kerblay, (1977)].

In Western economies, self-employment and small business ownership appear as one means for women to gain greater economic and social independence, enabling them to combine family and work. However, even in mature market economies the level of female entrepreneurship typically falls considerably below that of the male population [Carter (2000)]. In a transition context, it would appear that starting and running an own business or becoming self-employed might be the only possibility left for women to overcome increasing discrimination on the labour market during the transition period and to alleviate poverty [Moghadam (1992)]. In this context, female entrepreneurship is important for countries such as Latvia, not only as a solution to unemployment but also in order to take advantage of the potential contribution by female entrepreneurs to economic and social transition. Businesses owned and operated by women are typically smaller than

those of their male counterparts, tending to dominate in sectors with low barriers for entry in terms of human and financial capital, but high turnover rates, leaving them potentially more vulnerable. This might be aggravated in an uncertain or even hostile business environment where the institutional infrastructure remains poor.

With regard to the *economic role* of female entrepreneurs, several research studies [see for example the country studies on the former East Germany, Khyrgyzstan, Lithuania, Moldova, Ukraine, Uzbekistan in Welter et al. 2006a; also Welter et al. (2005)] show that some have contributed to transition and economic development through setting up activities new to the economy, and manufacturing goods as a substitute for imports. Moreover, they provide employment and earning possibilities both for themselves and for others, which promotes social inclusion. All this contributes to regeneration of the national economy. Additionally, female entrepreneurship has fostered social change and alleviated some of the negative effects of transformation by offering positive role models and enhancing the image of female entrepreneurship as such.

With regard to the *social roles* of female entrepreneurs, their main contribution consists of creating job opportunities. Typically, female entrepreneurs are more likely to employ women, thus providing jobs not only for themselves but for other women, so helping to reduce the effect of discrimination against women in the labour market. In addition, reducing female unemployment assists in the fight against trafficking of women, which is known as one of the most urgent issues in the Ukraine [Isakova et al. (2006)] and Moldova [Aculai et al. (2006)]. Moreover, for Moldova female entrepreneurship plays a role in reducing emigration among the younger workforce [Aculai et al. (2006)]. Finally, female entrepreneurs serve as role models for younger generations, demonstrating new employment [self-employment) opportunities (e.g., in Uzbekistan as discussed in Welter et al. (2006b)].

2.2 Factors influencing Female Entrepreneurship

Institutional and legal contexts play an important role in female entrepreneurship, influencing its nature and extent as well as its potential economic contribution [Aidis et al. (2006) and Welter et al. (2002)]. Whilst gender equality is formally inscribed in most constitutions, its application throughout the economy and society might still lead to overt or covert discrimination against women. Whilst overt discrimination remains a topic, especially where wage gaps are concerned, covert constraints that express themselves through the institutional environment might nowadays play an even more important role.

Female entrepreneurship from the standpoint of labour market participation depends not only on the availability of market opportunities. It is also influenced to a large extent by the prevailing institutional environment, which includes the value that society attaches to female employment. In Western economies, increased labour market participation of women has occurred only since the 1970s, as Birley (1989) describes it: "Until very recently, the major role of women was seen in most Western economies by both men and women to be that of wife and mother. Indeed, even should they take employment this was almost always in addition to their role as homemaker."

² The main findings of this paper as well as some other aspects concerning female entrepreneurship in general were presented and discussed at the Women's Business day in Riga in October 2005 together with practitioners, female entrepreneurs, and international researchers such as Candida Brush from Babson College in the US and Anne DeBruin from New Zealand.

In this context, family, social, and tax policies could influence female entrepreneurship. For example, social and tax policies could influence female entrepreneurs with respect to the level of social security connected to entrepreneurship. This is an important consideration for potential female entrepreneurs, who might also consider entrepreneurship for family reasons as they strive to combine child-raising and family responsibilities with earning an income. It takes on additional importance in a Post-Soviet context, where the Soviet support systems for childcare collapsed after transition.

While formal institutions such as laws and policies can create opportunity fields for entrepreneurship, informal institutions such as *values, norms, and the general attitude* of a society towards entrepreneurship can strongly influence the collective and individual perception of entrepreneurial opportunities [Welter and Smallbone (2003)]. Formal institutions mainly influence the extent to which (female) entrepreneurship is able to develop, and the characteristics of their businesses, as discussed in Welter et al. (2003). Cultural norms and values help to shape the way into entrepreneurship and more specifically influence an individual's propensity for entrepreneurship. In this context, gender could represent an additional dimension. The evolving institutional framework might constrain women's formal integration into the emerging market economy due to redefined and changed gender roles, thus restricting their access to the external resources that are needed in order to realize a venture as well as ascribing housebound roles, which would conflict with entrepreneurial activities.

2.3 Distinctiveness of the Post-Soviet Context³

Within the post-Soviet context, the background to female entrepreneurship is distinct from that of its male counterpart. This results from the roles ascribed to women during Soviet times and the consequences for entering entrepreneurship [Welter et al. (2003)]. Ashwin (2000) described the Soviet state as leaving a "paradoxical legacy" for women, as it fostered gender equality and women's participation in the labour market, thus producing strong and independent women, who on the other hand were nevertheless responsible for household and family work. From the 1930s onwards, a shift occurred towards a "double burden" of women's responsibilities, with the state placing on women the responsibility for simultaneously and successfully performing the roles of worker and mother. At the same time, men were looked upon as agents of political, economic, and social change and progress. Within families, the patriarchal order prevailed, with women in charge of family budgets, household activities, raising children, and serving their husbands. The Second World War and the post-war period only added to the double burden, since women needed to work harder in order to replace men serving in the army or lost in the war. During the transition period, women's double burden was further aggravated when family support systems collapsed.

Moreover, although Soviet states had a high share of female labour, women still experienced difficulties in breaking through the 'glass ceiling'. This left women with a lack of 'high-level' network contacts from Soviet times, disadvantaging them in the early stages of transition, where contacts with the administration and politicians could help entrepreneurs to work around legal deficiencies in getting started, as became apparent in the privatization process in many former transition countries. On the other hand, research also emphasizes that female entrepreneurs may have enjoyed greater potential access to social capital, as they were used to managing shortages

through barter and exchange of favours [Bruno (1997)]. However, some research demonstrates that although well-versed in using networks and networking, women entrepreneurs apparently lack the level of contacts that men can draw on [Welter et al. (2004)]. This is also confirmed by studies showing a dominance of kinship and strong ties in women's networks and a lack of business-related and weak ties [see Renzulli et al. (2000)].

All former Soviet countries display a diversity of routes into entrepreneurship. Due to their lack of 'high-level' networks and as a result of existing qualifications, women often became entrepreneurs through small-scale privatisation of shops, restaurants, and pharmacies. Further, women often set up enterprises de novo in sectors that were under-developed during Soviet times. Examples here would be services, including business-oriented services. Moreover, female 'shuttle' traders played (and in Central Asian countries continue to play) an important role during early stages of transition: They imported and sold consumer goods or raw materials missing in the domestic market. For Lithuania and Khyrgyzstan respectively, Aidis (2006) and Öczan (2006) describe the characteristics and businesses of these types of female entrepreneurs, illustrating the important role of bazaars and open markets for one particular type of female entrepreneurship.

The extent to which female entrepreneurs in a Post-Soviet environment are pushed into business, by a need to find some way of supporting themselves and their families, has led some authors to suggest that a majority are better described as 'proprietors' rather than 'entrepreneurs': Entrepreneurs are characterised by the reinvestment of business profits to achieve business growth and ultimately further capital accumulation, while proprietors tend to consume the surpluses generated [Scase, (2003)]. This implies that a large proportion of female business owners in Eastern European countries would fall into the 'proprietorship' category, at least when their businesses are started. However, Smallbone and Welter (2003) caution against such a simplistic perspective, instead emphasizing the learning capacity of individuals over time particularly where considerable human capital is involved, as well as possible changes in external circumstances. These can lead to changes in the aspirations of individuals and their ability to spot and exploit new business opportunities.

³ For a more detailed discussion see Welter et al. (2003, 2005, 2006a).

3. Female Entrepreneurship in Latvia: Facts and Figures

3.1 Data Sources

Data concerning female entrepreneurs and female entrepreneurship is rare, not only in Latvia but for other countries as well. Most related studies in other countries draw on small samples, often without a control group, while large-scale surveys are mainly conducted by Statistical Offices, with the exception of the Global Entrepreneurship Monitor (GEM) database. In this paper, we draw on different sources in order to examine entrepreneurship in Latvia, taking into account that the data are not always representative and comparable. A broad and general statistical basis concerning Latvian population and employment is provided by the Labour Force Survey and the Central Statistical Bureau of Latvia. But more specific data is necessary to learn more about entrepreneurship in Latvia and especially female entrepreneurship. Therefore, we also used data from the Lursoft database, which has already been analysed regarding entrepreneurship in general in Dombrovsky and Ubele (2005), and which is re-analysed here regarding gender-specific issues. This survey is based on a random sample of 2,000 individuals out of a total of 12,377 new firm entrepreneurs⁴ in 2003 registered within the Lursoft database, a commercial database of firms registered in Latvia. Furthermore, we analysed gender-specific data out of a small survey of 133 Latvian enterprises, conducted in Riga in summer 2005.⁵ SMEs were questioned in face-to-face, structured, and randomly sampled interviews about setting up and developing their enterprises [for more details regarding the methodology cf. Sauka (2005)]. Additionally, we draw on data from a representative large-scale population survey carried out within the framework of the Global Entrepreneurship Monitor (GEM), conducted in Latvia for the first time in 2005. Last but not least the survey "Women in Entrepreneurship" [LIDERE (2005)] supplied data from 207 personal or telephone interviews with Latvian female entrepreneurs and business women, examining the business environment in Latvia for women.

3.2 Extent and Development of Female Entrepreneurship

Women comprise nearly 54 % of the Latvian population of 2.3 million people. Since 2000, the number of employed persons has increased continually, and in 2003 488,000 women had a job. Although monthly gross wages and salaries have continually risen since 1997 and the relative difference between male and female wages and salaries has been decreasing, a remarkable gender pay gap still remains, albeit this is around the EU average. Furthermore, nearly 54,000 women in Latvia were unemployed in 2004, which means that approx. 59 % of all unemployed people were women; however, by EU standards the gender unemployment gap is very low. Given this context, what do statistics tell us about female self-employment as an alternative to (un)employment? Similar to other European countries, where so-called 'micro enterprises' without employees have dominated since the mid-1990s, Latvian women and men work on a self-employed basis. This is more common for female entrepreneurs, while a larger proportion of men work with employees (see Figure 1). The differences in size could be partly explained by the sectoral preferences of women and men (see Figure 5), where women prefer to start a business in sectors with low entry barriers. These are mainly low-growth sectors with strong competition and a high churning rate for new businesses.

⁴ This means: persons who fully or partially owned a company that was registered within the last 3.5 years; had the right to sign business documents for that company; and the company was operational in 2003. For further details on the empirical methodology see Dombrovsky, Ubele (2005).

⁵ The authors thank Arnis Sauka for providing this data.

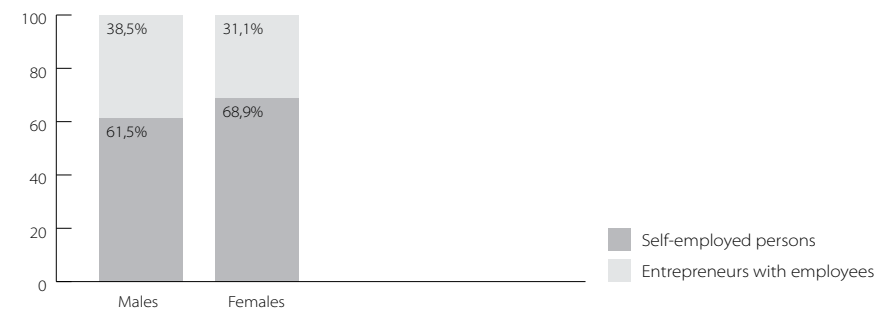


Figure 1: Entrepreneurs in Latvia in 2004

Source: Own calculations based on Latvian Labour Force Survey

Figure 2 shows in more detail the development in terms of number of enterprises with employees for the period 1998-2004. Interestingly, while the number of male-owned enterprises with employees has been decreasing steadily since 2001, the development of female-owned firms with employees is more erratic. This increased steadily from 1998-2000, decreased in 2001 and 2002 but has been rising since then, reaching a peak in 2004 with 12,500 enterprises with employees. Slightly different tendencies are apparent in the overall development of female entrepreneurship, if we include both self-employed entrepreneurs and those with employees.

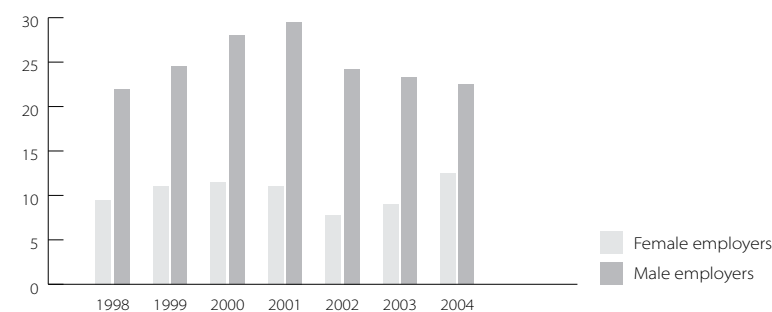


Figure 2: Number of Entrepreneurs with Employees 1998-2004

Source: Own calculations based on Latvian Labour Force Survey

On the one hand, the percentage share of self-employed female entrepreneurs has been decreasing over time, thus indicating a shift towards a larger contribution to employment by female entrepreneurship. On the other hand, the overall number of female-owned enterprises has been decreasing since 1998, only slowly increasing again since 2004, but without reaching the overall level of 1998 (see Figure 3).

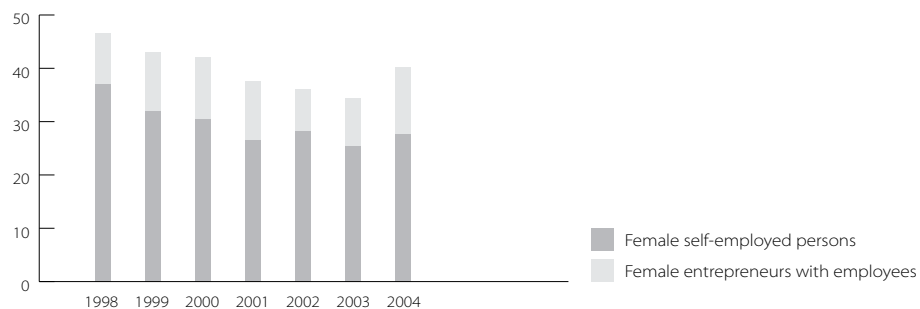


Figure 3: Development of Female Entrepreneurship 1998-2004

Source: Own calculations based on Latvian Labour Force Survey

3.3 Becoming an Entrepreneur

How many women and men are interested in entrepreneurship? Data here are scarce, with labour force statistics giving some indications, but limited to those searching for a job, where we might expect a generally lower interest, unless entrepreneurship is their only available option. In 2003, only 1.6 % of all female jobseekers tried to set up a private enterprise. At 1.3 %, even fewer male jobseekers (i.e., looking for work or trying to set up a private enterprise) saw entrepreneurship as a solution to unemployment or job-seeking.

Until recently, the mass media in transition economies have tended to depict female entrepreneurs as women forced by circumstances to trade in the market place in order to provide support for their families or because of their poor employment possibilities. The results of several research studies [e.g., Aculai et al. (2006), Aidis (2006), Bliss and Garratt (2001), Isakova (2001), Isakova et al. (2006), Lituchy and Reavley (2004), Mrcozkowski (1997), Özcan (2006), Welter et al., (2006)] provide evidence to support this type, particularly in the early stages of transition: Some female entrepreneurs are pushed by negative circumstances (i.e. unemployment), while others are pulled by positive opportunities. The Global Entrepreneurship Monitor data show a slightly differentiated image for Latvia. Indeed, some female nascent entrepreneurs are pushed by negative circumstances, while a large proportion is pulled by positive opportunities. One-quarter state that they have a job, but are looking for other opportunities in starting their venture, while nearly 39% wanted to pursue an opportunity, compared to 41% of men. However, the share of women being pushed into entrepreneurship is comparatively higher, with 23% for women and 16% for men.

In this context, data from the small survey of Latvian entrepreneurs allow a closer look at motives for entering entrepreneurship (see Figure 4). Nearly one-third of female entrepreneurs in Latvia started their business to respond to market opportunities, while only 16 % of males see this as their main motive. Men mostly intend to provide income for living and to fulfil their desire to have their own businesses. More women than men also mention “dissatisfaction with previous employment” as an intrinsic motivation to become entrepreneurs; and surprisingly more women had resources available to start a business. These results are interesting, as they challenge common assumptions, namely that female entrepreneurs are more prone to set up their business out of

necessity - e.g., because they lost their jobs or need to provide incomes for their families - and that women have problems in becoming entrepreneurs due to lack of resources. Methodological and sample characteristics might partly explain these unexpected results. This refers to the overall small sample size as well as to restriction of the survey to Riga, where female entrepreneurs might have better access to resources and more opportunities might exist in business fields favoured by women, compared to rural and peripheral areas in Latvia.

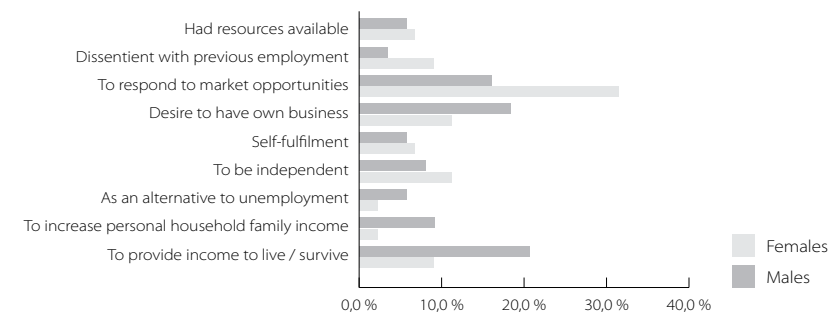


Figure 4: Main Motives for Entering Entrepreneurship

Source: Own calculations based on a survey by Sauka (2005)

3.4 The Nature of Female Entrepreneurship

What characterizes female-owned enterprises and their entrepreneurs? As to ethnicity, more than 65 % of all female entrepreneurs are Latvian, while nearly a third are Russian. By comparison, the proportion of Russian entrepreneurs amongst males is relatively higher at over 40 %. Female entrepreneurs are slightly older compared to their male counterparts, reflecting child-bearing periods: While 29 % of all female entrepreneurs are women between 45-54 years of age, only 10 % of men fall within the same age bracket. Examination of educational background suggests that both women and men are highly educated, confirming a general trend known from several studies of former Soviet countries. Moreover, a comparatively larger proportion of female entrepreneurs has pursued academic education, having obtained either a bachelor's or master's degree. This reflects a recent trend in Western economies such as Germany, where more and more female entrepreneurs are highly qualified.

Sector-wise, statistical results show a well-known distribution across gender, with women preferring industries with low entry thresholds and sectors where they might have accumulated their professional experience or pursued studies (see Figure 5). In Latvia, 30.1 % of all employed women work within the social sector (education, health and social work, other community, social, and personal services) and 19.5 % within the wholesale and retail trade. In contrast, most men work in economic sectors such as industry, construction, and transport. Accordingly, female entrepreneurs prefer to start their own business in the wholesale and retail trade, and in the social sector. On the other hand, relatively more male entrepreneurs feature in the industry and construction sector.



Figure 5: Sector distribution

Source: Own calculations based on Lursoft data

In terms of the 'extent' of entrepreneurship, some research shows more women than men starting as part-time entrepreneurs, either because of family responsibilities or because of a more risk-averse attitude, where initial part-time entrepreneurship allows the entrepreneur to test her knowledge and abilities, and to slowly accumulate the resources needed for a more substantial business. This is not confirmed for Latvia, where the majority of entrepreneurs regardless of gender regard their business as a full-time job.

Interestingly, a significant proportion of both women and men only own a part of their business, indicating a tendency either towards 'copreneurship', where spouses act together in one business, team venturing, both with interesting consequences for business development, as regards access to resources and growth potential, but also possible conflicts of interest, or portfolio entrepreneurship. Men tend to have more minority stakes in new businesses, while more women tend to own at least 50%. Nearly 45% of all female entrepreneurs are full owners of their companies, compared to 40% of male entrepreneurs (see Figure 6).

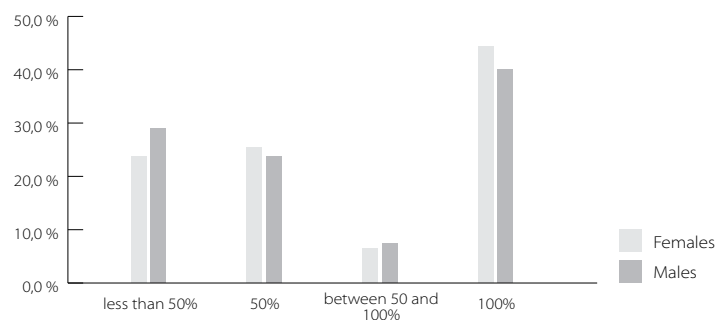


Figure 6: Ownership

Source: Own calculations based on Lursoft data

Although the data presented here do not allow for final conclusions, Figure 7 underlines tendencies visible in ownership distribution, namely a trend towards portfolio entrepreneurship [Welter and Smallbone (2003)], where ownership in more than one company is used either to generate sufficient financial resources for the 'main' enterprise in environments where the banking system is still lacking (so-called transformation specific diversification strategy) or to diversify business risk. Although the share of portfolio entrepreneurs is small, gender differences are visible in that fewer women than men use this type of strategy: Male entrepreneurs are more likely to share ownership in more than one company. As for the reasons for gender differences in this aspect, we can only speculate. Partly this can be explained by sector preferences, with manufacturing companies, mostly led by men, needing more financial resources, while the capital needs of trade and service businesses are much lower. This also is reflected, for example, in the fact that fewer women compared to men use long-term credit.

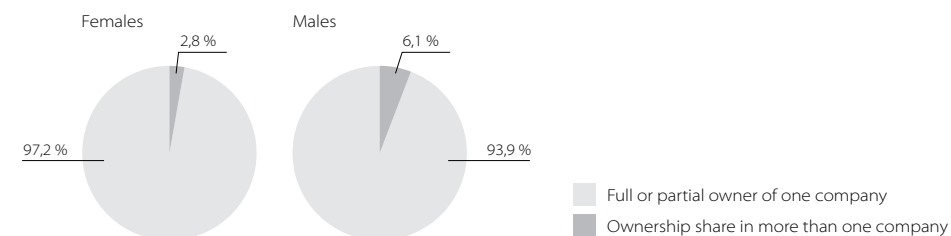


Figure 7: Number of companies owned

Source: Own calculations based on Lursoft data

3.5 Goals and Perspectives

Several studies appear to confirm gender differences in business outcomes for female and male entrepreneurs, both across representative samples of firms and within specific business niches, often indicating different success criteria for male and female entrepreneurs [for an overview of related research see Welter et al. (2005)]. A tendency often exists to perceive female-owned and -operated businesses as ventures that contribute little, if at all, to economic growth and development because of their small size.

In this context, goals and perspectives for business development are interesting to look at. Data from the above survey of 133 Latvian enterprises provide some indications, even taking into account the small sample (see Figure 8). Regardless of gender, most entrepreneurs named "growth" as their main business goal for the last year. However, nearly 27% of female entrepreneurs were struggling for survival, compared to only 17% of males, which is partly explained by the choice of sector, as already mentioned. The GEM data generally support these findings and even show comparably greater ambitions amongst female entrepreneurs. Asked for the most important goal, more than one-quarter said they plan to grow their businesses, compared to less than 10% of male entrepreneurs, who are more concerned about making a living for the family or increasing private income. Analysis of the three most important goals shows a slightly different distribution, with both

women and men stating the foremost need as increasing their private income and making a living for families, followed by growth in the case of female-owned ventures and survival in the case of male-owned ventures. This contradicts studies in western countries that show female entrepreneurs to have low growth orientation. But the high preference of Latvian female entrepreneurs for growing their business does conform with other studies for Post-Soviet countries in illustrating that a high proportion of female entrepreneurs are in fact growth-oriented [e.g., Wells et al. (2003) and in Welter et al. (2006a)]. However, this phenomenon is often closely connected to economic motives, such as the need to increase business income to provide a living for families.

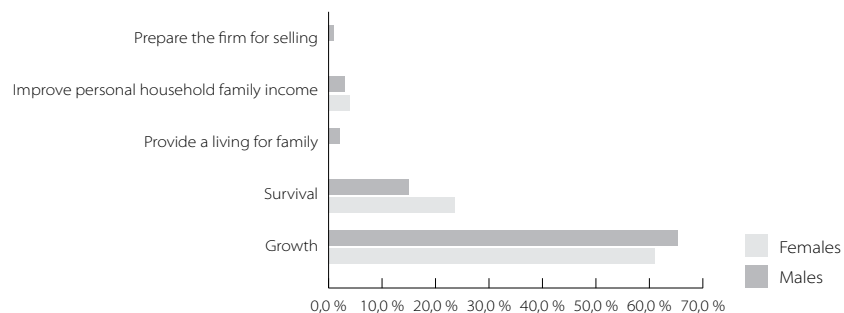


Figure 8: Main business goals

Source: Own calculations based on a survey by Sauka (2005)

How do entrepreneurs in Latvia achieve their growth objectives and develop their business? In this regard, the survey shows some interesting gender differences (see Figure 9). While most male entrepreneurs try to improve the quality of their existing products or services, female entrepreneurs are somewhat more innovative in trying to introduce new products in their existing markets to force the growth of their enterprises. This might be closely connected with the large share of women stating survival as their main objective as well as with their choice of sectors, where innovation is required to sustain the business in the face of strong competition. In that regard, what we are seeing here is less a sign of innovativeness than an indicator of sector differences in strategies for business development.

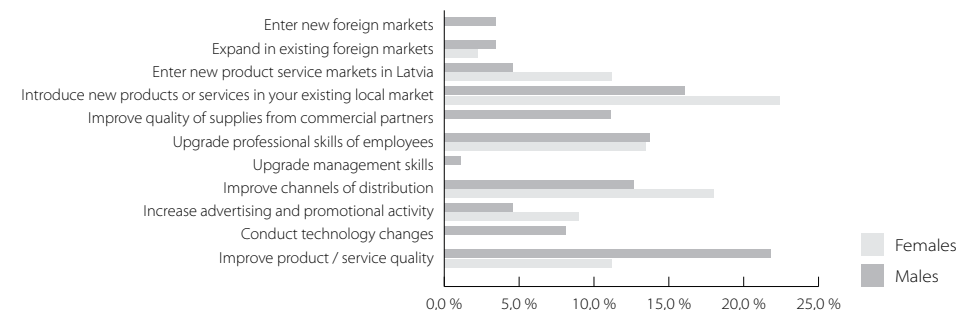


Figure 9: Growth strategies and orientation

Source: Own calculations based on a survey by Sauka (2005)

3.6 Gender and Business

The main challenges that women have to face in their day-to-day business dealings are economic, or due to general conditions of the business environment in Latvia. Surveys conducted by LIDERE, a female business-owner association, show that the main challenges for Latvian female entrepreneurs are high taxes, and competition (see Figure 10). Female entrepreneurs regard the business environment in Latvia as unfavourable and inconvenient to business development [LIDERE (2005)]. This clearly indicates a generally still deficient business environment, and fewer gender-specific hurdles in developing business.

Those factors might lie behind the high share of female entrepreneurs stating difficulties in growing their enterprise. However, yet again this needs to be seen in relation to the sectors where women start, and try to grow, their business. Trade and services are sectors with high turnover in entries and exits, as well as high competition, thus rendering any business growth difficult.

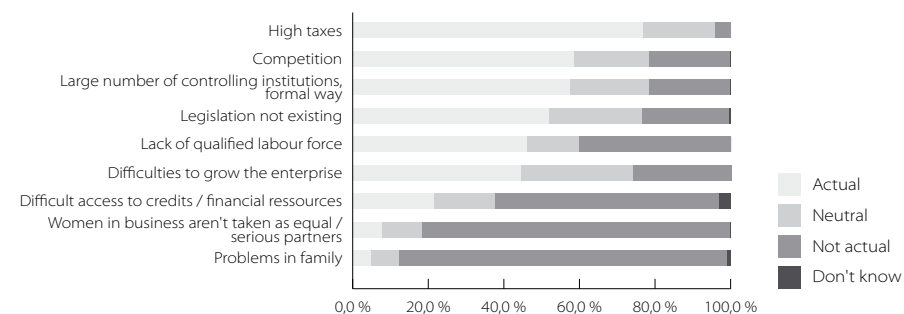


Figure 10: Typical problems women face in business

Source: LIDERE (2005)

Does gender matter at all in business? The context in Post-Soviet countries as described in the first section would let us assume that gender difficulties could be connected to being a businesswoman. In many former Soviet countries (similar to many Western economies, by the way), business is typically considered predominantly 'male territory', requiring so-called 'male' qualities, such as strength and assertiveness [e.g., Zhurzhenko (1999)]. Akiner (1997, p. 287) describes this as re-establishing the "concept of male guardianship" in both public and private life, which might have consequences for the extent and nature of women's entrepreneurship in possibly restricting access to re-sources and business opportunities or in requiring partnership with a man for venture creation and development.

Here, the LIDERE survey illustrates that in Latvia most business women do not perceive gender aspects as playing a major role in business relations, claiming that these are of lesser importance in their day-to-day business in Latvia. In their own assessment, the overwhelming majority of businesswomen surveyed consider professionalism more important than gender and nearly three-thirds state that "business has no gender" (see Figure 11). True, this assessment shows high self-confidence among Latvian business-women, which will allow them to deal with gender-related barriers. However, it does not finally answer the question of whether gender 'matters', in that more hidden and unwanted discrimination may persist in the Latvian environment⁶ than perceived by those who apparently have overcome these hurdles and successfully set up a business. Here, it would be also of great interest to obtain the viewpoint of businessmen.

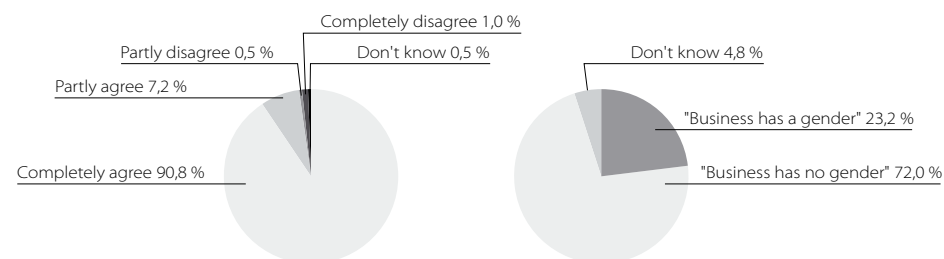


Figure 11: Gender in Business

Source: LIDERE (2005)

⁶ Some anecdotal evidence exists for gender discrimination in Latvian society, although this also needs a more thorough research approach.

4. Conclusions and Policy Implications

Female entrepreneurship plays an important role in modernising (post-Soviet) societies and changing public attitudes towards women. This in turn will enable governments to make better use of the economic potential of female entrepreneurs. Thus, assisting more women to start up businesses and supporting existing firms to grow can contribute to a more competitive economy and economic growth, as well as reducing social exclusion. However, a need also exists to avoid stereotyping female entrepreneurs, e.g. characterising female entrepreneurs as 'necessity driven' or as setting up businesses that lack growth potential [Smallbone and Welter (2003)]. Whilst most may be driven by a need to raise family income at start-up, this does not necessarily determine their subsequent development path, which may involve more 'opportunity recognition'.

A distinctive feature of female entrepreneurship in a post-Soviet context, as apparent in the few data presented in this paper and from other studies, is the diversity of types: those women forced into entrepreneurship by their economic situation, former managers of privatised state-owned companies, professionals (teachers, doctors, accountants) and entrepreneurial female owners of fast-growing companies. Diversity also becomes apparent in the broad range of motives identified by female entrepreneurs (not only in Latvia) for becoming entrepreneurs as such. These include considerations linked to the well-being of families and households, unemployment, and intrinsic motivations such as independence and 'doing the job they like' [LIDERE (2005)].

Female-owned businesses share many barriers with those owned by men, e.g. tax laws, access to finance. As a consequence, improving the overall environment for business will help women as well as men. Welter et al. (2006a) emphasize that improving the business environment also includes capacity-building and sensitisation of administrations at national and local levels. This is an issue both in early and in advanced transition countries. State representatives need a better understanding of the issue of female entrepreneurship, whilst women's business organisations need to work in partnership with other business associations to seek an improvement in the general business environment. For example, the concentration of women in trade and other low entry threshold activities means that policies aimed at, or influencing, these sectors can have a disproportionate impact on women.

In general, governments in Post-Soviet countries have a wide-ranging role to play in fostering entrepreneurship. As Smallbone and Welter (2001b) outline, this refers to policies related to the macro-economic environment, administrative and legislative burdens, overall development of market-economy institutions, and - a topic that is often neglected - policies influencing the value placed on entrepreneurship. One challenge here refers to the question of whether to use an indirect or direct approach aimed at improving the general business environment. More specifically, the latter issue also includes a debate around whether to introduce specific programmes focused solely on female entrepreneurs, i.e., do female entrepreneurs justify special, targeted support or simply similar access to support and treatment as men? Here, Mirchandani (1999) indicates that a barrier-focused approach towards female entrepreneurship might shift the attention of policy makers away from environmental constraints through focusing their attention on individual training and education.

Other policy questions include whether female entrepreneurs require support to be delivered in different ways, and the 'big one' as to how best to support female entrepreneurs. While most support needs of female entrepreneurs are similar to those of men [Welter et al. (2002)], some evidence exists that female entrepreneurs suffer some of the same problems more intensively than other small businesses (e.g., access to start-up finance) and perceived discrimination (whether intentional or unintentional) on the part of providers of finance or support services [Johnson and Smallbone (2000)]. Here, business support organisations should adapt their approach towards female entrepreneurs, ensuring that they address the latter's needs without an implicit gender bias. In this regard, women's business associations/membership organisations such as LIDERE have an important potential role in lobbying for women; in forming self-help, networking groups; and in working as partners with mainstream agencies.

From a short-term perspective, the Latvian government should strive to improve the overall business environment for entrepreneurship. This will help both female and male entrepreneurs in establishing and growing businesses. In the longer-term perspective, a need exists to design a national strategy for female entrepreneurship in order to tap the letter's unused potential. This includes the need to develop 'joined-up' policies. One good example of this from other market economies comprises the relationship between access to childcare provision and the ability of young women to engage in entrepreneurship. It also includes the need to develop an effective business support infrastructure for external 'support needs' of new and young businesses that is sensitive to the needs of female as well as male entrepreneurs. These are issues well worth analysing in a Latvian context in order to foster female entrepreneurship.

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Data Sources

- Central Statistical Bureau of Latvia: <http://www.csb.lv/avidus.cfm>
Eurostat: <http://europa.eu.int/comm/eurostat/>
Lursoft: <http://www.lursoft.lv/en/index.html>

Useful Links

- http://europa.eu.int/comm/enterprise/enterprise_policy/charter: The European Charter for Small Enterprises
- http://europa.eu.int/comm/enterprise/entrepreneurship/craft/craft-women/womenentr_portal.htm: EU Portal on Women's Entrepreneurship
- <http://www.nfwbo.org/>: Center for Women's Business Research
- <http://www.fement.com/>: independent, informational, web-based resource for academics, researchers and practitioners dedicated to the study and promotion of female entrepreneurship
- <http://www.unece.org/ie/enterp/women/Welcome.htm>: Website of the UNECE on women entrepreneurs
- <http://www.unece.org/operact/gallery/>: UN Gallery of Excellent Women Entrepreneurs in Emerging Market Economies and Countries in Transition
- <http://www.unece.org/indust/sme/ece-sme.htm>: UNECE website on SMEs in transition and accession countries
- http://www.ilo.org/dyn/empent/empent.Portal?p_prog=S&p_subprog=WE: ILO website on women's entrepreneurship development and gender equality
- www.lidere.lv: Latvian non-governmental organisation which puts together women entrepreneurs and leaders in their professional area

Appendix 1: Definitions of key concepts in statistical database

Definitions for data from Central Statistical Bureau of Latvia

- Considered as a registered **unemployed person** is an able-bodied non-working citizen or non-citizen of the Republic of Latvia or a foreign citizen (or stateless person) who has received a license for permanent stay, is of working age, is not engaged in business activities, is looking for work and is registered with the State Employment Agency and applies to it at least once a month. According to the “Law on support to unemployed persons and jobseekers”, a person who has received a permit for temporary stay and is the spouse of a citizen or non-citizen of the Republic of Latvia can also be granted the status of unemployed.
- The number of **jobseekers** also includes persons who did not seek a job because they had already found one and were available to start it within the nearest future (1996-1999 within the next month, 2000 - within next 2 weeks, 2001 - next 3 months) and since 2002 also persons referred to training by the State Employment Board.
- **Economically active enterprises and business companies** are those enterprises and business companies that manufactured products or rendered services were considered as economically active

Definitions for data from Labour Force Survey (LFS)

- **Employer:** employing one or more employees are defined as persons who work in their own business, professional practice or farm for the purpose of earning a profit, and who employ at least one other person.
- **Self-employed person:** not employing any employees are defined as persons who work in their own business, professional practice or farm for the purpose of earning a profit, and who employ no other persons.

