

Sustainable strategic management in an emerging market economy: the case of Romanian women entrepreneurs

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Abstract:

For decades the field of strategic management has been dominated by research on developed economies, especially those of USA and Europe. Emerging markets, such as the former Soviet bloc countries, have largely been ignored. These countries have experienced, in varying degrees, major political, economic and social changes that have had a major impact on their current entrepreneurial climate. Based on the new legal and institutional frameworks these former Soviet bloc emerging markets are establishing, the role women-owned businesses are playing to create economic growth and sustainable businesses are explored. The results showed similar findings in Romania compared to a similar study completed on women entrepreneurs in the Ukraine. Implications for sustainable strategic management in emerging economies are discussed.

Keywords:

sustainable strategic management; SSM; Romania; women entrepreneurs; economic development.

Article:

1 Introduction

Women-owned businesses are an important contributor to the development of the formerly Soviet bloc economies. The Center for Women's Business Research estimates that 10.1 million firms are owned by women that employ more than 13 million people and generate \$1.9 trillion in sales as of 2008 (www.cfwbr.org). Women entrepreneurs are important players with a growing impact on the world economy. Their contribution to jobs creation, hope and opportunities is undeniable. However, little attention was paid nor known about women entrepreneurs worldwide before the Diana Project funded by the Kauffman Foundation (Brush et al., 2004).

This study examines the characteristics and growth of entrepreneurial women-owned and managed businesses in what has been considered the most oppressed of the former Soviet bloc economies-Romania. Progress made by women-owned businesses 19 years since Romania changed its political regime is examined in comparison to the Ukraine (Hisrich et al., 2006). Women's role as an important part of the national workforce, the impact of the new legal and institutional environment on women's entrepreneurial efforts, access to key resources and capital, and the use of networks as key strategic resources are explored. Results show that Romanian women-owned and managed businesses, similar to those in the Ukraine, are making great progress despite cultural, economic and political odds. The findings suggest that the Romanian and Ukrainian entrepreneurial women-owned businesses have surprisingly similar characteristics and are a major contributing economic force. Women-owned businesses contribution to sustainable strategic management (SSM) through long-term economic stability is noteworthy.

Through a better understanding of women entrepreneurship in emerging markets, this study provides useful insights into developing and growing women-owned businesses while enhancing women's entrepreneurial spirit that can lead to real progress in these economies. Identifying SSM techniques in these successful women-owned businesses that can be communicated and replicated may be critical for more sustainable and successful economic development in the former Soviet bloc economies.

2 Sustainable strategic management (SSM) context

Parnell (2008) proposed a definition of SSM to be "strategies and related processes associated with the continuity of superior performance from both market and environmental perspectives." Organisations managing both successfully must manage external resources wisely; neither opens the door or bows down to government regulation, and avoids potential losses from organisational crises. According to Lee and Ball (2003), this type of strategy is very hard to achieve because it assumes that those organisations that achieve market sustainability will voluntarily balance environmental sustainability. In reality, most achieve high market sustainability and relatively little environmental sustainability—a major problem worldwide. SSM answers this dilemma by calling for more interdisciplinary research and a commitment to the free market system and what is best for society through a higher quality of life. The research agenda includes performance measurement on strategy-performance relationships in the short- and long-term, linking social responsibility to SSM, and the development of effective resource management models that provide the least amount of interference with the free market systems while fully considering the societal and global perspectives (Parnell, 2008). The third perspective is where this study contributes to the research by analysing women-owned businesses in an emerging market economy—Romania. Srivastava and Rehman (2006) said that there was a critical need in emerging economies, such as Romania, where there is rapid economic development toward capitalism that challenge traditional approaches and where these models that facilitate effective resource management from both a society and global perspective is sorely needed.

Carraher et al. (2008) contributed to this call by developing a model of assessment of organisational change over time that could contribute to better measurement in SSM. The authors identified alpha change as real organisational change, beta change as a scale recalibration over time by the respondent, and gamma change as a concept redefinition by the respondent. All three will affect the measurement of SSM over time. This is important because better measurement will lead to a better understanding of the core principles of SSM and hence better theory development. In regards to this study, it would allow the measurement of the triple bottom line that is not reported in financial and economic data on Romania. Qualitative as well as existing qualitative measures or non-financial as well as financial measures of performance would be included.

Spillan et al. (2008) apply SSM to another emerging economy—Chile. The paper looks at the factors and elements that are important for Chile to look at to connect market sustainability and environmental sustainability. The authors analyse the Chilean Economic Model and the country's macroeconomic policies concerning fiscal discipline, monetary unit, economic opening, redefinition of the government's role, flexibility of the labour market, and the social security privatisation that occurred. These economic issues are examined in light of the environmental challenges that Chile faces because of growth: air pollution, water pollution, mining residues, landfills, forestry and marine life, and the environmental legislation governing these issues. Finally, social responsibility in regards to employment, quality of life, quality of healthcare and the social security system is discussed. The authors conclude that Chile is making great strides in moving towards SSM. Environmental Performance Reviews (2005) show that "Chile has not achieved the strong decoupling between environmental pressures and economic growth as is seen in a number of OECD countries." However, the authors reiterate that moving toward SSM practices and their execution is an ongoing challenge that must be continually pursued to make Chile a global leader in SSM for the next generation. Five recommendations for future study include comparative research that looks at the experiences of other countries that could lead to the development of effective cross-cultural SSM ideas (Deakin, 2001). Our study on Romanian women-owned small medium enterprises (SMEs) is an attempt to do just this.

3 SMEs in Romania

It is well-recognised that no sector of the international economy is as vital, dynamic and creative as that of the SME sector. For the past 30 years, its positive impact has been felt in every industrial worldwide. In fact, the startling growth of SMEs form the heart of the world's changing economic system from a market sustainability perspective in SSM (Parnell, 2008). They generate the largest percentage of GDP, the primary engine of job creation, enrich the products and services offered on the market, and generate tax revenues. Their speed, agility, flexibility, sensitivity to customers' needs, creativity, and innovation are an invaluable asset. According to the 2005 Euro stat data, 99.8% of about 20 million enterprises active in the EU27 within the non-financial business economy are SMEs. Of these 20 million, 92% are micro-enterprises, employing one to nine persons. These micro-enterprises account for an average of 30% of those employed and create 1,100 billion EUR of value added, or about 21% of total European value added (*EU Business*, 2008). The Association of European Chamber of Commerce and Industry, representing over 19 million enterprises in Europe, are urging the passage of the Small Business Act in countries to stimulate SME growth. They are urging countries to include innovation, market access, and entrepreneurship education in their act (*EU Business*, 2008). According to Reynolds (1997), advanced economies of the future will not be dominated by old, large firms but by new and small firms' expansion in the global economy. The growth of these firms is a vital and necessary component for the growth and stability of local economies.

Romanian SMEs are not an exception of the rule. The small business sector is vitally important for Romania and is predicted to be the number one contributor in the economic engine of prosperity (Welsh and Dragusin, 2006). The Romanian small business sector had to be practically recreated after decades of a centralised economy. The United Nations Development Program (UNDP) targeted the SME sector in Romania to create jobs and eliminate poverty through the development of a network of SME incubators (www.undp.ro/poverty). This fits the social responsibility dimension of SSM (Parnell, 2008; Spillan et al., 2008). As a new member of the Economic Union (EU), growth in the SME sector is vital to its participation and growth. However, Romania is an emerging market with new legal and institutional frameworks. Combined with its cultural traditions, it provides a unique environment for the study of SME growth and development and SSM.

The future of the SME sector is a top priority for Romanian decision-makers attempting to strengthen the link between innovation, economic growth and revitalisation – a link essential to the country's well-being. In this regard, Romania understands the need to implement SSM practices through the reform process by, in part, developing and implementing policies and instruments to comply with the EU integration efforts. These include fostering improved financial reporting and regulations, adopting streamlined administrative and legal measures; improving the registration and certification procedures for new companies, simplifying guidelines to import and export, reducing bureaucratic and administrative delays, systematising approvals on the web, reducing the time to start a business by creating new understandable applications and streamlined licence procedures, and measuring environmental impact. While SSM's definition of environmental sustainability is much more comprehensive, including issues around ecology, regulatory concerns, political concerns, and crisis management (Parnell, 2008), the EU integration efforts are starting to address these concerns. More emphasis so far has been placed on macroeconomic measures to stimulate SME's development and attract EU funds, including finance programs, credit services, quality certification programs, export programs, training and consulting services, sales and marketing support, and networking.

3.1 Transition to a market economy

The transition process toward a market economy began in 1990 and consisted of several phases. During the first phase from 1990 to 1992, major legal, institutional, and economic changes were implemented. From 1993 to 1996, programs targeted stopping the economic breakdown and improving economic growth. During 1997 to 2000, measures to accelerate structural reforms were implemented. These successful initiatives resulted in a 2.1 % growth rate in the economy in 2000. Romania was on its way as being recognised as a functional market economy when the SME sector made a major contribution to the GDP.

Economic growth has continued through 2006. GDP grew from 80.6 billion to 342.4 billion from 2000–2006 with growth occurring in all economic sectors. The annual economic growth reached 7.7% in 2006 compared to 2005. It was the highest growth rate of all EU countries that year but below the high reached in 2004 of 8.3%. There has been a continuous increase in domestic consumption in Romania throughout this period. The latest economic indicators was released in January 2009, the National Trade Register Office recorded 9,880 new registrations, of which 5,455 (55.2%) registered as limited liability companies and 4,416 (44.8%) as family businesses with an authorised representative. This is a 5% increase compared to the same period in 2008 (http://www.onrc.ro/statistics/sr_2009_01.pdf). These figures show that the SME sector continuing to grow, despite the worldwide recession of 2008 and 2009.

While SME growth has continued, there has been a controlled level of inflation. In 2000, the annual inflation rate was about 45.7%, in 2005 it had dropped to 9%, and in 2006 it was about 6.6%. However, this is still the highest rate in the EU. Unemployment decreased from 10.5% in 2000 to 5.2% in 2006. Interest rates continue to drop. Direct foreign investment has increased. The private sector has strengthened in all areas of activity. All these achievements have had a positive impact on the development of the SME sector. The main contributing factors for economic growth continue to be the domestic demand for goods and services in the context of higher wages, mortgage and credit rate increases, as well as the increase in direct foreign investments. In 2006, the service sector in Romania comprised 49.6%, similar to other EU states, manufacturing 23.9%, agriculture 8.1% and construction 7%. In fact, the constructions sector was the most dynamic sector-increasing by 19.4% from 2005 to 2006.

A new phenomenon that has had a major impact on the labour market is the temporary migration of the Romanian work force to other EU countries, mainly Italy and Spain. This has generated a major deficit of qualified workers in Romania. However, their wages sent back to Romania represent a major financial boost for the economy. This amounted to more than four billion Euros in 2007. The main objectives of the national strategy in the medium term for SME development are the creation of new 776,000 jobs; increase the contribution of the small business sector to the GDP at levels similar to those levels in new EU member states; and to grow exports at about 10% a year.

Table 1 Primary Romanian macroeconomic indicators, 2000–2006

| <i>Indicators</i> | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GDP bil RON | 80.37 | 116.77 | 151.47 | 190.33 | 246.47 | 288.04 | 342.42 |
| Annual growth rate (%) | 2.1 | 5.7 | 5.1 | 5.2 | 8.5 | 4.1 | 7.7 |
| Annual inflation rate | 45.7 | 34.5 | 22.5 | 15.3 | 11.9 | 9.0 | 6.6 |
| Employed population (mil) | - | 10.69 | 9.23 | 9.22 | 9.15 | 9.14 | 9.31 |
| Unemployment rate (%) | 10.5 | 8.8 | 8.4 | 7.4 | 6.3 | 5.9 | 5.2 |

Source: Annual Report on Romanian Small Business Sector (2007, p.6)

The Romanian economy continues to experience an upward trend after becoming an EU member on January 1, 2007. A recent national survey on a representative sample of SMEs conducted by the National Council for Private Small and Medium Enterprises of Romania (CNPSMER) outlined some interesting perceptions on EU integration after the first 100 days. Despite the inherent difficulties integrating into the EU system, entrepreneurs' perceptions are positive-almost half (47.05%) consider Romania's new position as an EU member a major opportunity for their businesses. Only 11.28% of those entrepreneurs interviewed perceived the EU status as a major threat, while 41.67% believe they will not be affected by this change. At regional levels, there were major differences in how businesses viewed joining the EU. In the Northwest region, 61.54% saw it as an opportunity but only 36.51% saw it as such in Northeast region. By correlating these responses with the sector of activity, survey data showed that SMEs operating in the service sector are the most confident in successfully exploiting EU integration as a major opportunity (63.78%). Success had an effect. In contrast, companies with poor performance results were not as positive as the higher performing companies (57.4%). The majority of entrepreneurs (83.23%) reported they have only

partial information on the new EU legal requirements. The strongest factors having a positive impact on SMEs are: cheaper and/or higher quality suppliers, better access to new markets and new technologies, and improved legislation and procedures. After the EU integration, the most frequently mentioned difficulties entrepreneurs have faced are: labour force migration (considered a real threat especially in the Southwest Region) and consequently higher associated costs, quality certification, stronger competition, new consumers' and environmental protection requirements, and security in the work place.

According to European Union recommendations (nr. 2003/361/CE), the legal definition of SMEs was modified by Romanian Law of SMEs no. 246/2004 using the same criteria – average number of employees, net annual turnover, or total assets. Enterprises are classified into three categories: *micro* (1–9 employees; < €2 million turnover or total assets), *small* (10–49 employees; less than €10 million turnover or total assets), and *medium* (50–249 employees; less than €50 million turnover or less €43 million total assets). In determining the criteria for each category, the degree of autonomy is taken into consideration. In Romania, the Ministry for Small and Medium Enterprises, Trade, Tourism and Liberal Professions is in charge of the policies, according to the specific Law of SMEs (nr.346/2004). The Ministry of European Integration is responsible for designing the policy concerning regional development, a relatively new concept in Romania. A specific Law for Regional Development (nr. 151/1998) was issued highlighting the main goals of regional development, the institutional framework, and the necessary instruments to promote and implement the regional development policies.

3.2 Evolution of the SME sector

During 2000–2006, the SME economic indicators grew significantly, reflecting a favourable business environment in Romania. Table 2 reflects only active SMEs, which registered their financials at the end of the fiscal year. From 2000–2006, the number of active SMEs oscillated back and forth and reached the highest level in 2006 when the number of SMEs was 12.38% higher than in 2000 (see Table 2). However, size categories showed very little change during this period.

Table 2 Romanian SME growth by size categories

| Class: | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Micro | 375.804 (91.12%) | 374.255 (90.77%) | 377.499 (90.86%) | 417.366 (90.86%) | 358.787 (88.74%) | 386.561 (88.90%) | 410.763 (88.62%) |
| Small | 29.121 (7.06%) | 30.340 (7.36%) | 30.231 (7.28%) | 33.856 (7.37%) | 36.392 (9.00%) | 39.128 (9.00%) | 43.419 (9.37%) |
| Medium | 7.504 (1.82%) | 7.737 (1.88%) | 7.761 (1.87%) | 8.147 (1.77%) | 9.121 (2.26%) | 9.158 (2.11%) | 9.322 (2.01%) |
| Total | 412.429 (100%) | 412.332 (100%) | 415.491 (100%) | 459.369 (100%) | 404.300 (100%) | 434.847 (100%) | 463.504 (100%) |

Source: Annual Report on Romanian Small Business Sector (2007, p.30)

The impact of micro enterprises compared to total enterprises had a slight decrease from 91.12% (2000) to 88.62% (2006) in favour of small (7.06% to 9.36%) and medium sized enterprises (1.82% to 2.01%) as evidence of the growing maturity of the SMEs sector in Romania. As mentioned, an improved legal environment, lower taxes on income (1.5–2% on annual revenues), and other fiscal incentives for microenterprises stimulated new entries into the market, accounting for a total of 141,935 firms. The majority of the active small businesses are in urban areas, strengthening the idea that business creation is traditionally linked to urban versus rural areas because the urban areas offer higher income consumers, a better trained work force, better infrastructure, and higher demand. Nevertheless, improvements in transportation infrastructure, communication, and information technologies tend to become a bridge between rural and urban areas.

3.3 Economic performance of Romanian SMEs

SMEs are not only numerous, representing 99.7% of the total number of enterprises, but also an important sector of economic growth having high levels of economic, technical and social impact. Broad understanding of the social, environmental and economic contributions (SSM) context of SMEs is the key to effective identification, preparation, and utilisation of a most valued economic sector in Romania. At the end of 2006, the average number of employees in the SME sector amounted to 2,725,941, 5.85% higher than in 2005. By size, all SME classes registered in 2005 compared with the previous year showed that microenterprises had grown the fastest at 26.9%. This was followed by small enterprises with 17.5% growth. Medium enterprises had 5.8% growth during the same period. In 2006, small enterprises took the lead with 9.0% growth due to an adjustment in how microenterprises are configured. This change may be related to the new business creation rate at the national level.

Table 3 Private SMEs employees' structure by size classes (%)

| Class: | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------|--------|--------|--------|--------|--------|--------|
| Micro | 34.5% | 24.6% | 27.5% | 31.2% | 33.8% | 34.1% |
| Small | 28.9% | 32.7% | 32.3% | 30.9% | 30.4% | 31.3% |
| Medium | 36.6% | 42.7% | 40.2% | 37.9% | 35.8% | 34.5% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Annual Report on SMEs sector (2007, p.43)

In conclusion, SMEs have great potential for creating new wealth, and advancing the economy if their accelerated growth rate is able to be maintained. The growth rate is closely tied to the overall growth of the economy, and to a favourable legal and institutional framework. From 2000–2006, the number of SMEs increased consistently both at the national and regional levels. All categories of businesses – micro, small and medium sized businesses – had a positive dynamic effect on the economy. In this context, SMEs social and economic impact also improved considerably. In conclusion, this study shows the significant impact SMEs have on a developing economy. Future studies should be conducted to examine the effect of types of businesses, success of businesses by demographic variables such as gender, what barriers these businesses face, how these barriers could be removed, and their social and environment impact in terms of SSM. This study contributes to a higher level of awareness of the role and advantages of a strong and healthy SMEs sector.

4 Methodology

4.1 Sample and analysis

A self-administered questionnaire was adapted from Hisrich et al. (2006) on Ukrainian women entrepreneurs was utilised. The 27 item survey was translated and back-translated into Romanian using the procedure by Earley (1987). Additionally, the survey was pre-tested and adjustments made to adapt to local cultural conditions. The questionnaire included a cover letter discussing the importance of the research and thanking them for their participation. While Hisrich and his colleagues distributed the cover letter and questionnaire through business centres in five cities across the Ukraine, our questionnaire was similarly distributed only we used online distribution methods as well as field collection.

Data collection took place in 34 Romanian counties during November and December of 2006 using both field and online research methods. Three hundred six-seven out of 500 questionnaires submitted using field research methods were usable for a 73.4% response rate. The data collection was completed by a team of professors and 45 graduate students in economics. The promotion for the online version of the questionnaire (<http://www.cercetare.ase.ro>) to women entrepreneurs was made by 19 Romanian women associations, and all members of the Coalition of Business Women Associations (www.cafa.ro). In total, 592 usable questionnaires were analysed out of 622 for a 95.1% response rate, (367 face-to-face surveys and 225 online surveys). Ninety-five percent of the respondents were from urban areas and 5% from rural areas. Two-hundred fifty-two completed online questionnaires of the 592 originated in Bucharest, the capital city (42.6%). This mirrors the Ukrainian survey where 63% of the 80 respondents grew up in cities.

4.2 Results

4.2.1 Personal characteristics

The largest age group among women entrepreneurs is 40–49 years old, accounting for 36.7% of all respondents, followed by those 30–39 years old or 33.3% of the respondents, and lastly the age group up to 20 years old (0.3%), just two entrepreneurs. In the Ukraine, the largest group of women business owners were in their 30s, while only 19% were under 30 years of age. Most women entrepreneurs did not begin their venture without some previous work experience and probably some previous financial support. This was also true of Ukrainian businesses. Seventy percent of Ukrainian women business owners had previous experience in the field of their present venture (Hisrich et al., 2006).

Romanian women entrepreneurs' level of education is comparatively high. According to the survey results, most women entrepreneurs (46.6%) had a bachelor's degree. Surprisingly, the second most numerous groups have a graduate degree (19.3%) and 18.6% of those that responded have only a high school degree. Compared to the Ukraine, 41% had completed bachelor's degrees, 35% finished technical training/college, and 18% completed graduate studies (Hisrich et al., 2005). The education level of these women entrepreneurs in both formerly Eastern bloc countries was similar. Most women entrepreneurs (32.4%) studied economics, followed by technical fields (17.1%). In the Ukraine, the most frequently mentioned majors were teaching (13%), engineering (10%), and business (8%) (Hisrich et al., 2005). These figures indicate that women entrepreneurs have a wide range of specialisations, and are relatively well educated (approximately 80% have attended some form of college), although their educational background may not be in the same area as their operating business.

Over 73% (73.3%) believe that their studies have helped them with their business, while only 26.7% did not believe that their studies have assisted them with their business. This seems to indicate that the level of entrepreneurial activity is related, at least in part, to knowledge and experience in the company's industry that woman entrepreneurs already possess before starting the business. Also, it seems that Romanian women entrepreneurs are not reluctant to work in a business field that is different to the one that they have studied and are willing to acquire the knowledge and skills to be successful in their chosen field of endeavour.

Concerning work history while in school, data shows that the majority (91%) of respondents did not work during school/high school or after (79.7%). Early work experience (full-time or part-time) was not the norm due to the communist regime that discouraged initiative and extra earnings. The percentage of those not having work experience is decreasing significantly among younger women with higher education, 57.3% now work while attending college and 53.2% work after the school year concludes in the summer months. However, 240 (40.5%) of the entrepreneurs surveyed said that they had previous full-time work experience during college vacations.

Our data indicates that previous work experience plays an important role in a woman's decision to become an entrepreneur. More than 90% of those surveyed held a job for more than a year before becoming an entrepreneur. Sixty-seven point five percent based their decision to found a company on five to ten or more years of work experience. Work experience was considered very important in owning a business by 76.7% of the respondents. According to our findings, experience in the venture's field of activity had a strong impact on Romanian women entrepreneurship. The vast majority (61.7%) of the respondents established their businesses in the same field they have operated in as employees. Nearly half of the women (47.3%) held a management position that provided valuable experience for their own ventures. This gives hope that Romania is developing a growing pool of potential women entrepreneurs from the growing number of professional women in the workforce.

The fact that the vast majority of respondents (73.5%) are married reflects Romanian culture with a strong emphasis on family values. This compared to 59% in the Ukraine (Hisrich et al., 2006). It appears that marital status had an important impact on the decision to initiate a business, since 33.6% of the

respondents started ventures with their spouses who have also been their biggest moral supporters (69.8%). Also families were a significant source of financing, especially in the start-up stage (17.2%).

4.2.2 Women-owned business and operations characteristics

Our results showed that 564 women entrepreneurs (95.3%) out of a total of 592 were principal stakeholders in their business, holding the head position. Three hundred seventy-six respondents (63.5%) owned 50% or more of their business, 49% owned 50% or less of their business. Romanian women start companies on their own. This compares to 77% of Ukrainian women who own the majority stake in the business, 22% owned exactly 50% and 23% owned less than 50% (Hisrich et al., 2006).

Several ways women became principal owners were identified. Thirty-three point six percent of women became principal with their spouse's assistance, 29.6% started with no assistance. One hundred thirteen (19.1%) started their businesses with a non-family member. Only 8.8%, or 52 women, included a family member during start-up. In the Ukraine, 23% founded the business with their spouse, and 41% founded the business on their own. Twenty-six percent founded the business with a friend. Just 5% of women in the Ukraine chose a family member to start the business with them (Carragher and Carragher, 2006; Hisrich et al., 2006).

Buying an established business is not a common practice among Romanian entrepreneurs and women are no exception – only 12 (2%) bought an existing business. Romanian entrepreneurship is still in its infancy after the fall of the Soviet bloc where private ownership was prohibited. This is why very few businesses are inherited from a spouse (three) or a family member (two). Spouses were cited as the number one moral supporter of the business venture by 69.8% of the respondents. This response is highly correlated with the number of women who started the venture with their spouse's assistance. The lowest response given was moral support by a mentor (2.5%), which reinforces that mentoring is not yet a common practice in Romanian entrepreneurship.

We asked the women entrepreneurs to evaluate their skills in several areas of business, including managerial skills. The questions regarding managerial skills are important in finding out what the entrepreneur's own perceptions about the company's key activities are and their core competencies. Not surprisingly, in all the required managerial domains the answers followed a normal distribution. Most of the respondents rated themselves as good in the required core competencies (the percentage of this response is the highest, with approximately 33% for each category). In the human resource management area, 75.8% consider themselves good at this core competency. The percentages for marketing, product innovation, operations management and planning are 68.3%, 69.3%, 85.9% and 78.4% respectively. The operations management field had the highest percentages, with 15% considering themselves excellent, 38.9% very good and 32.1% good. Planning the company's activities seems to be a direct responsibility for the majority (64.2%) of women business owners, and is significantly correlated with the percentage of those owning 51% or more in the company (63.5%). The annual budget is the most favoured business planning tool for 60.1% of women surveyed. Those who do strategic planning, profit forecasting and market planning is relatively high, 22.1%. Only 15 women (2.5%) focused on short-term planning. In comparison, Ukrainian women rated themselves least capable in finance, with 60% evaluating themselves as having poor or fair skills in this area. In the area of human resource management, 73% considered themselves good, very good or excellent (Hisrich et al., 2006).

Women entrepreneurs indicated several areas in which further training is needed in order to improve their knowledge, skills and abilities to achieve greater success in their businesses. This indicates that Romanian women entrepreneurs are aware of the importance of certain core competencies needed to manage a company, despite the fact that the majority considered themselves to possess good skills in these areas. The following were ranked as the top three areas those Romanian women entrepreneurs perceived they needed more training in: marketing – 304 respondents (51.4%); general management – 243 respondents (41%) and finance (42.2%). Marketing and management was not taught until recently

because it was against the communist centralised economic model. Therefore, there is a great need for training in these areas. An entrepreneur's lack of knowledge in finance is one of the main causes of high business failure. Women owned businesses are no exception. Understanding the new market economy financial rules and applying them properly is vital. The newly reformed Romanian educational system offer classes to understand how to meet these requirements. Other core competencies mentioned were human resource management (28%), management systems (21.5%), services (12.8%), purchasing (10.6%), and other areas including planning, accounting, innovation and legislation (1.4%).

One of the major positive motivating factors of business ownership is income. Our findings showed that 88.3% (out of 573 people who responded) registered higher annual incomes than the national average income. Fifteen point six percent of those that answered this question earn four times or more than the national average per person, including 30 women (5.2%) who had incomes eight times higher or more than the national average. This indicates that entrepreneurial activity is highly financially rewarding and women entrepreneurs have real chances to achieve success. Spouses' incomes followed a similar pattern. Only 15.1 % out of the 449 women who answered the question concerning spouse's incomes are below the national average of annual earnings per person; and 69% are two to four times above the national average. Fifteen point seven percent (15.7%) of the spouses earned eight times more than the average national income.

While the questions concerning income were slightly different in the Ukraine, the overall answers were similar. More Ukrainian women earn about half their family's total income than any other amount; 23% contribute less than 50%; 35% earn 50%; and 16% contribute more than half but less than all the family income. Eighteen percent are responsible for all of their family's income. Fifty-nine percent of the women who are married earn as much or more than their husbands; and 19% earn more than their spouses (Hisrich et al., 2006).

4.2.3 Unique features of Romanian women-owned ventures

The main characteristics researched regarded the age, size, field of specialty, range of activity, and the financing process of the businesses. More than half of those who answered (54.6%) have been running their companies longer than five years. Only 38 women (6.4%) have businesses in operation less than a year. Firms three to five years old represented 20.3% of the total number of businesses.

Although the growth in the number of women-owned businesses is encouraging, the size of these businesses remains small in terms of both revenue and number of employees, especially in comparison to businesses owned by men. The 592 enterprises were divided into three categories based on the number of employees: micro-enterprises – 421 (71.1%); small enterprises – 120 (20.3%), and medium-sized enterprises – 51 (8.65%). The majority of these businesses (71.2%) have less than ten employees. The number of full-time employees is no more than half of the total (48.4%), reflecting seasonal activities and weakness of the business. Family members are a reliable source of labour that women-owned businesses count on. They comprise more than a third (33.6%) of the total number of employees. As the firm grows, the percentage of family members decreases to less than 17%. It is interesting to note that no matter the size of the company, women entrepreneurs prefer hiring full-time employees.

The major area of the businesses activity varies widely among the 592 respondents. As expected, female business ownership is concentrated primarily in the retailing and services industries where companies are relatively smaller in terms of employment and revenues compared to other sectors. Retailing comprises 33.4% of the businesses, followed by finance, insurance, and real estate with only 8.6%. Other service businesses are the main business for more than 34% of those surveyed-tourism (4.4%), healthcare (3.9%), consulting and advertising (3.2% each), and information technology (2.9%).

The vast majority of women entrepreneurs targeted the local market in the start-up phase, including their own neighbourhood and city, 467 (79.7% out of 586 responses) but 189 of them succeeded in reaching beyond their own neighbourhood at the time of the survey. Thirty women entrepreneurs (5.1 %) were

considering international market entry at the time of the survey, 72 (12.2%) of them already operated internationally, proving it was possible to succeed in the global market.

Access to capital is a critical issue for women small businesses' survival. The largest share of respondents – 320, representing 54% of the total, indicated that their own savings was the only source of financing used to start the business during the first six months of operations. The question here is if women have a lower propensity for risk or they have lower access to capital. A total of 11.5% (68 women) indicated using their own savings as a constant financing source (along with other sources) during the entire period of their businesses existence. Five hundred seventy Romanian women entrepreneurs used this funding source making of it the most preferred. One third of the respondents, or 170 (28.7% out of the total 592) borrowed from family members during one or several stages of their business. Sixty percent (102 out of 170) relied entirely on borrowing from family members during the first six months of the business' existence. Only six women (3.5%) financed their businesses over a three year period relying entirely on family funds. Friends were the solution for financing 94 women-owned firms (15.9%), out of which 54.3% used this source during the start-up period. This support was important for 72 women (76.6%) during the first year of activity. Despite several forms of governmental support for entrepreneurs, the number of women accessing public financing programs is low. Only 22 (3.7%) of those surveyed used this source of financing, four of those used it in the first six months. Bureaucracy and corruption are often cited as obstacles in accessing these funds.

In the Ukraine, 68% of women business owners cited trouble obtaining capital to start their business. During present operations, it is still a significant problem, but not as much as during the start-up phase. Fifty-one percent used just one source of capital during the start-up phase. The rest drew funds from personal loans, investments or personal assets. The most common source of funds was family (43%), investors (38%), personal savings (38%) and selling personal assets (20%). Loans from banks (11%), credit unions (9%), and development funds (4%) were utilised by only 24% of the women in the Ukraine. Of the 53% of women that used only one source of financing, 33% used personal savings or a family loan (29%). Corruption among officials to get capital was cited by 41 % of the respondents, similar to Romania (Hisrich et al., 2006).

Recent other findings that this survey reinforces showed that compared to men no formal barriers have been identified regarding Romanian women's access to traditional capital markets, such as bank loans, trade credits, etc. The vast majority of respondents (89.0%) considered that they were equally treated in obtaining funds for their businesses. Out of 592 women surveyed, only 33 (5.6%) said that they had faced some form of gender discrimination. However, the number of business women using bank loans is rather low, 36.7% (217 of the total). It is important to note that this source was a support in the start-up stage for only 46 women (7.7% out of 592), despite increases in banks loan availability and lowered interest rates. In Romania, high interest rates for loans are discouraging entrepreneurs and having a negative impact on borrowing. Investment bank loans are relatively new to the market in Romania and relatively unknown among entrepreneurs. This situation combined with the fact that women-owned businesses are smaller and primarily service oriented partially explains the low number of those deciding to use this financing source. Only 49 (8.3% of the 592 respondents) opted to borrow money from a bank. Other sources of funds, such as venture capital firms (1.9%) and insurance companies (1.7%), were seldom used.

4.2.4 The Romanian business environment is supportive

The small business sector is vitally important for Romania and is the driving engine toward prosperity. The Romanian small business sector had to be practically recreated after decades of suffering under a centralised economy. This study confirms that this sector is one of the main sources of growth that Romania should rely on as a new member of the EU family. However, Romania is an emerging market with a new legal and institutional framework that combined with a strong culture provides a unique environment for the development of SMEs. The increasing number of SMEs, both male- and female-owned, reflects a favourable business environment in the country.

Jet the Ministry (former National Agency) for Small and Medium Sized Enterprises, Trade, Tourism and Liberal Professions (MIMMCTPL) is the main governmental body providing support for entrepreneurs. It has important strategic priorities aimed at creating a business environment favourable to the establishment and development of SMEs. The National Multiannual Program (2005–2008) to develop the entrepreneurial culture among managerial women from the SME sector is the first initiative entirely dedicated to women. Its main objective is to promote a system that facilitates women's mobility in the labour market and assist them in getting involved in private economic structures while maintaining the balance between family and work.

The MIMMCTPL was the only organisation mentioned in the survey by 60 of the surveyed business women (10.1%) who had the opportunity to work with the agency. This is a concrete evidence that it is the most active and well-known governmental body in this field. Women's levels of satisfaction are as follows: more than half of them were somewhat satisfied – 18 out of 60 (30.0%) or very satisfied – 15 out to 60 (25%) about the amount of service delivered. Seven were very disappointed. Attitude of the agency's employees was rated the worst; 40 respondents (66.6% out of 60) declaring it was very or somewhat dissatisfying dealing with them. Personnel in the Ministry need more human resource training to deal with entrepreneurs. The quality of received materials was rated good, 63.5% of all 60 respondents being somewhat or very satisfied.

The question on networking indicated that 61.5% of the respondents saw friends as the main support group that has aided their venture. Some of the lowest scores were given for community organisations and political groups, answered by only 11 and 13 respondents, reflecting low involvement of these organisations in the entrepreneurial process. This is a strong indication that the civil society does not provide a significant amount of assistance for these ventures and that non-governmental bodies are in their development stage in Romania.

The open question regarding the biggest obstacle to overcome received a wide variety of answers. Most of the answers concerned barriers related to the business environment being unfriendly. Financing the company was considered the most challenging obstacle to overcome by 21.1% of the total respondents. Complaints included competition (23.6%); bureaucracy (8.7%); and inconsistency in the legal framework. Credibility was considered the biggest obstacle by seven women.

5 Conclusions

Women-owned businesses are one of the fastest growing segments of business around the world. Romanian female entrepreneurs are the principal in the vast majority of the women-owned businesses (95.3%), and own 51% or more of their businesses (63.5%). Many times, women start their businesses with their husband's assistance (33.6%) or alone (29.6%). Their greatest source of moral support in their business venture is the spouse (69.8%). The majority of women business owners are over 30 years old (70%), married (73.5%) with long history of work experience (67.5% have more than five years), and considered this experience helpful in becoming an owner (76.7%). Similar results were found in the Ukraine, also an emerging economy.

Romanian women entrepreneurs have a rather high level of education, mainly in economics. In owning their own businesses, they have important managerial skills and are taking the lead in planning for the company (64.2%), using as their main tool budget planning (60.1%). They indicated a need for further training in the areas of marketing, management and finance. By emphasising women's specific personal traits and managerial skills, this paper contributes to a broader understanding of the qualities that contribute to successful women growth-oriented firms in Romania and former Eastern bloc countries.

6 Future studies

Understanding and appreciating the social and economic impact of women entrepreneurs is the key to a more effective identification, preparation and utilisation of a most valued asset of Romania, which contributes to the vitality and well being of the economy. Unfortunately, women owned businesses are not closely monitored in Romania. There is little information available on Romanian women entrepreneurs,

their progression and success. Future studies should focus on identifying best practices, successful leadership styles, comparisons to other emerging markets, reward systems, both financial and non-financial, that will further the success of these businesses. This follows the research conducted in an Eastern bloc country, Russia, by Welsh et al. (1993a, 1993b) on reward systems and participative techniques in a manufacturing environment as well as a retail environment (Welsh et al., 1993c). Leadership and best practices could be compared to the study on Russian managers (Luthans et al., 1993); quality control and best practices (Pooley and Welsh, 1994); and communication challenges (Welsh and Swerdlow, 1992).

Additionally, barriers that inhibit their progress and effective tools for success need to be identified. Internal locus of control, identified as essential for entrepreneur's success, could be measured and compared to entrepreneurs' locus of control in the formerly Eastern bloc country of Russia (Kaufmann et al., 1995, 1994). Specific information on women entrepreneurs needs to be gathered and compared. Information on women entrepreneurs and communicating what tools have been effective in starting and growing their businesses is vital to their success around the world and will have a major impact on the growth of the world economy.

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