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Barriers to Successful Entrepreneurship for Women in Ukraine

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BARRIERS TO SUCCESSFUL ENTREPRENEURSHIP FOR WOMEN IN UKRAINE

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Article focuses on the analysis of successful businesses in Ukraine started and operated by women-owners, focusing on personal experiences of women-entrepreneurs and their perceptions of drivers and barriers of their businesses.

Key words: women-entrepreneurs, small and medium enterprises (SMEs), drivers and barriers of business.

Introduction

Ukraine, an Eastern European country of about 50 million people, has a well-educated and skilled labor force (UN). Nineteen years have passed since Ukraine declared its independence from the former Soviet Union and the country has made substantial progress in shifting towards a free-market economy, structured labor markets and democratization. However, many vital problems still remain to be solved, among which are high barriers to entrepreneurship and traditional views of women as the “weaker” gender. Women in business in the country cope with stereotypes and other issues which often create insurmountable obstacles to their business endeavors.

When Ukraine first gained its independence in 1991, the country was absorbed by the “national idea” which was a move to restore the
national spirit, ethnic identity, and cultural values of the country. An undesirable side effect of this was the idealization of historical experience through the creation of gender stereotypes, some of which overlooked the potential of women in leadership and viewed them instead as the “keeper” of home, national spirituality, and traditions (Kys, 2003). On the one hand, this image was supported by the political leaders, nonprofit civil women organizations (NGOs), advertising, and mass media. On the other hand, because of economic conditions, the percentage of women employed in the economy went through a rapid increase during these years. Between 1992 to 1999, the percentage of women who were unemployed, dropped from 86 to 62%, indicating that the percentage of women in the workforce increased by around 18% (Gender Analysis, 1999). It became evident that modern economic conditions did not allow women to stay at home as the nostalgia of a new nation wished for them to do. Many Ukrainian women, due to the hard economic situation or following their call for self-development, had to seek their place on the job market.

Aidis, Welter, Smallbone & Isakova (2005) state that the emergence and legalization of entrepreneurship in the form of privately operated business was a great change in all post-Soviet countries. Self-employed women emerged as a new economic force. In this new setting, Welter, Smallbone, Isakova, Aculai & Schakirova (2003) indicate a high significance of female-owned enterprises within the overall job market. In the researchers’ view, women-entrepreneurs tend to hire other women for different positions in their companies, which adds gender balance in the workforce. The Ukrainian researcher Zhurzhenko (2001) considers the Ukrainian woman-entrepreneur as a separate type of identity that has special Ukrainian traits. According to Zhurzhenko (2001), because of the stereotyped view of gender roles, a woman-entrepreneur is seen more as a provider and wage-earner who has to do business only due to the harsh life circumstances and will return to her maternal role as soon as these circumstances change. It is believed that such a businesswoman is not committed to her career and always seeks balance between her professional responsibilities and home life.

Becoming a successful businesswoman can be a difficult task for Ukrainian women. This stems not only from the harsh market competition and bureaucracy but also from the barriers created by a stereotyped gender policy and male dominance in big business/politics (Sukovata, 2001). Kys (2003) names the lack of financing sources (for start up capital) and the difficulties in gaining a specialized education as the main reasons for women to run small and medium sized enterprises (SMEs). The research shows that 61%
of women do not consider themselves capable of successful entrepreneurship (Komykh, 2001) as women cannot find the proper role models to identify themselves with. In reality, the image of the female entrepreneur in the Ukraine is similar to that of the Soviet “working mother,” while the Western image of a woman in business does not fully function in the Ukraine. Sukovata (2001) rightly states that Ukrainian society “has no positive image of a 'businesswoman' and lacks the model of 'a successful woman' that would not overlap with a paradigm of a successful marriage” (p. 132). Because of these factors, Ukrainian women who have succeeded in starting successful businesses have the opportunity to model these skills for younger women who are only beginning their career (Welter, et al, 2003).

According to the IFC Enterprise Survey (2008), 47.12% of firms in Ukraine have female participation in ownership. Women-entrepreneurs tend to operate small businesses in the retail, wholesale trade, and catering service markets. In large enterprises, female ownership concentrates on the mining and manufacturing sectors, which are two of the major industries in the country (Kyiv International Institute of Sociology, 2000). Welter, Smallbone, Aculai, Isakova, and Schakirova (2003) conducted a survey specifically focused on small firms which suggested that women entrepreneurs work in service sectors which were underdeveloped in the Soviet period. These include services such as dress making, hair salons, catering, real estate, medical services, child-care/educational services, and auditing and consulting. Women are also involved in the so called “shuttle” trade, which involves traveling in person to Poland, Turkey, and China and returning with a variety of consumer goods to sell at home (Welter, et al., 2003). The researchers conclude that in countries with developing systems of entrepreneurship, the engagement of women in business is changing the overall patterns and landscape of the market and economy. (Welter, et al., 2003).

Although many studies on SMEs in transition countries emerge (e.g., Robert McIntyre and Bruno Dallago, 2003; Josef Mugler, 2000; Oliver Pfirmann and Gunter Walter, 2002; Jean-Paul Larcon, 1998), very few of them focus on female entrepreneurship (Aidis, et al., 2005). There is a lack of research and data about the gender of entrepreneurs in the NIS, (Newly Independent States) which is why many studies provide a comparative analysis of different countries on businesswomen of the post-Soviet world (Matsenuk, 2010).

The development of legalized entrepreneurship is of great importance for countries with transition economies (Aidis, et al., 2005). Not only do SMEs provide wealth and job possibilities for individuals, but the economy and society as a whole benefit from the
increased prosperity that this generates. So, more business startups by female entrepreneurs could stimulate new trends in the development of the private sector (Kostuchenko, Martsenuk 2011).

This research project addressed the gap in research on female entrepreneurship and helped describe the personal experiences of successful women-entrepreneurs. It also served to reaffirm the concept of the successful female business owner. In countries with developing systems of entrepreneurship such as Ukraine, the engagement of women in business is changing the overall patterns and landscape of the market and economy.

This research project was funded by the Walden University Faculty Research Grant Initiative (USA, 2012). The principal investigators from the United States were Dr. John Johnson and Dr. Edward Garten. The head of the Ukrainian research team was Dr. Svitlana Buko. Dr. Buko and a group of Ukrainian researchers did most of the interviews for the project in different regions of Ukraine (interviews, focus group, data transcribing, translation). Drs. Johnson and Garten helped to set up the design for the project, helped facilitate a focus group of Ukrainian Entrepreneurs and presented the project at a conference in the United States. Website was developed to promote research results: http://www.ukrainianentrepreneurs.com (Ukrainian, Russian, English).

Methodology

The researchers for the project designed a qualitative phenomenological study (23 regional indepth interviews and 1 focus group with 10 participants) and explored how successful Ukrainian businesswomen experience and respond to the challenges of conducting business in Ukraine. Qualitative data provided insights within the life stories of Ukrainian businesswomen regarding the barriers and challenges of the Ukrainian market.

Justification

The researchers focused on qualitative methods in order to explore the deeper meanings present in this phenomena. Phenomenology was chosen as a research design for this project. The researchers looked at one segment of society (Ukrainian businesswomen) with the focus on an abstract phenomenon: Professional entrepreneurial skills within female entrepreneurship. According to Creswell (2007), qualitative research is conducted with individuals when we wish to “hear their voices” (p. 40) and to stimulate individuals to “share their
stories.” The researcher goes on to describe phenomenology as a way to provide meaning to individual lived experiences regarding a concept of phenomena. The researchers reviewed the work of Husserl (1913, 1962), the founder of phenomenology and more recent researchers (Moustakas, 1994) while planning the study. Their work, along with the writings of Lopez and Willis (2004), Larkin, Watts, and Clifton (2006), and Smith (2007), was considered in the development of the methodology. Phenomenology has its roots in philosophy and psychology. It focuses on what the life experiences of individuals are like and what they mean. In this case it was a comprehensive, open-ended approach to understanding the lived experiences of successful female entrepreneurs in Ukraine. The research involved interviewing them to understand how it feels to be in this category (of “successful businesswomen”). In this type of study, the focus was more on the day-to-day journey of the female entrepreneurs as individuals and the major challenges/obstacles that they face. The interviews also helped identify what meanings were the most important in the lives of respondents. The advantage of this approach was the opportunity for the researchers to understand the attitudes and emotions involved in their professional business experience.

Research purpose

The purpose of this qualitative phenomenological study was to explore and describe how successful Ukrainian businesswomen experienced and responded to the challenges of conducting business in Ukraine. It was expected that listening to the stories of Ukrainian businesswomen regarding the barriers and challenges of the Ukrainian market would provide an initial understanding of their perceptions of this role.

Research questions

The researchers looked at the experiences of successful female entrepreneurs, seeking to answer two questions during the interviews:

1. What barriers to the growth and development of your business did you face?

2. How were these barriers overcome?
Respondents

Twenty three Ukrainian businesswomen were selected as participants in the study. The research was conducted in 23 regions of Ukraine.

Sampling

The purposive sampling was homogeneous—consisting of women in business in Ukraine. The researchers used criterion sampling and recruited only participants who met the following criteria:

a) Ukrainian Women who have been in business continuously for at least 5 years;

b) Ukrainian Women who started their businesses after Perestroika;

c) Ukrainian Women who became successful without obvious advantages such as relatives in high positions of government or inherited family wealth.

Table 1 Demographics of the respondents

<table>
<thead>
<tr>
<th>Characteristics</th>
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<th>#</th>
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</thead>
<tbody>
<tr>
<td>Number of staff</td>
<td></td>
<td>When business was started</td>
<td></td>
</tr>
<tr>
<td>Solo proprietor</td>
<td>2</td>
<td>1992-1995</td>
<td>5</td>
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<tr>
<td></td>
<td></td>
<td>2000-2005</td>
<td>6</td>
</tr>
<tr>
<td>1-3 staff members</td>
<td>8</td>
<td>1995-1999</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2005-2009</td>
<td>5</td>
</tr>
<tr>
<td>4-7 staff members</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 and more staff</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education of respondents</td>
<td></td>
<td>Types of Business</td>
<td></td>
</tr>
<tr>
<td>Higher Education</td>
<td>21</td>
<td>Dress making</td>
<td></td>
</tr>
<tr>
<td>High school education</td>
<td>1</td>
<td>Hair salons</td>
<td></td>
</tr>
<tr>
<td>Post Graduate Education</td>
<td>2</td>
<td>Catering</td>
<td></td>
</tr>
<tr>
<td>Age of respondents</td>
<td></td>
<td>Educational services</td>
<td></td>
</tr>
<tr>
<td>30-35 years old</td>
<td>3</td>
<td>Educational background details</td>
<td></td>
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<tr>
<td>36-40 years old</td>
<td>6</td>
<td>Liberal Arts education</td>
<td>10</td>
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<tr>
<td>41-45 years old</td>
<td>5</td>
<td>Technical/Engineering education</td>
<td>9</td>
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<tr>
<td>46-50 years old</td>
<td>6</td>
<td>Business education</td>
<td>2</td>
</tr>
<tr>
<td>50-60 years old</td>
<td>2</td>
<td>Academic Degrees</td>
<td>2</td>
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<td></td>
<td></td>
<td>Flower/décor outlets</td>
<td></td>
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</tbody>
</table>
Geographical scope of focus group:

Southern Ukraine: Feodosia, Odesa, Zaporizhzhia

Eastern Ukraine: Donetsk, Sumy, Chrhiniv

Central Ukraine: Cherkasy

Western Ukraine: Chrvistsi, Lviv, Uzhorod.

Measures of Ethical Protection:

Each prospective participant was informed fully via telephone of her responsibilities as a participant. The researchers reviewed with participants their right to withdraw at any time and assessed by telephone whether or not the participant would be a suitable participant in the study. The participants were allowed to read and consider the informed consent prior to signing. The participants were assured of anonymity. The participants were informed that their verbatim quotes are coded in the final published study, that they have the right to withdraw up to one month following their interview and that they have the right to review the paper prior to publication if desired.
Data Analysis:

The experience of multiple participants was compared and contrasted by the researchers. Data from 23 Interviews and 1 focus group (10 participants) was analyzed inductively, with the collection, analysis, and writing occurring simultaneously. The researchers clustered information into major themes, using triangulation between interviews and participants to justify the themes. Qualitative data was examined through NVIVO 8 software.

Findings

Drivers for starting personal business for women in Ukraine

Many Ukrainian women had to become self-employed due to harsh life circumstances. They initiated their businesses when it was difficult to secure any jobs in the market as well as because of family situations where they needed to become providers. The results also show that “past success” in the earlier economy motivate them to keep going in the difficult time now. Many recommended to younger Entrepreneurs that they “not start their own businesses.” This recommendation was made because it is more difficult with the current economic and political situation in Ukraine than it was a few years ago.

The following words and phrases were expressed during the interviews and focus group discussions:

“It was not the question of vision, it was more the question of survival – how to live and how to stay yourself” (R 1)

“I was fired from my favorite job due to crisis and could not find a job for myself, so I started my own project” (R5)

“Did not have much of a choice, since I had to take care of my children, feed them and educate them, and no other jobs were providing any profit” (R7)

“That was a plain survival mode where this option was the only viable opportunity to make some money for the family. It was difficult and we made it!” (R23).
“I had three little kids on hands and employers kept rejecting me, so I just decided “I can do it myself” (R 11).

“I knew I am worth something, but I never tried. When hardship fell on our family I had to stand up, pull myself together and prove that I CAN. It was also a self-realization of myself.” (R12).

“I want to thank the crisis, because it propelled me to success. We lost everything and from the ashes I had to stand up and do something. Now I feel happy about this challenge” (R3).

“My young children kept getting sick and I had to quit my job. I was looking at the more flexible workload arrangements and realized that private business can give me freedom and financial compensation”. (R2)

“My husband lost his long-term job and was unable to provide for the family. I tried this business opportunity instead of mourning about horrible conditions of life and it was my success” (R4).

“We were so poor and I had to borrow money for medical expenses of my children. Then during an emergency situation I had to beg for money. I answered to myself that – do anything, but never again be in this situation” (R10).

“It is not easy to live in this country. I worked at the public state organizations and at the NGO. I realized that only my own business can give me freedom to change my life for the better and help change others’ lives for the better (R 12).”

“I really enjoyed my teaching job at the University – students were wonderful, and I truly enjoyed my area of expertise. But my salary…. I once got my salary, went to the shop and bought some oil – and it used up all of my salary… I asked myself “how can I make money?” and the answer was obvious – start your own business” (R15).

“For me personally the situation of my husband was one of the key motivators. When he lost his job and just stayed at home I was left with responsibility to provide for the family. And I am grateful to him – because now I know that I can. (R16).
Barriers and drivers of entrepreneurship for female business owners

The respondents stressed that they enjoyed running their own businesses in spite of the challenges: They find it very difficult at times but do not regret the choice they made to begin the business. They are following a personal need for self-development and enjoy what they are doing even though it is difficult to run a business in Ukraine. Most commented that their family was a major source of motivation, support, and encouragement and not a detriment to success. They noted also that the society around them did not provide this. There are few Entrepreneurial Networks, Support Groups and Governmental Initiatives to provide the support that they need.

The respondents articulated various barriers for women who run small and medium sized enterprises, including bribes, the need for personal connections in high places and the lack of governmental support (instead, the government often interferes), lack of financing for small businesses, lack of staff/talent at the market (not qualified personnel in the regions), market challenges, and governmental regulatory issues/bureaucracy are perceived as barriers. One challenge mentioned to business growth was the need for qualified and dependable personnel and the difficulty in finding them. This seems counterintuitive in a country with a weak job market and an educated workforce such as Ukraine.

“It is very difficult to have personal business in our country. So many challenges, just unbelievable and sometimes unbearable” (R23).

“My key barrier is all the paperwork required from the government. Sometimes it feels like I am suffocating under all the papers” (R19).

“Governmental checks are difficult. Inspectors come and look for mistakes, trying to catch you – it feels terrible” (R18).

“Competition at the market is a big challenge. I try to provide service, work with customer service, train my staff. However, when "Big" businesses come to the market they usually damp the prices” (R17).

“Staffing is a big challenge in the regions. People do not want to work, they do not understand work culture – it is difficult to find punctual responsible staff. I feel that many good people leave to look for jobs in the bigger cities and Kyiv.” (R15).
“Human Resource Management is a nightmare for my business. I hire young staff members – but most of them are under-qualified. Universities now do not produce quality graduates and I feel I have to train all the members, imparting to them very basic work ethics, knowledge etc” (R2).

“Financial planning for business in Ukraine is a big challenge. Five years ago I could plan – now I can not! Elections drastically impact markets and change is constant at all levels. When I look at the Western business planning techniques it makes me want to laugh.” (R18).

“Bribes... do you want to talk about bribes. It seems like this is an inevitable and expected part of business. That's why I face so many challenges. I do not give bribes and that shocks people here, since all expect it!” (R11).

“My business is unique and bribes would kill it. I do not do this and feel proud of it. It makes my life more difficult, but these are my values and I seem to survive.” (R10).

“Government does not support small and medium business. I think this is the barrier. I understand that we could have benefited from this support. This is what I see in Europe and I envy them. Running a business in Europe is a piece of cake! Try it in Ukraine – here is where you will have to learn how to bend over backwards” (R15).

“Government is not helping. Instead of breaking down the barriers they often set more obstacles.” (R9).

“It is hard to find good staff. People are so apathetic; they do not trust in the country, in the government, or in themselves. Often they are undertrained and have a rather rude attitude. I try my best to recruit, train and grow my staff, but this is a challenge”. (R10).

“If you don’t have connections – life is hard for you. It seems like wherever you go, you need to have some network to get things done. I know how networks are built in Ukraine - usually through favors and bribes. I have learned that this is not my way. My way is longer, but it still works. It takes me 3-4 times longer to get the registration/paper work done, but now I just plan for this” (R1)

“You have to be tough to run a business in Ukraine. We still have bandits who come and “check on you” and request “payments”. I remember in Post-Perestroyka times I had to go talk to their chief…. But now it seems like old times are here again.” (R5)
"I wish banks were more helpful with credit lines for small businesses. The crisis has hit hard and it is much more difficult to operate now" (R8).

"I have to deal with my emotions, I have to balance work and family every day. Running a business takes a lot of stamina. It is professional growth every day". (R2).

"I face many issues with rented space… I wish I had my own place – that would save so much energy and money. The landlords are unpredictable and that puts me in a difficult situation" (R6).

"I am lucky to have my own place now. We used to rent and it was a nightmare…insecurity since they could kick me out any time" (R3).

"Physiological barriers are also very important. In our culture women are perceived as weak. I had to prove to myself and demonstrate that I can handle decision making, stress and problems." (R5)

It is important to note that during interviews and focus group discussions within the research project none of the women felt that gender stereotypes in Ukraine were an obstacle to their success. On the contrary, many respondents commented that it is important not to do conduct business like men conduct it (they compared businessmen to sharks) but it is essential to be flexible and use the advantages that they have, it is important to find a balance in business and not to become "sharks and be like men", but it's essential to be flexible, aware and use any possible advances society offers.

**Self-perception of women-entrepreneurs**

Even though participants are running their own businesses which are profitable, many of them were reluctant to call themselves "successful entrepreneurs. Success in their minds would mean creating/running a very large operation, vs. one which is profitable and provides for their needs. The Ukrainian researchers on the project felt that this reflects a Slavic tendency for modesty and understatement. (As compared to the American tendency for over statement and dramatization). Women who start businesses in Ukraine often overlook the talent skill and ingenuity which this action has demonstrated.

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Limitations of the Study

Researchers faced three key challenges during the implementation of the project in data collection stage. Firstly, it was difficult to locate independent businesswomen in the regions (open rosters did not always show good candidates). Secondly, the sampling criteria (Ukrainian Women who became successful without obvious advantages such as relatives in high positions of government or inherited family wealth) was difficult to adhere to, since the rosters available to us were full of women who had gained some advantages because of their relatives. The facts are that many business women are either spouses or daughters of powerful regional men or of politicians who serve as protectors. Finally, it was difficult to get women to agree to conduct the interview. Many requests for interviews to women were turned down.

Conclusions

• Successful Entrepreneurship is possible by Women in Ukraine in spite of the challenges that they face. However, it is a difficult demanding endeavor. More barriers to Entrepreneurship exist today than they did a decade ago due to new government regulation and the current state of the Economy.
• Starting a business not only provides a source of income for women, but also a sense of confidence and self-fulfillment for them. Unfortunately, this is not a common phenomena within Ukrainian society.
• Women who are Entrepreneurs in Ukraine tend to depend on family, friends and informal networks. One of the reasons for this is that the business networks that could support them are not well developed. More emphasis on the development of them could make a difference in this regard.
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