INSTITUTIONAL ENVIRONMENT: IS IT AN ENABLER OR A CONSTRAINT TO FEMALE ENTREPRENEURSHIP?

Abstract. Institutional environment is one of the main factors that influence the creation and maintenance of self-employment, and hence the entrepreneurship. However, previous research demonstrates that sometimes institutional environment may serve as a barrier to the development of entrepreneurship. Therefore, based on previous studies, authors make an assumption that institutional environment has a dual role in female entrepreneurship’s development of either being an enabler or a barrier. The article analyzes eight female entrepreneurs and the role of institutional environment in their business in the context of an emerging market - Kazakhstan. Semi-structured interviews were used in order to identify the role of institutions in female entrepreneurship’s development in Kazakhstan. The findings illustrate that female entrepreneurs in emerging markets are mostly provided with informal support from family, friends, and network. However, none of the interviewed businesswomen were getting formal support from local institutions. The results also demonstrate a positive cognitive attitude of a society towards entrepreneurship in the country under consideration.

Keywords: female entrepreneurship, institutional environment, formal institutions, informal institutions.

I. Introduction

Female entrepreneurs constitute 1/3 of whole worldwide entrepreneurship sector. Yet, according to GEM 2016/17 report, decreasing the gender gap in terms of entrepreneurial activity remains the primary focus of many policymakers in many countries. However, female entrepreneurs are increasing in numbers by contributing to economic growth and creating employment opportunities [1]. Subsequently, the research on female entrepreneurship is also increasing. Previous research on female entrepreneurship was provided in the areas of motivation behind women’s decision to create a venture [2, 3], obstacles that women face in their way of doing business [4, 5]. However, the factors that may have a dual role of both a constraint and enabler in female entrepreneurship development has been under researched. One of the factors that may have a dual role in women’s business development is the institutional environment.

Previous research on entrepreneurship mainly focused on micro-level factors such as the role of cognition and emotions in order to explain entrepreneurial behavior [6, 7]. Simultaneously, scholars claim that entrepreneurial behavior needs to be explained in the context, where it actually occurs. It refers to the institutional environment, which is comprised of economic, political and cultural factors, at the place of business operation [8, 9]. North (1990) in Douglass (1990) defines institutions as the “rules of the game in a society”. There are two types of institutions – formal and informal. If formal institutions include the legal, constitutional and organizational laws shaping the individuals’ behavior, “informal institutions” refer to the norms, values, and codes of conduct and unwritten rules of a society. Welter and Smallbone (2011) claim that both formal and informal institutions may influence entrepreneurs’ behavior. Welter et al (2004) and Puffer et al (2001) argue that inappropriate institutional environment is one of the factors that hinder female entrepreneurship’s development in emerging markets. Davis and Abdiyeva (2012), Hayrapetyan (2016), Kuznetsov et al (2000), Izuymov and Razumova (2000), Yalein and Kapu (2008) agree with this view and claim that inefficient legal environment is one of the barriers to female entrepreneurship’s development. Welter and Smallbone (2011, p.109) explains it by poor legal infrastructure that includes “implementation gaps, a lack of judges, specialists in commercial law, and economic courts”. However, some countries have stable, planned and efficiently operating regulatory environment that can stimulate the development of entrepreneurship by declining transaction costs and
“allowing the economy to change from relationship-based, personalized transaction structure to rule-based, impersonal exchange regime” [8, p.109].

In addition to formal institutions, informal institutions in the form of embedded values, norms and cultural traditions also influence on female entrepreneurship development. Aidis et al (2008) claim that traditional gender norms and values in male-dominating societies can also be a barrier to female entrepreneurship’s development. For example, in many emerging markets like India and Bangladesh women’s main role is to take care of children and being a good housewife. Rouse and Kitching (2006) argue that female entrepreneurs’ family status is an important dimension that should be taken into consideration in research, and that child-rearing problem is one of the main cause of many women-led business start-ups’ failure. Yet, researchers claim that due to globalization women are coming out of their traditional housekeeping roles and engaging in a labor market including self-employment via own business [17].

From previous research, we can conclude that institutional environment may have a dual role of being either a barrier or enabler to female entrepreneurship’s development. Therefore, further investigation is needed in order to find out whether both formal and informal institutions have a dual role in female entrepreneurs’ success or not. The aim of this paper is to investigate the role of the institutional environment on women’s business success and find out the way how certain institutions influence on female entrepreneurship. Qualitative research method was used in order to fulfill the research aim. In-depth semi-structured interviews were provided with eight female entrepreneurs from an emerging market – Kazakhstan in order to find out the effectiveness of formal and informal institutions in a country with transitional economy.

The article starts with a discussion of previous research on obstacles and barriers to female entrepreneurship, formal and informal institutions role in women’s business. Further on, methodology implemented in this study is described and research findings are presented. Finally, the discussion is provided and conclusion with implications to policymakers and implications for further research is given.

II. Literature review

2.1. Institutions and institutional environment

North (1990) in Douglass (1990) defines institutions as the “rules of the game in a society”. There are two types of institutions – formal and informal. If formal institutions include the legal, constitutional and organizational laws shaping the individuals’ behavior, “informal institutions” refer to the norms, values, and codes of conduct and unwritten rules of a society. These institutions set expectations, which determines appropriate behaviors for organizations [18], they also create the logic through which laws, rules and expected organizational behavior seem to be natural and enduring [19]. Therefore, institutions define appropriate behaviors from the objective point of view and leave remaining actions inappropriate or even beyond any consideration [20].

Scott (2008) divides institutional forces into three categories. The first type is called a regulative pillar, which as North (1990) pointed out control’s individual and organizational behavior based on the formal rules. The second type is named as normative pillar, which demonstrates the individual and organizational behavior based on the compulsory rules of social and organizational communication. It is usually constituted or norms and values [21]. Certain societies’ norms actively encourage entrepreneurship and its financial opportunities, whereas other societies prevent entrepreneurship from development [22]. The third type is called a cognitive pillar, which represents the subjectivity and slowly constructed rules and meanings that set appropriate individual behavior. The examples of cognitive pillar can be the culture and language of an individual and commonly accepted preconceived behavior that people don’t even think about [18, 21]. This institutional dimension is important for entrepreneurship research as it shows the societal tolerance to entrepreneurship, ingrained values and creation of cultural environment that encourages entrepreneurship [23, 24].

2.2. Institutional environment: is it an enabler or a constraint to female entrepreneurs?

Institutions’ role of being either a barrier or enabler depends on the country and its development level. Welter and Smallbone (2011) claim that both formal and informal institutions may influence entrepreneurs’ behavior. Most of the female entrepreneurs operating in emerging markets or countries with transitional economy suffer from poor institutional environment. Welter et al (2004) and Puffer et al
(2001)’s view that inappropriate institutional environment is one of the factors that hinder female entrepreneurship’s development in emerging markets is in line with our assumption. Davis and Abdiev (2012), Hayrapetyan (2016), Kuznetsov et al (2000), Izyumov and Razumova (2000), Yalcin and Kapu (2008) agree with this view and claim that inefficient legal environment is one of the barriers to female entrepreneurship’s development in countries with transitional economies. Welter and Smallbone (2011, p.109) explains it by poor legal infrastructure that includes “implementation gaps, a lack of judges, specialists in commercial law, and economic courts”.

However, some countries have stable, planned and efficiently operating regulatory environment that can stimulate the development of entrepreneurship by declining transaction costs and “allowing the economy to change from relationship-based, personalized transaction structure to rule-based, impersonal exchange regime” [8, p.109].

In addition to formal institutions, informal institutions in the form of embedded values, norms and cultural traditions also influence on female entrepreneurship development. Aidis et al (2008) claim that traditional gender norms and values in male-dominating societies can also be a barrier to female entrepreneurship’s development. These type of informal institutions hindering female entrepreneurs’ activities are most common in third-world countries and emerging markets. For example, in many emerging markets like India and Bangladesh women’s main role is to take care of the children and being a good housewife. Rouse and Kitching (2006) argue that female entrepreneurs’ family status is an important dimension that should be taken into consideration in research, and that child-rearing problem is one of the main cause of many women-led business start-ups’ failure. Yet, researchers claim that due to globalization women are coming out of their traditional housekeeping roles and engaging in a labor market including self-employment via own business [17]. In contrast, as Dhillon et al (2010) argue family is instead the institution, which promotes female entrepreneurship’s development through provision of financial and other forms of support.

To sum up, extant research points out the twofold role of institutional environment in the development of female entrepreneurship in emerging markets. Consequently, further empirical research should be provided with an aim of exploring the dual role of both formal and informal institutions in emerging market’s context. Our research takes gradually developing emerging market- Kazakhstan as a contextual country focus, and fills above stated gap by putting forward the research question: What is the role of formal and informal institutions in the enhancement of female entrepreneurship?

III. Methods

Given our research question, which inquired into the nature of exploratory and explanatory, the qualitative method is appropriate [25]. Semi-structured in-depth interviews were provided with eight female entrepreneurs operating in Kazakhstan, Almaty.

Semi-structured interview questions were carefully prepared based on the theoretical bases of research purpose. All interviewees were sent questionnaires five days before the interview. Female entrepreneurs in Kazakhstan were interviewed in either Kazakh or Russian. The interviews with female entrepreneurs were provided twice, firstly it was face-to-face, and secondly, it was provided via email. During the interviews, follow-up specifying and probing questions were asked. If specifying questions helps to reach the reliability of the interview answers, probing is a way for the interview to investigate new research paths which were not initially considered [26].

In total eight hours’ interviews were conducted in Kazakh and/or Russian, and all prepared questions were asked and answered fully. Authors also offered opportunities to interviewees for adding any type of response. Recorded interview data were then transcribed and coded to themes and subthemes. All interviewees retain anonymity, and in this article, interviewees are only referred as Female entrepreneur 1, Female entrepreneur 2 and …. Female entrepreneur 8.

Interview sample

Personal characteristics of respondents including their age range, country of origin, country of residence, marital status and number of children are given in a table below. Respondents were of different age groups starting from 21 and ending with 70, majority of the respondents have Bachelor degree, only one respondent have upper-high school education and Master degree. All interviewed female entrepreneurs have children, number of children ranges from one to three.
Interviewed female entrepreneurs’ current business’ running experience ranges from 6 months to 25 years. Participants operate in different industry spheres including service, consultancy, and retail. Only one interviewed entrepreneur was self-employed, the majority of interview participants were employing from 1 to 5 employees, and only one respondent has been providing workplace to 160 people. The legal forms of interviewed female entrepreneurs’ business establishment are mostly sole-proprietorship and Limited Liability Partnership (LLP).

IV.Results

According to our interview results, female entrepreneurs received only informal forms of support their relatives, friends, family, although there are many institutions in Kazakhstan, which are devoted to support start-up businesses, but none of our interviewed women entrepreneurs have got the support from them. It implies that our findings are in line with Hayrapetyan (2016), Puffer and McCarthy (2001) and Welter (2004)”s views that institutional environment hinder female entrepreneurship’s development in emerging markets. More specifically, as Welter and Smallbone (2011, p.109) argue there are “implementation gaps, a lack of judges, specialists in commercial law, and economic courts” in emerging markets that hinder female entrepreneurship’s development.

Nevertheless, most of the interview participants pointed out that they got financial and emotional and other forms of support from families, relatives and friends.
Table 3 - Informal institutional support provided to female entrepreneurs

<table>
<thead>
<tr>
<th></th>
<th>Financial</th>
<th>Emotional</th>
<th>Financial + emotional</th>
<th>Business running tips</th>
<th>Financial + Business running tips</th>
<th>Not any</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family members</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relatives</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Friends</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business partners</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Instead I was providing support to my relatives</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Haven’t got any support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total / 8</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

This means that society in Kazakhstan has a positive cognitive attitude towards entrepreneurship Welter and Smallbone (2011). Society there has positively ingrained entrepreneurship supporting values and people in Kazakhstan are eager to create a cultural environment that encourages entrepreneurship [23, 24].

Findings demonstrate that none of the interviewed female entrepreneurs faced the problem due to traditional norms and values of women’s main role being a good housewife and child-rearing responsibilities. Thus, our research results contradict with Rouse and Kitching (2006)’s view that female entrepreneurs’ family status is an important dimension that should be taken into consideration in research, and that above stated main responsibilities of women may be the main reason of their business’ failure.

Women’s primary function’s alteration from traditional norms may be due to globalization, as Budhwar et al (2005) argue due to globalization women are coming out of their traditional housekeeping roles and engaging in a labor market including self-employment via own business[17]. For many interviewed female entrepreneurs, as Dhalwal et al (2010) argue, family is instead the institution, which promotes female entrepreneurship’s development through provision of financial and other forms of support.

From the discussion above we can summarize that none of interviewed Kazakh businesswomen indicated the formal support that they get from local institutions. However, Kazakh female entrepreneurs were getting informal support from their relatives, friends and family members. It demonstrates positive societal cognitive attitude towards the entrepreneurship in the country under the consideration. Current research didn’t find out any case, when traditional norms and values had been hindering female entrepreneurship’s development in emerging market - Kazakhstan. In contrast, Kazakh female entrepreneurs’ spouses were very supportive of their wives’ entrepreneurial journey.

V. Conclusion and discussion

Institutions are playing a significant role in female entrepreneurship’s development. Our findings demonstrate that none of interviewed Kazakh businesswomen were getting the formal support from local institutions. However, Kazakh female entrepreneurs were getting informal support from their relatives, friends and family members. It demonstrates positive societal cognitive attitude towards the entrepreneurship in the country under the consideration. Current research didn’t find out any case, when traditional norms and values had been hindering female entrepreneurship’s development in emerging market - Kazakhstan. In contrast, Kazakh female entrepreneurs’ spouses were very supportive of their wives’ entrepreneurial journey.

To sum up, despite positive societal cognitive attitude towards entrepreneurship, female entrepreneurs in Kazakhstan haven’t still got any support from formal institutions. Therefore, formal institutions having an aim to support female entrepreneurship in Kazakhstan should enhance their activities by identifying the needs of female entrepreneurs at the first place. Nevertheless, interview participants were getting informal support in the form of finance, positive emotions and business running tips from their previous colleagues, relatives, friends and family members.

Our research has certain limitations that should be considered in future research. The empirical results in our study were limited to only one emerging market – Kazakhstan, therefore, future studies should be provided on the role of the institutional environment in the context of other emerging markets. Furthermore, the dimensions of institutional environment, other than the ones mentioned in our study,
should also been taken into consideration, while identifying its role in the development of women entrepreneurship.

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ИНСТИТУЦИОНАЛНАЯ СРЕДА: ИНСТРУМЕНТ РЕАЛИЗАЦИИ ИЛИ ПРЕПЯТСТВИЯ РАЗВИТИЮ ЖЕНСКОГО ПРЕДПРИНИМАТЕЛЬСТВА?

Аннотация. Институциональная среда является одним из основных факторов, влияющих на создание и поддержание самостоятельной занятости и предпринимательство. Однако предыдущие исследования показывают, что иногда институциональная среда может служить препятствием для развития предпринимательства. Следовательно, основываясь на предыдущих исследованиях, авторы делают предположение, что институциональная среда имеет двойную роль в развитии женского предпринимательства либо как возможности для улучшения бизнеса, либо как препятствие для бизнеса. В статье анализируются восемь женщин-предпринимателей и роль институциональной среды в их бизнесе в контексте развивающегося рынка - Казахстана. Полугрупированные интервью использовались, чтобы определить роль учреждений в развитии женского предпринимательства в различных контекстах. Полученные данные показывают, что женщины-предприниматели в Казахстане в основном получают неофициальную поддержку со стороны семьи, друзей и сетей. Однако ни одна из опрошенных деловых женщин не получала официальной поддержки от местных учреждений. Результаты также демонстрируют позитивное отношение общества к предпринимательству в Казахстане.

Ключевые слова: женское предпринимательство, институциональная среда, формальные институты, неформальные институты.

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ИНСТИТУЦИОНАЛДЫҚ ОРТА: ӨЙЕЛ ҚАСПИКЕРЛЕРІЛІГІНІҢ ДАМУЫНА ТІРЕК ПЕ ӨЗДЕ ТОСҚАУЫЛ МА?

Аннотация. Институционалдық орта – өзіндік жұмысшын қамтамасыз көмек мен қасықкерлік көп жақындауды және колдауға ықпал ететін негізгі факторлардың бірі. Олар, әлдің құрметтегі, кейде институционалдық орта қасықкерлік көмек суыяды болады. Сондықтан, әлдің құрметтегі сүйінен отырмай, авторлар институционалдық ортаның өйел қасықкерлігін дамытудағы немесе кездегі болудағы қосылыс рөліне ескерілдің болмайды. Макауда дамушы қарық - Казахстанда қызмет ететін сегіз өйел қасықкердің бізнесіндегі институционалдық ортаның әрқашан толықтырынын. Өйел қасықкерлігін дамытудағы институт әртінан ыңғырақ үшін көрсету құралы құралданылған сұхбат алынады. Зерттеу өз ішкісі бойынша дамушы қарықта қызмет ететін өйел қасықкерлерге отбасыдан, достарына және ақылыңың тұсы бейрәмом қолдау көрсетеді. Адамдар, сұхбатталасқан қасықкерлерін ескеру қажет болады. Мекемелердің өзінің колдау қамтамасыз. Зерттеу өз ішкісі қазақстандық қоғамдық қасықкерлік көптеген әрекет етіп өзінің әрекетін құралады.

Түні сөзгер: өйел қасықкерлігі, институционалдық орта, өзінің қамтамасыз. бейрәмом мекемелер.

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