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**Russian small businesses: entrepreneurship in transition.  
Exploratory investigation of the factors that pushed and  
pulled individuals to open their own business in the  
Krasnodar region of Russia.**

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RUSSIAN SMALL BUSINESSES –  
ENTREPRENEURSHIP IN  
TRANSITION. EXPLORATORY  
INVESTIGATION OF THE FACTORS  
THAT PUSHED AND PULLED  
INDIVIDUALS TO OPEN THEIR OWN  
BUSINESS IN THE KRASNODAR  
REGION OF RUSSIA.

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## ABSTRACT OF THE THESIS

The purpose of this research was to identify the factors that pushed and pulled individuals to become self-employed in Russia during the post-Soviet Union period. The research methodology adopted in this study was qualitative. The longitudinal multiple case study approach was comprised of in-depth interviews with the founders and co-founders of 26 family businesses in the Krasnodar region of Russia.

To summarise particular findings of the present research one push factor and four pull factors have been identified as being the most influential:

1. 'Unemployment / Restructuring' during the transitional period push factor;
2. 'The Demand for Local Services' pull factor;
3. 'The Development of Entrepreneurial Skills' pull factor;
4. The 'Cultural Changes' pull factor; and
5. The 'Family Relatedness' pull factor.

This thesis postulates that a contribution to the understanding of the push-pull debate theory can be made through an interpretation of the factors that influence individuals' decisions to become self-employed. A significant body of worldwide research currently exists that deals with the concept of the self-employment push-pull debate. There is however no one agreed view on which factors push or pull individuals to become self-employed. An analysis of various literature sources has at times revealed contradictions and inconsistencies within this debate. This observation can be partly explained by the fact that this body of research exists across a diverse range of countries and through time. This thesis highlights the fact that a clear dichotomy of the self-employment push and pull factors may not always be adequate. This analysis highlights that what really matters when identifying the factors that push or pull individuals to become self-employed is how the individuals themselves interpret these factors. Therefore any factor potentially could be considered as being both push and pull depending upon the individual's personal interpretation.

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## **CHAPTER 1: INTRODUCTION**

### **1.1 ORIGINS OF THE RESEARCH**

The interest in the present research originated in small business studies. The previous work of the researcher (MA Research Project) has identified that the statistical analysis of Russian Small to Medium Sized Enterprises or SME sector did not provide any valuable insight into what influences the development of the Russian SME sector as the available statistical data was inconsistent and unreliable. Kihlgren (2004) identified that the reason for this inconsistency was the fact that the legal definition of an SME has changed several times during the post-Union of Soviet Socialist Republic's (USSR) period. On the other hand the comparative macro analysis of the Russian SME sector with other countries in transition (Poland, Hungary and Czech Republic) identified that the lack of small business growth in Russia cannot be attributed to the deficiency of a state support system (Kihlgren, 2003). Since the macro analysis did not identify any specific trends or business drivers that influenced the SME sector in Russia it was decided to narrow down the focus of this research to a particular area within the small business sector and to conduct a more specific targeted and focused research at the micro level.

### **1.2 JUSTIFICATION OF THE RESEARCH FOCUS**

As it was decided to conduct the research at the micro level a qualitative inductive methodology approach was adopted from the beginning. The grounded theory methodology was adopted to guide the initial stages of the research (please see the Research Design chapter of the thesis). As Glaser (1998) explains under the grounded theory approach the "researcher starts with an area of interest, not a professionally

preconceived problem, but often an area containing a life cycle interest” (pp.118-119). Such an area of interest can be substantive (empirical) or formal (conceptual) (Glaser & Strauss, 1967). The following sections present how the substantive area of the research was identified.

### **1.2.1 Russian Small Businesses**

To begin with it is important to identify what constitutes a Russian small and medium sized business; it is as equally important to recognise that the European Union’s (Storey et al., 1994) definition of an SME is different from the Russian definition.

The legal definition of a Russian SME takes into account four aspects:

1. The total number of people working in a company;
2. The legal form of company;
3. The composition of the initial capital, and
4. The total income per year.

The number of employees is defined as 101 – 250 for medium size companies; up to 100 for small businesses and 15 employees for micro companies.

The legal form of company: that is the legally registered entity in the form of cooperative and commercial organisation, can be either a peasant (farm) establishment or self-employed.

The composition of the initial capital: not more than 25% of the initial capital is allowed to be invested by government establishments, foreign entities or foreign citizens, the same restriction applies for not-for profit and religious organisations, charities and other funds, and all non-SME companies.

The maximum total income per year is identified by the government of the Russian Federation for each category of the SME sector every five years and takes into account the statistical analysis of the SME (Federal Law of the Russian Federation from 24 July 2007 #209-FZ “About Development of Small and Medium Business in the Russian Federation”).

It is important to remember that the legal definition of the Russian SMEs is not as flexible compared to the definitions of SMEs in other countries. Thus, in the UK there is not one legally agreed definition. The definition provided in the Companies Act of 2006 states that for accounting requirements small companies must have a total number of employees that does not exceed 50, its turnover – should not be more than £6.5 million and its balance sheet total should not be more than £3.26 million. Medium-sized companies must not have more than 250 employees, the companies’ turnover should not exceed £25.9 million and the balance sheet total should not be more than £12.9 million. In addition to the Companies Act of 2006 further definitions exist for banking purposes and have been published by the British Banker’s Association (University of Strathclyde, 2010).

The EU definition of an SME includes a third category of micro enterprises – a micro organisation is defined of as having less than 10 employees (University of Strathclyde, 2010), compared to the Russian definition of a micro enterprise which is characterised by organisations of less than 15 employees.

It is worth paying attention to the differences between the various SME definitions when reading the description of the cases recruited. It is important to make this distinction in order to put the following cases into context particularly when interpreting the evidence from the cases in relation to Western European and non-Russian academic

literature that may refer to slightly different interpretations of what an SME actually is (please refer to the Description of the Cases recruited section below).

### **1.2.2 Geographical Area of the Research**

The Krasnodar region was identified as the geographical area of the present research for the following reasons:

- 1) The researcher's familiarity with the region and local connections meant that it would be easier to gain access to companies.
- 2) The Krasnodar (Business-Kuban) region's high concentration of SME enterprises was taken into consideration. Within the Kuban region, SME production by volume is the sixth largest in the country out of 89 Russian regions and takes the first place in the Southern Federal District of Russia (Terterov & Cooper, 2003).
- 3) The Krasnodar region is characterised by considerable ethnic diversity. As a consequence of this fact the initial research started out with a focus on a particular Armenian ethnic element. The Armenian ethnic group was chosen as it is one of the largest ethnic minority groups within the region. The Armenian ethnic group has been estimated to be the second most populous within the Krasnodar region after Russians according to the last Russian national population census of 2002 (Shahnazaryan, 2008). In total, there were 274, 566 people living in the region who identified themselves as Armenians (Shahnazaryan, 2008).

The Krasnodar region, also known as the Kuban, is situated in the South Federal District of Russia, about 1,500 kilometres south of Moscow. The territory of the region is

75,500 sq. km. The Krasnodar region is surrounded by Rostov region to the north, Stavropol region to the East, Georgia to the South-East, Turkey is located across the Black Sea to the South and the Ukraine across the Azov Sea to the West (Terterov & Cooper, 2003). Because of its favourable geographic position the Krasnodar region is famous for being “the main transit route” (Terterov & Cooper, 2003, p.13) between Europe, Asia and the Middle East (see map in Appendix 1).

The population of the Krasnodar region is around five million people. It is the fourth biggest region in Russia after Moscow city, the Moscow region and St. Petersburg (Terterov & Cooper, 2003, p.3).

### **1.2.3 Difficulties Encountered**

The research focus was modified during the period of study as certain difficulties were encountered during the research process, these difficulties resulted in the adoption and formulation of a new research direction.

Difficulties:

- The reluctance of interviewees to give information at an early stage of interviewing.
- The difficulties in recruiting companies to interview.
- The initial unclear direction of the research due to the adoption of the Grounded Theory Methodology.
- The unfortunate exposure of the researcher to a criminal element from within the interviewee population.

### **1.3 THE RESEARCH AIMS**

The general purpose of this thesis is to demonstrate the evidence of the sustained independent effort of the author as a novice researcher; and to demonstrate that the exploratory investigation of the Russian self-employment push-pull factors was undertaken with competence.

With the focus on the chosen topic of the push-pull debate in modern-day Russia the following research objectives and questions were formulated.

#### **1.3.1 Research Questions**

As the research focus has been modified the following questions were developed by this research for the purposes of this thesis:

1. What factors influenced the business entry decision of Russian small and medium-sized business owners during the transition period (the transition of the Russian economy from the USSR model of communist collectivisation to a pseudo free market economy)?
2. What is the role of the family in Russian small business practice during the transition period?
3. What are the most important aspects of the self-employment push-pull factors from the perspective of the small business owners themselves?

### **1.3.2 Research Objectives**

In order to address the research questions the following research objectives have been formulated:

1. To identify the self-employment start-up push-pull factors in Russia during the transition period.
2. To identify the role of the family in Russian small business practice and in relation to start-up process in particular.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 PURPOSE OF THE LITERATURE REVIEW**

In order to meet the objectives of this research it was necessary to explore and summarise the relevant literature. Taking into account that the initial approach to the research was purely inductive (Creswell, 2009), the literature review was conducted with the following focus:

- To identify theories, studies and models relevant to the subject area of the pull-push debate and particular themes found in the present research;
- To define key definitions and terms;
- To establish the area of study of the present research.

### **2.2 THE STRUCTURE OF THE LITERATURE REVIEW**

To address the purpose of the literature review the following structure was adopted:

1. Different Historical Views on the Role of Self-Employment;
2. The Emergence and the Development of the Push-Pull Debate;
3. The Push-Pull Debate and Self-Employment Composition;
4. The Push-Pull Debate across the World;
5. Self-Employment and the Push-Pull Debate in Post-Soviet Russia;
6. Family Relatedness and Self-Employment;
7. Definitions Used in the Present Research;
8. A Summary of the Literature Review.

## **2.3 THE DESCRIPTION OF THE LITERATURE**

### **2.3.1 Different Historical Views on the Role of the Self-Employment**

Research into self-employment became of significant interest among scholars and policy makers during the last decades of the 20th century. During different historical times the role of self-employment and of small businesses was viewed differently by researchers and policy makers. After World War II, when the economies of the western world needed to recover quickly, many scholars regarded the role of small businesses as being of less importance compared to big business on the grounds of economic efficiency. For example, Audretsch (2004) stated that “when seen through the length of the neoclassical growth model provided by Robert Solow (1956), the small business contributed little to economic growth” (p. 187). Such views resulted in policies which either discouraged small business (e.g. Sweden, France) or promoted small business for social reasons only (e.g. USA) (Audretsch, 2004).

Views about the importance of small businesses for economic growth became apparent after a long-term decline in self-employment slowed down or in some countries, like UK and USA, had even been reversed (Granger, Stanworth, & Stanworth, 1995; Meager, 1992). Some empirical evidence demonstrated that the countries whose policies recognised the importance of small business entrepreneurship and self-employment, such as the USA, experienced higher economic growth rates compared to those countries that did not pay as much attention to the promotion of the small business in their policies, such as Germany (Soete & Stephan, 2004). Thus, it became a generally accepted agreement amongst researchers that the creation of new enterprises, and the development of the small business sector, promoted economic growth through

employment generation, promotion of social welfare (Binks & Vale, 1990) and through innovation (Audretsch, 2004).

Later research has linked the resurgence of self-employment to increased conditions of economic hardship and unemployment within the labour market during recessionary periods and thus raising the question of whether the cyclical Push (unemployment) factor has more to do with the growth of the self-employment phenomenon than entrepreneurial aspirations Pull factor (Granger et al., 1995).

### **2.3.2 The Emergence and the Development of the Push-Pull Debate**

To provide a better background to the emergence of the self-employment Push-Pull debate among scholars it is important to remember that in the UK between 1979 – 1989 there had been an unprecedented rise in self-employment as its levels almost doubled (Meager & Bates, 2004). At the same time during the recessions in 1970s and early 1980s many jobs were lost in traditional economic sectors which gave belief to the policymakers that the growth in self-employment is linked with the entrepreneurialism that in its turn was influenced by unemployment (Meager & Bates, 2004). However, it soon became obvious that such simplistic suggestions were premature as levels of self-employment in the 1980s “did not follow the economic cycle” (Meager & Bates, 2004, p. 137). During the recession of the early 1990s the level of self-employment declined and consequently recovered during 1994 – 1997 which reflected a general trend in the levels of employment in that period (Meager & Bates, 2004). In the period of 1997 – 2000 it became apparent again that the cyclic factors cannot explain the development of the self-employment as its rates in the UK declined during the period of economic growth (Meager & Bates, 2004). Such empirical evidence provided the views that

influenced research by various scholars during those times and not only in the UK but in other countries as well.

Thus, Alba-Ramirez (1994), Evans and Leighton (1989), Scheutze (2000) and Yu (2004) found a positive relationship between economic depression and unemployment rates (in G. Kim & Cho, 2008). On the other hand, authors like Audretsch and Fritsch (1994), Blanchflower and Oswald (1998) and Garofoli (1994) found a negative relationship between depression/unemployment and self-employment (in Kim & Cho, 2008). Thus, the cyclic factors combined with other factors can have opposite impacts on the self-employment and cannot be considered as being predictable (Meager & Bates, 2004).

Since the unemployment push factor became of significant interest for the small business researchers various studies attempted to create models that would explain the factors that affect self-employment. Meager (1992) has summarised the main aspects of the self-employment models and this is represented below:

- Opportunities' emerge as changes in the dependent labour employment market is affected by changes in the economic cycle;
- The influence change across many business sectors (decline in manufacturing and agriculture followed by the services business expansion);
- The changes in entrepreneurial aspirations within certain economic sectors (increased preference for autonomy at work);
- The changes in employer recruitment strategies (increased preference for sub-contracting);
- The emergence of increased Government policy that support self-employment and small businesses;

- Demographic changes (as the interest to become self-employed increases with age).

To be more precise the following explanations were offered by various researchers. Bogenhold and Staber (1991) suggested that the rise in self-employment can be explained as the response to the insufficiencies in the labour market as opposed to being a sign of economic growth, and individuals' backgrounds have to be taken into consideration as they influence the decision to become self-employed. Those individuals who are pushed into the self-employment were likely to have been working in low paid unskilled jobs, their income opportunities were restricted and there was no employment security. The group of individuals who were pulled into self-employment, on the other hand, had been occupying positions with a higher income and better career prospects. Thus, their motivation to go independent was influenced by their desire for self-achievement and their ability for long-term strategy (Brodie, 1999).

Since the early 1990s this research has been developed further as Bogenhold and Staber (1993) suggested that researchers construct dynamic frameworks of self-employment by taking into account the dynamic social and economic context of potential and of actual self-employed people. As Bogenhold and Staber (1993) stated current research into the unemployment push factor on its own cannot be regarded as influencing self employment entry decisions. The reason for this is that it could be suggested that after the recovery of the economy that follows a recession individuals who were pushed into self-employment would come back to the dependent labour market. Thus, more in-depth qualitative studies should be undertaken to determine an individuals' choices that affect "their mobility between different labour market states" (Granger et al., 1995, p. 274). Storey and Johnston (1987) also confirmed the importance of studying entry/exit

patterns, but from another angle, as they state that a certain proportion of new self-employment entrants fail and leave business shortly after the start irrespective of cyclical fluctuations due to having had inadequate business skills or because of poorly thought out business plans (in Meager, 1992). Thus, it is important to study the entry/exit factors to develop a better understanding of self-employment as it is expected that inflows will be followed by outflows (Meager, 1992).

Other studies as well moved from the idea that there is a direct relationship between self-employment and the economic cyclic push factor. For example, the studies by Lucas (1978), Kihlstrom and Laffont (1978), Evans and Jovanovic (1989) did not take into account the unemployment push factor and highlighted the role of initial capital, risk preferences and management skills in their explanation of the factors that influence the decisions that are made to become self-employed or to choose dependent employment (in Pfeiffer & Reize, 1998). Similarly, Henley (2007) had focused his study on the aspiration pull factor prior self-employment. Further, Storey (1994) suggested that in understanding the complex nature of motivation to become self-employed it is important to remember that financial reasons are often exaggerated, and that the main reason for people to become self-employed is the desire for more control and independence (in Curran & Blackburn, 2001, p. 891). However, as Meager (1992) states there is consistent micro-evidence within previous research that suggests that the unemployment push factor should not be excluded from consideration.

Various researches suggested that a simplistic Push-Pull motivational theory cannot provide an insight into the complexities of the business entry decision making process. Personal and situational factors as well as the cross-sector differences also should be taken into consideration, as their interaction influences labour market behaviour

(Granger et al., 1995). Thus, researchers had later focused their attention on developing more sophisticated models of the self-employment push-pull debate.

For example, the study of a particular sector (UK publishing) carried out by Granger et al. (1995) identified four career types of the self-employed: “refugees”, “missionaries”, “trade-offs” and “converts”. “Refugees” when they make decisions about entering into self-employment are clearly influenced by the unemployment push factor, as they have a strong attachment to their previous direct employment job. “Missionaries” represent the group opposite to the “refugees” as their business entry decision is influenced by the entrepreneurial pull factor, which underlines that the individuals have acquired some form “entrepreneurial ideology” (previous experience, family background etc.) prior to deciding to become self-employed. The “Trade-Off” career type reflects the combination of both the push and pull factors (more push than pull) as individuals are pushed into self-employment due to non-work related issues (such as illness, family situation etc.) and at the same time are pulled into self-employment by the attractiveness of the flexibility of the self-employment job type. Finally, the “converts” represent the group of self-employed who were originally pushed into self-employment but changed their mentality and decided not to come back to direct employment thus being converted into having an entrepreneurial ideology (more pull than push but after they become self-employed). Although, the above described model was developed in a particular context (within a particular economic sector and from the point of view of stratification research) the typology was also recognised and adopted for other research: e.g. in the direct selling business (Brodie, 1999).

The above theory brings to attention the importance of not only considering motivational models of self-employment growth prior to the business entry stage, but

also afterwards. Indeed, in line with this perspective it is important to adapt *the social action view* of small business that states that the small business can be defined as “an ongoing social entity constructed out of the meanings and actions of those who participate in the firm or who are ‘outsiders’ in relation to the firm as social grouping but nevertheless interact with the participants” (Stanworth & Curran, 2000, p.97). The social action view theory brings into attention the importance of not adopting the positivist models of small business and self-employment growth, including the preliminary stage – the business entry decision. Self-employed and small business firms should be considered as on-going entities because they are constantly undergoing changes that influences the self-employment situation within society overall and the factors influencing the phenomenon.

### **2.3.3 Push-Pull Debate and Self-Employment Composition**

With time the research knowledge developed to recognise that self-employed people are a heterogeneous group and that it is important to understand the factors that influence the composition of self-employment.

#### **Gender**

Various studies suggested looking at the gender composition of self-employment (see for example Caputo & Dolinsky, 1998; Carr, 1996). Meager and Bates (2004) found that from the macro perspective there is no strong evidence of the links between the economic growth and the rise of women’s self-employment rates in the UK. Other scholars studied gender differences in self-employment within particular contexts and in comparison with each other (Kirkwood, 2009). Kuhn and Schuetze (2001) have found that in Canada it is the general labour market conditions that explain women’s and

men's transition into self-employment (in Grieco, 2008). They suggest that the push factor influences only men's transition to self-employment and thus the push factor is gender specific (in Hughes, 2003).

Many researchers identified that there are certain factors that pull women into self-employment, such as fulfilling their entrepreneurial desires, becoming independent, involvement in a family business (Hughes, 2003). Other studies suggested that women had been pushed to become self-employed in the times when there was a lack of available jobs (Hughes, 2003).

Overall, within Russia later research has found that in regard to the gender composition of self-employment entrepreneurs are more likely to be male (Aidis, Estrin, & Mickiewicz, 2008). Although, many researchers have focused on gender differences within the self-employment push-pull debate (see also Hughes, 2003), there is still a significant gap in the research on female entrepreneurship within transition economies (Aidis, Welter, Smallbone, & Isakova, 2007), which may identify certain variables that are specific to a country context.

### Age

Overall, the idea of "third age entrepreneurship" (Curran & Blackburn, 2001, p. 898) has attracted the attention of various researchers, however there is still a considerable gap in the understanding of how age influences the decision of older people to become self-employed. There is a general trend recognised in many countries of the increased likelihood of self-employment with age (Grieco, 2008; G. Kim & Cho, 2008; Meager & Bates, 2004; Shinnar & Young, 2008). However, in some countries older aged

individuals may find it more difficult to become self-employed (Zhang & Beaujot, 1997).

With regards to Russia Ageev et al. (1995) have found that “the main group of Russian entrepreneurs are young, bringing a new generation to economic power” (p. 375). However, a later research conducted by Aidis et al. (2008) have stated that Russian entrepreneurs are likely to be older than their counterparts in more developed countries (p. 675). Thus, as different studies provide contradictory explanations researchers now recognise that age differences among the self-employed should be taken into consideration together with other factors.

### **Sector Differences**

The disparate nature of different economic sectors has also been recognised as influencing self-employment dynamics. For example, in the UK there has been a noticeable decline in self-employment rates within the agricultural sector, whereas the massive rise of self-employment in the construction sector (in 1980s – 1990s) contributed towards the generally increased levels of self-employment in the country as a whole (Meager & Bates, 2004).

As sectoral differences became more apparent some authors have suggested explanations for particular self-employment dynamics within particular sectors (see for example Glancey, Greig, & Pettigrew, 1998; Granger et al., 1995; Rizov, 2005).

### **Minority Groups**

Many researchers describe the “unemployment push” factor into self-employment as an alternative for visible minority groups (Clark & Drinkwater, 2001; Zhang & Beaujot,

1997), immigrants (Bates, 1994, Cobas 1987, Yuengert, 1995 in Zhang and Beaujot, 1997) and women (Hughes, 2003; Kirkwood, 2009; Zhang & Beaujot, 1997).

The effect of economic migration on self-employment has not received much attention among migration scholars (Borjas, 1986). However, Greenwood (1985) highlighted the fact that the relationship between migration processes and labour markets should be studied further. Many migration studies explained the links between the changes in population and employment but from different perspectives (Greenwood, 1985). However, it has been recognised that peculiarities concerning international and internal migration processes in less developed countries had not been studied in detail (Greenwood, 1985). Nevertheless, gradually scholars have started to recognise the importance of migration processes on labour markets and upon self-employment in particular (e.g. Borjas, 1986). However, such studies do not include the internal migration effects on self-employment.

The study area that is concerned with the push-pull debate of immigrants / ethnic minority groups has acquired a particular term – ethnic entrepreneurship. Many developments have been made within the field of ethnic entrepreneurship recently (Ram & Jones, 2008). Earlier theories, like those associated with the enclave theories and the middleman theory, do not explain the phenomenon completely (Volery, 2007). Later theories, such as disadvantage theory and cultural theory, provide more insight into the phenomenon of self-employment among immigrants and ethnic entrepreneurs (Volery, 2007).

Disadvantage theory suggests that upon arrival the immigrants are influenced by the disadvantages that they have in the host country (Fregetto, 2004 in Volery, 2007). The disadvantages include a lack of mobility, labour market discrimination, lack of human

capital (language, working experience and education) (see also Shinnar & Young, 2008). Because of these disadvantages self-employment is seen as being an alternative to unemployment.

Cultural theory focuses upon the cultural / ethnic features that are attributable to a particular ethnic and immigrant groups (Volery, 2007). Such cultural attributes can include loyalty, solidarity, a work ethic and the inclination towards self-employment (Masurel et al., 2004 in Volery, 2007.).

#### **2.3.4 Push-Pull Debate Across the World**

Since the time that the “unemployment push” vs “entrepreneurial pull” debate first appeared in more developed countries, like the UK and the USA, other countries have adopted a similar approach to the analysis of the factors influencing self-employment. The results of each study present a combination of particular factors that either push or pull individuals to become self-employed. As some of these factors contradict each other when applied in the contexts of different countries the researchers now realise that it is important to explain how and why these factors differ and what are the new factors, if any, that distinguish the self-employment entry-exit dynamics within the context of particular countries. Below are some examples.

In South Korea (G. Kim & Cho, 2008) it was found that unemployment caused by the Asian financial crisis was a strong push factor that influenced the rise in self-employment particularly within the fishing and non-agricultural sectors. Also it was noticed that the likelihood to become self-employed increases with age as during recent years many older people who found difficulties within the direct employment labour market chose to set up their own companies.

In Canada Zhang and Beaujot (1997) suggested the fact that the longer an individual has been unemployed the more likely he is to attempt to become self-employed. The unemployment push factor in the form of the duration of the joblessness stage prior employment acting as a stimulus to seek self-employment. However, the older generation (49 – 63 years old) found it more difficult to become self-employed (as well as to find a paid job). Human capital variables (such as education and work experience) were found to be facilitators for the transition from unemployment to self-employment although the educational factor was only applicable to the male group.

In Estonia Saar and Unt (2006) suggested that the push factor was caused by the economic restructuring of society during the transition period as it made dependent jobs unattractive (poor working conditions) and that the experiences of the self-employed have been influenced by the processes of selective mobility (Saar & Unt, 2008).

In New Zealand (McGregor & Tweed, 1998) it was found that it was easier for those who were short-term unemployed to move into self-employment (as they were able to adopt the skills they developed while they were in the dependent employment) rather than those who stayed unemployed for a longer period.

In Taiwan (Wang, 2006) it was similarly identified that the recession push factor prevailed over the prosperity pull factor when the decision to become the self-employed was made. The combination of other factors is also considered, especially, capital and production costs.

### **2.3.5 Self-Employment and Push-Pull Debate in Post-Soviet Russia**

It has been recognised amongst scholars that there is no one model for the push-pull debate and that the push-pull motivational factors should be studied within the specified

contexts of the area that is being researched, therefore it is also important to conduct the literature review for this research thesis for this subject area within a Russian context.

The concept of self-employment and small private business in modern-day Russia is a new phenomenon in historical terms (Ageev et al., 1995; Frye, 2002; Gerber, 2004; Hisrich, Bucar, & Oztark, 2003). It is an acknowledged fact that it is the transition period that provided an opportunity for individuals to turn to self-employment as without these changes the self-employed and small business owners would not have any access to this type of career path (Gerber, 2004). That is jobs that had previously been provided by the State before the transition period and which were now redundant provided the surge for the establishment of new privately owned businesses to fill the gap as many long existing enterprises collapsed (Basareva, 2002). The transition from a planned economy, that had been dominated by large state run monopolistic companies that produced very limited consumer goods and restricted trade and services activities through overregulation, provided opportunities for unmet market demands with enormous earnings potential (McMillan & Woodruff, 2002).

Overall the development of the Russian small business sector has been given much hope from the beginning of the transition because of the official change in the Russian cultural attitudes in favour of a market economy (Puffer & McCarthy, 2007). This includes the government position not only at the state level but also at the regional level. Pissarides et al. (2003), for example, stated that in the Krasnodar region of Russia there is a pro-reform local government. However, it has been acknowledged that the small business sector did not receive the desired attention and support from the government which resulted in the lack of favourable economic and legal conditions (Avtonomov, 2006; Broadman, 2000; Safavian, Graham, & Gonzalez-Vega, 2001).

The extent of the government's interference during the transitional period is unclear (McMillan & Woodruff, 2002). On one hand, Djankov et al. (2002) found that stricter regulation of business entry is associated with a higher level of corruption and a sizable informal economic landscape. On the other hand, McMillan and Woodruff (2002) suggest that some government intervention is required as in the absence of formal institutions that support property rights and contract law as "the self-help substitutes for market-supporting institutions" (p. 167) would work only for the very small businesses. Larger companies, i.e. those that were privatised, and those small firms expanding their business activities cannot rely on personalised relationships and need formal institutions (McMillan & Woodruff, 2002).

At present there is not much literature that focuses upon the country-specific institutional and economic policy factors that influence self-employment within a transitional economy (G. Kim & Cho, 2008). There is also no one agreed opinion among researchers on how the transitional market economic conditions influence entry patterns of the self-employed (Gerber, 2004). Market Transition Theory suggests that the creation and spread of market institutions will contribute towards the development of the entrepreneurial skills that will provide higher income for the self-employed as they will take over the rewards and redistributed power of the previous state institutions (Gerber, 2004). As this theory was originally developed for the situation in China its impact on Russia needs to be researched further. The Power Conversion Theory suggests that ex-members of the Communist Party use their connections within the power networks for their material advantage during the transition period.

Gerber (2004) found that many factors influencing the business entry decision in contemporary Russia are similar to those experienced in advanced capitalist countries.

However, he states that age, education, gender and family factors have a different impact on the self-employed in Russia. A more recent research conducted at the macro level has found that higher education is not strongly associated with business start-ups and owners of existing firms in Russia (Aidis & Estrin, 2006).

In order to better understand the push and pull self-employment factors within Russia it is worth mentioning that Ageev et al. (1995) have differentiated three groups of Russian entrepreneurs after the Soviet Union collapsed. The first group of entrepreneurs is called the “Old Guard” (Ageev et al., 1995, p. 371); these entrepreneurs had developed their leadership skills whilst working in the totalitarian system. This group of people have a direct access to resources and information, and they rely upon their former connections in business today. The second group of entrepreneurs is called “New Waves” (Ageev et al., 1995, p. 371); these entrepreneurs were previously the leaders of illegal or informal businesses, and former military and / or party members. The third group are called the “Unwilling Entrepreneurs” (Ageev et al., 1995, p. 371); these individuals were forced to open their own businesses because of unemployment and their main area of business operations is trade.

In addition to the entrepreneurs classification Ageev et al. (1995) adds that not only unemployment, but also job frustration were among the main reasons for a transition to self-employment. As they found in their study that 59% of Russian entrepreneurs were unsatisfied with their employment conditions at the departure point of their entrepreneurial career (Ageev et al., 1995). To a certain extent Ageev’s et al. classification can be applied to explain certain trends in the self-employment push / pull debate within the Russian context. However, other theories also need to be considered.

Also, it has been found that entrepreneurs who used their personal savings as start-up capital generally did not rely upon external financing resources (Ageev et al., 1995). In their study Ageev et al. (1995) found that the majority of new businesses (72%) were opened in the areas where entrepreneurs had no previous experience. This lack of business training was mentioned as one of the main constraints, faced by entrepreneurs, although the entrepreneurs stated that they felt stronger about some aspects of their managerial skills, namely dealing with people and idea generation skills (Ageev et al., 1995).

Another important aspect that influences the understanding of the self-employment dynamic is that in modern-day Russia the small business sector operates to a great extent within the informal economy (Avtonomov, 2006; B. Kim & Kang, 2009). An informal economy is differentiated from an illegal economy in the sense that the former can be legally registered but not without the support of the relevant authorities (B. Kim & Kang, 2009). Thus, it is important to understand the role of the informal economy in the formation of the small business sector.

Certain cultural elements that were prevalent during the Soviet Union Period and that existed into the transition period should not be ignored and the impact that these cultural elements have had upon business during this period needs to be examined. Scholars like Fjodorov (in Schrader, 2004) emphasized that during the Soviet Union period there was a clear distinction between the private and the public spheres. A double morality during this period developed because of a distrust of all government authorities, this distrust extended into the transition period and is still prevalent today. At an official level people in their everyday social interactions and public demonstrations of loyalty had to demonstrate a hypocritical obedience to the state however at a personal level the

importance of trust was thought to be even more important (Schrader, 2004). Two clear and distinct polar spheres of social distance were developed; this situation is clearly reflected in the widespread use of colloquial language which refers to personal space as being “ours” or “not ours”. The economic implication of such a moral division is highlighted during the unstable phase of the transitional period when people relied upon personal social networks (social capital) to do business as their perception of the world continued to distinguish between two opposite spheres of social interaction. Thus, their solidarity and trust was often limited to personal networks, they had an organisational pattern that was based upon family relatedness, ethnicity, local origin or shared history (Schrader, 2004).

Another important factor that influenced the processes of entrepreneurship in Russia is the inherently weak institutional infrastructure and a markedly unfriendly business environment. Aidis and Estrin (2006) suggest that the existence of such an environment in Russia explains why the entrepreneurial experience of the owners of new businesses is significant. The idea is similar to that that is explained by Dyer Jr. and Mortensen (2005) when they discuss the fact that a hostile business environment in Eastern European countries is characterised among other factors by a lack of infrastructure, corruption, political uncertainty, lack of legal protection, inappropriate government intrusion and war.

### **2.3.6 Family Relatedness and Self-Employment**

It has been acknowledged that in advanced economies the concept of self-employment is the one that is closely related to the concept of family embeddedness (Arum & Müller, 2004). In fact most companies whether small or large, private or public have always started out as family businesses (Burns, 2007; Heck, Hoy, Poutziouris, & Steier,

2008) and the vast majority of business organisations are family businesses (Chrisman, Chua, & Steier, 2003). There is no universally agreed definition for family businesses (Burns, 2007). One of the reasons why the integrated theory of complex dynamics of relationships between family and entrepreneurs over time does not exist is the fact that both fields of research – family business and entrepreneurship – are still under development (Craig & Lindsay, 2002). Nevertheless, recent research recognised that the failure to include family business perspective into theories of entrepreneurship may result in the development of less valuable models (Chrisman et al., 2003).

There are several aspects as to how the subject area of family relatedness can influence the entry-exit dynamics of self-employed. This present research is interested in the subject areas of family succession and family capital as it relates to the entry-exit dynamics of the self-employed. .

### **Family Capital**

Family capital can be viewed of as one of the forms of social capital (Rodriguez, Tuggle, & Hackett, 2009). Social capital as defined by Bourdieu is “the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (in Westlund & Bolton, 2003, p.77). Although social capital theory has been considered by many researchers with regards to the study of entrepreneurship in general (e.g. Svendsen & Svendsen, 2004; Westlund & Bolton, 2003), little attention has been paid by the researchers to how one aspect of social capital – family capital – influences the decision of individuals to become self-employed (Rodriguez et al., 2009).

Previous research has recognised the importance of general social capital within Russia during the transitional period as being the main source of income security (Batjargal, 2000; Rose, 1999). Previous research has also recognised that there is a distinction between social capital at the societal level and social capital at the personal level in Russia (Schrader, 2004). Social Capital at the societal level is weaker than Social Capital that is exerted at the personal level (Schrader, 2004). Thus, as family can be seen to play an important role in the formation of personal relation structures, it is important to understand what constitutes family social capital.

There are three types of resources that are available within family capital (Rodriguez et al., 2009):

1. Family financial capital,
2. Family social capital, and
3. Family human capital.

### **Family Financial Capital**

Family financial capital constitutes one of the forms of family capital (Rodriguez et al., 2009). It is thought that family financial capital is available to businesses when family members have positive relationships with each other (Sorenson & Bierman, 2009). The form of the family financial capital could be either personal loans or gifts for the business purposes (Sorenson & Bierman, 2009).

### **Family Social Capital**

The core of family social capital is family “moral infrastructure” (Sorenson & Bierman, 2009, p. 193). In other words family social capital can be considered as family social

relationships affected by family members' beliefs, attitudes, values, obligations, traditions and expectations (Sorenson & Bierman, 2009). Chang et al. (2009) has found that family social capital directly and indirectly influences the business start-up decision.

Renzulli et al. (2000) found that if there was a greater proportion of family members within the individuals network it was less likely that they were to start their own businesses (in Klyver, 2007, p. 260). They stated that the time that was needed to maintain the kinship relationship was disproportionate to the value that the family members brought to the social network. Thus timing was considered to be a disadvantage (Klyver, 2007).

Further, Woodward (1988) found that those individuals who were successful in their business had a limited circle of friends and family members within their core social network (in Klyver, 2007).

Liao and Welsch (2001) have found that family members who are the entrepreneurs themselves increase the general entrepreneurial ambition of other family members (in Klyver, 2007). Similarly, Davidsson and Hong (2003) have concluded that the presence and encouragement of parents or close friends and neighbours in business were positively associated with the decision of opening business (in Klyver, 2007). Therefore proximity to business success or direct business experience within a family can act as entrepreneurial stimuli for other family members.

The family social network was considered by various researchers to contribute to the entrepreneurial process, including at the early stages of start-up, in many different ways.

### **Family Human Capital**

Family human capital is considered to be a combination of the individual family members experience, skills, knowledge, abilities and energy that are potentially available to the business (Sorenson & Bierman, 2009, p.194). One of the main advantages of that family human capital exerts upon the businesses is that it increases the flexibility of the business (Sorenson & Bierman, 2009). However, the stock of family human capital can be affected in cases when family members have obligations to care about each other. For example when poor health issues are considered the availability of family human capital for the new businesses will be affected negatively (Rodriguez et al., 2009 in Sorenson & Bierman, 2009).

### **Family Succession**

Family business succession research forms a part of family relatedness and self-employment research. It has been recognised as long ago as in the 1960s that the self-employed group has the prevalent occupational inheritance across generations (Arum & Müller, 2004). This idea was also highlighted by ethnic entrepreneurship scholars (Hout & Rosen, 2000).

Various researchers highlighted that a younger generation may participate in the family businesses for reasons of possible succession (Cater & Justis, 2009; Ip & Jacobs, 2006; Mazzola, Marchisio, & Astrachan, 2008; Sonfield & Lussier, 2002) or for reasons of social and financial support – family social and financial capital theories (Rodriguez et al., 2009).

Overall, it had been recognised that the values and aspirations of owners should be taken into consideration during the process of the start-up as strategic decisions, such as

venture creation, are not made purely on the grounds of economic reasoning (Chrisman et al., 2003, p. 442). As Heck et al (2008) stated “the family firm is a combination of the family system with the entrepreneurial behaviours of its members” (p. 318). Thus family businesses owners take into consideration not only their business interests but also the interests of the family (Chrisman et al., 2003). In other words, the family business succession insures not only the business survival and growth, but also the continuation of the families’ legacy (Chrisman et al., 2003).

### **Family Relatedness and Self-Employment within a Russian context**

Although, the previous research has started to recognise the important role of the family involvement in the entrepreneurial process and at the stages of the companies start-up in particular (e.g. Klyver, 2007), no previous research has emphasised the importance of the family role during business start-up within Eastern European countries, the economies of which are characterised by having an economically hostile environment (Dyer Jr & Mortensen, 2005). The application of Social capital within Russia is particularly concerned with the concept of “blat”, i.e. connections (Dyer Jr & Mortensen, 2005).

#### **2.3.7 Definitions Used in the Present Research**

It is important to provide definitions of the terms used in the present research as some of them may overlap or have a close meaning.

The term “self-employment” is usually defined from the position of autonomy and independence (Meager & Bates, 2004). Various literatures recognise that there is no one agreed definition and the group of self-employed people is not homogeneous. In particular the following categories can be called self-employed (Meager & Bates, 2004):

- Small business owners and entrepreneurs;
- Independent professionals;
- Skilled manual workers and craftsmen;
- Home workers;
- Subcontractors.

In the present research the terms “self-employed”, “small business owners” and “entrepreneurs” are used interchangeably for convenience purposes. Although, these terms do not correspond exactly, nevertheless, various literatures explain that there is a high degree of approximation between the terms (e.g. Grieco, 2008). In the present research such cross terminological application is explained as many entrepreneurial functions and characteristics are considered to be applicable for all managers, small business owners and the self-employed within modern day Russia. For a detailed discussion please refer to Grieco (2008). For other definitions used in this research please refer to the literature review sections above.

## **2.4 LITERATURE REVIEW CONCLUSION**

The critical analysis of the literature review has revealed that when studying the self-employment push and pull factors it is important to take into consideration that no one theoretical framework can be used as a role model. In fact, the contradictions and inconsistencies in the previous research suggest that the self-employment push-pull debate theory is context specific. This idea goes along with the literature review conducted by other researchers (e.g. Grieco, 2008). To provide an example of contradictions that appear in previous research, there is no agreed view on whether unemployment/recession pushes individuals to become self-employed or whether the signs of economic growth should be taken into consideration at all (Bogenhold &

Staber, 1991; G. Kim & Cho, 2008; Meager, 1992). There is also no agreed view on whether the likelihood of self-employment increases with age or whether older people do not tend to become self-employed (Curran & Blackburn, 2001; G. Kim & Cho, 2008; Meager & Bates, 2004; Zhang & Beaujot, 1997). Previous research had also been inconsistent as the issues of human and social capital, and especially of family capital within the push-pull debate were not addressed in sufficient detail by many researchers.

Thus, the present research suggests that the self-employment push-pull debate should be considered within the context of a particular environment which is consistent with the recent research that tends to address the self-employment push-pull debate in particular countries (see the Push-Pull Debate across the World section). That is, the historical, economic, social, country specific, entrepreneurs' personal (especially family) and circumstantial factors (and others) should be taken into consideration in any particular research project.

As the literature review was further developed after the initial analysis had been conducted certain areas subsequently emerged as being important within the research such as family relatedness and the self-employment push-pull debate in modern-day Russia. The literature review revealed that there is a gap in the literature addressing these two topics and specifically their link to the self-employment push-pull debate. The practical data revealed the importance of Russia's changing conditions and the family relatedness factor. However, when the literature review was conducted it proved that little information was available and no theoretical frameworks could be used to analyse the data within the self-employment push-pull debate. Therefore, the literature review had identified the gap that needed to be addressed by the present research. In particular, what exactly is the family influence on the individual's decision to start their own

business, and can this influence be considered as a push or a pull factor? Since the research have been conducted in Russia and with the importance of the family factor being revealed what are the country's specific conditions that shape the push and pull factors in Russia during the transition period?

With these questions in mind the research objectives were formulated (as stated in the Introduction) to address the issues of self-employment start-up push-pull factors in Russia in transition, the Russian emerging entrepreneurship, and the role of the family in Russian small business practice and start-up process.

## **CHAPTER 3: RESEARCH DESIGN**

The present chapter describes the elements of the research design adopted for the study. The research design can be defined as a general strategic approach of the research project that involves three components (Creswell, 2009):

1. A philosophical worldview;
2. A strategy of inquiry;
3. Research methods of data collection and analysis.

### **3.1 PHILOSOPHICAL WORLDVIEW**

Philosophical ideas influence the direction and outcome of research, thus, when presenting the outcome of the research it is important to identify the beliefs that guide the direction of the research. Many scholars identify the epistemology and ontology as philosophical assumptions that influence social science research. However, some researchers add other philosophical views. Thus, according to Mingers (2003) in addition to epistemology and ontology another philosophical assumption that influences the theory modelling process is axiology. Whereas, according to Burrell and Morgan another philosophical assumption is that about human nature (in Morgan & Smircich, 1980).

Epistemology refers to what constitutes acceptable knowledge (Bryman & Bell, 2007), i.e. how the model/theory is created (Mingers, 2003). Ontology is concerned with the nature of the social world/social entities under study (Bryman & Bell, 2007). Axiology is used alongside with the term “ethics”, i.e. what is considered to be right (Mingers, 2003). Finally, the assumptions about human nature underline that social scientists researchers can adopt various views about human beings (Morgan & Smircich, 1980).

The ontological and epistemological assumptions in the present research represent the combinations of social constructivism with interpretivism and are therefore much closer to the subjectivist approach to social science than the objectivist. The philosophical ideas that guided this research are described below in more detail.

### **3.1.1 Ontology**

The ontological assumption of the present research is social constructivism. Social constructivism assumes that meanings of individuals' experiences are subjective, multiple and varied (Creswell, 2009). Thus, the complexities of the views (as opposed to the few categories that are generated) are thought to explain the meaning of the phenomenon under study. During the data collection and analysis it was remembered that the participants construct their meanings themselves through discussions during the interviews and/or through interactions as they are observed by the researcher. The participants construct their subjective meanings and interpret the events depending on a particular social context. Thus, it is important to study the setting or context of the participants by observing and obtaining research data personally. The social context of the data gathered underlines that the meaning generated is always social (Creswell, 2009).

### **3.1.2 Epistemology**

The epistemological assumption of the present research is concerned with understanding how the social reality is created (as opposed to constructing positivist science model) by adopting the interpretivist view (Morgan & Smircich, 1980).

Interpretivism is an epistemological position that involves the researcher herself to interpret the meanings that the participants attach to certain actions in the world under

study. Thus, the interpretivist approach highlights that conscious and unconscious explanations of people's actions and beliefs depend on a particular context, culture, time etc. In the present research the cultural and ethnic differences that existed between the researcher and the participants and the differences or nuances in interpretation of answers to interview questions have been taken into consideration when the interview analysis was conducted. Whereas the interpretivist approach implies that the results of the research analysis cannot be generalised to a wider population and thus, will not necessarily be repeated (Lin, 1998), some elements of generalisation are possible but their limits should be acknowledged and specified (Williams, 2000). Thus the present research does not suggest that the results of the analysis should be generated, however, the idea that some of the theoretical elements of the present research could be used in future studies is not rejected.

### **3.1.3 Human Nature**

The philosophical assumptions about human nature in the present research views man as a social constructor, man as a social actor and man as an information processor (Morgan & Smircich, 1980). The assumption that humans are social constructors highlights that their reality is subjectively constructed and can disappear once the humans cease to view it as such. In the present research the theoretical elements are specified within the transition period and the changing environment as having influenced the participants' view of the reality. Humans as social actors are viewed as interpreting 'their' society and acting in culturally specific action modes that creates a meaningful relationship with the world. Humans as information processors underline that by interpreting information and consequently acting on it they bring change to their world, thus, humans are seen as

components of the changing whole. Baring this in mind in the present research the importance of changes and a particular context of the study was highlighted.

#### **3.1.4 Axiology**

The philosophical assumption of axiology is concerned with the purposes of the model and with those who develop and use that model (Mingers, 2003). As indirectly mentioned above in the present research both sides, i.e. the participants and the researcher contribute to theory development. The users or readers of the present research theory are identified as social science scholars, in particular sociologists.

### **3.2 STRATEGY OF INQUIRY (METHODOLOGY)**

A strategy of inquiry, otherwise known as a research methodology, can be defined as a type of either qualitative, quantitative or mixed method that is presented as a model that provides direction for procedures of data collection and analysis (Creswell, 2009). In the present research the strategy of inquiry is purely qualitative and includes elements of grounded theory, organisational ethnography (Van Maanen, 1979) and longitudinal multiple case study approach (Yin, 1994). The presence of various elements in the present research is justified as the qualitative research methodology (as a general approach) is influenced by the social phenomena under study (Morgan & Smircich, 1980). Thus, it is the nature of the present research that has dictated the inclusion of the above identified methodological elements.

#### **3.2.1 Theory Development**

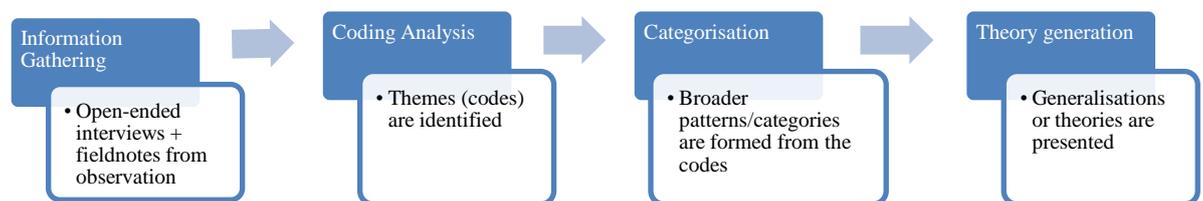
In qualitative inquiries a theory can be used/built in different ways (Creswell, 2009). Firstly, similarly to quantitative research a theory can be presented as a set of

hypotheses/variables that in a broad sense explain certain behaviours and attitudes. In such research the theory is developed by applying the deductive approach, whereas the researcher begins with a model that is used as a theoretical orientation. Such model is lately tested through the qualitative analysis.

Secondly, the qualitative theory can be developed through the use of “theoretical lens” (Creswell, 2009, p. 62). Such lens serves as a general guiding perspective (a general theory) that influences the types of data collection and analysis.

Thirdly, the qualitative theory can be developed by applying the inductive approach (Creswell, 2009). The logic of the inductive approach underlines that the research inquiry starts with the gathering of information either by observation or/and by asking the open-ended questions. The next stage underlines the start of analysis by the categorisation of data into themes (codes). The themes are then combined into broader categories (patterns, theories or themes). Finally, a generalised theory/model is developed (Figure 1).

**Figure 1. Inductive Reasoning of Analysis (adopted from Creswell, 2009)**



The theory inquiry in the present qualitative research started with a general theoretical orientation on the small business development in the present day Russia. After the initial literature review it was decided to follow purely inductive approach.

The present research has adopted the inductive approach primarily for two reasons. Firstly, it was decided not to adopt a theoretical framework from the Western literature because it had been acknowledged that the application of the western business/management theories might not be applicable within the Russian context. Many western companies who expressed their interest in investing in the Russian economy have encountered difficulties primarily because of the lack of understanding of cultural differences. Also western theories can have different meanings within the Russian context, i.e. the same definitions can have different meanings for Russian participants (Fey & Denison, 2003).

Secondly, referring to a theoretical model provided by the Russian literature also appeared to be difficult because there is a considerable lack of qualitative analysis of Small and Medium Business Enterprises (SMEs) in transition economies (Safavian et al., 2001).

### **3.2.2 Grounded Theory**

Initially, grounded theory as a method of analysis (and a general methodology approach) was adopted. The grounded theory approach was initially adopted as in its classical form it provides the possibility of an objectivist approach whereas the theory emerges naturally and is grounded in data (Glaser & Strauss, 1967). It was thought that the role of the researcher would be to observe a mind-independent reality and to discover the theory in a non-preconceived manner (Jones & Noble, 2007).

Without describing the practical implications of the grounded theory methodology in the present research, it should be noted that as the initial data was collected it became obvious that one aspect that the participants paid attention to was the factors that

influenced their decision to become self-employed. It took a long time to specify this particular focus of the analysis due to the enormous difficulties encountered during the research. Initial difficulties were encountered at the start of the research that prevented the research analysis following certain theoretical leads. This development was unexpected and slowed down the research timeline. The Krasnodar region is a virgin territory when it comes to conducting a qualitative research. To start with, obtaining access to the interviewees was difficult as even those who had agreed to participate in the research, the researcher found, were prone to cancel numerous appointments before any actual appointment happened. In two cases the researcher had the unfortunate experience of attempting to recruit, unknowingly, interviewees who belonged to an organised crime syndicate within the region; mafia. The fact that the businesses were registered legally prevented the researcher from recognising the illegal element in these cases. In addition to this many interviewees were also prone to withhold information, expressing unbalanced emotions and often used inappropriate language. These factors significantly slowed down the analysis of the data that was being collected. Also some of the information that had already been collected was considered to be not totally reliable and this was revealed during the longitudinal process. The one reliable and common element that was considered to be present within the data that was collected in all of the cases was the information related to how the participants started their own businesses.

Thus it was decided to look at the findings of the research through the lens of one of the theoretical models that explain peculiarities of small businesses start-ups. The self-employment push-pull debate model was chosen as the guiding theoretical framework. By utilising the data already collected the method of analysis was changed to thematic

analysis (with elements of a narrative analysis) which has similarities with the grounded theory analysis and can be used within the case study methodology.

### **3.2.3 Organisational Ethnography**

Elements of the organisational ethnography have been adopted in the present research mainly from the methodological perspective. Whereas, the ethnographic approach in general falls within the anthropology discipline it can also be used within the sociology area under the specific tag of participant observation (Van Maanen, 1979). The use of the observation technique has been described in the previous section. However, one of the major differences between the term ‘organisational ethnography’ and ‘observation’ underlines a broader focus of inquiry – the analytical description of a culture (Van Maanen, 1979). In the present research in addition to the organisational ethnography the general ethnographic approach was adopted to a lesser extent as not only the interviewees were observed at work, but also their general environment outside of the interviewee hours was paid attention to (physical – place of living, church, geographical location of businesses; cultural – religion, traditions etc.).

### **3.2.4 Longitudinal Multiple Case Study**

A case study approach can be considered to be the methodology in its own right or the objects of the research (Yin, 1994). In the present research the longitudinal multiple case study approach has been adopted as a methodology as the data was collected during approximately a three year period and several types of analysis were used during different stages of the research, in particular thematic analysis and narrative analysis (see below). The longitudinal element of the methodology is highlighted by the fact that the interviews were conducted with the same individuals several times during the whole

data collection period. Thus after the initial interviews were analysed the subsequent interviews addressed the gaps in the data. Such a longitudinal approach has helped to collect richer data.

Different stages of the case study research can be presented as follows (Eisenhardt, 1989):

1. Getting started;
2. Selecting cases;
3. Crafting instruments and protocols;
4. Entering the field;
5. Analysing Data;
6. Shaping Hypotheses;
7. Enfolding Literature;
8. Reaching Closure.

In order to present the logic of the process of building theory from the present case study research the Eisenhardt's (1989) roadmap for building theories from case study research was adopted. In particular, table 3 below provides more details on activities and reasons for those activities at each stage of the research (adopted from Eisenhardt's roadmap).

**Table 1. The Process of Building Theory from the Present Case Study Research**

<b>Stage</b>	<b>Activity</b>	<b>Reason</b>
Getting Started	Neither theory nor hypotheses Formulation of a broad focus	Retains theoretical flexibility by avoiding possible biases and limiting future findings
Selecting Cases	Theoretical Sampling	Theoretically useful cases for comparison reasons
Crafting Instruments and Protocols	Multiple data collection methods	Strengthens grounding of theory by triangulation of evidence
Entering the Field	Flexible and opportunistic data collection methods  Overlap data collection and analysis	Advantage of emergent themes and unique case features Allows helpful adjustments to data collection
Analysing Data	Within case-study analysis  Cross-case pattern search	Familiarity with data and beginning of theory generation Looking beyond initial impressions and revealing evidence through multiple lenses
Shaping Hypotheses	Iterative tabulation of evidence for each theoretical category Replication logic across cases	Sharpens category definition, validity and measurability  Confirms and extends the theory
Enfolding Literature	Comparison with similar literature Comparison with conflicting literature	Improves generalisation and categories definition Internal validity
Reaching Closure	Theoretical saturation when possible	Ends process when marginal improvement becomes small

### **3.3 METHODOLOGICAL ASPECTS OF DATA COLLECTION AND ANALYSIS**

#### **3.3.1 Process of Data Collection**

In order to gain access to the companies (case studies) two main approaches were adopted during the interviewees' recruitment: social networking (Granovetter, 1976) and snowballing (Oppenheim, 1998; Watts & Halliwell, 1996).

Social networking as a technique of the participants' recruitment was the first stage in the present research. This technique has been widely utilised by social science researchers as social network as a tool helps to present participants as connecting points to other participants (Granovetter, 1976).

The snowballing technique underlines that after the initial contacts were made the interviewees were asked to introduce the researcher to other appropriate individuals who would fit the participants' requirements (Oppenheim, 1998).

The process of participant recruitment is presented in Figure 2 below. The abbreviations used in the Figure 2 stand for the following: R – Researcher, SN – Social Networking and SB – Snowballing. The codes used for small businesses identification were allocated following the following logic: A (cases) – Armenian business owners; R (cases) – Russian business owners; 1, ..., 13 – distinctive identification numbers.

**Figure 2. The Process of Case Recruitment**

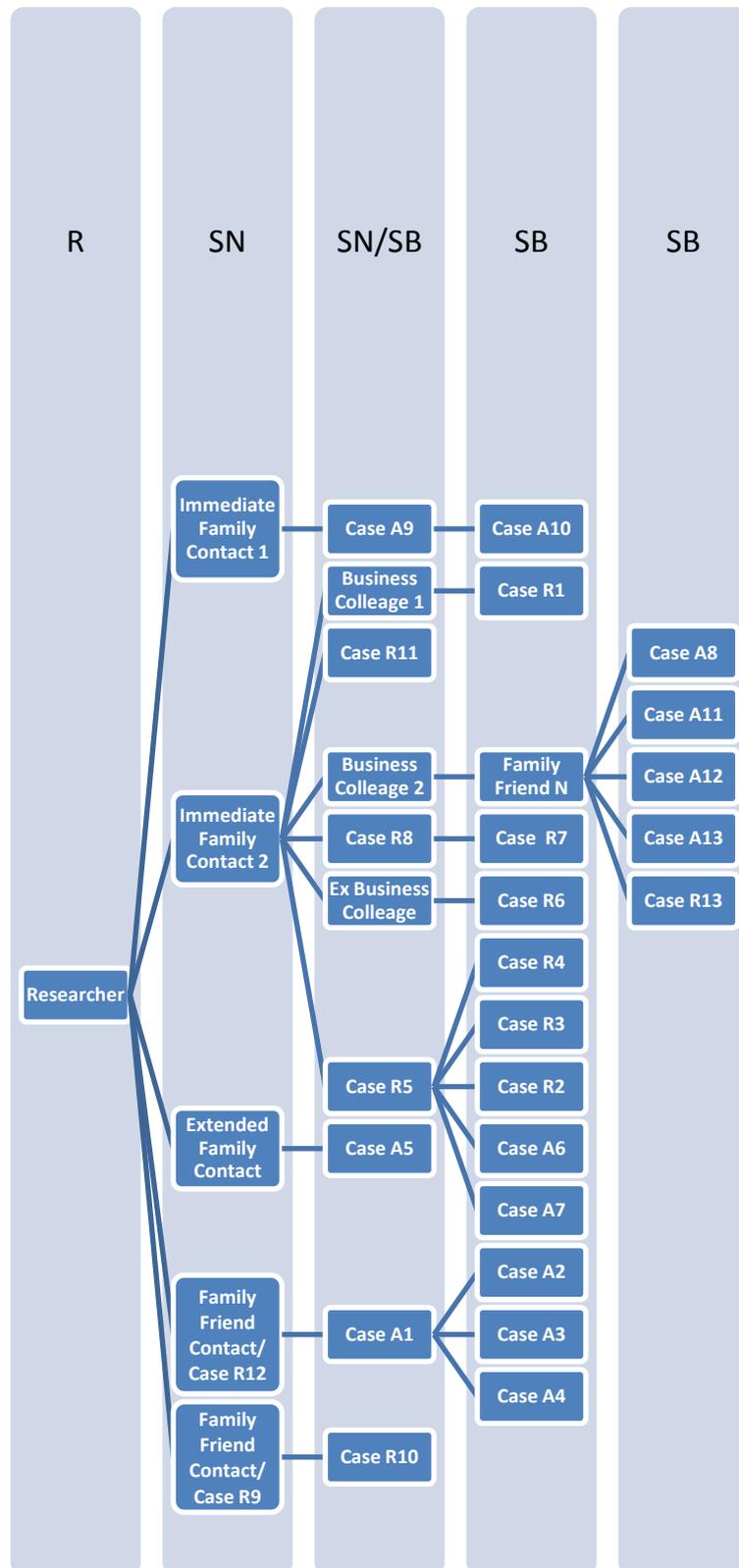


Figure 2 above demonstrates that the recruitment process of the cases which started with establishing contacts within the immediate social circle of the researcher. In particular, two immediate family members, one extended family member and two family friends introduced the researcher to small business owners/managers who agreed to participate in the present research. In addition to that the two family members contacts agreed to participate in the research themselves, although one family friend (Case R12) had withdrawn her consent for further participation in the research after the first interview for personal reasons.

After the initial contacts were established the snowballing recruitment technique was used. People were asked to introduce the researcher to potential interviewees who would agree to participate in the longitudinal research. Interestingly, those people who acted as connecting points or CP (MacPherson, 1988) had always introduced the researcher to other people personally and usually were present during the whole initial interview. Interestingly on many occasions it was the CP individuals themselves who strongly encouraged their friends, relatives or colleagues to talk openly during the interviews. By doing this the CP individuals acted as the party that guaranteed trust towards the researcher. This was unexpected and was not asked for by the interviewer however this aspect proved to be beneficial to the interview process and highlighted the importance of trust and face-to-face communication processes in modern-day Russia. On several occasions potential participants appeared to be nervous, aggressive or threatening. The main reason for this was thought to be personal doubts that the interviewees held regarding the interview purpose and as a consequence they withheld information even when they formally agreed to participate in the research. In some cases the researcher was accused of being an MI5, FSB or tax authorities spy. However, the major concern of the interviewees was the suspicion that the researcher might be a

journalist conducting a secret investigation. The reasons why the latter concern was taken seriously by the interviewees was the fact that of all of the potential threats that disclosing information about their businesses might bring the journalist threat seemed the most probable and secondly it was perceived of as being the most dangerous threat to the business. It is a widely held assumption that government agencies can be dealt with via bribes whereas journalistic exposure, which is often inaccurate and sensationalist, cannot be as readily controlled.

There were several exceptions to the above described process of recruitment. In one occasion (case R6) the CP person gave the researcher the mobile telephone number of his brother-in-law after he had obtained his relative's consent to participate in the research. Thus, the interviewee had known the purpose, time and the researcher's identity before the contact. In the second occasion (case A9) the interviewee had known the identity and the purpose of the contact due to the unplanned conversation that happened before attempts to contact were made. Overall, all the recruited cases were aware of the research before the contact, which highlighted the importance of trust and social networks in Russia.

The recruitment process highlighted in Figure 2 does not show those contact attempts that were unsuccessful. It is important to highlight that although the researcher knew the advantages of illiciting interviewees from agents with weak ties to the researcher (Granovetter, 1983) and the risks associated with the judgement sample (Oppenheim, 1998) it was still decided that the best strategy for recruiting the participants for in-depth interviews was to initially go through a close circle of people. Several reasons guided this decision: trust issues; xenophobia and feelings of social inequality

(Gontmakher & Maleva, 2008); chauvinism (Joo, 2008); and proximity. These reasons were confirmed as the research continued.

For example, trust issues and xenophobia emerged as the interviewees were influenced by the fact that the researcher was undertaking a research study/programme at a Western University. As a consequence of the researchers personal position at a Western University issues related to social inequality / inequity / trust emerged and proved to be leading factors for the rejection of interview overtures to potentially appropriate interviewee candidates. For example, several attempts were made to recruit grocery shop owners that knew the researcher as a very good client. In these cases before the formal recruitment attempts were made the participant candidates were very open to discuss certain topics related to their business. However, once the researcher attempted to recruit these contacts formally and use the information that these business owners were giving the researcher for the research purposes the business owners suddenly appeared to become nervous and refused to provide any more information. This development resulted in the researcher having to adopt on many occasions a more sensitive recruitment process. After trust was gained by the researcher some of the interviewees were asked whether they would have agreed to participate in the research if they had not been introduced by the third party or if that third party had not been close and all of the participants stated that their answer would be 'no'.

Issues related to male / patriotic chauvinism indirectly affected the data collection processes as on several occasions the interviewees focused a considerable amount of their attention to issues of patriotism instead of discussing the issues related to their own business.

The recruitment process described above also does not mention the process of data collection by the observation technique (and elements of organisational ethnography) and only focuses on the recruitment of the case studies. For the description of the former please refer to the next sections of this chapter.

### **3.3.2 Methodological Changes to Case Coding**

Within a particular Russian economic context the term “business” needs to be qualified. The economic situation within Russia needs to be viewed from the position of the current economic transition phase that the country is experiencing and as a consequence the importance of dividing the term ‘business’ from the term ‘firm’ (Storey et al., 1994) needs to be explained. As the Russian economic system goes through rapid stages of transformation business owners do not necessarily rely upon the system or act through the institutions of the state but rather try to keep up and to adapt to the external conditions of modern day Russia. It is therefore convenient to characterise a Russian business as being an economic venture or a series of economic ventures undertaken by an individual or family to generate income through whatever opportunities arise. The Russian “business” within this context is a loosely defined vehicle that is used to conduct business in an ill defined semi autonomous fashion. The term for a “firm” or company which operates within a well defined legal and economic sphere is more of a Western convention that does not lend itself well to the Russian situation for an SME. As a consequence of this the researcher has found it hard to apply a rigid code structure to define the nature of the business conducted for the cases recruited. An individual Russian “business” could participate in many legal declared and or undeclared, for tax / ownership reasons, business activities making formal codification almost impossible. Therefore the total case count within this research does indicate the number of

“companies” contacted as many more “business” spheres of activity are conducted within each particular case study. Thus, to keep a methodological structure the research started by coding the companies as cases under study (as legally defined by the Federal Law of the Russian Federation from 24 July 2007 #209-FZ “About Development of Small and Medium Business in the Russian Federation”). The coding of the companies was thought to be convenient as within each case (a family business company) the number of interviewees varied depending upon their availability. Another reason for coding the companies was the fact that although the analysis was primarily focused upon the experiences of business owners, within each family business case there could be several important experiences that needed to be investigated and analysed that contributed to the creation of the firm.

However, as the research progressed the complicated nature of the Russian small business activities was revealed. Firstly, in several cases it was difficult to distinguish the cases according to the ethnic background of the business owners (see the discussion of the effect of ethnicity on business in the present research). Secondly, as the trust developed between the researcher and the interviewees the complicated nature of their various business activities was revealed. The businesses were not always structurally or legally presented as one or several business entities (firms) in the economic society of modern day Russia. In several cases various businesses could exist under one economic entity (Storey et al., 1994). In other cases several companies could be legally registered as having different business owners, whereas in fact one person would be the real owner of all the business activities. Moreover, some businesses were simply not legally registered, whereas the owner would have one business legally registered as the front for all other business activities. These methodological difficulties raise the question of how to present structurally the cases under study. It was decided to rename the cases

according to the families and the ethnic backgrounds of the main interviewees (business owners) in each case. Thus, through constructing the meanings of the business owners' experiences the present research attempts to present an explanation/interpretation of small business owners' entry decisions.

### **3.3.3 Description of the Participants Sample**

The companies recruited are operating in many different sectors: Retail Trade, Wholesale Trade, Farm Produce, Landscape Design, Lumber Trade (Timber), Traditional Bakery, Butchers, Property Landlord, Restaurant, Cafe, Canteen, Construction, Estate Agency, Traditional Fish Monger, Hairdresser, Pharmacy and a Doctor's Surgery.

A brief description of each case is presented in table 2 below. A more detailed description of the cases is presented in Appendix 2.

**Table 2. Description of the Cases**

<b>Case Code</b>	<b>Business size</b>	<b>Specialisation</b>
Case A1	Small	Lumber trade, consequently property landlord
Case A2	Small	Retail trade, landscape design
Case A3	Small	Farm produce, retail trade
Case A4	Micro	Lumber trade +
Case A5	Small	Lumber trade
Case A6	Self-employed	Retail trade
Case A7	Micro	Retail trade
Case A8	Small	Wholesale trade, two small production lines
Case A9	Micro	Retail trade
Case A10	Micro	Retail trade
Case A11	Micro	Traditional bakery, car repair services +
Case A12	Small	Wholesale trade +
Case A13	Small	Restaurant/bar +
Case R1	Micro	Estate Agency
Case R2	Micro	Hairdresser
Case R3	Small	Retail trade
Case R4	Small	Cafe/Restaurant
Case R5	Medium	Construction +
Case R6	Micro	Farm produce
Case R7	Micro	Restaurant
Case R8	Small	Restaurant, canteen
Case R9	Small	Property landlord +
Case R10	Micro	Doctor surgery +
Case R11	Self-employed	Traditional fish monger
Case R12	Micro	Farm produce
Case R13	Micro	Pharmacy +

The initial research approach was to recruit cases from only two specific industries, that is from the lumber trade and tourism. The reason why the companies recruited are specialising in many different areas is that the initial attempt to recruit those companies in only two sectors (lumber trade and tourism) failed due to the difficulty of access. It also became apparent that Russian “businesses” operate in many areas not all of which are openly declared to the state. As the recruitment process followed the theoretical sampling approach (Glaser, 1978) the sample included family businesses with business owners of two ethnic background (Armenian and Russian) in four towns of the Krasnodar region of Russia: Krasnodar, Apsheronsk, Primorsko-Achtarsk and Krimsk.

### **3.3.4 Methods of Data Collection**

#### **Interview Types**

In-depth interview, or the qualitative interview, has been chosen as a method of data collection in the present research. During different stages of the longitudinal interviewing process three basic approaches to conduct in-depth interviews were adopted: conversational interviews; guided interviews; open-ended interviews (Patton, 1987).

Conversational interviews underline that the interviewed are encouraged to express their concerns, and as interesting topics occur they are pursued as interesting leads to develop new hypotheses (Becker & Geer, 2004). This type of interview was used during the first stages of inquiry.

Guided and open-ended interview approaches imply that there is a formulated basic checklist and a prepared set of open-ended questions respectably (Berry, 1999). These types of interviews were employed at the later stages of enquiry (second, third and fourth rounds of interviewing. As interviewing continued the list of questions expanded (see Appendix 3).

#### **Interview Questions**

During the first stages of data collection the questions were broadly formulated due to the fact that the focus of the research had not yet been specified. This was acceptable at the time as it was consistent with the grounded theory approach. That is an inductive strategy of enquiry can start with a general area of interest, which in this research was conducting small business research in Russia at the micro level (please see 1.1 Origins

of the Research and 1.2 Justification of the Research Focus). The main focus at that stage of the data collection process was to identify what small business owners were concerned about and what were the important factors influencing their business. This idea was developed into research question number three and emerged at a later stage in the data collection process.

The broadly formulated questions at the beginning were thought to address the following issues (see also Appendix 3, the first and second sets of the research question guide):

- The personal background of the interviewees,
- The history of the company's creation,
- The company size,
- The influences of social forces on small to medium sized businesses (ethnicity and informal community networks, tradition, language, religion),
- General management issues (gender issues and decision making processes),
- Business development and business working patterns.

Since the initial substantive area of the research considered elements of ethnicity two distinct ethnic groups were identified for the purposes of comparison, that is Russians and Armenians. In order to illustrate and examine the differences between small business owners from two different ethnic backgrounds 47 questions were developed (see Appendix 3, the sets seven and eight of the research question guide).

As the interviews progressed certain interview notes revealed interesting information about the extent of the family members' involvement in business. It was also evident that accumulated family business experience and knowledge could play an important

part in the development of the small business. These interview notes were considered interesting for the purposes of theory development. They shifted the researcher's attention into new areas of the phenomenon under study – family business. So the research question and the research objective number two were both broadly formulated (see also 1.3 The Research Aims). That is the objectives were narrowed down to identify the role of the family in Russian small business practice. In particular, the questions were narrowed down to discover the interviewees' opinions on what constitute their family businesses and their views on the family business succession (see Appendix 3, the sets five and six of the research question guide).

As the analysis of the interview notes developed it became apparent that the interviewees emphasised many concerns about their business start-up decision and development. At the same time the literature review started to develop. The data-theory interaction approach had helped to formulate the final focus of the research – that is the small business and the self-employment start-up decision making process, with a particular focus on push and pull self-employment factors. Therefore both objective one and research question one were formulated from this analysis of the interview notes and more detailed questions were subsequently catalogued for the purposes of identifying factors that influenced the start-up decision making process (see Appendix 3, the sets three and four of the research question guide - Start-Up Capital and Business Activities and Business Development).

The interview notes gradually began to reveal the complex nature of small business serial start up decision making and consequently the questions and answers from sets one, two, three, four and nine of the research questions guide were catalogued to more fully examine this phenomenon (see Appendix 3). These questions concerned factors

that could help to distinguish the peculiarities of doing business in the Krasnodar region of Russia nowadays. This was consistent with the initial research objective – to narrow down the substantive research interest to include only one geographical area, the Krasnodar region of Russia.

### **Administration of Questions**

Various questions were added as the research progressed and they became more detailed. As the questions became more structured they were catalogued into different groups. This way it became easier to compare whether the same questions were asked during different interviews. The actual research question guide (see Appendix 3) did not catalogue the questions in a chronological order as they were used during the interviews. Rather the questions were divided into sections according to the subject area.

Due to the nature of the conversational interviews that were used as a method of data collection at the beginning the catalogue of questions should not be viewed of as being complete. Certain questions were asked only during certain interviews either for the purposes of gaining more detailed information or as they were only applicable to those particular cases. The questions that were formulated for acquisition of more detailed information were formulated as general questions such as “Could you explain this in more detail?” Other sets of questions that were formulated only in particular cases were thought to be non-applicable for instances of comparison with other cases.

As the initially broadly formulated objectives were defined at the later stages of the research more focused open-ended questions were catalogued for ease of comparison. These questions were still asked verbally. However, the interviewer had a catalogue of

questions with her which served as a reminder to ask certain questions for comparison purposes. Unfortunately due to the time constraints and limited availability of some of the participants not all of the interviewees were asked the same questions even when it was possible. Therefore, if some information was missing from some of the cases their experience was not used as an example in the analysis of the research data.

### **Interview Recording Process**

All interviews, apart from the first two interviews for Cases A2 and A8, were recorded by note-taking. The interviewees expressed that they did not feel comfortable if the interviews were recorded by using a digital recorder. Interestingly, in the Cases of A2 and A8 only the first interviews were recorded with a digital recorder. The researcher expected that as time would pass familiarity and trust would develop between the interviewer and the interviewees. It was expected that this would ultimately allow the interviewer to gain latterly the acceptance to record subsequent interviews with a digital recorder. However, as trust was developed with the interviewees they explained that they would like to answer frankly and not have to worry about being recorded. As a consequence cases A2 and A8 expressed the desire to not be recorded.

In several occasions the interviewees had shared some confidential information that they asked not to disclose in the present research. Thus as trust developed between the researcher and the participants the interviews data became richer, although at the expense of note-taking by handwriting. Because of the way the interviews were recorded, only quotes in the Cases A2 and A8 are verbatim. The rest of the quotes used in the analysis are from the notes of the researcher.

## **Interview Process**

Due to the nature of conversational interviews (interruptions, observations) and the availability of the business owner in each company and for each interview it is difficult to structurally present the interview schedule. The interviews lasted from one to four hours each depending on the interviewees' availability. From the initially recruited 26 companies 5 firms withdrew from the longitudinal interviewing after the first interviews. The tables 3 and 4 provide a brief explanation of the interview schedule. A more detailed interview schedule is presented in Appendix 4.

The two tables below illustrate the interview schedule with the companies being coded due to confidentiality (A (1,...,13) – Armenian business owners, R (1,...,13) – Russian business owners).

**Table 3. Interviewing Armenian Business Owners**

The Company Code	City	No. of Interviewees	No. of Interviews	Total Hours
A1	Apsheronk	1	4	7
A2	Apsheronk	1	3	5
A3	Apsheronk	2	3	6
A4	Apsheronk	1	3	2
A5	Apsheronk	2	2	2
A6	Primorsko-Achtarsk	1	2	2
A7	Primorsko-Achtarsk	1	2	3
A8	Krasnodar	2	2	2
A9	Krasnodar	3	3	9
A10	Krasnodar	1	2	3
A11	Krimsk	1	4	3
A12	Krasnodar	1	1	1
A13	Krasnodar	1	1	1
Total	-	18	32	46

The age of the above interviewed business owners differed between 25 to 64 years old.

There were 11 men and 5 women among those interviewed.

**Table 4. Interviewing Russian Business Owners**

The Company Code	City	No. of Interviewees	No. of Interviews	Total Hours
R1	Krimsk	3	2	2
R2	Primorsko-Achtarsk	1	1	1
R3	Primorsko-Achtarsk	2	2	3
R4	Primorsko-Achtarsk	1	2	3
R5	Primorsko-Achtarsk	2	4	3
R6	Krasnodar	1	3	3
R7	Krasnodar	2	2	4
R8	Krasnodar	1	2	2
R9	Krasnodar	1	4	2
R10	Krasnodar	1	1	1
R11	Krasnodar	1	1	1
R12	Krasnodar	2	1	2
R13	Krasnodar	1	1	1
Total	-	19	26	28

The age of the above interviewed differentiated between 37 to 55 years old. There were 8 men and 7 women among those interviewed.

### **3.3.5 Methods of Data Analysis**

During the course of the research several methods of analysis were adopted/combined as the research developed. In particular, coding, thematic analysis, narrative analysis and sub-sample methods of analysis were used. The fact that several research methods were combined and modified is acceptable with the qualitative strategy of enquiry. The choice of the methods was influenced by the data-theory interaction approach.

### **3.3.5.1 Coding as a Method of Analysis**

Since the grounded theory methodology (GTM) was initially adopted analysing the data involved the process of coding. Coding is a certain form of content analysis which focuses on discovering and labeling segments of data and finding interrelationships between them (Charmaz, 2006).

Among the scholars there is a constant debate about how to go through the coding process. Locke (2001) explained that the basis for the split between the fathers of the GTM was the “theory forcing versus theory emergence” (in Fendt & Sachs, 2008, p.444). Generally, the difference between the constructivist and objectivist grounded theories approaches is that the objectivist GT is closer to positivistic principles of conventional science (Charmaz, 2006). The argument is that within objectivist approach the theory emerges from the data analysis automatically as the informants present their own concerns without the influence of the researcher.

Thus to identify to what extent the GTM in the present research was constrictive and to what extent it was objective the ontological and epistemological assumptions about the social world in this study were taken into consideration. Since the researcher recognised that the observational notes and interview notes were influenced by her subjectivity it is impossible to say that the classical objectivist GT approach had been applied. Hence although the researcher had tried to limit the subjectivity of the research the constructivist GT approach was taken into consideration as influencing the coding process.

Charmaz (2006) identified four stages of grounded theory coding: initial coding, focused coding, axial coding and theoretical coding.

1. Initial Coding. At this step the researchers can use the following: word-by-word coding, line-by-line coding, coding incident to incident and in-vivo coding (in the participants' own words).
2. Focused Coding. At this stage the most frequent and/or significant codes are identified.
3. Axial Coding. At this level the text data is converted into the concepts (Strauss and Corbin, 1998 in Charmaz, 2006).
4. Theoretical Coding. This is a more sophisticated level of coding analysis as it identifies the possible links of the focused codes which are now seen as categories (Charmaz, 2006).

Once the conceptual elements have been identified the core category emerges and the grounded theory is produced (Glaser & Strauss, 1967).

### **3.3.5.2 Thematic Analysis**

A thematic analysis is a method of analysis used to identify, analyse and report patterns (codes, categories etc.) within data (Braun & Clarke, 2006). This type of analysis does not require a precise technical or theoretical approach, such as grounded theory for example. The thematic analysis implies several general stages: identifying emerging ideas, identifying all data that relates to the previously classified categories and patterns, cataloguing sub-themes, building valid arguments for choosing the themes, and formulating final theory (Aronson, 1994). Whereas, the thematic analysis can be used within the different methodologies, the present research adopted this form of analysis as a convenient form of switching from the grounded theory methodology/analysis and incorporating it to the case study as a general methodological approach.

To identify all data that relates to the previously identified categories and patterns, and to catalogue sub-themes a particular tool of analysis was used – the qualitative codebook. The qualitative codebook is a template that combines a number of theoretical categories with the interview data. This tool of analysis helped to revise the emerging patterns of themes which were then interpreted qualitatively and not statistically as in content analysis (King, Cassell, & Symon, 1998).

### **3.3.5.3 Narrative Analysis**

It was inevitable to avoid the elements of the narrative analysis (Riessman, 1993) in the present research. Firstly, because of the Russian language structure and logic: the users of the Russian language use a lot of short sentences, which could be interpreted differently depending upon the context, the interviewee's cultural background and their general ability to express themselves. Certain replies could be interpreted differently, and once they were identified the researcher came back to the interviewed and asked similar questions in order to gain more details. Secondly, for five interviewees the Russian language was their second language. Thirdly, because the structure of the sentences in certain interviews highlighted the way the interviewees construct the meaning of the social world that they observed. That included generalisation and speaking about the person's own experience in the third person, rephrasing of the interviewer's questions, pauses between the phrases, avoidance of answering certain questions, change of intonation – highlighted the meaning that the participants attach to certain observed elements of the social world under study. Thus, the elements of the narrative analysis helped the researcher to obtain the information otherwise not given directly by the interviewees' responses.

#### **3.3.5.4 Sub-Sample Analysis**

Although the present research does not claim to represent the findings from the position of the social stratification researchers, the sub-sample analysis provided a significant insight during the process of developing the analytical model. Several sub-groups were analysed within the sample of participants under study. As the analysis developed the sub-groups were rearranged and renamed (see in more detail below). After the final analysis it became apparent that the sub-groups were neither homogenous nor exclusive meaning that the same participants are regrouped depending on the sub-groups criteria.

#### **Sub-group criteria – ethnic background/economic migration**

##### **Ethnic Background**

Ethnic background was the initial idea for the in-between group criteria. In particular, it was thought that ethnic background affected a small business owners' decision to enter and continue self-employment. Two groups were identified for the purposes of data collection:

1. Russians;
2. Armenians.

The inclusion of ethnicity as being one of the initial pivotal perspectives was influenced by the researcher's interest in how ethnic and cultural values may be influencing small business practices during the last decade in Russia. The ethnic entrepreneurship perspective within modern-day Russia is a largely understudied area.

As the research progressed it became obvious that it was not so easy to separate people and the research data by ethnicity (Russian and Armenians) and thus, their personal and

business experiences/characteristics were mixed and heterogeneous. This is reflected in the analysis of the ethnic characteristics that are usually thought to distinguish different ethnic groups.

**Language:** out of 13 initially recruited Armenians it is known that two business owners do not speak/write/understand any dialect of Armenian (A2, A5-A). At least 11 Armenians speak Armenian language but different dialects. Because these dialects were developed over several centuries and in different locations (Vaux, 1998) the business owners identified that they speak at least 5 different dialects, some of which are so different from each other that the business owners would not understand each other, and thus, they use Russian language for communication. Thus language was found not to be a uniting criterion for identifying an Armenian sub-group.

**Religion:** due to the suppressed religious history of the former Soviet Union (Lane, 1978), all business owners stated that in business religious practices did not affect business relationships. Also, it should be remembered that the Armenian orthodox religion is very similar to the Russian orthodox religion and historically intermarriage was allowed between the two nations.

**Ethnic ancestor background:** In several cases individuals were found to have a mixed ethnic background. Such discovery was unexpected and not in all cases revealed straight away. In the case of the Russian family business (husband and wife) R3 the husband was found to be one quarter Armenian. In the case R1 the husband was found to be one quarter Armenian. In the case A2 an Armenian business owners had Russian roots (his grandfather). In case of A5-A – the individual is half-Armenian and A7-A had a mixed ethnic background. Surprisingly all individuals except for one known Belorussian (R5-F) had mixed Russian and Armenian routes only. Secondly, several cases were found to

have mixed marriages (A1 – Ukrainian wife, A3 – Russian wife, A7 – Russian husband, R4 – sister’s husband is Armenian, R7 – Armenian husband).

Sociologically speaking having an Armenian family background and perceptions of family generally provided the individual with strong familial ties and relations that crossed generations. It was noticed that such an extended network contributed as a positive factor (pull) for entering self-employment. The extended family networks in this sense contribute towards the formation of family capital more than the nuclear family networks. However, because both groups were mixed such a cultural aspect did not divide them as having different business experiences after their transition into self-employment.

**Economic migration:** One of the reasons why the ethnic entrepreneurship theories might not be totally applicable in the case of Russia<sup>1</sup> is that the present research argues that the disadvantages of Armenians are caused by the limited opportunities to the local market, network etc. similarly to Russian newcomers. That is, it is not the differences in language, religion, educational and cultural background or differences in the access to initial capital that influenced the individuals decision to become self-employed for first generation immigrants, as many ethnic entrepreneurship researchers suggest (see for example Altinay, 2008; Clark & Drinkwater, 2001; Masurel, Nijkamp, Tastan, & Vindigni, 2002). Thus, it is only the processes of migration that pushed individuals into self-employment, as confirmed by other research (Chaganti & Greene, 2002; Kariv, Menzies, Brenner, & Filion, 2009), but regardless of the individuals’ ethnic backgrounds in the case of the former Soviet Union during the early transitional period.

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<sup>1</sup> At least in the 1990s as the participants experience demonstrates as the situation is changing now.

In particular, several Armenian cases in the present research are newcomers/immigrants from other regions/ex Soviet Union republics and in one Russian case they are newcomers from Siberia.

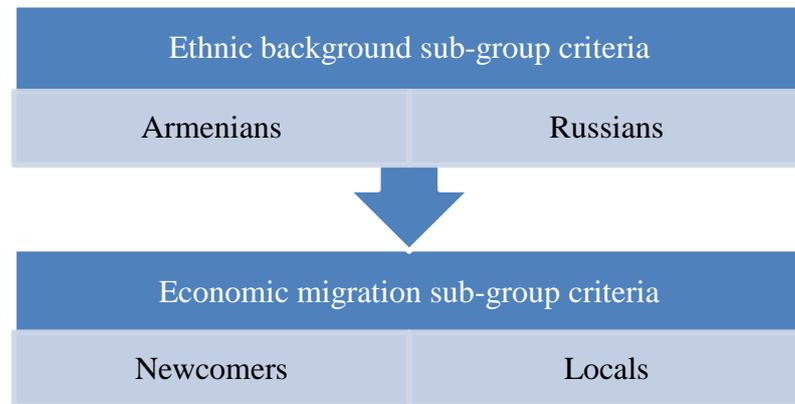
All interviewees expressed a similar idea that it was difficult to adapt to a new place and start a new career from the beginning after they had moved. Most common constraints, like language, religion and education were not a problem for any of newcomers as they moved shortly after the Soviet Union collapsed, and therefore, had a background from the same social system. All of the newcomers stated that the reason why they chose the Krasnodar region as their new home destination was proximity to their relatives.

It should be noticed here that the present research findings are presented from a sociology point of view. A more detailed analysis from the social anthropological point of view revealed that there are particular local cultural differences that affect the self-employment entry-exit dynamics in Russia. However, such analysis would present the cultural differences among Armenians and Russians from a more tribal perspective and across generations.

Thus the focus of analysis was shifted from the perspective of an ethnic background to one that looked at economic migration (Figure 3). According to the criteria of how geographical movements affected the self-employment entry-decision, the participants were be grouped as:

1. Newcomers;
2. Locals.

**Figure 3. Shifting Perspective From the Ethnic Sub-group Criteria to Economic Migration Sub-group Criteria**



**Sub-group criteria – career stage before the transition to self-employment**

Another important part of the sub-sample analysis revealed that it was more important to distinguish between more simplistic sub-group criteria of the immediate employment status before the transition to self-employment (unemployed vs employed) to a more distinguishing sub-group criteria of a career stage. The latter provided more insight into the factors that influence the choice to become self-employed.

**Employment status**

After it was decided to focus on the self-employment push-pull debate the groups were considered to be identified according to their employment status:

1. Unemployed;
2. Employed.

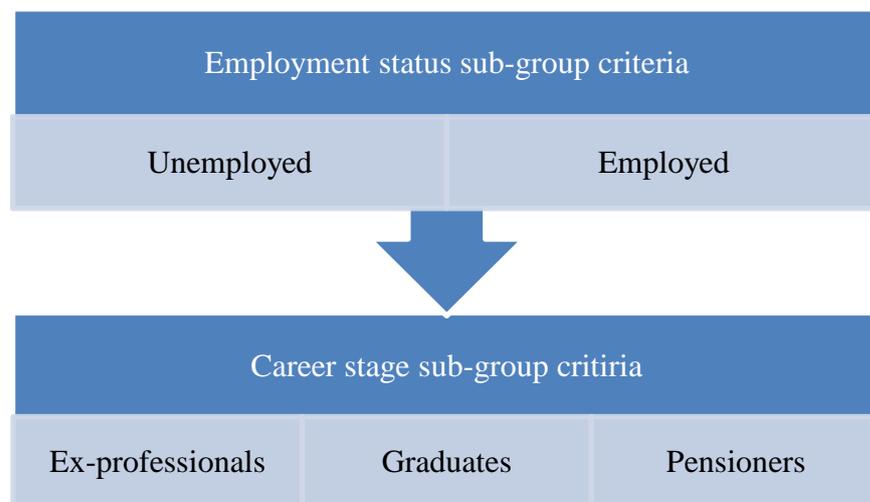
The main idea of distinguishing the subgroups according to their employment status was to identify to what extent the decision to start their own business was pushed (from unemployment or temporary jobs) or pulled (by comparing material and social benefits into direct employment).

### **Career stage**

As the qualitative analysis progressed the focus was shifted from merely distinguishing direct employment status from unemployment status (Figure 4). In particular three subgroups were identified according to their position in their chosen career before self-employment:

1. Ex-professionals;
2. Graduates;
3. Pensioners.

**Figure 4. Shifting Perspective From the Employment Status Sub-Group Criteria to Career Stage Sub-group Criteria**



### **Ex-professionals:**

The cases R4 and R3-F were working as teachers before they started their own businesses. However, they did not share similar experiences as R3-F entered self-employment directly from being employed as a teacher and R4 had to leave her teaching job (and her husband) because they moved to another town for personal reasons (both of their families did not approve of their marriage as both of them had to divorce first from their then spouses).

Other group of ex-professionals included ex-military professionals (R3-M – army professional, A3 – ex military pilot, R8 – ex navy cook) two ex-policeman (R11) and one doctor (R10). Their experiences/ reasons for starting their own businesses also varied. R3-M and R8 had to quit the Army/Navy when the Soviet Union collapsed. Whereas, R3-M moved to his home town and started working as a policeman (as a temporary solution to unemployment), R8 opened his own cafe straight away. A3 and R11 had retired during the restructuring period but as they still were in their 30s and 50s they considered the next move in their career. A3 joined his father's farm and R11 became a fish monger.

In the case of R10 (doctor) he had opened and closed different businesses before he could afford to set up his own private medical practice. In the case of A4 the businessman had to give up his engineering career because he had an accident at work and could not come back to his direct employment after recovery. In the case of A6 a business woman had to become self-employed as after she immigrated to Russia at the age of 34 years old, she could not find a direct employment position as music teacher.

Thus, the experiences of ex-professionals varied significantly so that the professional background is not considered to be a specific aspect of the push-pull debate within these case studies.

### **Graduates:**

Four cases in the overall sample were graduates before they became self-employed – A1, A5-A, A5-I and A8. As all four individuals graduated during the early transitional period (massive restructuring/unemployment period) their first choice was to start working with relatives (family businesses). In the case of A1 subsequent events (death of the family business leader – grandfather, illness of his father and disagreements with his uncles) forced him to leave the family business and start his own. In the cases of A5-I and A5-A the entry into the family business (their father-in-law's own business) happened fairly recently (at the time of the first interview they were 25 years old), therefore it is too early to say how their career will develop. However, both expressed the desire to be autonomous and independent from direct employment as they were working as managers for just several years. In the case of A8 again the individual joined his brother's company (family business). However, he became the owner/manager of the business as a successor after his brother died in a car accident. Thus, all four graduates' first business experience was with the family businesses, however, their own transition into self-employment from employment in the family business varies.

### **Pensioners:**

Three cases in the present research were sub-grouped as ex-pensioners who set up their own business (two longitudinal cases and one case non-longitudinal: A3, R11, M). The participant who gave a one-time interview is an older lady of 80 years of age. She

clearly entered self-employment strictly out of material necessity. Whereas the two individuals who became small business owners at an earlier age were pushed as well as pulled into self-employment, the processes and the pull factors of transition into self-employment were different in two cases. In the case of A3 the situational (death of his father) and personal (joining the family business after retirement) factors contributed to the individual becoming a small business owner. In the R11 case the individual registered as self-employed straight after he retired. Dry fish curing had been his hobby for a long time before then. Thus, although the processes of becoming self-employed varied in both cases the individuals chose the types of business because of their previous knowledge and skills. This highlights an entrepreneurial way of thinking as after retirement the individuals applied the skills that they had into businesses by turning their hobby activities into profit generation activities.

One of the reasons for identifying sub-groups according to their professional background was seeing whether they shared similar experiences during their transition to self-employment. It was also thought that there could be particular reasons for becoming self-employed that distinguished the groups between themselves even if they are affected by the same push or pull factor. For example, the sub-group of retired individuals could have had an experience and practical knowledge that could influence their choice of self-employment within that economic sector. Whereas the sub-group of graduates could differ in the sense that they do not have any experience, and therefore they could be more influenced by the choice of the self-employment economic sector that their family members work in (please refer to the section of family relatedness of this thesis). From another perspective the issues of family succession were thought to be taken into consideration as it was thought that for individuals whose major work experience was during the Soviet Union period there might not have been a possibility

for small business succession. On the other hand during the transitional period graduates might be attracted by joining their family businesses as they would take it over in the future. These ideas of how to link the different push-pull factors would influence the results of the analysis and it proved to be a difficult process not what was anticipated during the sub-sample analysis (for more detail please refer to the chapter of the Data Analysis and Interpretation below).

### **3.4 RESEARCH DESIGN CONCLUSION**

To summarise the research design has been modified for several reasons. Firstly, several research constraints meant that the initial case studies recruitment process had to be modified. These constraints included the issues of trust, male / patriotic chauvinism, xenophobia, proximity to, and the criminality of the research participants at the period of their recruitment. Since the access to the companies for the purposes of their recruitment was proved to be difficult it was decided to change the case study approach. Instead of recruiting only those companies that were operating in two economic sectors, lumber trade and tourism, it was decided to recruit the case studies from any industry as long as if the businesses were SMEs and their owners agreed to give several interviews over a three year period of time.

Secondly, since the interviewees did not allow the use of digital recorders the researcher had to collect the data by hand and construct detailed interview notes. A later transcription and analysis of mostly selected quotations contributed to the change of methodological approach. Also, not all of the quotations were later used in the analysis. If there was any doubt that the quotations would not reflect the exact meaning of the interviewees those quotations were not used.

Thirdly, the inductive process of data analysis was not straightforward from the beginning. Coding as a method of data analysis did not provide much clarity. Only when a qualitative codebook was adopted as a tool of analysis the research findings were developed into a theoretical model.

Fourthly, the data analysis itself had shifted the focus in the research. That is after the first nine cases were analysed it was noticed that all of them had recruited family members. So it was decided to focus only on recruiting small family businesses. That in turn had contributed to clarify the objectives of the research to include the identification of the role of the family in Russian small business start-up process.

## CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

### 4.1 INTRODUCTION

The process of the analysis of the push-pull debate involved several stages through which the model synthesising the findings of the present research was iteratively refined. The final analytical model suggests one push and four pull factors that influenced the decision to become self-employed in modern-day Russia. Each push-pull debate factor, in its turn, highlighted several aspects specific to the post-USSR<sup>2</sup> transitional period of the Russian economy. This research provides a new insight into the context of the push-pull debate research worldwide. It should be noted that specific aspects identified for each push or pull factor focus on answering different questions as they provide an insight from the position of the self-employed themselves. In other words the analysis was thought to reveal those elements that are the most important issues that the interviewees highlighted themselves.

The analysis of the push/pull debate first identified the “unemployment” push factor vs the “demand for local services/opportunities” pull factor that goes along with the views expressed by the first researchers in the push-pull debate field (Meager & Bates, 2004). However, it was noticed that the interviewees themselves paid more attention to other pull factors, namely, the application of the “entrepreneurial skills” and their perception of how the changing culture affects business entry and development. The latter pull factor was named “elimination of cultural constraints and the development of a favourable attitude”. Finally, the importance of the family relatedness was highlighted as during the transitional period the strong family entity served as a stability factor

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<sup>2</sup> USSR – Union of Soviet Socialist Republics.

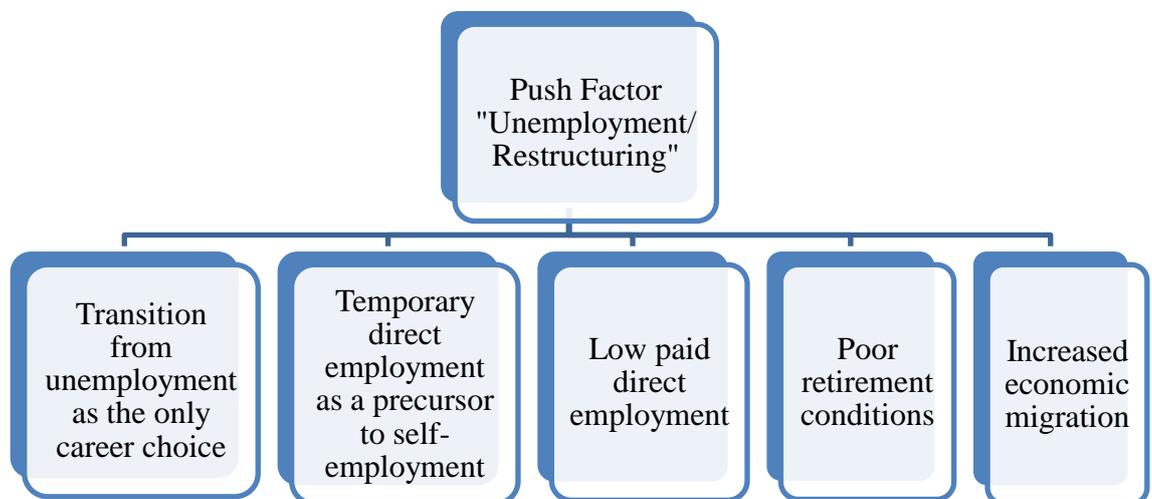
during unstable times. Whereas, the five factors were attributed to either a push or a pull factor, it should be remembered that these factors were not thought to be represented exclusively from each other. Rather the complex composition of the push-pull debate in Russia is recognised similarly to previous research in other countries that suggests that the combination of the push/pull factors have to be taken into consideration (e.g. Granger et al., 1995). More importantly the present research recognises that there are certain aspects of each of the pull factors and of the push factor.

## 4.2 PUSH FACTOR “UNEMPLOYMENT / RESTRUCTURING”

The participants highlighted several aspects of the unemployment / restructuring push factor (Figure 5):

1. Transition from unemployment as the only career choice;
2. Temporary direct employment as a precursor to self-employment;
3. Low paid direct employment;
4. Poor retirement conditions;
5. Increased economic migration.

**Figure 5. The Aspects of the Push Factor “Unemployment/Restructuring”**



#### **4.2.1 Transition from Unemployment as the Only Career Choice**

One group of business owners described that they became unemployed differently, however they all perceived self-employment as the only option that was open to them as a career choice. The different experiences of becoming unemployed were mainly caused by the restructuring of the former Soviet Union's infrastructure; and the differences included the influences of personal (R2), situational (R4) and local circumstances (A1, R5-F, A5). The transition from unemployment into self-employment has been observed by many researchers (Bogenhold & Staber, 1991; Granger et al., 1995; Meager, 1992), and within a Russian context these types of entrepreneurs have acquired a special name that of the "Unwilling Entrepreneurs" (Ageev et al., 1995). However, as various researchers have highlighted other factors have to be taken into consideration when the unemployment push factor is being considered (Granger et al., 1995; Meager, 1992). The present research confirms these ideas. Thus, this further analysis provided the insight into other factors.

#### **Case R2:**

*"I finished a college in 1983 in Donetsk. My husband was in a Military and he served in Germany from 1983 till 1986. So for three years we were living in Germany. Then in 1986 he was moved to Primorsko-Ahtarsk. Before 1991 we thought that we would go back home but after the changes we decided to stay. Since 1986 I had been working in the Consumer Services Centre (Polischuk & Centerrise). Then in the 1991 I went on the maternity leave. After I came back in 1993-1994 we arranged a privately owned enterprise with some colleagues. We had a very good team of 6 people that was formed before I went on maternity leave: male hairdresser, female hairdresser, manicure and pedicure. We had worked together in the Consumer Services Centre so after the Soviet Union collapsed and the enterprise fell apart we combined our skills and started working together... It was the only option that we had..."*

## **Case R5-F:**

*“In the early 90s I used to trade with cloth. The factory that the majority of the town’s workforce was occupied had closed. So for many people there were no other employment opportunities really... No other jobs were available...”*

### **4.2.2 Temporary Direct Employment as a Precursor to Self-employment**

The massive economic restructuring occurred when the Soviet Union infrastructure became no longer available as the provider of the employment (Ageev et al., 1995; Radaev, 2001). The evidence from the research findings highlighted that in some cases people had to suddenly change the direct employment jobs when the Soviet Union collapsed. They accepted new jobs as a quick and potentially temporary alternative to unemployment and did not perceive them as potentially successful future career opportunities. Thus they perceived their situation as ‘pushing’ them into self-employment.

Such short term direct employment jobs forming a preliminary stage before entering self-employment are usually not taken into consideration by researchers as they could be considered as simply being part of the direct employment history. However, the reality is that small business owners might consider their situation as close to unemployment and thus their transition into self-employment is indirectly pushed by the unemployment caused during the economic restructuring.

Some research partially addressed this issue when its findings proposed that unsatisfactory direct employment conditions pushed individuals into self-employment (Saar & Unt, 2006). However, previous research did not take into consideration the fact that these unsatisfactory conditions occurred at temporary jobs that people may have

accepted as an alternative to unemployment. This also brings to one's attention the fact that in order to understand self-employment dynamics it is not only important to consider the entry-exit patterns of the self-employed after the transition (as mentioned by Granger et al., 1995) but also beforehand: the entry-exit patterns in direct employment history a priori as they affect the self-employment dynamics.

#### **Case R3-F:**

*“My husband was in the Army in Odessa [Ukraine]. He had a contract for 5 years. However, when the USSR collapsed he had to make a choice whether to continue his service in the Army or not. He didn't want to swear to Ukraine. It's another country now. He didn't want to serve another State... So he moved here and became a police man...Why police man? Well, what else was available there?...So he worked as a policeman for a short period of time just to get the income for the family...Then we became self-employed...”*

#### **Case R4:**

*“No one helped us... Our parents disapproved of our marriage because it was a second marriage for each of us... We could only rely on ourselves. We didn't even think or plan anything. We just tried to catch on to every opportunity that was there. We had to survive...”*

*When we moved we started to work in a hotel. I was a secretary and my husband was an engineer. In the hotel there was a bar that no one needed. It was early 90s. Before in the Soviet Union times there was a canteen... So we started to develop the bar. We had no competition at all. This was the only bar in the whole town. As it was the only hotel in town. We worked in the hotel for 2 years. Then my husband initiated to invest into a new business.”*

### **4.2.3 Unsatisfactory / Low Paid Direct Employment**

Another aspect that pushed participants to become self-employed is the fact that they regarded their main career jobs as not being sufficiently profitable or secure (e.g. Cases R3-F, R7 and R10). Therefore self-employment was a choice made out of material necessity. Other research conducted highlighted similar ideas (see for example Ageev et al., 1995; Saar & Unt, 2006). It has to be remembered that many people within Russia

during the transition period were working for a token or even no wages (Rose, 1999) and as a consequence contemporaneous employment positions although transferring skills could be equated in economic terms as being comparable to unemployment.

**Case R3-F:**

*“I have an unfinished degree in Philology. I didn’t finish it because of business. I worked as a school teacher... The salaries were very low or sometimes there was no pay for months.”*

**Case R7:**

*“After I had been on a maternity leave with my second child, I went back to work, but one year after that my husband decided to open a cafe on the first floor of our house. The salary was low; those were unstable times, so I quit my job to help my husband. Eventually he focused on running his auto car repair services, and I took over running the cafe all by myself.”*

**Case R10:**

*“The main factor why I had and always tried to have my own business is low salary. My main profession is doctor... So I had different businesses... I didn’t think of how long the businesses would last... I was just trying to identify the opportunities and sort of to move with the wave.”*

**4.2.4 Poor Retirement Conditions**

A separate group of interviewees occurred among pensioners as the restructuring / transformation affected not only the economy of Russia but also the social welfare system. For example, the Social Capital survey that had been conducted several months prior to the financial crisis of August 1998 revealed that three-fifths of Russian pensioners did not receive their pension on time and that their pension was constantly delayed (Rose, 1999).

Within Russia state pensions are very low and apart from the support of the family the only other choice is to receive sufficient income from labour in order to generate a

living income and the necessity to do this in the case of some of the pensioners interviewed acted as a stimulus to become self-employed (R11, M1). Other interviewees saw the unsatisfactory retirement conditions as a push factor to stay self-employed, even though they were initially pulled into self-employment (Case A3, A3-G). Other research had studied the older generations transition into self-employment and the results varied in different countries at different times (Curran & Blackburn, 2001; Meager & Bates, 2004; Zhang & Beaujot, 1997).

However, previous research did not focus specifically on the individuals of retirement age; whereas not only has age been taken into consideration within this research but also the special unsatisfactory retirement conditions that are experienced by older people in Russia.

Although, Curran and Blackburn (2001) suggested that to a certain extent that retirement conditions might be considered to be beneficial to individuals if they decide to enter into self-employment. The main reason for this being is the fact that most retired people own their own houses and as a consequence can borrow capital against their home which can act as start up funding (ONS, 1999 in Curran & Blackburn, 2001), (Burrows and Ford, 1998; Bank of England, 1999 in Curran & Blackburn, 2001). However, this idea needs to be put into context. Within Russia the lack of institutional support, including the lack of a developed banking system, means that from the position of potential borrowers retired people within society are actually not viewed of as being a viable section of society to lend money to in the eyes of the main banks.

To develop the idea further, it is important to mention that in the UK, as Curran and Blackburn (2001) have found, a large proportion of retired people did not have a desire to enter self-employment because they were satisfied with their current income level.

However, this situation reflects the conditions provided by the sufficient economic conditions of that developed country. Thus, the financial satisfaction level of retired people in more developed countries would be different from the financial level of satisfaction in those that are less developed (and the case in the present research this reasoning could be applied to the Russian context). The general level of income satisfaction could be considered to act as a constraint to an individual who is considering becoming self-employed in more developed countries and as a push factor in those countries with less developed social welfare systems.

The idea that income levels can be seen of as being insufficient for retired people within Russia has to be expanded further, as the present research suggests that caring for relatives is an additional factor that may influence the decision of retired people to become self-employed. This idea is contrary to the typical stereotype of older people in more developed countries where they are sometimes seen as “leisure addicts” (Curran & Blackburn, 2001, p. 895). In Russia, where extended families are more common than in more developed western economies, there is an additional pressure acting upon people of retirement age as culturally the older generation believe that they are responsible not only their own well-being, but that they are also responsible for the well-being of those relatives that they perceive as being dependent on them.

**Case R11:**

*“Our business is only three years old. I registered it legally after I got retired. I used to be a policeman, but I had to do something once I was on a pension. The pension is very small in Russia... We used to grease (salt) fish my whole life, so I decided to trade with it.”*

### **Case A3-G:**

*“Of course if our pension was big enough we wouldn’t need to work after retirement. No wonder in the West retired people can afford to stay in the old people house whereas we are forced to live with our families and to grow something in the garden... Look at my sons for example...They became businessmen after they retired...I am working very hard myself ... helping them anyhow I can...”*

### **Case A3:**

*“I have been a small business owner for 18 years now, since I got retired... I had to feed the family...”*

### **Case M1:**

*“My pension is not big enough. I am in my 80s but I have to help other family members who don’t have a job... My nieces and their children... I have registered as a self-employed so that I could take a credit from a bank. Recently the Agricultural bank started giving credits to anyone who wants to invest in farming. I bought a cow on a credit... I sell milk now and this is how I get my income... I didn’t think that in my old age I would have to study the interest rates and taxation...”*

## **4.2.5 Increased Economic Migration**

The increased economic migration between the regions of Russia and the ex-republics of the former Soviet Union pushed people to become self-employed in two ways. Firstly, it was difficult to enter into the direct employment labour market at new location (after individuals moved) during the massive restructuring period and rapidly occurring unemployment (A5-A, A5-I, A10, A6, R1). Secondly, the participants who were newcomers to the Krasnodar region highlighted that the major reason for their move was a higher unemployment / fewer career opportunities in other regions or recently separated republics (A9-M, A6, R1). This economic situation was in a contrast with the employment labour market conditions during the Soviet Union period when the job opportunities were equally available to the population in every region/area/republic.

Increased social and economic mobility is not bound by ethnic background as identified within the participants sample within the present research. When the experiences of the two groups (Armenians and Russians) were compared it became apparent that some factors affecting the decision to become self-employed were similar among some of the participants within both groups; and from a sociological point of view it can be seen to be more important to pay attention to whether the self-employed were newcomers (to a new geographical area of Krasnodar region) or locals, rather than whether they were of different ethnic background.

This argument can provide a different view on the disadvantages of ethnic entrepreneurs when studied in other countries in the future. This research argues that access to local employment markets, especially during the economic restructuring period, could be equally limited to all newcomers, and not only to ethnic minority groups, as it is the case in Russia. Thus, it might not be a leading factor in other cases of ethnic minority self-employed, as disadvantage theory suggests (for explanation see Shinnar & Young, 2008; Volery, 2007), and other factors could be more important.

Also, this aspect highlights the implications that the economic restructuring can bring to the population of the host country. Thus, the employment choice of the regional / local newcomers of the host country will be affected in the same way as the choice of immigrants. This aspect in other words highlights that the unique conditions of the post-Soviet Union have created a new group of self-employed: immigrants in their own country.

It is important to highlight that the present research finding does not neglect the importance of other factors, such as the influence of language, religion, education etc. highlighted by the ethnic entrepreneurship scholars (Volery, 2007). This finding

emphasises that when these factors are not present then it is the effect of economic migration that is important. Economic migration in its turn is affected by the conditions of the local labour market and the access of individuals to business resources. In other words, when language, religion and other factors applicable to self-employed ethnic minorities of the first generation are not different from those individuals from the host country then it is the conditions of the local labour markets and the access of the immigrants to the business resources that influences the decision of immigrant to enter self-employment.

This finding is important not only for an understanding of how immigration affects self-employment during the economic restructuring period of the ex-Soviet republics, but could also potentially be important for understanding other countries with the same language, similar religion etc.

**Case A5-I:**

*“Why Armenians have a lot of money? Armenians are not afraid to work and to earn money. Although, local Armenians are different from Yerevan Armenians. They have more potential as they are immigrants. One family, for example, (after they immigrated) during 8 years their family lived in a shed, they were picking up the apples, dried them and now they have opened a factory”.*

**Case A10:**

*“When we immigrated we lived in Armavir for 6-7 months. We were working with our cousin there. He used to buy pigs and sell pork at the local market. We bought a car with my brother because for any business the car is needed and we didn’t want to be a burden for our relatives... Then we moved to Krasnodar”.*

**Case R1:**

*“We moved here from Siberia... well there was a higher unemployment level there as many towns and cities were dependent on big factories... So nothing was holding us there... here there are more opportunities...”*

**Case A9-M:**

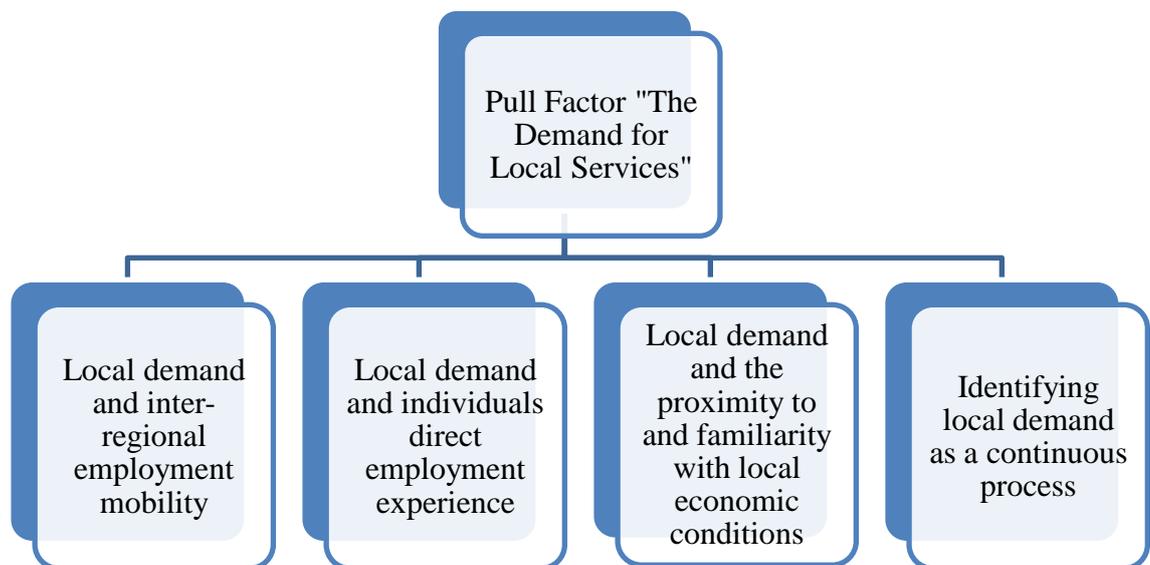
*“After the collapse of the Soviet Union there was no work in Armenia. For a two year period there was only one hour of electricity supply a day (through Georgia), the standard of living was very poor so we moved to Russia (1992 -1995)”.*

### 4.3 PULL FACTOR “THE DEMAND FOR LOCAL SERVICES”

The first Pull factor “demand for local services” is directly related to the Push proposition. Since the Soviet Union infrastructure collapsed and many jobs ceased to be available employment niches emerged in many different economic sectors (Basareva, 2002; McMillan & Woodruff, 2002). The analysis of the case studies identified particular aspects of local employment market development and the dynamics of business choices influenced by local demand opportunities (Figure 6). These are identified as follows:

1. Local demand and inter-regional employment mobility;
2. Local demand and individuals direct employment experience;
3. Local demand and the proximity to and familiarity with local economic conditions;
4. Identifying local demand as a continuous process.

**Figure 6. The Aspects of the Pull Factor “The Demand for Local Services”**



### **4.3.1 Local Demand and Inter-regional Employment Mobility**

Since the unemployment rates were higher in some regions/ ex Soviet Union republics individuals were pulled by the attractiveness of the opportunities in other regions (cases A9-M, R1, A10). The importance of socio-economic positions and movements was highlighted especially by the ethnic entrepreneurs (Masurel et al., 2002). However, the present research recognises that straight after the collapse of the Soviet Union some areas suffered less from the absence of business opportunities than others (for example because of war or because of particular business / economic factors particular to those regions); and the recognition of such opportunities required business owners to relocate.

In general previous research has recognised that the attraction of local specific amenities can affect migration (Greenwood, 1985). However, no detailed study has identified the influence of such amenities upon the individuals' decision to open their own business, especially within the unique economic, political and social conditions created by the rapid disintegration of a large country, such as the Union of Soviet Socialist Republics (USSR).

Interestingly inter-regional employment mobility was also considered as an aspect of the push factor by the same interviewed.

#### **Case A9-M:**

*“Since I was young I wanted to go to Russia but the Armenian institute in which I studied didn't have Russian work placement schemes... The standard of living was very poor so we moved to Russia... After we moved we would buy local meat in the Krasnodar region (many different villages and towns) and sell to butchers and local meat product producers”.*

### **Case R1:**

*“The majority of the population in Krimsk are newcomers; many of them came from Siberia. Closer to the retirement age people want to move to warmer places... So the property management (estate agency) business has been in demand in the last years. At first we didn't have any advertising or marketing strategy; our clients used to come because of the word of mouth... and now we use internet where you can find out the information about approximate prices... So the business develops...”*

### **Case A10:**

*“We have been working in this business for more than 10 years now...since we moved from Karabakh...”*

### **4.3.2 Local Demand and Individuals Direct Employment Experience**

Those individuals who entered into self-employment from direct employment saw the opportunity to start their own business as the restructuring period occurred. Thus, in the cases A2 and A8 the individuals followed the managerial escalator career type progression (Rees & Porter, 2008) during the Soviet Union times. That is that the individuals had started their career at lower positions (as specialists) in their companies and with time they gradually progressed into acquiring more and more managerial responsibilities (as explained by Rees & Porter, 2008). As they gradually progressed in their career with time they became the main directors of their companies. After the restructuring occurred it became possible to continue the businesses (retail shops in these cases) as privately owned enterprises. The premises that belonged to the State became available for rent and purchase. In other situations (like in the case R2, R10) the individuals chose their self-employment career within the sector of their previous professional experience.

This finding was expected as the restructuring of the Soviet Union economy brought the opportunity for the development of entrepreneurship in Russia (Ageev et al., 1995). Demonopolisation of the economy and the privatisation of large-scale companies brought the opportunity for those individuals who had an insight into the economic sectors to start their own businesses.

**Case A2:**

*“...When I came here [Apsheronsk] (in 1983) ... I started working in a shop. Then I became a manager of the store and so on. Then, when the changes happened those stores that I worked in I rented. Then I bought them. They were very old and wooden. I demolished them and built new ones. I was the first one who built a store...”*

**Case A8:**

*“He (my brother) found the job himself as a cashier in a cooperative store. Afterwards because he was working so well they trusted him to run a store department. Then he became a manager of the store. So it was like this. And after that he had opened an independent store. From 1993 he opened his own firm and a store...”*

**Case R2:**

*“It wasn’t a crisis situation as we never had a time when we had nothing to eat. It didn’t feel too difficult, and when I was on maternity leave I was working from home. People always need a haircut...”*

**4.3.3 Local Demand and the Proximity to and Familiarity with Local Economic Conditions**

In some cases individuals who were not directly employed before the transitional period had an advantage in identifying local demand opportunities because they were familiar with the situation that occurred in particular economic sectors and in particular locations (cases R3-F, R5-F, R6, R7, R11, A6, A7). The identification of this aspect is important as one of the main constraints faced by newly established companies in the beginning of

the transitional period were the lack of a knowledge of sources of equipment, supply materials and an identification of potential consumers (Ageev et al., 1995). Thus, those individuals who had an advantage of a knowledge of the local economic conditions were pulled into self-employment.

**Case A5-I:**

*“Forestry is what everybody around are doing. This business has been here forever, so it’s just reasonable that so many people set up their own companies in this sector when the situation changed and the opportunity became available...”*

**Case R3-F:**

*“When we finished school there was a very difficult economic situation... The shops were all empty. It was possible to trade with everything, the mark-ups were 150%... We were trying to trade with everything. We started with perfume because it was easier for me as I am a woman. Our daughter was 6 months old so my husband was looking after her for a year... We tried everything... We had a principle – If I won’t buy it for myself then I would not sell it to others”.*

**Case R5-F:**

*“Our town is a dead-end so the cloth market was open since no trade was coming through. So we (with other women) used to go to Turkey, buy cloth, come back here and sell it in the local market.”*

**Case R6:**

*“During the Soviet Union period there used to be a big Collective Farm (3000 Ha), but when the Soviet Union collapsed the Collective Farm fell apart... Then we had a period when the land was actively leased, people started working 10 times ahead of schedule... The first Individual Farms started to form in the beginning of the 90s. We set up our Individual Farm in 1992. We bought the territory and equipment... There was no competition whatsoever... Our prime focus was on quality. For 3-4 months we were working without the weekends, until August when the harvesting finishes. During winters – hunting and fishing. We started with growing sage and mint... Now we have an oil factory from September till February, although we don’t grow the sunflowers ourselves...”*

**Case R7:**

*“Nowadays there are more than 1000 cafes and restaurants in Krasnodar, but when we started we were among the very first ones. We specialise at a homemade cuisine, Russian and Caucasian... Back then there was a demand for cosy small cafes... We became well known from the beginning. We have very grateful clients. They say they really love our food, it reminds them their home food... We didn’t do any advertising, as clients became interested by the word of mouth... We do allow our clients to bring their own alcohol, and many other cafes don’t... We work flexible hours; we open from 12.00 till 24.00, but if there are no clients we might close earlier. At winter we have more people coming as during summer many summer cafes are open...”*

**Case R11:**

*“Fish has always been in demand in these areas since the ancient times... This is a traditional business here... In olden time Churches forbade to ring the bells when fish was spawning... Nowadays we have ichthyologists who look after the fish reproduction. Each type of fish has its own month for reproduction... We sell the fish at the local market, we rent a place and either me or my wife go to the market and sell the fish...”*

**Case A6:**

*“Major money turnover is at the local market. All of the clothing shops are in this area. Lots of people are passing through... So I figured that everybody needs carrier bags... So I supply them now in big quantities to majority of business people in town.”*

**Case A7:**

*“My husband started to work with my uncle first. They worked for half a year and then we decided to become independent as we understood everything about how to farm pigs and sell meat... We’ve been in this business for 16 years now.”*

**4.3.4 Identifying Local Demand as a Continuous Process**

The process of identifying local demand opportunities is a continuous action that constantly requires looking for new opportunities for those who want to stay in self-employment in modern-day Russia. This is because the economic, political and social conditions in Russia are developing rapidly and staying in one business area or running

the business in the same manner is not an option for most of the self-employed (cases A10, R5-M, A1, R4, R7, R8, R10, R9, A8 and A3).

The constant search for new opportunities in reaction to constant change can help explain why many companies are closed and are opened by the same small business owners. In the present research out of 26 initially recruited small business owners only one (A10) had continued to operate within the same legal establishment during the last ten years, however, the businessman had developed his strategy and changed his location several times. Other self-employed either entered self-employment recently or changed their businesses completely or expanded their businesses in different directions.

**Case A10:**

*“When they started to import meat it became more difficult to for us to trade... In August 2005 we opened a shop in the place that was empty for 6 months. And before that the businesses were not operating for a long time... It’s a small market in a sleepy district... Two people even had a bet that we would close down in two months, but we are still trading there. Many people even asked us how come that we continued our business? It is because of our experience in working with the villages. We know how to choose the quality meat and we provide discounts for our regular customers. I even deliver the meat to our regular customers’ homes sometimes.*

This pull factor highlights that in order to understand the self-employment dynamics it is more important to focus on those individuals who continue being self-employed (small business owners) rather than on the small business entities or registered self-employed. Such an approach will help to understand whether it is the same people who constitute the self-employment sector (and thus the general rise and decline is influenced by their accumulated experiences of running their own businesses) or

whether there is a high mobility of people in and out of self-employment as previous research suggests (Meager, 1992).

Previous research also suggests that it is new ventures and not small businesses as such that create new jobs (Schjoedt & Shaver, 2007) as it is not uncommon that the net loss of jobs occurs among older businesses (Acs, Armington, & Robb, 1999). However, because of the specific Russian economic conditions the expansion of real small businesses activities might be smaller even if the number of the newly established companies is significantly high. The major reason for that could be the idea that it is the same people who owned small businesses for years that open new firms.

There are two options available here. Firstly, people who are registering new ventures already have a trusted circle of employees. If the reason for a new small business is to move on from a declining older business (e.g. Cases R5-M, A3, A1, R4, R8), then the number of increased jobs would only appear in the government statistical documents and this would not create any new opportunities for jobs within the employment market in general.

#### **Case R5-M:**

*“In the 90s I tried to do the retail trade by selling fridges and other businesses as well... Now everything is changing. So one of my businesses in the paper trade now... I also manage a construction team now, well we work in construction but we specialise in the repair and laying of cables and electric lines. I also have a farm... Although, the farm still needs to be developed.”*

#### **Case A3:**

*“Multiplicity of goods is the most important factor for doing the business in Russia. I realised that the farm was unprofitable so I started to do timber processing... Then in our shops we started to produce mince, then dumplings... If the production of one litre of milk requires three litres of fuel then what kind of farm production are we talking about?”*

**Case A1:**

*“Recently the local government introduced legislation that just made it impossible for me to operate the business as being export oriented. They increased the taxation so much! That is their response, their help to small businesses in crisis [sarcasm]... It is completely not profitable to have an export trade now... I became a land owner in the recent month, because it is impossible to pay the taxes for the property and to run a lumber trade company at the same time. So I just rent out the premises now.”*

**Case R4:**

*“So together with one acquaintance they [with my husband] bought a shop. Then, we rented a small shop in the local market. In 1999 we opened a new shop called [X]. It was in a new district that was still under the construction... We hoped that the buildings would be occupied sooner though. Then in the end of 2000 we opened another shop. It was in a very good location, at the edge of the town, near the motorway. There was no one around... As for the shop [X] all those buildings were bought by northerners so the trading season only lasts for 2 months in summer when they come here for a vacation... As for this bar we rented the territory in 2000... Then we opened a summer cafe. The place was empty. There was even no embankment. Instead of the beach there were stones everywhere and the sea was filled up the sand for 500m. We didn't have much of an assortment at first. Grill, shashlik, lyulya (mutton grilled on a spit). During the last 3 years the amount of visitors in the town increased... We took a credit a year ago and built the winter cafe... In total there are 5 cafes at the embankment now, but there will be 6 this summer. The reason why we are more focusing on developing our bar is that during the last 3 years the competition for the small shops had increased. Many supermarkets are now opening. So we are closing some of our shops.”*

**Case R8:**

*“The first cafe I opened was in the House of Culture (Moryakov) from 1988 till 1990. Then in 1990 I opened another cafe. There were two barmen and two waitresses. We had a simple menu: fries, chicken and salads. Something that everybody likes. Then the lease was not extended and I started to trade with Ukraine. I used to transport rice to Ukraine, and sugar (and other products that were cheaper there) back to the Krasnodar region. I also occasionally was sailing as a cook on commercial boats...”*

Interestingly the cases mentioned above demonstrate that the reason for their expansion is mixed and could not be explained only by their desire to move on from the declining business. Another reason for opening additional small businesses could be to expand and diversify existing business activities (see also Cases R9, A1, A8). Then there would

be a greater potential for the creation of new jobs. However, the effect on the employment market in general would be primarily from bigger businesses, as again small business owners rely on their trusted circle of employees and additional duties might fit in within existing working hours.

**Case R9:**

*“As the Krasnodar region develops so many people’s situations improve during the last decade. Many people now have a better standard of living and can afford swimming pools, so I started to specialise in them. It wasn’t my own company but as I gained experience and connections I quit and started my own company... I am now developing a new theme, the solar panels. There is so much sun in our region, I am planning to run the company on a larger scale but I still need to develop the technology to make sure it can be installed and maintained smoothly... Although, I already have several clients...”*

**Case A1:**

*“We had more freedom after the Soviet Union period. We started openly trading with Turkey. In fact, my main clients were Turkish. I prefer working with Turkish... Although, many local companies are still working with Russian companies like furniture factories...”*

**Case R8:**

*“One of the businesses I run now is a canteen in the tourist base. There are three cooks, two kitchen workers, two barmen (outside near at the beach) and two shashlik-men. At the moment the houses at the base are old. It is cheap to rent them so because of the crisis people can afford it. In one year time the houses are going to be rebuilt, so we could rent the canteen for another year. Alternatively we could feed the workers who will be working at the construction site... In the near future I am planning to set up tent marquees on the pedestrian’s sidewalks that lead towards the sea. We are going to sell drinks and souvenirs. There are plans to develop that area...”*

**Case A8:**

*“From 1993 when my brother bought the territory we started to work on a wider scale. So we started to distribute goods to other stores. We were delivering and offering the goods ourselves to other shops. So we did not just trade ourselves, but we were working at a larger scale. So we had a network of shops that were working for us... So from 2000 we started to think of what could we produce. Because we had only been trading before that, were taking the goods from somebody else. So we thought the buckets are being sold very well. So we started searching and he found in the*

*Samarskaya region there was a factory. So we bought one line and set it up here. So from 2000 we have a production of the metal buckets. And only recently I bought another line... oh yes we are monopolists in the production of buckets in the Krasnodar region and also we are the monopolists in the production of spades... As for production we have 9 people there. So it is not so big, but because the production is automated we are not at the maximum but at a close to a maximum level satisfying the demand in the Krasnodar region. So not too small and not too big... You can see it yourself there is a construction everywhere. And no construction is without the buckets and spades. So we made the right choice.”*

Also, seasonal companies should be taken into consideration. The latter idea was revealed from the analysis of the case studies in the present research (R6, A8, A3). Certain companies may operate different types of businesses in order to survive. Such an idea goes against the entrepreneurial strategies of accumulation and concentration described by Burawoy et al. (2000). The present research suggests that such strategy of concentration could be applicable at the early stages of firm formation, but in a longer term the diversification of business strategies is required during rapidly changing economic times.

The above cases have identified that local demand opportunities act as a continuous process and it must be noted that deciding whether this factor should be presented as a Push or Pull was under a question. As it can be seen from the examples of the Cases R5-M, A3, A1, R4 and R8 above the fact that they had to move on from their declining businesses and open new ones can be considered as a Push factor. Moreover, the Case R10 for example demonstrates that not only that this aspect can be present in the cases where the owners already have entrepreneurial experience but also in the cases where individuals are at the early stages of deciding whether to become a business owner or not for the first time.

## Case R10:

*“After I finished university I worked as a therapist for one year. Then I worked as a neuropathologist for two years and since 1991 I have been working as an Ultra Sound Scanning specialist. As you know the doctor’s salary is simply not enough to live on. So during the 1990s and 2000s I always tried to do some other business. I couldn’t organise a private clinic as the Ultra Sound Scanning equipment is too expensive and there was no opportunity to take a bank credit. So I had different businesses... I didn’t think of how long the businesses would last... I was just trying to identify the opportunities and sort of to move with the wave. So when the VHS tapes became popular and many people started to have video players, I opened a video rental shop... Then when the illegal VHS copies became forbidden it became unprofitable to continue this business... Then we had a wave of photo printing business... That was before the digital era...The digital printing equipment is more expensive and it is more expensive to run the digital photo printing business... So I still have 2 little photo printing centres but the business is declining so I think I will need to close it soon... Last Saturday I finally bought my dream the Ultra Sound Scanning equipment. It is second hand, and I have been saving for years now. So it worked well...”*

Although the cases above demonstrate that the same factor can be both a Push and a Pull factor at the same time, a further investigation revealed that the individuals who stayed as business owners found those challenges enjoyable. Otherwise, they would not have survived as business owners for so many years. For this reason, the present factor was identified as Pull in the present research. Nevertheless, this finding does highlight that Push and Pull factors dichotomy is not always adequate and that potentially any factor should be considered from both perspectives.

#### **4.4 PULL FACTOR “THE DEVELOPMENT OF ENTREPRENEURIAL SKILLS”**

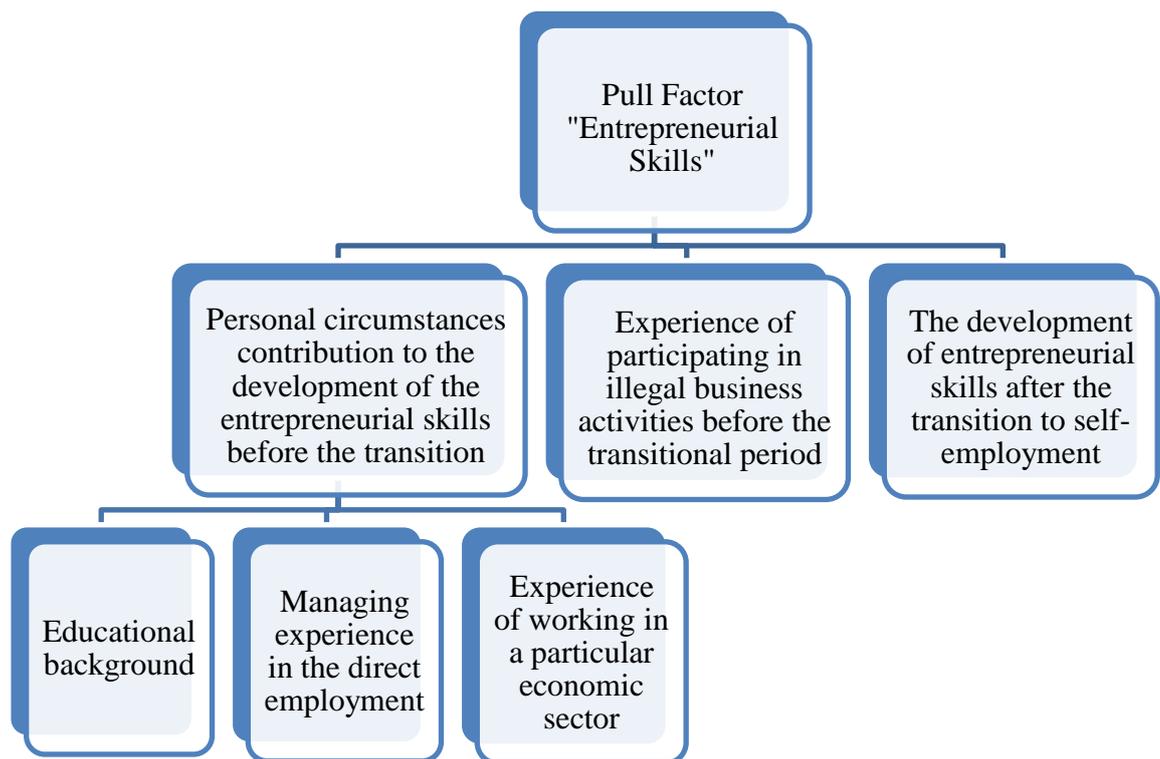
The importance of entrepreneurial skills, behaviours and attitudes was highlighted by many scholars in the past (e.g. Atherton, 2007; Granger et al., 1995; Pfeiffer & Reize, 1998). However, the present research findings highlighted certain aspects that are specific to Russian society today. The interpretation of the data obtained during the interviews and observation revealed that the development of the entrepreneurial skills pull factor was considered as being important for two major reasons. Firstly, it was noticed that the attempts of the Soviet Union to eliminate private business activities completely failed during the regime, and thus, entrepreneurial skills were developed before the transitional period. Secondly, it was noticed that the development of the entrepreneurial skills pull factor can be seen as a necessary requirement of the transition period. Those business owners who did not develop entrepreneurial skills before they had opened a business had to develop such skills to maintain their business.

It should be remembered that the present research identified that the participants paid more attention to how they developed entrepreneurial skills and to what events contributed towards it, and not to the description of the particular entrepreneurial skills as such. Interestingly, the participants themselves stated that sometimes they did not even know exactly why they were successful at running their small businesses. What they did highlight was the fact that they were able to learn and apply certain skills in business.

In particular the following aspects of “The Development of Entrepreneurial Skills” pull factor were paid attention to by the participants (Figure 7):

1. Personal circumstances contribution to the development of the entrepreneurial skills before the transition;
2. Experience of participating in then illegal business activities before the transitional period;
3. The development of entrepreneurial skills after the transition to self-employment.

**Figure 7. The Aspects of the Pull Factor “Entrepreneurial Skills”**



#### **4.4.1 Personal Circumstances/Past Experience Contribution to the Development of the Entrepreneurial Skills Before the Transition**

Personal circumstances, or in other words certain aspects of past experience, such as educational background (highlighted in the case A2), managerial experience in the direct employment (cases R7, R5-M) or experience of working in a particular economic sector (cases A5-I, R1, R8, A2) contributed towards the development of the entrepreneurial skills before the transition.

##### **Educational Background**

Although, educational background was highlighted in the present research, its role in the development of necessary skills is questionable because of the transitional situation of the Russian economy and contradictory findings of the previous research worldwide.

Unlike earlier research in the West that identified that during the economic restructuring period people who entered self-employment were more likely to be low-skilled individuals without the educational background the present research suggests that the presence of an educational background was not an exception and to a certain extent was influencing the decision of individuals to become self-employed.

This finding provides an insight into the issue of relevance of education to the business start-up. Earlier research has identified that Russian entrepreneurs in the 1990s were highly educated (Ageev et al., 1995). However, later research conducted at the macro level in Russia identified that the presence of having a higher education does not significantly influence business start-up (Aidis & Estrin, 2006). That is it is white-collar organisational skills that are associated with business owners and the business start-up processes (Aidis & Estrin, 2006). The present research findings to a certain extent agree

with both views although they contradict each other. That is the research findings suggest that it is the type of higher education that needs to be considered. Thus, not only the presence or absence of an educational background would influence the individuals' decision to become self-employed, but certain types of educational background would influence business start-up decision and other types would not.

For example, in the case of A2 the business owner highlighted the fact that he possesses a degree that contains commodity expertise. The business owner therefore had a higher educational background that is linked directly to his profession and has served to act as a pull factor for him not only before he started his own business, but also afterwards. On the other hand, in the cases A4, A6, A7, A10, R2, R7 and R8 the business owners highlighted that they did not have a higher education degrees, but other factors (such as economic migration for example) influenced their decision to become self-employed. In the third case scenario the individuals may have had a higher educational background, but they would not consider it to have been the influencing factor that neither made them to become self-employed (e.g. cases A1, A8, A5-I, A5-A, A9, R3-F, R4) nor necessarily influenced their choice of business (e.g. case R10). In these cases the interviewees' educational background is not directly related to the type of business they have entered or decided to run. For example, in the case A8 the individual had a degree in engineering, however, after the restructuring period he opened a retail shop. Similarly in the case R10 a doctor had opened a VHS (Video Home System) videocassette rental and a photo printing shops.

Although this finding is not conclusive it does highlight the importance of not overlooking the higher educational background factor as being a factor that can influence the decision to become self-employed. Another reason of why this aspect

should not be disregarded by researchers is that this aspect is considered as being one of several personal circumstantial factors; and thus, should not be considered in isolation. Finally, when considering the educational background it is the type of education that can be positively associated with the start-up processes rather than merely its presence or absence.

**Case A2:**

*“Well, first of all I studied trade and I worked in trade when I lived in Krasnoyarsk... I run my own business. I have a degree as a commodity expert...and I am a manager. Of course I finished it a long time ago, and I run business in the trade sector, although, I have always had my own interests which eventually passed into business”.*

**Case A7:**

*“No we don’t have higher education degrees, but why would we need it in our business? We know what we need to know to run our business.”*

**Managerial experience in the direct employment**

Past managerial experience within direct employment during the Soviet Union period might be considered to be irrelevant. Indeed academic scholars expressed their own concerns with regards to the way that the Soviet Union’s centrally planned economy influenced the development of Russian entrepreneurial activities (Ageev et al., 1995). As Guroff and Carstensen (1983) have suggested a central planed economy required different qualities from those associated with modern free market entrepreneurial skills (in Ageev et al., 1995). A similar idea was highlighted by researchers writing within more developed countries, as Curran and Blackburn (2001) suggest that individuals who had a past experience in large-organisation sectors were unlikely to develop “the ‘jack of all trades’ flexible skills needed to run a small enterprise” (p. 895).

However, within the present research several interviewees have highlighted that they have developed some useful skills while they were working within direct employment during the Soviet Union period. The development of leadership skills were especially highlighted. This idea was indeed mentioned by other researchers as well. Ageev et al. (1995) for example has identified that one group of entrepreneurs the “Old Guard” meaning that they had developed their leadership skills during the Soviet Union times by managing technological innovation projects. This finding suggests that the managerial experience during the Soviet times should not be disregarded as being influential on the decision of individuals to become self-employed later on. However, unlike the researchers such as Ageev et al. (1995) the present research suggests that all forms of organisational and leadership skills development should be considered. As it is the communist party system itself that provided the opportunities to individuals to develop and to prove their leadership skills, and not merely the organisational settings themselves. For example, in the case R7 the individual considered her managerial experience within the factory as a continuation of the development of her leadership skills from the times when she was at school. That is, the school environment was structured in such a way that from an early age individuals could be chosen to monitor and guide others. The idea that individuals started to develop their leadership skills from the pre-employment stage was highlighted by other interviewees as well, especially from observation.

**Case R7:**

*“As for me I was a leader since the school times. Always the first at everything, active in public life... I think that helped me in business, as I run the business myself now... I became a brigade-leader when I was very young, I was 27 years old and most of my workers were near the retirement age... This experience helped me to develop my managerial skills back then...”*

**R5-M:**

*“I finished studying at a construction polytechnic and started work straight after that. After one year I became a manager. So for a long time I had managerial experience...”*

**Experience of working in a particular economic sector**

The experience of working in a particular economic sector was also highlighted by the interviewees as being one of the circumstantial factors that pulled individuals in a particular direction of self-employment. This idea was mentioned by other researchers (e.g. Ageev et al., 1995). That is the individuals who chose to open their businesses in the economic sectors that they were familiar with. Such familiarity and experience has contributed towards the development of entrepreneurial skills up to the point that the individuals became comfortable.

**Case A5-I:**

*“I started working when I was 13 years old. It was a necessity because I had to earn money. I was cutting forest. When I started I didn’t know anything about forestry... now I know everything...I know how to run the business...”*

**Case R1:**

*“My wife and me, we moved here in 1995 and my wife’s sister moved here several years later. We had our experience at working in the property management sector since 1996, so eventually we decided to open or own business and to work for ourselves... We had developed the skills so why working for somebody else?”*

**Case R8:**

*“Before the Army after the school I was studying to become a sailor-electrician and then I was taken into the Navy. There of course I wasn’t asked and I studied to become a cook... After the Navy I worked in a canteen in Torgmorts for one year, as my neighbour was working there...And after that 15 years sailing as a cook I rented cafes and started my own business...”*

#### **4.4.2 Experience of Participating in Illegal Business Activities Before the Transitional Period**

The idea that Russian business owners developed their entrepreneurial skills before the transitional period is not new as long before the transitional period certain forms of the entrepreneurship existed (Seawright, Mitchell, & Smith, 2008). However, the present research is interested in how the realisation of those skills had pulled the individuals into self-employment (cases R3-F, A10, R9). In particular, entrepreneurs had paid attention to their past experiences as the realisation that they were able to do business during the Soviet Union period gave them confidence in their entrepreneurial skills as it was an indication that they had been applying those skills for a long period of time.

##### **Case R3-F:**

*“When I was working as a teacher I took children to a trip to Grodno. When I was there someone asked me whether I brought anything to sell. I hadn’t even thought about it! So I bought something in Grodno for 100 rubbles, brought it back and sold it for 400 rubbles. That was my first experience.”*

##### **Case A10:**

*“After the Army I came back to Azerbaijan... In summer we traded with raspberry. Everybody had gardens and everybody were growing raspberries. How it all started? One man in 1970s brought raspberries for himself. Then the raspberries started to spread across the village. So we calculated that trading with raspberries was more profitable than anything else. In 1988 I started to cultivate raspberries. We had 1200 houses in our village and everybody saw that it was profitable, so everybody started cultivating raspberries. We used to supply the whole Caucus (Kirovabad, Tbilisi, Yerevan, Baku and other towns). The yield was twice a year from July till the middle of November. Every day the trucks used to load 300-400 kg of raspberries”.*

##### **Case R9:**

*“When I was studying in the Polytechnic I used to be a DJ at weddings... I was very good with the technical equipment, lighting and music. They used to pay me 500 rubbles per night...It was illegal of course, but I earned money!”*

#### **4.4.3 The Development of Entrepreneurial Skills After the Transition to Self-employment**

Certain cases highlighted that they didn't have any entrepreneurial skills before the transition (or they did not realise that they had), but just like all of the cases in the present study they highlighted that they needed to develop certain entrepreneurial skills in order to stay in business (cases R7, R4, A3). Since the present research is not concerned with those who entered self-employment and left shortly afterwards, it does not argue with the previous research that states that in many cases when people start their own business without sufficient preparation or plan they fail (Storey and Johnston, 1987 in Meager, 1992). However, the necessity of continuity in developing new skills to survive in business is highlighted as various researchers suggest that it is important to pay attention to the issues related to the entry-exit dynamics within the push-pull debate subject area as opposed to merely entry patterns of self-employment (Meager, 1992).

Another important idea that had emerged from the present study is that planning or knowing did not play any significant role for most of the interviewees after they started their business. This contradicts the previous research in the sense that all of the participants had to develop certain skills, e.g. flexibility, adaptation skills, that are more important within the Russian context compared to the situation in more developed countries. The significance of this finding was thought to be so important that the present research highlights it as a separate pull factor – “Cultural Changes” (please refer to the section 4.5 Pull Factor “Cultural Changes”).

**Case R7:**

*“When I started I didn’t have any experience in business. We just had an idea to open a cafe. My neighbour helped me at the beginning. She was retired (70 years old) so she had lots of free time. Before she retired she had been working in trade sector, so she had an experience. As for food, we simply knew how to cook because we are women. We cooked what we thought would be the best food. We were practically just two of us at the beginning, and after that my husband’s relative moved here from Armenia. He helped us with organisation of business. He was very good at it...”*

**Case R4:**

*“We didn’t have any experience in business. During the perestroika period both me and my husband worked as teachers. I worked in the music school for 6 years and my husband worked in the Polytechnic for 12 years. He reached the position of Director...”*

**Case A3:**

*“Crisis sometimes helps small business to find the right decisions even better than before the crisis... Because a small businessman have to look for non-standard decisions. Life will give the right suggestions... The main thing is not to get lazy at any time. It says in the Bible that if you sleep a little bit longer or will allow yourself to get lazy then poverty will burst into your life... In extreme situations a person must have more energy...”*

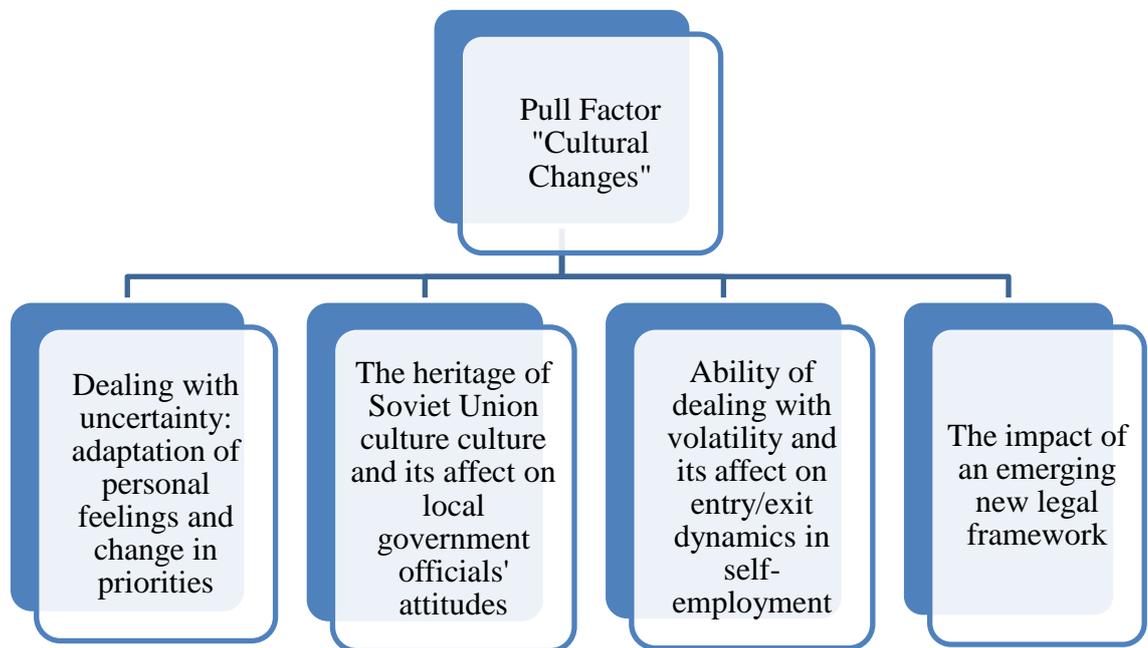
*In Germany there is a specialisation but in Russia we have multi-purpose enterprises...”*

#### **4.5 PULL FACTOR “CULTURAL CHANGES”**

The third pull factor highlights that the elimination of cultural constraints and the development of the official favourable attitude in favour of privately owned enterprises contributed towards the development and growth of small enterprises in Russia. The idea is not new and had been highlighted by previous research (Gerber, 2004). However, there are several aspects of this pull factor that needs to be considered in order to understand why the development of small enterprises in Russia are lower (or are reported to be lower) than in other ex-socialist countries (Kihlgren, 2003). The present research highlights that the change of attitudes is a complicated process and requires time. It is the aspects of this changing process that are influencing the decision of business owners to enter and stay in self-employment. The following aspects of the “Cultural changes” pull factor were identified as being the most important for the participants within the sample:

1. Dealing with uncertainty: adaptation of personal feelings and change in priorities;
2. The Heritage of Soviet Union culture and its affect on local government officials’ attitudes;
3. Ability of dealing with volatility and its affect on entry/exit dynamics in self-employment;
4. The impact of an emerging new legal framework.

**Figure 8. The Aspects of the Pull Factor “Cultural Changes”**



#### **4.5.1 Dealing with Uncertainty: Adaptation of Personal Feelings and Change in Priorities**

Several cases highlighted that in order to start a business and to stay in self-employment interviewees had to adapt their personal feelings and change their personal priorities (A9-M, A5-I, R3-F, R5-M). During the Soviet Union period the reliance upon the system served as a constraint for people to start looking for opportunities for self-employment. The elimination of cultural constraints, the “Soviet Era Mentality”, helped people to think about starting their own business and helped them to establish a positive attitude for those who wanted to become self-employed and for those around them. However, the individuals in the present research highlighted that the process of changing their mental outlook required time (example R3-F) and was complicated by the people that they had to deal with (in their personal life as well as in their professional life).

The influence of uncertainty on entrepreneurial behaviour was highlighted by Knight as long ago as 1921, and by other scholars like Jovanovic (1982) later on (in Grieco, 2008). However although “Knightian uncertainty” (Grieco, 2008. 10) can explain why the presence of an entrepreneurial function is necessary in Russia, there is no in-depth research that explains how exactly the cultural changes affected the decision of individuals to start their own business during times of uncertainty. Uncertainty does not influence only the decisions of the potentially self-employed from within the industrial organisation perspective (as explained in Grieco, 2008). Uncertainty can also be an attribute of the business hostile environment as it is the case in many Eastern European countries (Dyer Jr & Mortensen, 2005). However, the interviewees highlighted that it is not the presence of uncertainty that is important but the way they dealt with it. Thus, it is not only important to highlight that cultural changes brought additional opportunities and constraints for people to start their own businesses, but that for those people who managed to adapt to these changes the process of adaptation served as a pull factor to become self-employed. The present finding highlights that it is important to investigate further and in-depth how uncertainty influences the changes in cultural attitudes / values; and how these changes influence the decision to enter into self-employment.

**Case A9-M:**

*“Well, I was a deputy engineer at a big factory. I had a respectable profession. To go into trading would be, well, to step down... But then the whole situation changed... No I wasn’t fired... But I needed to feed my family... No I didn’t think it was less respectable to start working as a butcher back then because I couldn’t just lie on my sofa and complain that there was no job or pay. It just meant I had to start all over again”.*

**Case A5-I:**

*“Those who were brave enough and were not afraid to work had made their choice...”*

### **Case R3-F:**

*“Here we were a policeman and a teacher. We got married and after two years we sold our apartment, quit our jobs and rented a place to live... No one understood us, but we thought that we had a choice of either teaching other people’s children or raising up our own...”*

*We were depriving ourselves absolutely of everything... One summer I was wearing just one pair of slippers because I didn’t have any shoes... We started trading on a camp-bed, we used to bring the goods on a small cart from home... In the beginning I was crying because of shame... One old lady told me at the market: “You should be grateful and respectable towards people because they came to you and didn’t pass by”...*

*There comes a moment when living better is becoming shameful. It happened several years after we started...*

*Earlier we had the tax authorities having their checks on us 3 times a week... I was the first person who forced the local authorities to pay my employee the maternity benefit. They were saying that because there was not budget money they just couldn’t pay. So I stood up for my pregnant employee (She was 17 years old). I was constantly going there trying to get their attention, I acted like a complete fool. I would sit there with the naive face and ask them: “So what should I do?” They would send me from one office to another and back, and I just continued until they paid my employee what they had to.”*

### **Case R5-M:**

*It is difficult to find normal people to employ. No one wants to work, although, they are unemployed! I hire people from villages because the urban people don’t want to work... It has to do with the local culture... The ancestors of the local population were Kulaks (rich peasants). All of them were free Kulaks. The collective farms only started in 1930s. No one wanted to join them. So they used to take by force their properties, horses and so on... We did not have a famine. Everybody had their own little farms. After World War II a bucket of the black caviar was worth half a baguette of bread. The ovens used to be stocked with fish...”*

## **4.5.2 The Heritage of Soviet Union Culture and Its Affect upon Local Government**

### **Officials’ Attitudes**

The analysis of the data revealed that one of the topics the participants paid attention to was the Heritage of Soviet Union culture and its affect upon local government officials’ attitudes. The fact that the attitudes had changed was highlighted as a pull factor, i.e. it became more attractive to become self-employed as there were less constraints acting

upon the interviewees coming from the actions and behaviours of government representatives. This idea is not new and it goes along with the findings of other studies as many researchers highlight the Russian official government's position had changed (e.g. Pissarides et al., 2003). However, little previous research focuses on how these positive reforms are being applied by local government officials in practice and how small business owners are beginning to benefit from the reforms in their own words, and not in the form of the government report. Also it was noticed that the changes on behalf of the government officials did not change overnight. Thus, this aspect of the "Cultural Changes" pull factor had a decelerating side effect as the tension between the government officials and the business owners was emphasised in many cases, which the business owners saw as the main constraint to doing business (R6, A1, R4, R7, R3-F). Thus, for a better understanding of this aspect of the "Cultural Changes" pull factor the importance of time during the process of cultural changes is emphasised (please also refer to the section 4.5.4 "The impact of an emerging new legal framework").

**Case R6:**

*"At that time (during the early transition period) Americans were looking for investment opportunities. We were talking for a long time (during the interview). Then after a while we received documents stating that we won the tender. We would have got 250 thousands rubbles free of charge and interest free... But in the end we never got it... There were some problems in Moscow... Someone wasn't happy... Well, I don't want to talk about it."*

**Case A1:**

*"Well, that's what they say... that the government is interested in the small business development, but the reality is different. What is happening in reality and what they say on the TV are two different things. Yes overall maybe the government is interested but the local officials are slow to change. Every time the local government introduces some law, it is if they do it on purpose to make our life difficult. I had to change the strategy of my business so many times, and after the recent legislation I chose just to close my business. The local government officials are the main constraint for doing the business in Russia."*

#### **Case R4:**

*“There are fewer inspections now compared to the 90s. Sometimes we don’t know why we have these inspections...”*

*Recently we gathered together with other businessmen and went altogether to the Forum (2009 March/April)... I don’t know the exact name of the Forum, it was other businessmen initiative. So when we got there we found out that apparently there is a Council of Small Business Support in every region. It turned out that they had to provide the support to the small business entities, but if we didn’t go to the Forum we wouldn’t even find out that it exists! That Council reports to other authorities higher above (region and perhaps further). No one even tried to notify us that such a government body exists! So the representatives from every local district were giving presentations; and they were saying what was the percentage of the small business contribution to the local government budgets (from taxes). It turned out that the taxation from the small business sector contributes 90% towards the Primorsko-Achtarsk city budget... We had a long negotiation and in the end they agreed to decrease the tax coefficients. Actually the first businessmen group that went to negotiate were those from the local market. Other businessmen didn’t go with them because they thought that it would be obvious that that group of businessmen represented all of the businessmen of our town. So after that we wrote an official letter... Then we met and asked them to explain how they made a research that resulted in increasing the tax coefficients. They increased the coefficients three times, but after the negotiations they decreased 50% of that sum. So this time it worked but there is no guarantee what will happen in the next season...”*

*“First they increase taxes, then they decrease them. It is all the time like this and people are unhappy. Everybody complain all the time...”*

#### **Case R7:**

*“I saw the news on the TV on the 15 May 2009. Tkachev (the governor of the Krasnodar region) said that the local government introduced a new law forbidding the local officials to do unplanned inspections for 3 years. I already heard that officials already thought out how to go around this law. On one hand they introduce the laws to improve the situation between the officials and businessmen. On the other hand nothing changes.”*

#### **Case R3-F:**

*“Because of the crisis the tax authorities started to compromise. We had this meeting with them recently... all of us altogether (other small business owners), we went there and we negotiated. I showed them my financial accounts. They were all astonished! Why? Because no one shows the real accounts, but I did. I told them, this is how much is the total income, this is how much is our costs, salaries etc. and this is how much is our profit. It is minimum already. I told them that if they increase the income tax now then I’ll close my company and will be on the unemployment benefits. It’s an additional cost for them, but they were astonished when I showed them the accounts. I have nothing to hide!”*

### **4.5.3 Ability of Dealing with Volatility and Its Affect on Entry/Exit Dynamics in Self-employment**

The presence of organised violence was highlighted by several individuals as dealing with the criminal element affected the business owners' decision of either staying in or leaving business. This is an important aspect for the Push-Pull Debate as it is not merely important to understand why people enter self-employment in the first place, but also what helps them to stay self-employed and not to leave shortly afterwards. The issue of organised crime has been addressed previously by researchers. As it has been shown that when there is a lack of demonstrable central authority (an executive body that enforces a transparent and accountable system of law and order) organised crime groups can and will emerge (Volkov, 1999). Back in the 1990s many businesses needed protection from the Mafia (Barkhatova, McMyllor, & Mellor, 2001). This research, however, considers the issue of volatility in the context of the push/pull debate as it considers the criminal element as being a cultural constraint. The ability of dealing with the situations when business owners have been pushed out of their business (along with the knowledge of which business sectors the criminal element was not interested in) affected the consequent business practices, business entry decision and the decision of business owners to stay in business (Cases R2, R7, R3). Thus, if the volatility of the business environment is seen as being a constraint, then the ability to deal with this volatility can be considered as a pull factor of business ownership.

This particular pull factor could be evaluated further in the sense that the affect of volatility appeared to be more of a concern during the 1990s period than that of 2000s. However, not much evidence was collected by the present research. Only Case R7 highlighted that volatility was actually a big concern back in the 90s. Whereas, in Case

R2 they have explained that criminality did not affect their business. Although, very few responses were made highlighting this factor it is still important to mention it for the purposes of future research.

**Case R2:**

*“No we didn’t have any problems with mafia as the money turnover in our business was small. Our profit was little by little every day; we would earn and spend it straight away. So we were out of scope of interest for mafia people, unlike those who were in retail. They used to carry out a lot of money to buy the stock first, then had lots of cloth to sell that again cost some significant amount of money...”*

**Case R7:**

*“The 90s were extremely difficult times. Criminality was everywhere... It was chaos. After Putin came into power everything was put in order...”*

#### **4.5.4 The Impact of an Emerging New Legal Framework**

Adapting to a new legal framework affected both business owners and government officials’ perceptions and required a time for attitudes to change. Research confirms that the small business sector in Russia operates to a great extent in the informal economy (Avtonomov, 2006; B. Kim & Kang, 2009). The informal economy here is differentiated from the illegal economy in the sense that the former can be legally registered but not with the relevant authorities (B. Kim & Kang, 2009). The present research contributes to knowledge by developing the idea that from a small business perspective within Russia when looking at the informal economy it is important to be aware of and to include issues of transparency particularly when looking at this scale of business activity at a macro level.

With regards to the above it should be noted that despite the fact that capitalism is officially accepted within post-communist Russian society, at the official level, small businesses can experience contradicting attitudes from government officials who were institutionalised during the Soviet era. The historically reinforced social contradictions can cause mistrust between both local business owners and local state officials (Cases A9-M, R2, A1, R7-M, R9).

This above argument highlights the fact that it is difficult to consider Russian small business entities as being part of the illegal economy because all of their operations are strictly speaking legal (taxation, registration with local authorities etc.). However findings indicate that the small business participants' actions are driven by the transparency issue.

The research findings indicate that in certain cases one business owner could have several businesses under his sole control. Officially these businesses are registered under different people's names – usually close relatives or friends, someone from a trust perspective and others from a control perspective.

Another finding indicates that in order to understand the complex nature of small businesses in Russia it is important to realise that several different types of businesses can operate under one registered small business entity. This factor makes it difficult to analyse the extent of small business activities at the macro level as it becomes hard to categorise or generalise the small businesses by industry. This highlights the importance of considering small businesses as “ongoing social entities” (as defined by Stanworth & Curran, 2000) that contribute to the Russian economy.

To look at Russian small businesses from a macro statistical viewpoint may be misleading as many small businesses may be legally registered for a short period of time in a sole or few lines of business and then generally cease to trade. The same legal owner or associates of the legal owner will then setup another small business that may be operating for a similarly short period of time in a completely new line of business or even to resume in the same original line of business. The registration and de-registration of small businesses is linked to the desire to deliberately confuse the tax authorities about the real legal ownership of the small business and also to protect the legal owner from criminal elements within society. These expedient practices will confuse any macro statistical analysis of the nature of small businesses with Russia.

Nevertheless it is important to highlight that in comparison with other regions the Krasnodar region is one of the most progressive regions when it comes to supporting SMEs. For example Terterov and Cooper (2003) stated that the Krasnodar region was the sixth largest among 89 Russian regions in SME production by volume in 2003. The Business-Kuban (2011) analysts state that nowadays there are about 35000 SMEs in the Krasnodar region that produce a volume of goods and services worth 30 billion rubbles. It is obvious that the institutional and legal framework of the Krasnodar region contributes to this development. New small business support programmes were set up in 2003 – 2005 (Business-Kuban, 2011). The regional legal framework has been developing with the introduction of business friendly legislation in 2008 ‘About the development of the small and medium enterprises in the Krasnodar region’ (SME\_of\_the\_Krasnodar\_Region, 2011). An online SMEs news and support service has also been set up (SME\_of\_the\_Krasnodar\_Region, 2011). Various competitions are being held every year to encourage SME competition in different economic sectors. An official dialogue has been created between government officials and young

entrepreneurs in order to develop a plan of how to support young people who would like to open their own business. A similar dialogue has been created between existing entrepreneurs and government officials. Finally according to a survey that was conducted by the Eurasia Competitiveness Institute in 2011 the Krasnodar region has taken second place among 40 Russian regions as the region that has the most favourable conditions for SMEs (News\_of\_the\_Krasnodar\_Region, 2011).

As the improvements in the institutional framework and legal system are known at the official level it was interesting to see how the business owners themselves perceive these changes. The participants in the present research highlighted that there have been significant changes in the legal framework that affected small business and self-employment registration practices since the early 90s. Stricter rules, better regulation and a fairer taxation system forced people to register their businesses legally. Although, in some unique cases the legal framework system still proved to be rigid and it did not exist for certain types of small business activities, which makes a company's registration process impossible. The example of this would be the Case of R7-M, bespoke car manufacturer who could not register his business legally as there are no laws that could regulate his particular type of product.

This finding is important as it indicates that the SMEs support programmes of Krasnodar region pro-reform local government (Pissarides et al., 2003) has positive results from the perspective of small business owners and as a consequence is acting as a pull factor.

**Case R2:**

*“Each one of us (mother, daughter and partners) is registered as privately owned enterprises [equivalent to self-employed]. It’s easier for taxation purposes. At first it was a bit difficult with all of the documents, but after their introduced the simplified taxation system, it became easier. Now we have a tax firm who is doing all of our taxation.”*

**Case A1:**

*“I have one business registered with my father, one business registered with my mother, one business registered with my brother... It’s better that way... Don’t get me wrong, all the companies are registered legally and they pay all the taxes and everything, so there is nothing illegal there. Absolutely legal companies, but I don’t want the authorities to know that this all belongs to one person, to me, so it is registered on different people... Well, why would I want the authorities to know about all the business that I have, it’s better if they don’t. No I don’t mind if you write about it, it’s a common knowledge, everybody know that.”*

**Case R9:**

*“I have not registered my solar batteries company yet as I am still experimenting with the technology... I have registered a company as a land lord and we are planning to do some other business with my companions and will hopefully start the solar business soon...”*

**Case A9-M:**

*“When I started we were not legally registered. It was in the 90s, I did not have a Russian citizenship yet and I wasn’t living here all the time. I used to travel every 3-4 months from Armenia to Krasnodar to earn money. Then in 1995 I moved my wife and child here, and since I started living here I got the citizenship. Also, the laws became much stricter; there were more regulations so we registered our business legally. My brother is still working in this business.”*

**Case R7-M:**

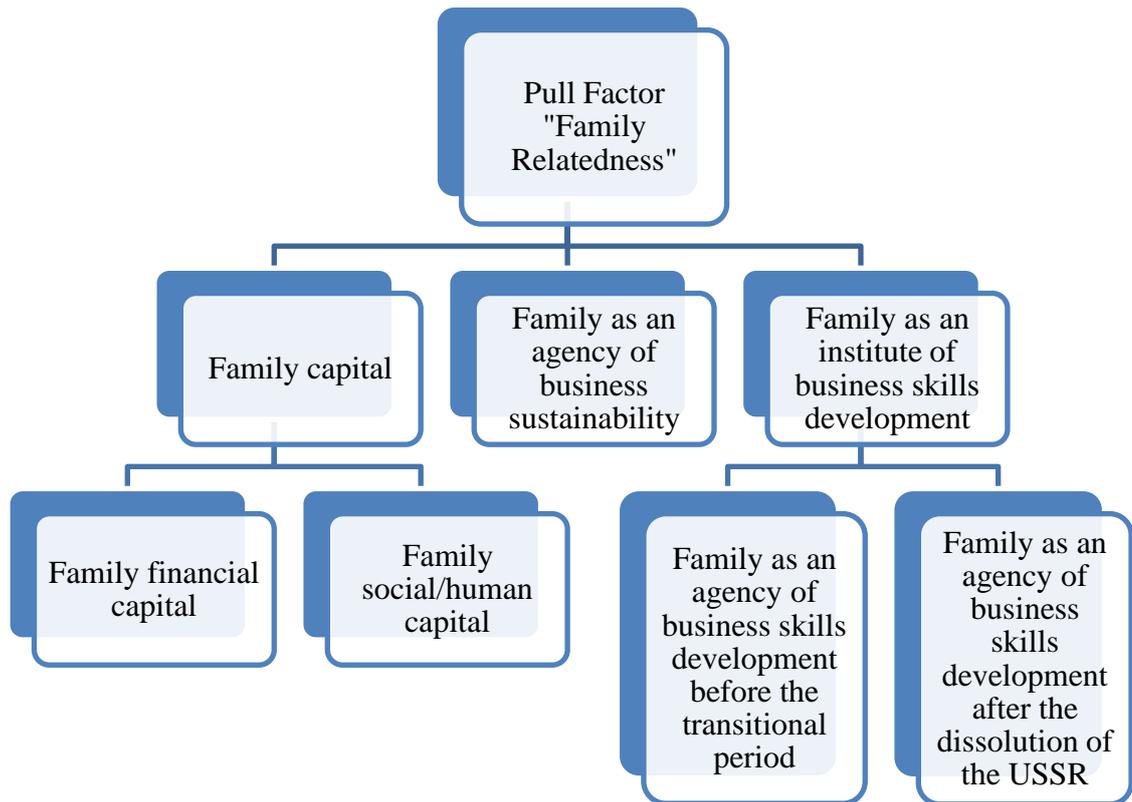
*“I am making exclusive hand-made cars. They are unique... I have been trying to register legally my business for years now. I was writing to all the possible government bodies, even to Moscow, but they need to pass a special legislation to allow this kind of business. Although, everybody knows my cars in our region and even in the neighbouring regions as well... There was even an article in the “Za Rulem” magazine... I do this business for my pleasure though...”*

#### **4.6 PULL FACTOR “FAMILY RELATEDNESS”**

Family relatedness as an important factor influencing the business entry decision had been recognised from the beginning of the field work. In fact after several initial interviews it became apparent that all nine companies were family businesses. Thus, the subsequent case recruitment process had a focus on family businesses only, which highlighted the process of theoretical sampling (Glaser, 1978) accepted under the qualitative methodology. The present research recognises that the family plays a special role in the process of becoming self-employed particularly during the transitional period. The idea is not new as previous research acknowledged that the family can have a positive influence on the decision of individuals to become self-employed (e.g. Chang et al., 2009; Klyver, 2007; Rodriguez et al., 2009; Steier, 2009). There has not been much research that focuses on family businesses in post-Soviet Russia. For example, Barkhatova et al. (2001) had paid attention to the issues of family businesses in Russia. However, their research setting was different from the present research. Barkhatova's et al. (2001) research was conducted before the default of 1998, an entirely different economic landscape to the present research and the majority of the research interviewees were drawn from a small Siberian town. The primary focus of their investigation was on the link between family businesses and the development of a new middle class. Therefore the changes emphasised in the present research which concern themselves with the whole of the transitional period provide a contribution to knowledge and has not been emphasised before. Several issues are highlighted with regards to this (Figure 9):

1. Family capital;
2. Family as an agent of business sustainability;
3. Family as an agent of business skills development.

**Figure 9. The Aspects of the Pull Factor “Family Relatedness”**



#### **4.6.1 Family Capital**

Although, the aspects of the family relatedness factor were developed by adopting the inductive approach, the literature review has identified that this subject area has been researched previously. Therefore, the concept of “family capital” (Rodriguez et al., 2009) had been introduced into this research. The data analysis confirmed that family capital played a significant role in the decision to become self-employed during the transitional period in Russia.

All three types of family capital (family financial capital, family social capital and family human capital) resources, as identified by Rodriguez et al. (2009), have been highlighted to contribute to the transition of the individuals into self-employment in within the present research.

### **Family Financial Capital**

The importance of **financial capital** cannot be overlooked as it provides the prime source for the formation of the initial capital for Russian small businesses during the transition period after the Soviet Union collapsed. This aspect has been highlighted by in previous research (Ageev et al., 1995; Aidis & Estrin, 2006).

However, the role of family financial capital has changed from the 1990's until the late 2000's. In the early 1990's a business could be setup in Russia from a relatively low cost base. Also, banks were reluctant to lend money (Barkhatova et al., 2001). As a consequence family savings or combined financial sources was thought to be the prime source of resource and was believed to be sufficient for setting up a business during this period. As the Russian legal and economic situation began to improve through time the requirement for business start up capital also changed. It has become much more expensive to open a new business (the evidence if this is highlighted by many periodical and internet sources) and business owners now rely less upon family financial capital to help them to do this. This development over the last two decades highlights the changed role of family financial capital within Russia. As such this finding is thought to be significant as it focuses on the changing role of the family financial capital in Russia during the last two decades.

**Case A9-M:**

*“We didn’t need much capital per say. The only investment I had to do was buying the flight tickets to come here [to travel from Armenia to Krasnodar]. Although, because of our special circumstances we had to transport the car by plane from Armenia to Krasnodar, but that was an unusual and a one-time cost... Oh, we, me and my brother had to buy an old kopeika [Russian LADA first series car] to use as the transportation. It was cheaper to buy it in Armenia and to transport it here. Since all the borders were closed we had to transport the car by plane. Back then planes were the only means of transport from/to Armenia. So me and my brother decided to save the money first to buy a car, and then to find an opportunity to fly our car here... Once we had our car no other investment was needed...”*

**Case R3-F:**

*“Business is our second child... We did need turnover assets... so when we sold our apartment. We then bought land as insurance. We invested the rest of the money into our business, but in half a year we lost all of it. Our friends set us up... My husband sold his dream – a CD Centre and I sold my coat... but we had a goal in our family – we will either rise or...”*

**Case R5-F:**

*“Although, I could maybe sit at home and my husband would support me but I just wanted to do something... Now my business is basically being a land lady. I own several buildings and I rent them to other businesses... My husband helped me to invest into buying the buildings. So now I just look after the rent.”*

**Case R2:**

*“In a way I felt proud as I was the breadwinner of the family. My husband got redundant from the Army as they were shortening their staff. For a long time he couldn’t find a job, so it was me bringing the money home... I was supporting him and I also had to rely on our family capital in business. As we all did (the partners). We had to buy beauty cosmetics for example...”*

**Case R9:**

*“My wife has her own business and I have my own business. I think it’s best if we don’t share the same business. She needs her independence and I need mine. Plus, it is good for our family budget if the income comes from different sources... Although, her income is mainly is for her sense of independence. The investment into her business wasn’t that big as she is in a direct selling business...Of course it was me who helped her financially initially...”*

### **Family Social/Human Capital**

In several cases family social capital was emphasised as being more important than general social capital. On one hand, several interviewees in the present research mentioned that initially they attempted to start a business with their friends, but after several failed attempts it was only family social capital they could finally rely upon. The idea that you cannot mix friendship with business is not new and has been emphasised in previous research that has focused on family businesses (Barkhatova et al., 2001). On the other hand, in several cases (and from the observation) individuals started their businesses with their family members but eventually fell out and reopened new businesses with other family members.

The decision of whether to look for business partners within the family social network after initial unsuccessful attempts was partially influenced by the ethnic background of the participants. There is a strong indication that those Armenians who had constantly supported contact with their extended family members were more likely to start over with their family members after previous failed attempts. Those individuals who did not support the values of extended family or supported it to a limited extent (within both Russian and Armenian ethnic groups) were less likely to seek the support of their family members.

This finding contradicts the previous research that stated that the greater the family network is the less likely it is for the business owners to start their own business. As Renzulli et al. (2000) stated that the disadvantage of a larger kinship lies in the fact that the time that is needed to maintain the family ties is disproportionate to the value of this family kinship (in Klyver, 2007). However, the present research contradicts this idea, as the entrepreneurs within the sample did not attempt to start their businesses with all

their relatives at once. They had to choose only several members at once with whom they would start the business. Although this choice was not necessarily rational the first time the business owners opened their businesses, consequently the individuals became to have more clear ideas of what kind of family ties they wanted to see in business. Such a realisation came with the experience of working with different relatives.

Such reasoning explains why the successful entrepreneurs are more likely to have a limited circle of family members in their social circle, as mentioned by Woodward (1988) (in Klyver, 2007). However, this finding highlights that such core social network circle can have a temporary aspect to it and that the family members are the prime source for creating the social network for business purposes.

This research has identified the fact that several of the business owners that fall within this study, that is those that can be defined of as remaining in self employment for a prolonged period and still managing a business as a going concern, are successful because they have somehow managed to identify who they can and who they cannot trust within the given social network or sphere that they are operating within.

This research confirms the ideas of previous research in that it recognises the fact that during the transitional period social capital networks were the main provider of income security (Rose, 1999). However, to the researcher's knowledge no existent study has emphasised the relationship between family social capital and social capital within Russia following the collapse of the Soviet Union (see also Dyer Jr & Mortensen, 2005). In particular, the role of family dynamics in the process of establishing trusted personal network for business start-up purposes and the role of ethnic family background in the segmentation of social space (as explained by Schrader, 2004) of entrepreneurs was identified to be of interest for an in-depth analysis in future research.

This finding thus suggests that future research should pay more attention towards family social capital within Russian society currently as opposed to social capital in general.

**Case R5-M:**

*“I had to start from nothing twice because my friends set me up... In the 90s my wife was trading with cloth (from Turkey) as she rented a shop. She was also helping me in my business... We used to rent a shop at first and then we bought it”*

**Case R6:**

*“In the very beginning we were 4 partners with equal shares each. Our wives were working with us for the first 4 years (from 1990 till 1995), especially during harvesting. At harvesting we used to have up to 30 people working as we used scythes and sickles. And now we need only 5 people for harvesting – mechanisation. So my wife doesn't need to work anymore. She is a housewife now looking after children... We had a period when the building was empty during the winter (in around 1993) so our wives used to have a business there, they were making bed linen. It was when there was no harvesting to be done...”*

**Case A10:**

*“The whole family is interested in doing the business together. We all know each other and we trust each other. There is no need to check anybody... My wife and my son are the shop assistants, they replace each other, and it's flexible. We work without the weekends so it's convenient.”*

**Case R1-M:**

*“We (husband and wife) were working in the same estate agency firm so at some point we realised that we can do it ourselves without working for somebody else. The main reason for setting up our company was independence... Our sister joined us later. It is very convenient as she needed a job and for us it was good to work with the person we know and trust absolutely. When you work with family you don't need to check people you work with... As a man I am responsible for my women, so this way I can look after them not only at home but all the time (he was smiling and women started to laugh)... Also, it is convenient that we can discuss our work at home and not be frustrated that some work hasn't been done”.*

**Case R2:**

*“My daughter has been working with us for 6 years now. I wanted her to become a hairdresser so since she was 19 years old she works with me...”*

**Case A1:**

*“I started working with my two uncles when as I was young. Eventually we fell out with my uncles and I opened my own company. After my grandfather died we couldn’t agree on who is the leader of the company. We started to argue a lot as we couldn’t agree on business decisions. At some point I decided that I can run my own business, and to be fair I find it better now that I am not working with my relatives.”*

**Case R7:**

*“My husband had an auto car repair business on the ground floor. We had a space on the first floor so we decided to open a cafe... We started together, although my husband spent time with his car business as well... Eventually he focused on running his auto car repair services, and I took over running the cafe all by myself... My husband is now specialising on making exclusive cars.”*

**Case R8:**

*“My wife is working as a cashier at my canteen... Before that my wife was working as a cashier in a night shop... But since I started my own business she joined me. Why working for somebody else? She wouldn’t be paid much, but if she works with me, all the money go through her. So I know that no money will be missing. Plus she is doing the same job but the result of the work goes into the family budget. We’ve been married for three years, she is my second wife.”*

**Case R9:**

*My son is helping me now sometimes, although, he is still studying...”*

**Case R10:**

*“The type of the company I organised is a limited liability company. My wife works as the accountant. It is convenient as you have to have an accountant that you absolutely trust because she looks after the money... This is my second wife, and my first wife was also an accountant in my previous business...”*

**Case A8:**

*“Yes he was the kind of person that he was able to create it on his own. He along... starting from a cashier and finishing...setting up this company... that was him. Well from 1995 we started to help him in sales... Yes in 1995 when I moved here, he told me: “You are going to work with me”... Well the rest of the family... there was nobody here. So from 1995 till 2000 little by little... From 1998 [name] (my cousin) joined us. He also started from being a driver, a loader... Like this.”*

#### **Case A9-D:**

*“I’m not sure how a completed degree would benefit my future employment; however, I like the fact that working with my parents release some pressure from them. It feels like a right thing to do now and we’ll see where I will be in the future... I study part-time. Now I really don’t know what will be in the future. I really like languages, but don’t know whether I could find something. I’m working in the shop a lot for now. My parents need me, so...”*

#### **Case A9-M:**

*“[Our daughter] works with us in our shop. She switched to a part-time mode because she needed to be involved more with the business, and I and my wife could not keep up with the work load... We don’t want to hire anybody from outside. Well, why would we? It’s too risky as many sales assistants steal. We would have to look after them all the time. And this way because we trust each other we don’t have such risks. Although, we are overwhelmed with work and are constantly tired anyway and would need to think of how to improve the situation”.*

### **4.6.2 Family as an Agency of Business Sustainability**

The issues of succession were highlighted. The succession was mentioned as a desirable outcome in several cases (cases A3, A10, R4). However, most interviewees highlighted that it is difficult to plan a family business succession during periods of political, economic and social instability, factors endemic during the modern Russian period. Nevertheless, as a family relatedness pull factor this aspect should not be ignored. As family succession still plays an important role in ensuring that the younger generation are presented with future family sponsored employment opportunities (Cater & Justis, 2009; Ip & Jacobs, 2006; Mazzola et al., 2008; Sonfield & Lussier, 2002). Thus, the present research suggests that family succession is an emerging area of the business ownership family relatedness factor.

**Case A3:**

*“My father left the business to me, although I was a middle brother... It was a matter of who was capable to take over the business, to become a leader...”*

*If children want to they will take over the farm when I retire... If there is no succession then what do I need all this for? I personally don't need much. I am undemanding myself. My main profit is my children, my sons... The farm itself is not very profitable but we saved our children from alcoholism... This is the main thing...”*

**Case R3-F:**

*“As for our family business succession I don't want our daughter to depend not on a stranger not on a situation in the country. She already wants to work with us herself. Children become interested in the businessmen's families. They think differently. Our daughter is only 15 but she is already interested at what university degree she will have. We were considering law, economics, geography, but she chose management and psychology. She chose it herself. We have already spoken that during her 2<sup>nd</sup> or 3<sup>rd</sup> year she could start working permanently. She had worked as a shop assistant since she was 14 years old 3-4 hours a day (with the salary). This year she is already asking herself... There is nothing in the city for young people to occupy themselves with, just a cinema and a disco. Our town is not passing through...”*

**Case A10:**

*“With regards to the family business succession... My son is 20 years old and he helps me at everything. He knows everything. He can dress cut a pig. He is buying the pork himself. So if he wants then he can continue [doing this business]. The main thing is to habituate children to work. I constantly inoculate in my son to work. If you don't habituate your children to work then what do you habituate them to? Laziness? Who knows what will happen tomorrow? I need to make sure that my son will be able to feed himself. He will get married soon. I will not be there all the time so I will not be able to help him all the time”.*

**Case R1-M:**

*“With regards to our family business succession our children will decide themselves whether they want to continue our business or not. At the moment they are studying in Krasnodar. However, we are glad that they are interested in our business and show us that they want to understand more. Also, they work part-time as well and our son helps us when he comes here. We encourage his independence; this is how we see our role as parents”.*

#### **Case R4:**

*“Our sons are not working with us, but my husband’s son from the first marriage followed his father’s steps and opened his own shop... As for our son we would want him to succeed our business or at least to work with us but he is very creative. He is studying in Krasnodar and he is participating in KVN. He is still young; he is 24 years old so we’ll see how it goes in the future. We try to make him interested in our business and I think it might be working. Recently he started giving us advice on how to attract more clients. He told us to put a big screen in the cafe with the satellite and to advertise that we are going to show matches...”*

#### **4.6.3 Family as an Agency of Business Skills Development**

The interpretation of the data collected revealed that the participants paid particular attention to the following aspects of how the family institute participated in the business skills development.

#### **Family as an Agency of Business Skills Development before the Transitional Period**

Before the transitional period in the absence of the opportunities to establish their own businesses, certain parents’ up-bringing was focusing on the development of the entrepreneurial skills and appropriate attitudes of their children. In particular, the material culture was more noticeable among the Armenians compared to the Russians, although, urban/rural aspects of life were also taken into consideration (cases A9, A10, A3, A2, A4).

The material culture of Armenians was mentioned by previous researchers, so it was not a surprise that within the sample of the present research some evidence of the influence of an ethnic material culture was emphasised. Even during the Soviet Union period

which was characterised by the suppression of incentives to become self-employed some individuals still encouraged their children to develop business skills.

The importance of this finding is emphasised as it appears that the cultural theory of self-employment (as explained in Volery, 2007) has its value in explaining the inclination towards self-employment in some individuals that can be identified during the Soviet Union period. Thus, those parents who wanted to teach their children entrepreneurial skills saw an opportunity to use their experience or organisational setting as a basis in which to do this. Within the participants sample that was recruited for the longitudinal purposes the Armenian material cultural values stood out. However, it appears that other factors, such as local urban / rural cultural values, a local combination of ethnic values and potentially other factors contributed towards the way that the older generation decided to encourage the younger generation to develop entrepreneurial business skills during the Soviet Union period.

**Case A4:**

*“My father had several brigades during the Soviet Union times... Because of the accident I couldn’t work at the factory so I joined my father after I recovered. He was forcing us to work more than his workers because he thought that we needed to know all of the processes in business...Then at some point he said – Now you know everything you can do business yourself.”*

**Case A5-A:**

*“When our father-in-law started he was actually working with his father-in-law and his two sons (back then in the Soviet Union times), but they fell out eventually. So since he knew how the business works he set up his own lumber trade and production company.”*

### **Case A1:**

*“I think that I started to develop my business skills when I was a teenager and used to help my grandfather with his bee-garden. He was a real leader. He used to combine us all together... Of course it wasn't a business in a normal sense, it wasn't registered legally as private companies didn't exist back then, but he used to supply the whole town with his honey. It was a properly functioning business... I used to look up to him all the time. I think he is my example of a good leader... Because he was such a great leader we opened our family business after the Soviet Union collapsed. It was easy under his leadership as he kept us all together and made us a good team.”*

### **Case A3:**

*“In historical Russia family business means that people are occupied with something... A psychological moment in business is very important. If everything is good in the family then businessman can give himself to business.*

*My father was the one who started the business... if you can call it 'business' in the socialist times. After I got retired I came back to Krasnodar region. I was offered a very good job in the Tuapse city. High salary, office work. My wife really insisted that I accept the job, but I decided to go back to village and my brother asked me to join the farm. I agreed. If you are from village you will be pulled back to village... My wife and I divorced because of that by the way. She wanted to live in clean conditions, but I love the nature...*

*A person has to find himself at something... I am a peasant at heart although I have 4 different higher education degrees. Pigs, cows, sheep, chickens, goose. I knew all that since I was a child. It is in my family. So since I came back [retired from the Army] I had to participate in the farm. Otherwise it is like I am a betrayer... The relative relationships are very important, and it doesn't matter whether you are blood related or not...*

*In my family history my grandfather was a kulak before the 30s. He lived in Maikop and he owned a shoe factory, then afterwards he moved to Chernigovskaya (village)”*

### **Family as an Agency of Business Skills Development after the Dissolution of USSR**

After the Soviet Union collapsed in the absence of a stable economic system family businesses acted as an informal agent for business skills development (cases A5-A, A1, R2, A3, A2, R3-F, A10, R1-M). However, in certain cases it was revealed that the main purpose for hiring children in the family business was to help them to develop business skills so that they could use those skills and provide for themselves in the future (cases

A1, A2 and A3). This interesting idea was highlighted by the researcher in other cases as well through observation, however, the application of the extent of this aspect is not known.

The importance of this finding is highlighted because in comparison with other research conducted in more developed countries the role model of parents has a different meaning. In this sense parents are not viewed of as just being role models that increase the likelihood of entering self-employment (as mentioned in Shinnar & Young, 2008), they are also viewed of as being facilitators who can provide profound influence and direction to future entrepreneurs.

It is not known how this role-model factor influences future business owners to enter self-employment. Most researchers simply mention that the likelihood of becoming a business owner is increased when there is an existence of a role model within the close circle of entrepreneurs. The main reason why parents may become an entrepreneur role model may simply be an extension of the caring nature of the parent. Thus, those parents who are concerned about high levels of local unemployment and the difficult local labour market conditions which will restrict the future opportunities that are open to their children may choose to employ their children in their family businesses for the purposes of training and preparing them for the role of entrepreneurs and thereby offering them a sustainable future.

This aspect of the family relatedness pull factor is important as it is different from the ideas that are associated with family succession (e.g. Chrisman et al., 2003). During uncertain times family businesses are not necessarily expected to continue to exist, as was emphasised by the interviewees in the study. However, those parents who see their own businesses as opportunities for their children to learn entrepreneurial skills are

providing their children with a future sustainable set of skills that can be used to their advantage. The main purpose of family businesses thus becomes the provision of informal training opportunities so that the children of parents who are business owners could become entrepreneurs themselves. The family business in this sense serves as the base for children's independence from local labour market uncertainties. In other words the family business owners focus not so much on the organisational perspective, but upon the wider family interest. Thus, family legacies are more important than organisational objectives of family business succession during uncertain times of economic and social instability.

The extent to which this trend is prevalent within society is currently unknown. In all of the cases highlighted this aspect was present however there were also other forces acting within this context. Therefore this pull factor does not appear to be exclusive.

#### **Case A2:**

*“My son doesn't have a favourite interest. Out of the principle I sent him to the Army so that he could become a man... There is a lot of time for thinking there...Now he works with his Godfather; I thought it was for the best for him to have a different experience...”*

*“Well, no they are not the members of family business... Although, my son has returned from the Army, and he works for me as an ordinary shop assistant and consultant. My wife also is a shop assistant... The relative relationships are not the preconditions for appointing to some position. For what reason? [But they work with you and not in another place] They work. My son had returned from the Army... It's doesn't happen often that the people of my circle send their kids to the Army, but he went to the Army and served his time. And I told my son: Will you study? Yes father. Now he has finished the first year of the Sochi University. And he works as an ordinary shop assistant and consultant. And now he went to the business trip to Sochi. There he is like in a shift team. I have a shop there, and the workers go there from here. He works and gets his experience. If, of course, he proves himself then in the future he will be promoted; and if not he will work as an ordinary worker. If he wants to open his own business, something different, he is welcome. I will help him as much as I can. But to give him a wheel just so, no...”*”

### **Case A3:**

*“My middle son has been interested in cars since he was a child. When he was 10 years old his grandfather gave him Uazik [a Russian car brand] as a present, and now he can drive any car. He is driving a Kamaz lorry [in lumber trade production]. My youngest son is 7 years old and he already knows everything about tractors... There was a funny story about him. When he was 5 years old his teacher at the kinder garden told me that he couldn't fall asleep because he was so worried that hay was not moved from the field...”*

### **Case A10:**

*“Parents will not always be there... I am not always going to be there to support my son... He has to learn how to survive on his own... now he has been with me for several years already... He knows how the business functions so no matter what I am confident that he will survive...”*

## **4.7 DATA ANALYSIS CONCLUSION**

In this chapter the process of data modelling was revealed in order to highlight the factors that the small business owners interviewed thought were most important. In order to develop the factors presented above the data was compared across the cases. The emerging patterns and themes were interpreted qualitatively meaning that it was not only important to emphasise the similarities or contradictions between the cases, but also that it was important to highlight any interesting ideas as long as if the interviewees highlighted them as their main concerns. These ideas were included in the theoretical patterns developed even if only one or few cases highlighted them.

To clarify how intensively the cases were used in the present research for comparison purposes the following table is presented below.

Table 5. Frequency of Cases Used in the Present Research

Case Study Code	Number of quotations used	Number of times the case study appears in the text
A1	6	15
A2	3	15
A3	6	18
A3-G	1	1
A4	1	5
A5-A	1	10
A5-I	4	9
A6	1	7
A7	2	5
A8	3	14
A9-M	6	9
A9-D	1	0
A10	7	11
R1	3	7
R1-M	2	1
R2	6	9
R3-F	8	14
R3-M	0	7
R4	5	13
R5-F	3	5
R5-M	4	7
R6	3	6
R7	7	13
R7-M	1	2
R8	4	10
R9	5	6
R10	3	10
R11	2	9

Thus, as the theoretical patterns emerged through qualitative interpretation, the factors presented will not necessarily apply to all of the cases in the future research. However, they do explain certain realities that the small business owners face nowadays in Russia. Also, even from the analysis of a small number of the case studies certain contributions to knowledge were revealed. The summary of the findings of this research and the contribution that this thesis makes to knowledge is explained in the next chapter.

## **CHAPTER 5: CONCLUSIONS**

The main purpose of this chapter of the thesis is to summarise the findings of the research and to propose the direction for the future research taking into account the methodological and theoretical contributions and limitations of the present research.

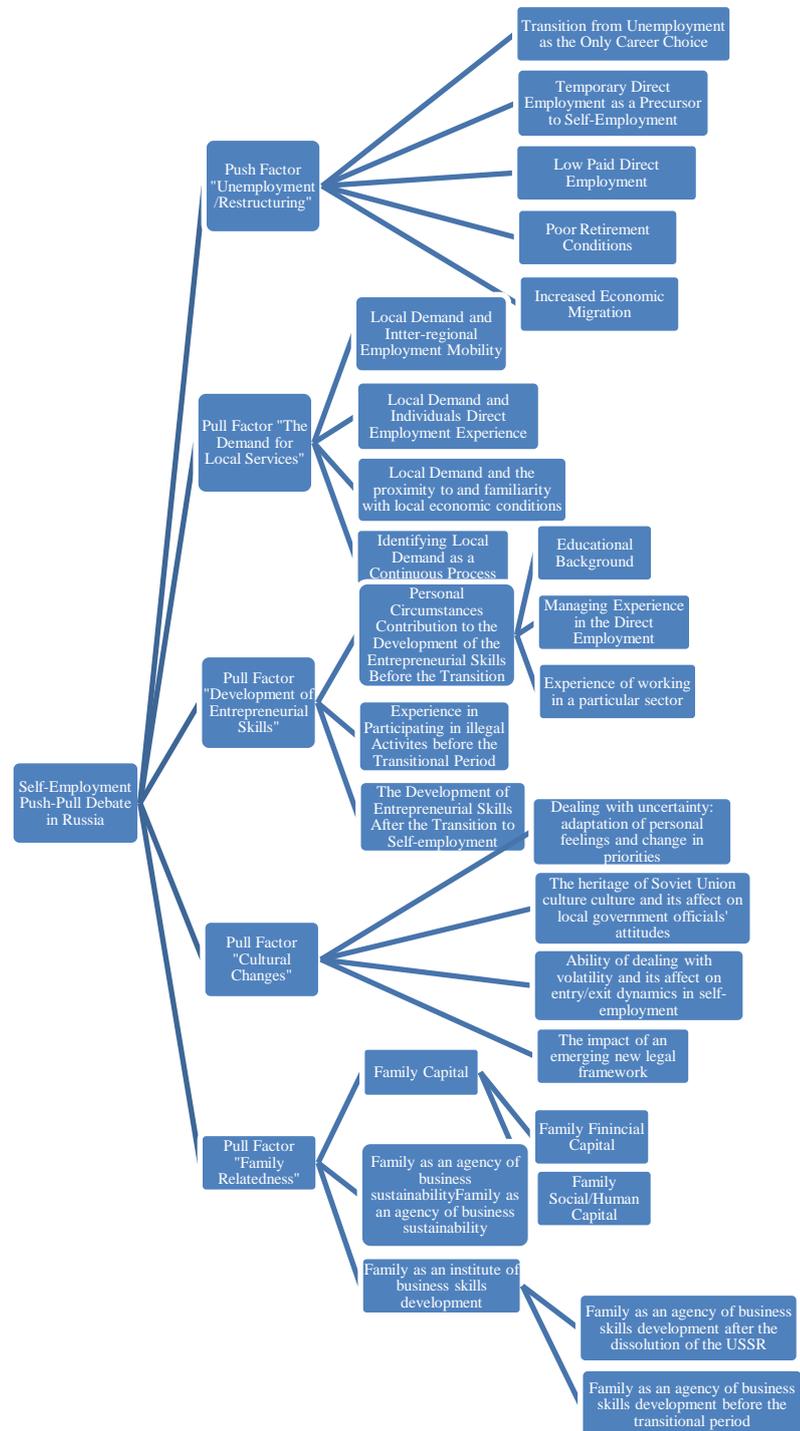
### **5.1 SUMMARY AND CONCLUSIONS**

Various researchers have approached the study of entrepreneurship from different theoretical and academic avenues, such as the economic, social psychological or sociological schools of thought (Ageev et al., 1995). This particular research had a focus that is derived from the social aspects of entrepreneurship as they exist within Russia. In particular, the self-employment push-pull debate within Russia during the transitional period from socialism to the development of a pseudo-capitalist state has been considered.

The main objectives of the present research are firstly to identify the self-employment start-up push-pull factors in Russia. Secondly, to identify the role of the family in Russian small business practice and in relation to start-up process in particular.

To achieve the first objective of the research a theoretical framework was developed. To summarise the findings of the present research Figure 10 below is presented as a graphic illustration of the push and pull factors, and the particular aspects of these factors, within the study. It is important to highlight that in exploring the most important factors that influence the decision of individuals to become self-employed in Russia certain aspects were emphasised from the entrepreneurs' perspective. Thus, certain aspects of push and pull factors were identified being either particular processes or particular components depending upon the focus of the research participants.

**Figure 10. The Theoretical Framework Developed Under the Present Study**



To summarise the theoretical framework presented above the following push and pull factors were identified by the present research:

1. Push factor “Unemployment / Restructuring”;
2. Pull Factor “The Demand for Local Services”;
3. Pull Factor “The Development of Entrepreneurial Skills”;
4. Pull Factor “Cultural Changes”;
5. Pull Factor “Family Relatedness”.

The present research findings confirm some findings of the previous research and at the same time explain contradictions in the previous research. To start with certain factors identified in the present study as push and pull were considered in the previous studies. For example, previous studies identified unemployment (e.g. Ageev et al., 1995; Granger et al., 1995; Meager, 1992), unsatisfactory direct employment conditions (Ageev et al., 1995; Saar & Unt, 2006) and economic migration (Shinnar & Young, 2008; Volery, 2007) as factors that push individuals to become self-employed. Various pull factors, such as entrepreneurial skills, demand for local services and family relatedness were also identified in the previous studies (see for example Atherton, 2007; Granger et al., 1995; G. Kim & Cho, 2008; Meager, 1992; Meager & Bates, 2004; Pfeiffer & Reize, 1998).

However, set within a particular Russian political, socio-economic context there are context specific peculiarities that characterise the self-employment push / pull debate theory within post-Soviet Russia. Some of these factors might not necessarily be ignored by the previous studies or unidentified in the Western literature as being unique to Russian conditions. However, they were considered from a different perspective and interpreted differently. For example, in many previous studies age was considered as

one of the factors influencing the individuals' decisions to become business owners (Curran & Blackburn, 2001; Grieco, 2008; G. Kim & Cho, 2008; Meager & Bates, 2004; Shinnar & Young, 2008; Zhang & Beaujot, 1997). However, within the present study it was not age but unsatisfactory retirement conditions that pushed individuals into self-employment. Another example of the push-pull debate aspect that is particular to Russian transition period and that has been highlighted is the identification of the demand for local services being a continuous process. Indeed previous research stated that after the Soviet Union had collapsed many niches became available within different economic sectors (Basareva, 2002; McMillan & Woodruff, 2002). However, the present research findings highlight that it is not enough to merely identify such a niche but that the process of such identification is a continuous action, the action that continues to develop rapidly over time in the post-Soviet Russia. Thus those business owners who are able to constantly identify new business opportunities and who enjoy this process can be considered as being pulled into being self-employed.

As the second objective of the present research was to identify the role of the family in the decision making process to become a small business owner the factor of family relatedness should be highlighted. The importance of the presence of family members in business was noticed after it was revealed that in the first nine cases that were recruited all of them were employing family members. As the family relatedness aspect had been addressed in the previous studies it was decided to consider the role of family in the self-employment push-pull debate from the perspective of an already existing theoretical framework of family capital (Rodriguez et al., 2009). In addition to that two family relatedness aspects were identified during the analysis: from the family business succession perspective and from the perspective of family businesses serving as institutes of business skills development.

The importance of family financial capital as being the prime source of business initial capital during the post-Soviet period in Russia was highlighted previously (Ageev et al., 1995; Aidis & Estrin, 2006). However, the analysis of this research data revealed that whilst the initial business capital in the 1990s was considerably small and could be raised from personal savings or the combination of family members' contributions, the requirements for the start-up capital in recent years has increased significantly. Individuals may rely less upon their family financial support because of changed legal requirements. Thus, the changed nature of family financial capital during the period from the beginning of 1990s and till the end of 2000s is highlighted.

From the perspective of family social and human capital theories the analysis of two ethnic groups within the study (Armenians and Russians) revealed that the Armenian ethnic group benefits from the existence of a larger kinship network. This study has shown that in Armenian family businesses when initial attempts fail to bring new members of the family into business the Armenian individuals may often try again to create new business opportunities with other family members. Certain Russian interviewees highlighted that after failing to do business with some family members they decided not to try and do business with other family members because they did not want to lose good family relationships with them. Thus, if the trusted circle of close people is small the individuals may not rely on their family social capital in order to preserve family values. Therefore these findings contradict previous research in that it highlights that the previous belief that larger kinship groups are disadvantageous for entrepreneurs as the time required to manage the family ties is disproportionate to the benefits that come with the family social capital (Renzulli et al. in Klyver, 2007). As was explained by the participants within the present research the entrepreneurs do not

attempt to manage all of their family ties at once, but rather consider their extended families as a reserve pool of family social and human capital.

Another aspect particular for Russian realities of family relatedness was called the “Family as (an) Agency of Business Sustainability”. This aspect in other words has revealed that family succession is an emerging area of business ownership in modern-day Russia. Although, many interviewees have highlighted that the possibility of business succession is unclear due to unpredictable economic conditions currently, this aspect can still be identified as being possible for ensuring the younger generation have the ability to seek future self-employment opportunities. To a certain extent this aspect has been mentioned in previous research (Cater & Justis, 2009; Ip & Jacobs, 2006; Mazzola et al., 2008; Sonfield & Lussier, 2002).

Finally, family can be seen as an agency of business skills development highlighting the fact that parents (or the older generation in general) play a role in the family relatedness self-employment pull factor. In the modern-day Russia the main reason why parents recruit their children may be to ensure that their children learn business skills due to the absence of other institutions and due to the informal nature of the Russian business environment. Thus, parents (or the older generation in general) recruit their children (or the younger generation) not solely for the purposes of succession, but in order to teach their children the skills and abilities within the business environment that will prepare their children for life in the future. This is particularly pertinent given the unstable and turbulent nature of the contemporaneous Russian economy.

## 5.2 CONTRIBUTION TO KNOWLEDGE

One of the contributions to knowledge in the present research was thought to explain the idea that a clear dichotomy of the push and pull factors is not always adequate. An analysis of previous research had revealed that there is no one agreed view on which factors push or pull individuals to become self-employed. This analysis has at times revealed contradictions and inconsistencies within the self-employment push-pull debate. This observation can be partly explained by the fact that this body of research exists across a diverse range of countries and through time. It appears that what really matters when identifying the factors that push or pull individuals to become self-employed is how the individuals themselves interpret these factors. Therefore any factor potentially could be considered as being both push and pull depending upon the individual's personal interpretation. For example, within the present research the factors of "economic migration" and "local demand as a continuous process" were interpreted by the interviewees as both push and pull factors at the same time.

The analysis and identification of the factors unique to Russian conditions suggests that the self-employment theory needs to be interpreted contextually particularly when it is being applied to a country like Russia during the transition period. It is very important that the structural, cultural, economic and legal peculiarities of the societies under study are factored into the interpretation of the theory as it is applied. For example, in the present research the social status, class, professional occupation and other attributes of the western developed societies, such as UK, should not be taken for granted as being influential factors within Russian society. The summary of the research findings highlights that such factors were not even taken into consideration by the small business owners themselves (within the research participants sample). Indeed, the special

situation of the post- Soviet Union Russian society can be described as unstable and rapidly changing. The traditional western values that constitute the core of the developed societies to a certain extent were not taken into consideration by the participants.

As the constantly changing nature of the Russian social, economic and political environment plays a significant role in helping to shape the perspectives of small business owners in relation to the way that they start their own businesses and in the decisions that they make to stay in self-employment. Self-employment as a concept has to be interpreted differently when considered from within Russian environment. That is in the sense that self-employment is not merely a separate economic sector, but a life style choice. In comparison with the Western conceptualisation of self-employment, where self-employment is considered to be a labour market sector that is recognised of as being an alternative to direct employment or unemployment (e.g. Meager, 1992) within Russia self-employment is not similarly considered as being an alternative to employment or the lack of employment opportunity.

As it was highlighted by many interviewees in the present research with in Russia it is observable that there are many individuals who are not employed within direct employment, nor are they strictly speaking unemployed. However, these people are not in self-employment either. For example, several interviewees highlighted that whilst they are retired and self-employed, they know many other retired people who rely upon their garden. Within this sense they work their garden as a plot for generating food and hope to sell any surplus produce if possible. In this sense the retired people may be similarly pushed into self-employment as others who are experiencing economic difficulties. However, they chose not to open their own official business, but to invest

their energy in their households and into self-grown food and self-made commodities. Therefore within Russia their employment status cannot be rigidly applied to either definition as is common within western society. However, there it is quite observable that in Russia the unemployment benefits are too low and are not sufficient for basic individuals' survival. It can also be said that there are many unemployed people that do not claim state benefits.

Another reason why self-employment may have a different meaning within the Russian context is highlighted by the rapidly changing socio-economic conditions. Thus, as it was highlighted the identification of local demand opportunities is a continuous business process. Those people who are unable to cope with these constant changes and are unable to redirect their business activities cannot stay as business owners. The ability to adapt to change and the ability to adopt new forms and ways of doing businesses during the transition period often dictates, indicated by the interviews, an individual's ability to succeed or stay in self-employment. This cultural affinity the ability to adapt and to change therefore can be seen as a factor that pulls people into entering, and staying, within self-employment.

Interestingly the present research has also highlighted the fact that economic migration can be considered to be exerting a different effect from that that is observed by ethnic entrepreneurship scholars in the West. Because of increased economic migration the disadvantage theory (as explained in Volery, 2007) is applicable to a certain extent within the Russian context, but from a different perspective. It is not language, lack of education, ethnic and religious discrimination that serves as a barrier for individuals from minority groups to enter into the direct employment sector, but a lack of local connections (in some cases known as "blat") that pushes individuals into become self-

employed. This aspect highlights that the same factors can be seen to be influencing Russian newcomers into a region into become self-employed. Thus, the newcomers can be called “immigrants in their own country”.

Other interesting ideas highlighted by the results of the present research can also be evaluated further. An interesting insight into the family relatedness factor was highlighted as it was revealed that within modern day Russia one of the biggest concerns that is held by parents is the desire to ensure that their children are employable within the future. Since the social and economic conditions are unpredictable parents often employ their children within their family businesses primarily for the purposes of providing them with business experience. Having a higher educational background does not necessarily ensure that the individual will have a better chance of direct employment, therefore their parents often use their businesses as a substitute form of life training and employment preparation . When parents often employ their children in the family business, given the ever changing nature of that business, the employment opportunity that is given to the child focuses more upon employment training and guidance rather than focusing upon consolidating one particular line of business and family succession issues. This concern is often translated into those cases where it can be said that the owners do desire that businesses will continue as family businesses. However, due to unpredictable and constantly changing environment the realistic objective for parents is primarily the concern that they have related to the future employability, skills and survival of their children and employment within the family business is often seen of as being a means to achieve this.

## **5.3 RESEARCH LIMITATIONS AND PROPOSITIONS FOR THE FUTURE**

### **RESEARCH**

The findings of the present study propose that there is a possibility of developing some of the ideas in the future research as they underline a potential of being a significant contribution to knowledge.

#### **5.3.1 Methodological Research Limitations and Propositions for the Future Research**

The present research was initially guided by the inductive approach that did not take any theoretical model of the Western literature into consideration. At a later stage of the analysis the deductive approach was adopted. After developing the final model for the purposes of this research and after consulting other research papers, it is suggested that the deductive research inquiry should not be left to be included in the later stages, as any qualitative research analysis involves the inductive approach, which if proven to provide a significant insight can divert the development of the theoretical model by thus not limiting the research results and by being developed mainly inductively.

#### **5.3.2 Theoretical Research Limitations and Proposition for the Future Research**

The present research recognises that certain areas of the push-pull debate have not being considered in detail. For example, the role of the entrepreneurial aspirations prior to transition into self-employment was only briefly mentioned by several participants.

The present research has also highlighted the importance of preparatory activities before individuals become self-employed in post-Soviet Russia; however the exact model of preparatory activities and the extent of their role are unclear.

Although the development of the entrepreneurial pull factor was identified in the present research, it should be remembered that the participants themselves had stated that to their knowledge there is no one set of the most important entrepreneurial skills that small business owners must have during the transitional period in Russia. In fact, several participants had compared themselves with other successful entrepreneurs they know and they stated that their skills were different because of different experiences and learning that they had acquired and how those entrepreneurial skills were developed. Thus, future research might provide an insight into what constitutes the list of the most essential entrepreneurial skills that emerged during the transitional period in Russia.

Several interesting theoretical leads have been identified in the present research. Firstly, research has identified that the unique Russian situation has created a new role for family business studies – that of small business and self-employment training (including start-up phase and on-going survival training). This aspect is seen as an interesting theoretical lead that needs to be studied further in the future.

The identified aspect called “immigrants in their own country”, i.e. the effect of the economic migration processes on self-employment among different ex-Soviet Republics and within Russia suggests the importance of studying this finding in more detail in the future. In particular, it would be interesting to consider whether similar effects exist in other countries where the immigrant and host population speak the same language and have similar religious backgrounds. Such countries could reside within the Arabic World (looking at the effect of migration upon self-employment between the countries) and China (the effects of migration within the different regions of that country).

The identification of the changed role of family financial capital that has occurred during the last two decades within Russia brings to attention the importance of studying

this aspect further, as the processes of the utilisation of financial sources in modern day Russia may mean that the role of family members' involvement has changed.

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**APPENDIX 1. THE MAP OF KRASNODAR REGION OF RUSSIAN  
FEDERATION**



Source:

[http://www.google.co.uk/imgres?imgurl=http://pontifexcapital.com/assets/images/Krasnodar\\_Region.jpg&imgrefurl=http://pontifexcapital.com/html/region.html&usq=\\_cTgX\\_45cBmkupgppDmNKI4Ua84I=&h=914&w=1200&sz=366&hl=en&start=0&zoom=1&tbnid=\\_uL4Od8f9SI5M:&tbnh=145&tbnw=190&prev=/images%3Fq%3Dkrasnodar%2Bregion%26um%3D1%26hl%3Den%26sa%3DX%26biw%3D1379%26bih%3D761%26tbs%3Disch:1&um=1&itbs=1&iact=hc&vpx=1081&vpy=82&dur=246&hovh=196&hovw=257&tx=108&ty=136&ei=TFwQTfyNF8yFhQflxZi4Dg&oei=TFwQTfyNF8yFhQflxZi4Dg&esq=1&page=1&ndsp=24&ved=1t:429,r:5,s:0](http://www.google.co.uk/imgres?imgurl=http://pontifexcapital.com/assets/images/Krasnodar_Region.jpg&imgrefurl=http://pontifexcapital.com/html/region.html&usq=_cTgX_45cBmkupgppDmNKI4Ua84I=&h=914&w=1200&sz=366&hl=en&start=0&zoom=1&tbnid=_uL4Od8f9SI5M:&tbnh=145&tbnw=190&prev=/images%3Fq%3Dkrasnodar%2Bregion%26um%3D1%26hl%3Den%26sa%3DX%26biw%3D1379%26bih%3D761%26tbs%3Disch:1&um=1&itbs=1&iact=hc&vpx=1081&vpy=82&dur=246&hovh=196&hovw=257&tx=108&ty=136&ei=TFwQTfyNF8yFhQflxZi4Dg&oei=TFwQTfyNF8yFhQflxZi4Dg&esq=1&page=1&ndsp=24&ved=1t:429,r:5,s:0)

## APPENDIX 2. CASE STUDIES DESCRIPTION

Case Code	Cases Description	
Case A1	Business size	Small
	Business timeline and specialisation	Lumber trade company, started with his grandfather and two uncles in the early 1990s. Consequently opened his own company, however, continues to work with his close family members. Changed business and became a landlord in 2009.
	Motivation to start business	Push/Pull mixed, as he wanted to become independent from his two uncles.
	Motivation to stay self-employed	Push/Pull mixed. Changed his business as new government legislation made it unprofitable to continue his previous business (lumber trade).
	Ethnic/immigrant status	Armenian fourth generation; speaks and writes Armenian language.
	Family background	Supports Armenian extended family traditions, Ukrainian wife.
	Educational background	Higher education degree in Armenian History, at the moment of writing this thesis he was undertaking a Doctorate degree in Armenian History.

Case Code	Cases Description	
Case A2	Business size	Small
	Business timeline and specialisation	Since early 1990s retail trade company, started with one shop in Apsheronk, consequently opened 7 shops (clothing and home electrical) in different towns; from 2009 also started another company specialising in landscape design. Family business members – husband (interviewed) wife and son.
	Motivation to start business	Pulled.
	Motivation to stay self-employed	Pulled.
	Ethnic/immigrant status	Mixed Armenian/Russian routes, but presents himself as Armenian. Does not speak/ write/ or understand Armenian language.
	Family background	Russian grandfather was raised in Armenian family. All other family members are Armenian.
	Educational background	Higher education degree in Commodity Expertise.

<b>Case Code</b>	<b>Cases Description</b>	
Case A3	Business size	Small
	Business timeline and specialisation	Farm produce since 1991, lumber trade and retail trade (2 food stores). Family business members – business owner (interviewed), sister (stores), her husband (food delivery), older son (lumber), older brother (warehouse).
	Motivation to start business	Pulled. As an army pilot he became a pensioner in his 30s. He had a choice between a good position in direct employment and his father's business. So he joined his father and after his death registered a new company.
	Motivation to stay self-employed	Pulled more than pushed.
	Ethnic/immigrant status	Armenian fourth generation. Speaks local Armenian dialect, but does not write or read.
	Family background	Extended family traditions are supported, Russian wife.
	Educational background	Four higher degrees – history, philosophy, aviation and management.

<b>Case Code</b>	<b>Cases Description</b>	
Case A4	Business size	Micro
	Business timeline and specialisation	Lumber trade production and car dealership since the early 1990s. Used to have a shop and a cafe but they were closed in 2006. Family business members – brother, cousin and brother-in-law.
	Motivation to start business	Pushed.
	Motivation to stay self-employed	Pulled.
	Ethnic/immigrant status	Armenian fourth generation. Speaks local dialect, but does not read or write.
	Family background	Extended family traditions are supported.
	Educational background	Degree in Engineering.

<b>Case Code</b>	<b>Cases Description</b>	
Case A5	Business size	Small
	Business timeline and specialisation	Lumber trade since 1990s. Family business members – owner (interviewed), 2 sons-in-law (interviewed), daughter (accounting).
	Ethnic/immigrant status	Mixed Armenian and Russian.
	Motivation to start business	Push/Pull mixed. The owner started to work with his father in-law and his 2 brothers-in-law. After he fell apart with his brothers-in-law he opened his own company. After his daughters got married his sons-in-law joined him (early 2000s).
	Motivation to stay self-employed	Pulled.
	Educational background	Higher education degrees.

<b>Case Code</b>	<b>Cases Description</b>	
Case A6	Business size	Self-employed
	Business timeline and specialisation	Retail trade. In the 1990s – a bakery shop. The interviewee’s husband was responsible for delivery. Since mid-2000s – bags.
	Family background	Georgian Armenian, husband – Yerevan Armenian, but speaks Georgian as well as Russian and Armenian. Mother – a teacher of Russian language.
	Ethnic/immigrant status	First generation immigrants from Georgia.
	Motivation to start business	Push.
	Motivation to stay self-employed	Push/Pull mixed.
	Educational background	Music teacher.

<b>Case Code</b>	<b>Cases Description</b>	
Case A7	Business size	Micro
	Business timeline and specialisation	Retail trade butchery (since 1993).
	Family background	Mixed. The wife is Armenian and husband is Russian.
	Ethnic/immigrant status	Abkhazian Armenian (wife). Speaks Armenian.
	Motivation to start business	Pulled (husband started to work with her uncle).
	Motivation to stay self-employed	Pushed. Husband was thinking of finding another job.
	Educational background	School, no higher education.

<b>Case Code</b>	<b>Cases Description</b>	
Case A8	Business size	Small
	Business timeline and specialisation	Started in the early 1990s. Wholesale trade (warehouse), two small production lines. An old brother started the business. After a car crash his brother continued the business. Family business members – the owner, his cousin and niece (a daughter of the deceased older brother who founded business).
	Family background	Support Armenian extended family traditions.
	Ethnic/immigrant status	First generation Armenians, from Nagorno-Karabakh.
	Motivation to start business	Push/Pull Mixed. More pull than push.
	Motivation to stay self-employed	Pulled. The production lines were opened because it was noticed that there were no local producers of spades and buckets.
	Educational background	Higher education degree in Business Studies.

<b>Case Code</b>	<b>Cases Description</b>	
Case A9	Business size	Micro
	Business timeline and specialisation	Retail trade, grocery store. Family business members – husband, wife and daughter.
	Family background	Supports Armenian extended family traditions.
	Ethnic/immigrant status	First generation immigrants from Yerevan.
	Motivation to start business	Push due to economic migration.
	Motivation to stay self-employed	Push/Pull mixed. The flexibility of looking after his wife whilst she was sick influenced the business owner to change his business from butchery to the grocery retail shop.
	Educational background	Higher education degree in Engineering.

<b>Case Code</b>	<b>Cases Description</b>	
Case A10	Business size	Micro
	Business timeline and specialisation	Retail trade since the early 1990s, butchery. Family business members – husband, wife, son.
	Family background	Support Armenian extended family traditions.
	Ethnic/immigrant status	First generation immigrants from Nagorno-Karabakh.
	Motivation to start business	Pushed.
	Motivation to stay self-employed	Push/Pull mixed.
	Educational background	No higher education degree.

<b>Case Code</b>	<b>Cases Description</b>	
Case A11	Business size	Micro
	Business timeline and specialisation	Traditional bakery, car repair services. Since 1993. Family business members – husband, wife, daughter, son-in-law, niece and two nephews.
	Family background	Supports Armenian extended family background.
	Ethnic/immigrant status	Third generation Armenian.
	Motivation to start business	Pulled more than pushed.
	Motivation to stay self-employed	Pulled.

<b>Case Code</b>	<b>Cases Description</b>	
Case A12	Business size	Small
	Business timeline and specialisation	Wholesale trade, home electric. Since early 2000s. Family business members – husband and wife.
	Ethnic/immigrant status	Armenians, moved from Siberia.
	Motivation to start business	Push/Pull mixed.
	Motivation to stay self-employed	Push/Pull mixed.

<b>Case Code</b>	<b>Cases Description</b>	
Case A13	Business size	Small
	Business timeline and specialisation	Restaurant/bar
	Ethnic/immigrant status	Armenian
	Motivation to start business	Push/Pull mixed.
	Motivation to stay self-employed	Push/Pull mixed.

<b>Case Code</b>	<b>Cases Description</b>	
Case R1	Business size	Micro
	Business timeline and specialisation	Estate Agency since 2002. Family business members – husband, wife and her sister.
	Family background	Two children. The extended family include Greek family members.
	Ethnic/immigrant status	Introduced themselves as Russians. During the second interview a husband revealed that he is half Armenian.
	Motivation to start business	More Pull than Push. Push – economic migration. Pull – they have gained the experience of working in the property selling industry since 1996.
	Motivation to stay self-employed	Pull.

<b>Case Code</b>	<b>Cases Description</b>	
Case R2	Business size	Micro
	Business timeline and specialisation	Hairdresser. Family business members - mother and daughter.
	Ethnic/immigrant status	Russians.
	Motivation to start business	Push.
	Motivation to stay self-employed	Pull more than push.
	Educational background	No higher education degrees.

<b>Case Code</b>	<b>Cases Description</b>	
Case R3	Business size	Small
	Business timeline and specialisation	Retail trade. Souvenir shop. Family business members – husband and wife.
	Ethnic/immigrant status	Russians. In the second interview the husband revealed that he is one quarter Armenian.
	Family background	One daughter. Do not want to go into business with other family members.
	Motivation to start business	Push/Pull mixed. More push than pull.
	Motivation to stay self-employed	Pull. Independence and standard of living.
	Educational background	The wife used to work as a school teacher. Husband – military officer.

<b>Case Code</b>	<b>Cases Description</b>	
Case R4	Business size	Small
	Business timeline and specialisation	Cafe/Restaurant. Family business members – husband and wife.
	Ethnic/immigrant status	Russians, but have Armenian extended family members as husband's sister married an Armenian.
	Family background	Daughter and son.
	Motivation to start business	Push.
	Motivation to stay self-employed	Push/Pull mixed.
	Educational background	Ex school teacher and ex-college teacher.

<b>Case Code</b>	<b>Cases Description</b>	
Case R5	Business size	Medium
	Business timeline and specialisation	Construction and property rental business. Family business members – husband and wife.
	Ethnic/immigrant status	Russians and Belorussian.
	Motivation to start business	Push/Pull mixed.
	Motivation to stay self-employed	Push/Pull mixed.

<b>Case Code</b>	<b>Cases Description</b>	
Case R6	Business size	Micro
	Business timeline and specialisation	Farm produce, herbs and sunflower oil. Family business members – husband and wife.
	Ethnic/immigrant status	Russians.
	Motivation to start business	Pull.
	Motivation to stay self-employed	Pull.

<b>Case Code</b>	<b>Cases Description</b>	
Case R7	Business size	Micro
	Business timeline and specialisation	Restaurant and car repair since early 1990s. Family business members – husband and wife.
	Ethnic/immigrant status	Russian and Armenian.
	Motivation to start business	Push/Pull mixed.
	Motivation to stay self-employed	Push/Pull mixed.

<b>Case Code</b>	<b>Cases Description</b>	
Case R8	Business size	Small
	Business timeline and specialisation	Restaurant and Canteen since early 1990s. Family business members – husband and wife.
	Ethnic/immigrant status	Russians.
	Motivation to start business	Push/Pull mixed.
	Motivation to stay self-employed	Push/Pull mixed.

<b>Case Code</b>	<b>Cases Description</b>	
Case R9	Business size	Small
	Business timeline and specialisation	Property landlord and solar panels. Family business members – husband and wife.
	Ethnic/immigrant status	Russians.
	Motivation to start business	Pull.
	Motivation to stay self-employed	Pull.

<b>Case Code</b>	<b>Cases Description</b>	
Case R10	Business size	Micro
	Business timeline and specialisation	Doctor Surgery since mid-2000s. Used to own a VHS rental shop and a photo printing shop in the 1990s. Family business members – husband and wife.
	Ethnic/immigrant status	Russians.
	Motivation to start business	Push.
	Motivation to stay self-employed	Push/Pull.

<b>Case Code</b>	<b>Cases Description</b>	
Case R11	Business size	Self-employed, his wife helps him.
	Business timeline and specialisation	Traditional fishmonger.
	Ethnic/immigrant status	Russians.
	Motivation to start business	Push/Pull mixed.
	Motivation to stay self-employed	Push/Pull mixed.

Since the Case R12 had withdrawn their consent to participate in the research the details of their business are not provided here.

<b>Case Code</b>	<b>Cases Description</b>	
Case R13	Business size	Micro
	Business timeline and specialisation	Pharmacy. Family business members – husband and wife.
	Ethnic/immigrant status	Russians.
	Motivation to start business	More pull than push.
	Motivation to stay self-employed	n/a

## **APPENDIX 3. RESEARCH QUESTION GUIDE**

### **1. Personal Background**

1. What is your name?
2. How old are you?
3. Is your ethnicity/nationality Armenian/Russian?
4. What is your educational background?
5. Are you married?
6. Is this your first marriage?
7. How old were you when you got married (first time, second time etc.)?
8. Do you have children?
9. How many children do you have?
10. How old are your children?
11. What is the sex of your children?
12. Do your children/parents live with you?
13. Do you know your second, third etc. cousins/uncles/aunts etc.?
14. Do you keep in touch with your extended family?
15. In what ways do you keep in touch with your extended family members (weddings, funeral etc.)?

### **2. History of the Company's Creation**

16. What is the name of your company?
17. What is the specialisation of your company?
18. Could you explain in detail how your company was created?
19. In what year was your company created/ did you start your business?

20. Was it registered under a legal title straight away or did you start your business activity (farming, forestry trade etc.) as an independent self-employed person?
21. Why did you choose this particular type of business?
22. How and when did you develop your entrepreneurial skills?
23. What were the main reasons that persuaded you to open your own business?
24. Was there a particular person who inspired/helped you to set up your own business?
25. Did you have partner/partners when you decided to become independent and start your own business?

### **3.Start-Up Capital**

26. What was your initial start-up capital?
27. What was the source of your start-up capital? Was it your/family savings or a combination of yours and your partner/s savings?
28. Did you use the finance borrowed from your friends/relatives as your initial capital?
29. Did you try/consider borrowing a credit from a bank?
30. How did the situation in the financial market change compared to the 90s?
31. If you were considering to set-up your own company today would you consider borrowing the initial capital from a bank or would you do it the same way as you did back in the 90s by using personal saving?
32. Do you think that nowadays it is easier as there are more opportunities to take a credit from bank?

#### **4. Business Activities and Business Development**

33. What is the legal title of your company today?
34. Is your business today registered under one legal title or several?
35. Could you give me a chronological history of how your company has developed?
36. Did you have any problems with the criminal elements in the 90s? Could you explain in more detail?
37. How many people work in your company/business?
38. Does your company own the building (office, factory etc.) and land or is it in lease?
39. What plans do you have for the nearest future with regards to the development of your company?
40. Do you intend to open another shop/ expand your business in another way?
41. Who are your suppliers?
42. Where are they based?
43. How do you choose/recruit your suppliers?
44. Is it through informal social network or do you have a system of recruiting your suppliers?
45. Could you describe in more detail your relationships with your suppliers?
46. Who are your clients?
47. Where are they based?
48. How do you advertise?
49. How do you choose/attract your clients?
50. What are the working hours/days of your company?

51. Has recession affected your business? How exactly? Could you give me examples?

## **5. Family Business**

52. When I was introduced to you I was told that your business is a family business. What does it mean for you?

53. Who are the family members that work in your company?

54. What does your wife/husband do? Where does he/she work?

55. If your wife is a housewife does she help you or did she help in the past with regards to your business?

56. What is the age of your family members participating in your business?

57. What is/are their position/responsibilities in the company? Could you describe in detail?

58. Do they participate in the main decision making process? Do you consult them or would you say that you make important decisions yourself most of the time?

59. How does it usually happen, could you give me some examples?

60. Have you ever had unsuccessful working relationships with your relatives?

61. Could you explain in more detail?

62. Do you consider yourself working/doing business with other extended family members in the future?

63. Can you think of any relatives in particular with whom you might do business in the future?

64. Are there any relatives whom you would not hire/ work with even if they were desperate for work?

65. Would you help such relatives by any other means?

66. Why did you consider working with your relatives? Would you say it is due to the feelings of solidarity and trust?
67. If the trust is the main factor of your partners/ employees choice how would you describe any differences between working with trusted friends and working with trusted relatives?

## **6.Family Business Succession**

68. Do you plan to run your business for a long time or do you consider your company as a temporary work/employment solution?
69. Do you have any particular plans for your business succession?
70. Do you want your son/daughter/children to take over the company when you retire?
71. Or would you prefer him/her/them to choose another profession?
72. If so what profession would you like your son/daughter/children to have?
73. Why don't you want your child to continue your business?
74. Would you like him/her/them to open his/her/their own business/es?
75. Do you help him/her/them or intend to help in his/her/their (Business-Kuban) career?
76. In what ways?
77. Do you know if your son/daughter/children have any particular plans with regards to career?
78. Does/do your son/daughter/children help you at running your business at the moment?
79. In what ways?
80. Is he or she interested in your business?

81. Did you help your son/daughter/children to develop an interest in your business? How did you do it?

## **7.Armenian Ethnic Background**

82. Did you immigrate to the Krasnodar region or were you born in here?

83. Where did you immigrate from?

84. For how long had you been living there? Could you describe in chronological order the places you lived in since the time you were born?

85. What were the reasons for your immigration?

86. Could you describe in detail the process of your immigration?

87. When was it and for how long did it last?

88. Did your wife and children immigrate with you straight away or did they join you later etc?

89. What generation of your ancestors immigrate to the Krasnodar region?

90. Where they were from?

91. Why did they immigrate?

92. What was their history?

93. Among your ancestors did anyone marry non-Armenians? Could you explain in more detail?

94. Are you married to an Armenian?

95. What in your opinion are the main reasons for rare inter-ethnic marriages among Armenians? Is it due to different family/marriage values?

96. Were you married several times?

97. What is your attitude towards divorce?

98. Do you speak/write/understand Armenian language?

99. What dialect?
100. Do your children speak/write/understand or study Armenian language?
101. What language do you speak at home and with your friends?
102. What are the similarities and differences between different Armenian subgroups?
103. Could you give me an example from your life?
104. Are you a religious person? Do you go to the Armenian Church? How often?
105. If not what religion do you practice?
106. Was it the religion of your parents or did you choose it yourself? Why?
107. When did you start practicing your religion?
108. Are there any Armenian traditions and customs that are present in your life? What are they?
109. Would you say that the traditions changed compared to the period of your parents and grandparents?
110. Someone has told me that among the Armenians divorces are extremely rare. Would you agree with this? Why do you think that is?
111. How much the situation changed with regards to marriage values/traditions?
112. Someone has told me that many widows do not remarry? Among your relatives and Armenians that you know do many people remarry?
113. What is the role of a woman and of a man in a traditional Armenian family?
114. In your own family do you respect these Armenian family traditions?
115. Do you have many non-Armenian friends? Who are the people in your social network?
116. Do you rely on your social network in business? In what ways?

117. In many historical sources Armenians are known as being good at business. Why do you think that is and is it similar today?
118. Some Armenians claim that many Armenians are successful at running businesses as they work very hard compared to other ethnic groups. Without trying to stereotype what is your opinion on the matter and what is your experience/attitude towards the work behaviours?
119. Do you deliberately educate your children to adopt very hard working behaviours?

### **8.Russian Ethnic Background**

120. What was the ethnic background of your parents and grandparents?
121. Where they are from? Could you describe in detail?
122. Where were you born?
123. Have you always lived in the Krasnodar region or did you live in other regions/cities of Russia?
124. What is the ethnical background of your spouse?
125. What is the background of your spouse's ancestors?
126. Do you speak other languages?
127. How do you define your ethnic background?
128. Are the Kazak traditional roles of man and woman are similar to those that exist today?
129. How do you see these roles in your family?

## **9. Doing Business in the Krasnodar Region of Russia**

130. Do you notice any differences between cultural values among different regions of Russia?
131. Do these cultural values affect business? Could you give me examples?
132. Would you describe the legal and economic environment as more business friendly nowadays compared to the 1990s?
133. Could you explain in more detail your opinion?
134. Do you have any problems with the local power officials?
135. Are there any regional government programmes that support the development of the small businesses in your industry? What are they? Do they help you?

## APPENDIX 4. INTERVIEW DETAILS

### Case A1

Interview No.	1	2	3	4
Venue	Business Office	Cafe	Business Office	Church
Length (hours)	1	1	1	4
Date	June 2007	October 2007	June 2008	June 2009
Interviewee	Business Owner, male, Armenian fourth generation, 35 years old.	Business Owner, male, Armenian fourth generation, 35 years old.	Business Owner, male, Armenian fourth generation, 35 years old.	Business Owner, male, Armenian fourth generation, 35 years old.

### Case A2

Interview No.	1	2	3
Venue	Home	Cafe	Church
Length (hours)	1	1	3
Date	June 2007	June 2008	June 2009
Interviewee	Business Owner, male, mixed Russian-Armenian routes, fourth generation, ~50 years old.	Business Owner, male, mixed Russian-Armenian routes, fourth generation, ~50 years old.	Business Owner, male, mixed Russian-Armenian routes, fourth generation, ~50 years old.

### Case A3

Interview No.	1	2	3
Venue	Business Office	Home	Business Office
Length (hours)	2	2	2
Date	October 2007	June 2008	June 2009
Interviewees	1-Business Owner, male, Armenian fourth generation, ~50 years old.  2-His brother and employee, Armenian fourth generation, ~ 55 years old.	1-Business Owner, male, Armenian fourth generation, ~50 years old.	1-Business Owner, male, Armenian fourth generation, ~50 years old.  2-His brother and employee, Armenian fourth generation, ~ 55 years old.  3-Their mother, A3-G, ~70 years old.

#### Case A4

Interview No.	1	2	3
Venue	Home	Home	Home
Length (hours)	1	0.5	0.5
Date	October 2007	June 2008	June 2009
Interviewee	Business Owner, male, Armenian fourth generation, ~50 years old.	Business Owner, male, Armenian fourth generation, ~50 years old.	Business Owner, male, Armenian fourth generation, ~50 years old.

#### Case A5

Interview No.	1	2
Venue	Business Office	Business Office
Length (hours)	1	1
Date	June 2008	June 2009
Interviewees	1-Business co-owner, male, mixed Armenian-Russian routes, ~25 years old.  2-Business co-owner, male, Armenian local, ~ 25 years old.	1-Business co-owner, male, mixed Armenian-Russian routes, ~25 years old.  2-Business co-owner, male, Armenian local, ~ 25 years old.

#### Case A6

Interview No.	1	2
Venue	Home	Home
Length (hours)	1	1
Date	June 2008	June 2009
Interviewee	Business owner, female, Armenian immigrant, ~50 years old.	Business owner, female, Armenian immigrant, ~50 years old.

#### Case A7

Interview No.	1	2
Venue	Business premises	Business premises
Length (hours)	1.5	1.5
Date	June 2008	June 2009
Interviewee	Business owner, female, Armenian immigrant, ~40 years old.	Business owner, female, Armenian immigrant, ~40 years old.

Case A8

Interview No.	1	2
Venue	Business premises	Business premises
Length (hours)	1	1
Date	October 2007	June 2008
Interviewees	1-Business owner, male, Armenian immigrant, ~38 years old.  2-His cousin and employee, Armenian immigrant, ~35years old.	1-Business owner, male, Armenian immigrant, ~38 years old.  2-His cousin and employee, Armenian immigrant, ~35years old.

Case A9

Interview No.	1	2	3
Venue	Home	Home	Home
Length (hours)	3	3	3
Date	October 2007	June 2008	June 2009
Interviewees	1-Business Owner, male, Armenian immigrant ~45 years old.  2-His wife and co-owner, Armenian immigrant ~45 years old.  3-Their daughter, Armenian immigrant, ~20 years old.	1-Business Owner, male, Armenian immigrant ~45 years old.  2-His wife and co-owner, Armenian immigrant ~45 years old.  3-Their daughter, Armenian immigrant, ~20 years old.	1-Business Owner, male, Armenian immigrant ~45 years old.  2-His wife and co-owner, Armenian immigrant ~45 years old.  3-Their daughter, Armenian immigrant, ~20 years old.

Case A10

Interview No.	1	2
Venue	Home	Home
Length (hours)	1	2
Date	June 2008	June 2009
Interviewee	Business owner, male, Armenian immigrant, ~40 years old.	1-Business owner, male, Armenian immigrant, ~40 years old.

Case A11

Interview No.	1	2	3	4
Venue	Business Office	Business Office	Business Office	Business Office
Length (hours)	1	1	0.5	0.5
Date	June 2007	October 2007	June 2008	June 2009
Interviewee	Business Owner, male, Armenian immigrant, ~64 years old.	Business Owner, male, Armenian immigrant, ~64 years old.	Business Owner, male, Armenian immigrant, ~64 years old.	Business Owner, male, Armenian immigrant, ~64 years old.

Case A12

Interview No.	1
Venue	Car
Length (hours)	1
Date	June 2008
Interviewee	Business Owner, male, Armenian immigrant.

Case A13

Interview No.	1
Venue	Business Premises
Length (hours)	1
Date	June 2008
Interviewee	Business Owner, male, Armenian immigrant.

Case R1

Interview No.	1	2
Venue	Business Office	Business Office
Length (hours)	1	1
Date	June 2008	June 2009
Interviewee	<p>1-Business owner, male, Russian-Armenian mixed, ~40 years old.</p> <p>2-His wife and co-owner, Russian, ~40 years old.</p> <p>3-Her sister and employee, Russian, ~38 years old.</p>	<p>1-Business owner, male, Russian-Armenian mixed, ~40 years old.</p> <p>2-His wife and co-owner, Russian, ~40 years old.</p> <p>3-Her sister and employee, Russian, ~38 years old.</p>

Case R2

Interview No.	1
Venue	Business Premises
Length (hours)	1
Date	June 2008
Interviewee	Business Owner, female, Russian, ~38 years old.

Case R3

Interview No.	1	2
Venue	Business Office	Business Office
Length (hours)	1.5	1.5
Date	June 2008	June 2009
Interviewee	<p>1-Business owner, male, Russian-Armenian mixed, ~37 years old.</p> <p>2-His wife and co-owner, Russian, ~37 years old.</p>	<p>1-Business owner, male, Russian-Armenian mixed, ~37 years old.</p> <p>2-His wife and co-owner, Russian, ~37 years old.</p>

#### Case R4

Interview No.	1	2
Venue	Business Premises	Business Premises
Length (hours)	1.5	1.5
Date	June 2008	June 2009
Interviewee	Business owner, female, Russian, ~40 years old	Business owner, female, Russian, ~40 years old

#### Case R5

Interview No.	1	2	3	4
Venue	Home	Home	Home	Home
Length (hours)	0.5	1	0.5	1
Date	June 2008	June 2008	June 2009	June 2009
Interviewees	Business Owner, male, Russian, ~50 years old.	Business Owner, female, Belorussian, ~50 years old.	Business Owner, male, Russian, ~50 years old.	Business Owner, female, Belorussian, ~50 years old.

#### Case R6

Interview No.	1	2	3
Venue	Home	Home	Home
Length (hours)	1	1	1
Date	October 2007	June 2008	June 2009
Interviewees	1-Business Owner, male, Russian ~40 years old.	1-Business Owner, male, Russian ~40 years old.	1-Business Owner, male, Russian ~40 years old.

#### Case R7

Interview No.	1	2
Venue	Home	Home
Length (hours)	2	2
Date	June 2008	June 2009
Interviewees	1-Business owner, female, Russian, ~50 years old.  2-Business owner, male, Armenian, ~50 years old.	1-Business owner, female, Russian, ~50 years old.  2-Business owner, male, Armenian, ~50 years old.

#### Case R8

Interview No.	1	2
Venue	Home	Cafe
Length (hours)	1	1
Date	June 2008	June 2009
Interviewee	Business owner, male, Russian, ~40 years old.	Business owner, male, Russian, ~40 years old.

Case R9

Interview No.	1	2	3	4
Venue	Home	Home	Home	Home
Length (hours)	0.5	0.5	0.5	0.5
Date	June 2008	June 2008	June 2009	June 2009
Interviewees	Business Owner, male, Russian, ~40 years old.	Business Owner, female, Belorussian, ~40 years old.	Business Owner, male, Russian, ~40 years old.	Business Owner, female, Belorussian, ~40 years old.

Case R10

Interview No.	1
Venue	Home
Length (hours)	1
Date	June 2008
Interviewee	Business Owner, male, Russian, ~40 years old.

Case R11

Interview No.	1
Venue	Home
Length (hours)	1
Date	June 2009
Interviewee	Business Owner, female, Russian, ~55 years old.

Case R12

Interview No.	1
Venue	Home
Length (hours)	2
Date	June 2008
Interviewees	Business Owner, female, Russian, ~45 years old. Her husband, male, Russian, ~45 years old.

Case R13

Interview No.	1
Venue	Cafe
Length (hours)	1
Date	June 2009
Interviewee	Business Owner, male, Russian.