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# A Preliminary Investigation of Female Entrepreneurs' Behavior in Romania

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*The aim of this paper is to carry out a preliminary analysis of the Romanian female entrepreneurs' behavior. In order to reach this aim we studied the specialized literature which tries to define the entrepreneur, the feminine entrepreneur, to identify the women's motivation to become entrepreneurs, the required skills, as well as the potential similarities and differences between female and male entrepreneurs. In the case study we elaborated in this paper, the percentage of women-entrepreneurs from the total number of entrepreneurs who set up a new business represents the independent variable. We used as dependent variable quantitative variables expressed in percentages which describe the situation of newly founded enterprises one year into their set up (active, inactive and liquidated), the size of the newly founded enterprise (0 employees, 1 to 49 employees, and over 49 employees) and the type of employment (employers, full-time employees, part-time employees). The data we used are annual, refer to a period of time ranging from 1995 to 2013, and were gathered by the Romanian National Institute of Statistics. The conclusions show that the percentage of Romanian women-entrepreneurs is in tight link with the percentage of active companies one year into their set up. As regards the size of the*

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*company, we noticed that women-entrepreneurs own companies with fewer employees. And when referring to the head-office of the company, we notices that it is not influenced by the increase or decrease of the percentage of Romanian women-entrepreneurs.*

*Keywords: entrepreneur, female, Romania, active companies, inactive companies.*

*JEL Classifications: L26*

### **Review of the scientific literature**

The labour market is under continuous change, yet at the same time it is one of the markets with a high degree of rigidity (Hordău & Toader, 2013). At the same time, entrepreneurship represents an opportunity. Being an entrepreneur is synonymous to being innovative, creative and capable of taking risks (Schumpeter, 1954). The individual who risks his/her time, effort and money in order to start and continue a business is called an entrepreneur (Udeh, 1990). The entrepreneur is capable of recognizing opportunities which are potentially profitable, can conceptualize risk strategies, as well as become a force in turning an idea into a successful product (Stanford, 1975). Moreover, entrepreneurs are seen as individuals who have the ability to see and evaluate business opportunities, gather the necessary resources, take advantage of them, and initiate adequate actions in order to ensure success (Meredith, Nelson, & Neck, 1982).

Both the educational system and the factors involved in the political decision-making process have begun to pay more attention to understanding and supporting women-entrepreneurs (Gundry, Ben-Yoseph, & Posig, 2002). For women, entrepreneurship represents an opportunity to escape the traditional status of employee and to start working independently. In all women there is a desire and a firm faith in their own abilities (Chell, Haworth, & Brearley, 1991). Some research focusing on the women's motivation to become

entrepreneurs has identified the woman's desire to become an entrepreneur in order to balance her personal life, her family life and her career (Parasuraman, Purohit, Godshalk, & Beutell, 1996). Moreover, women-entrepreneurs have a greater level of satisfaction at work than those who are managers; this satisfaction is generated by the possibility to control their own destiny (Hahn, Sabou, & Zima, 2009).

Generally speaking, the characteristics of women-entrepreneurs do not differ from those of the men. The identified skills that are considered necessary for an efficient manager are the following: communication, negotiation, motivation, listening, counseling and evaluation of competencies, and delegating, these being more tightly linked to women than to men (Cunningham, 1987). Moreover, women-entrepreneurs have proven to share more features with men-entrepreneurs as regards things that motivate them: economic necessity, the need for professional achievement, the need for independence, increasing job satisfaction, (Brockhaus & Horwitz, 2002). Yet there also exist differences between women-entrepreneurs and men-entrepreneurs. For example, women-entrepreneurs are less willing to use bank loans than men-entrepreneurs (Coleman & Carsky, 1996).

This is also supported by the fact that women feel a certain level of aversion towards risk as compared to men, and thus are not willing to assume the responsibility of the debt incurred by a loan (Scherr, Sugrue, & Ward, 1993). Women-entrepreneurs also tend to own smaller companies, their businesses being probably concentrated around lines of business which do not require many assets (Kallenberg & Leicht, 1991).

### **Research methodology**

The percentage of women-entrepreneurs of the total number of entrepreneurs who set up their own business represents in our study

the independent variable, since we start from the premise that the changes recorded for it cause significant alterations within the dependent ones presented hereafter. In order to analyze the manner in which women-entrepreneurs carry out their entrepreneurial activity in Romania, we used as dependent variables quantitative variables expressed in percentages which describe the situation of newly founded enterprises a year into their setting up (active, inactive and liquidated), the size of the newly founded company (0 employees, 1 – 49 employees and over 49 employees) and the type of employment (employer, full-time employees, part-time employees).

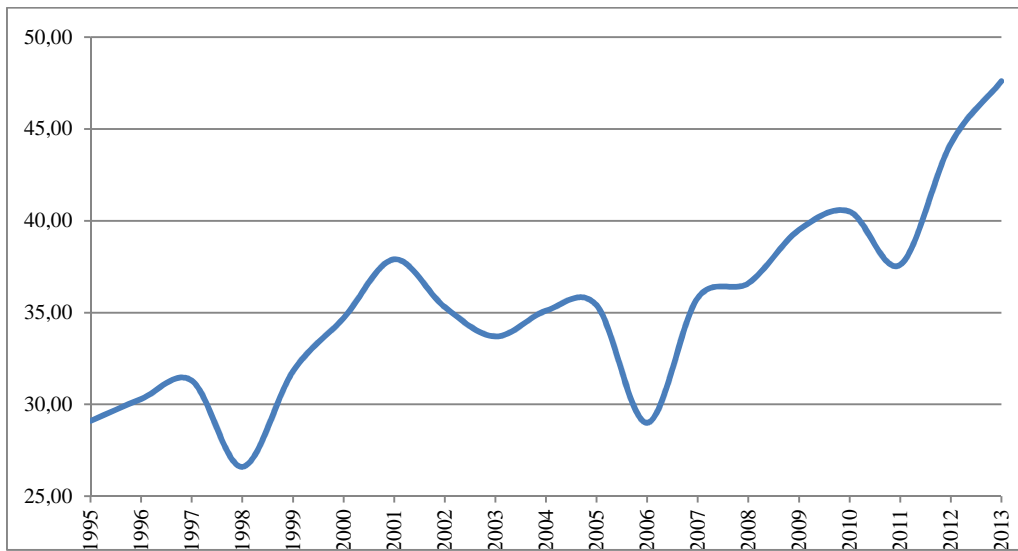
The data were obtained from the website of the Romanian National Institute of Statistics (INSSE) and cover the period between 1995 and 2013, with the observation that for every variable introduced in this study, we recorded, for every year, the values for all the 8 Romanian development regions (North, North–East, Centre, West, South–West, South–East, South–Muntenia and Bucharest–Ilfov) because in order to apply certain parametrical statistical tests with the aim of studying a certain link we need a larger volume of data. Thus, instead of having 19 observations for every variable (for the studied period of time: 1995–2013), we will have 152 observations for every variable (19 years x 8 development regions). The analysis of the percentage of women who set up a new business and studying the existence of a correlation between the former and the aforementioned dependent variables were carried out with the help of the programme Microsoft Excel 2010 and of the statistical software SPSS 17 (Statistical Package for Social Sciences).

### **Results and discussions**

Before carrying out the specific correlation tests to see if the hypotheses which state that there exists a correlation between the situation of companies one year into their set up, the number of offices, the main location where the activity is carried out, the size of

the enterprise, the type of employees and the percentage of women-entrepreneurs who set up a business, we drew a diagram presented in figure 1 which shows the evolution of this percentage in Romania between 1995 and 2013. One can easily notice that there exist 3 periods of time (years 1998, 2006 and 2011) when the percentage of women-entrepreneurs decreased dramatically, these periods being highlighted by means of a hachured circle. One of the causes which lead to the dramatic decrease recorded in 1998 can be the increase of the average salary by 98% in 1997 as compared to 1996. This increase determined women to prefer the safety of the job instead of the risk generated by a new entrepreneurial activity. Due to the existence of the network for the promotion of entrepreneurship which was developed at European level, in 2000 the most spectacular increase in the percentage of Romanian women-entrepreneurs took place after 1999, growing by approximately 3% every year and reaching 37.90% in 2001. Yet this is not the maximum value recorded within the analyzed time interval. It appeared in 2003 when almost half of the entrepreneurs setting up businesses were women (47.60%). Reaching this favourable percentage for the Romanian feminine entrepreneurship was possible due to the European policies and programmes of which Romania benefitted after joining the European Union in 2007, especially those regional operational programmes which supported and promoted feminine entrepreneurship.

**Figure 1**  
**The evolution of the percentage of Romanian women entrepreneurs between 1995 and 2013**



Another time interval during which the percentage of women-entrepreneurs decreased dramatically is 2004-2006, and one of the causes which lead to the occurrence of this phenomenon is the changing of the president at the end of 2004 – a change that generated a multitude of legislative modifications as regards the business environment. The third hachured area represents another period of time during which the percentage of Romanian women-entrepreneurs recorded a decrease, which can be explained as the effects of the global economic crisis which started in Europe in 2008.

Further down we studied the existence of links between the percentage of women-entrepreneurs and the dependent variables by expressing three null hypotheses and applying the parametrical Pearson test.

*Hypothesis 1: There exists a link between the percentage of women-entrepreneurs and the situation of newly founded companies a year into their set up*

We begin the analysis of the link between the percentage of women-entrepreneurs and the situation of newly founded companies one year into their set up by expressing 3 null hypotheses.

**Table 1**

**Correlation coefficients which test hypothesis 1**

	Active	Inactive	Liquidated
Pearson Correlation	.289**	-.231*	-.112
Sig. (2-tailed)	.003	.018	.257

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

The first null hypothesis is, “there is no link between the percentage of Romanian women-entrepreneurs and the percentage of active companies a year into their set up”, having as alternative hypothesis “there exists a link between the percentage of women-entrepreneurs and the percentage of active companies a year into their set up”.

This null hypothesis is tested in column 1 of table 1, which shows us a Sig value (the result p of the statistic test) of 0.003 which is smaller than the significance threshold of 0.05 (the most often chosen value), as well as lower than the significance threshold of 0.01. The comparison leads to the rejection of the null hypothesis and the acceptance of the alternative one, there being a link between the percentage of Romanian women-entrepreneurs and the percentage of active companies one year into their set up, and this link is a positive one due to the positive value of the Pearson coefficient. Due to this positive link, we can state that the percentage of Romanian women-entrepreneurs leads to the increase of the percentage of active companies one year into their set up.

As regards the link between the percentage of Romanian women-entrepreneurs and the inactive companies one year into their set up, the situation is different because there exists a significant negative link between the two (the Sig value  $< 0.05$ ). In other words, an increase in the percentage of women-entrepreneurs will determine a decrease in the percentage of inactive companies. Despite all these, as regards the link between the percentage of Romanian women-entrepreneurs and the percentage of liquidated companies, we notice that the null hypothesis is accepted and that there is no link (the Sig value  $= 0.257 > 0.05$ ).

*Hypothesis 2: There exists a link between the percentage of women-entrepreneurs and the size of the enterprise*

In order to test hypothesis 2 we used the classification of companies according to size: companies with 0 employees, companies with 1 to 49 employee and companies with over 49 people. Similar to the previous hypothesis, we calculate the Pearson coefficient in order to test if there is a link or not between the 2 categories of variables. We begin with the Pearson coefficient calculated between the percentage of women-entrepreneurs who have 0 employees with a Sig. value of  $0.000 < 0.05$ , which tells us that there exists a link between the two. Moreover, the Pearson value of 0.347 tells us that the link is not a powerful one.

The same thing happens in the case of the link between the percentage of women-entrepreneurs and the companies which have between 1 and 49 employees, with the exception of the link which is a negative one. Thus, as the percentage of women-entrepreneurs increases, the percentage of companies with 1 to 49 employees decreases. As the number of employees grows over 49, it no longer matters if the entrepreneur is male or female because there is no link between the percentage of women-entrepreneurs and the percentage of companies with over 49 employees.



**Table 2**

**Correlation coefficients which test hypothesis 2**

	companies with 0 employees	companies with 1-49 employees	companies with over 49 employees
Pearson Correlation	.347**	-.342**	-.158
Sig. (2-tailed)	.000	.000	.110

\*\* . Correlation is significant at the 0.01 level (2-tailed).

*Hypothesis 3: There exists a link between the percentage of women-entrepreneurs and the company head-office*

In the case of hypothesis 3 we use 2 variables in order to describe the head-office of the company: independent head-office and the house of the entrepreneur. We carry on by expressing the 2 null hypotheses: there is no link between the percentage of women-entrepreneurs and the percentage of companies with independent head-office, and namely there is no link between the percentage of women-entrepreneurs and the percentage of companies whose head-office is the entrepreneur's house.

After having calculated the Pearson coefficients in both situations in table 3, we notice that both null hypotheses are accepted because the Sig value > 0.05. Thus there is no link between the percentage of women-entrepreneurs and the head-office of the company. The same value of the Pearson coefficients in both cases, yet with different signs, and the same Sig value are explained by the fact that every year the two variables totaled 100%.

**Table 3**

**Correlation coefficients which test hypothesis 3**

	Independent office	Entrepreneur's house
Pearson Correlation	-.101	.101
Sig. (2-tailed)	.307	.307

### Conclusions

Our research on women entrepreneurs in Romania indicates differences between them and their male counterparts in certain areas. We must point out the fact that women entrepreneurs in Romania are in direct connection with the situation of companies which are one year after their set up. Thus it is important if a company is active or inactive after having carried out entrepreneurial activities for a year, since the beginning is the most difficult one for all companies because it is then that all details are established, including marketing strategies and loyal customers. Despite these, once a company gets to be closed down one year after its set up, we cannot state that it has anything to do with the fact that the percentage of women who set up a business changes; in other words, the process of liquidating a company has got nothing to do with the entrepreneur's gender.

As regards the size of the company, we noticed that women-entrepreneurs hold companies with few employees. Thus they often manage businesses with 0 employees, which means that it is only they themselves that are involved in the entrepreneurial activity they carry out. When speaking about large companies, with over 49 employees, it is no longer important if the entrepreneur is male or female due to the fact that once a company reaches such standards, the criteria which influence it positively or negatively are different. The situation changes when the head-office of a company is brought into the discussion.

Thus, whether the percentage of women-entrepreneurs in Romania increases or decreases, the head-office is not influenced; which is surprising since at the beginning of the study we started from the premise that the woman-entrepreneur prefers to carry out her entrepreneurial activity at home, and that she is most often responsible with the upbringing and rearing of children.

No matter the level of economic development, each country has to show a lot of consideration for the female entrepreneur and permanently find new means to promote this phenomenon. Romania is one of the countries where, during the recent years, there have been major changes in this field and where a growing trend is recorded in this regard.

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