

# The influence of institutional context on women's entrepreneurship in the Baltics

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## SUMMARY

The dissertation investigates the historical and institutional context in the Baltics and its relation to female entrepreneurship. First, it focuses on informal institutions that form an important part of the context and represent socio-cultural factors that may shape an entrepreneur's feasibility, desirability, and legitimacy considerations when examining entrepreneurship as a potential career choice. Second, in order to understand the development and scope of informal institutions, this dissertation looks at the historical heritage as well. The dissertation specifically looks at the context-specific informal institutions in the Baltics and how they shaped the development, scope and nature of female entrepreneurship in the region. Third, the dissertation looks at the individual context of entrepreneurship as the role of the agency is crucial in the development of entrepreneurship. We describe and explain female entrepreneurship in the Baltics in its context as entrepreneurship does not take place in a vacuum but in interrelated conditions that shape, foster and also limit entrepreneurship.

The contribution of women's entrepreneurship plays a significant impact on the economic growth and social well-being of societies. They create employment, develop innovations, and help to solve issues related to social inequality. The Baltic countries are still lagging behind most Western and North European countries regarding several economic and social indicators. More extensive female entrepreneurship could decrease this gap as women's participation in entrepreneurial activities not only supports their family income but also plays a significant role in the economic development and social well-being of society.

**Chapter 1** presents the dissertation aim, which is to provide more knowledge and insight into the specific historical context and informal institutions of post-Soviet, post-transition context in the Baltics and its impact on the development of female entrepreneurship. The aim is also to study how the historical context has shaped the informal institutions, what these informal institutions are and how they have shaped, encouraged and limited the development, scope and nature of female entrepreneurship in the region. This aim is important and relevant because women entrepreneurs bring economic growth and social equality. Also, full self-realisation of potential human benefits social prosperity as every member of society should be free to develop and materialise his or her capabilities and aspirations.

The assumption that underlies most entrepreneurship ecosystem frameworks is that all entrepreneurs have equal access to resources and support as well as an equal chance of a successful outcome within the entrepreneurship ecosystem. In theory, this is a reasonable assumption, but in practice, we find this is not always the case. There is substantial evidence that women entrepreneurs' participation, access to resources, and outcomes in ecosystems differ from those of men. Many studies have concluded that context, as one of the essential elements of an ecosystem, plays a crucial role in entrepreneurship development. Context may either facilitate or hinder entrepreneurial activity. Supportive culture where entrepreneurs have high status in society will facilitate entrepreneurship. On the contrary, traditional societies where women have family-caring roles and rarely take top business and political positions, are not supportive of female entrepreneurship.

Institutions theory is well suited to explain these differing factors. Institutions set constraining and enabling boundaries for individual behaviours and actions by influencing the nature and extent of entrepreneurship, its development and outcomes. As enabling forces, they can reduce transaction costs, uncertainty, and risks of individual behaviour; as constraining forces, they can add to transaction costs for entering entrepreneurship and developing a business, and they can affect the returns from entrepreneurship. Institutional forces shape both individual interests and desires and opportunity structures, framing possibilities for action and influencing whether these behaviours result in persistence or change.

Regulatory, normative, and cognitive institutions can all be of gendered nature. It is argued that gender aspects may often be in the hidden aspects, or informal practices, rules, and norms. Gender may be manifested in institutions both nominally, the results of men's historical ongoing dominance of positions of power, and substantively, which is related to gender biases. These outcomes emerge from social norms founded on accepted ideas about masculinity or femininity. Regulatory, normative, and cultural-cognitive institutions influence, both direct and indirect, whether an individual perceives entrepreneurship as desirable and feasible and whether entrepreneurs channel their resources into productive and innovative activities.

This dissertation is based on a series of studies that examined the informal institutional context to explain the development of female entrepreneurship. This provides novel insights into entrepreneurial processes that can be used in theory building.

**Chapter 2** is a conceptual chapter that reviews female entrepreneurship in a post-Soviet post-transition context, analysing its almost three-decade development in Latvia, Lithuania, and Estonia. Analysing the secondary data (international reports, and previous studies) on female entrepreneurship from the institutional perspective, this chapter aims to explain the unique interplay of formal and informal contexts that have shaped the development of female entrepreneurship in post-transition contexts. While the formal entrepreneurship environment is considered to be well developed in the Baltic countries, women are under-represented among the population of entrepreneurs, and there is gender-based sectoral segregation of female entrepreneurs in Estonia, Latvia and Lithuania. One possible reason for this is the existence of Soviet-time informal institutions in the form of gendered social norms. Work participation during the Soviet time was high, with 90% of working-age women working or studying. The tradition of high work participation during the Soviet time transitioned into high work participation and relatively high women entrepreneurship rates after the independence. During the Soviet period, women dominated such industries as textile, apparel production, catering, health and education. They were underrepresented in spheres considered masculine, like construction and heavy industries. The sector division remained the same. The education level of women was high during the Soviet period and women retained the tradition of attaining high education levels during independence.

In spite of women's high participation in the labour force and their relatively high education level, discrimination against women was common, and women were underrepresented in top management and political positions. The situation is similar now. The overall underlying assumption in society is that women are not suited for these roles. As entrepreneurship is associated with leadership, management and independence, many women feel that they do

not have the necessary skills and experience to start a business, despite their high education level and high work participation. Although most women worked during the Soviet time, they were still expected to manage the household with little involvement from men. This situation is changing, but the tradition is still strong nowadays. This can have an influence on the motivation of women to start a business and to make decisions on the expansion of business. Overall, it can be said that gendered norms and assumptions that prevailed during the Soviet time, continue to exist after the regaining of independence and had an impact on the development of female entrepreneurship.

**Chapter 3** analyses how research texts on women's entrepreneurship produced in the post-transition countries of Central and Eastern Europe construct and position women entrepreneurs. All publications on women's entrepreneurship in Central and Eastern Europe are analysed using Foucauldian discourse analyses to investigate how the articles position women vis-à-vis men. Based on the analyses, it can be concluded that research texts construct women entrepreneurs as less entrepreneurial than their male counterparts. The research reviewed in Chapter 3 positions women in Central and Eastern Europe as a vehicle for economic growth or a solution to different social problems. But at the same time, women are also seen as lacking the necessary skills for such purposes and requiring more encouragement. Alternatively, as outlined in Chapter 3, women are portrayed as victims, a casualty of a gendered industrial culture – in most cases, without an analysis of the underlying structural reasons for the subordinated position in society. The claim is that women should improve themselves in order to become successful entrepreneurs, without any discussions on structural change or discussions of gender equality that underly the problem.

The bases for such positioning are the following underlying assumptions. First among these is the assumption that entrepreneurship is a for-profit economic activity whose individual purpose is to enrich the entrepreneur and whose societal function is to create economic growth. A second assumption is that an entrepreneur is a man, and entrepreneurship is masculine. A third assumption is that men and women are different. These assumptions lend themselves to male/female comparisons against a male-gendered norm, as seen in the analysis of the hypothesis in the explanatory papers. A fourth assumption is that of entrepreneurship as an individual undertaking. It has to some extent, been abandoned in contemporary entrepreneurship research, although it is, with a few exceptions, still the norm in this body of research. A fifth assumption is the division of work and family. The literature focuses on work-family conflict as a barrier to women's success. Still, it does not offer any policy advice for alleviating this, instead suggesting that women start a business so they can balance work and family.

**Chapter 4** aims to explore the impact of gendered context on the female entrepreneurship environment in Estonia. Estonia, a former socialist economy and Soviet republic, is now a country with an advanced, high-income economy that is among the fastest growing in the EU. Most global rankings have Estonia high on their lists, presenting it as an example of long-term successful economic and fiscal policy, with effective structural reforms and state governance. In terms of business culture and ethics, Estonians like to be considered a part of Scandinavia or Northern Europe rather than one of the Baltic countries or a former Soviet republic. In other words, it prefers to tend towards notions of democracy, tolerance, and equality. At the same time, the women entrepreneurship data in Estonia is quite surprising, especially when considering its successful economic and political developments, as well as

its mindset of wanting to become one of the most developed nations in the world. Women entrepreneurs constituted 5% of the women in the active labour force in 2012. This was significantly lower than the EU-28 average entrepreneurship rate (10%) and one of the lowest in Europe.

The results of the chapter identify the existence of gender stereotypes and traditionally gendered norms in the Baltic societies, specifically Estonia. These gender norms prescribe entrepreneurship as a male endeavour and imply that women are less capable than men at entrepreneurship. It is also expected that women take care of the household and children. These gendered expectations impact women's intentions to pursue entrepreneurship as it is perceived as a masculine domain. These stereotypes limit the possibility for women entrepreneurs to start businesses in certain sectors. Gender stereotypes are, therefore, one of the factors that can explain lower women entrepreneurship rates compared to men.

**Chapter 5** analyses interviews with women entrepreneurs in women's monthly magazines. The study demonstrates that women entrepreneurs construct their identity built on a discourse in which womanhood is in conflict with entrepreneurship and entrepreneurship as normatively masculine. According to this chapter, women entrepreneurs construct their identities around three basic assumptions as identified in the discourse analyses: i) essential gender differences, ii) entrepreneurship as normatively male, and iii) women as the family caretakers. Entrepreneurship is viewed as masculine, and this tends to be the default option. As Chapter 5 demonstrates, women entrepreneurs participate in the discourse and, knowingly or not, construct their identities against the basic assumptions, thus ensuring their continuation. These positioning acts reflect the prevailing assumption shared both by women entrepreneurs and journalists that women are less capable at entrepreneurship than men – they make “women” mistakes, are too emotional, and take everything to heart. These assumptions are also present in the accounts of the women who resist the above-mentioned positioning and thus shape the identity construction of these women as well. With few exceptions, it is overall assumed that entrepreneurship is not for women; only men can create successful businesses because of their innate entrepreneurial nature.

**Chapter 6** explores gender differences in entrepreneurial intentions among young Latvian adults of 18-27 years who do not have extensive entrepreneurial experience. Entrepreneurial intentions are an important determinant of entrepreneurial behaviour as they translate into a commitment to start a new business and advance the actions required to start such a pursuit. The findings of the chapter illustrate that there are gender differences in entrepreneurial intentions among this age group. Young adult women in Latvia have lower entrepreneurial intentions compared to young adult men, despite the stronger attitudes of young women towards entrepreneurship, self-efficacy, and subjective norms. These findings indicate that women in general, are less likely than men to feel that they have the skills, knowledge, and experience to start a business. This is possibly caused by prevailing gendered roles and stereotypes that exist in society. Self-perceptions and ambitions are closely linked because the way entrepreneurs perceive themselves and their situation will influence their willingness to persist in achieving their goals. Assumptions about entrepreneurial “alertness” may in fact, be “gendered” due to their underlying assumption about rational behaviour.

Chapter 6 recommends mediating these differences through the availability of role models and human capital. These two factors have a significant positive impact on entrepreneurial intentions among young females.

**Chapter 7** of the dissertation discusses the key findings and provides recommendations for policy and future research. Further research on gendered norms, stereotypes and women entrepreneurship in transition economies would be necessary. This facilitates deeper insights into factors that impact the development of female entrepreneurship and provide recommendations on how to improve the situation. The focus should be on informal rules interplaying alongside and formal institutions shaping their actors and outcomes.

The scope of methodological approaches should be broadened as well, making use of qualitative methods alongside quantitative ones. The qualitative studies as in-depth interviews, life histories, case studies, ethnography, and discourse analysis, would bring more nuanced insights into female entrepreneurship. Another recommendation is to base the research on assumptions that do not see economic growth as the only reason for entrepreneurship. Entrepreneurship is not an individual undertaking as it happens in context. The normative, masculine gendered assumptions of entrepreneurship and the corresponding feminine gendered assumptions of family responsibilities should be questioned as well. These assumptions limit the discovery of the full richness of the entrepreneurial process and meaning. As well as include contextual factors (e.g., social expectations of women and men, entrepreneurship policies, entrepreneurship norms, etc.) and in particular, study the gendering of contextual factors and how they affect women entrepreneurs as context is essential when determining when, where, how, and why entrepreneurship is happening.

The dissertation has provided recommendations for policy. The general recommendation is to focus the attention on the topic of female entrepreneurship as a means to increase the level of entrepreneurship and, consequently, economic growth and social equality. One of the most important aspects is a culture that supports more equal gender expectations. As informal institutions change slowly, the direct and short-term policy measures will have little effect. Therefore, long-term national policies should be developed covering a wide scope of social and entrepreneurship issues, including, child care policies, family role division, gender roles in society as well as support policies for female entrepreneurs.

This dissertation shows that women are underrepresented among the population of entrepreneurs and segregated in low-profit margin and low-growth potential sectors, like services, education and health care. Women also feel that they do not have the necessary experience, knowledge, and skills to start a business and run a successful business. This is despite quite favourable business climates in the Baltics and high education level and high work participation of women. The dissertation argues that existing gendered norms imply that women are the main child carers and are not suited for top management and entrepreneurial positions. These norms existed during the Soviet period and are similar to gendered norms that existed in the West. Despite the wide discussion about gender norms in the West, there is no recognition of gendered assumptions and gendered inequalities in the Baltics. If the situation does not change, gender norms will continue to persist, restricting the economic and social development of the Baltic countries.