



DEVELOPING ENTREPRENEURIAL SKILLS IN THE CONTEXT OF RELEVANT AND EFFICIENT BUSINESS SUPPORT MEASURES

Report on the study results

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Business Support and Competition of
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GOAL AND OBJECTIVES

- ❑ Study motivation to become an entrepreneur, and typical problems encountered by entrepreneurs
- ❑ Discover the most common incentives to carry on running the business, the respondents' assessment of their business' current state, and short-term business development plans
- ❑ Find out how entrepreneurs assess the current business climate, nationally and in their regions
- ❑ Discover the most relevant and strongly required business support measures, including entrepreneurs' willingness to join professional associations and societies, and develop their professional skills
- ❑ Find out the attitude towards female entrepreneurs

TARGET AUDIENCE

Entrepreneurs – owners, partners, or top managers of small and medium-size companies operating in major industries in various Russian regions.

SAMPLE AND GEOGRAPHY

All-Russian **representative** sample of micro-, small, and medium-size companies, comprising at least **431 respondents** representing 52 Russian regions.

DATA COLLECTION TECHNIQUES

Two complimentary surveying techniques were employed to accomplish the above objectives:

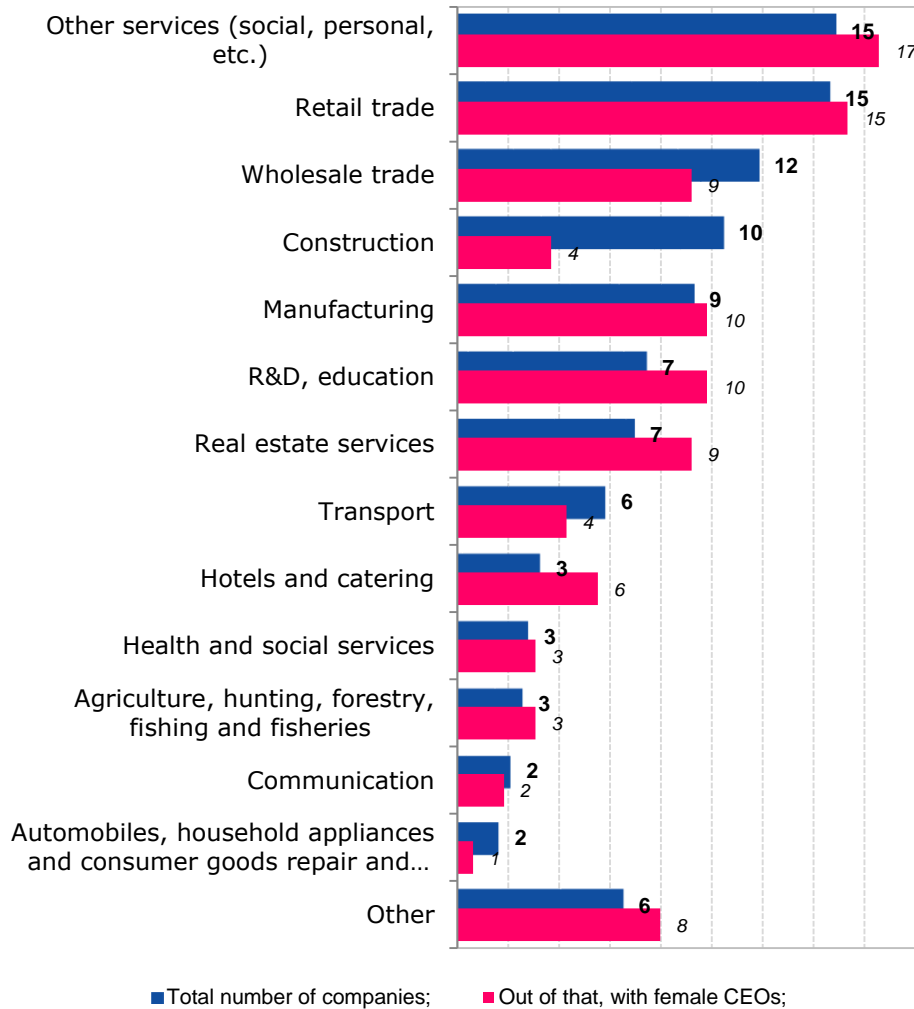
- ❑ Telephone interviews with small and medium companies' representatives, in CATI format
- ❑ Online surveying – respondents filling in questionnaires published at a website

STUDY TOOL

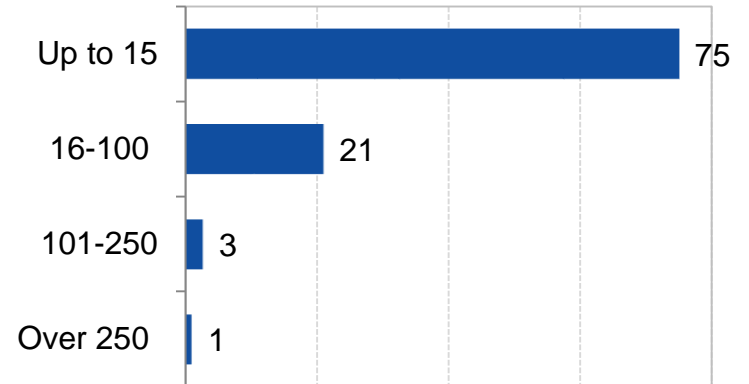
Questionnaire comprising 18 questions

Data was collected and processed by the National Agency for Financial Studies (NAFI)

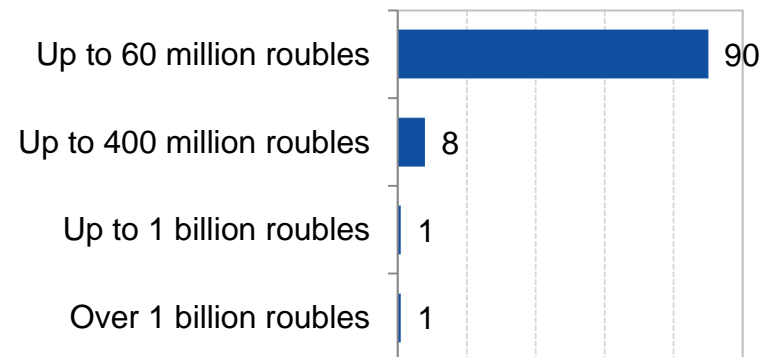
Industries, %



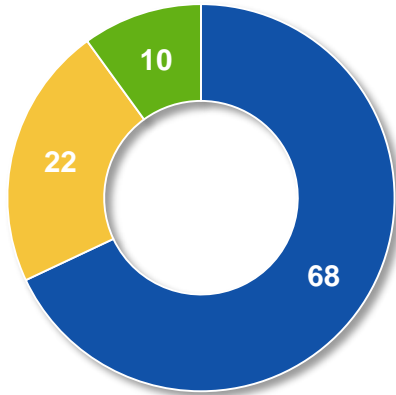
Number of employees, %



Annual turnover (revenue), %

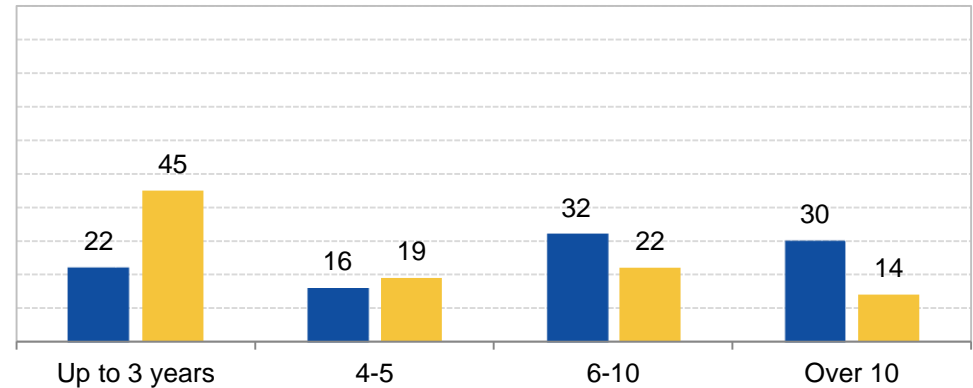


Professional status, %



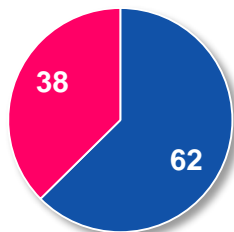
■ Business owner ■ Partner ■ Hired employee

Business management experience, %



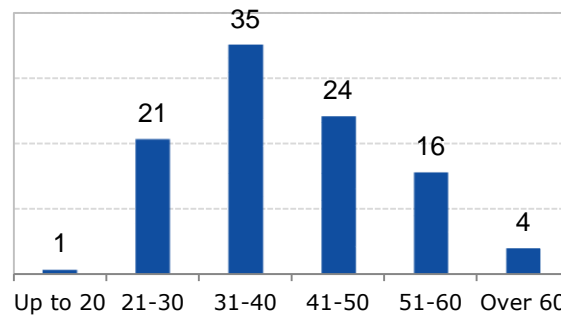
■ How many years have you been working in a management position?
 ■ How many years have you been working in a management position at this company?

Gender, %

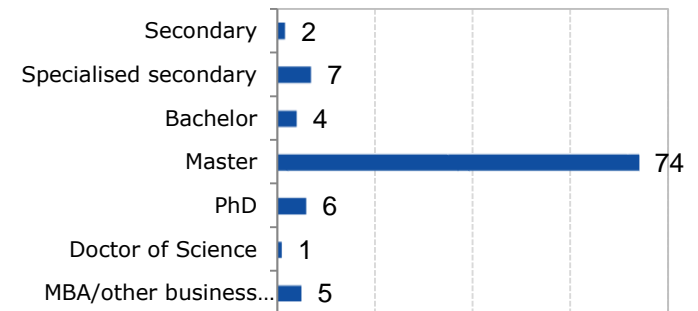


■ Men ■ Women

Age, %

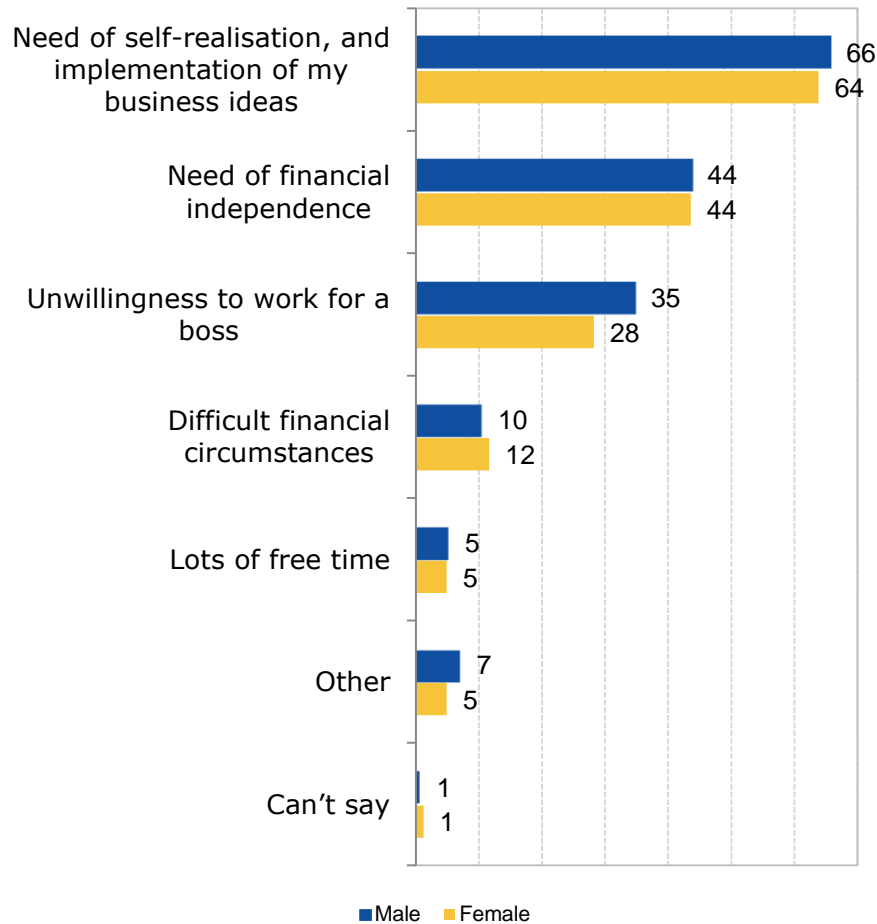


Education level, %



MOTIVATION TO BECOME AN ENTREPRENEUR, AND TYPICAL PROBLEMS ENCOUNTERED

«What were the main motive(s) for you to become an entrepreneur?»
*% of the total number of respondents**



- The most common motive to start one's own business was entrepreneurs' need of self-realisation, and implementation of their business ideas.
- The second most popular motive was desire to achieve financial independence. Unwillingness to work for a boss comes third; note that this motive was much more common for men than for women (35% and 28%, respectively).

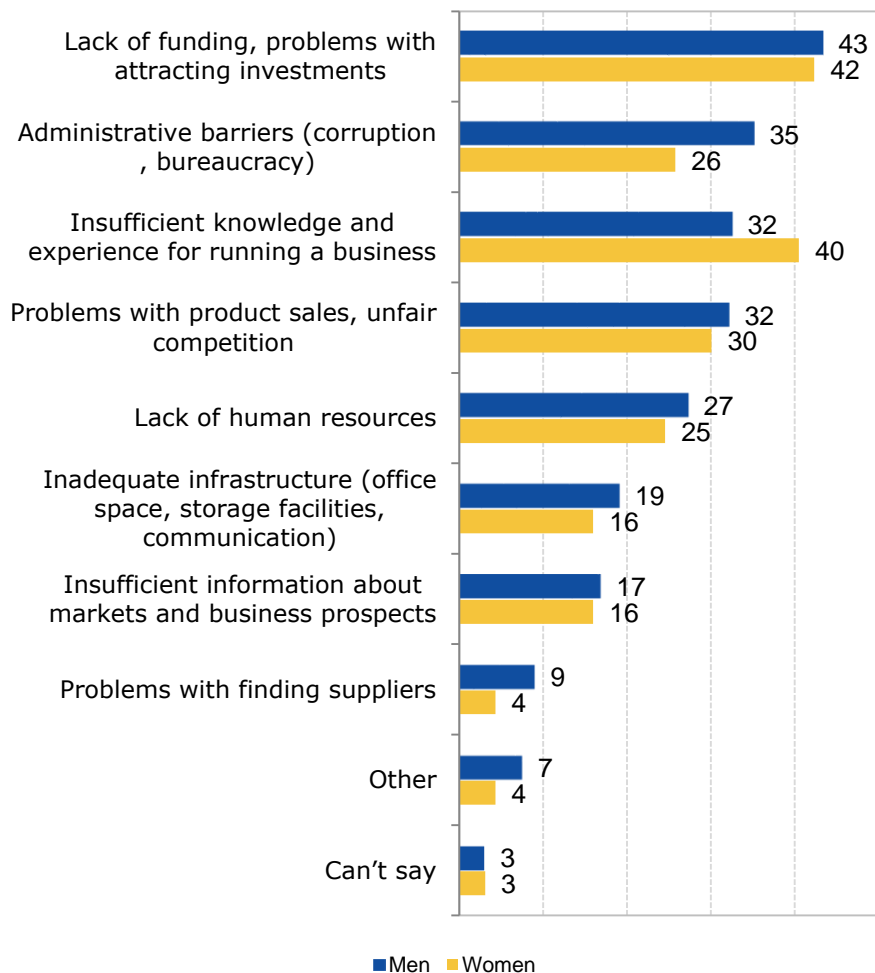
«Unemployment and problems with finding a job in a ripe age were the crucial factors to start my own business. Total lack of positive motivation for engineering professions in the high-tech sphere. And the awfully low pay at engineering positions, such as developers, designers, and technologists»

«My age was my main motivation. When you are past 45, you find out that nobody needs your experience»

* The total exceeds 100% because respondents could give more than one answer

«What problems did you encounter at the beginning of your entrepreneurial career?»

% of the total number of respondents *



- ❑ Problems commonly experienced at the beginning of entrepreneurial career are manifold: most of the respondents named several problems as the most important ones.
- ❑ The five most common problems mentioned more often than others are lack of funding, insufficient knowledge and experience, lack of human resources, administrative barriers, and problems with product sales (cited by 25% - 43% of the respondents).
- ❑ Nearly every fifth respondent found regional business infrastructure insufficiently developed (lack of office and storage space, communication facilities, etc. – 17%); less than 15% of the respondents had insufficient information about market opportunities and business prospects at the early stage of their career.
- ❑ Men more often than women saw administrative barriers as serious problems (35% and 25%, respectively). At the same time female entrepreneurs found insufficient knowledge and experience required to run a business a more important problem (40% of women and 32% of men).

«A certain “dizziness from success” during the first two years, due to lack of experience. It was a problem, though I wasn’t aware of that at the time»

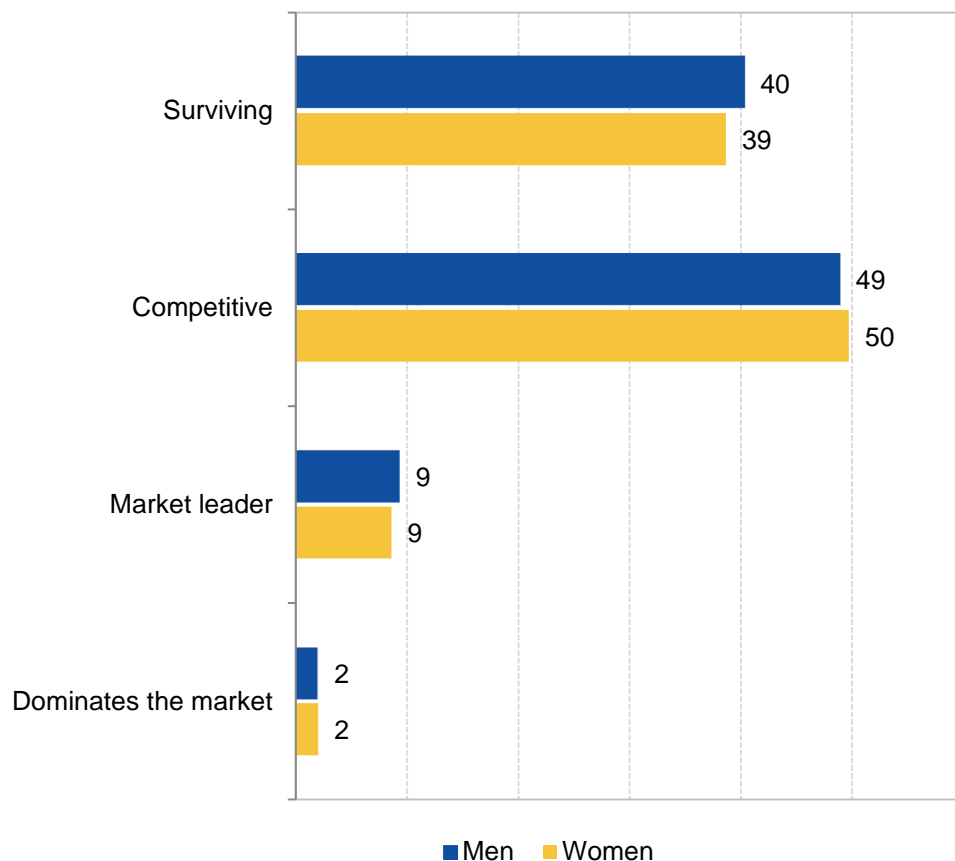
«Too many company registration procedures. It gets in the way of receiving government support»

* The total exceeds 100% because respondents could give more than one answer

ASSESSMENT OF CURRENT STATE OF THE BUSINESS. INCENTIVES AND PLANS TO CARRY ON BEING AN ENTREPRENEUR

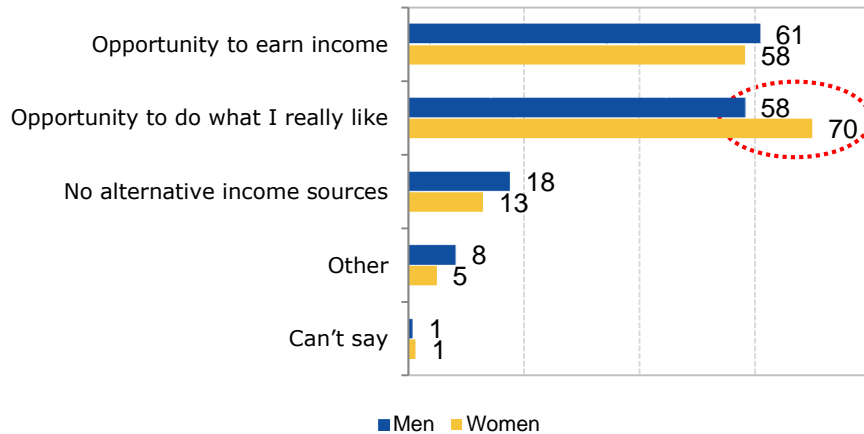
«How would you rate the current state of your business? Which of the following would describe it best?»

% of the total number of respondents

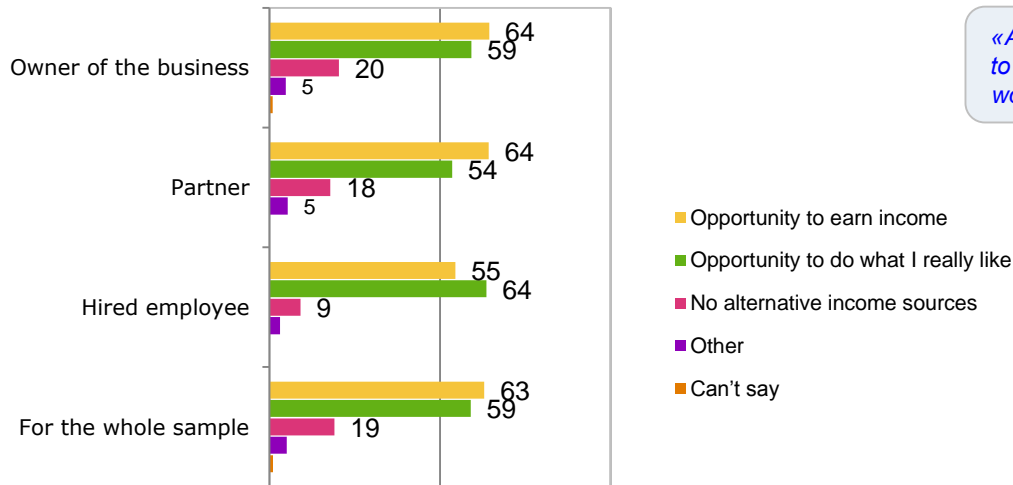


- ❑ More than half of the respondents believed their business was competitive (55%); almost one tenth of them were ready to classify their business as a market leader; no more than 2% of the respondents said their companies were dominating the market.
- ❑ A third of the entrepreneurs said their business was barely surviving at the time of the survey. This share was especially high for manufacturing (46%), construction (45%), and retail (41%) companies.

«What are your main incentives to carry on being an entrepreneur?» % of the total number of respondents*



- ❑ The two main incentives to carry on being an entrepreneur were an opportunity to earn income and a chance to do what people really liked to do. More than half of the respondents selected both these answers.
- ❑ Opportunity to do what people really liked to do was a much more important incentive for women (70% of women and 58% of men).
- ❑ Note that for hired employees (who probably more often get fixed salaries supplemented by varying bonuses), the self-realisation factor and a chance to do the job they like were more important than the income. The latter factor was more important to partners and business owners.



«A chance to meet interesting people, colleagues, partners. An opportunity to create an environment where it's nice, comfortable and interesting to live, work, and develop»

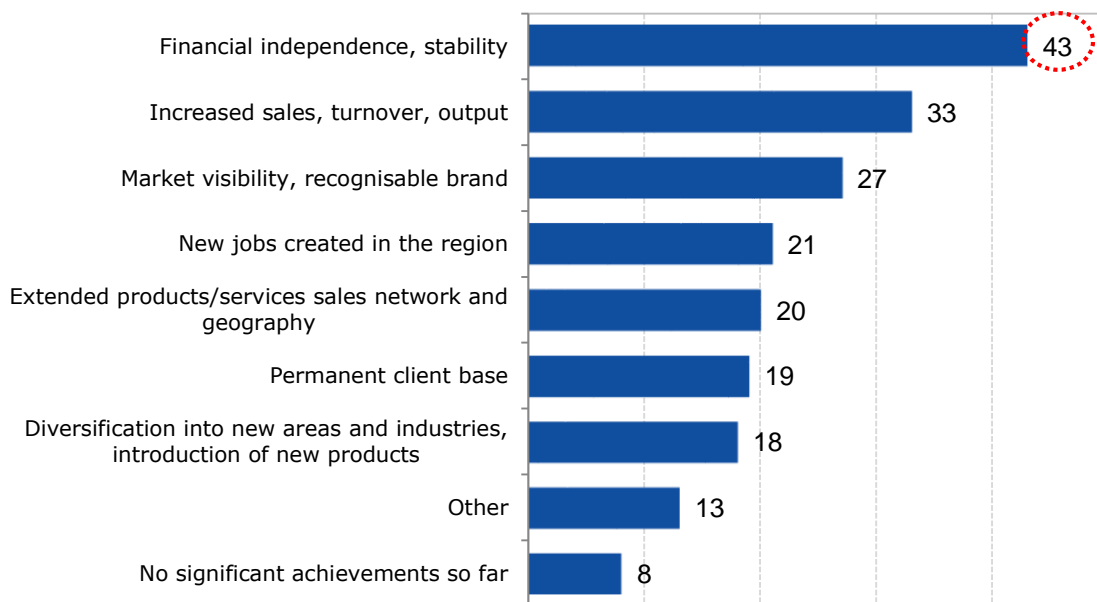
«When I give others jobs and opportunities, I feel they need me»

«A chance to manage my time the way I want»

* The total exceeds 100% because respondents could give more than one answer

«Please name your business achievements»

% of the total number of respondents



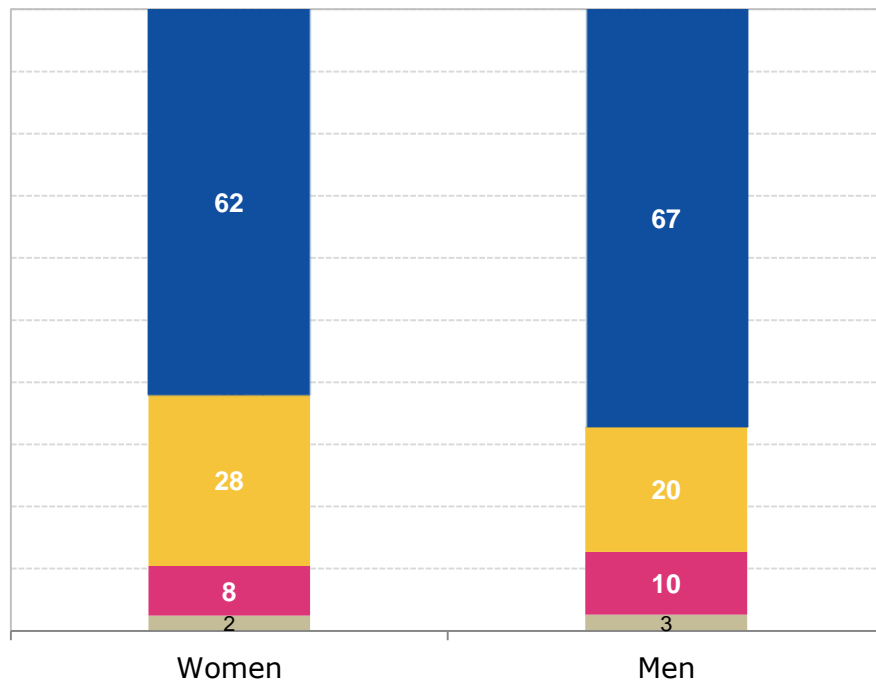
«Getting satisfaction from implementing my business ideas, meeting new interesting people, honing my skills, launching new bright projects»

«I got privately owned city newspaper out of the jam and made it profitable. Founded my own popular science and politics newspaper, and made it one of the most influential in town. Established a condominium, and again made it profitable»

«Made my company a leader of the travel services market, extended the affiliate network, developed network standards and introduced attestation and certification procedures for sales offices, streamlined documents flow in the network, created a common database which allows to manage information flows on all levels»

- ❑ The most often-cited business achievements were financial (43%) and production-related (33%). For about a quarter of the respondents (27%) an important achievement was their company's high market visibility.
- ❑ Despite a large proportion of the respondents who've assessed their companies' performance as stable, many respondents noted that they managed to extend the geography of their sales, build a permanent client base, or diversify into a new industry (up to one fifth of the respondents).

«What are your company's short-term development plans?» % of the total number of respondents



- Develop and extend the business
- No changes, try to keep the company's turnover approximately at the current level
- Cut down production
- Other

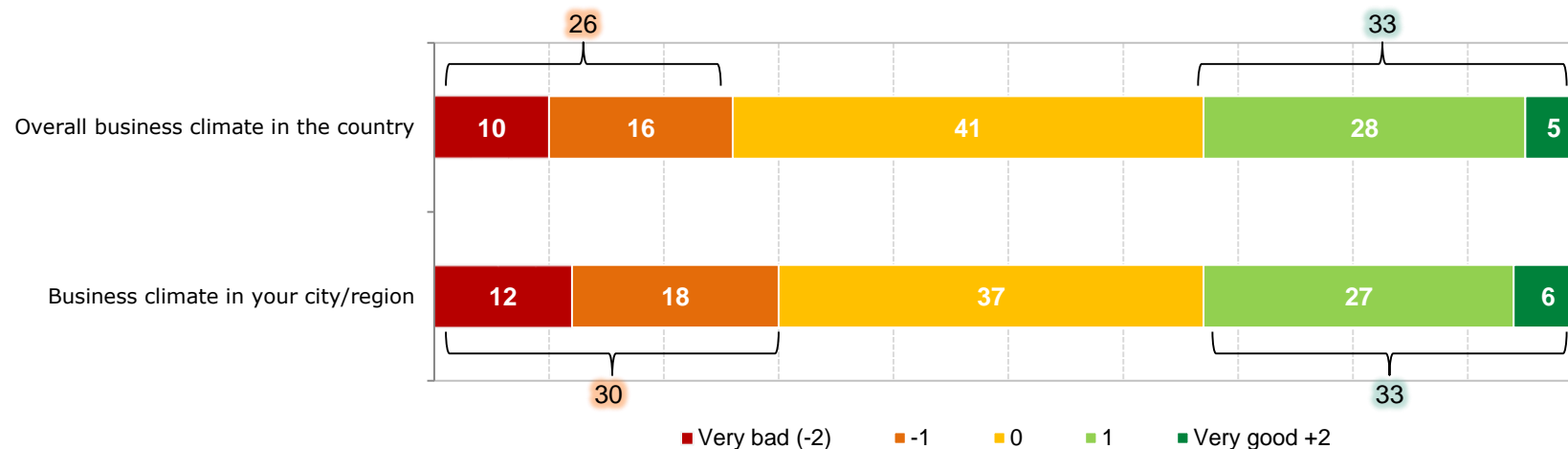
- Two thirds of the surveyed entrepreneurs (66%) planned to develop and extend their businesses in the near future. This was especially true for young executives with up to three years' business management experience.
- On the contrary, "seasoned" entrepreneurs with over 10 years' experience of running a business had more modest plans. This group had the biggest share of those who only hoped to sustain the company's turnover at the current level.
- Among female entrepreneurs, there was a higher proportion of those who were not planning to change their business in any way in the near future, keeping the turnover at about the same level as now (28% of women and 20% of men).

«We're planning to extend and step up business in Russia, selling the end product both internationally and on the domestic market. The basis for that are our own breakthrough innovations in wood processing technologies for construction industry. The end product is energy-saving housing with top environmental properties, at economy-class prices. Our goal is to make the new housing type universally affordable».

ASSESSMENT OF CURRENT BUSINESS CLIMATE IN THE COUNTRY AND IN THE REGION

«How would you describe the current business climate?»

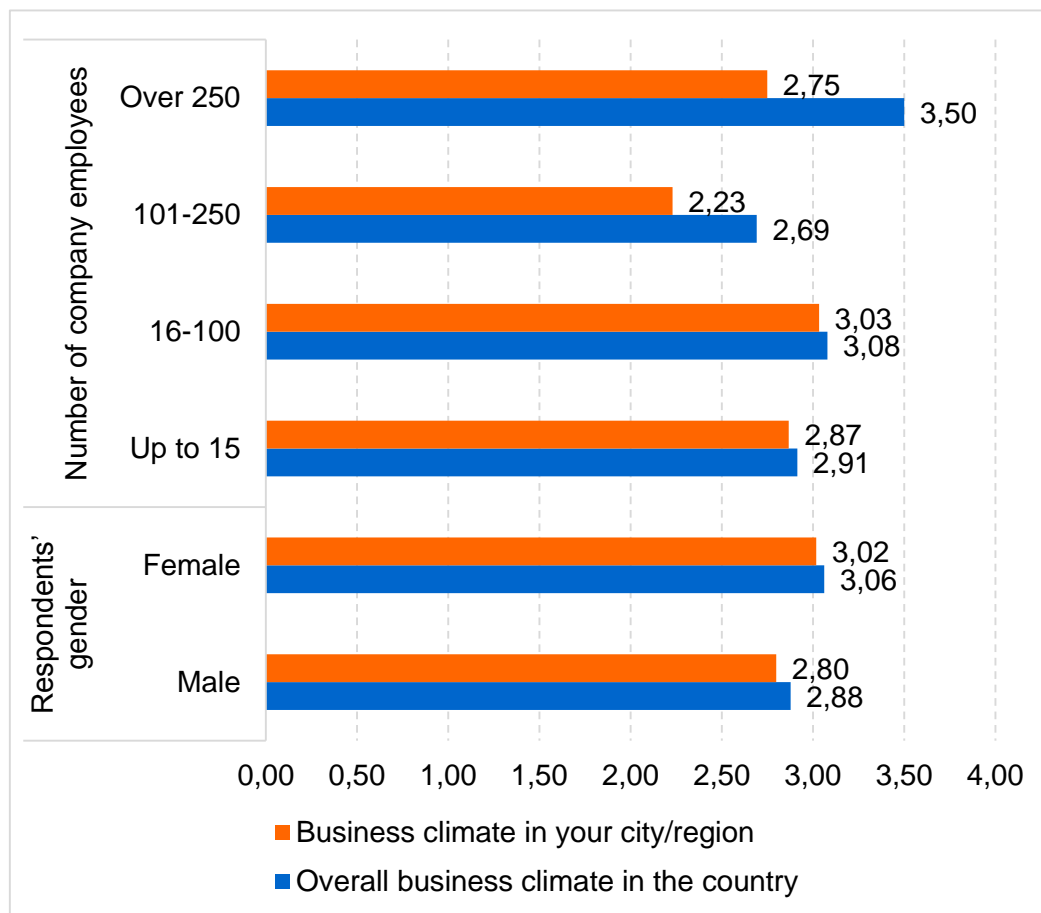
% of the total number of respondents



- ❑ The respondents were asked to describe the current overall business climate in Russia, and in the region of their company's operations. Interestingly, most of the respondents expressed similar opinions in both cases, i.e. rated the national and regional business climate the same.
- ❑ The proportions of positive, neutral, and negative ratings also were similar: about a third of the respondents described the business climate as good, slightly more than that (about 40%) – as neutral, and up to 30% - as bad.
- ❑ At the same time extreme ratings were more common for negative opinions than for positive ones (10-12% of very bad assessments against 5-6% of very good ones).

«How would you describe the current business climate?»

% of the total number of respondents

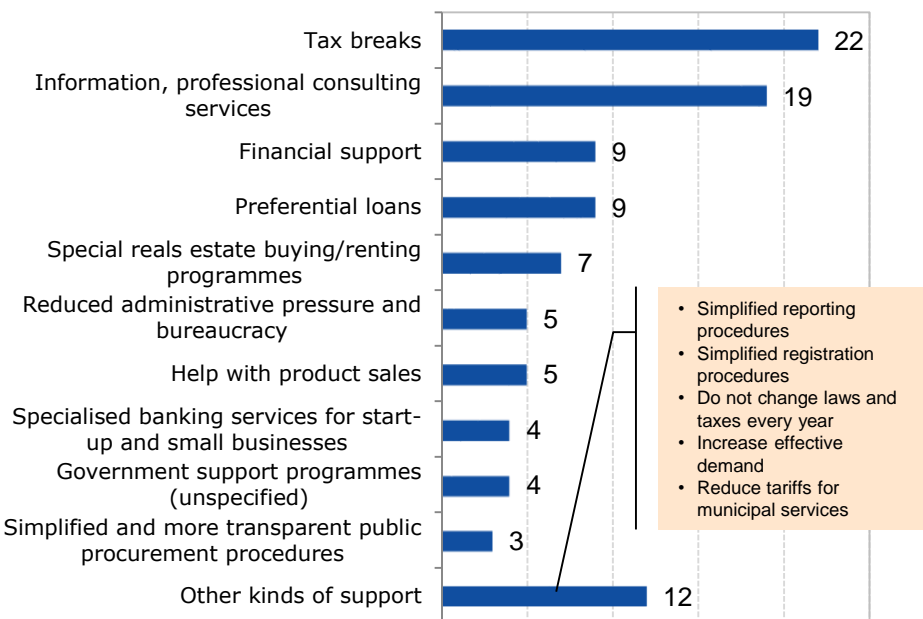


- ❑ On the whole, women's assessment of the business climate was much higher than men's. This goes both for the overall business climate in the country and for the region where the respondents' companies operated.
- ❑ If small and micro-companies' assessment of national and regional business climate on the whole was similar, for larger companies it was quite different. Big business had a more negative opinion about regional business climate.

RELEVANT AND REQUIRED BUSINESS SUPPORT
MEASURES. WILLINGNESS TO JOIN
PROFESSIONAL ASSOCIATIONS AND RECEIVE
FURTHER EDUCATION

«What kind of small and medium business support do you need to successfully develop your company?»

% of suggested support measures



❑ Answering the question about business support tools and policies, many entrepreneurs noted acute problems they've experienced at the start-up stage – when taxation and administrative pressure hindering business development is particularly hard. About a fifth of all suggested support measures referred to the need to introduce tax breaks and reduce administrative pressure.

❑ No less important to entrepreneurs was access to information: many respondents proposed to launch special educational programmes on setting up and running a business, and noted the need for professional legal and accounting consulting services (19% of all suggested support measures).

❑ Another fifth of all proposed measures concerned providing financial support, including subsidies, special grants for entrepreneurs (9%), preferential loans (9%), and specialised banking services (4%).

❑ The respondents noted that the government should realise the need to promote small and medium business, and demonstrate that awareness by implementing targeted national and regional business support programmes (4%), and by simplifying public procurement procedures (3%).

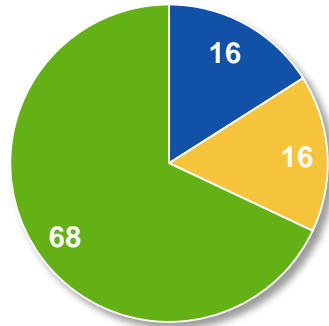
«Eliminating the need to present annual balance sheets would be a big help: accounting firms charge at least 10,000 roubles to prepare one. For small companies using simplified taxation system it's extra costs»

«Cancel the need to present zero reports to the Pension Fund and Social Security Fund every quarter. It would make sense to start presenting reports from the quarter when you hired your first employees. This is particularly relevant for companies without hired staff. If there're no staff, what's to report?»

«Help with getting public orders. The current public procurement system looks totally opaque»

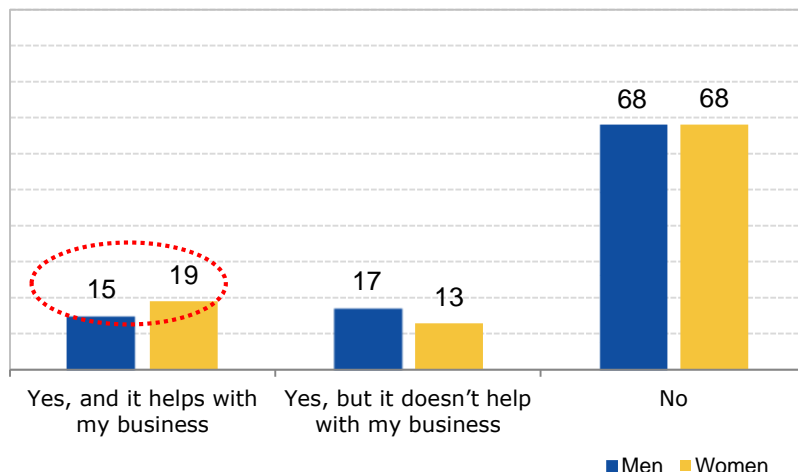
«Are you or your company a member of entrepreneurial associations, societies or unions?»

% of the total number of respondents



- Yes, and it helps with my business
- Yes, but it doesn't help with my business
- No

- ❑ Most of the respondents did not participate in any entrepreneurial associations or societies (77%).
- ❑ Out of those who were a member of an of entrepreneurial association, society or union, the share of people who thought it helped with their business was exactly the same as those who didn't think so.
- ❑ Female entrepreneurs more often believed entrepreneurial associations helped them to run their business (19% of women and 15% of men).
- ❑ According to the survey, hired employees make the biggest share of various associations' members; they were also more often positive about such membership's effect on the business.



«It helps to understand how the industry is developing, get information about innovations, and allows to share experience»

«Workshops and round tables on various issues, methodological materials, analysis to detect mistakes and correct them on the spot»

«It has its benefits: useful communication with potential clients and partners, establishing contacts to deal with practical issues»

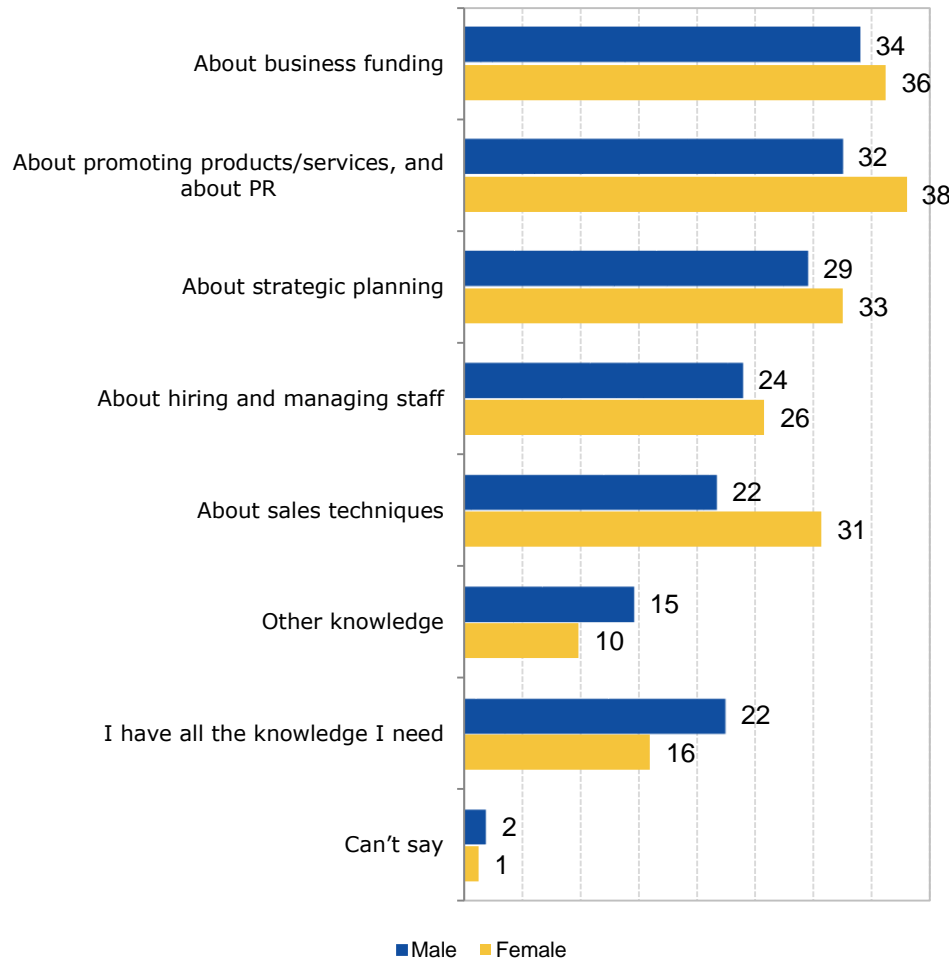
«Yes, it provides a good platform to discuss market-related problems and opportunities»

«Please indicate one or two websites you believe are interesting and useful for entrepreneurs like you», % of the total number of respondents



- ❑ Industry-specific websites for professionals were most often cited as the most useful internet resources most commonly used by entrepreneurs (61%).
- ❑ The second and third places were shared by government agencies' and regional administrations' websites, and information systems and directories (legal, taxation, accounting) – 34-36%.
- ❑ Interestingly, regional business development funds (as official channels for intra-regional communications with entrepreneurs) took only the fourth position in the rating.

«What additional knowledge do you personally need at this stage to develop your business?» % of the total number of respondents*



- The vast majority of the respondents (89%) noted they did need more knowledge to carry on with their business.
- Unlike male entrepreneurs, female ones believed the following knowledge was more important for them:
 - ✓ business funding (36% of women and 34% of men)
 - ✓ promoting products/services (38% of women and 32% of men)
 - ✓ sales techniques (31% of women and 22% of men)
- Men more often stated they already had all the knowledge they needed (22% of men and 16% of women).

«I'm interested in basic and applied knowledge about current international approaches to marketing, and about management of complex systems and projects»

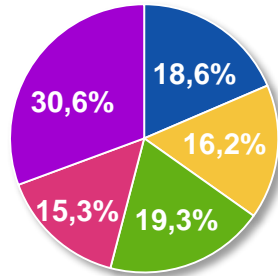
«I'd like to learn more about work organisation, and making correct management decisions in situations with numerous ambiguous factors. About shaping situations, as opposed to reacting to what happens around you»

«Internet marketing techniques, SMM marketing, application of technology platforms for business purposes»

* The total exceeds 100% because respondents could give more than one answer

BREAKDOWN OF ENTREPRENEURS

- Using cluster analysis technique (Ward's method), the respondents were broken down into 5 relatively homogenous groups (clusters) based on their answers about motivation for starting up their own business and carrying on running it . Each group has a particular attitude to entrepreneurship.
- Each cluster's specific parameters are presented in the table below.



- Strive for financial independence and having lots of free time
- Difficult financial circumstances, opportunity to earn income
- A combination of financial and personal motives
- Need of self-realisation
- Need of financial independence and opportunity to do what I really like

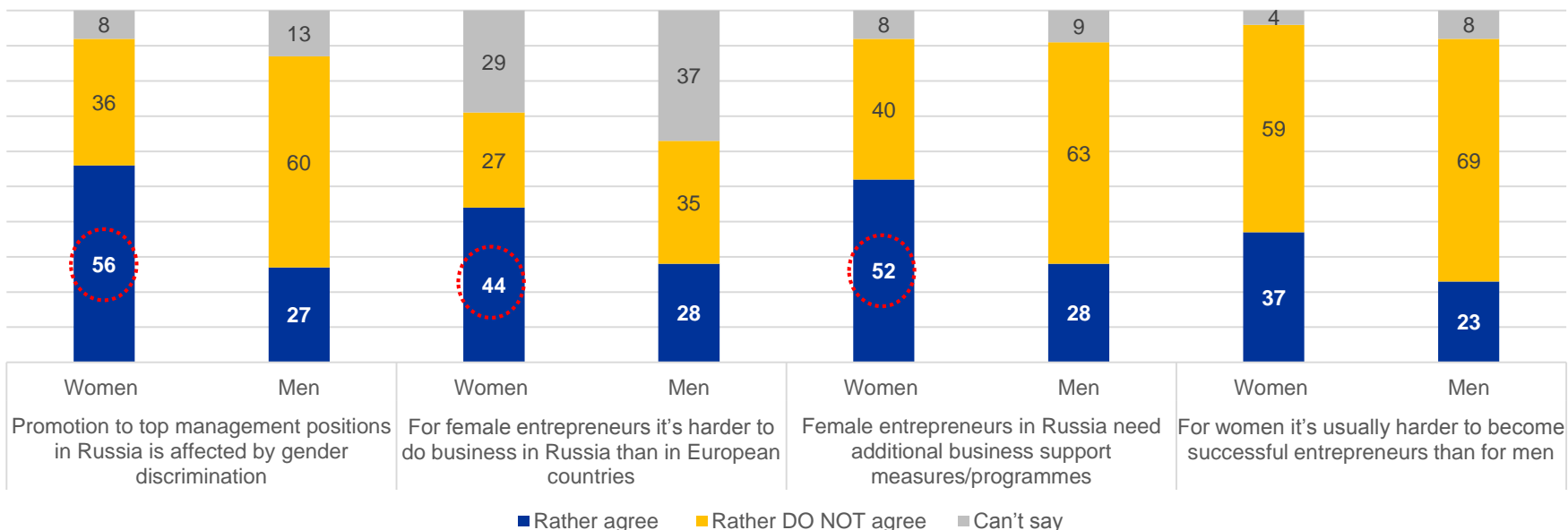
		Strive for financial independence and having lots of free time	Difficult financial circumstances, opportunity to earn income	A combination of financial and personal motives	Need of self-realisation	Need of financial independence and opportunity to do what I really like
Cluster's share:		18,6%	16,2%	19,3%	15,3%	30,6%
Gender	Male		+	+	+	
	Female	+				+
Age	Up to 20					
	21-30			+	+	
	31-40		+	+		
	41-50				+	
	51-60				+	
	Over60					
Status at the company	Business owner			+		
	Partner	+				+
	Hired employee	+				+
Number of employees	Up to 15			+		
	16-100		+			
	101-250 and more					+

BREAKDOWN OF ENTREPRENEURS

		Strive for financial independence and having lots of free time	Difficult financial circumstances, opportunity to earn income	A combination of financial and personal motives	Need of self-realisation	Need of financial independence and opportunity to do what I really like
Membership in entrepreneurial associations	Yes, and it helps with my business	+				+
	Yes, but it doesn't help with my business				+	
	No		+	+	+	
Willingness to acquire new knowledge	About promoting products/services, and about PR			+		
	About business funding		+	+		
	About hiring and managing staff			+		
	About strategic planning			+		
	About sales techniques			+		
	In other areas		+		+	
	I have all the knowledge I need	+				+

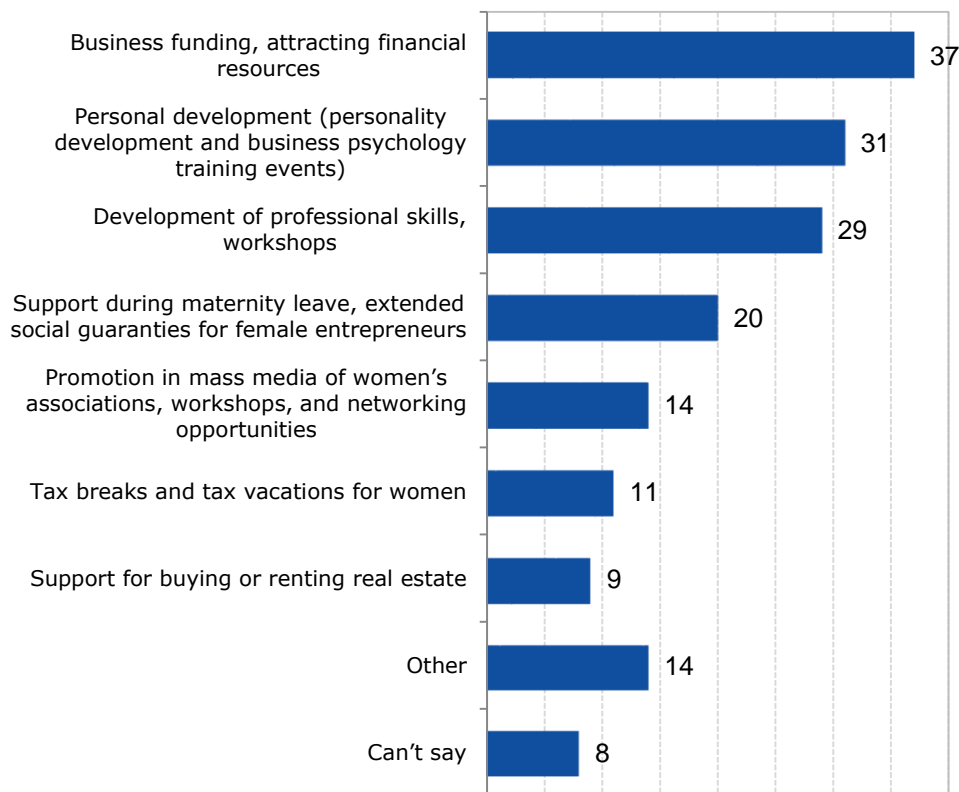
ATTITUDE TOWARDS FEMALE ENTREPRENEURS

«Below are given various statements about female entrepreneurs and their business practices. Which of them do you agree with?» % of the total number of respondents



- Gender-related issues in the Russian business world are felt by women much stronger than by men.
- The female respondents more often believed that:
 - Promotion to top management positions in Russia is affected by gender discrimination (56% of women and 27% of men)
 - For female entrepreneurs it's harder to do business in Russia than in European countries (44% of women and 28% of men)
 - And that female entrepreneurs in Russia need additional business support measures/programmes (52% of women and 28% of men)
- At the same time most of the respondents of both genders (about two thirds) didn't think that becoming successful entrepreneurs was usually harder for women than for men.

«What support programmes do female entrepreneurs need?» % of the female respondents



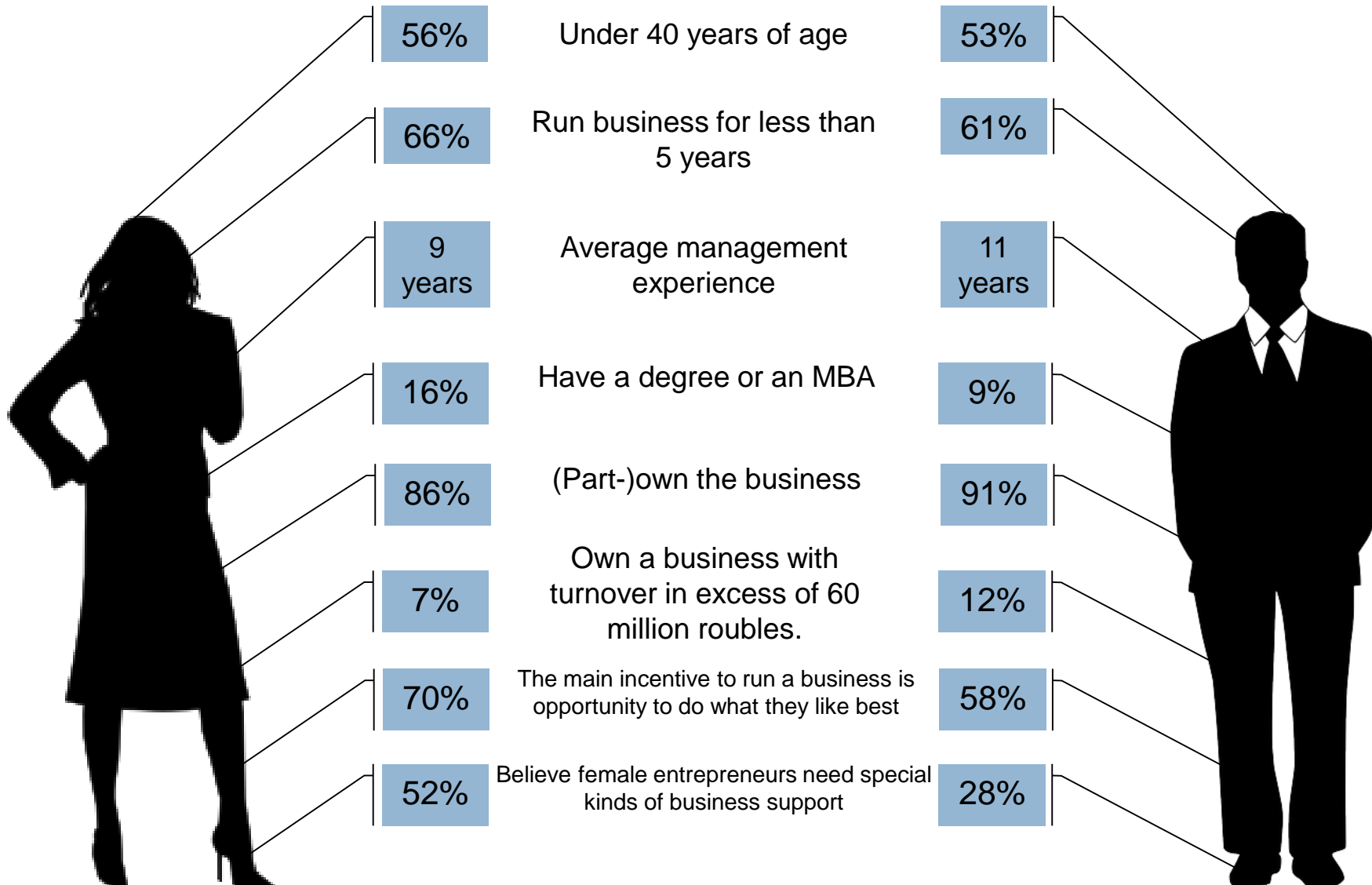
- ❑ Support measures most relevant for female entrepreneurs first of all have to do with funding: 37% of the respondents thought so.
- ❑ Interestingly, measures related to training take the second and third positions in the rating: one third of female entrepreneurs felt the need for personal development (31%), and a slightly smaller proportion (29%) would like to upgrade their professional skills and attend workshops.
- ❑ Every fifth reply mentioned support during maternity leave.

«We are for programmes to support young mothers and single mothers. When employment centres offer retraining opportunities for young mothers that's fine; usually it helps to survive and become a little better off, but doesn't provide an incentive to start or develop your own business»

«Women need educational, informational programmes. The main barrier for female entrepreneurs is insufficient knowledge and understanding of available opportunities, and lack of bright, successful examples»

«Very often having her own small business is the only way for a woman to earn an income – after all, she must take care of the children. I know that in other countries they offer programmes supporting women's micro-entrepreneurship, provide soft loans to start up the business, to pay for training. There's also moral support available, e.g. female entrepreneurs' clubs»

ENTREPRENEUR'S PORTRAIT: GENDER-SPECIFIC FEATURES



I. MOTIVES TO BECOME AN ENTREPRENEUR AND COMMONLY ENCOUNTERED PROBLEMS

- ❑ The most common motives for starting one's own business are need of self-realisation, implementation of business ideas, and financial independence. Unwillingness to work for a boss comes third, but for men this motive is much more relevant.
- ❑ Problems typically encountered at the initial period of starting and running a business are manifold: the respondents named several most important ones at the same time. The five most common ones are lack of funding, insufficient knowledge and experience, lack of human resources, administrative barriers, and problems with sales.
- ❑ If for men the biggest problem was administrative barriers, female entrepreneurs more often cited insufficient business-related knowledge and experience (40% of women and 32% of men).
- ❑ Almost a fifth of the respondents experienced problems with inadequate regional business infrastructure (lack of office space, storage facilities, communications, insufficient information about markets and business development prospects).

II. THE CURRENT STATE OF THE BUSINESS, INCENTIVES AND PLANS TO CARRY ON BEING ENTREPRENEURS

- ❑ Though over a half of the respondents believed their company was competitive, and almost a tenth described it as a market leader, one third of the entrepreneurs stated their business was barely surviving. That was particularly true for manufacturing, construction, and retail companies.
- ❑ Two main incentives to carry on being an entrepreneur were opportunity to earn income, and a chance to do what people liked best. The latter incentive was much more important to women.
- ❑ The most frequently mentioned personal achievements were financial- and production-related. Every fourth respondent believed their success was in their company's high market visibility.
- ❑ Two thirds of the respondents were planning to develop and step up their business in the immediate future; this was especially true for young executives with up to three years' management experience.
- ❑ The most optimistic business development expectations demonstrated representatives of wholesale trade, real estate companies, hotels and catering, and construction industry (more than 70% stated they were planning to expand).
- ❑ Manufacturing and retail companies reported the most pessimistic plans.

III. THE CURRENT NATIONAL AND REGIONAL BUSINESS CLIMATE

- ❑ In most cases the respondents rated the national and regional business climate the same.
- ❑ The proportions of positive, neutral, and negative ratings also were similar: about a third of the respondents described the business climate as good, slightly more than that (about 40%) – as neutral, and the remaining approximately 30% - as bad.
- ❑ Representatives of the service sector gave the highest marks to the business climate in their region. Wholesale and real estate companies rated it as average.
- ❑ Manufacturing, retail, construction, and transport companies expressed the most negative opinions about the business climate.

IV. RELEVANT AND REQUIRED BUSINESS SUPPORT MEASURES. WILLINGNESS TO PARTICIPATE IN PROFESSIONAL ASSOCIATIONS AND RECEIVE FURTHER EDUCATION

- ❑ Answering the question about business support measures and mechanisms, many of the respondents noted problems associated with the start-up period – when taxation and administrative pressure is the hardest. About one fifth of all suggested support measures involved tax breaks and reducing administrative pressure. No less important to entrepreneurs was access to information: many suggested launching specialised training programmes on starting and running a business, and noted the need for professional legal and accounting consulting services (19%). About a fifth of all proposed measures were connected with providing financial support, including subsidies, special grants for entrepreneurs, preferential loans, and specialised banking services.
- ❑ Most of the surveyed entrepreneurs didn't belong to any entrepreneurial associations or societies. Out of those who were a member of such an association, the share of people who thought it helped with their business was the same as those who didn't think so.

- ❑ Industry-specific websites for professionals were most often cited as the most useful internet resources most commonly used by the entrepreneurs. The second and third places were shared by government agencies' and regional administrations' websites, and information systems and directories (legal, taxation, accounting). Regional business development funds (as official channels for intra-regional communications with entrepreneurs) took only the fourth position in the rating.
- ❑ The vast majority of the respondents noted they did need more knowledge to carry on with their business. Unlike male entrepreneurs, female ones believed that more important was acquiring new knowledge in such areas as business funding, promoting products/services, and sales techniques.

V. ATTITUDE TOWARDS FEMALE ENTREPRENEURS

- ❑ Gender-related issues in the Russian business world are felt by women much stronger than by men.
- ❑ The female respondents much more often believed that promotion to top management positions in Russia was affected by gender discrimination (56% of women and 27% of men); that for women it's harder to do business in Russia than in European countries (44% of women and 28% of men); and that female entrepreneurs in Russia need additional business support measures/programmes (52% of women and 28% of men).
- ❑ At the same time most of the respondents of both genders (about two thirds) didn't think that for women it was usually harder to become successful entrepreneurs than it was for men.
- ❑ Most relevant for female entrepreneurs support measures first of all have to do with improved access to funding (more than a third of the respondents thought so). Measures related to training take the second and third positions in the rating: one third of female entrepreneurs felt the need for personal development (31%), and a slightly smaller proportion (29%) would like to upgrade their professional skills and attend workshops.

The Committee of 20

a non-profit association of female business leaders

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