

**Rural entrepreneurship and employment in transition**

*INTAS Project number:* INTAS 99-0965  
*Duration of the project:* 15/03/2000 – 15/03/2002  
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The empirical evidence presented suggests that there are some similarities in all three regions (Novosibirsk, Ukraine and Bashkir Republic), regarding the demographic characteristics of entrepreneurs. Indeed, in both urban and rural locations entrepreneurs are the 'new elite', the 'new middle classes' that will underpin continuity in the process of post-socialist transformation. Moreover, in all three rural locations, as well as the entirety of published work in the field, there is a strong influence of nomenclature entrepreneurs: individuals in position of authority during the socialist era, who adapted successfully to change.

This is where the similarities end. Push factors are of greater importance in all three areas than in published work that emanates from core urban locations. This lends support to the argument that whilst in the latter spatial units entrepreneurship constitutes one of the few areas where educated individuals can satisfy their creative needs and attain an acceptable living standard, in the countryside entrepreneurship is – in large part – an element of the prevailing survival strategies. This is not particularly unexpected given the considerable disparities in terms of resources, implementation of reform, and socio-cultural environment, between the urban and the rural. This also raises the question regarding the extent to which certain entrepreneurial groupings – especially the 'unwilling' entrepreneurs - are permanent features of the landscape or a transient phenomenon that may decline or even disappear altogether as the process of post-socialist transformation advances. Although this has been an important consideration in the Western literature, it seems to matter far less in the context of the CIS. In the latter context, the absence of a tradition of private entrepreneurship, any type of behaviour that contributes in the formation of appropriate skills, the accumulation of capital, and the change of social perceptions is to be welcomed.

The realisation of entrepreneurial behaviour is conditioned by a mosaic of obstacles, which vary significantly between the three areas examined. In regions that are relatively advanced in the process of post-socialist transformation, institutional barriers to entrepreneurship are only of secondary importance. Instead, respondents pointed at problems associated with the price and availability of factors of production and customer demand. This lends support to the rationale underpinning this study: i.e. the characteristics of the local socio-economic milieu are becoming increasingly important in parts of the CIS, at the expense of issues associated with the process of post-socialist transformation.

A manifestation of this is the diversity in the entrepreneurial experiences in the CIS in general, and Russia and the Ukraine in particular. The evidence from the three areas under investigation underlines this argument. Rural areas of Transcarpathia region possess very scarce resources and have suffered from what could – at best - be described as 'disorderly' reform. The negative impact of the nature of the reform process is apparent by the continuous prominence of institutional obstacles to entrepreneurship. Location and accessibility, near the prosperous markets of Central and Western Europe constitutes a main competitive advantage. Despite the relatively unfavourable setting rural Transcarpathia possess a number of new entrepreneurial ventures. However, the individuals behind the new ventures are 'pushed' into business, while readily admitting considerable skill shortages that do not auger well for long-term growth. In this case the decision to become an entrepreneur can, in most cases, be conceptualised in the context of 'survival strategies' – not in the narrow sense of

physical existence. Petty entrepreneurship is used, alongside subsistence agriculture, and wage employment, as a means that enable individuals and households to make ends meet. Survival is also a key element in the entrepreneurial strategies of the Novosibirsk region. In this case however, this is manifested in the co-existence of formerly state or collective farms that provide the infrastructure needed to exist in such a hostile setting with private entrepreneurship. In this case pull factors are more prominent among those individuals tapping into the main local resource (land), whilst push factors are reported by 'unwilling' entrepreneurs.

These cases stand in sharp contrast with the experience of the Bashkir Republic. Individuals in the countryside of this area operate in a resource munificent environment, not that far away from Moscow, and experience an orderly, though admittedly slower than elsewhere in the Russian Federation, reform process. Opportunity (pull) emerges as the key motive for entrepreneurship. The primary concern here is about the nature of opportunity: is this an opportunity to develop new markets or an opportunity to maintain position and privilege? A key consideration in this context is to what extent is the perpetuation of the 'old order' responsible for the very low incidence of new entrepreneurship? Undoubtedly this is an important issue that merits extensive consideration by researchers of rural entrepreneurial ventures.

Overall, the project has provided very valuable insights on the field of entrepreneurial studies. Focusing on a rather unexplored aspect, i.e. the impact of entrepreneurship on rural areas in transition economies, the project makes a significant contribution to the specific field. However, the extent to which policy makers are informed by the findings of project, will eventually determine the impact on the societies, not only of the areas surveyed, but also of other NIS and CEE countries and regions. In the meantime, significant efforts have been made to ensure the wide dissemination of the findings of the project, which are expected to intensify after the end of the project.

#### **Selected references resulting directly from the project**

1. Z.I. Kalugina, "Institutional Foundation and Social Base of Rural Entrepreneurship Development", *Region: Economy and Sociology*, N.3 (2001): (in Russian).
2. Z.I. Kalugina, "Rural Entrepreneurship in the contemporary Russia: Institutional Foundation and Social Practices" (in printing).
3. O.P. Fadeeva, "Informal Employment in Siberian Village", in Book *Informal Sector: Economic Behaviour of Children and Adult*/ Ed. by O.P. Fadeeva. Novosibirsk, 2001: 125-165. (in Russian)
4. Karelin I.Ju. (2001), N12 Countryside business: learn to be a true owner Business-partner, Ufa, Russia 3 p.
5. Makhmutov A.Kh, Karelin I.Ju., Makhmutov Sh.A. (2001), N 3 Rural citizen today: who is he? Economics and Management, Ufa, Russia 8 p.
6. Makhmutov A.Kh, Karelin I.Ju., Makhmutov Sh.A. (2001, N 4) Rural entrepreneurship Economics and Management, Ufa, Russia 10 p.
7. Makhmutov A.Kh, Karelin I.Ju., Makhmutov Sh.A. (2002) Features of formation and development of rural entrepreneurship in the Republic of Bashkortostan (a chapter in the monograph, in English) 44 p.
8. M. Pityulych, S. Sember. The influence of entrepreneurship on the employment in rural areas in market transformation // The strategy of the sustainable development in Transcarpathia: ecological, economic and social models. Special Issue of the Scientific Journal of Uzhhorod National University. Issue 9/Economy, Uzhhorod, 2001
9. M. Pityulych, V. Miklovdá. *Development of rural entrepreneurship: analysis, tendencies and perspectives //Carpathica. History, politology, culture: past and present. Issue 16, Uzhhorod, 2002*

10. *K Sochka. Challenges and perspectives for the entrepreneurship development in Transcarpathian rural areas// Regional studies, issue 4, Uzhhorod, 2002*

## 1. RESEARCH

### 1.1. Overview of Research Activities / Conformance with the Work Programme

The research activities were carried out by each team according to the agreed time-schedule and are in complete conformance with the Work Programme.

The five main objectives of the project were the following:

1. Identification of key causes and effects of economic restructuring in NIS and INTAS rural areas
2. Exploration of the consequences of 'Globalisation' upon the development trajectories of rural areas.
3. Identification of sources of entrepreneurship
4. Evaluation of the impact of institutional and social environment on entrepreneurship.
5. Analysis of the type of employment created through entrepreneurship activity
6. Assessment of the appropriateness of existing policy approaches and instruments

All the above five objectives were achieved to a satisfactory level.

The involvement of each of the contractors was in accordance with the work programme. More specifically, the three NIS partners undertook the two on site extensive surveys (i.e. the population and enterprise surveys, comprising 300 and 100 interviews per Case Study Area - CSA), as well as the selected case studies of successful entrepreneurs.

The structured workshops (hosted by all three NIS partners in the respective CSA, as well as by the two INTAS partners) and the key informant interviews required the involvement of all partners.

Finally, the desk top research was undertaken by all partners, however, the INTAS partners provided most of the input.

Overall, the involvement of each of the contractors was in accordance with that envisaged in the Work programme, with some minor deviations, which did not affect the workload distribution.

### 1.2. Scientific results

The main theoretical contributions of the project revolve around:

- **The origins of different types of rural entrepreneurs in transition economies and their developmental potential.** Indeed, findings suggest a dichotomy both in the profile and motives of rural entrepreneurs. On the one side there are those that are less well educated and skilled that are pushed into entrepreneurship, whilst on the other there are those that are more educated, skilled and possess an urban experience that are pulled into entrepreneurship. The latter seem to be better equipped to act as catalysts of rural change in the long-term.

- **The sectoral mix of rural entrepreneurial ventures and implications for future advancement.** Indeed, the great emphasis on subsistence agriculture and petty trading activities raise concerns about the employment and income generating capabilities of entrepreneurship.
- **The impact that a tradition that was critical of entrepreneurship had upon social attitudes and the incidence of the phenomenon.** Indeed, some interesting comparisons already emerge here between Transcarpathia (which became part of the former USSR only in 1946) and the other two study areas.
- **The impact that the evolving set of property rights has upon the incidence and characteristics of rural entrepreneurship.** This issue has a number of manifestations ranging from simply the ability to trade freely, to taxation and other official payments regimes, and to the right of ownership upon agricultural land.
- **The problems and obstacles confronting actual and potential entrepreneurs.** Indeed, some disparity of concerns emerge between those people that have already started a business and those seriously thinking to do so.

A number of publications have resulted directly from the project, all of them authored by the NIS teams<sup>1</sup>. More specifically:

### **Publications based on the research:**

#### Publications without INTAS-NIS co-authorship of the project teams

11. Z.I. Kalugina, "Institutional Foundation and Social Base of Rural Entrepreneurship Development", *Region: Economy and Sociology*, N.3 (2001): (in Russian).
12. Z.I. Kalugina, "Rural Entrepreneurship in the contemporary Russia: Institutional Foundation and Social Practices" (in printing).
13. O.P. Fadeeva, "Informal Employment in Siberian Village", in Book *Informal Sector: Economic Behaviour of Children and Adult*/ Ed. by O.P. Fadeeva. Novosibirsk, 2001: 125-165. (in Russian)
14. Karelin I.Ju. (2001), N12 Countryside business: learn to be a true owner Business- partner, Ufa, Russia 3 p.
15. Makhmutov A.Kh, Karelin I.Ju., Makhmutov Sh.A. (2001), N 3 Rural citizen today: who is he? Economics and Management, Ufa, Russia 8 p.
16. Makhmutov A.Kh, Karelin I.Ju., Makhmutov Sh.A. (2001, N 4) Rural entrepreneurship Economics and Management, Ufa, Russia 10 p.
17. *Makhmutov A.Kh, Karelin I.Ju. and others (2001), N 4 Roundtable meeting "Concepts of developing the rural sector in Bashkortostan". (proceedings of the seminar) Economics and Management, Ufa, Russia 10 p.*

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<sup>1</sup> Please see attached papers for scientific significance of research output and references

18. Makhmutov A.Kh, Karelin I.Ju. and others (2002) Rural entrepreneurship: the factors of formation, socio economic effects and conditions of progress (monograph) Gilem,Ufa, Russia 144 p.
19. Makhmutov A.Kh, Karelin I.Ju., Makhmutov Sh.A. (2002) Features of formation and development of rural entrepreneurship in the Republic of Bashkortostan (a chapter in the monograph, in English) 44 p.
20. M. Pityulych, S. Sember. The influence of entrepreneurship on the employment in rural areas in market transformation // The strategy of the sustainable development in Transcarpathia: ecological, economic and social models. Special Issue of the Scientific Journal of Uzhhorod National University. Issue 9/Economy, Uzhhorod, 2001
21. M. Pityulych, V. Miklovda. Facilitation of entrepreneurship development as a toll for unemployment localisation // The strategy of the sustainable development in Transcarpathia: ecological, economic and social models. Special Issue of the Scientific Journal of Uzhhorod National University. Issue 9/Economy, Uzhhorod, 2001
22. M. Pityulych, V. Miklovda. *Development of rural entrepreneurship: analysis, tendencies and perspectives //Carpathica. History, politology, culture: past and present. Issue 16, Uzhhorod, 2002*
23. K Sochka. *Challenges and perspectives for the entrepreneurship development in Transcarpathian rural areas// Regional studies, issue 4, Uzhhorod, 2002*
24. R. Zavadyak. *The social portrait of rural entrepreneurs in Transcarpathia: sociological analysis // Regional studies, issue 5, Uzhhorod, 2002*

#### Report to International Conference:

1. Z.I. Kalugina, "Rural Transformation in Russia: Inconsistencies and Results"/ International Symposium, Sapporo, Japan, July 11-13, 2001 (in English).
2. Z.I. Kalugina, "Rural Entrepreneurship in Russia" /5<sup>th</sup> Conference of the European Sociological Association "Vision and Division", August 28 – September 1, 2001; in Helsinki; Finland (in English).
3. Z.I. Kalugina, "Private Farming in Russia: a Thorny Path to Revival" /Fifth IFSA European Symposium, Florence, Italy, April 8-11, 2002 (in English).
4. O.P. Fadeeva, "Rural Entrepreneurship and Employment in the period of Transformation"/Ufa, Bashkortostan, Russia, November 30, 2001 (in Russian).

Furthermore, a number of publications based on the research are in process.

Summary of scientific output:

	<b><u>ALL PUBLICATIONS</u></b>			<b><u>ONLY: Jointly by INTAS and NIS Project teams</u></b>
	<b>published</b>	<b>in press/ accepted</b>	<b>submitted</b>	
<b>Scientific Output</b>				
<b>Paper in an International Journal</b>				
<b>Paper in a National Journal *)</b>	13			
<b>Abstract in proceedings (conferences, workshops)</b>	4			
<b>Book, Monograph *)</b>	1			
<b>Internal Report **)</b>				
<b>Thesis (MSc, PhD, etc.) *)</b>				
<b>Patent</b>				

### 1.3. Impact and Applications

The project has provided very valuable insights on the field of entrepreneurial studies. Focusing on a rather unexplored aspect, i.e. the impact of entrepreneurship on rural areas in transition economies, the project makes a significant contribution to the specific field.

However, the extent to which policy makers are informed by the findings of project, will eventually determine the impact on the societies, not only of the areas surveyed, but also of other NIS and CEE countries and regions. As far as the researchers are concerned, every effort has been made to ensure the wide dissemination of the findings of the project<sup>2</sup>, which are expected to intensify after the end of the project.

## 2. MANAGEMENT

### 2.1. Meetings and visits

In total three co-ordination meetings have taken place. The first meeting was held in Novosibirsk, Russia in the period between 7-10 June 2000, the second in Uzhgorod, Ukraine, from 22 to 24 May 2001 and the third in Ufa, Russia from 28/11/2001 to 2/12/2001. All meetings took place in periods other than those indicated in the Work programme. Soon after the project began it was realised that the difficulties in communication could endanger the most significant part of the project, i.e. the field work. Thus it was decided that the best way to safeguard the whole project would be to place the two meetings around the beginning and the ending of the fieldwork.

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<sup>2</sup> See detailed list of relevant publications

In the first meeting the main subject of discussion was the finalisation of the field work instruments, while in the second meeting we had the opportunity to assess the results of the field work and plan its further analysis. Finally, the third meeting assessed the final result of the project. The participants in the three meetings are presented in the table below, which does not include the trips that were required for the fieldwork:

Name	Team	Place of travel	Date	Purpose
Labrianidis L.	1	Novosibirsk, RU	6-11 June 2000	Coordination Meeting
Labrianidis L.	1	Uzhgorod, UA	21-25 May 2001	Coordination Meeting
Labrianidis	1	Ufa, RU	28/11/2002- 2/12/2002	Coordination Meeting
Kalantaridis C.	2	Novosibirsk, RU	6-11 June 2000	Coordination Meeting
Kalantaridis C.	2	Uzhgorod, UA	21-25 May 2001	Coordination Meeting
Kalantaridis C.	2	Ufa, RU	28/11/2002- 2/12/2002	Coordination Meeting
Bika Z.	2	Uzhgorod, UA	21-25 May 2001	Coordination Meeting
Kalugina Z.	3	Uzhgorod, UA	21-25 May 2001	Coordination Meeting
Fadeeva O.	3	Ufa, Ru	28/11/2002- 2/12/2002	Coordination Meeting
Machmutov S.	4	Novosibirsk, RU	6-11 June 2000	Coordination Meeting
Karelin I.	4	Novosibirsk, RU	6-11 June 2000	Coordination Meeting
Karelin I.	4	Uzhgorod, UA	21-25 May 2001	Coordination Meeting
Voloshin V.	5	Novosibirsk, RU	6-11 June 2000	Coordination Meeting
Sochka K.	5	Ufa, RU	28/11/2002- 2/12/2002	Coordination Meeting
Zavadyak R	5	Ufa, RU	28/11/2002- 2/12/2002	Coordination Meeting
Gancheva A.	5	Ufa, RU	28/11/2002- 2/12/2002	Coordination Meeting

The meetings of the project are summarised below:

<b>Visits</b>	<b>Number of scientists</b>	<b>Number of person days</b>
<b>West ==&gt; East</b>	3	37
<b>East ==&gt; West</b>		
<b>West ==&gt; West</b>		
<b>East ==&gt; East</b>	8	48

## 2.2. Collaboration

During the course of the project there were few collaboration problems which despite the efforts made were not completely solved up until the end of the project. Although progress has been made in the field of collaboration it could have been better especially between the NIS



and the INTAS partners. Similar lack of collaboration was observed within the NIS partners. Those are our general comments. There were of course variations. For example, for partner 2 this project is not the first undertaken in collaboration with an NIS partner, which made collaboration significantly easier than for partner 1. In a similar manner some of the NIS partners are more experienced in such international collaborations, something which was evident in the quality of their work.

The intensity of the collaborations is summarised in the table below:

<b><i>Intensity of Collaboration</i></b>	<b>high</b>	<b>rather high</b>	<b>rather low</b>	<b>low</b>
<b>West &lt;=&gt; East</b>		<b>+</b>		
<b>West &lt;=&gt; West</b>	<b>+</b>			
<b>East &lt;=&gt; East</b>		<b>+</b>		

There was no co-operation with additional (inter)national organisations and institution not mentioned in the Co-operation agreement.

### 2.3. Time Schedule

The time planning has been in accordance with the Work programme, with a few minor exceptions. Specifically, there was a small divergence from the plan regarding the consortium meetings as has already been mentioned above. Furthermore, there was a small delay in the delivery of the database due to poor collaboration.

### 2.4. Problems encountered

Overall, no major problems were encountered during the course of the project. A number of minor problems came up, which nevertheless, have only marginally affected the project. Regarding the scientific contributions all partners, with the possible exceptions of one, have proved to be capable of delivering the required inputs. Telecommunications also proved to be rather tricky (many of the partners' e-mail addresses have changed more than once during the project), although all problems were solved quite easily. This as well as a number of other reasons extrinsic to the project has resulted in what we consider to be the most significant problem so far; the general inability to come up with the deadlines set. This does not imply that there was some major delay by any partner, rather a series of small delays resulting in significant frustration and, fortunately, very little set back. Finally, regarding the transfer of funds, to our knowledge, only partner 5 encountered some problems, which were eventually solved, by providing proper identification and banking information to INTAS officials.

Our experiences regarding the problems encountered are summarised in the table below.

<b>Problems encountered</b>	<b>major</b>	<b>minor</b>	<b>none</b>	<b>not applicable</b>
<b>Co-operation of team Members</b>		+		
<b>Transfer of funds</b>		+		
<b>Telecommunication</b>			+	
<b>Transfer of goods</b>				+
<b>Other</b>				

### 2.5. Actions required

No further action is needed according to our view from INTAS

### 2.6. Manpower invested

Approximately three people were involved with the project by each NIS team, while two people were involved with the project by the western teams.

## 3. FINANCES (in EURO)

### 3.1. This grant

Breakdown of expenses by contractor (in EURO)

<b>Contractor</b>		<b>Cost Category</b>						<b>TOTAL ( Euro )</b>
<b># *)</b>	<b>Name of Contractor *)</b>	<b>Individ. Grants Labour Costs</b>	<b>Overheads</b>	<b>Travel and Subsistence</b>	<b>Equipment **)</b>	<b>Consumables</b>	<b>Other Costs</b>	
1	University of Macedonia, Greece	1.981,34	1.080,00	5.275,97		662,69		9.000,00
2	University of Luton, UK	NA	2.000,00	7.561,46		143,93		9.705,39
3	State University of Novosibirsk, Russia	20.400,00		3.700,00	300,00	900,00		25.300,00
4	Bashkir State University, Russia	16.800,00	1.000,00	3.600,00	800,00	900,00		23.100,00
5	National University of Uzhgorod, Ukraine	19.200,00		370,00	200,00	500,00		23.600,00
<b>TOTAL (Euro)</b>								90.705,39

As can be seen in the breakdown of the expenses there has been a slight divergence in expenditures from what was originally foreseen in the Work Programme. Specifically, the divergence occurred in both the 1<sup>st</sup> and 2<sup>nd</sup> team due to the very high travel costs.

The main expense in equipment was the purchase of a PC by Partner 4. The remaining of the cost category was photocopying equipment for Partner 3 and a modem for Partner 5.

Consumables for all partners consisted of books and official documents, as well as office supplies, according to the Work programme.

### 3.2 Other funding

The project did not receive any other source of funding apart from INTAS

## 4. ROLE AND IMPACT OF INTAS

<b>Role of INTAS</b>	<b>Definitely yes</b>	<b>rather yes</b>	<b>rather not</b>	<b>definitely not</b>
<b>Would the project have been started without funding by INTAS?</b>			+	
<b>Would the project have been carried out without funding from INTAS?</b>				+

<b>Main achievement of the project</b>	<b>very important</b>	<b>quite important</b>	<b>less important</b>	<b>not important</b>
<b>exciting science</b>		+		
<b>new international contacts</b>			+	
<b>additional prestige for my lab</b>		+		
<b>additional funds for my lab</b>				+
<b>helping scientists in NIS</b>	+			
<b>other (specify):</b>				

- Although the project will not continue, the co-operation among the project Contractors is expected to continue in the future

## 5. RECOMMENDATIONS TO INTAS

- What was particularly good and should not be changed?

In general, we found the idea to support this kind of collaborative research between Western and CIS countries extremely useful, on the one hand giving adequate resources to the NIS partners to perform research, while on the other hand allowing western partners to gain access to a realitevely 'closed' area with huge potential.

Furthermore, even though there were some minor delays in fund transfers, overall, the method adopted by INTAS was one of its best features, removing a considerable part of the burdens of co-ordination, which would otherwise be enormous, considering the lack of experience of most western institutions in dealing with the unfamiliar banking systems of the NIS countries.

- What was particularly bad and should be changed? Please specify and explain how it could be improved?

Nothing really.

## 6. ANNEXES

*1<sup>st</sup> partner (Co-ordinator).*     **Regional Development and Policy Research Unit**  
**Department of Economic Sciences, University of Macedonia, Greece**

List of activities undertaken at the RDPRU as part of the INTAS project:

1. Co-ordinating of the 5 teams
2. Communication with INTAS – financial and administrative issues for all teams
3. Creation and updating of a web-site     <http://www.uom.gr/ruret>
4. Review of the literature on entrepreneurship.
5. Review of the literature on rural transformation in Greece.
6. Conduct of fifteen key-informant interviews in rural areas in Greece so as to gain an understanding of the processes at work in the countryside of an advanced industrialised country.
7. Preliminary analysis of key informant interviews, as well as statistical analysis of secondary data on a specific rural area in Greece.
8. Preparation of the Novosibirsk meeting.
9. Participation in the Novosibirsk meeting.
10. Contribution in the development of the two questionnaires used in the population survey.
11. Contribution in the development of the interview schedule used in the entrepreneurs' survey.
12. Contribution in the development of the guidelines in the writing of the reports of the three NIS teams.
13. Preparation of the Uzhgorod meeting.
14. Participation in the Uzhgorod meeting.
15. Commenting on individual reports.
16. Participaton in the Ufa meeting
17. Participation in the development of the overall synthesis

Members of the team of the RDPRU:

1.     Prof. Labrianidis Lois – team leader Coordinator

## 2. Mr Kalogeressis Thanasis – researcher

### **Main results achieved to date and their scientific significance:**

Is entrepreneurship in the rural areas of the three regions examined here any different from that in core urban areas highlighted in the review of the literature? The empirical evidence presented in the report suggests that there are some similarities, regarding the demographic characteristics of entrepreneurs. Indeed, in both urban and rural locations entrepreneurs are the 'new elite', the 'new middle classes' that will underpin continuity in the process of post-socialist transformation. Moreover, in all three rural locations, as well as the entirety of published work in the field, there is a strong influence of nomenclatura entrepreneurs: individuals in position of authority during the socialist era, who adapted successfully to change.

This is where the similarities end. Push factors are of greater importance in all three areas (despite the considerable diversity between them) than is reported in published work that emanates from core urban locations. This lends support to the argument that whilst in the latter spatial units entrepreneurship constitutes one of the few areas where educated individuals can satisfy their creative needs and attain an acceptable living standard, in the countryside is – in large part – a key element of local survival strategies. This is not particularly unexpected given the considerable disparities in terms of resources, implementation of reform, and socio-cultural environment, between the urban and the rural. However, it also raises the question about the extent to which certain entrepreneurial groupings are permanent features of the landscape or a transient phenomenon that may decline or even disappear altogether as the process of post-socialist transformation advances.

An implicit assumption throughout previous research is that only 'new wave' or 'new generation' entrepreneurs are 'real entrepreneurs'. In fact Scase (1997) explicitly distinguishes between 'entrepreneurs', those committed to capital accumulation and business growth, and 'proprietors', individuals who consume surpluses rather than re-investing them in the enterprise. Most entrepreneurs in the rural areas of Transcarpathia, the Bashkir Republic and Novosibirsk fall in the latter category. In fact, in some cases, such as the petty entrepreneurs engaged in activities other than trade in rural Ukraine the individuals under investigation bear greater similarities with the unregistered individuals who provide services of the Bredznev era (as identified by Kusnezova, 1999) rather than any contemporary archetypes.

However, all these generalisations need to be hedged with a qualification: the considerable diversity in entrepreneurial experiences in the CIS in general, and Russia and the Ukraine in particular. The evidence from the three areas under investigation underline this argument. Rural areas of Trascarpathia possess very scarce resources and have suffered from what could – at best - be described as 'disorderly' reform. Location and accessibility, near the prosperous markets of Central and Western Europe constitute one of the main competitive advantages. Despite the 'disorderly' character of post-socialist transformation rural Transcarpathia possess a number of new entrepreneurial ventures. However, the individuals behind the new businesses are 'pushed' into business, while readily admitting considerable skill shortages that do not auger well for long-term growth. In this case 'survival' – not in the narrow sense of physical existence – is the defining feature of the emerging regime. In contrast, the countryside of the Bashkir Republic is not very distant from Moscow, resource munificent and experienced an orderly, though admittedly slower than elsewhere in the Russian Federation, reform process. In this case there is little 'new' entrepreneurship outside that of the nomenclatura. Opportunity (pull) emerges as the key motive among practicing entrepre-

neurs. The primary concern here is about the nature of opportunity: is this an opportunity to develop new markets or an opportunity to maintain position and privilege? Thus, the 'middle classes' of the rural Bashkir Republic have mainly the same membership with the old party elite. Lastly, rural areas of Novosibirsk are undoubtedly peripheral, though resource munificent and at the forefront of the reform (in the Russian context). In this case pull factors are the most prominent, however push factors are also widespread among non-agricultural entrepreneurs – i.e. those engaging in petty commodity production and trade.

Another interesting output of this study is the identification of areas where our knowledge of the phenomenon of entrepreneurship in CIS countries is very limited. More specifically, to date we have very little understanding of female entrepreneurship, or how does ethnicity influence the decision to become involved in entrepreneurial pursuits. Throughout the existing literature there is considerable emphasis of the function of networking, as a means of accessing business opportunities and resource mobilisation however, our knowledge of the influence of ethnicity upon network formation is very limited.

**2<sup>nd</sup> partner    CENTRE FOR ENTREPRENEURIAL STUDIES**  
**UNIVERSITY OF LUTON**

**PROGRESS REPORT**  
**CENTRE FOR ENTREPRENEURIAL STUDIES**  
**UNIVERSITY OF LUTON**

List of activities undertaken at the CES as part of the INTAS project between 1/7/2001 - 31/3/2002:

- Contribution in the harmonisation of the regional databases derived from the entrepreneurs' and population survey.
- Analysis of the final datasets using SPSS.
- Writing-up of synthesis report.
- Participation in the Ufa meeting.
- Commenting on individual reports.
- Participation in the development of a main argument from the findings.

Members of the team of the CES:

- Dr Christos Kalantaridis – team leader
- Ms Zografia Bika – researcher
- Mr Matthew Dutton - researcher



3<sup>rd</sup> partner. **State University of Novosibirsk,**  
**Department of Sociology, Russia**

**SUMMARY REPORT of NOVOSIBIRSK GROUP**

**1. RESEARCH**

1.1. Overview of Research Activities

**Project objectives.** Our work is aimed to investigate the following issues:

- To build up a conceptual framework and methodology for the analysis of **entrepreneur rural activities** in the Post-Communist Russia

11 criteria reflecting the crucial characteristics of rural entrepreneur activity were selected. These are: formality, legality, concrete activity, organizational and legal form of management, regularity, efficiency and profitability.

- To reveal the structure of rural employment with special reference to the formal and informal rural entrepreneur activity
- To find out the role of entrepreneurship in the development of local (village) labour market, to describe the conditions and the obstacles (of economical, social and political characters) for the extension of the entrepreneur activities.

1.2. Sampling Multitude, Instruments

The sociological survey of the inhabitants was made in the Maslianinski district of the Novosibirsk region which is situated out of the suburban area at a midway down the regional seat. 6 settlements were surveyed. Agricultural enterprises dominant in them were at different social and economic level. They included fairly efficient, modest efficient (paying) and non-paying farms which allowed us to get a complete enough and objective picture of living and working conditions of the inhabitants of this district. The selection of respondents was random based on route sample with a requirement to include different social and occupational groups in the rural population. The sample included 300 respondents with about the same representation of men (50.7%) and women (49.3%). The sampling population is represented key social and occupational groups of rural inhabitants that provide representativeness of the obtained results.

The survey of rural entrepreneurs was made in 9 rural districts and 30 villages of the Novosibirsk region. Surveyed were 100 entrepreneurs, including 43 privately-operating farmers and 57 non-agricultural entrepreneurs (trade, private carrier's trade, services). In the course of the field study 25 in-depth interviews were taken with 7 privately operating farmers, 4 non-agricultural entrepreneurs, 12 owners of big commercial private household farms and 3 heads of reorganised collective farms. By Russian legislation, they are entities of entrepreneurship.

Survey instruments were devised so as to meet the following requirements:

- To collect information relevant in terms of the common tasks of the collective project.
- To provide a certain comparability of results obtained by different thematic groups;
- To concentrate specifically on in-depth study of the problem of rural inhabitants' employment;

- To capture the specificity of particular types of entrepreneur activity (running privately operating farms, household farming, non-agricultural types of entrepreneurship).

### 1.3. Role of INTAS

The financial support from INTAS made it possible for the project participants:

- to implement their research plans on the study of rural entrepreneurship in the post-Soviet space in terms of comparison;
- to get to learn the methodology and findings of similar studies carried out in the EU and other countries and to present the obtained results at international conferences and symposia;
- to prepare for publication a collaborative monograph;
- to lay the basis of further studies in this field for the present team of researchers.

### 1.4. The Contribution of Team Members to the Project (2000/2002)

1. **Kalugina** Zempfira Ivanovna – team leader;
2. **Arsentieva** Nina Michailovna – fieldwork, analysis of Labour Market and Employment;
3. **Fadeeva** Olga Petrovna – development of research instruments, fieldwork, analysis of Rural Entrepreneurship Mode;
4. **Kosheleva** Natalia Sergeevna - fieldwork, mathematical processing of information, calculation and organization of sociological Survey;
5. **Olekh** Alexei Leonidovich - fieldwork, mathematical analysis of sociological information.

### 1.5. Summarise the scientific output

Paper in a National Journal:

5. **Z.I. Kalugina**, "Institutional Foundation and Social Base of Rural Entrepreneurship Development", *Region: Economy and Sociology*, N.3 (2001): (in Russian).
6. **Z.I. Kalugina**, "Rural Entrepreneurship in the contemporary Russia: Institutional Foundation and Social Practices" (in printing).
7. **O.P. Fadeeva**, "Informal Employment in Siberian Village", in Book *Informal Sector: Economic Behaviour of Children and Adult*/ Ed. by O.P. Fadeeva. Novosibirsk, 2001: 125-165. (in Russian)

Report to the International Conference:

8. **Z.I. Kalugina**, "Rural Transformation in Russia: Inconsistencies and Results"/ International Symposium, Sapporo, Japan, July 11-13, 2001 (in English).
9. **Z.I. Kalugina**, "Rural Entrepreneurship in Russia" /5<sup>th</sup> Conference of the European Sociological Association "Vision and Division", August 28 – September 1, 2001; in Helsinki; Finland (in English).
10. **Z.I. Kalugina**, "Private Farming in Russia: a Thorny Path to Revival" /Fifth IFSA European Symposium, Florence, Italy, April 8-11, 2002 (in English).

11. **O.P. Fadeeva**, "Rural Entrepreneurship and Employment in the period of Transformation"/Ufa, Bashkortostan, Russia, November 30, 2001 (in Russian).

4<sup>th</sup> partner **Bashkir State University, Academy**

**of Public Administration and Management, Russia**

## **BRIEF PROGRESS REPORT**

on grant 99-00965

### **“Rural Entrepreneurship and Employment in Transition”**

April 2000 – March 2002

Bashkortostan Team, Russia

#### **Research work**

National team studied and analyzed publications in Russian, English (provided by our partners from Greece and UK), acts and decrees of the Russian Government and the Bashkortostan Government, surveys, recommendations and data analysis from the State Statistical Agency.

During the research the team made the following: 1) studied the process of creating the multilevel structure of rural economy; 2) defined the place and the role of private sector in the multilevel structure of rural economy; 3) analyzed the forms of rural entrepreneurship and their characteristics and gave a social portrait of entrepreneurs, 4) Social conditions and fall-out of entrepreneurship were investigated. 5) The team analyzed the influence of entrepreneurship on employment of rural people and favoring and impeding factors of the progresses in the rural entrepreneurship; 6) The team studied the state policy of support of private business, specially acting for small size companies, subsistence farm (like family farms) and farms; 7) The team studied the experience of entrepreneurship in the rural areas of Bashkortostan.

The national team studied main concepts and methods of analysis, compiled questionnaires for rural population, rural entrepreneurs and experts; general concepts of the field work..

To achieve these objectives we used: a) interviews with rural population (313 interviews); b) in-depth interviews with entrepreneurs (105 interviews); c) interviews with experts for estimation of entrepreneurship in the rural area (30 interviews); d) analysis of official data from the State Statistical Agency, surveys and reports of state and private institutions.

From the methodological point of view and considering many local factors (social and economic development, indicators of business activity, climate and natural conditions and etc.) the Republic can be partitioned into six geographical regions. There were interviewed rural people and businessmen from the North, North-East, West, Central, Ural and South regions. The interviews were carried out at two villages from each region and the villages were selected by two principle that 1) the level of entrepreneurship development in one of them is higher than the average in the Republic and lower in another village; 2) remoteness from the main outlets.

Summarizing the results of research we obtained the following conclusions:

1. Agrarian policy in Bashkortostan is oriented on creation of multilevel structure of economic with allowing for gradual reforms of collective farms, comprehensive support of well-developing structure of subsistence farms, giving conditions of economic progress and strengthening of farms of entrepreneurial type.

2. The private rural sector is increasing and becomes stronger mainly as subsistence farms and partially as farms. At present time we expect that in the nearest future (in the next 5-10 years) subsistence farms in the rural regions will be a dominating form of the private sector, and they will produce up to 50% of the gross agricultural products. The stability of this type of farming follows from closed links with collective farms, their support, and closeness to families, less risk.
3. Entrepreneurship is developing more intensively in trading, service and dealing and more slowly in industry in rural regions and as well as in urban regions.
4. Mainly a social portrait of prosperous rural entrepreneurs can be characterized as following: they have high education; they are former executives or leaders of social or political organizations, former managers or clerks at the state services or management. There is a tendency of increasing the number of entrepreneurs by young people, middle echelon operatives and managers.
5. Many prosperous businessmen, especially farmers, participate in solving of social problems of villages.
6. The influence of entrepreneurship on employment is not strong enough at present time.
7. Development of entrepreneurship at this stage of reforms doesn't split rural people into different categories very much.
8. The estimations and characterizations of entrepreneurship given by interviewed rural people and entrepreneurs cannot be subjects of strong variations since the rural entrepreneurship is not yet sufficiently developed and because of reality of transition period.

Basing on our investigations there were given the following proposals, recommendations for improvement of efficiency of entrepreneurship.

Applications of the results of research:

1. The results of interviews were discussed on a roundtable meeting "Concepts of developing the rural sector in Bashkortostan". Representatives from the public authorities, scientists, experts and entrepreneurs participated on the meeting. The materials of the meeting were published in the journal "The Economics and Management".
2. The results of research were published in two papers: "Rural citizen today: who is he?" and "Rural entrepreneurship" in the journal "The Economics and Management".
3. By the results of research and the international conference there was prepared for publishing a Proceedings book (500 copies, 144 pages). The book will be published in Ufa in Russian.
4. A paper (in English) for international publications was submitted to the Coordinator of the project.
5. The results of research were approved by the Faculty of Public Management of the Bashkir Academy of Public Administration and Management for using in some courses for managers and in advanced trainings for managers and entrepreneurs from the rural regions of the Republic.

Beside of investigations related to the Republic of Bashkortostan the team executed big amount of comparative analysis of the results from the different regions of CIS (Bashkortostan, Novosibirsk, Uzhgorod).

**Organizational work. Meetings, collaborations and etc.**

General policy of the project, the results at each step, necessary corrections were discussed on the meetings which were held in Novosibirsk (June, 2000), Uzhgorod (May, 2001) and Ufa (November, 2001).

During the last project meeting there was organized an International conference where in addition to reports of the national teams there were given talks by representatives from the public authorities (Ministry of Economic Affairs and Anti-Monopoly Policy of RB, Ministry of Foreign Affairs and Trade of RB, Ministry of Agriculture and Food of RB), public organizations (Association of Farmers, Association of women-entrepreneurs, Foundation of Support Small Business), scientists (Academy of Science of RB, Research Center of the Bashkir Academy of Public Administration and Management).

### **Role and Impact of INTAS**

The role of INTAS was:

- Formation of the project (program) and main methodical items
- Coordination of the works realized by the national teams.
- Financing of the project (however there were some delays with transactions).

### **Contributions of the team members**

Makhmutov A.Kh., academician, professor, doctor of economics, was supervising and coordinating at all stages of the project including the publishing of results.

Makhmutov Sh.A., docent, doctor of science in mathematics, coordinated the work, attended to the field work, provided data processing, provided translations

Karelin I.Y., docent, candidate of science in economics, organized field work, methodological work, provided analysis of results and prepared materials for publications.

We consider this project as a beginning stage of our joint research. Entrepreneurship in the rural part of Russia just is beginning to develop, the mentality of citizens is changing and now new interesting ideas for investigation of recent progresses in rural entrepreneurship are appearing.

We hope to continue our investigations in a new INTAS project whether in the same international consortium or in a smaller group.

Sincerely yours,

Academician A. Makhmutov

5<sup>th</sup> partner **Uzhgorod National University,**  
**Department of Economic Theory, Ukraine**

### **Summary Report**

### **Rural Entrepreneurship and Employment in Transition**

#### **Uzhhorod National University**

The research activities were carried out by the team according to the agreed time-schedule to achieve the defined project goal and objective that were:

- Identification of the key causes and effects of economic restructuring currently affecting rural areas.
- Exploring the consequences that 'Globalisation' processes have had and will have upon the development of rural areas.
- Identification of the entrepreneurship sources (new, existing and potential).
- Examining process of starting entrepreneurial ventures, problems they are confronted with and environment within which they operate?
- Analysis of the nature and type of work created through entrepreneurial activity.

To accomplish the project objectives our team have conducted:

- have analyzed the state of art of rural areas in Ukraine, previous investigations on the topic, current legislation, main economic and social processes influencing the development of rural areas;
- have studied examples of rural entrepreneurship development practices in other NIS (Russia, Moldova) and EU (Greece, Great Britain);
- elaborated two kinds of questionnaires for rural population and rural entrepreneurs;
- have conducted the field research in 17 villages of Transcarpathia (100 entrepreneurs and 333 rural inhabitants were covered by the survey);

According to the previous agreements we have classified villages according to several criteria – accessibility, level of entrepreneurship development and geographical location. Classification of villages according to the above mentioned criterias is as following:

1. The entrepreneurship level:

- Above average
- Below average

2. Accessibility/remoteness:

- accessible;
- remote.

3. Geographical location:

- low-land

- semi-mountanious
- mountanious.
- have adapted, completed and filled in based on the survey the electronic data-base for rural population and rural entrepreneurs;
- have analyzed the collected and processed information, compared with official date of Transcarpathian statistic office and information provided by local authorities;
- conducted informal interview with scientists, researchers, public official, entrepreneurs, deputies dealing with the development of rural areas and rural entrepreneurship;
- have several site-visits to study the processes of rural entrepreneurship;
- have participated in 3 project teams meeting;
- have published a number of scientific papers;
- have presentations at the scientific conferences.

*Publications published basing on the research:*

1. M. Pityulych, S. Sember. The influence of entrepreneurship on the employment in rural areas in market transformation // The strategy of the sustainable development in Transcarpathia: ecological, economic and social models. Special Issue of the Scientific Journal of Uzhhorod National University. Issue 9/Economy, Uzhhorod, 2001
2. M. Pityulych, V. Miklovda. Facilitation of entrepreneurship development as a toll for unemployment localisation // The strategy of the sustainable development in Transcarpathia: ecological, economic and social models. Special Issue of the Scientific Journal of Uzhhorod National University. Issue 9/Economy, Uzhhorod, 2001
3. M. Pityulych, V. Miklovda. Development of rural entrepreneurship: analysis, tendencies and perspectives //Carpathica. History, politology, culture: past and present. Issue 16, Uzhhorod, 2002
4. K Sochka. Challenges and perspectives for the entrepreneurship development in Transcarpathian rural areas// Regional studies, issue 4, Uzhhorod, 2002
5. R. Zavadyak. The social portrait of rural entrepreneurs in Transcarpathia: sociological analysis // Regional studies, issue 5, Uzhhorod, 2002

We are also working on a number of publications based on the research.

Uzhhorod National University team-members participated in project meeting held in Novosibirsk (Russia) in June, 2000 (Valentin Voloshyn), Ufa (Russia) in November-December, 2001 (Kateryna Sochka, Roman Zavadyak and Afrodita Gancheva) and have organized the meeting in Uzhhorod, Transcarpathia (June, 2001).

List of team members and their contribution

Michaylo Pityulych (Dr. Sc., Professor, the head of the Department of Economic Theory and Vice-Rector of UNU) – general project management, organisation of field research in villages, generalisation of the field research results, preparation of the primary and final reports, publication of scientific papers, organisation and participation in team-member meetings



Kateryna Sochka (lecturer of the Department of Finance and Banking, UNU) – completion of the field research in 17 villages, creation of the data-base in Access, filling in and processing of two questionnaires information into the electronic data-base (population and entrepreneurs), generalising the results of field research in Exell (for entrepreneurs and population), preparation of final report, translation of primary and final reports, publication of scientific papers, organisation and participation in team-member meetings, co-ordination of connections between the teams

Roman Zavadyak (lecturer of the Department of Economics, Management and Marketing, UNU) – completion of the field research in 17 villages, filling in and processing of the information on two questionnaires (population and entrepreneurs) into the data-base, generalising the results of field research in Exell (for population), preparation of final report, participation in team-member meetings

Valentin Voloshyn - completion of the field research in 17 villages, filling in information (data-base), translation of the primary report, participation in team-member meetings