

# Networking the Relationships of Microenterprise Development in Bulgaria

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## Abstract

In 1989, the microfinance industry was first established in Bulgaria. With a significant population living at or below the poverty line, the rural areas of Bulgaria lack economic development and job growth. This qualitative case study explored strategies that **microenterprise development (MED)** leaders utilize to help sustain small business leaders in Bulgaria.

## Problem

Many potential entrepreneurs avoid business start-ups and fail to sustain businesses because of **lack of capital** (Sivak, Caplanova, & Hudson, 2013) and **small business management skills** (Budak & Rajh, 2013).

The *general business problem* was that lack of adequate capital and inadequate managerial skills leads to the instability of small businesses in Bulgaria.

The *specific business problem* was that some Bulgarian MED leaders lack strategies to help sustain small businesses in Bulgaria.

Additional **challenges** faced by Bulgarian MED leaders and entrepreneurs:

- corruption,
- competition,
- human and financial capital, and
- networking.

## Purpose

The purpose of this qualitative case study was to explore strategies that MED leaders can use to help sustain small businesses in Bulgaria.

The business impact of this issue includes strategies for MED leaders to improve operational efficiencies.

The social impact of this issue is

- MED market expansion
- More SME opportunities
- Job creation
- Sustainable living

## Relevant Literature

### Conceptual Frameworks

**Actor-Network Theory** and **Value-based Networks** - Actors within networks shape political, economic, and social networks contributing to growth & sustainability of the small business industry; foster relationships

### Background

Microenterprise development foundations provide low-cost capital, training, and networking, but an inadequate infrastructure limits the access to these services for many entrepreneurs (Chu, Kara, & Fiorentino, 2011).

Only 2% of entrepreneurs have access to capital (Maharana, 2013) with 60% of Bulgarian SMEs reporting capital as an obstacle to business startup and 12% filing bankruptcy (European Commission, 2012).

Tchakoute & Tchuigoua, (2014) – networks foster (a) trust, (b) commitment, (c) transparency, (d) flow of information, and (e) satisfaction among actors

## Procedures

**Explorative Qualitative Case Study** via focus groups with purposive, nonrandom sampling.

- MED leaders were from a single foundation located in **Rhodope Mountain Region** of Bulgaria that provides microloans to small businesses, which have been in business for at least 3 years
- The **4 focus group** participants included various members of the leadership staff, including but not limited to the executive director, communications manager, and business loan manager

This sample was appropriate for this study because

- microfinance was first established in Bulgaria in 1989 (Dodourova & Martin, 2012),
- Rhodope Mountain Region is outside Sophia, the capital and a major metropolitan area,
- the rural areas of Bulgaria lack economic development and job growth,
- an untapped target market for MEDs.

## Limitations

**Transferability:** The Bulgarian transitional economy is unique in nature; thus, the findings may be contextual and not applicable to other economies (Yordanova, 2011a).

**Language:** Focus groups occurred in English, with a single MED organization's leaders

**Researcher:** skills, credibility, availability, trust, and transparency

## Conclusions

**MED Industry** continues to encourage and support entrepreneurial development through

- Improved access to financial capital for SMEs
- Better strategies for scalability, sustainability, and networking relationships

## Research Question

**What strategies do MED leaders need to sustain small businesses in Bulgaria?**



## Data Analysis

Themes were identified through the analyzing of notes, transcription of audio recording, and archived documents provided by the MED.

## Findings

### Themes

- access to financial and nonfinancial resources,
- networks and relationships, and
- sustainability and scalability

### Strategies

- Expand market reach while providing personal approach
- Network strategies for improving communication, relationship building with partners and competitors; sharing information and best practices.
- Educational seminars for entrepreneurs regarding capital financing options

## Social Change Implications

MED leaders support the development of entrepreneurs by assisting with the acquisition of assets and funding and entrepreneurial education and training seminars.

The support of MED leaders helps entrepreneurs to create a business that yields earned income to support family and become a positive contributor to the community.

Funding Sources: **Walden University 2014 Presidential Research Fellowship, Fellowship in Research and Applications in Social Change**  
Members of Supervisory Committee: **Peter Anthony, Gergana Velkova, and Denise Land**