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# Networking the Relationships of Microenterprise Development in Bulgaria

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# Walden University

College of Management and Technology

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Kristina Harris

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2015

Abstract

Networking the Relationships of Microenterprise Development in Bulgaria

by

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MBA, University of Dayton, 1997

BS, University of Dayton, 1996

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

August 2015

## Abstract

The networking relationships provided by microenterprise development (MED) organizations foster sustainable and scalable Bulgarian small businesses. Some Bulgarian MED leaders lack the strategies to help sustain small businesses in Bulgaria. Guided by the actor network theory, the purpose of this case study was to explore the strategies MED leaders use to help sustain small businesses in Bulgaria. Data were collected through a semistructured focus group comprised of MED Bulgarian business leaders ( $n = 4$ ) in Rhodope Mountain Region and company data consisting of financial reports, marketing presentations, and company business plan. The data analysis included using keyword frequency comparisons, coding techniques, and cluster analysis. Three themes emerged from the findings: access to financial and nonfinancial capital, networking and relationships, and sustainability and scalability. According to the study results, strategies and scalability impede the ability to expand and service more small business owners. The recommended change in business practices of MED leaders included the formalization of networks of other MED leaders and partner organizations to efficiently meet the demands of the Bulgarian small business market. The implications for social change include the need for networks to aid entrepreneurs in gaining market access, obtaining capital resources, and maintaining sustainability that contributes to the economic and social development of Bulgaria.

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## Dedication

I dedicate this study to my husband, Terry, for his continuous support and my children, Jady, Makayla, Aaron, and Ashley, for their constant motivation. I am grateful for the continuous support and encouragement I received from family, friends, colleagues, and Walden faculty and staff.

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## Section 1: Foundation of the Study

Since 2005, microenterprise owners have led the economic change for Bulgaria (Kelly & Kraemer-Eis, 2011). Leaders of microfinance organizations sought to maximize market share through flexible finance options for those who could not obtain mainstream financing (Bruhn-Leon, Eriksson, & Kraemer-Eis, 2012). Microenterprise development leaders may offer a venue to benefit Bulgarian entrepreneurs (Kelly & Kraemer-Eis, 2011). There is no common microfinance business model, and the market remains fragmented and unregulated (Bruhn-Leon et al., 2012). Literature exists regarding microenterprise development; however, the limited information applicable to the reporting and classification of microfinance organizations in Bulgaria remains varied and unregulated (Cull, Demirgüç-Kunt, & Morduch, 2011).

Microenterprise development (MED) includes organizations where business leaders may offer microbusiness loans or small business training to entrepreneurs (Kim, 2012). MEDs include microloan, microfinance (MFI), or microcredit programs. Program sponsors expect MED programs to lend aggressively with low default rates (Bates, Lofstrom, & Servon, 2011). MED leaders provide low-cost financial support and education to Bulgarian small businesses providing a venue for resources, capital, and education small business leaders may be searching for in Bulgaria.

### **Background of the Problem**

Bulgaria's legacy of corrupt business practice, political instability, and economic uncertainty have imprinted habits that are counterproductive to sustainable business and social interactions needed in any community (Niewiadomski, 2013). By 1989, the

country of Bulgaria transitioned into a market economy (Galabova, 2014). In 2012, there were 98.8% small businesses and 92% microenterprises (Bruhn-Leon et al., 2012). Small business leaders contribute the largest share of employment and new job growth, especially in rural and low-income areas (Ardic, Mylenko, & Saltane, 2012). Entrepreneurs have the potential of providing job growth and economic sustainability, but lack the resources and knowledge to create sustainable businesses.

While microenterprise programs influence small business leaders' decisions in developing countries, I chose to limit the research to MED programs in Bulgaria. MEDs have the potential of increasing the scope and level of economic and social impact (Welter & Smallbone, 2011) and creating a business model that may prove successful for entrepreneurs in developing markets (Bruhn-Leon et al., 2012). The microfinance market in Bulgaria is diverse and fragmented, but growth provides a possible opportunity to aid in unemployment and economic access (Bruhn-Leon et al., 2012). Existing literature offers little evidence on the impact of microenterprise development in Bulgaria. I qualitatively explored factors necessary for Bulgarian MED leaders to maintain and grow their businesses while continuing to offer financial and nonfinancial resources to Bulgarian small businesses.

### **Problem Statement**

Many potential entrepreneurs avoid business start-ups and fail to sustain businesses because of a lack of capital (Sivak, Caplanova, & Hudson, 2013) and small business management skills (Budak & Rajh, 2013). 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). The general business problem was a lack of adequate capital, and inadequate managerial skills lead to the instability of small businesses in Bulgaria. The specific business problem was some Bulgarian MED leaders lack strategies to help sustain small businesses in Bulgaria.

### **Purpose Statement**

The purpose of this qualitative case study was to explore the strategies that MED leaders can use to help sustain small businesses in Bulgaria. Chu et al. (2011) determined that MED leaders failed to capture a significant market share of the microfinance industry. The population of this study consisted of MED leaders from a single foundation located in Rhodope Mountain Region of Bulgaria who provide microloans to small businesses. Qualitative case study data included information from a Bulgarian-based MED foundation in the form of a focus group and documentation from the organization.

Through the results of this study, I can provide recommendations to MED leadership to help improve marketing and sustainability strategies. Issues that encourage and sustain entrepreneurship improve lives within the Bulgarian community (Bruton, Khavul, & Chavez, 2011). The implication for positive social change may include the potential to expand the market of MEDs, thus providing more opportunities to small business owners through job creation and sustainable living for the Bulgarian community.

### **Nature of the Study**

The study encompasses a qualitative case study design methodology. Qualitative researchers seek a holistic representation of phenomenon through the collection, analysis, and interpretation of data not easily obtained through the exclusive collection of numerical data that a quantitative researcher uses (Yin, 2014). Qualitative data become more beneficial to decision makers for the practice of developing new strategies (Yin, 2014). Some researchers may choose a mixed-method approach to offer a comprehensive study when one methodology does not sufficiently answer the research question (Covell, Sidani, & Ritchie, 2012). I chose qualitative research based on available resources, personal preferences, and the scope of the research.

The fundamental objective of qualitative case study research is to explore a program, event, activity, or process by collecting detailed information using a variety of data collection methods (Yin, 2014). Using a focus group and archived documents, I sought to understand the business culture, processes, barriers, supports, and other factors influencing the sustainability of MED foundations and the ability to capture market share in Bulgaria. The case study analysis included an analysis of a MED foundation. The analysis of this organization may provide evidence of the different marketing and services offered to entrepreneurs.

Case study researchers focus on the organization, not just the individuals, results, or the processes (Yin, 2014). In this exploratory case study, I focused on the *how* MED leaders capture the entrepreneur market and *what* aided business owners in longevity. Leece, Berry, Miao, and Sweeting (2012) used a case study approach to gather

information for understanding the relationship and networks of the organizations to the entrepreneurs. Ethnography research was not applicable because conducting ethnography research requires extended time in the field and an understanding of the cultural or social context of the phenomenon (Freeman & Spanjaard, 2012). Other design approaches, such as grounded theory, are similarly inappropriate because the purpose of grounded theory is to compare empirical findings to the conceptual theory based on inductive interpretation (Carlsen & Glenton, 2011). A phenomenological study may seem appropriate, but to develop a holistic representation for addressing the specific business problem the use of multiple data techniques within a case study was a more appropriate design.

### **Research Question**

The research question guided the explanation of the phenomenon (Yin, 2014). The research question that guided the study was the following: What strategies do MED leaders need to sustain small businesses in Bulgaria? Through the literature review process, I uncovered challenges facing MED leaders and then developed focus group questions. To obtain a holistic view of MED strategies and the experiences of entrepreneurs, the focus group participants included various members of the leadership staff, including but not limited to the executive director, communications manager, and business loan manager.

### **Focus Group Questions**

1. Who are your customers? How do you find or attract customers?
2. What background or skills does your organization offer to help entrepreneurs become successful?

3. What are your firm's strengths? Weaknesses?
4. What are entrepreneurs looking for from MED agencies?
5. What are some of the small business funding or support programs available to your clients?
6. How have small business owners used your MED to enhance the growth of their microenterprises?
7. What programs are your organization leaders currently developing to help small business leaders maintain organizational sustainability?
8. What barriers or challenges do small business owners experience?
9. What barriers or challenges have you experienced that prevents your organization from growing?
10. Do you have working relationships with other organizations? Please explain how you and your customers have used these relationships.

### **Conceptual Framework**

The actor network theory (ANT) was the basis for the conceptual framework for this study by providing an understanding of entrepreneurial opportunities and business network strategies (Korsgaard, 2011). The conceptual theory builds on the concept of value-based chains (Hardy, Sass, & Fifekova, 2011) and the ANT. Networks can directly influence labor markets, financial capital, human capital, and distribution challenge (Hardy et al., 2011). Networking bridges the gap for small business owners to achieve growth and sustainability. As the number of MEDs in Bulgaria continues to increase, the need to grow networks becomes critical to MED and small business sustainability.



The definition of ANT includes the integration of e-commerce, marketing, along with local *actors'* skills, training, and commitment levels to a project determine the degree of success of the actors within the network (Rhodes, 2009). Networks are comprised of groups of individuals where an individual's actions, decisions, and influences vary based on involvement in the network (Makkonen, Aarikka-Stenroos, & Olkkonen, 2012; Petty et al., 2012a). Similar to case study research in which the researcher observes and interviews participants within a case to gain an understanding of the phenomenon (Yin, 2014), a researcher incorporates ANT by focusing on a particular network through observations of the people who live and work within the network to explore and improve processes (Rhodes, 2009). Hoveskog and Antonova (2011) determined that relationships develop out of networks. The SME and MED industries consist of networks and various actors; the challenge is identifying the networks and how these networks and actors impact the industry.

Within the networks, MED leaders and entrepreneurs work together to achieve mutually beneficial outcomes. Microenterprise development foundations rely on a network of business professionals to implement and assist small business owners (Petrova, 2011). Leaders of MEDs can use ANT to foster (a) trust, (b) commitment, (c) transparency, (d) the flow of information, and (e) satisfaction between MED leadership and entrepreneurs (Tchakoute & Tchuigoua, 2014). The partnerships that develop create linkages and reduce obstacles.

Value-based networks (VBN) or value-based chains incorporate the concept that formal and informal networks evolve in shaping the business landscape (Hardy et al.,

2011) and provide a potential benefit of knowledge and resource sharing for microenterprises (Martinez, McPherson, Molina, & Rous, 2013). Knowledge sharing is critical for any company regardless of size and industry (Hoveskog & Antonova, 2011). Furthermore, Martinez et al. (2013) concluded that networking might provide knowledge transfer, employment growth, and increased revenue. The objective of this study included determining how networks promote knowledge sharing.

By applying ANT and VBN, the network of a microenterprise foundation may influence the degree of success of the foundation. As Rhodes (2009) indicated, culture, history, and community dynamics play a role in organizational success. Researchers using a case study design consider an in-depth holistic view of the entire case, taking into consideration participants and networks (Yin, 2014). Furthermore, Pfetsch and Voltmer (2012) determined that Bulgarian networks continue to shape political, social, and economic networks contributing to the growth and sustainability of the small business industry. Through the use of a qualitative exploratory case study, I observed how networks may support the strategies of MED leaders.

### **Operational Definitions**

*Formal employment.* Formal paid work agreements, where the employer is obligated to register, deduct taxes, social security, and abide by labor laws (Williams, Kedir, Nadin, & Vorley, 2013).

*Informal employment.* Employment relationship characterized by unregulated, undeclared, hidden, and informal arrangements to elude government regulations and taxes that may or may not be legal (Williams et al., 2013).

*Microcredit (microloan).* The European Commission classifies a microloan as a loan less than 25,000 EUR used towards the development of microenterprises (as cited in Kelly & Kraemer-Eis, 2011).

*Microenterprise.* Microenterprises are organizations with fewer than 10 employees, report revenue of less than 2 million EUR (Kelly & Kraemer-Eis, 2011), have limited collateral, no long-standing relationships with lenders, and lack experience and evidence of sustainable business practices (Bruhn-Leon et al., 2012).

*Microenterprise development (MED) foundations.* The services offered through a MED may include a combination of microloans, business consultations, support networks, and small business development training to local entrepreneurs (Kim, 2012; Rouf, 2012).

*Microfinance.* Microfinance refers to the offering of basic financial services to individuals or small businesses that lack access to mainstream banking and financial services (Bruhn-Leon et al., 2012; Newman, Schwarz, & Borgia, 2013).

*Small businesses.* Small businesses are organizations between 10 and 49 employees (Das & Das, 2013).

*Small and medium enterprises (SMEs).* The definition of SMEs varies by country with over 55% classifying SMEs as a registered business with 150 to 250 employees (Ardic et al., 2012).

## **Assumptions, Limitations, and Delimitations**

### **Assumptions**

Assumptions consist of facts assumed by the researcher and, if these assumptions are not true, they pose a potential risk to the validity of the study's findings. Assumptions are interpretations that stem from individual, social, or environmental conditions (Dehan & Shoham, 2014; Kim 2012). The socioeconomic system and the historical significance of communism play a key role in the shaping of the Bulgarian microcredit industry (Hes, Neradová, & Srnec, 2013). Businesses operating in such markets deal with rapid changes in government regulations and market demands (Dahan & Shoham, 2014). The first of several assumptions was the findings from the study may provide value to entrepreneurs through developing a competitive advantage, which may contribute to social change. The second assumption was that conducting a study in Bulgaria would provide the necessary dynamics to show the effects of a microfinance industry within a developing or transitioning economy.

As the researcher, I assumed that the most appropriate research methodology and design was a qualitative case study. Another researcher may choose a different research design or methodology. In fact, Yordanova (2011a, 2011b) chose to study Bulgarian small businesses using a quantitative research approach. Gill (2014) concluded that researchers' assumptions determine the most appropriate research methodology and design that meet the needs and comfort level of the researcher. I assumed that the information gathered would adequately address the research question. I also assumed that participants would answer questions truthfully and completely. Each participant

presented different strategies to help small business growth in Bulgaria.

### **Limitations**

Limitations refer to potential weaknesses of a study. Liu et al. (2012) defined limitations as the lack of evidence to fully support the findings of the research. Case study research has limitations based on transferability (Chikweche & Fletcher, 2012), but Viscek (2011) concluded that transferability may apply to case studies when readers make parallel comparisons based on the research and apply the findings to another situation or case. The Bulgarian transitional economy is unique in nature; thus, the findings may be contextual and not applicable to other economies (Yordanova, 2011a). Using a case study design limits the transferability and generalizability of the findings, as the data are specific to the contents of the study. Although I used strategies to assure the reliability and validity of the study, as the sole researcher, the likelihood of the potential for research bias and limitations of the study increases.

The quality of a study is also limited based on the skills of the researcher and the researcher's personal bias (Carlsen & Glenton, 2011). A case study design requires the researcher to spend a significant amount of time in the field. Early establishment of positive relationships is critical to obtaining trust and establishing a supportive environment and personal connections (Lordly, MacLellan, Gingras, & Brady, 2012). Lordly et al. (2012) noted that without trust, participants would not fully participate and might withhold valuable information. Personal obligations and finances only allowed for a few brief visits to Bulgaria. During these visits, I conducted a face-to-face focus group session along with follow-up conversations via e-mail and Skype to ensure the accuracy

of the data and data saturation.

### **Delimitations**

Delimitations are restrictions or boundaries set by the researcher for the scope of the study (Mitchell & Jolley, 2010). The delimitations of this study related to the boundaries of the case, participants, language, and geographical area. The case study analysis includes only one case. The geographical area of Bulgaria provided a significant number of microenterprise foundations to consider for the case study, but access to these organizations was limited. A purposeful sample set allows the researcher to choose organizations that fit the boundaries of the study (Carlsen & Glenton, 2011). Furthermore, the study data included only the responses of leadership willing to participate in the study; thus, I may miss crucial data from nonparticipants.

The focus group session occurred only in English, which may be another delimitation of the study. In previous cross-cultural studies, scholars used interpreters for translation checks during cross-cultural interviews (Doern & Goss, 2012). Engagement of an experienced English/Bulgarian interpreter may have assisted in verifying the accuracy of the data collected and interpreted, but due to time and budget constraints, I did not employ an interpreter during the focus group session. An interpreter was not necessary as the identified participants spoke English, and English is normally used to conduct business in Bulgaria. English could be a limitation, but I understood the limitations of this study by not including an interpreter or translator.

## **Significance of the Study**

### **Contribution to Business Practice**

Corruption and excessive government regulations have led to the demise of many small businesses (Budak & Rajh, 2013). Microenterprise development started with four main objectives: (a) poverty reduction, (b) empowerment of women, (c) employment generation, and (d) enterprise development (Gayangani & Jayawardana, 2012). By researching MED business strategies, I may be able to provide strategies to assist the small business community and MED leaders to create sustainable business opportunities. Williams (2012) concluded that networks lead to increased transparency and economic prosperity. The goal of this research was to identify networking strategies that MED leaders may want to implement to maintain growth and sustainability of their organizations and the small businesses they support. These strategies might lead to reduced failure rates, the increased viability of MED foundations, and increased exposure to the small business community. MED foundations, Trust for Social Achievement (TSA), and other Bulgarian business development agencies, may benefit from the findings of the study. The research may also apply to MEDs in other countries.

### **Implications for Social Change**

In the country of Bulgaria, where relationships are important, MEDs leaders are attempting to bridge the gap and provide opportunities for economic sustainability to potential entrepreneurs. Bulgaria joined the European Union in 2007, but remains in a state of turbulence and uncertainty (Bairaktarova, Cox, & Evangelou, 2011). Due to a lack of employment opportunities in Bulgaria, there are economically and socially

challenged regions and populations. The Bulgarian unemployment rate is more than 10%, and more than 45% of the population lives in poverty (European Commission, 2014; Kelly & Kraemer-Eis, 2011). High unemployment and poverty have led to social and economic challenges including a dependency on government or other outside resources to provide for basic needs (Welter & Smallbone, 2011). Relatively few options exist for income and capital accumulation. Entrepreneurial and microenterprise programs have helped create employment opportunities and consequently increased self-sufficiency. As of 2014, small businesses employed 76% of the Bulgarian workforce (European Commission, 2014). Leaders of small- to medium-sized businesses have the potential to bring positive economic and social change. The implication for positive social change might include expansion opportunities for the MED market beyond the local region providing opportunities to small business owners by creating jobs and sustainable living for communities throughout Bulgaria.

### **A Review of the Professional and Academic Literature**

An effective literature review provides an understanding of the available research on the phenomenon, providing strengths and weaknesses of previous studies (Rhoades, 2011). The literature review process began with searching for Bulgarian microenterprise development. Keywords for the search included *microenterprise development programs*, *microcredit*, *microfinance*, and *microloans* using search engines such as ProQuest, Sage, EBSCOhost, and Google Scholar.

Researchers have the responsibility to offer a complete and current review of the topic (Rhoades, 2011). I included research studies primarily published between 2011-



2015. Ninety two of the referenced literature sources or 85% were peer-reviewed articles published from 2011 to 2015. *Ulrich's Periodical Directory* served as a tool to verify that articles were from recognized peer-reviewed journals. To provide an unbiased perspective and a complete representation of the phenomenon, I included grey literature to provide a factual representation of the Bulgarian microfinance industry. Rhoades (2011) referred to grey literature as census data, institutional reports, government documents, and other non-peer-reviewed sources.

Major topics in the literature review included a review of relevant, current conditions in Bulgaria that affect small business and microenterprise development growth and sustainability. The economic history of Bulgaria included a review of the MED industry and the small business industry regulations to provide a basis for the review. Through the literature review, I highlighted the challenges faced by many MED and small business leaders as the following: (a) corruption, (b) competition, (c) human and financial capital, and (d) networking. In addition to these relevant topics, I also reviewed articles regarding the conceptual framework of ANT and VBNs, as well as associated research methodologies and designs. Ten scholars support VBN and actor network theory including evidence to support the choice of a case study design. I focused much of the research on case study research using ANT or VBN concepts. Sustainability, networking, and relationships provide further evidence and support of the underlining research question.

### **Sustainability**

The research problem I decided to focus on was the issue of how Bulgarian MED

leaders can establish networking strategies to sustain their financial operations and the strategies necessary to reach the Bulgarian small business market. Sustainability requires balanced initiatives, sustainable leadership, and stakeholder involvement (Kirkwood & Walton, 2014). For many MEDs, short-term objectives are the norm, but a new breed of MEDs challenge this notion and focus more on long-term sustainability rather than short-term profits.

Changes in the Bulgarian economy have resulted in new perspectives about economic and social relationships along with new management practices (Galabova, 2014). Presently, enterprises face economic, social, and environmental challenges (Leyh, Rosssetto, & Demez, 2014). By focusing on environmental, economic, and social challenges, MED leaders are finding innovative strategies to overcome these challenges and maintain sustainability.

Sustainability trends influence how businesses respond to sustainability challenges. One trend in the market is a social license to operate in a manner that is socially, economically, and environmentally acceptable to customers who prefer to support social and environmental responsible companies (Nulkar, 2014). Organizational leaders develop green strategies that influence competitive advantage by creating cost advantages and innovative and sustainable solutions for long-term profitability (Nulkar, 2014). Andreea-Daniela and Mihaela (2013) concluded that business leaders respond to sustainable expectations of society and consumers embrace sustainable practices. Consumers want businesses that embark on sustainable practices. Business leaders search for business strategies that are economically, socially, and environmentally sustainable.

Sustainability problems call for new research and collaborative action (Reid et al., 2010). Sustainable innovation or eco innovation includes innovative technologies aimed at sustainable development (Boons, Montalvo, Quist, & Wagner, 2013). Sustainable development requires research in economic, social, and environmental issues (Reid et al., 2010). The Global Environmental Change Research Program actively involves stakeholders and removes barriers to achieving sustainability by offering incentives; encouraging government regulations; and addressing local, regional, and global problems through collaborative efforts (Reid et al., 2010). The new challenge is to discover the link between innovation and sustainable strategies to create a holistic, sustainable framework that integrates innovation into organizational sustainable business strategies (Boons et al., 2013). Sustainable practices lead to improvements in innovation and vice versa.

Innovation of sustainable practices depends on the strength of networks and stakeholder relationships. Stakeholder development and the integration of environmental, economic, and social strategies play a role in sustainable development long-term thinking (Dieperink, Boesten, Hovens, & Tonkes, 2012). Successful sustainable businesses leaders attribute success to relationships with multiple stakeholders (Theyel & Hofmann, 2012). Stakeholders provide knowledge and information on solutions to sustainable practices (Theyel & Hofmann, 2012). Better communication internally and externally regarding social, economic, and environmental issues attribute to successful sustainable business practices (Theyel & Hofmann, 2012). Stakeholder relationships are one of the many key factors that predict the success of sustainable business practices.

Sustainable business leaders rely on stakeholder relationships to provide feedback

and help foster sustainable and innovative solutions. To grow these relationships, established networks connect actors and build on knowledge and experiences. Knowledge, experience, skills, and relationship networks help business leaders to integrate sustainable solutions into the overall strategic management plans (Galabova, 2014). One successful initiative is the partnership of larger companies with SMEs to assist SME leaders with sustainability implementation and training (Surienty, Hong, & Hung, 2011). Business leaders can find sustainability guidance, training, support systems, and resources through nongovernmental organizations (NGOs), government, corporations, and nonprofits that aid small business leaders in implementing sustainable business practices.

Integrated systems are rarely available, used, or implemented in everyday practices and strategies. Sustainable strategies must align with the needs and objectives of organizational leaders and stakeholders (Winn, Pinkse, & Illge, 2012). Integration and adoption of sustainability strategies depend on the context of the organization and resources available (Kirkwood & Walton, 2014). Nulkar (2014) concluded that most SME owners do not have the resources, capital, or knowledge for incorporating regulated sustainable practices. However, partnerships and alliances may provide SME owners with the resources and expertise that are necessary to comply and achieve sustainability.

The importance of transparency, communication, government support, and leadership are critical to the success of an open, sustainable process (Dieperink et al., 2012). Sustainable leaders view their firms as an integral part of the community serving multiple stakeholders (Avery & Bergsteiner, 2011). Stakeholder involvement,

collaboration, and innovation open the market for more sustainable businesses. Roles of actors, activities, and operations within a network and external to a network impact change, innovation, and sustainability (Hermes & Mainela, 2014). Through partnerships and collaborations, suppliers and retailers are working to develop sustainable solutions (Turker & Altuntas, 2014). The challenge is finding low-cost solutions that balance the needs of society, the business, and the environment. The responsibility for sustainability applies to individuals, governments, and organizations.

### **Conceptual Framework: Networks and Relationships**

The ANT provided the basis for the conceptual framework, and scholars have recognized the importance of networks of small businesses (Leece et al., 2012). Building and establishing relationships are important in Bulgaria. Entrepreneurs in emerging economies often have limited business knowledge and experience and benefit from VBNs (Roomi, 2011). Both informal and formal networks may affect access to resources and information. Formal networks stem from social and business organizations; that is, information relationships are the basis for microcredit groups and informal networks (Chikweche & Fletcher, 2012). Permission from these group leaders enables access and acceptance to the network.

Entry into markets requires effective networking; networks provide access or denial based on the various connections of the actors (Ibrahim & Galt, 2011). NGOs are prevalent in Bulgaria where they help bridge the gap between the government, businesses, and its citizens (Petrova, 2011). Within local communities, business ventures come together with the goal of local economic and social development (Shahidullah &

Haque, 2014). Sharing knowledge and resources leads to improved business practices, new opportunities, and improved management strategies (Roomi, 2011). In this sense, the community acts as a network. Private and public sector actors are necessary to overcome social-economic issues (Tobias, Mair, & Barbosa-Leiker, 2013). Aligning economic, social, and environmental goals create value now and in the future for all stakeholders.

Changes in the Bulgarian economy resulted in changing perspectives towards economic and social relationships and management practices (Galabova, 2014). Additionally, due to the long history of corruption within some Bulgarian institutions and misuse of the social status of the ethnic minorities, an attitude of suspicion has become an inhibitor for many Bulgarians (Mason, 2011). Corruption refers to payments or manipulation of existing rules to appeal to public officials (Bagashka, 2013). Bulgarians are sometimes suspicious of new foreign organizations. Unfamiliarity presents a challenge to new market players. Evidence shows that Bulgarians will typically revert to organizations they know and trust (Manolova, Manev, & Gyoshev, 2013). The power of relationship building and trust is crucial to offsetting this power and leveraging resources.

Networking, including consulting, allows entrepreneurs and MED leadership the opportunity to share resources and foster growth (Leece et al., 2012). Galabova (2014) stressed the importance of VBNs in creating knowledge capital and leveraging resources. Gayangani and Jayawardana (2012) concluded that successful microenterprise developments provide both financial and nonfinancial services through VBNs. Success relies on long-term collaborated, strategic relationships built on trust and transparency (Turker & Altuntas, 2014).

A VBN can provide MED leaders and entrepreneurs with not only potential investors but also business professionals that may be willing to provide financial and nonfinancial support. SME strategic management calls for the implementation of knowledge sharing, skill development, and relationship networks (Galabova, 2014). The power of harnessing social capital relates to the understanding of resources and utilization of relationship networks to leverage additional resources and relationships (Galabova, 2014). A deep and global reachable VBN can provide many opportunities for expansion and the leveraging of resources.

### **History of Bulgaria**

Bulgaria's history, changing economic conditions, and the political landscape have given rise to entrepreneurship and the growth of a market economy. The country was under communist rule for 45 years (Kostadinova & Dimitrova, 2012). After 1989, an economic transformation occurred, resulting in the loss of Bulgaria's largest export market, the former Soviet Union (Kostadinova & Dimitrova, 2012). Instability of economic reform and changing political structures has plagued Bulgaria since 1989. The period from 2008-2009 Bulgaria exhibited an economic crisis, which required the country to respond by creating new employment opportunities (Ardic et al., 2012). SME leaders contribute to economic sustainability and growth through an increase in employment opportunities.

Of all the European Union members, Bulgaria reports the lowest GDP per capita (Ardic et al., 2012). Bulgaria reports over 10% unemployment with very few employment opportunities in rural areas (Kelly & Kraemer-Eis, 2011). The persistent

high unemployment yields a declining labor force, loss of skills (Mason, 2011), and a staggering 45% at-risk poverty rate (Kelly & Kraemer-Eis, 2011). Bulgarian leadership struggles to offer sustainable income opportunities (Chu et al., 2011). A key economic trend facing the industry is the rate of unemployment (Niewiadomski, 2013). Enabling the industry to provide opportunities to individuals directly influences the employment market and creates sustainable living resources (Chu et al., 2011).

The labor population is a key trend affecting businesses in Bulgaria (Hofmann, Theyel, & Wood, 2012). Individuals have few options for income and capital accumulation, which provides an opportunity to the microfinance industry (Hofmann et al., 2012). The citizens are dependent on others for basic needs and lack self-sufficiency (Shahidullah & Haque, 2014). The resistance to becoming self-sufficient presents a threat to those who are trying to reach this population (Shahidullah & Haque, 2014). Also, those who have businesses typically only employ family members; thus, the business does not have to follow the employment laws (Williams et al., 2013). The average person may not have experience with, knowledge, or skills to gain sustainable employment.

The majority of poor residents live in remote villages and cities. The highest populations reside in the villages where there are few job opportunities, and the standard of living and wages in the city average 5-10% higher than in the villages (Williams, 2012). The main types of work are seasonal, agricultural work (Wegener et al., 2011). Seventy-one percent of the population resides in urban areas. In the cities, more employment opportunities exist with an increased presence of competition and corruption.



Corruption and excessive government regulations lead to the demise of many small businesses. Mason (2011) indicated that environmental barriers to starting and maintaining a business include corruption, lack of funds, and entrepreneurial education. Corrupt business practices have infiltrated the business environment in Bulgaria. In 2004, Bulgaria received \$2,487.5 million USD in the form of foreign direct investment (FDI) that served as a major factor for the transition of CEE countries to connect to other global economies (Hardy et al., 2011). Bulgaria joined the EU in 2007 resulting in a more pro-business perspective along with a more socialist government (Manolova et al., 2013). Bulgaria moved away from government-controlled, centralized economy to private sector ownership and a market economy.

Bulgaria still struggles with providing sound business and social infrastructures to foster self-sufficiency and healthy interdependence of its citizens. There is a lack of government regulations to foster ethical business practices and individual sustainability. The threat of increased banking options and tighter microfinance loan regulations threaten the stability of the microenterprise industry. The country remains in a state of turbulence and uncertainty.

### **Access to Financial Capital**

Unregulated and informal channels provide a majority of SME financing (Ardic et al., 2012). Evidence of predatory lending evident in Bulgaria resulted in the exclusion from mainstream financing and professional business networks (Bruhn-Leon et al., 2012). Local moneylenders, microcredit, predatory lending, and profit-only micro financial institutions (MFIs) also fall under the concept of microfinance (Bruhn-Leon et

al., 2012). Microcredit loans have shorter loan cycles, smaller amounts, and more frequent repayment schedules (Kumar, Hossain, & Gope, 2013). Unfortunately, minorities, women, and low-income populations often lack credit histories, stable incomes, and collateral necessary to obtain funding through traditional means (Kumar, 2012). They are vulnerable to these organizations and lack the adequate financial education to make an informed capital sourcing decision (Gomez-Barroso & Marban-Flores, 2013). Local money lenders can charge interest rates from 36% - 60% (Maharana, 2013), whereas the Grameen Bank charges an annual interest rate of 22% and other microlending institutions may charge as much as 94% (Bruton et al., 2011). Mainstream lenders are beginning to enter this market to offer better options at more affordable rates (Bates et al., 2011).

One difference between these organizations and other microfinance organizations relates to how the enterprises operate in comparison to the payday loan companies. Microenterprises offer transparency and understandable disclosures and target the opportunity to support economic and social development along with long-term small business sustainability (Bruhn-Leon et al., 2012). Microfinance planning programs developed out of a need to create jobs and reduce poverty (Kumar et al., 2013). Initially, leaders of local governments provided solutions to entrepreneur burdens by offering tax relief, subsidies, and access to lending programs for struggling entrepreneurs. Governmental leaders began offering networking opportunities for entrepreneurs to connect with professional resources and obtain financing through venture capitalists, angel investors, and other financial intermediaries (Aman & Tahir, 2011). Similar

programs promote entrepreneurial and economic growth while improving the relationship between entrepreneurs and financial institutions.

Many potential entrepreneurs avoid business start-ups because of lack of finance, corruption, complicated tax regulations, and high taxes (Mason, 2011). Over 20% of Bulgarian entrepreneurs agree that if given the choice they would not start a private business because of economic uncertainty and corruption (Budak & Rajh, 2013), but half of all Bulgarians prefer self-employment (European Commission, 2014). Bulgaria is the least expensive place to start a business, and only takes 4 days to start a business (European Commission, 2014). By law, sole proprietors do not have to provide annual reports (Kirschenmann, 2012). Increasing transparency, reducing corruption, and simplifying tax regulations will give rise to economic prosperity and more entrepreneur start-ups.

High levels of informal economic arrangements exist in Bulgaria, influencing the labor market, government regulations, and equality in business practices. Contract enforcement continues to be a problem (Kirschenmann, 2012) along with over 30% of gross wages coming from unreported wages (Williams, 2012). Employees receive formal and informal wages resulting in an average 44% of regular work received in the form of undeclared wages (Williams et al., 2013). Men are more likely not to declare earnings (Williams et al., 2013). Williams et al. (2013) concluded that the closer the relationship, the more common informal employment relationships occurred with employees.

In addition to informal employment arrangements, government regulations of the microfinance industry pose a threat. MEDs and other foundations rely on tax incentives

and the ability to lend without a lot of bureaucratic paperwork (Chu et al., 2011).

Bulgarians show an extreme distrust of government and others outside of their personal social network (Lau, Dimitrova, Shaffer, Davidkov, & Yordanova, 2012) which leads to another threat which is the people of Bulgaria. Some Bulgarians rely on government aid to provide for their basic needs; they lack self-motivation to create their sustainability (Lau et al., 2012). Reaching this target market presents a cultural challenge and geographical challenge because financing offices do not exist in these remote villages.

Government, banks, and MEDs provide financial services to small- and medium-sized business owners. Entrepreneurs also consider investors and crowd funding as major sources of start-up capital but these venues are difficult to find in Bulgaria (European Commission 2014; Kelly & Kraemer-Eis, 2011). Varying legal and regulatory frameworks and uncertain economic and financial structures describe the Bulgarian microfinance market (Bruhn-Leon et al., 2012). The lack of regulation has led to variety and confusion within the microfinance market. As a result, a variety of enterprises exist that offer funding for small business owners: (a) microbanks, (b) banks, (c) development (government) agencies, and (d) nonbank financial institutions (Bruhn-Leon et al., 2012). There is a growing need for accountability, rating, and classification system of these organizations.

Bulgaria has transitioned into a market economy, with a weak banking industry (Galabova, 2014). The Bulgarian National Bank (BNB) does not regulate microlending institutions (Bernaciak, 2013). In 2001, banks were privatized (Kostadinova & Dimitrova, 2012) and with over 35 banks in Bulgaria (Carter, 2013), the opportunity for

market penetration of microfinance exists (Bruhn-Leon et al., 2012). Commercial banks are beginning to compete with MEDs by offering microloans. MEDs may have a greater impact if they operate within the formal banking sector rather than the nonprofit sector (Carter, 2013).

Access to capital is the main concern for potential entrepreneurs. Minorities and women appear to experience a higher degree of challenges in obtaining sufficient start-up capital. Men tend to use banks and other financial services more often than women entrepreneurs (Kim, 2012). For entrepreneurs in emerging or developing economies, the challenge to locate and receive capital is difficult. Fifty-three percent of the world's populations do not have access to formal or informal banks (Burton et al., 2011). Traditional financing requires good credit and collateral of which a large percentage of Bulgarians do not have (Cassano, Jõeveer, & Svejnar, 2013). To combat the problem with access to funding, microfinance planning programs offer financial and nonfinancial assistance to entrepreneurs.

Many potential entrepreneurs avoid business start-ups because of lack of capital (Sivak et al., 2013). Entrepreneurs may acquire capital through personal investment, equity, debt, or other forms of financing. For example, a small businesses survey conducted in 2011 reported Bulgarian small business leaders obtained 22.5% funding from state-owned government banks, 17.8% from private banks, and 11.25% from personal savings (Chu et al., 2011). The issue of raising capital is a matter of choice. Entrepreneurs must consider when to raise the funds, how much to acquire, and the appropriate source of financing.

Size and type of business, capital needs, and potential cash flow are some factors that must be considered when evaluating financing options (Cassano et al., 2013). The reason for relying on personal sources is that 53% of the world's population do not have access to banking services (Bruton et al., 2011), 7% of consumers do not have a bank account (Gomez-Barros & Marban-Flores, 2013), and only about 2% of entrepreneurs have access to global financial services (Maharana, 2013). Minorities, the poor, the unemployed, and women tend to make up the majority of the unbanked (Gomez-Barroso & Marban-Flores, 2013). Thus, Maharana (2013) concluded that most entrepreneurs in emerging economies rely on family and friend networks rather than formal financial networks to financially support their businesses.

Access to capital provides an opportunity for many small businesses leaders to take advantage of business opportunities (Martinez et al., 2013). For SME owners with limited resources, networks provide a means for innovative and creative solutions (Gronum, Verreyne, & Kastle, 2012). Networked firms tend to be larger, exposed to higher levels of competition, and provide access to more resources (Gronum et al., 2012). SME owners should consider networks that provide solutions to innovation and firm growth problems.

However, a larger concern is long-term funding (Bruhn-Leon et al., 2012). Bulgaria offers more opportunities to finance business, but 60% of Bulgarian SMEs indicated that lack of capital, along with bureaucracy as major obstacles to starting a business (European Commission, 2012). Formal and informal financial institutions offer debt financing (Bates & Robb, 2013). Without established relationships with formal

financial structures, obtaining loans is difficult even though over 45% of first-time business owners do not have debt (Kirschenmann, 2012). Business start-ups tend to lack the ability and resources to access significant debt or equity financing (Neely & Van Auken, 2012). Loan sizes are smallest in Eastern Europe (Cull et al., 2011). Debt financing in the form of loan or line of credit requires entrepreneurs to prove creditworthiness.

The biggest challenge for entrepreneurs is the ability to raise capital to enter and operate a sustainable business (Bates & Robb, 2013). Most start-ups fail to obtain bank financing due to (a) lack of cash flow, (b) credit, (c) collateral, (d) a solid business plan, or (e) sufficient bank-borrower relationship (Ardic et al., 2012). Undercapitalization limits an entrepreneur's ability to respond to environmental challenges (Bates & Robb, 2013). Microenterprise loans can be a profitable solution for borrowers and lenders, making microfinance one of the most effective poverty reducing and entrepreneurial development strategies (Maharana, 2013). Access to credit helps business leaders sustain operations, improve creditworthiness, and improve the reputation with customers and suppliers (Bates & Robb, 2013). In 2009, the launch of The Nehemiah Project International Ministries in Bulgaria offered affordable entrepreneurial training programs but no financial support except for a few annual scholarships (Tsague, 2013). Grameen Bank and other MFIs systems core philosophies include the principles of mutual trust, accountability, participation, and creativity (Kumar et al., 2013). Along with providing financial services, MFIs may also provide education, empowerment, and networks. MFIs aid clients with financial and nonfinancial challenges that entrepreneurs face (Shahidullah

& Haque, 2014). Microfinance planning programs lend short-term capital to small business leaders.

Lease products represent an alternative solution for providing access to needed equipment for business development for those business leaders able to meet down payment and lease terms (Berger & Black, 2011). For entrepreneurs that have a high business equipment expense, the ability to lease such capital is appealing rather than obtaining loans.

### **Bulgarian Small Business Market**

A key factor in the success of a market economy is entrepreneurship (Yordanova, 2011a). The SME market accounts for 76% of total jobs in Bulgaria, higher than the European Union average (European Commission, 2014). However, microbusinesses account for 30.3% of the SME total job market (European Commission, 2014). The trade and construction industries account for the greatest share of employment.

Typically small- and medium-enterprise (SME) leaders focus on short-term results with a reactive approach towards compliance rather than sustainability (Nulkar, 2014). Compliances require financial resources and expertise that many SME leaders lack (Surienty et al., 2011). To implement adequate, sustainable business practices, SMEs need training, education, and management commitment to invest resources and workforce towards sustainability.

Moreover, modern SME leaders are more proactive and strategic in their sustainable practices. The ecopreneur prioritizes sustainability over profits (Kirkwood & Walton, 2014). From start-up, green enterprises primary focus is on environmental



sustainability and all strategies and allocation of resources follow the governing philosophy of the firm (Shahidullah & Haque, 2014). The SME leaders made a choice to create sustainable businesses rather than meet regulations.

There are varying types of small green businesses with varying levels of sustainability. In the late 1990s, ecopreneurs began finding new green businesses. Ecopreneurs prioritize the environment over profits (Kirkwood & Walton, 2014). Ecopreneurs may offer a win-win situation, but Winn et al., (2012) argued that a solution for one may have adverse effects on another. A successful, balanced strategy incorporates social, environmental, and economic strategies while considering the tradeoffs.

Leaders of green enterprises incorporate green practices and resource usage to minimize the ecological footprint (Rouf, 2012). Leaders in the banking industry are starting to require sustainable business practices as part of the loan application to promote sustainability (Rouf, 2012). SMEs focusing on reusing, recycling, and waste minimization practices have the potential to make significant contributions (Shahidullah & Haque, 2014). Leaders of green enterprises, regardless of the size, focus on balancing environmental needs with business and society needs.

Size matters when it comes to the type of measurement tools, investment decisions, and sustainability objectives. SME leaders, refrain from capital budgeting tools and sustainability technology due to lack of capital and knowledge. Company size plays a critical role in sustainability strategies (Winn et al., 2012). SME leaders mainly focus on reusing, recycling, and waste minimization; very few use energy audits, triple bottom line

concepts because of lack of infrastructure, resources, capital, and expertise necessary to achieve full sustainability (Kirkwood & Walton, 2014).

Size is one determinate for sustainability but instituting a green philosophy into strategies is a step in the right direction (Nulkar, 2014). The solution for many SME leaders seems to be the power to harness resources. Most SME leaders lack the resources necessary to achieve full sustainability but by collaborating with other organizations (governments, NGOs, corporations, or nonprofits) may yield skilled SME leaders (Surienty et al., 2011) capable of creatively and proactively implementing sustainable strategies. Effectively and efficiently managing resources yields sustainable results.

Female entrepreneurs own 40% of Bulgarian small businesses while men own 60% of the small businesses (Yordanova, 2011a). Yordanova (2011a) concluded that there is evidence of significant correlation of the success of transition countries and women's reliance on entrepreneurship. Women tend to run small family-oriented businesses; these businesses remain less aggressive. Deeply rooted in tradition, Bulgaria family-owned business leaders adopted more aggressive tactics to maintain economic prosperity (Yordanova, 2011b). Family owned business leaders are motivated to meet basic family needs and independence (Chu et al., 2011).

In the turbulent market economy of Bulgaria, success requires a high degree of risk, innovation, and aggressiveness (Yordanova, 2011b). Uncertainty and anxiety come with living in a transitional economy (Welter & Smallbone, 2011). Entrepreneurship requires a degree of risk tolerance (Martinez et al., 2013). A balanced approach leads to sustainability.

Networks provide a venue to help entrepreneurs face the challenges of a turbulent economy (Welter & Smallbone, 2011). Female and male entrepreneurs exhibit similar risk perceptions of the Bulgarian business industry; however, female entrepreneurs demonstrate taking fewer risks (Yordanova, 2011a). The research by Smith-Hunter and Nolan (2011) provided evidence that Bulgarian men are greater risk-takers and more profit oriented than women entrepreneurs. MFIs and VBNs assist entrepreneurs with leveraging resources that reduce the stress of operating in a transitional economy.

Bulgaria has a rich history of technology and turmoil. Bulgaria's strong science, technology, engineering, and math (STEM) education and training are apparent in the country and commercial sector (Bairaktarova et al., 2011). As the third largest country in southeast Europe, Bulgaria led the nation in scientific discoveries and computer technology (Bairaktarova et al., 2011). This potential human capital attracts many western business leaders to tap into the technological knowledge base.

Bairaktarova, Cox, and Evangelou (2011) noted two significant gaps in the access and capability of the technological knowledge. Bulgarians lag behind the rest of Europe when it comes to entrepreneur skills in establishing online businesses, introducing innovations, and collaborating with other innovative entrepreneurs (European Commission, 2012). Because of the high poverty levels, much of the Bulgarian nation does not have access to this education and technology (Bairaktarova et al., 2011). According to the Bulgarian National Statistical Institute (NSI), the average household income is only about \$500 per month and internet and cable services average \$40 per month (European Commission, 2012). Capitalizing on the lack of technology provides a

significant opportunity for MED and other foundation leaders to bring technology to the unreached.

Another gap is the lack of leadership and management training to complement the technological training. Chu et al. (2011) reflected on the needs for skill development to meet the labor demands in Bulgaria. Leadership and entrepreneurial development programs are on the rise (Bairaktarova et al., 2011). In 2011, two training initiatives (a) the Strategy for Creative Industries and (b) Training Firms Network formed to support entrepreneurship through entrepreneurial skills and management training (European Commission, 2012). British Counsel Bulgaria is one of the most prominent programs offering leadership training (Bairaktarova et al., 2011). A partnership between Varna Free University and the University of National and World Economy developed leadership and management training programs for government leaders (Bairaktarova et al., 2011).

Sustainable leadership views firms an integral part of the community serving multiple stakeholders. The objectives of sustainable leadership are to balance people, profits, and environmental needs for the long-term (Avery & Bergsteiner, 2011). Modern organizational leaders are proactive environmental stewards, adaptive to stakeholder needs, and integrate balanced, long-term strategies. Barriers to adaptability include (a) human capital, (b) structure, and (c) resources. In order to accomplish change, business leaders should take on three distinct roles: (a) management of sustainable initiatives, (b) supply chain management, and (c) education of customers (Andreea-Daniela & Mihaela, 2013). The key performance drivers of sustainable leadership include strategic, systemic innovation, workforce engagement, and quality products or services (Avery &

Bergsteiner, 2011). Sustainable development promotes people-centered development through sustainable initiatives (Rouf, 2012). Policies and practices that contribute to the motivation and empowerment of human capital will lead to a supportive workforce and achieve sustainability.

Human capital includes the level of commitment and involvement of owners, managers, employees, and other stakeholders. Human capital also includes education, employment, and work experience (Kim, 2012). Executive coaching may assist entrepreneurs to grow their businesses. In 2005, 71% of SME owners failed to offer any formal training programs and less than 37% of microenterprises offer formal training programs (Gray, Ekinici, & Goregaokar, 2011). In 2012, only 29% of Bulgarian enterprises offered workforce training, and only 3% of employees participated in the training (European Commission, 2012). Some female entrepreneurs lack managerial, industrial, and business experiences (Kim, 2012). In general small- and medium-enterprise (SME) leaders typically lack financial expertise, vision, and the capital necessary to implement sustainable initiatives.

Integrating sustainability is a challenge for management (Leyh et al., 2014). Many firms including SMEs use sustainability practices to gain a competitive advantage (Nulkar, 2014). Three top success factors for entrepreneurship include (a) knowledge, experience, and skills; and (b) recognition and effective management of intangibles. Achievement of sustainability is also dependent on organizational culture, infrastructure, size, and resources.

## **Microenterprise Development**

To support small business with sustainability challenges, community business leaders created Community-Based Enterprises (CBEs). CBEs describe organizations with a social purpose that balance social, economic, and environmental goals (Shahidullah & Haque, 2014). CBE leaders help SME leaders to voluntarily embarking on corporate social responsibility thus enhances a firm's competitive advantage and reputation (Orlitzky, Siegel, & Waldman, 2011). Microenterprise development organizations (MEDs) and some microcredit agencies consider themselves CBEs.

MEDs offer opportunities to entrepreneurs through business loans that generate sustainable incomes for entrepreneurs and the community (Rouf, 2012). MED programs promote social, economic, and environmental sustainable development in developing communities (Rouf, 2012). Shahidullah and Haque (2014) referred to MEDs as community-based, social, sustainable enterprises able to achieve green enterprise status. MEDs and the businesses they support are networks contributing to economic and social development (Shahidullah & Haque, 2014). The role of MEDs within the community is to pool resources, and link individuals and organizations to find sustainable solutions (Shahidullah & Haque, 2014).

Because of the financial instability in Bulgaria, leaders of microfinance institutions expanded business operations to serve more people and empower individuals to create small businesses to provide an opportunity for gainful employment and build an economic future. Microfinance institutions serve over 100 million clients (Cull et al., 2011). Entrepreneurship provides a venue for economic development and a solution for

the high rates of unemployment in emerging economies. Small and microenterprises account for two-thirds of the formal workforce (Ardic et al., 2012). A majority of the entrepreneurial population lacks the knowledge and access to start-up capital. Potential entrepreneurs require skills and capital to launch a successful and sustainable business.

In 2007, Forbes magazine estimated that there were over 12,000 micro financial organizations but only 1800 registered with the Microfinance Information Exchange (MIE) (Bruton et al., 2011). Muhammad Yunus founded the Grameen Bank and provided a model for doing business as a micro financial organization (Bruton et al., 2011). The Grameen Bank is the largest, longest running, and most influential microfinance organization (Bruton et al., 2011). The Grameen Bank operates in 37 countries and has issued over \$8.7 billion in loans (Burton et al., 2011). On average, small business loans account for 13% of developed countries GDP and 3% in developing countries (Ardic et al., 2012). The bank's mission is to generate self-employment through microcredit to the rural poor to reduce poverty levels (Pathak & Gyawali, 2012). A microcredit loan gives entrepreneurs the opportunity for economic development and empowerment (Kumar et al., 2013). The microfinance model targets services to poor, minorities, and women who may have little or no income, credit, or collateral to obtain traditional financing services.

Microfinance refers to small-scale financial services microbusiness owners (Pathak & Gyawali, 2012). Microfinancing includes microlending, microcredit, and microenterprise programs. Microlending is the issuance of small, unsecured business loans (Bruton et al., 2011) and accounts for about 53% of the entire investment needed by the entrepreneur (Shahidullah & Haque, 2014). Microbusiness loans are for small-scale

businesses, and microenterprise loans are for larger small enterprises such as manufacturing enterprises (Bates & Robb, 2013). A majority of loan officers do not require collateral, credit, or income but rather based a decision on community relationships and the business plan (Samila & Sorenson, 2011).

Private foundations, nonprofits, for-profits, and governments offer small business leaders financial support through a variety of microfinance programs. The financial services offered by microfinance programs may include loans, savings, insurance, mortgages, and retirement plans (Bruton et al., 2011). In addition to financial services, some programs offer nonfinancial services such as small business training. Other microfinance programs are strictly lending facilities that require little or no collateral and base decisions on the business plans of the organizations.

One of the most influential ways to reduce poverty is to create employment and provide income-generating opportunities (Pathak & Gyawali, 2012). Microcredit (microfinance) plays an important role in the regions of socioeconomic development (Kumar et al., 2013). The role of microfinance programs is to create opportunities for entrepreneurs that are not available through traditional financing organizations (Pathak & Gyawali, 2012). Access to sufficient capital enables entrepreneurs to sustain business financial demands, improve credibility with customers and suppliers, compete, and grow a business (Bates & Robb, 2013). Microfinance contributes toward generating employment and economic development of participants and regions where the microcredit programs exist (Pathak & Gyawali, 2012).

A current trend in microfinance is the concept of group lending. Group lending



builds on the principles of trust, accountability, and relationships. MFIs concerned with transaction costs, administrative burdens of loan distribution and collection issues have turned to group lending (Burton et al., 2011). Microfinance organizations provide the venue for group lending, but each group is organized, owned, and operated by the members of the group (Kumar, 2012). Groups consist of five members and belong to a larger community of about five to eight groups (Burton et al., 2011). Group members are co-borrowers and co-beneficiaries meaning that they are both economically and socially accountable (Kumar, 2012). Group solidarity and group pressure yield low default rates (Maharana, 2013). The success of group lending relies on networks to screen members and establish accountability (Burton et al., 2011). Group lending offers solutions of lower administrative and transaction costs along with ensuring the integrity and credit worthiness of applicants through the verification of social networks.

To determine the creditworthiness of group members, MFIs rely on local social networks to help with the screening of applicants (Burton et al., 2013). The group handles the distribution and collection of the loan, minimizing the administrative burden for the microlender (Kumar, 2012). The loan group and social networks provide a means for repayment assurance for the lender but also create a lasting network for the entrepreneurs.

Access to finance along with (a) lack of support, (b) market access and geographical constraints, (c) lack of infrastructure, (d) growth and expansion challenges, (e) lack of market knowledge, (f) poor business expertise, and (g) lack of management skills are obstacles faced by entrepreneurs (Gayangani & Jayawarddana, 2012). To better support entrepreneurs, governments and microfinance industry leaders are joining forces

to offer multiple financial and nonfinancial services in a central location or under one enterprise. One-District-One-Industry (ODOI) programs coordinate and monitor the development of micro, small, and medium businesses in respect to financing, training, and marketing development (Aman & Tahir, 2011). These programs have successfully launched in Malaysia, Thailand, and Japan (Aman & Tahir, 2011). Burton et al. (2011) noted that in many countries microfinance programs are unregulated and do not report to MIE. MIE seeks to capture the efforts and impact of MFIs plus expand outreach efforts.

The future of microfinance planning programs rests on the efficiency of resources and the support of the communities where the organizations operate. The demand for microfinance exceeds the available supply (Hes, Neradová, & Srnec, 2013). Microfinance organizations play a critical role in entrepreneurial development, but struggle to remain sustainable. Networking with financial institutions and other businesses is critical for entrepreneurs and MFIs. Networks provide opportunities for market access and building credibility of the entrepreneur and MFI within the community (Aman & Tahir, 2011). The sustainability of microfinance programs directly relates to the livelihood of entrepreneurs. The following are recommendations for both entrepreneurs and microfinance planning programs.

Entrepreneurs require capital to start and continue the growth of their businesses. Borrowers do not always make the best economic decisions when it comes to investment. Education on interest rates, payment arrangements, and different financing options are critical to entrepreneurs finding the right capital source to meet their needs (Maharana, 2013). Microfinance programs can offer programs to educate entrepreneurs on capital

sources.

Operating efficiently, financial sustainability, and expanding client reach are main goals for microfinance programs. Maharana (2013) noted that microfinance program leaders typically rely on investors to fund loans and clients to repay promptly. Scalability to expand becomes a challenge thus many microfinance program leaders are considering new alternatives. Issuing bonds and certificate of deposits are one source of capital (Maharana, 2013). Leaders of the traditional banking industry want to enter the microlending industry but do not have the relationships with the community (Bruton et al., 2011). Small business leaders struggle with necessary administrative knowledge and structure to gain credibility with customers, community, and suppliers (Bates & Robb, 2013). Microfinance organization leaders with established networks may consider collaborating with traditional banking establishments to gain financing and expand client reach.

Education and training of entrepreneurs is critical to the longevity of small businesses. Small business owners need technical and vocational skills, expertise, and experience to successfully operate a small business (Bates & Robb, 2013; Pathak & Gyawali, 2012). Microfinance programs typically target start-up businesses during the first five years of the business (Pathak & Gyawali, 2012). For long-term sustainability, firms need access to financial and nonfinancial services throughout the life of the business.

Financial intermediaries, like MFIs, stimulate economic development through the promotion of new businesses and networking (Samila & Sorenson, 2011). Low funding,

administrative costs, and high demand for MFIs threaten the sustainability of these programs (Bates et al., 2011). Leaders of mainstream financial institutions, governments, and MFIs must strategize on how to structure and meet the need of emerging entrepreneurs (Bates et al., 2011).

The microenterprise loan industry in Bulgaria is constantly evolving. The economic conditions, government regulations, and market demand prompted these changes. The microfinance industry provides evidence of loan alternatives combined with nonfinancial services to help entrepreneurs start businesses. Small organizations with few network connections and minimal capital make up the microfinance of industry. Competitors are increasing and changing based on government regulations, investor funding, and community economic needs.

Access to funding and continued financial and nonfinancial capital continue to be a challenge for entrepreneurs especially minorities, women, and low-income populations. MFIs serve a target (niche) market in emerging economies where entrepreneurship spurs economic development and empowerment. MFIs rely on financial backing and high loan repayments to maintain sustainability. Demand continues to grow for MFIs in an untapped market. The microfinance industry collaborates with mainstream financial institutions and venture capitalists to increase capital. Group lending is one program of microfinance that engages lenders and the community to take ownership of the loans. The need for microfinance exists, so continued growth rests on creativity, relationships, and capital funding.

The goal of the microfinance industry is to provide social welfare, employment,

and development and growth of small business enterprises (Rouf, 2012). Private sector growth continues to influence the Bulgarian community. Microfinance organizations must work on operational performance to become more sustainable. Government regulations, risks, and costs hinder the growth of this industry and successful business relationships.

Barriers to entry in the microenterprise industry include product differentiation, capital requirements, and relationship building. The most difficult barrier to entry for MED leaders to overcome relates to capital requirements, building familiarity and trust among the local Bulgarians. A microenterprise foundation must have the capital backing to support the new business ventures. However, most microfinance foundations focus on niche markets to avoid direct competition.

Microenterprise foundations may meet a need by providing jobs and income earning opportunities. Carter (2013) provided evidence that microfinance institutions have provided a means to funnel capital to microbusinesses to help economic growth and job development. MEDs provide microloans and business training to Bulgarian entrepreneurs (Gayangani & Jayawardana, 2012). Microenterprises play a critical role in the industrial growth of developing countries.

The MFI industry lacks consistent regulation and reporting structure. Low market penetration, high costs, competition, inefficiencies, and insufficient returns on investment characterize the microfinance industry (Bates et al., 2011). However, the microfinance industry is trending towards efficiency, professionalism, and sustainability, however, without stable financing the microfinance market, the entrepreneurs, and the industry

needs to support may fail. Microlenders spend up to \$4 to lend \$1 (Bates et al., 2011).

Economic sustainability of the microfinance market rests on a balance between costs and income, the pursuit of social responsibility, and economic responsibility (Bruhn-Leon et al., 2012).

Successful business leaders can recognize and embark on external market opportunities. Leadership attributes long-term success to sustainability through capturing emerging market opportunities, image improvements, increased employee morale, and reduced production costs (Leyh et al., 2014). The state of the Bulgarian economy, the unemployment rate, and the lack of labor skills are opportunities for MED business growth. There is a significant opportunity for leaders of MEDs to capitalize on these trends by offering citizens the opportunity to create sustainable businesses. These businesses boost the economy and create jobs. Technology offers opportunities for organization leaders and their clients to work more efficiently and save travel costs. Volunteers and entrepreneurs may be able to communicate via e-mail or web conferences. Technology can also enable MED to expand its reach into other remote areas of Bulgaria through media advertising, online mentoring, and business resources.

Most of the research highlighted the challenges of SMEs and MEDs face to main sustainable growth. To prevent bias and ensure, the validity of research evidence, transparency, and thoroughness of qualified literature reviews are essential (Rhoades, 2011). The literature review process involved a series of steps of searching, synthesizing, and organizing of the extant literature (Rhoades, 2011) providing a thorough review of relevant and current research surrounding the Bulgarian MED market. The process led to

the finding of key themes of the microenterprise phenomenon within the Bulgarian entrepreneurial industry. Leece et al. (2012) case study research explored the relationships between investors and entrepreneurs. Thus, I applied Leece et al. research in preparation of exploring the networking relationships of MED leaders in Bulgaria.

### **Transition**

The purpose of this case study was to explore strategies that MED leaders can use to assist Bulgarian small businesses. The literature highlighted the small business and MED industry within Bulgaria and the challenges leaders face in maintaining growth and sustainability. Findings from the literature review included limited access to financing along with market access, and adequate business skills and knowledge are obstacles faced by many Bulgarian entrepreneurs (Gayangani & Jayawarddana, 2012). Political changes, economic growth, and the MED industry are providing venues for overcoming these challenges. The conceptual framework of ANT provides evidence that *actors* within VBNs provide other *actors* access to resources such as finances and markets along with knowledge sharing to overcome sustainability challenges.

In Section 1, I provided a detailed literature review highlighting the history of Bulgarian small business and MED industries. The section also included a summary of the purpose for this case study research. Section 2 continues with a detailed description of the research methodology and design, population and sampling, data collection instruments, and techniques used in the study. Section 3 concludes with the findings of the study, professional and social impact, and recommendations.

## Section 2: The Project

For many developing countries, small business leaders support the socioeconomic infrastructure (Martinez et al., 2013), but some small business leaders lack financial and managerial support. In addition to financing small businesses, MED business leaders provide consulting, mentoring, and other nonfinancial resources (Leece et al., 2012). By using a case study, I explored the strategies leaders of MEDs need to assist small businesses in Bulgaria.

### **Purpose Statement**

The purpose of this qualitative case study was to explore the strategies that MED leaders can use to help sustain small businesses in Bulgaria. Chu et al. (2011) determined that MED leaders failed to capture a significant market share of the microfinance industry. Qualitative research was a means for exploring the Bulgarian microfinance industry and providing evidence on how MED leaders can support small businesses. The population of this study consisted of MED leaders from a single foundation located in Rhodope Mountain Region of Bulgaria who provide microloans to small businesses. Qualitative case study data included information from a Bulgarian-based MED foundation in the form of a focus group and documentation from the organization. The data I collected through a single MED case study provided strategies to MED leadership to improve their operational efficiencies.

Through the results of this study, I provided recommendations to MED leadership to help improve marketing and sustainability strategies. Issues that encourage and sustain entrepreneurship improve lives within the Bulgarian community (Bruton et al., 2011).



The implication for positive social change include the potential to expand the market of MEDs, thus providing more opportunities to small business owners through job creation and sustainable living for the Bulgarian community.

### **Role of the Researcher**

The primary role of a researcher is to collect and analyze the data by exploring the networks, the relationships and roles of the actors, and the impact of those linkages (Korsgaard, 2011). In focus groups, the researcher guides the discussion towards the research question, but allows the opportunity for participants to openly share perspectives and direct the flow of information (Ghazali, 2014). The Belmont Report requires participants to enter a study voluntarily with complete information, and the researcher acts appropriately to protect participants' identities (U.S. Department of Health and Human Services, 1979). As, the researcher, I identified and recruited MED leaders to participate in the study and facilitated a professional, unbiased focus group.

Researchers also bring personal values, assumptions, and biases to the research environment (Yin, 2014). This journey began in 1993 when I traveled to the Czech Republic. This trip provided first-hand observation of Eastern European businesses. During that time, I learned about the Roma and Pomak cultures. Then in 2012, I began the journey of learning about business as a mission in Bulgaria. Kaneva and Popescu (2011) noted similarities between the the Bulgarian and Czech cultures. With my familiarity with Roma and Pomak cultures from earlier visits to the Czech Republic, I applied my knowledge and experience to better understand the dynamics of the Bulgarian

culture. I learned about microenterprise development through church and then began helping support the Bulgarian business mission trips.

Building rapport and transparent relationships are critical to gaining trust as a researcher in a foreign market (Chikweche & Fletcher, 2012). As a missionary, I provide small business coaching, mentoring, and training to entrepreneurs. Robinson and Stubberud (2011) noted the importance of building on already established relationships to create a network of new resources, relationships, and connections. As a result of the relationships developed, I observed and explored the challenges facing small business owners and leaders of MED organizations. Steyaert (2011) concluded that the role of the researcher is not just an observer, but also one who interacts with participants to gain a holistic understanding of the study's data. Beyond observing, I interacted with the participants and lived in the community during my field visits to obtain a holistic understanding of the problem and the findings.

Personal connections, location, and the researchers' background influence recruitment of participants (Robinson, 2014). To avoid a conflict of interest and bias, I only included organizations that I do not have an affiliation with, and participation was completely voluntary. Employing a face-to-face strategy builds trust and exemplifies good ethical research practice (Robinson, 2014). Also, I only included microfinance industry leaders in the focus group session and fully disclosed my role within the industry. Beyond the completion of this study, I will continue to counsel and support business development in developing countries through various mission program and business conferences.

## Participants

Conducting research in a foreign country is difficult not from only the language and cultural perspective, but also from the trust and credibility perspective. Relationship building and relationship maintenance are critical success factors for obtaining access to participants in cultures where distrust of outsiders exists (Lordly et al., 2012). Established business and academia networks aided in the ability to establish connections and create trust and credibility with participants (Chikweche & Fletcher, 2012). Introductory e-mails, along with an initial informal meeting prior to any data collection, helped to establish rapport, trust, and acceptance as a researcher and of the research I conducted.

The Microfinance Information eXchange, Inc. (MIX) contains the largest voluntary database of microfinance data (Cull et al., 2011; Kumar, 2012). MIX is a not-for-profit organization with a mission of promoting the exchange of information among microfinance organizations (Cull et al., 2011). Based on the information obtained from MIX and other lists, I sent an e-mail invitation to potential participants. Participant criteria included participants who belonged to a microenterprise development, microfinance, or microcredit organization that has operated in the Rhodope Mountain Region of Bulgaria for at least 3 years. I selected MED leaders who met the criteria based on their availability and willingness to participate in the study.

I used the form in Appendix B as a guide to capture the demographic data for each participant present at the focus group session. Each participant received a pseudonym to protect their identity and, the organization's identity, from the public. The focus group consisted of leaders from the same organization, so the participants already

knew the identities of one another. The MED leaders were actors in the network, and the focus group provided a venue for an interactive discussion regarding network actors, activities, and processes (Hermes & Mainela, 2014). I chose a purposive sample of MED leadership as to interview participants in a focus group setting who had first-hand knowledge of the microfinance industry.

### **Research Method and Design**

Information about microenterprises in developing countries tends to be inaccurate because of the informal nature and lack of government reporting (Martinez et al., 2013). Through the literature review, I uncovered the lack of information regarding the Bulgarian MED and small business industry. The choice of which method to use is dependent upon the nature of the research problem (Noor, 2008). Yin (2014) concluded that a qualitative case study provides a venue for access to a situation previously inaccessible and worthy of an informative review. Out of the lack of information and the need to identify sustainable business strategies, I developed the research method, design, problem, and research question.

### **Research Method**

By exploring the strategies that leaders of MEDs use to help Bulgarian small businesses, I was able to capture information that may provide a detailed understanding of the issues surrounding SMEs and MEDs. Qualitative research methods assist a researcher with understanding an individual's perceptions and give meaning to emerging concepts (Al Ghazali, 2014). Exploratory qualitative research is also appropriate when studying behavior in regional areas (Doern & Goss, 2012). Qualitative researchers seek to

find an explanation for a phenomenon while remaining neutral (Lordly et al., 2012). Qualitative methodology also infers an emphasis on process and meanings not often measured through quantitative methods (Noor, 2008). The findings from the study may provide an understanding to MED leaders of which of the following barriers contribute to lack of sustainability: (a) access to capital, (b) bureaucracy, (c) competition, (d) skills, or (e) resource networks. The qualitative researcher provides a holistic and comprehensive understanding of the phenomenon by providing insight, discovery, and interpretation rather than hypothetical theories (Noor, 2008).

In deciding which methodology to use, I reviewed the possibility of quantitative, qualitative, or mixed-methods. Petty, Thomson, and Stew (2012a) described quantitative research as an explanation of a phenomenon or theory through the collection of numerical data. Whereas, qualitative research helps a researcher to understand experiences and meaning within a given context through interpretation of the findings (Petty et al., 2012a). A mixed-methods researcher collects, analyzes, and interprets the findings from both qualitative and quantitative approaches (Denzin, 2012). A researcher must have comprehensive knowledge of both qualitative and quantitative research to incorporate successfully the different findings and approaches (Covell et al., 2012).

Based on a careful review of the different research methodologies, I determined the qualitative approach was more appropriate to emphasize and address the research problem. I considered the use of quantitative surveys to collect data, however, a limitation of using quantitative survey is the narrow focus and interpretation of close-ended questions (Petty et al., 2012a). Quantitative studies sample sizes are typically

larger and more random than qualitative research (Petty et al., 2012a). For the purpose of this study, a purposeful sample within a single case study was more appropriate. A small number of focus group participants create an interactive and engaging environment for data collection. Qualitative research allowed the maximization of the depth and breadth of the responses for further discussion and analysis.

Although mixed-methods studies incorporate multiple collection methods, the intention of this study was to combine multiple methods of qualitative research within the case study design, as a practical approach to explore the research question and provide a holistic view of the Bulgarian MED industry. Yin (2014) concluded that case studies are applicable for exploratory purposes when the objective is to explore all aspects of the business problem qualitatively.

### **Research Design**

The case study approach applies to situations where there is a lack of accurate information and possible data-gathering obstacles (Hardy et al., 2011) as is the case for the Bulgarian microenterprise development industry. There are three types of case studies: exploratory, descriptive, and explanatory (Yin, 2014). Korsgaard (2011) concluded the use of case studies as the primary source for analyzing ANT because of the focus on exploring processes and linkages. Since I intend to explore strategies that MED leaders can use to help sustain small businesses in Bulgaria, I used a single exploratory case study approach.

A case study includes an in-depth analysis of the phenomenon occurring in the natural setting (Yin, 2014). Phenomenological research also includes the study of lived

experiences; the distinction is the method a researcher uses to collect the data.

Phenomenology represents only the collection of face-to-face interviews, but the case study approach requires multiple methods of data collection (Atherton, 2012). Multiple data collection methods including documentation and interviews contribute to the opportunity for the researcher to identify gaps and potential solutions (Yin, 2014). The majority of the data collection with the focus group and document analysis took place on-site during field visits.

A case study refers to an event, entity, individual, or unit of analysis (Yin, 2014). Rather than study an entire organization, case studies provide an opportunity to focus on a particular issue applicable to the organization (Noor, 2008). A detailed analysis of the specific case along with direct interaction with leadership supports the effort to understand the complexities of MEDs (Atherton, 2012). The of focus of this study included explaining the strategies that MED leaders use to support small businesses through the use of a focus group and company records.

Grounded theory researchers construct a theory to explain a process or interaction, and data is, usually, collected through interviews (Petty, Thomson, & Stew, 2012b).

Grounded theory was not an acceptable design because this study incorporates practical application rather than theory development and application. Narrative design researchers focus on historical events while a case study researcher seeks an understanding of current experiences and practical application (Gill, 2014). Ethnography researchers seek to analyze personal experiences to understand cultural experiences (Gill, 2014).

Ethnography and narrative do not include lived experience observations (Petty et al.,

2012b). Ethnography also requires extended periods of observation (Petty et al., 2012b) that did not fit with the purpose of the study or timeline for completing the study.

Through the review of possible research methods and designs for the study, I determined the research question should be qualitative. *How* and *why* research questions apply to case study research (Yin, 2014). Yin (2014) also indicated a researcher uses the research question to guide the research, and a case study researcher relies on multiple sources of information to explore and/or explain complex situations. The approach for this research was an exploratory qualitative single case analysis using a focus group, follow-up discussions, and documentation. The basis of the conceptual framework of this study was the networking of *actors* to share knowledge and resources, a researcher uses a focus group discussion to combine various perspectives regarding a specific topic of interest to share information (Carlsen & Glenton, 2011). The focus group session involved various actors from the MED industry to share knowledge and information about the networking relationships within the industry.

### **Population and Sampling**

I employed purposive, nonrandom sampling technique to choose participants who met study criteria, represented the microfinance market, and agreed to participate. A purposefully selected sample supports and validates the research by providing a range of perspectives (Petty et al., 2012b) and enable the researcher to select respondents based on criteria that complements the research (Rowley, 2012). The identification and selection of participants allow for a rich case study (Palinkas et al., 2013). Gill (2014) noted that due



to the nature and depth of collection techniques, participant numbers may be small (less than 20); larger numbers are neither practical nor obtainable.

Prior to collecting data, I obtained permission from the Walden University Institutional Review Board (IRB). Participation was voluntary and prior to participating in a focus group session, participants completed and signed consent forms (Appendix A). I wanted to ensure participants are not inconvenienced, embarrassed or feel threatened that information would be disclosed (Rowley, 2012). To ensure confidentiality, I changed the names of the organization and participants to pseudo names.

The domain of the entire study was Bulgarian MEDs. For this purpose, the case study included a one-hour focus group session with various leaders within the subject MED organization. Follow-up e-mails and video conferencing ensured the accuracy in interpretation of the findings from the focus group session. Finally, integration of secondary data (company reports) obtained during focus group session and site visits complemented the findings from the focus group session.

Using a purposefully selected Bulgarian MED, I conducted a single case study. The company was a small organization with seven executive leaders. I interviewed four managers and leaders within the MED organization as a focus group. Carlsen and Glenton (2011) concluded that focus groups tend to contain a small number of participants and even fewer numbers of focus groups to promote interaction and communication among participants. A general rule for data saturation in qualitative research occurs when no new themes emerge (Carlsen & Glenton, 2011; Walker, 2012). A researcher ensures data saturation through the appropriate use of data collection

methods that fit the research objectives and collecting data to the point that no new information emerges from the participants' responses (Carlsen & Glenton, 2011). Through multiple follow-up communications in addition to the focus group session, I ensured data saturation and verified the accuracy of data collected. Jennings, Greenwood, Lounsbury, and Suddaby (2013) provided supportive evidence that a single case study is appropriate for exploring networks in transitional communities. The findings may prove beneficial to other MEDs leaders for developing different approaches to attracting clients and investors while maintaining sustainability and scalability.

### **Ethical Research**

Data collection for the study did not occur until after approval by The Walden University Institutional Review Board (IRB) under the research approval number 08-01-14-0256774. Abbott and Grady (2011) defined the role of IRB is to ensure research adheres to professional and ethical standards. All participants prior to the start of the focus group session read and reviewed the consent form (Appendix A). The focus group session occurred in English.

Protection of personal rights and maintaining confidentiality was necessary measures researchers must take to gain trust and credibility (Qu & Dumay, 2011). Roomi (2011) recommended refraining from the use of names of individuals or organizations in the study by using pseudonyms. I refer to the organization as *Case A* and focus group participants as *PI*, etc. Khavul et al. (2013) stressed the importance of maintaining confidentiality and anonymity of the participants. Participants signed a consent form prior to taking part in the study (Appendix A). Voluntary participation from a designated group

is good ethical practice (Robinson, 2014). Participants did not receive incentives for participation but may request a copy of the findings at the conclusion of the study to use as they choose to further enhance their small business development strategies.

Dodourova and Martin (2012) provided their participants with a copy of the transcripts and preliminary analysis and asked participants to comment on the findings as a means of member checking.

Participants had the option to complete all, some, or none of the focus group session. Participants were able to withdraw from the study at any time before, during, or after the study via verbal or written communication. Robinson (2014) highlighted that voluntary studies support transparency while enhancing the validity of the study through open and honest disclosure. Per Walden University's data collection requirements, all data will remain secure in my home office for a period of 5 years after the completion of the study when I will destroy the data by shredding or electronic data erasing. Akhavan, Ramezan, and Moghaddam, (2013) maintained ethical protocol by securing and retaining data for a period of 5 years. Appendix A includes the Walden IRB consent forms outlining the university's ethical procedures and the authorization to conduct research.

### **Data Collection Instruments**

A researcher uses case study design to explore or examine a program, process, entity, or event in detail (Yin, 2014). The researcher collects detailed and in-depth data using a variety of data collection methods to support data and theme saturation and congruency over a period of time (O'Reilly & Parker, 2013; Yin, 2014). Appendix B contains the questions that guided the focus group session. Schultze and Avital (2011)

noted the importance of establishing a framework to guide focus group session but allowing for the freedom of expression and thought. The first step in generating themes begins with the questions contained in the interview guide (Qu & Dumay, 2011). I used the Focus Group Guide and Data Collection Instrument (Appendix B) as the primary tool for collecting data and followed the Focus Group Protocol (Appendix C) for assuring the study's reliability.

Over the course of one year, I collected data on the Bulgarian MED industry over several site visits. Researchers who live in and experience the conditions are better able to appreciate, understand, and interpret the research findings more accurately (Bruton et al., 2013). By purposefully selecting participants and using a focus group session, I explored a range of perspectives that lead to the attainment rich, holistic data (O'Reilly & Parker, 2013). By using an exploratory case study design, I provided rich data describing business strategies the MED's leaders may use to help small business leaders in Bulgaria grow and sustain operations.

The analytical process I used included (a) organizing data, (b) immersion in and interpretation of the data, (c) generation of themes, and (d) reporting of the analysis. On a spreadsheet, I summarized and categorized the information from the focus group session and organizational documents. Using this approach, I presented the findings as suggestions to the MED's leaders in a manner that is understandable and applicable.

Researchers may use various data collection instruments including questionnaires, surveys, interviews, observations, and existing documents and records (Yin, 2014). The first instrument of data collection was a focus group session with MED leadership.

Qualitative researchers use interviews when a researcher is interested in facts or insight into understanding the experiences of the participants (Rowley, 2012). Interviews can be time-consuming and difficult; thus, focus group sessions are a convenient and time-saving technique for the researcher and participants (Qu & Dumay, 2011). Focus groups provide an opportunity for a smaller participant pool that can reveal commonalities and differing perspectives (Vicsek, 2011). Simple but in-depth, open-ended questions establish the basis for focus group sessions. I conducted the focus group in English with MED leadership. Hiring an interpreter was expensive and would require additional research and ethics training for myself and the interpreter. I recognized that this was a limitation of the research. Since the organization's leaders spoke English, I conducted a semistructured qualitative focus group session in English.

The role of the researcher during a focus group is to guide the session while the interaction of participants directs the flow of the session (Qu & Dumay, 2011). The focus group questions included a wide array of questions regarding MEDs in Bulgaria. The structure included first, establishing rapport, followed by questions focusing on business practices of the Bulgarian MED. Appendix B included the focus group guide for the focus group session and the collection of data. The focus group interview protocol ensured all participants fully understood the objectives of the focus group session (Appendix C). A well-designed focus group and various data collection points ensure validity by ensuring participants supply all necessary information needed for a comprehensive analysis (Robinson, 2014). I cross-checked information obtained from the participants in the focus group session and company documentation, and validated data

accuracy through member checking (Robinson, 2014).

### **Data Collection Technique**

The data set included a single focus group session with leadership from the subject MED and company provided documentation. The focus group session took place at a MED business location in Sophia, Bulgaria, located in the Rhodope Mountain Region. Past literature and analysis of company documents from the organization supplemented the data obtained from the focus group session.

A researcher conducting a focus group session explores experiences and perspectives of a cross-section of key decision makers (Carlsen & Glenton, 2011; Gill, 2014). The exploratory case study design includes a semistructured in-person focus group session with organizational leadership (Vicsek, 2011). Semistructured interviews are most common, and take on a variety of forms with a variety of questions to meet the needs of the researcher and participants (Rowley, 2012). Perhaps the most difficult challenge in conducting a focus group is *group control* (Al Ghazali, 2014). The role of the researcher is to keep the focus group on track and encourage interaction among participants (Carlsen & Glenton, 2011).

The length of a focus group session, the number of participants, and the number of focus group sessions depend on the complexity of the research question and the resources available (Carlsen & Glenton, 2011; O'Reilly & Parker, 2013). A researcher must balance quantity of focus groups with the quality of rich data; too few or too many groups and participants can impact the quality of the findings (Carlsen & Glenton, 2011). Carlsen and Glenton (2011) recommended at least two focus group sessions but due to

limited availability of researcher and participants; only one focus group session occurred with follow-up discussions as necessary to achieve data and theme saturation. During the follow-up discussions, the participants shared company documentation and clarified questions. Follow-up e-mails and Skype conversations ensured clarity and accuracy of findings via the member checking process (Petty et al., 2012b). In an effort to better understand knowledge sharing within networks, Peters, Pressey, Vanharanta, and Johnston (2013) held focus groups 2 hours or longer. The focus group session was face-to-face and took place at the MED operation and lasted approximately 1 to 2 hours.

The focus group session occurred in English with audio recording per the approval of the participants. I took notes during the focus group session, noted potential themes, and asked follow-up questions during the sessions. Participants signed a confidentiality consent form (Appendix A) and were reminded of their rights and the confidential nature of the information before the interview began. The focus group lasted approximately 1 hour. In compliance with focus group protocol (Appendix C), the participants were informed that they could withdraw from the interview at any time without repercussion and that I would immediately destroy any raw data collected. I assigned pseudonyms to participants and organizations to protect their identity.

### **Data Organization Technique**

Organizing the data is critical to the final data analysis step. One method of data organization involves coding data from focus group transcripts and company documentation through labels or themes (Petty et al., 2012b). Researchers use the diary method to support, question, and generate data through the assessment of focus group

sessions (Schultze & Avital, 2011). Review of the journal entries and the focus group audio recordings provided an assessment of the shared information and identified themes. As themes emerged, I logged and coded corresponding notes using mapping. Mapping techniques enable researchers to identify similarities and connections between entities (Tricco, Tetzlaff, & Moher, 2011; Wheeldon & Faubert, 2009). Wheeldon and Faubert (2009) used concept maps to help organize and map connections and themes.

Maintaining the trust of the participants is important. Akhavan et al. (2013) stressed the importance of protecting research data by proper storage and disposal of data within 5 years. Ezenezi (2010) also concluded the importance of keeping data protected and only accessible by the researcher and protecting the privacy and confidentiality of all participants. I will keep all data for 5 years, after completion of the study, on a locked, password-protected personal hard drive and then shred or electronically erase the raw data.

### **Data Analysis**

In the literature review component, I focused on four areas for review during the data collection phase: (a) access to financial and nonfinancial resources, (b) networks and relationships, (c) sustainability, and (d) actor network theory. During the focus group session, I looked for these areas to emerge and noted how the MED leaders responded to these areas. Review of the organization's literature and documentation provided a basis for comparison with the data obtained from the focus group.

Triangulation refers to the concept of using multiple data sources to achieve a holistic representation (Carter, Bryant-Lukosius, DiCenso, Blythe, & Neville, 2014). I



used methodological triangulation that required the use of multiple types of qualitative data collection (i.e. observations, focus groups, and documentation) to increase the validity of the research (Carter et al., 2014). Triangulation also includes reflecting and comparing collected data to the data from secondary sources to find similarities and differences (Albino & Berardi, 2012). The goal of document analysis is to identify the context of the document, who wrote it, and for what purpose (Petty et al., 2012b). All case data supported addressing the overall research question and problem statement, within the context of the conceptual framework.

The final step in the analysis process was the interpretation and presentation of the findings. I analyzed and summarized the data using note cards. Petty et al. (2012b) noted that in regards to qualitative case study data analysis, researchers use various types of methods to capture and analyze the data. Qualitative researchers recognize the subjective nature of their findings and present them as insights, perspectives, and questions for future research rather than facts (Petty et al., 2012a; Rowley, 2012). The main objective of the data analysis was to relate the findings to the research question and ensure saturation by adequately and sufficiently addressing the research question and purpose of the study (O'Reilly & Parker, 2013). I will disseminate the findings through academia, small business owners, and MEDs channels to aid in future sustainability and growth of MEDs and small businesses in Bulgaria.

### **Reliability and Validity**

Four potential means for establishing the quality of research include (a) construct validity, (b) internal validity, (c) external validity, and (d) reliability (Yin, 2014).

Qualitative researchers use *dependability*, *credibility*, *transferability*, and *confirmability* strategies to assure the validity and reliability of their studies (Yin, 2014). The following subheadings address how I assured the reliability and validity of this study.

### **Reliability**

Reliability refers to the thoroughness and accuracy of a researcher's processes and description of those processes for interpretation of the data (Thomas & Magilvy, 2011). Ameer and Othman (2012) referred to reliability as the consistency and repeatability of a measure. Reliability in research occurs when other researchers can generate results at different times with different groups of participants, consistently (Yin, 2014). By providing a clear audit trail of procedures and processes for data collection, I ensure reliability for future research application (Petty et al., 2012b). The use of a semistructured set of focus group questions while following a consistent and documented general focus group protocol (Appendix C) ensures reliability (Yin, 2014). A researcher establishes protocol guidelines to ensure consistency, repeatability, and reliability (Schultze & Avital, 2011). By developing, documenting, and implementing consistent procedures for data collection, I establish reliability for this study.

### **Validity**

Researchers assess their studies' validity by checking the accuracy of the findings and applying consistency (Yin, 2014). Validity ensures the credibility, authenticity, and integrity of the research findings and conclusions, but some researchers sacrifice the validity for reliability, or vice versa (Yin, 2014). Yin (2014) defined construct validity as the degree of accuracy a researcher's measures align to the essence of the research

problem. By employing the most appropriate research methodology (qualitative) and design (case study) and along with data collection methods that fit the research objectives, I ensured construct validity (Robinson, 2014). The use of various research strategies including triangulation, audit trail, and reflective journaling assure studies' validity (Petty et al., 2012b).

Transferability is the extent to which the findings may apply to other contexts (Petty et al., 2012b). Purposeful sampling, rich descriptions, and reflective journaling are transferability strategies (Petty et al., 2012b; Thomas & Magilvy, 2011). A researcher reviews transcripts and field notes to find themes and differences while being mindful of personal bias and interpretations (Thomas & Magilvy, 2011). Recording and documenting each focus group session along with verification of transcripts with participants also ensured validity (Dodourova & Martin, 2012). The findings of the study apply specifically to the Rhodope Mountain region of Bulgaria, but the selected organizational leaders work with clients throughout Bulgaria. Through the comparison of other Eastern European countries with similar characteristics, a researcher may find justifiable comparisons. For example, Bulgaria compares to Romania in respect to past communist influences, with Poland because of similar political structures, and other Baltic countries that have similar currency regulations (Kostadinova & Dimitrova, 2012). The similarities of other post-communist and transition countries may result in the transferability of the findings beyond Bulgaria.

A method for confirmability included member checking (Petty et al., 2012b). Through member checking, participants verify the data and researcher interpretations

(Petty et al., 2012b; Tobias et al., 2013). Member checking affirms the accuracy of the information obtained through focus group sessions by checking with the participants to determine accuracy and consistency of the information obtained. Member checking occurred through follow-up conversations via e-mail and Skype to verify the information obtained during the focus group session. I conducted a single focus group session with participants and multiple follow-up discussions via e-mail and Skype to address confirmability (Carter et al., 2014). I continued to follow-up with participants until I achieved data saturation which is when no new information occurred. An audio recording of the focus group session provided an auditable record of the findings.

Data triangulation helps assure the trustworthiness of the qualitative research findings by providing a holistic approach to assuring the validity of the findings (Petty et al., 2012b). Through the use of methodological triangulation, I explored the business strategies MED leaders use to assist small business leaders by reviewing the findings obtained from field notes, the focus group session, and documentation (Carter et al., 2014). I used the multiple data types to explore and confirm conclusions by addressing the research question from the perspective of MED leadership. Qu and Dumay (2011) stated that a researcher's first step in finding themes comes from the development of the interview or focus group questions. If themes emerge through one information source and appear in another data source, the evidence supporting the themes are strengthened (Onwuegbuzie, 2009).

Prolonged observations, peer debriefing, and member checking are strategies for assuring credibility (Petty et al., 2012b). Actual field experience develops in-depth

understanding of the culture, climate, and experiences through frequent visits to Bulgaria. The more experience a researcher has with participants and setting, the more likely the validity and credibility of the findings (Yin, 2014). Working in the field as a business consultant with entrepreneurs and multiple meetings with MED leaders, I established creditability for the study's findings, conclusions, and recommendations.

### **Transition and Summary**

Section 2 of this study provided a summary of the study's purpose, the role of the research, and the participants. The Rhodope Mountain Region of Bulgaria provided the domain for the study. The intent of this qualitative case study was to explore the strategies that MED leaders can use to help sustain small businesses in Bulgaria. Through the use of a focus group session and company literature, I analyzed the responses from the participants and the organization's documents to explore the efficacy of the MED's leaders' strategies, while maintaining confidentiality and protection of the participants and the organization. The information from the focus group session may assist other MED leaders to create sustainable businesses thus creating sustainable income and employment opportunities within the small businesses in the Rhodope Mountain Region.

Section 3 begins with a review of the purpose statement and research questions. Section 3 contains the results of the study, a detailed analysis of the evidence, and provides a comparison of the findings with those expected from the conceptual framework and previous related studies. Section 3 concludes with implications for social change, research recommendations, and personal reflections.

### Section 3: Application to Professional Practice and Implications for Change

In Section 3, I outline the findings of the research study. The section includes (a) an introduction of the study, (b) presentation of the findings, (c) application to professional practice, (d) implications for social change, (e) recommendation for actions, (f) recommendations for further study, (g) reflections, and (h) summary and study conclusion.

#### **Introduction**

The purpose of this qualitative case study was to explore the strategies that MED leaders use to help sustain small businesses in Bulgaria. A single Bulgarian MED organization's leaders participated in a focus group session to share their knowledge and experiences regarding the MED industry and Bulgarian small business market. The research question that guided the study was the following: What strategies do MED leaders need to sustain small businesses in Bulgaria? Research participants included four managers and leaders from a MED organization with at least 3 years in operation in Rhodope Mountain Region of Bulgaria.

Data collection included a single focus group session with four participants and a collection of company documentation. The use of various collection methods provided for a triangulation of the data. The company-collected documents included financial reports, a business profile report, and a marketing PowerPoint presentation. The intent of this study was to explore the strategies MED leaders may use to help sustain Bulgarian small businesses. I analyzed the information from the company documents and the focus group transcript to identify themes and find common correlation among the data sources.

In the data analysis, I revealed three main themes: (a) access to financial and nonfinancial resources, (b) networking and relationships, and (c) sustainability and scalability. The data analysis also provided evidence of the challenges faced by MED leadership and the main business strategies that are critical to supporting the central research question. As I continued analyzing the data, I highlighted areas for future research and the practical business and social change implications.

### **Presentation of the Findings**

The research question that guided the study was the following: What strategies do MED leaders need to sustain small businesses in Bulgaria? Through a purposeful sample (Palinkas et al., 2013), I was able to gain access to company documents, and I conducted the focus group session on site. The use of multiple forms of data allowed for the maximum opportunity for repetition and relevance of the findings for data saturation (Walker, 2012). The chosen organization met the research study criteria of a MED business with at least 3 years of operation in the Rhodope Mountain Region of Bulgaria. Established in 2006, the organization had 31 offices offering various services and loans in the field of business development (D3). The managing director and three managers participated in the focus group and provided the company literature.

The director signed a letter of cooperation agreeing to the company's participation in the research study. Each focus group participant signed a consent form and agreed to have the sessions recorded. I met with the group on two occasions and conducted member checking via e-mail to verify the information collected (Robinson, 2014). Each focus group session lasted 1 hour at the company's headquarters. I referred to participants

as P1, P2, P3 and P4; the focus group session as FG1; and the company documents received as D1, D2, and D3. The company documents included a company marketing presentation (D1), 2014 financial report (D2), and the 2015 annual report (D3).

Through the literature review process, I uncovered challenges faced by many MED and small business leaders: (a) corruption, (b) competition, (c) human and financial capital, and (d) networking, which was later verified through the data analysis process. The themes of (a) access to financial and nonfinancial resources, (b) networking and relationships, and (c) sustainability and scalability provided further evidence and support of the underlining research question.

The conceptual theory builds on the concept of VBN and ANT by providing an understanding of entrepreneurial opportunities and business network strategies within the Bulgarian MED and small business industry. The participants supported the importance of networks, relationships, partnerships, and the sharing of information and resources within the industry. Within this study, I viewed the importance of the framework, but also the challenges to maintaining such a valuable chain of relationships. The case study approach served as an effective design to explore the MED industry in real-time setting (Yin, 2014).

### **Theme 1: Access to Financial and Nonfinancial Resources**

Access to financial and nonfinancial resources was a reoccurring theme throughout the company literature and the focus group session. Access to resources is not only a concern for MED leaders, but there is also a concern that MED leaders find their small business clients access to financial and nonfinancial resources (P3; D3). To combat



the problem with access resources, the MED offers financial and nonfinancial assistance to entrepreneurs. The company provides business loans, agricultural loans, investment management, lease financing, and business consulting and educational seminars (D1). The primary goal is to create trust through building partnerships and creating transparency to act in the best interest of the clients (D1).

Most start-ups fail to obtain bank financing because of (a) a lack of cash flow, (b) credit, (c) collateral, (d) a solid business plan, or (e) sufficient bank-borrower relationship (Ardic et al., 2012). MEDs base decisions on community relationships and the business plan (Samila & Sorenson, 2011). Traditional financing requires good credit and collateral of which a large percentage of Bulgarians do not have (Cassano et al., 2013; P3). The company considers the business objectives, growth potential, and business plan to determine the right amount of capital and other resources that are necessary for the client (P1). Each applicant receives a one-on-one consultation and a thorough review process before any funds are issued (P4); the process takes only a few days.

A growing problem for some entrepreneurs is over-indebtedness. The organization works to combat this problem by educating consumers on the total cost of loans before making a decision (D3). P1 stated that company employees work with clients to better assess and understand the business before issuing any funds. They also work with the clients when they encounter repayment issues to determine the cause of the problem (P3).

In Section 1, I identified that 60% of Bulgarian SMEs reported capital as an obstacle to business startup (European Commission, 2012), and the general business

problem was the lack of adequate capital. The company also assumed that the lack of money was the biggest hurdle for SMEs, but later uncovered that market access and knowledge are more of an obstacle (P1). Continuing to offer financial resources as a major resource for entrepreneurs, the organization noted that selling product at the best price and a working knowledge of the market structure are just as important, if not more critical to success (P3).

The organization serves as an intermediary to help guide clients through understanding pricing, manufacturing, and selling of goods and services (P3). The organization also brought together farmers to create buying power among the farmers (P3). As a result of the farmers working together to sell their goods, they were able to capture a larger share of the market and create more stable businesses (P3). The organization also reaps the benefits by gaining trust and new clients to support (P1).

The organization offers business consulting, a network of resource contacts, and free seminars (D3, P1). Some of the resources provided included assistance in applying for EU grants, business insurance, tax, accounting and legal advice, and market intervention (D3). The company attracts new clients through offering these additional services and the networks.

## **Theme 2: Networking and Relationships**

The second theme discovered was networking and relationships. This theme correlates to the conceptual framework of this study. Networking provides entrepreneurs the opportunity to connect with professional resources and obtain financing through financial intermediaries such as MEDs (Aman & Tahir, 2011). A key challenge for

entrepreneurs and MED leaders to overcome in Bulgaria is the high degree of corruption and competition. Networks create partnerships that lead to increased human and financial resources for MEDs and SMEs. Financial intermediaries stimulate economic development through the promotion of new businesses and networking (Samila & Sorenson, 2011). The role of MEDs within the community is to pool resources and link individuals and organizations to find sustainable solutions (Shahidullah & Haque, 2014). The organization is a network of seven companies with over 15 years of experience servicing the small business needs in Bulgaria (D1).

Bulgarians show an extreme distrust to others outside of their personal network (Lau et al., 2012). MEDs are working to provide transparency and build trust among the Bulgarian SMEs (D3). The organization uses grassroots marketing to build relationships to promote the business and create partnerships. These relationships help the organization build networks to support small business owners and also draw in new clients. Networks provide opportunities for market access and building credibility of the entrepreneur and the MED within the community (Aman & Tahir, 2011).

The specific ways the theme emerged from the participant responses was when Participant 3 described the complex agricultural association structure. In Bulgaria, there is over 25 fruit and vegetable associations, all work independently. Without an experienced consultant like the MED organization, new entrepreneurs are left lost and confused on how to network within the associations, bring their products to market, meet regulatory restrictions, and competitively priced products. Networks and relationships provided by the MED leaders help entrepreneurs overcome these challenges (Welter &

Smallbone, 2011). The company provides the tools and contacts necessary to enter and maneuver this complex structure.

While the company provides a network of resources and relationships to help small business owners be successful, the organization finds it difficult to network with other MEDs (P2). Surlenty et al. (2011) noted that a successful initiative is to partner and network with other similar organizations to assist each other with scalability and sustainability issues. Peters et al. (2013) stressed the importance of understanding how actors within a network align, relate to each other, and the value each actor brings to the network. The organization has not been able to network successfully with other MEDs within Bulgaria but has developed relationships with other MEDs in other countries (P3). This relationship provided valuable knowledge to help the business grow (P3). Participant 2 added that small business leaders can find sustainability guidance, training, support systems, and resources through their organization and other MEDs.

### **Theme 3: Sustainability and Scalability**

Sustainability and scalability was the third theme that emerged from the data. The demand for microfinance exceeds the availability of the MED resources (Hes, Neradova, & Srnec, 2013). Sustainability refers to the financial funding of the organization to continue to support financially the business and the clients (Danciu, 2013). Scalability refers to the ability of the organization to continue to provide personal attention and support to clients while continuing to grow to reach more clients (Khavul, Chavez, & Bruton, 2013).

The company is a microfinance institution, registered as a non-bank financial institution and regulated by Bulgarian National Bank (D3). Based on the current financial structure and the shareholders' investments, the organization has access to financial capital to continue support SMEs (D2). In addition, the organization does not provide loans in excess of 5000 Euro (P1). Larger investments require the organization to refer clients to a bank (P2). These microcredit loans have shorter loan cycles, smaller amounts, and more frequent repayment schedules (Kumar et al., 2013), which helps the company's cash flow and financial stability (D3).

Providing funding to small businesses is not without risk. The organization finds that the evaluation process without the use of collateral makes the company vulnerable. To be more transparent and consistent, the organization is working to develop an elaborate scoring and evaluation system (D3). The participants highlighted the need to respond quickly to clients regarding the loan decision. The decision making process and the due diligence performed by the organization helps to ensure loans are not delinquent, but requires a high amount of human and financial resources that may jeopardize the scalability and sustainability of the organization.

Most of the clients are in remote villages and require extensive personal attention in the form of education and training (D3). The focus group session provided evidence on how critical the company's personnel are to the success of the operation and its clients. Clients view the company's consultants as part of the family and reach out to them for support and advice (P3). With only 31 one-person offices throughout Bulgaria, the amount of time and effort required to serve each client's needs becomes a challenge. The

leaders want each office to be self-sufficient, which requires much independence and trust (P3). The company works to create a balance between efficiency and profitability while maintaining close partnerships with their clients (P2). The company wants to be close to the client while maintaining profits and sustainability.

The research findings were consistent with the conceptual framework and the key themes identified from the literature review. Gayangani and Jayawarddana (2012) noted there are multiple obstacles for small business owners to overcome to maintain growth and longevity. Contrary to the notion that access to capital was the most critical component of sustainability, from the findings I concluded that rather it is a combination of factors that leads to sustainability. Participant 3 described it as the right product at the right price in the right market. MEDs leaders provide a network of resources (financial and nonfinancial) to provide entrepreneurs with the knowledge and skills necessary to lead to increased sustainability. Networks provide market access (Aman & Tahir, 2011) and loan repayment accountability (Kumar, 2012).

### **Applications to Professional Practice**

The main objective of the study was to explore strategies that MED leaders may use to help sustain small businesses in Bulgaria. The findings from this study indicated the need for partnerships within the MED industry as a key strategy. Developed networks provide access to financial and nonfinancial resources and aid in the scalability of the resources of the MED organizations.

The MED sector plays a significant role in improving access to finance and encouraging entrepreneurship. The 2013 Bulgarian Small Business Act helped to remove

many obstacles experienced by small business owners and encourage the involvement of more MEDs (European Commission, 2014). While the act improved the small business industry environment, entrepreneurs still lack the adequate skill set (European Commission, 2014). MED leaders can use the findings to help entrepreneurs prepare for owning a small business by providing the needed training and resources. The findings provided a guide for leaders of both business and financial institutions towards better working relationships along with safer access to funding and other resources for SMEs and MEDs.

### **Implications for Social Change**

Entrepreneurship provides a venue for economic development and a solution for the high rates of unemployment in Bulgaria. One of the most influential ways to reduce poverty is to create employment and provide income-generating opportunities (Pathak & Gyawali, 2012). MEDs contribute toward generating employment and economic development of Bulgarian regions where they operate (Pathak & Gyawali, 2012). The results of this study provided information to organizational leaders, and financial investors regarding the impact MED organizations have on the small business industry and the Bulgarian economy. MEDs are one of the most effective poverty reducing and entrepreneurial development strategies (Maharana, 2013). MEDs aim to contribute to poverty reduction and development of human potential by making financial and nonfinancial capital more accessible to entrepreneurs (D3). The findings from this study revealed new and hidden challenges embedded in the MED industry. The efficient

management of these activities can enable businesses and investors to address management's obligation and inefficiencies.

Constantly confronted with the issues of sustainability and accessibility, MED leaders, the findings from this study could benefit by providing solutions to finding and developing scalable models that build networks, create sustainability, and provide venues for capital funding. Access to sufficient capital enables entrepreneurs to sustain business financial demands, improve creditability with customers and suppliers, compete, and grow a business (Bates & Robb, 2013). Borrowers do not always make the best economic decisions when it comes to investment. By partnering with other MEDs, business leaders, regulators, and financial investors, the industry can work together to understand and address the increasing problem of over-indebtedness (D3). Education on interest rates, payment arrangements, and different financing options are critical to entrepreneurs finding the right capital source to meet their needs (Maharana, 2013). Through education, consulting, and partnering with clients about investment management and efficient business plans, the clients can make more informed financial decisions for sustainable businesses.

### **Recommendations for Action**

Constantly confronted with the issues of sustainability, relationships, scalability, and accessibility, the findings from this study could benefit MED leaders, investors, regulators, partner organizations, and small business owners. The study participants provided insight into the difficulties and challenges MED leaders face. MED leaders must be aware of the challenges also faced by SME leaders.



I plan to apply and disseminate the results of this research in the United States and Bulgaria. I presented this research at the 2014 Walden University Symposium and to the participants and other MED leaders in Bulgaria in October. In compliance with the terms of the Walden research fellowship grant, I will provide a one-to-two-page executive summary to the Walden University grant approval board. I also plan to translate and disseminate the published document in Bulgarian.

MED leaders can take proactive steps to assist SME business leaders to become more sustainable. The first recommendation for both MED and SME leaders is for the leaders to participate in value-based networks. Participants consistently discussed the need to network with other MEDs within Bulgaria. The clients in remote villages lack the knowledge and networks to be successful (D3). Sharing information among other MEDs enables organizations to learn from each other and help expose clients to more resources and assistance. Networks also create a sense of trust and transparency.

The organization revealed that many clients come to them without a solid business plan (D3). The organization is currently not equipped with the expertise or scalability to provide this level of service (P1). I recommend the organization network with leaders of other small business development programs that have the expertise and the labor to work effectively with clients to develop business plans. After a client successfully develops a business plan, then the client may work with the organization to gain financial support and other business support.

In addition to business plan support, the MEDs should continue to educate and consult with entrepreneurs. Helping entrepreneurs learn sustainable business practices,

helps MEDs ensure a return on investment and continue the growth of the MED industry. The entrepreneurs in remote villages are an untapped market of entrepreneurs requiring financial resources and education that traditional banks are unable to reach. The challenge is for MEDs to create a model that enables them to reach these entrepreneurs while maintaining sustainability and scalability.

The findings from this study are an opportunity to enhance the knowledge of MED leadership in Bulgaria. When leaders fail to fully understand the challenges of their clients, the ability to help them quickly diminishes. The study may prove beneficial to corporate leaders and stakeholders in general by sharing information or by provoking their thinking in areas of improvement within the MED industry. The findings may also elicit interest in training programs, seminars, workshops that MED leaders can offer to their clientele to further educate, offer supportive networks and access to resources.

### **Recommendations for Further Research**

The purpose of this qualitative case study was to explore strategies that MED leaders use to help sustain small businesses in Bulgaria, but not the strategies that SMEs use to create sustainable businesses. Recommendations for future study include applying the knowledge obtained from this case study and further examining the qualitative and quantitative aspects of MED strategies on small business leaders. Conducting additional studies could provide a deeper understanding of the MED industry and the impact it has on small businesses in Bulgaria. Additional research requires a deeper understanding on how networking opportunities for small business owners influence the MED market. Interviews with Bulgarian entrepreneurs may provide a unique perspective on the

resources provided by MEDs. The researcher's skills, access to participants, and the ability to communicate effectively with the participant pool limited the outcomes of study. Since establishing trust, credibility, and partnerships within the Bulgaria MED and small business industry, future research opportunities may not be as limited by language barriers, geography, and access to the participant pool.

### **Reflections**

Having the opportunity to interact and observe microenterprise development in action in Bulgaria provided the opportunity for me to witness first-hand the challenges small business and MED leaders face. The research process provided the opportunity to interact with MED leaders and small business owners in Bulgaria. I learned a great deal about the history, culture, and people of Bulgaria. During the research process, the perceptions and understanding of the MED industry evolved. I believe that the study's execution required full immersion into the MED industry to gain a true appreciation for the challenges. I am grateful for the opportunities I had and will continue to work with the Bulgarian business community.

The doctoral study journey was not easy; I encountered many obstacles and challenges. I encountered many personal, professional, and academic challenges on the journey to a terminal degree. The research problem went through many revisions before finally receiving approval. However, I continued to challenge myself to make progress toward the goal of attaining a doctoral degree. The doctoral process prepared me to contribute scholarly and professionally to the world of business and academics.

### **Summary and Study Conclusions**

Obtaining sufficient access to financial capital along with (a) lack of support, (b) market access and geographical constraints, (c) lack of infrastructure, (d) growth and expansion challenges, (e) lack of market knowledge, (f) poor business expertise, and (g) lack of management skills are obstacles faced by entrepreneurs (Gayangani & Jayawarddana, 2012). MED leaders also face challenges of attracting clients and investors to continue to become a viable solution for the SME business community. The main research question that guided this study was about MED strategies to support Bulgarian small businesses. The conceptual framework of the actor network theory provided the foundation for the study.

The findings from this study could benefit MED leaders, clients, academia, investors, and regulators within the MED industry. MEDs should create networks with other MEDs to learn and collaborate with each other to further support and reach remote entrepreneurs. Expanding nonfinancial resources of consulting and education helps entrepreneurs understand business risks, financial management, and effective marketing. MEDs providing these services can continue to support the small business leader, grow their market, and maintain sustainability and scalability.

The study participants provided exceptional and adequate insight into the challenges MED leaders face in supporting Bulgarian small businesses. Leaders must be aware of needs of their clients and offer the most supportive network of resources to meet these needs. Growth and market expansion enable MED leaders to potentially expand services to the remote areas where there is limited access to these needed resources.

Quality and scalability of services continues to be a major hurdle for many MED leaders.

In conclusion, the exploratory single case study provided an approach to identify business strategies MED leaders can use to help Bulgarian small business leaders.

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## Appendix A: Informed Consent Form for Participants

### Consent Form for Focus Group Participants

You are invited to take part in a research study titled “Networking the Relationships of Microenterprise Development in Bulgaria.” You are invited to participate because you are a leader of a microenterprise development organization located in Sophia, Bulgaria that has been in business for at least three years.

This form is part of a process called “informed consent” to allow you to understand this study before deciding whether to take part or not. This study is being conducted by a researcher named Kristina Harris, who is a doctoral student at Walden University.

#### **Background Information:**

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

#### **Procedures:**

If you agree to be in this study, you will be asked to participate in an open-ended interview and share your views, opinions, and insights into the topic. The interview will last approximately 60 minutes and will take place in a private room located at your office or an agreed upon location. The session will be audio-recorded. The researcher will share her interpretations of the discussions. She will present the themes/patterns and what they represent to each participant, and will ask you whether the themes/patterns resonate with the experiences you shared.

The research question you will be asked to explore is: *How can MED leaders develop strategies to help sustain small businesses in Bulgaria?*

#### Focus Group Questions:

1. Who are your customers? How do you find or attract customers?
2. What background or skills does your organization offer to help entrepreneurs become successful?
3. What are your firm’s strengths? Weaknesses?
4. What are entrepreneurs looking for from MED agencies?
5. What are some of the small business funding or support programs available to your clients?
6. How have small business owners used your MED to enhance the growth of their microenterprises?
7. What programs are your organization leaders currently developing to help small business leaders maintain organizational sustainability?
8. What barriers or challenges do small business owners experience?
9. What barriers or challenges have you experienced that prevents your organization from growing?



10. Do you have working relationships with other organizations? Explain. How have you and your customers used these relationships? Please explain how you and your customers have used these relationships.

**Voluntary Nature of the Study:**

Your participation in this study is voluntary. This means everyone will respect your decision of whether or not you want to be in the study. If you decide to join the study now, you can still change your mind during the study. If you feel stressed during the study, you may stop at any time. You may skip any questions you do not wish to answer.

**Risks and Benefits of Being in the Study:**

Being in this type of study involves some risk of the minor discomforts that can be encountered in daily life, such as fatigue, stress or becoming upset. Being in this study would not pose risk to your safety or wellbeing.

A potential benefit could be that the findings of the study could support the activities of your microenterprise development organization and could enhance your business experience.

**Privacy:**

Any information you provide will remain confidential. The researcher will not use your information for any purposes outside of this research project. Also, the researcher will not include your name or anything else that could identify you in any reports of the study. Electronic data will be kept secure in a password-protected electronic folder and the written notes in a locked file cabinet drawer. Data will be kept for a period of 5 years, as required by the university and will then be destroyed.

**Contacts and Questions:**

You may ask any questions you have now. Or if you have questions later, you may contact the researcher via Kristina.Harris2@waldenu.edu. If you want to talk privately about your rights as a participant, you can call Dr. Leilani Endicott. She is the Walden University representative who can discuss this with you. Her phone number is 612-312-1210 (for US based participants) OR 001-612-312-1210 (for participants outside the US). Walden University's approval number for this study is **08-01-14-0256774** and it expires on **July 31, 2015.**

The researcher will give you a copy of this form to keep.

**Statement of Consent:**

I have read the above information, and I feel I understand the study well enough to make a decision about my involvement. By signing below, I am agreeing to the terms described above.

Printed Name of Participant

Date of consent

Participant's Signature

Researcher's Signature

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## Appendix B: Focus Group Guide and Data Collection Instruments

**Purposive sample**

<b>I Demographic Information Section:</b>			
Organization name:			
Focus group date:		Start time:	End time:
Focus group location:			
Sex of participant: M <input type="checkbox"/> F <input type="checkbox"/>			
Participant's titles:			
Participant's Time with the organization		Years:	Months:
<b>II Criteria</b>			
1	How long has your organization been working with small businesses in Bulgaria? (# of years)	Established Date:	
3	How many businesses has your organization helped launch?	4 Loan Default Rate	Success Rate
5	Types of Programs/Services Offered:		
	<input type="checkbox"/> Grants <input type="checkbox"/> Loans <input type="checkbox"/>		
	Consulting/Training <input type="checkbox"/> Other		
6	Types of Clients Businesses:		

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Small/Micro  Medium  Large

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### **III Focus Group Questions Section:**

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- |       |   |
|-------|---|
| 1     | Who are your customers? How do you find or attract customers?   |
| <hr/> |   |
| 2     | What background or skills does your organization offer to help entrepreneurs become successful?   |
| <hr/> |   |
| 3     | What are your firm's strengths? Weaknesses?   |
| <hr/> |   |
| 4     | What are entrepreneurs looking for from MED agencies?   |
| <hr/> |   |
| 5     | What are some of the small business funding or support programs available to your clients?  |
| <hr/> |   |
| 6     | How have small business owners used your MED to enhance the growth of their microenterprises?   |
| <hr/> |   |
| 7     | What programs are your organization leaders currently developing to help small business leaders maintain organizational sustainability?   |
| <hr/> |   |
| 8     | What barriers or challenges do small business owners experience?  |
| <hr/> |   |
| 9     | What barriers or challenges have you experienced that prevents your organization from growing?  |
| <hr/> |   |
| 10    | Do you have working relationships with other organizations? Explain. How have you and your customers used these relationships? Please explain how you and your customers have used these relationships. |
-

### Appendix C: Focus Group Protocol

Prior to the focus group session, all participants will receive a copy of Appendix A and B for review.

- Introductions (researcher and participants)
- Review consent form. Answer any questions or concerns from participants. Provide explanation of the focus group session: structure, length, recording, follow-up discussions.
- Participant and research sign consent forms. Researcher provides a formal copy to all participants after the focus group session.
- Turn on recording device. Document the date/time.
- Begin focus group session with question #1; follow through to the final question. Follow up with additional questions. Allow for the interaction of participants and participant questions at the end.
- Thank the participant(s) for their participation. Provide researcher contact information for follow-up questions and concerns from participants. Indicate that transcripts and recording will be made available at a later date along with possible future session or follow-up discussions.
- End recording and session