

**THE ROLE OF THE FAMILY –OWNED BUSINESS IN INDIVIDUAL  
DESIRE TO BE AN ENTREPRENEUR: AN EMPIRICAL STUDY FROM  
REPUBLIC OF KABARDINO-BALKARIA**

**AİLE İŞLETMELERİNİN GİRİŞİMCİLİK EĞİLİMİNDEKİ ROLÜ:  
KABARTAY-BALKAR CUMHURİYETİ ÖRNEĞİ**

**Yrd. Doç. Dr. Nergis AZİZ<sup>1</sup>  
Yrd. Doç. Dr. Susanna AYVAZ<sup>2</sup>**

**ABSTRACT**

*This research aims to contribute to the empirical literature by examining the influence of family owned businesses on entrepreneurial motives, problems and opportunities between individuals whose families run their own business and those who do not. The literature related to entrepreneurship was reviewed and the hypotheses were proposed. Results and implications for future research were discussed.*

*The questionnaire was administered between May 2013 and August 2013 to entrepreneurs operating in small and medium sized firms in centre of Kabardino-Balkarian Republic. Small and medium sized companies were chosen as a sample because of the role they play in the economy of country. Face-to-face surveying method was applied in order to collect the data. No incentives were offered. 125 completed surveys were collected and 12 were found to have incomplete data. Mann-Whitney test was applied to determine differences between the groups studied. Study findings suggest that there is a significant difference in perceived economic conditions, marketing opportunities and family tradition motive between entrepreneurs whose families run their own business and those who do not. Research underlines the significance of investigating factors influencing entrepreneurial motives.*

**Key Words:** Entrepreneur, Economic Conditions, Marketing Opportunity, Family Tradition Motive, Transition Economy, The Republic Of Kabardino-Balkaria (Russian Federation).

**JEL:** M19, M29.

**ÖZET**

*Çalışmada aile işletmelerinin girişimcilerin motivasyon faktörleri, problemleri ve fırsatları üzerindeki etkisini inceleyerek literatüre katkıda bulunmayı amaçlamıştır. Girişimcilik ile ilgili literatür incelenmiş ve hipotezler geliştirilmiştir. Bireyler aile işletmesi olan ve olmayan girişimciler olarak gruplandırılmış ve karşılaştırılmıştır. Araştırma bulguları elde edilmiş ve ileriye yönelik çalışmalarda önerilerde bulunulmuştur.*

*Mayıs-Ağustos 2013 tarihleri arasında Kabartay-Balkar Cumhuriyeti başkenti Nalçik'te faaliyet gösteren küçük ve orta ölçekli girişimcilere anket yapılmıştır. Küçük ve orta ölçekli işletmelerin örneklem olarak tercih edilmesinin sebebi bu işletmelerin ülke ekonomisine önemli katkıda bulunmasıdır. Yüz-yüze anket yöntemi uygulanmış olup cevaplayıcılara herhangi bir maddi katkı teklif edilmemiştir. Toplanan 125 ankettten 12 geçersiz sayılmıştır. Araştırmada Mann-Whitney testi uygulanmış ve gruplar arasındaki farklılıklar tespit edilmeye çalışılmıştır.*

*Analiz sonucunda elde edilen bulgulara göre aile işletmesi olan ve olmayan girişimciler arasında algılanan ekonomik şartlar, pazarlama fırsatları ve aile geleneği motivasyon faktörü açısından*

<sup>1</sup> Suleyman Sah University, Istanbul, Turkey, [naziz@ssu.edu.tr](mailto:naziz@ssu.edu.tr)

<sup>2</sup> Suleyman Sah University, Istanbul, Turkey, [sayvaz@ssu.edu.tr](mailto:sayvaz@ssu.edu.tr) (Corresponding author)

*önemli farklılık bulunmaktadır. Araştırma, girişimcilerin güdülerini etkileyen faktör öneminin altını çizmektedir.*

**Anahtar Kelimeler:** Girişimci, Ekonomik Şartlar, Pazarlama Fırsatı, Aile Geleneği Motifi, Geçiş Ekonomisi, Kabartay-Balkar Cumhuriyeti.

**JEL:** M19, M29.

---

## 1. INTRODUCTION

Entrepreneurship plays an important role in the national economic development because it generates continuous business renovation and employment, nurtures profits and encourages social responsibility (Acs et al, 2008a, Tang and Koveos, 2004:). Transition economies are characterized by the lack of available credit, bureaucratic red tape, and lack of information which are strong obstacles for individuals who are willing to start a new business (Kaufmann et al., 1995).

The Republic of Kabardino-Balkaria is a federal subject of Russia. Before the collapse of the Soviet Union the leading branches in economy of Kabardino - Balkaria were heavy industries (non-ferrous metallurgy, power engineering, mechanical engineering and metal working, mining and processing of tungsten-molybdenum ore). After the collapse of the Soviet Union many large companies and entire industries had to close down. The years of changeover affected the economy mostly, as a result the production became unprofitable and the old ties between enterprises were broken.

Nowadays many regions of Russia are narrowly focused on certain areas of activity, therefore their economies does not match the interests of the Russian economy. The economy of Kabardino-Balkaria is one of the least competitive in Russia. The economic problems of the republic are of the same nature as in other regions of the federation, but here they are aggravated by the extremely ineffective usage of available natural and human resources. The policy makers of the Republic of Kabardino-Balkaria should develop and implement programs that motivate entrepreneurs in order to gain economic development, employment, competitiveness and innovation (Baumol, 1968; Thurik and Wennekers, 2004, Acs et al 2008).

Entrepreneurial families play a significant role during the development of new businesses as they contribute to job creation, provide information and equip with entrepreneurial skills (Shanker and Astrachan, 1996). Therefore, it is important to know what are the motives that drive entrepreneurs and also how family own businesses influence the entrepreneurial motives, problems and opportunities. Scarce research has addressed entrepreneurship in developing countries and underdeveloped countries (Bustamam, 2010). There is a lack of accurate information about entrepreneurial activities in the New Russia (Hisrich and Grachev, 1993). Also, research has not addressed entrepreneurial dimensions in transitional countries located in Caucasus and Central Asia (Yalchin and Kapu, 2008). Fatoki et al (2010) underline the significance of identifying the motivation and perceived problems of entrepreneurs in order to decrease obstacles that hinder business formation. For this purpose, this study aims to contribute to knowledge on entrepreneurial motives of Kabardino-Balkarian individuals by investigating whether there is a difference in perceived economic conditions, marketing opportunities, and family tradition motives between entrepreneurs whose families run their own business and those who do not. In order to address our question of whether family owned businesses influence entrepreneurial motives of individuals in the Republic of Kabardino-Balkaria (Russian Federation) we employed a questionnaire.

The paper is structured as follows. We try to contribute to the empirical literature by revealing motives, problems and opportunities of Kabardino-Balkarian entrepreneurs and examining whether there are differences between individuals whose families run their own business and those who do not. We first reviewed the literature related to entrepreneurship, developed a questionnaire and tested the hypotheses. We then discussed the results and implications for future research.

## **2. BRIEF ON THE REPUBLIC OF KABARDINO-BALKARIA**

The Kabardino-Balkarian Republic is a federal subject of Russian Federation located in the North Caucasus. It borders on Georgia in the south, the Stavropol Territory in the north, the Karachay–Cherkess Republic in the west and the North Ossetia in the east and south-east. The area of the republic is 12.5 thousand km<sup>2</sup>. There are 8 districts, 7 cities, 7 towns in the Kabardino-Balkaria Republic (Geographical Encyclopedia, 2013, retrieved 30.08.2013). The population density is 63.2 people per km<sup>2</sup>, which is higher than the average rate in the North Caucasus region (53.3 persons per sq. km.) The population of the Kabardino-Balkaria Republic is 860.000 people. The ethnic composition of Kabardino-Balkaria isn't homogeneous. Kabardians make up 57.2 % of the population and Balkars form 12.7 % of national structure. The percentage of Russian population is relatively high (22.5 %), the share of other nationalities (currently over 90) make up 7.7 % (The Federal State Statistics Service, "Socio-demographic Profile of Russia", 2012, p.15, p. 96, retrieved 25.08.2013). Kabardians speak Kabardino-Circassian language Abkhaz-Adyghe group of the Caucasian language family, Balkar - in Karachai-Balkar Turkic family of the Altaic language makrofamily. Islam, Christianity (Orthodox persuasion) and Judaism are the traditional and officially recognized religions in Kabardino-Balkaria. Most of Kabardians and Balkars believers are Sunni Muslims of the Hanafi school of thought.

The Kabardino-Balkarian Republic is one of the 83 regions that form the Russian Federation. The main sectors of the economy of Kabardino-Balkaria are manufacturing - 11.3 %, agriculture - 21.8 % and construction - 7.7 % of the gross regional product. The unemployment rate in the country amounted to - 10.8 % and the per capita cash income - 12.636,2 Rubles (approximately \$ 391). According to the unemployment rate Republic takes 76th place in the Russian Federation (10.8 %), and 75th place according to the average per person cash income (The Federal State Statistics Service, "Regions of Russia", 2012, retrieved 25.08.2013).

The Kabardino-Balkaria Autonomous Region was established as an independent administrative structure in 1992 and in 1936 it was transformed into an autonomous republic (Skakov, 2001). According to the Constitution of the USSR, the Soviet republics were considered sovereign while autonomous did not have such a status. Beginning of a process of sovereignty of Kabardino-Balkaria was launched in January 31, 1991, when the Supreme Council KBASSR proclaimed the Declaration on State Sovereignty. After the Soviet Union collapsed, the formation of a new state in the Kabardino-Balkaria has found legislative recognition in the Constitution of the Republic. The draft of the constitution was widely discussed in the press and was accepted by the Parliament of the CBD, September 1, 1997. According to the Constitution the Kabardino-Balkaria is defined as a sovereign state included in the Russian Federation. In terms of Kabardino-Balkaria's direction form, it is republic with a dominant position of the presidency in the power structure (Sabanchiev, 2011). The election campaign of the first president of Kabardino-Balkaria, in January 1992, was held in the situation of an acute systemic crisis. The election of the first President of the Republic V.M. Kokov didn't improve the socio-political situation (Dzhantueva, 2012).

In September 2005, after the resignation of V. Kokov, who left his post due to health reasons, the President of Kabardino-Balkaria Republic appointed businessman A. Kanokov. In September 2010, A.B. Kanokov reconfirmed for a second five-year term in office (Sabanchiev, 2011).

### **2.1. Entrepreneurship in the Republic of Kabardino-Balkaria (Russian Federation)**

Entrepreneurship is the main factor of economic development, which is one of the most flexible, easily adaptable to new market situations. Therefore, the development of entrepreneurial potential is essential for the emergence of the preconditions leading to economic growth (Gesheva, 2011).

The market economy involves the coexistence and interaction of enterprises of different types and sizes. Big business provides the basic needs of the national economy, using advantages of mass production, the medium-sized enterprises meet quite stable demand trends, small enterprises occupy the same place in the market to meet local demand and the specific needs for specialized products and services, including the sphere of innovation (Chikatueva et al., 2011).

Federal Law № 209-FZ "On the development of small and medium enterprises in the Russian Federation", classifies companies into the following groups (Federal Law of Russian Federation, 2007):

- medium-sized enterprises - with the number of employees from 101 to 250 inclusive;
- small businesses - employing up to 100 people including for small businesses; among small businesses stand out microenterprises - employing up to 15 people;
- individual entrepreneurs (those included in the Unified State Register of Individual Entrepreneurs and engaged in entrepreneurial activities without forming a legal entity).

The nature of the business potential of Russia is determined by the transition state of the Russian economy. Russia has demonstrated the ability to rapid formation of the entrepreneurial infrastructure and entrepreneurial class. In just 10 years thousands of market structures were formed and millions of owners emerged in Russia. However, there is still a strong dependence of private entrepreneurs from the government and many officials have a huge opportunity to control private business, its permission or prohibition. Such a situation is typical for the economy of Kabardino-Balkaria (Gesheva, 2011).

There is considerable reserve capacity of Kabardino-Balkaria economic potential in the sector of small business. It is this form of economic organization which in the best extent meets the tradition of production in the Republic, its agricultural specialization and the mentality of its people. In addition to this, small business, without requiring large upfront investments, guarantees fast circulation of resources, helps economically and efficiently solve problems of economic restructuring, responds flexibly to changing market conditions, gives extra stability to the economy and the positive dynamics of growth. Substantial potential for dynamic growth by the forces of a small business is concentrated in the sectors of production and processing of agricultural products, in the construction industry and construction, in the area of health resort and tourist excursions, as well as in the field of public services in rural areas.

Over the past 5 years, the number of small and medium-sized businesses in the Kabardino-Balkaria Republic has doubled. Today 5,636 small and medium-sized enterprises and 29,454 individual entrepreneurs operate in Kabardino-Balkaria. The number of employees in small businesses in relation to the total number of employed in the economy of the Kabardino-Balkaria Republic is estimated at 30 % (95 thousand people) (Government

Portal of the Republic of Kabardino-Balkaria, 2012, retrieved at 25.08.2013).

Over the past six years extensive work was carried out to establish a framework for the development of infrastructure to support small and medium-sized businesses in the Kabardino-Balkaria, as well as the creation of state system support in the country, consisting of a variety of legal, financial, property arrangements. However, despite this, the small and medium enterprises didn't come to a proper higher level of development in the republic. The main problems are administrative barriers, the limited financial resources, low availability of land and the necessary infrastructure, a large fiscal burden, inconsistency and unpredictability of the current legislation, the transition of business in an innovative direction, limited access to markets, lower development of youth entrepreneurship (Bizhoeva, 2013).

### **3. THEORETICAL FOUNDATION**

#### **3.1. Entrepreneurship**

Entrepreneurship is a significant field which gained attention from academicians, scholars, policy makers, and businesspeople. However, there is no agreed definition of entrepreneurship (Gartner, 1990; Spencer et al, 2008). According to Venkataraman (1997:6) entrepreneurship is “a field that seeks to understand how opportunities to bring into existence “future” goods, services are discovered, created, and exploited, by whom, and with what consequences”.

A Schumpeterian entrepreneur is one who is motivated by improving his/her social position in this world (Brower, 2002). In this study, we followed Yalcin and Kapu's (2008:186) definition who define entrepreneurship as “a process with different important dimensions, including entrepreneurial motives, problems, and opportunities.” The main reason of adapting of definition of Yalcin and Kapu (2008) is that the authors defined the entrepreneurship based on their research that they conducted in transition economies. Kabardino-Balkaria is another context of transition economy which has profound similarities with the countries mentioned earlier.

#### **3.2. Entrepreneurial Motives**

Entrepreneurial motives have received prominent attention in entrepreneurial literature (Carter, 2000). However, it is a field which is not completely researched (Carsrud & Brannback, 2011) and there is still much unknown about entrepreneurial motives (Kaunanui, 2010). It is important to identify entrepreneurial motives in order to understand whole entrepreneurial process (Kuratko et al, 1997).

Literature on entrepreneurial motives show different classifications: “need for achievement” (Bird, 1989; Stewart et al, 2003; Rahman and Rahman, 2011; Sagie and Elizur, 1999; Carraher et al, 2010), “freedom” (Benzing, et al, 2005), “family tradition” (Kuratko et al, 1997), “finance” (Naffziger et al, 1994), “need to survive” (Carsrud and Brannback, 2011; Kautoneen and Palmroos, 2010), economic conditions (Yalcin and Kapu, 2008). Study investigated entrepreneurial motives of Vietnamese entrepreneurs shows that meeting market demands, gaining control over their work and/or financial aspects, reducing unemployment and reaching their capability motives were significant in starting their businesses (Nguyen and Nguyen, 2008).

There is limited research related to entrepreneurial motives in transitional economies of post-Soviet countries. Unpredictable taxation policies, lack of capital, underdeveloped

legal system, and business infrastructure, existence of former business environments, lack of an entrepreneurial culture, attitudes, and values that hinder entrepreneurship, lack of knowledge and skill are the main problems that prevent development of entrepreneurship in these countries (Yalcin and Kapu, 2008:199). Nevertheless, individuals try to overcome the problems stated earlier and start and develop their businesses. Therefore, it is important to understand factors influencing individuals' desire to be an entrepreneur in order to foster entrepreneurship because motives influence the entrepreneurial process (Shane et al. 2003). However, some authors underline that socio-cultural factors play very significant role in individual's desire to be an entrepreneur (Learned, 1992:40). The socio-cultural factors of an individual stimulate entrepreneurial behavior (Mueller and Thomas, 2001). Research results support this view and show that a business tradition in the family effects individuals' intention to start a business (Altinay, 2008); Altinay et al, 2012). Therefore, this study posits the family owned business as one of the significant factors effecting entrepreneurial motives.

### 3.3. Hypotheses

“Private business” was considered as an unacceptable activity for a Soviet Union citizen therefore, most private enterprises that existed under the communist system were operating in the underground economy (Izyumov and Razumnova, 2000). Today post-Soviet Union republics are transition economies. Entrepreneurship is a significant vehicle in powering the transition from a planned to a market economy (Danis and Shipilov, 2002). According to Schumpeter (1968) the structure of such economies is characterized by change and crisis, which are factors associated with the emergence of entrepreneurship. For example, economic conditions were one of the significant motives among Hungarian women (Hisrich and Fulop, 1994) and South African students (Fatoki et al, 2010). Families play an important role in the entrepreneurial process as they represent essential sources of socio-economic resources (Steier, 2003). Poor working conditions and low level of wages also force individuals to run their own businesses. Furthermore, most entrepreneurs suffer of a lack of credits and many of them get needed capital from their families (Yalcin and Kapu, 2008). Therefore, individuals whose families own businesses have more chance to overcome economic problems and survive. Therefore, we propose the following hypothesis:

*Hypothesis1:* There is significant difference in perceived economic conditions between entrepreneurs whose families run their own business and those who do not.

Kirznerian' entrepreneur is a person who is alert to opportunities in order to earn an economic gain (High, 2009). Entrepreneurial opportunities can be defined as “‘situations in which new goods, services, raw materials, and organizing methods introduced and sold at greater than the cost of their production (Shane and Venkataraman, 2000:220)”. Post-Soviet economies offer great opportunities for entrepreneurs who aim to satisfy customers' needs via producing new products and services. However, people differ in their wish and abilities to act on these opportunities because they are different from each other (Shane et al, 2003). Therefore, entrepreneurs with marketing competencies are more successful because they search for the needs of potential market segment, differentiate their products, and use marketing strategies to target markets (Smart and Conant, 1994). Family owned businesses are great sources for developing such marketing competencies. Individuals learn from their family how to satisfy customer need, what price to set, where to sell, what to sell. Such interaction in entrepreneurial endeavor encourages individuals to be motivated by marketing opportunities. Reduced risk is another very significant factor which influences marketing opportunity motives.

Therefore, we propose following hypothesis:

*Hypothesis 2:* There is significant difference in perceived marketing opportunities between entrepreneurs whose families run their own business and those who do not.

Kapu and Yalcin (2008) note that family tradition motive may be an important motive especially in transitional economies. According to authors, low level of wages and high rates of unemployment may lead people to be entrepreneurs in family enterprises. Family owned businesses are primary sources of job creation (Shanker and Astrachan, 1996) and family members equip individuals with the skills and encourage them to participate in entrepreneurial actions (Altinay, 2008). Therefore, individuals whose families own businesses will act differently in compare with those whose families do not own. Therefore, we propose the following hypothesis:

*Hypothesis 3:* There is significant difference in family tradition motive between entrepreneurs whose families run their own business and those who do not.

## **4. METHOD**

### **4.1. Instruments and Data Collection**

Data was collected in Nalchik, capital city of the Republic of Kabardino-Balkaria (Russian Federation). The population of this city is 239.300 people (The Federal State Statistics Service, 2012). The questionnaire was adapted from Aziz et al (2012) and translated into Russian and back into English by authors who are fluent in Russian in order to assure that the translated version reflected the meanings of the original questionnaire. No important differences were detected after the comparison of questionnaires. Survey pre-test was done in order to ensure that scales are understood.

### **4.2. Sample**

We administered the questionnaire between May 2013 and August 2013 to entrepreneurs operating in small and medium sized firms in center of Kabardino-Balkarian Republic. We applied face-to-face surveying method in order to collect the data. No incentives were offered. We collected 125 completed surveys and 12 were found to have incomplete data. The usable sample of 113 represents a 79 % response rate. 60.2 % of the respondents were female and 36.3 % were male. Master 'degree (27.4 %), undergraduate bachelor degrees (18.6 %), associates (14.2 %) or attended high school (7.1 %) and middle school (6.2 %) only. 22 % did not specify. The majority of respondents were 35-54 (4.7 %) and 25-34 and 55+ (23 %) years of age. While families of 48.7 % entrepreneurs own businesses, 38.1 % do not. The Pearson correlation coefficient was computed to assess the relationship among the economic conditions, family tradition motive and marketing opportunities and it can be concluded that the variables are significantly correlated (Table 1).

Table 1: Correlations and Descriptive statistics

		1	2	3
1	Economic conditions	...		
2	Family tradition motive	.550**	...	
3	Marketing opportunities	.397**	.419**	...
	Mean	3.05	3.48	3.57
	Standard deviation	1.03	.97	1.01
	* p < .1, ** p < .05, *** p < .01			

#### 4.3. Measure

Based on the work of Yalcin and Kapu (2008), Aziz et al (2012) developed a questionnaire to measure economic conditions, marketing opportunity and family tradition motive. The questionnaire used 5 point Likert response scale where 1 = “strongly disagree,” 2 = “disagree,” 3 = “neither agree nor disagree,” 4 = “agree” and 5 = “strongly agree.”

There were only 3 items that were used to measure the significant difference of means between groups in this study. They were economic conditions (hypothesis 1), marketing opportunities (hypothesis 2), and family tradition motive (hypothesis 3). The next step in this analysis aimed to investigate whether there were differences in economic conditions, marketing opportunities and family tradition motive between entrepreneurs whose families run their own business and those who do not. Hypotheses H1, H2 and H3 were tested using the Mann-Whitney Test because it is a non-parametric test. The Mann-Whitney U test result indicated a significant difference in the means of two groups implying as not similar to the sample means between groups. The outcome of the Mann-Whitney U test could be found in Table 4. The results show that there were differences between two groups in the context of economic conditions motive ( $p = 0.004$ ) therefore H1 is supported, marketing opportunities motive ( $p = 0.005$ ) therefore H2 is supported and family tradition motive ( $p = 0.006$ ) therefore, H3 is supported. So, study hypotheses are supported.

#### 4.4. Data Analysis and Results

We ascertained the internal consistency of the scales using Cronbach's Alpha estimates.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		<b>,800</b>
Bartlett's Test of Sphericity	Approx. Chi-Square	599,575
	Df	36
	Sig.	<b>,000</b>

A KMO and Bartlett's test of sphericity is conducted to test the factorability of the data. The results give a KMO value of 0,800, which is higher than 0,5. The Bartlett's test of sphericity gives a p-value which is smaller than 0,000. The Bartlett's test is significant, because the p-value is lower than the alpha of 5% (Table 2). Based on these results the factor analysis could be seen as appropriate. Besides the KMO and Bartlett's test of sphericity, also the Cronbach's alpha is measured. The Cronbach's alpha is 0,908 for economic conditions, 0,757 for family tradition motives and 0,734 for perceived marketing opportunities, which indicates the scales are internally consistent. In addition, why we used two-item construct based on Hair et al. (2006) as they suggested when the concepts are very simple and lack the nuance and complexity that accompanies the majority of psychological constructs, less than three-item can be used. In other words, if there is little argument over the meaning of



term is distinct and very easily understood, even a single item can be sufficient. The outcome of the exploratory factor analysis could be found in Table 3.

Table 3: Rotated and Reliability Component Matrix <sup>a</sup>

	Component			Reliability	
	1	2	3	Cronbach's Alpha	N of items
1.Economic conditions support entrepreneurship where I live.	,904			<b>0,908</b>	4
2.Taxation in my country supports entrepreneurship.	,904				
3.The level of taxation is fair for running businesses where I live.	,902				
4.Credit policies and rates are reasonable where I live.	,574				
1.Entrepreneurship allows me to keep up my family's traditions.		,797		<b>0,757</b>	3
2.Running a business gives me a better chance to be like my other family members.		,780			
3.Running my own business helps me to keep family traditions.		,749			
1.I am an entrepreneur because it allows me to choose my customers.			,859	<b>0,734</b>	2
2.Running a business gives me a chance to sell my products/services wherever I want.			,844		

The study used inferential statistics, where Mann Whitney U test (also known as the Wilcoxon rank sum W test) was utilized to determine the rankings of the key success factors of the entrepreneurial opportunities. The reason why we used this test is that significant deviations were found for skewness for economic conditions and marketing opportunities variables. For economic conditiond z score of the skewness is 4,36 and for marketing opportunities it is 2,43 which are above the critical value of 1.96. This test is also useful when comparing rankings of ordinal variables under considerations. The results of the inferential analysis were presented in Table 4. According to these results, the respondents ranked economic conditions as the most crucial motive of entrepreneurial opportunities, followed by family tradition motive and marketing opportunities.

Table 4: Test Statistics

	Economic_motives	Familytradition_motives	Marketing_motives
Mann-Whitney U	777,500	792,000	810,000
Wilcoxon W	1723,500	1738,000	1756,000
Z	-2,916	-2,828	-2,723
<b>Asymp. Sig. (2-tailed)</b>	<b>,004</b>	<b>,005</b>	<b>,006</b>

## 5. CONCLUSION AND DISCUSSION

Study aimed to identify motives of entrepreneurs in Kabardino-Balkaria and to reveal whether there are differences in motives between individuals whose families run their own business and those who do not. The questionnaire was administered to Kabardino-Balkarian entrepreneurs in small and medium sized firms. Findings show that economic conditions, marketing opportunities and family traditions motive were important for Kabardino-Balkarian entrepreneurs. Also, there were differences in entrepreneurial motives between individuals whose families run their own business and those who do not.

After the collapse of Soviet Union, economic conditions of post-Soviet area have deteriorated because manufacturing declined. Individuals lost their jobs and began to look for solving their financial problems. Mostly these individuals were suitcase traders who were bringing products from other countries and selling in Kabardino-Balkaria. Therefore, it can be concluded that most entrepreneurs started to run their businesses due to economic conditions after the collapse of USSR. Though two decades have passed after the collapse of the Soviet Union, it can be concluded that the transition period in post-communist area is not yet complemented. Bribery, bureaucracy, corruption, and nepotism are main obstacles in the way to progress. Entrepreneurship is a driving force of economic development, therefore, it should be encouraged and supported by government. Legislation should be developed in order to protect entrepreneurs by preventing bureaucracy and nepotism. Perceived marketing opportunity may have also benefited these individuals as there was an incredible demand for all kinds of products. Marketing in Kabardino-Balkaria is mostly production oriented and entrepreneurs offer products that consumers can afford. Nevertheless, though marketing is new in this country, entrepreneurs may utilize various strategies in order to succeed in this market. Products with better quality and lower prices may provide a competitive advantage to entrepreneurs.

Unemployment and willingness to overcome economic problems may have caused entrepreneurs to follow family tradition motive. Also, business assistance and suggestions of older family members are might be other reasons which lead individuals to be entrepreneurs. Moreover, small sized enterprises are kinds of business model which fit the manufacturing traditions, agricultural specialization and the mentality of people in Kabardino-Balkaria.

Socio-cultural factors play an important role in individuals' desire to be an entrepreneur. Research findings show that there is significant difference in economic conditions, marketing opportunities and family tradition motives between entrepreneurs whose families run their own business and those who do not. The reason may be the fact that entrepreneurs whose families own businesses actually face with less risk than those whose families do not have it. Also, entrepreneurs whose families own businesses may be more confident as the fact that their families running a business provide them with entrepreneurial knowledge, skills and experience. Therefore, this study underlines the fact that the government should encourage entrepreneurs and family-owned businesses in particular with financial resources and develop effective programs which will lead to the strengthening of family-owned businesses and also formation of new ones.

There are some limitations of this study which we should state. First of all, the research was conducted in a transition economy; therefore, our findings may not be generalized to developing and developed economies. Also, as the sample consisted of entrepreneurs from only the capital city of Republic of Kabardino-Balkaria, future research must be conducted to investigate whether entrepreneurial motives differ between entrepreneurs and to determine the degree that the findings can be generalized to entrepreneurs at other parts of

Kabardino-Balkaria, and also in other states of Russian Federation. Moreover, a longitudinal study would show if there is a difference in the motives of entrepreneurs when they just start a business and then maintain the business over time.

Entrepreneurship is a very significant element in the economic development of Kabardino-Balkaria. Universities can play a vital role in encouraging young people to start businesses and contribute to the economy of this state. However, entrepreneurial education should be practice-oriented enough in order to nurture fundamental skills of potential entrepreneurs (Acs et al 2008). The process of developing of entrepreneurship plays an important role in reforming of economy in Kabardino-Balkaria. The emergence of entrepreneurship and development of business infrastructure convey significant importance and are considered as one of the most promising areas of market reforms in republic. Especially small-sized businesses provide great opportunities as they do not require large investments. They also ensure a high rate of resources turnover which helps to solve problems of economic renovation quickly and efficiently, as well as the consumer market formation. Therefore, entrepreneurial motives should be examined in detail to help solve problems in the field of business. This study is one of the first that examines the causes of entrepreneurs in the Kabardino-Balkaria.

## REFERENCES

- ACS, Z. J., DESAI, S. and HESSELS, J. (2008). "Entrepreneurship, Economic Development, and Institutions", *Small Business Economics*, 31(3): 219-234.
- ACS, Z. J., DESAI, S. and KLAPPER, L.F. (2008). "What Does "Entrepreneurship" Data Really Show?", *Small Business Economics*, 31(3): 265-281.
- ALTINAY, L. (2008). "The Relationship Between an Entrepreneurs' Culture and the Entrepreneurial Behavior of the Firm," *Journal of Small Business and Enterprise Development*, 15(1): 111-120.
- ALTINAY, L., MADANOGLU, M., DANIELE, R. and LASHLEY, R.C. (2012). "The Influence of Family Tradition and Psychological Traits on Entrepreneurial Intention", *International Journal of Hospitality Management*, 31: 489-499.
- AZIZ, N., FRIEDMAN, B.A. and SAYFULLIN, S. (2012). "Motives and Perceived Problems of Students as Aspiring Entrepreneurs: Differences across the Kyrgyzstan, Georgia, and the United States", *International Journal of Business and Social Science*, 3(3): 102-113.
- BAUMOL, W. (1968). "Entrepreneurship in Economic Theory", *The American Economic Review, Papers and Proceedings of the Eightieth Annual Meeting of the American Economic Association*, 58(2): 64-71.
- BENZING, C., CHU, H. and CALLANAN, G. (2005). "A Regional Comparison of the Motivation and Problems of Vietnamese Entrepreneurs", *Journal of Developmental Entrepreneurship*, 10(1): 3-27.
- BIRD, B. (1989). *Entrepreneurial Behavior*. London, UK: Scott, Foresman and Co.
- BIZHOEVA, M. (2013). "Current Problems Of Small And Medium-Sized Businesses In Kabardino-Balkaria", *The Public Chamber of the Republic of Kabardino-Balkaria*, [Online], [http://opkbr.ru/index.php?option=com\\_content&view=article&id=303&catid=2](http://opkbr.ru/index.php?option=com_content&view=article&id=303&catid=2), retrieved 30.08.2013.

- BROUWER, M.T. (2002). "Weber, Schumpeter and Knight on Entrepreneurship and Economic Development," *Journal of Evolutionary Economics*, 12(1-2): 83-105.
- BUSTAMAM, U.S.A. (2010). "Entrepreneurial growth process of Malay entrepreneurs- A Malaysian", *International Journal of Business and Social Science*, 1(3): 206-218.
- CARSrud, A. and BRÄNNBACK, M. (2011). "Entrepreneurial Motivations: What Do We Still Need to Know?", *Journal of Small Business Management*, 49(1): 9-26.
- CARRAHER, S.M., BUCHANAN, J.K. and PUJA, G. (2010). "Entrepreneurial Need for Achievement in China, Latvia, and the USA", *Baltic Journal of Management*, 5(3): 378-396.
- CARTER, S. (2000). "Improving the Numbers and Performance of Women-Owned Businesses: Some Implications for Training and Advisory Services", *Education+Training*, 42(4/5): 326-334.
- CHIKATUEVA, L., NAHUSHEV, V., PSIKHOMAKHOV, Kh. (2011). "The Role Of Small Business In The Socio-Economic Development of The Region", *Journal of Economics and Law*, 12: 132-135.
- DANIS, W.M. and SHIPILOV, A.V. (2002). "A Comparison of Entrepreneurship Development in Two Post-Communist Countries: The cases of Hungary and Ukraine", *Journal of Developmental Entrepreneurship*, 7(1): 67-94.
- DZHANTUEVA, F. (2012). "Kabardino-Balkaria: From a Political Rally To a Civil Society", *Centre of Social and Political Research at Kabardino-Balkarian Scientific Centre of Russian Academy of Science, Nalchik*, № 5, 118-122.
- FATOKI, O.O. (2010). "Graduate entrepreneurial intention in South Africa: Motivations and obstacles", *International Journal of Business and Management*, 5(9): 87-98.
- GARTNER, W.B. (2001), "What are we Talking About When We Talk About Entrepreneurship?" *Journal of Business Venturing*, 5(1): 15-28.
- GEOGRAPHICAL ENCYCLOPEDIA, [Online], [http://dic.academic.ru/dic.nsf/enc\\_geo/2064/Кабардино](http://dic.academic.ru/dic.nsf/enc_geo/2064/Кабардино), retrieved 30.08.2013.
- GESHEVA, M. (2011). "Entrepreneurship And Small Business As A Factor Of Economic Development Of The Region", *Institute of Economics and Law of Ivan Kushnir*, [Online], <http://be5.biz/ekonomika1/r2012/3112.htm>, retrieved 30.08.2013.
- Government Portal of the Republic of Kabardino-Balkaria, 2012, [Online], [http://www.pravitelstvokbr.ru/k-br/kbr-main.nsf/html/MALOEPRIDPRINIMATELSTVO\\_](http://www.pravitelstvokbr.ru/k-br/kbr-main.nsf/html/MALOEPRIDPRINIMATELSTVO_), retrieved 25.08.2013.
- HAIR, J.F., BLACK, W.C., BABIN, B.J., ANDERSON, R.E. and TATHAM, R.L. (2006). *Multivariate data analysis*, 6th Ed., Pearson Prentice Hall, NJ.
- HIGH, J. (2009). "Entrepreneurship and Economic Growth: The Theory of Emergent Institutions," *Quarterly Journal of Austrian Economics*, 12(3): 3-36.
- HISRICH, R.D., and FULOP, G. (1994). "The Role of Women Entrepreneurs in Hungary's Transition Economy", *International Studies of Management & Organization*, 24(4): 100-117.
- HISRICH, R.D. ve GRACHEV, M.V. (1993). "The Russian entrepreneur", *Journal of Business Venturing*, 8(6): 487-497.

- IZYUMOV, A. and RAZUMNOVA, I. (2000). “Women Entrepreneurs in Russia: Learning to Survive the Market,” *Journal of Developmental Entrepreneurship*, 5(1): 1-19.
- KAUFMANN, P.J., WELSH, D.H.B. and BUSHMARIN, N. (1995). “Locus of Control and Entrepreneurship in the Russian Republic”, *Entrepreneurship: Theory and Practice*, Fall, 43-56.
- KAUANUI, S.K., THOMAS, K.D., RUBENS, A. and SHERMAN, C.L. (2010). “Entrepreneurship and Spirituality: A Comparative Analysis of Entrepreneurs’ Motivation”, *Journal of Small Business and Entrepreneurship*, 23(4): 621-635, 649-650.
- KAUTONEN, T. and PALMROOS, J. (2010). “The Impact of a Necessity-Based Start-up on Subsequent Entrepreneurial Satisfaction”, *International Entrepreneurship and Management Journal*, 6(3): 285-300.
- KURATKO, D., HORNSBY, J. and NAFFZIGER, D. (1997). “An Examination of Owners’ Goals in Sustaining Entrepreneurship”, *Journal of Small Business Management*, 35(1): 24-33.
- LEARNED, K.E. (1992), “What Happened Before the Organization? A Model of Organization Formation”, *Entrepreneurship Theory and Practice*, 17(1): 39-48.
- MUELLER, S.L. and Thomas, A.S. (2001), “Culture and Entrepreneurial Potential: a Nine Country Study of Locus of Control and Innovativeness”, *Journal of Business Venturing*, 16: 51-55.
- NAFFZIGER, D., HORNSBY, J. and KURATKO, D. (1994), “A Proposed Research Model of Entrepreneurial Motivation”, *Entrepreneurship Theory and Practice*, 18: 29-42.
- NGUYEN, H.H.D. and NGUYEN, N.T. (2008). “Examining Personal Values and Entrepreneurial Motives of Vietnamese Entrepreneurs in the 21st century: Two Empirical Studies”, *African and Asian Studies*, 7(2-3): 141-171.
- RAHMAN, K.M. and RAHMAN, S.F. (2011). “Entrepreneurship Needs and Achievement Motivations of Descendant Latin-Japanese Entrepreneurs in Japan”, *International Journal of Entrepreneurship*, 15: 99-119.
- SABANCHIEV, H. (2011). “Statehood Of The Republic Of Kabardino-Balkaria In The Conditions Of Reforming The System Of Federal Relations (1993-2011), (On The 90th Anniversary Of The CBD)”, *Proceedings of the Russian Academy of Sciences KBNC* , Vol.2.
- SAGIE, A. and ELIZUR, D. (1999). “Achievement Motive and Entrepreneurial Orientation: A Structural Analysis,” *Journal of Organizational Behavior*, 20(3): 375-387.
- SCHUMPETER, J. (1968). *The Theory of Economic Development*, Harvard University Press, Cambridge, MA.
- SHANE, S., LOCKE, E.A. and COLLINS, J.C. (2003). “Entrepreneurial Motivation”, *Human Resource Management Review*, 13: 257-279.
- SHANE, S. and VENKATARAMAN, S. (2000). “The Promise of Entrepreneurship as a Field of Research”, *Academy of Management Review*, 25(1): 217–226.

- SHANKER, M.C. and ASTRACHAN, J.H. (1996). "Myths and Realities: Family Businesses' Contribution to the US Economy—A Framework for Assessing Family Business Statistics", *Family Business Review*, 9(2): 107–123.
- SKAKOV, A. (2001). "Kabardino-Balkaria: Threats to Stability," *Central Asia and the Caucasus*, 1(7): 165-173.
- SPENCER, A., KIRCHHOFF, B. and WHITE, C. (2008). "Entrepreneurship, Innovation and Wealth Distribution", *International Small Business Journal*, 26(1): 9-26.
- STEIER, L. (2003), "Unraveling The Familial Sub-Narrative In Entrepreneurship Research", *Frontiers of Entrepreneurship Research*, Wellesley, MA: Babson College, 258-272.
- STEWART, W., WATSON, W. and CARLAND, J. (2003). "A Proactivity for Entrepreneurship: A Comparative Study of Entrepreneurs, Small Business Owners, and Corporate Managers", *Journal of Business Venturing*, 14(20): 189-214.
- TANG, L. and KOVEOS, P.E. (2004). "Venture entrepreneurship, innovation entrepreneurship and economic growth", *Journal of Developmental Entrepreneurship*, 3: 161-71.
- THE Federal Law of 24.07.2007 N 209-FZ "On The Development Of Small And Medium Enterprises In The Russian Federation", [Online], <http://graph.document.kremlin.ru/page.aspx?921317>, retrieved 23.08.2013.
- The Federal State Statistics Service, Collection "Socio-demographic profile of Russia on the basis of the National Population Census of 2010", (2012), [Online], [http://www.gks.ru/free\\_doc/new\\_site/perepis2010/croc/Documents/portret-russia.pdf](http://www.gks.ru/free_doc/new_site/perepis2010/croc/Documents/portret-russia.pdf), retrieved 25.08.2013.
- The Federal State Statistics Service, Statistical Compendium "Regions of Russia, (2012). Socio-economic indicators, [Online], [http://www.gks.ru/bgd/regl/b12\\_14p/IssWWW.exe/Stg/d01/11-04.htm](http://www.gks.ru/bgd/regl/b12_14p/IssWWW.exe/Stg/d01/11-04.htm), retrieved 23.08.2013.
- THURIK, R. and WENNEKERS, S. (2004). "Entrepreneurship, Small Business, and Economic Growth," *Journal of Small Business and Enterprise Development*, 11(1): 140-149.
- YALCIN, S. and KAPU, H. (2008). "Entrepreneurial Dimensions in Transitional Economies: A Review of Relevant Literature and the Case of Kyrgyzstan," *Journal of Developmental Entrepreneurship*, 13(2): 185-204.
- VENKATARAMAN, S. (1997). "The Distinctive Domain of Entrepreneurship Research: An Editor's Perspective. In J. Katz & R. Brockhaus (Eds.), *Advances in entrepreneurship, firm emergence, and growth*, Greenwich, CT: JAI Press, 3: 119-138.