



ENTREPRENEURIAL INITIATIVE DURING THE COVID-19 PANDEMIC: THE CASE OF PLOVDIV

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ABSTRACT

The COVID-19 pandemic was an unprecedented situation for every nation and society. Although initially it was a health issue it caused damage in almost every area of life. The consequences on a personal and social level are still to be investigated. Alongside identifying the destructive effect of the pandemic, both scientists and the authorities need to continue working on measures to support people, businesses, and nations as a whole to revive from the pandemic negative results. The national economy's revival is to a high extent dependent on the entrepreneurial initiative of the society. The pandemic affected the entrepreneurs not only in financial aspects, but also undermined the confidence of people and their readiness to risk and involve in entrepreneurial initiatives. Thus, the **purpose** of the current study is to identify the challenges and opportunities for entrepreneurial initiatives during the COVID-19 pandemic. For the sake of achieving the objective, the authors conducted a representative survey across the enterprises in Plovdiv. Thus, the materials used are our own data, collected from February 22 to March 28, 2022. The **methods** implemented are statistical analysis, using IBM SPSS Statistics, including frequencies, crosstabs, and associations. The **results** show that the personal characteristics of the entrepreneurs are more significant in times of crisis rather than state support. Thus, we can **conclude** that the strong points and the challenges to the entrepreneurs in Bulgaria are related to their personal characteristics, which means that the development of entrepreneurial culture and skills need to be developed across society from early childhood.

Key words: entrepreneurship, COVID-19 pandemic, Plovdiv, measures, business

INTRODUCTION

Even though the COVID-19 pandemic started out as a health problem, it eventually harmed practically every aspect of life and the personal and societal repercussions are still in the focus of scholars and authorities. Along with determining the pandemic's devastating effects, the latter must continue to develop strategies to support individuals, organizations, and countries in recovering from its adverse effects.

The entrepreneurial initiative has a key role in the resurgence of the national economy but it is dependent both on financial aspects and people's confidence and willingness to take chances and participate in entrepreneurial endeavors. Thus, the aim of the current study is to identify the challenges and opportunities for entrepreneurial initiatives during the COVID-19 pandemic. The object of the research is the enterprises, located in Plovdiv, Bulgaria. The focus is their evaluation of the entrepreneurial environment during the pandemic. For the purpose of the current study, the authors conducted a survey across the enterprises in Plovdiv and the data was collected from February 22 to March 28, 2022. The data was

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processed with IBM SPSS Statistics, including frequencies, crosstabs, and associations.

LITERATURE REVIEW

The development of societies has gone through many crises, and in the context of entrepreneurship, the survivors are characterized by creativity, courage, and innovation. The processes related to entrepreneurship, the establishment of an entrepreneurial culture, and the promotion of entrepreneurial initiatives in the world economy have been developing for several centuries (1). Many authors evaluate the actions of entrepreneurs, propose different approaches, analyze processes and search for solutions, and these activities are especially important in the conditions of a global pandemic, as we have witnessed from 2020 until now. There is now an increasing focus, both in academic and policy realms, on the entrepreneur as the driver of economic growth. (2)

Entrepreneurship is taken mostly as a way of thinking and behavior connected with identifying opportunities, creating a team, finding resources, taking risks, positive thinking, and building something for the future. The entrepreneurial spirit and culture can be characterized by innovations and taking risks and it is an essential part of the ability of a nation to succeed in the eternal changing and strongly competitive market (3).

Entrepreneurship, according to Max Weber (4), is the expression of cultural ideals. A disciplined workforce and regularized capital investment are two elements that a rationalized capitalistic firm implies, according to him. Each stands in stark contrast to conventional forms of economic activity. A person who experiments with new combinations is an entrepreneur, according to Joseph Schumpeter (5). Entrepreneurship was seen by David McClelland (6) as the expression of a strong need for success. According to Israel Kirzner (7), people secure their entrepreneurial profits based on knowledge and information gaps that develop among consumers in the market. He describes the entrepreneur as a perceptive individual who finds opportunities by acting as an arbitrageur or a price adjuster in the marketplace and leveraging knowledge or information asymmetries. Contrarily, Carland et al. (8) defined an entrepreneur as a person who starts and runs a business primarily for the purpose of making money and expanding it. The main traits of an entrepreneur are their

innovative nature and their willingness to use strategic management techniques in their company (9, 10).

However, entrepreneurship is not only concerned with business success, as measured by profits, but also with subjective welfare and non-economic wellbeing. Entrepreneurship is a catalyst for structural change and institutional evolution. Evasive entrepreneurs could be viewed as a new rule-breaker. (11)

According to Dana (12), the entrepreneur is not the most basic research unit for understanding entrepreneurship if we believe that entrepreneurs are influenced by culture. A case study in which the crucial environmental factors are examined and comprehended is helpful rather than a laboratory study of persons or even a field study comparing entrepreneurs. Numerous studies have analyzed the different ways in which the COVID-19 pandemic has affected the EU South-East Nations (commonly known as the Balkans), concluding that the pandemic has a detrimental influence on the macroeconomic metrics such as GDP and unemployment in the countries under study (13). According to research by Ramadani et al. (14) conducted in the Balkans, the following factors (i) innovative activities, (ii) knowledge spillovers, (iii) foreign ownership, and (iv) the percentage of skilled individuals in the workforce, all have a favorable impact on the performance of firms. The study suggests that innovation activities are endogenously linked to company performance and that, among other firm characteristics, knowledge spillovers and innovation activities have an impact on a business's performance.

The COVID-19 epidemic presented the entrepreneurs with a unique worldwide phenomenon as well as a deeply personal experience that has far-reaching implications. The overall consequences on the global economy are growing even while they are decreasing. The extended nature of the health crisis is particularly having an impact on the global economy that goes beyond what can be expected and could have long-lasting and widespread effects. However, the extended health crisis created wide-ranging spillover effects that went beyond those typically associated with monetary and fiscal policies, which have hampered national economic recovery efforts and reinforced a more widespread global trade and economic crisis, according to the COVID-19 Global Economic

Effect Report from the Congressional Research Services. The major advanced economies, which account for 60% of the global economic activity, are projected to operate below their potential output level through at least 2024, which indicates lower national and individual economic welfare compared to the pre-pandemic levels, as some developed economies begin to recover. (15)

Over the past three decades, Bulgaria has seen a considerable transition (16). It has transformed from a highly controlled, planned economy to an upper-middle-income economy that is open, market-based, and firmly embedded in the European Union. The impact of COVID-19 pandemic over the economy of this developing country is presented in that in the first quarter of 2022 GDP grew by 0.8% quarter-on-quarter, with all demand components contributing to the expansion Report of the World Bank. The economy grew by 4.4 percent in 2021, with export and consumption acting as the main growth engines. (17)

Like most European countries, Bulgaria has seen a rapid acceleration of inflation since the summer of 2021, reaching 10.0 percent year-on-year in February 2022. A study of Madzhurova et al (18) presents the effect of the pandemic on the economy and is analyzed in analogy with the 2008 global economic crisis, by comparing the dynamics of the main indicators during the two periods, of crisis and of pandemic. In this way, the influence of the pandemic on the economic system is objectively outlined not only through a change in the basic values of the indicators in a pre-pandemic order, but also through a comparison with another crisis period. Their findings summarize that in Bulgaria, the measures taken so far have managed to contain the growing disparities in the labor markets by keeping the unemployment rate, the NEET level and youth unemployment within reasonable limits (NEET is an acronym for 'not in employment, education or training').

The COVID-19 pandemic and the need to save small and medium-sized firms have created contradictions that have caused the entrepreneurship crisis, which is a response of society to developments that have occurred in the business environment (19). The business is affected by the pandemic's severe short-term shock to the Bulgarian economy, but it does so

through various channels and to varying degrees. Traditionally Bulgarian enterprises need to improve their processes (20) and the epidemic has increased the necessity for Bulgarian businesses to seek out cutting-edge business models and market niches in order to combat the negative effects of the country's declining economic situation.

The Trakia Economic Zone has caused the second-largest town in Bulgaria, Plovdiv, to grow over the past 20 years (TEZ). One of Bulgaria's largest economic endeavors is this industrial and commercial area. It comprises six significant industrial zones in the Plovdiv area, totaling 1,070 ha, of which 325 ha are occupied. The TEZ is home to over 180 international and Bulgarian businesses that employ over 75,000 people in the industrial sector (21). However, we did a thorough investigation of what drives people to start their own businesses. We also carried out a representative empirical survey with residents and company owners in the city of Plovdiv.

RESEARCH METHODOLOGY

For the purposes of the survey a representative sample of 1000 companies, located in Plovdiv (with an estimated response rate of about 10%), stratified by enterprise size (number of employees) and by economic activity (level A3, according to NACE.BG-2008) was developed. The questionnaire consists of 26 closed-ended questions. The average time to complete the survey was 15 minutes. The survey period was from February 22 to March 28, 2022. At the end of the surveyed period, a total of 107 companies from the initial sample was successfully surveyed. The collected data were processed with IBM SPSS Statistics, including frequencies, crosstabs, and associations.

EMPIRICAL RESULTS

First, the respondents were asked if it is possible, during the conditions of a pandemic, to develop entrepreneurial initiative and motivation for entrepreneurship in Bulgaria. The results show that most of them (52.3%) would rather give positive answers about this (22). However, it should be reminded that all the respondents are entrepreneurs. Thus, almost half of the entrepreneurs are discouraged about being initiative in times of crises.

Nevertheless, we wanted to see according to those who believe that in the conditions of a pandemic it is possible to develop an

entrepreneurial initiative, which prerequisites would contribute to the development of an entrepreneurial initiative. (Figure 1)

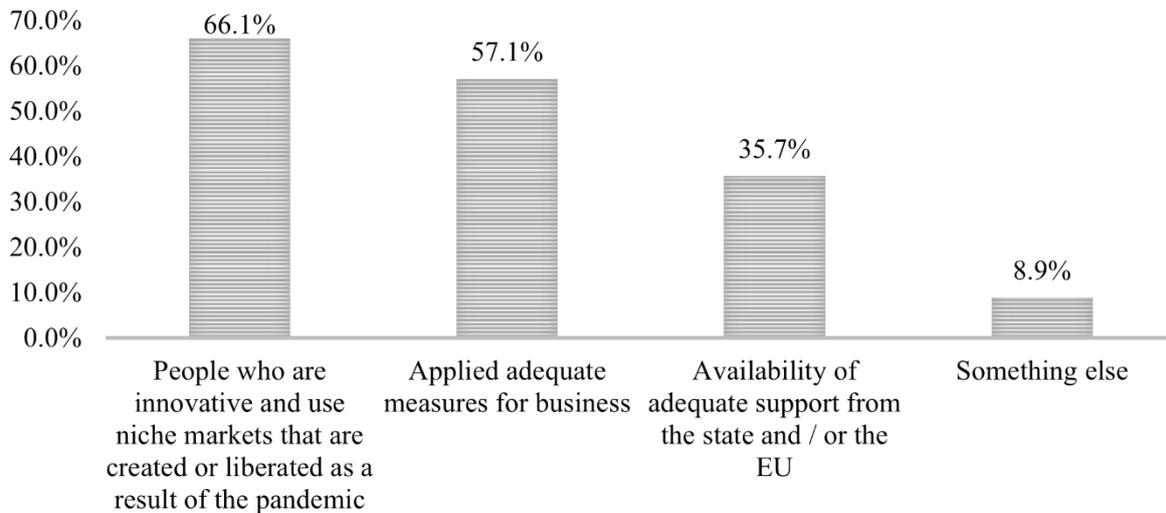


Figure 1. Prerequisites which might contribute to the development of an entrepreneurial initiative.

Source: Representative survey; Base: All respondents who believe that in the conditions of a pandemic it is possible to develop an entrepreneurial initiative

The first and most important prerequisite according to the respondents is the personal characteristics of the entrepreneurs as over 66% share such opinion. On the second place are the adequate measures for the business but the share of those who believe it is an important prerequisite is with almost 10 percent points lower (57.1%). We used “adequate” on purpose because every country implemented measures

to support the entrepreneurs but in all countries the measures were a real support. (Figure 1) The other group of respondents – those, who disagree that in the conditions of a pandemic it is possible to develop entrepreneurial initiative and motivation for entrepreneurship in Bulgaria, were asked about the reasons that represent a hinder for the development of an entrepreneurial initiative. (Figure 2)

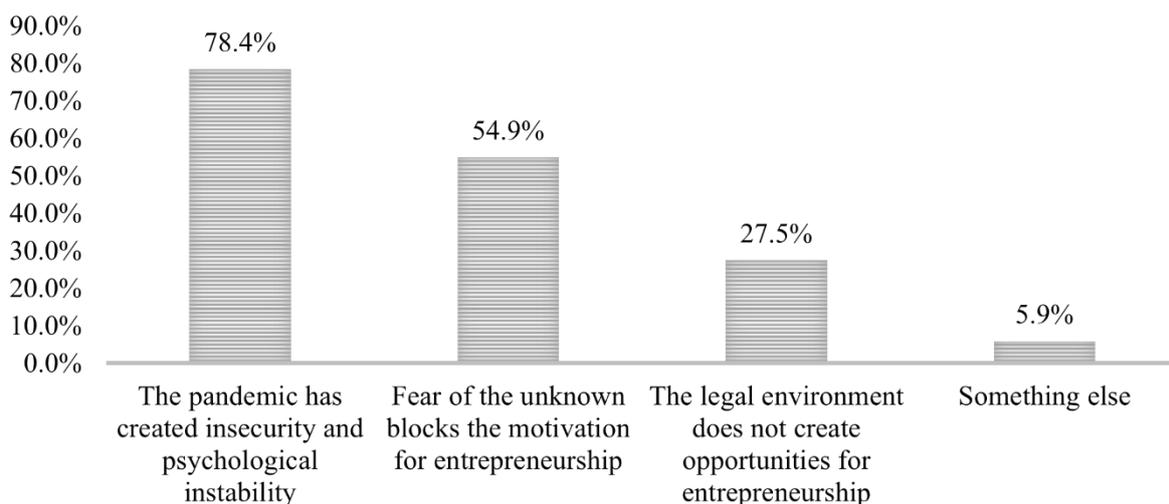


Figure 2. Reasons that represent a hinder for the development of an entrepreneurial initiative

Source: Representative survey, Base: All respondents who do not think that in the conditions of a pandemic it is possible to develop an entrepreneurial initiative

The results displayed in Figure 2 clearly show that the psychological aspects are the ones, which impede the entrepreneurial initiative. Almost 80% of the respondents (78.4%) would

agree that the pandemic has created insecurity and psychological instability. More than the half of them (54.9%) believe that the fear of the unknown blocks the motivation for

entrepreneurship. It is again the personal characteristics of the people who make business decisions. People who fear of the insecurity and are not stable psychologically will not find opportunities in hard times and it does not matter whether it is an economic or financial crisis, pandemic, war, etc. (Figure 2)

Furthermore, we asked the entrepreneurs whether the pandemic period creates opportunities for innovative business models in their organization. We wanted to see to what extent the respondents used the pandemic as an opportunity to be innovative and to create new business models, which are adequate to the new realities. (Figure 3)

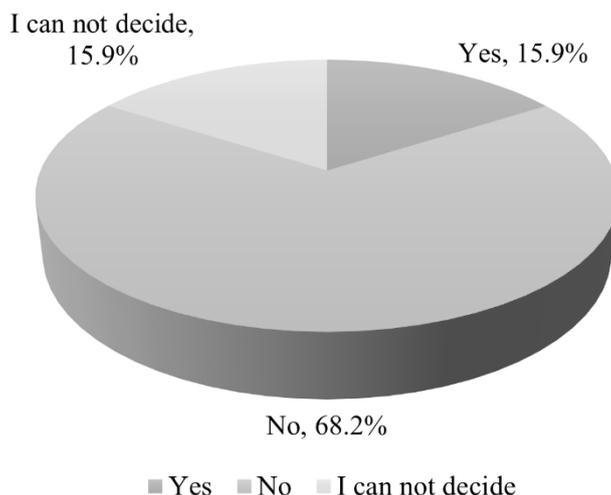


Figure 3. Availability of opportunities for innovative business models during the pandemic
Source: Representative survey, Base: All respondents

As low as 16% of the respondents see opportunities for innovative business models in their organization during the pandemic. Such result seems very discouraging because this is not only about being bold, courageous, or proactive, but also about education, knowledge,

and preparedness. Such results may mean that the other respondents lack the needed personal characteristics, the knowledge or both.

However, the group that we are interested in is of those, who introduced innovative business models in their organization. (Figure 4)

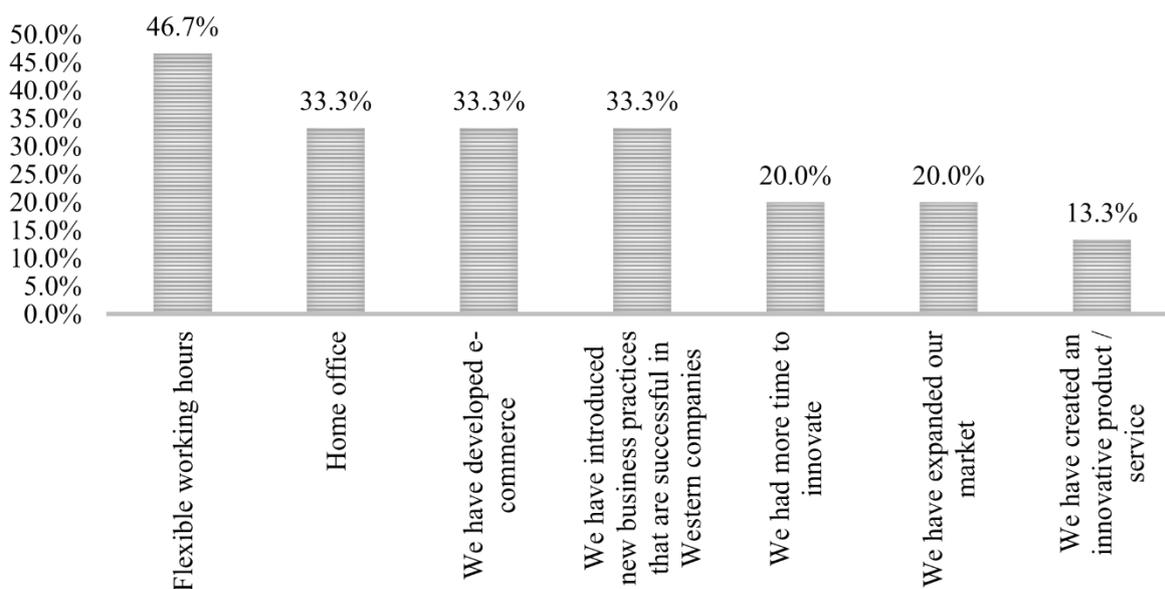


Figure 4. Innovative business models implemented during the pandemic.
Source: Representative survey, Base: All respondents in whose business pandemic has created opportunities for innovative business models

Almost half of the respondents (46.7%) introduced flexible working hours. A third of them started using home office, e-commerce or learned good practices from Western companies, which can be applied in Bulgaria as well. Most of the mentioned is related to the working conditions of the employees and the use of new technologies in business processes (such as e-commerce). (**Figure 4**)

As concerns the role of the government, more than 1/3 of the respondents (34.6%) did not answer what could the government have done better to support entrepreneurship since the beginning of the pandemic. Of those who gave an answer, the most often selected one is “financial support for enterprises”, but their share is as low as 17.8%. (22)

CONCLUSION

The successful entrepreneurship is dependent on numerous factors, including knowledge, intuition, proactivity, personal characteristics, team, legal environment, etc. The COVID-19 pandemic became a test for the entrepreneurial environment across the countries. The collected data about Plovdiv show that both the success and failure of the companies depend to a high extent on the personal characteristics of the entrepreneurs. We found out that there is no definite position on the entrepreneurial initiative and motivation under pandemic as the results for both statements are almost equal. Although the individual characteristics are significant for the entrepreneurial initiative and motivation, most of the entrepreneurs do not see opportunities in the pandemic. Furthermore, most of the entrepreneurs do not rely on the government for support.

However, these initial results need to be supplemented by analysis with more sophisticated statistical methods, identification of differences across various demographic groups and in-depth interviews with a specific focus to identify the attitudes towards state support.

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