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Nick Williams and Tim Vorley

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Institutional asymmetry: How formal and informal institutions affect entrepreneurship in Bulgaria

Nick Williams and Tim Vorley

The University of Sheffield, UK

Abstract

This article critically analyses how the institutional environment influences the development of entrepreneurship in Bulgaria. Drawing on in-depth interviews with Bulgarian entrepreneurs an ‘institutional asymmetry’ between formal and informal institutions is identified which hampers the development of economically and socially productive entrepreneurship. Despite reforms to formal institutions in Bulgaria, the asymmetry persists as a result of informal institutions which serve to hamper entrepreneurship. In order to reduce this asymmetry, there is a need to develop and align formal and informal institutions, while recognising that such institutional reforms are, by their nature, long-term and may potentially be undermined by entrepreneurs engaging in informal and corrupt activities.

Keywords

Bulgaria, entrepreneurship, institutions, transition

Introduction

Entrepreneurship is widely acknowledged as an engine of economic growth (Acs et al., 2008; Wright and Marlow, 2011; Wright and Stigliani, 2013) and is critical for countries transitioning from central planning to market economies (Djankov et al., 2006; Puffer et al., 2010). The entrepreneurial capacity of a nation is often defined by the formal institutional environment comprising political, economic and legal structures (Acs et al., 2008). However, these formal structures alone do not adequately explain differences in entrepreneurial activity between countries and there is also a need to consider informal institutions such as norms, value systems and codes of conduct, which affect entrepreneurial capacity and shape the behaviours of entrepreneurs (Frederking, 2004; North, 1990; Valdez and Richardson, 2013). As such, the context in which entrepreneurship occurs

Corresponding author:

Nick Williams, Lecturer in Entrepreneurship, The University of Sheffield, Conduit Road, Sheffield S1 4DT, UK.

Email: nick.williams@sheffield.ac.uk

is heterogeneous (Acs et al., 2007; Puffer et al., 2010; Wright and Marlow, 2011), and the institutional framework that prevails in transition economies is fundamental to shaping entrepreneurial orientation, new venture creation and, ultimately, growth (Saar and Unt, 2008). Hayton et al. (2002) highlight how socio-cultural values shape the societal response to and social rewards to entrepreneurial behaviours that can either promote or inhibit entrepreneurial activity; Manolova et al. (2008) suggest that these values are culturally specific and typically learned through everyday social interactions. Similarly, awareness, information and knowledge are important precursory factors in launching a venture, and social norms such as the degree to which a society respects entrepreneurs will affect individual entrepreneurial motivation (Busenitz et al., 2000; Valdez and Richardson, 2013).

Together, the formal and informal institutions that define the 'rules of the game' affect whether or not individuals elect to pursue entrepreneurial activity. Where institutions are weak, or poorly devised, they can hamper growth and become detrimental to enterprise culture (Baumol, 1990). As normative, cultural and regulative institutions are related to entrepreneurial activity (Valdez and Richardson, 2013), examining these arrangements in transition economies is of significant value, given the changes to the entrepreneurial environment that these countries have experienced (Welter, 2011; Wright and Marlow, 2011).

This article critically analyses how the institutional environment has shaped entrepreneurial activity in Bulgaria, focusing specifically on the effect of institutional asymmetries on entrepreneurial activity. We contribute to a better understanding of how asymmetries between formal and informal institutions serve to hinder entrepreneurship. Institutional asymmetry is defined as the misalignment between formal and informal institutions, with the formal being generally supportive of entrepreneurship and the informal, unsupportive. The asymmetry develops over time as formal institutions are reformed to support entrepreneurship while informal institutions remain unsupportive. Previous research has suggested that transition economies can be characterised by underdeveloped formal institutions (Puffer et al., 2010). However, we find that the formal institutional environment in Bulgaria has generally improved, although there is still room for further progress. However, we suggest that the cultural practices and underlying norms, value systems and codes of conduct comprising informal institutions have seen little progress. Bulgaria's progress towards a market economy has been premised on reform of formal (regulatory) institutions. Huggins and Strakova (2012) note that these reforms have brought some success in creating a more entrepreneurial economy. Yet, the evolution of informal institutions associated with transforming culture, attitudes and perceptions regarding entrepreneurial activity has been a slow process and has ultimately undermined entrepreneurship and economic growth. Thus, institutional asymmetry undermines entrepreneurship in a number of ways; it leads to low growth aspirations among entrepreneurs, rent-seeking activities, directs entrepreneurs towards informal activities and creates space for corruption. As such, informal institutions matter at least as much as formal institutions for fostering entrepreneurial activity and therefore, without progress in addressing this issue, creating a more entrepreneurial economy will be challenging. Consequently, the central research question informing this article is: 'How do asymmetries between formal and informal institutions affect entrepreneurial activity in a transition setting?'

When exploring this question, we find that while institutional reforms have taken place an asymmetry between the formal and informal has developed. In the case of Bulgaria, the development of formal institutions since the demise of the socialist regime has progressed yet, the reform of informal institutions has lagged behind. As a result, we highlight the importance of examining asymmetry as a method of understanding the influence of formal and informal institutions on entrepreneurship in transition economies. In doing so, the article contributes to a better understanding of how the interplay between formal and informal institutions affects

entrepreneurial activity, arguing that the failure to align formal *and* informal reform will undermine entrepreneurship.

The remainder of the article is structured as follows. The first section frames the study in terms of academic debates on institutions and entrepreneurship. The next section introduces the entrepreneurial environment in Bulgaria, and sets out the methodology of the empirical project. Section four discusses the findings, highlighting the importance of informal institutions, and how they represent an important aspect of the institutional landscape which affects entrepreneurial behaviours. Finally, the article concludes by reflecting on the findings, and considers the wider implications for strengthening the entrepreneurial environment of Bulgaria and other transition economies.

Literature review

The extent to which entrepreneurship is socially productive and contributes to economic growth depends on the formal and informal institutional context in which it occurs (Acs et al., 2008; Baumol, 1990). Institutions interact with both individuals and organisations and influence decision-making by signalling which choices, norms and behaviours are normalised and socialised within a society (Ahlstrom and Bruton, 2002; Tonoyan et al., 2010).

Formal institutions can be defined as the rules and regulations written down or formally accepted to guide the economic and legal framework of a society (Tonoyan et al., 2010). Informal institutions however, include the traditions, customs, societal norms, culture and unwritten codes of conduct (Baumol, 1990; North, 1990). Research on entrepreneurship in transition economies has increasingly taken into account the nature of the institutional framework (Estrin and Prevezer, 2011; Ledeneva, 1998; Mair and Marti, 2009). Our study contributes to this institutional avenue of research through developing a better understanding of the institutional environment and of how the emergence of asymmetries between formal and informal institutions can undermine entrepreneurial activity. Although reforms to formal institutions may be a positive step in fostering entrepreneurship, if they are not congruent with informal institutions, economic development will not be positively affected. Research on institutions argues that formal and informal institutions interact in two key ways, with formal institutions either supporting (i.e. complementing) or undermining (i.e. substituting) informal institutions (Estrin and Prevezer, 2011; North, 1990; Tonoyan et al., 2010). Informal institutions are complementary if they create and strengthen incentives to comply with the formal institutions, thereby addressing problems of social interaction and coordination and enhancing the efficiency of formal institutions (Baumol, 1990; North, 1990). Where informal institutions substitute for formal institutions, individual incentives are structured in such a way that they are incompatible with the latter, which are weak or not enforced (Estrin and Prevezer, 2011). For example, in post-Soviet Russia, entrepreneurs draw on extensive networks governed by informal norms of reciprocity to navigate formal procedures, such as jumping queues, arranging preferential agreements for loans or settling disputes (Ledeneva, 1998). Our research examines the interplay between the formal and informal institutional frameworks in transitional settings through a focus on Bulgaria. As such, we argue that although attempts have been made to improve formal institutional arrangements, there has not been a corresponding shift in informal institutions, which consequently, undermines the growth of entrepreneurial activity.

Formal institutions

Extant research suggests that institutions governing the economic environment in transition economies impose costly bureaucratic burdens on entrepreneurs, increasing uncertainty as well as

operational and transaction costs (Djankov et al., 2002; Puffer et al., 2010). Entrepreneurs in such settings can often be faced with incoherent and constantly changing regulations (Aidis et al., 2008; Manolova and Yan, 2002), meaning that, for example, they are unable to calculate their tax bills due to changing tax codes (Tonoyan et al., 2010). Furthermore, gaining credit in transition economies can be problematic as banks favour larger businesses and are more reluctant to finance small enterprises (Smallbone and Welter, 2001a). Accessing credit is a strong constraint on entrepreneurial activity in transition countries and small firms often either have to resort to the informal credit market for example, borrowing money from family and friends, or bribe bureaucrats to secure access to capital (Guseva, 2007). Additionally, where reforms to formal institutions have occurred, they tend to favour large-scale businesses as governments seek to attract foreign direct investment (FDI) (Hegerty, 2009). These policy strategies are generally premised around offering foreign investors low-cost labour, but it can mean that as well as being disadvantaged in credit markets, entrepreneurs are also displaced from potential markets by foreign competition.

A stable legal framework with well-protected property rights promotes planning and coordination and also prevents ad hoc expropriation of the rewards from entrepreneurship (Henrekson, 2007). However, the experience of entrepreneurs in many transition economies has been of a legal system incapable of adequately protecting property rights and resolving business disputes (Manolova and Yan, 2002; Tonoyan et al., 2010). This is despite reforms being made whereby former centrally planned economies have adopted legal frameworks similar to those of more developed economies, including laws relating to property, bankruptcy, contracts and taxes, but these have been inefficiently implemented (Aidis et al., 2008; Smallbone and Welter, 2001b). Due to these inefficiencies, using the courts to settle business disputes can be time consuming and costly; and in addition, the perception that the systems are often corrupt means that many entrepreneurs will avoid legal redress (Tonoyan et al., 2010). In such environments, entrepreneurs will often turn to informal networks to compensate for the failure of the legal system, for example, by using connections to 'bend the rules' or circumventing them by paying bribes (Aidis and Adachi, 2007).

Informal institutions

With the fall of the socialist system in Eastern Europe and the former Soviet Union, dramatic changes were seen in the political, economic and legal institutions in such countries. However, the norms and values which had been learned and adopted during the socialist years remained engrained and largely unchanged. Indeed, Winiecki (2001) states that modern history offers no better field to test the interaction of changing formal rules and prevailing informal rules than Eastern European and former Soviet economies. These countries are characterised by informal institutions which have substituted rather than complemented changes in the formal institutional environment (Estrin and Prevezer, 2011; Guseva, 2007). Moreover, in environments with un(der)reformed and weak formal institutions, such as transition economies, entrepreneurial activity is typically guided and governed by informal codes of conduct (Ahlstrom and Bruton, 2002). As a result, existing research has shown that entrepreneurial behaviours in many transition economies are often shaped by the formal institutions inherited from socialist regimes, with unwritten codes, norms and social conventions dominating everyday practice (Ledeneva, 1998).

Understanding informal institutions is increasingly important to entrepreneurship in terms of how societies accept entrepreneurs, inculcate values and create a cultural milieu whereby entrepreneurship is accepted and encouraged (Puffer et al., 2010). Indeed, informal institutions are widely acknowledged as critical to explaining different levels of entrepreneurial activity across countries (Davidsson, 1995; Frederking, 2004). Since entrepreneurship always occurs in a cultural context, understanding the informal institutions is critical to fostering entrepreneurial activity (Sautet and

Kirzner, 2006; Williams and McGuire, 2010). Where the informal institutions within a society are not well understood or adequately considered by policy makers, institutional reforms will have a limited overall impact on fostering entrepreneurial activity.

Reforms in transition economies have chiefly focused attention on formal institutions (Manolova and Yan, 2002) as liberalisation was expected to create new and numerous opportunities for entrepreneurship (Saar and Unt, 2008). Yet, we find a limited corresponding shift in informal institutions, which, in turn, constrain entrepreneurship. Often, reforms to the formal environment are undertaken with little or no consideration for the influence of informal institutions which are critical to the development of entrepreneurship but due to generational embeddedness are highly resistant to change (Winiecki, 2001). As entrepreneurship becomes more valued, it gains legitimisation and the growth of entrepreneurial attitudes, ambition and perspectives and so, serves to reinforce the emergence of a pro-entrepreneurship culture (Krueger and Carsrud, 1993; Minniti, 2005). In this sense, although the government is clearly important in shaping the institutional environment and influencing entrepreneurial activity (Acs et al., 2008; Smallbone and Welter, 2001a), the remit for institutional change is not simply the domain of policy makers. Entrepreneurs can also act as change agents and influence the institutional landscape (McMullen, 2011). Therefore, in order to reform informal institutions and promote a more entrepreneurial culture, Verheul et al. (2002) refer to the importance of a positive feedback cycle whereby entrepreneurs are seen to succeed and afforded a positive status, encouraging others to emulate such behaviours. In consequence, over time, informal institutions can be influenced and improved, and entrepreneurial activity can contribute to wider societal change (Welter and Smallbone, 2011).

Empirical focus and method

The empirical focus of this article is the institutional environment in Bulgaria, a lower-middle-income country in Eastern Europe subject to central planning between 1944 and 1989, which virtually eliminated private enterprise (Bartlett and Rangelova, 1997; Dobrinsky, 2000; Manolova and Yan, 2002). Large-scale formal institutional reforms followed the collapse of communism in 1989, ushering in democratisation and market liberalisation (Manolova et al., 2013). Bulgaria's economy is not as advanced as other transition economies in Central Europe, such as the Czech Republic, Hungary or Slovenia; yet, by 2007 it had fulfilled accession requirements and joined the European Union (EU). This resulted in increased participation in private-sector initiatives that have encouraged new forms of economic cooperation within and outside Bulgaria (Huggins and Strakova, 2012).

The World Economic Forum (2012) ranks Bulgaria as 62nd out of 142 global economies in terms of overall competitiveness. However, the institutional landscape, defined as the legal and administrative framework, is ranked in the bottom quartile of world economies, while the macro-economic environment, defined as the overall business landscape, is ranked in the top third. The World Bank (2012) ranks Bulgaria 59th of the 182 economies surveyed in terms of the ease of doing business, which compares favourably to the Eastern Europe average. The number of private businesses in Bulgaria has grown rapidly since the start of reforms, and by 2010, small- and medium-sized enterprises (SMEs) contributed to 60% of the total gross value added and 74.8% of employment in the economy (Manolova et al., 2013). The most recent data available on the structure, size and growth of enterprises in Bulgaria, shown in Table 1, show that SMEs are the dominant form of enterprise and also contribute significantly to the economy in terms of employment. Table 1 also shows that the proportion of enterprises, as measured by the difference between birth and death rates, has seen general improvement between 2006 and 2011.

Table 1. Structure, size and growth of enterprises in Bulgaria.

	Micro	Small	Medium	SMEs	Large	Total
Structure and development of enterprises by size (Bulgaria and EU27)						
<i>Bulgaria</i>						
Share	92.1%	6.5%	1.2%	99.8%	0.2%	100%
Growth rate (2010–2011)	–0.2%	–8.4%	–8.4%	–0.9%	–2.0%	–0.9%
<i>EU27</i>						
Share	92.1%	6.6%	1.1%	99.8%	0.2%	100%
Growth rate (2010–2011)	0.1%	–1.0%	–1.1%	0.0%	–0.9%	0%
Number of enterprises and employment						
<i>Enterprises</i>						
Number	325,566	22,834	4444	352,844	744	353,588
Share	92.1%	6.5%	1.2%	99.8%	0.2%	100%
<i>Employment</i>						
Number	620,743	449,005	430,430	1,500,178	504,163	2,004,341
Share	31.0%	22.4%	21.4%	74.8%	25.2%	100%
	2006	2007	2008	2009	2010	2011
Enterprise birth and death rate (Bulgaria 2006–2010)						
<i>Enterprise births</i>						
Number	40,555	55,488	49,287	57,741	47,012	54,876
Share	17.5%	22.2%	18.2%	17.6%	12.8%	14.9%
<i>Enterprise deaths</i>						
Number	35,602	36,191	35,466	25,772	35,906	35,431
Share	15.4%	14.5%	13.1%	7.9%	9.8%	9.7%
<i>Enterprise net birth</i>						
Share	2.1%	7.7%	5.1%	9.8%	3.0%	5.2%

SMEs: small- and medium-sized enterprises.

Source: Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA) (2012).

This research examines the experiences and perspectives of entrepreneurs in relation to formal and informal institutions. Doern (2009) asserts that qualitative approaches are appropriate when the purpose of the research is to understand the participant's point of view, and accordingly, the approach here is twofold. First, documents relating to the 'Development of the Competitiveness of Bulgarian Economy 2007–2013' programme were reviewed along with additional grey literature published by the Bulgarian Association of Regional Development Agency, the Bulgarian Association for Management Development and Entrepreneurship and the Bulgarian Chamber of Commerce and Industry relating to entrepreneurship and competitiveness. Second, all businesses listed in the Bulgarian Chamber of Commerce and Industry Voluntary Unified Trade Register as registered in the City of Sofia with email details were contacted. The respondents were re-contacted to establish a population including only those businesses where the current owner-manager was both Bulgarian *and* the founding entrepreneur. This led to an

overall population of 210 entrepreneurs, from which 34 semi-structured in-depth qualitative interviews with businesses from a wide range of sectors and sizes were conducted between June and July 2012. Table 2 provides a profile of the participants in terms of the sector their business operates in, the size of the business and its age. While the empirical study is not intended to be representative of entrepreneurs in Sofia or Bulgaria, the perceptions and experiences of the entrepreneurs provide in-depth insights into the institutional environment. Therefore, while Jack and Anderson (2002) assert that such research can lack generalisability, its value is in generating questions for further research hypotheses. Although entrepreneurship research has been dominated by quantitative approaches, there is a growing body of qualitative research that provides deep insights into the entrepreneur and the entrepreneurial environment (Hindle, 2004). Indeed, qualitative research in transition environments has the potential to improve understanding of entrepreneurs' experiences and provide rich data which quantitative survey-based approaches cannot provide (Doern, 2009).

The interviews were semi-structured and followed the schedule outlined in Table 3. The nature of semi-structured interviews meant that a number of issues not on the interview schedule were raised by some respondents, which were relevant and, subsequently, explored further. The interviews were recorded with respondent consent and transcribed, before thematically analysing and coding the data to explore emergent themes. It was important, in keeping with Bryman (2012), that the reliability of coding was consistent and structured in order to prevent coder bias. Therefore, the coding process was conducted independently by the authors, with overarching thematic categories identified to develop a coding scheme based on key themes so that intra-coder reliability could be consistent. This coding scheme was applied by both authors, and the results were then compared to ensure inter-coder reliability by identifying any discrepancies between the coders so that they could be revisited and agreed upon. This constant comparative method involves continually identifying emergent themes against the interview data and employing analytic induction whereby the researcher identifies the nature of a relationship and develops the narrative (Silverman, 2000). The qualitative approach was particularly appropriate to enable entrepreneurs to articulate how they perceive the institutional environment, and quotes from the interviews are used to enhance and add voice to the study. As well as setting out the interview schedule, Table 3 presents a summary of the responses to the key issues emerging from the entrepreneurs and the frequency of those responses. In many cases, consensus was reached regarding the key areas of exploration and these responses can therefore, be considered to be representative of the views of the majority of the respondents. The remainder of the article tells what Steyaert and Bouwen (1997) refer to as the 'story of entrepreneurship', by considering how the institutional environment has influenced the perceptions and experiences of entrepreneurs and entrepreneurship in Bulgaria.

Analysis and discussion

In analysing how the institutional environment has shaped entrepreneurial activity in Bulgaria, we argue that the asymmetry between formal and informal institutions has resulted in entrepreneurship being stifled. If entrepreneurial activity, and a positive attitude towards entrepreneurship, is to be fostered, formal rules need to be aligned with informal norms. In Bulgaria, this asymmetry has meant that despite some positive reforms to formal institutions, the full effect of any improvements is not experienced. This section focuses on the key themes outlined in Table 3, which emerged from the interviews with entrepreneurs, and explores the nature and impact of institutional asymmetry on entrepreneurship in Sofia. It is structured in two parts: the first considers how formal and informal institutional reforms in Bulgaria have affected entrepreneurs, while the second focuses on

Table 2. Profile of participants.

Respondent	Sector	Size of business (number of employees)	Age of business
1	IT	1–10	1–5 years
2	Financial services	11–50	<1 year
3	IT	11–50	6–10 years
4	Construction	51–250	≥10 years
5	Food and drink	11–50	1–5 years
6	Electronics	51–250	6–10 years
7	Media	1–10	<1 year
8	Electronics	1–10	<1 year
9	Electronics	11–50	1–5 years
10	IT	1–10	<1 year
11	Tourism	1–10	1–5 years
12	Pharmaceutical	11–50	≥10 years
13	Media	11–50	1–5 years
14	IT	1–10	<1 year
15	Construction	51–250	6–10 years
16	Media	11–50	1–5 years
17	Electronics	1–10	<1 year
18	Food and drink	11–50	1–5 years
19	Financial services	11–50	6–10 years
20	IT	1–10	<1 year
21	Real estate	11–50	6–10 years
22	Telecommunications	51–250	≥10 years
23	Textiles	11–50	≥10 years
24	Education	1–10	1–5 years
25	Tourism	1–10	1–5 years
26	Financial services	11–50	1–5 years
27	Textiles	11–50	≥10 years
28	Automotive	11–50	6–10 years
29	Food and drink	11–50	≥10 years
30	Telecommunications	11–50	6–10 years
31	Media	1–10	<1 year
32	Construction	51–250	6–10 years
33	Electronics	1–10	<1 year
34	IT	1–10	<1 year

IT: information technology.

the role of institutions in limiting entrepreneurial ambitions, and highlights how entrepreneurs can themselves undermine institutional reforms by engaging in informal and corrupt activities.

Institutional reform and asymmetries

Characteristic of many transition economies, a significant challenge facing Bulgaria relates to reforming the institutional environment. While post-socialist economies do not lack entrepreneurial

Table 3. Interview questionnaire, frequency and summary of responses, and illustrative quotes.

Question	Summary of key responses	Frequency of response (out of 34 respondents)	Respondents	Illustrative quotes
What challenges does Bulgaria face in trying to foster entrepreneurship?	<ul style="list-style-type: none"> Move from a centrally planned to a market economy is difficult in terms of reforms and societal attitudes 	26	1, 2, 3, 5, 6, 7, 8, 10, 11, 12, 14, 15, 16, 21, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34	<p>'We had a centrally planned economy for so long ... it is taking a long time for people to realise they can be entrepreneurs and make money for themselves'.</p> <p>'We have had reforms but attitudes have not caught up ... It takes time'.</p> <p>'People don't see it as option for them ... they see tycoons getting rich, people in government getting rich ... but it is not for them'.</p>
	<ul style="list-style-type: none"> Societal attitudes to entrepreneurship are generally negative 	23	1, 4, 5, 7, 8, 10, 11, 12, 13, 14, 16, 18, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33	'The government has made an effort to make the regulations better. They want Bulgaria to be seen as a place to do business'.
	<ul style="list-style-type: none"> Focus has been on regulation but little action to promote positive enterprise culture 	19	3, 5, 6, 7, 8, 10, 12, 15, 17, 21, 22, 23, 24, 26, 27, 28, 30, 32	'They have tackled the regulation but positive messages about entrepreneurship have not been communicated'.
What steps have been taken by government to foster entrepreneurship?	<ul style="list-style-type: none"> Institutional environment has been turbulent with many changes leading to uncertainty regarding rules 	18	2, 4, 5, 8, 9, 10, 13, 15, 16, 17, 22, 23, 24, 26, 27, 28, 30, 31	<p>'Things have changed a lot: tax codes, laws, regulations, licenses. It has been difficult to know exactly what to comply with'.</p> <p>'The EU has brought benefits to Bulgaria, but we joined too soon. We had to comply with rules that we weren't ready for ... we should have waited. Just when the economy was becoming stronger these changes made us more vulnerable as we were'.</p>
	<ul style="list-style-type: none"> Government has attempted to attract foreign investment to plug a perceived entrepreneurial gap in Bulgaria 	20	1, 3, 5, 8, 9, 11, 14, 15, 16, 22, 23, 24, 26, 27, 28, 29, 30, 31, 32, 34	<p>'Because there isn't much entrepreneurship here, the government have tried to attract it from abroad. They have made lots of efforts to get multinational businesses here and make it easy for them'.</p>

(Continued)

Table 3. (Continued)

Question	Summary of key responses	Frequency of response (out of 34 respondents)	Respondents	Illustrative quotes
How successful have government reforms been?	<ul style="list-style-type: none"> Regulation has improved, meaning it is now quicker and easier to start a business in Bulgaria While it is now easier to start a business, there has not been a significant rise in entrepreneurial activity Reforms have not changed the fact that perceptions of entrepreneurship are still poor 	28 23 18	<p>1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 14, 15, 16, 19, 21, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34</p> <p>1, 4, 5, 7, 8, 10, 11, 12, 14, 15, 16, 19, 21, 22, 23, 24, 25, 26, 28, 30, 31, 32, 33</p> <p>1, 2, 4, 7, 8, 11, 12, 14, 15, 16, 19, 20, 22, 26, 28, 30, 32, 33</p>	<p>'It's easier to start a business now, and quicker. It has definitely got better'.</p> <p>'There are no real problems starting a business, it is easy'.</p> <p>'The economy is not unstable ... [and] there are more opportunities than there used to be. It is very quick, easy and very cheap to start a business in Bulgaria, but bigger businesses are favoured'.</p> <p>'Things are improving ... Entrepreneurship is not such a dirty word these days in Bulgaria and people are beginning to see it as a realistic option ... a viable alternative'.</p> <p>'We see sparks but we need chain reactions to make things explode. There are more entrepreneurs starting businesses but it is not mainstream yet'.</p>
To what extent is there a positive enterprise culture in Bulgaria?	<ul style="list-style-type: none"> Culture is weak Many people still aim to work for the state rather than in the private sector 	26 23	<p>1, 3, 4, 5, 6, 7, 9, 10, 11, 12, 14, 15, 16, 17, 22, 23, 24, 25, 26, 27, 29, 30, 31, 32, 33, 34</p> <p>1, 3, 5, 7, 8, 10, 11, 12, 13, 14, 16, 18, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 34</p>	<p>'The administration has improved to start a business, being part of Europe means is a good thing and there are more people starting businesses but Bulgarians are not really entrepreneurs'.</p> <p>'With many Bulgarians the aspiration is still to work in a government job or in a big business, this mindset is the same as under socialism. Yes it is easier in some ways to have your own business, but things will not change if the Bulgarian people still think the same ... they think starting businesses is always something that other people do'.</p>

Table 3. (Continued)

Question	Summary of key responses	Frequency of response (out of 34 respondents)	Respondents	Illustrative quotes
How have entrepreneurs in Bulgaria managed the challenges brought about by transition?	<ul style="list-style-type: none"> Entrepreneurs are generally viewed with suspicion 	27	1, 3, 4, 5, 6, 7, 9, 10, 11, 13, 14, 15, 16, 17, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34	<p>'The public's attitude towards entrepreneurs is not good. They think people who run their own businesses are all crooks. There is a lot of mistrust'.</p> <p>'People assume we are all criminals, that we are just out to rip other people off ... Entrepreneurship is not respected or valued'.</p>
	<ul style="list-style-type: none"> Media portrayals of entrepreneurship tend to be negative, focusing on criminal cases rather than successes 	20	1, 2, 4, 8, 9, 11, 14, 15, 16, 22, 23, 24, 26, 27, 28, 29, 30, 31, 32, 33	<p>'You can't talk about businesses on TV. Most of the TV is state-owned and they can't mention companies as it is against the law. It is seen as free advertising ... the main media coverage is through the news, often reporting "tycoon entrepreneurs" involved with corruption and criminal activity, and this gives the impression that all entrepreneurs are criminals'.</p>
	<ul style="list-style-type: none"> A more positive enterprise culture is emerging but change is slow 	22	1, 2, 3, 4, 6, 9, 11, 14, 15, 16, 22, 23, 24, 26, 27, 28, 29, 30, 31, 32, 33, 34	<p>'We had socialism for so long. You can't expect things to change overnight. Bulgaria was a different back then. It is changing but slowly'.</p>
	<ul style="list-style-type: none"> Internal markets have been slow to develop 	18	3, 4, 5, 8, 9, 12, 14, 15, 16, 22, 23, 25, 26, 27, 28, 29, 30, 31	<p>'Trading with other European countries became more important. While the internal market was slowly developing, you could look abroad for opportunities to expand ... It made [my company] more competitive because the foreign firms we were competing against were better than us, more established, more innovative'.</p>
	<ul style="list-style-type: none"> We have looked abroad for opportunities as trading opportunities have opened up 	21	2, 4, 5, 7, 8, 10, 11, 12, 13, 14, 16, 18, 22, 23, 25, 26, 27, 28, 30, 31, 33	<p>'The EU has opened things up for us. We are selling outside of Bulgaria now'.</p>

(Continued)

Table 3. (Continued)

Question	Summary of key responses	Frequency of response (out of 34 respondents)	Respondents	Illustrative quotes
	<ul style="list-style-type: none"> Many entrepreneurs still look to government contracts as the principal source of opportunities and revenue 	18	1, 2, 4, 7, 8, 10, 12, 14, 15, 19, 20, 22, 27, 28, 30, 32, 33	<p>'For a long time, the only market was selling to the state as they had the money ... there was no competitive market in Bulgaria. In the years after downfall of Bulgarian Communist Party in 1991 the economy was disorganised ... it was chaos'.</p> <p>'Lots of the economy is dependent on the government and European grants, I know lots of businesses and that is all they do ... What Bulgaria needs is a more innovative and competitive private sector that competes with Europe and the rest of the world'.</p> <p>'Getting European grants and government contracts is important in Bulgaria and lots of businesses do it ... without these contracts we wouldn't have all the businesses we do'.</p> <p>'My family thought I was crazy [when I wanted to set up my own business]. They asked me why I didn't just work for someone else, get a steady job'.</p> <p>'There is a market but I'm not really interested in growing the business beyond the City as it is doing well enough and I make a good living'.</p>
What challenges did you face in starting your own business?	<ul style="list-style-type: none"> Perceptions of family and friends tend to be negative and act to discourage entrepreneurship 	26	1, 2, 4, 5, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 21, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34	
What plans, if any, do you have to grow your business in future?	<ul style="list-style-type: none"> Staying small has advantages in terms of managing the business and complying with regulation 	16	1, 5, 8, 9, 11, 13, 14, 16, 20, 21, 24, 25, 27, 31, 33, 34	

Table 3. (Continued)

Question	Summary of key responses	Frequency of response (out of 34 respondents)	Respondents	Illustrative quotes
	<ul style="list-style-type: none"> Plan to expand outside Bulgaria (particularly to neighbouring countries) to increase the size of the market available 	15	1, 4, 7, 9, 11, 13, 14, 16, 20, 21, 24, 25, 28, 31, 33, 34	'I'd like to grow the business in the future. It has been difficult to do that in Bulgaria, so we only operate in Sofia. If I want to grow my business next I need to go to Romania, or somewhere else, but it is not the time now'.
To what extent does the entrepreneurial environment foster informal activity?	<ul style="list-style-type: none"> We have moved some aspects of the business 'off-the-books' to minimise taxes 	14	2, 3, 8, 10, 12, 14, 16, 21, 22, 23, 26, 29, 32, 33, 34	'Many businesses understate their revenues to avoid paying taxes ... it is normal. When the taxes are too high you need to avoid them to make money'.
	<ul style="list-style-type: none"> Informal employment arrangements are commonplace 	22	1, 2, 3, 5, 8, 10, 12, 13, 14, 16, 18, 20, 21, 22, 23, 25, 26, 27, 29, 32, 33, 34	'It is common that businesses pay the minimum wage to employees so they pay less in tax contributions, but the wages get topped up with cash'.
To what extent does corruption impact on entrepreneurial activity?	<ul style="list-style-type: none"> Corruption, mainly through bribes, is commonplace 	30	1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34	'It is very common. If you are small business you might have to pay a little bribe, if you are a big business you will have to pay someone to get a big contract'.
	<ul style="list-style-type: none"> We have engaged in corrupt practices in order to secure contracts or favours 	12	1, 2, 7, 12, 14, 17, 21, 22, 23, 26, 29, 32	'If you need things doing quickly then you sometimes need to pay ... like permits and licenses, if you pay your application gets to the top of the pile'. 'When there is a lot at stake you use every resource you have ... if you have to bribe and payoff people you must do that. It becomes part of business competition'.
	<ul style="list-style-type: none"> Corruption is a normal, everyday reality of entrepreneurs in Bulgaria 	26	1, 3, 5, 6, 7, 9, 10, 11, 13, 14, 15, 16, 17, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34	'I know I have missed out on contracts because I didn't want to pay a bribe ... if you play by the rules you lose when other people don't play by the rules'.

ambition, Kshetri (2009) asserts that the institutional environment is often not sufficiently developed to promote and support entrepreneurship. As part of Bulgaria's accession to the EU, there has been an emphasis on economic and political reform associated with formal institutions. However, informal institutional reforms have been somewhat slower to occur, which has led to an asymmetry between formal and informal institutions. Moreover, societal attitudes are not pro-entrepreneurship as a result of the long shadow of socialism and as such, entrepreneurial aspirations are constrained. Indeed, without reforming the informal institutions in Bulgaria the norms, cultures and values associated with the socialist era will continue to persist. In this sense, harnessing entrepreneurship as a catalyst of economic change in transition economies presents something of a conundrum as entrepreneurial culture is, as Hofstede (1980) notes, reinforced by institutions which themselves are products of the prevailing value systems.

In Bulgaria, as in other transition economies, the emergence of the capitalist system needs to be understood as having been built from the ruins of socialism (Stark, 1996), a fact which explains its distinctive character. Institutional reform has been critical to establishing a market economy, and the Bulgarian government has actively established the institutions and framework conditions for businesses to compete nationally and internationally. However, less emphasis was placed on *cultural* reform, as the assumption was that societal change would follow market reform, although, as Scase (2003) notes, this is not guaranteed as the case. Therefore, the principal challenge of national policy was regarded as overcoming the specific challenges associated with 'missing markets'.

Manolova and Yan (2002) describe how missing markets coupled with the push for a more entrepreneurial economy resulted in an 'institutional hiatus', which can disaffect the entrance and growth of new small businesses (Kozul-Wright and Rayment, 1997). Given the weak and unstable institutional arrangements following transition, during the early 1990s, international networks bridged some of the regulatory gaps in formal institutions where the Bulgarian government was slow to implement market reforms. However, our research finds that more recently there has been increased effort to improve the formal institutional landscape. Indeed, the majority of respondents stated that policy had targeted rules and regulations to facilitate and support entrepreneurial activity. In the race to create a market economy following the collapse of central planning in 1989, frequent changes to policy caused problems for businesses in terms of keeping up-to-date with different regulations, particularly in terms of taxation. This was again a problem in the run up to and immediately following accession to the EU in 2007, with several of the entrepreneurs interviewed describing how the formal institutional environment had become more turbulent. However, the respondents stated that the accession requirements for the EU had demanded policy makers improve the formal institutional environment, and more recently, there was a consensus that the frequency of change had slowed and that the regulatory environment was becoming more stable. That said, one of the entrepreneurs commented that 'we joined too soon', with another respondent stating that the EU had brought rules that Bulgarian companies were 'not ready for', as it was challenging enough navigating the country's own rules. However, some 6 years post accession, there was general consensus that the formal institutional environment had become more settled and the more successful and outward-looking Bulgarian businesses were benefitting from EU membership.

Another example of formal institutional reform that has been ongoing since the early 2000s is the attempts of the Bulgarian government to pursue an economic-development strategy premised on FDI-led growth (Hegerty, 2009). The fact that Bulgaria ranks favourably compared to other South East European and Balkan countries in terms of the ease of doing business and macroeconomic stability is important in attracting FDI. However, several of the respondents stated that a consequence of FDI-led policy meant that regulation favoured larger enterprises and that that

indigenous entrepreneurs were effectively crowded out. In many respects, this is fairly typical of efficiency-driven economies, where stable macroeconomic conditions encourage business, although the institutional arrangements are often weak and fail to provide the necessary support for the growth of indigenous entrepreneurial activity.

As such, unlike previous research which has stated that transition economies are often characterised by underdeveloped formal institutions (Puffer et al., 2010), the entrepreneurs interviewed believed that progress has been made in strengthening formal institutions and addressing the post-socialist problem of 'missing markets'. Herein lies a key challenge facing entrepreneurship in Bulgaria. That is to say, while improving the institutional environment has gone some way to support and facilitate entrepreneurial activity, an asymmetry has prevailed as a result of a lagging reform of informal institutions. In alluding to this point, several of the entrepreneurs commented that Bulgaria is not an entrepreneurial society and that better regulation alone is not the answer. Stark (1996) describes the informal institutions in Bulgaria as characterised by the legacies of socialist culture, which has seen varieties of capitalism emerge that are analogous to Western market economies although also exhibiting a number of distinct characteristics. As noted above, the Bulgarian government sought to prioritise large(r) businesses as the engine of growth. The respondents stated that the decision to favour larger businesses was due to the relatively cheap labour offered in Bulgaria, meaning that it was attractive for some foreign firms to locate operations that employed a large number of people. In contrast, small entrepreneurial start-ups were not given the same advantages as they were not seen as being able to provide a high number of employment opportunities for society and were therefore less able to provide employment, which was a key economic challenge of transition. Moreover, having been previously illegal in socialist Bulgaria, small(er) private enterprises continue to lack the legitimacy of large firms in a transition context, and for this reason entrepreneurship was regarded as undesirable, illegitimate or insignificant in generating economic growth. This perception was widely reflected in the responses of entrepreneurs interviewed, who stated that the Bulgarian public generally viewed entrepreneurs as dishonest and rapacious. The interviewees said that entrepreneurs were often seen as 'crooks' or 'criminals'.

Such suspicion is longstanding, and Peng (2001) highlighted the case of Multigroup, which was a successful Bulgarian business following the transition; however, it was widely suspected of being a money-laundering organisation for the benefit ex-Socialist-era government officials. Clearly, such attitudes present a challenge for entrepreneurship in Bulgaria, as social norms that negatively view and/or impact on the entrepreneurial culture can act as 'drag chains' on entrepreneurial activity (Schumpeter, 1934; Westlund and Bolton, 2003). Unless perceptions of entrepreneurs improve and entrepreneurial activity becomes more respected and valued, the level of economic importance attributed to entrepreneurship is likely to remain low. The perception of entrepreneurs is also informed by ideational structures, which define how societal perceptions of entrepreneurship and (national) attitudes towards enterprise culture are shaped (Hindle and Klyver, 2007). The respondents repeatedly referred to the way in which the media portrayal of entrepreneurs in Bulgaria has had a detrimental impact on attitudes towards entrepreneurial activity. Some of the respondents explained that because much of the media is still state owned they are not permitted to discuss private businesses, and as such the only news that is seen about entrepreneurs tends to be negative, for example, if a business owner is arrested for corrupt activities.

The manner in which entrepreneurial activity is depicted by the media is a significant factor in influencing the perception of the general public towards entrepreneurs, and ultimately serves to hinder any attempt to reform informal institutions. While the social approbation towards starting new businesses in Bulgaria, identified by Manolova et al. (2008), continues, our findings suggest that how entrepreneurs are perceived is more varied. One notable distinction related to the

variation in the legitimacy of entrepreneurial activity by the industrial sector. Of the entrepreneurs interviewed over two-thirds started their own businesses because of the low opportunity cost coupled with a desire for autonomy and self-actualisation. In these cases, the entrepreneurs had overcome social norms and societal perceptions to start their own ventures, yet, they were often required to act against the advice of their social network. For example, many of the respondents commented that their family and friends thought they were 'crazy' or 'foolish' to start their own business.

These views reflect the consensus of the entrepreneurs interviewed, highlighting that in addition to the entrepreneurial challenges of setting up the business, the aspiring entrepreneurs also had to overcome the scepticism of their friends, family and wider social network to establish their businesses. Interestingly, a number of the more established entrepreneur interviewees commented that a more entrepreneurial culture was gradually emerging. Another tentative sign of the cultural change towards entrepreneurship in Bulgaria is that almost all of those interviewed stated that they knew other people among their network of family, friends and acquaintances who were either aspiring to or intending to start their own business. Such views are testament to a gradual, albeit slow, improvement in Bulgaria's entrepreneurial culture and growing optimism about entrepreneurship. This suggests therefore, that while informal institutions are difficult to influence, positively reforming informal institutions is possible and that they should not be considered as 'unyielding obstacles' (Estrin and Mickiewicz, 2011; Winiecki, 2001).

Entrepreneurs, entrepreneurship and asymmetry

Scase (2003) notes that there is no guarantee that transition economies will become competitive, especially when socialist norms, values and working practices persist. While the number of business start-ups in Bulgaria has increased over the past decade, an equivalent level of economic growth has not transpired. Perhaps, the most telling explanation from the entrepreneurs interviewed related to the scale and scope of the entrepreneurial activity. Given the challenges of the institutional environment described above, it is unsurprising that the majority of the entrepreneurs were engaged in what Sautet (2011) refers to in terms of 'local entrepreneurship' and Scase (2003) refers to as 'proprietorship', that is to say, entrepreneurial activity which is geographically localised and has little prospect of growth.

Although less than a quarter of the entrepreneurs interviewed described their motivation to start a business as being due to social and/or lifestyle reasons, there was little evidence of what Stam et al. (2012) term 'ambitious entrepreneurship'. Without such ambition, entrepreneurial activities are unlikely to meaningfully contribute to economic growth, instead remaining small and only serving local markets. This in itself represents a major challenge in leveraging entrepreneurship as an engine of growth, and several of the entrepreneurs made reference to issues of ambition and growth. Akin to Aidis et al. (2008), our findings support the view that the pursuit of entrepreneurial opportunities runs counter to the communitarian ideology of socialism, with entrepreneurship viewed as profiteering at the expense of society. This represents an inherent tension between socialist and capitalist ideologies, which goes some way in explaining the apparent lack of, or rather the tempered, ambition of some of the Bulgarian entrepreneurs interviewed. Such tension is also testament to the asymmetry that exists between formal and informal institutions, which if reduced could promote more ambitious entrepreneurship.

The impetus towards localised entrepreneurship and/or proprietorship can in part be explained as a result of the institutional landscape not sufficiently incentivising more ambitious forms of enterprise. Worryingly, several interviewees described how it was possible to make a profit without having to engage in a competitive market. The most prevalent examples of this related to securing national government grants, which is an example of what Baumol (1990) regards as 'rent seeking'

behaviour. Since the accession in 2008, such rent seeking has been more orientated towards European funding, which effectively means entrepreneurs may generate income but that they are not exposed to market competition. This focus on funding and grants has come to distort entrepreneurial behaviour, as rent seeking is occurring to the detriment of other more productive entrepreneurial activities that could stimulate economic growth. Interestingly, the more ambitious entrepreneurs interviewed expressed the desire for less regulation to enable their entrepreneurial activities, while the proprietors and local entrepreneurs were more concerned with policy better supporting and protecting their rent-seeking behaviours.

For those entrepreneurs interested in growing their business, however, the institutional environment remains challenging despite improvements over the past decade. One formal institutional constraint faced by the entrepreneurs, despite some reform, related to regulation and taxation. In response, a number of the entrepreneurs we interviewed have shifted some entrepreneurial activities 'off-the-books'. Such activities serve to limit the impact of entrepreneurship on economic growth as wages and revenues go undeclared and taxation is avoided, and this results in the unproductive *informalisation* of economic activity (Williams, 2006). While informal economic activity is not uncommon in transition economies, the interviews suggest it has become a norm which is undermining formal entrepreneurship in Bulgaria. Moreover, informal entrepreneurial activity fails to contribute to economic growth and serves to weaken informal institutions. As a result, the legitimacy of entrepreneurship as an economic activity is further challenged and informal activity becomes increasingly widespread. Thus, institutional asymmetry is maintained, if not extended, as despite attempts to improve formal institutions, this propensity to circumvent the rules undermines reforming informal institutions.

In addition to informal activity, corruption is widespread in Bulgaria; although widely associated with transition economies, it is particularly acute in Bulgaria, which in 2012, was classified as one of the most corrupt states in Europe by the Corruption Perceptions Index (Transparency International, 2012). Many respondents commented on the weakly enforced and/or corrupt judicial and regulatory institutions which maintain if not extend the institutional asymmetry; formal institutional changes are not enforced and so are ineffective (Estrin and Prevezer, 2011). Several of the entrepreneurs identified how they had engaged in corrupt activities in order to gain some competitive advantage or to simply avoid operational problems associated with adhering to formal regulation. This is consistent with Krastev (2002), who identified that corruption is engrained in Bulgarian society to differing degrees, ranging from petty bribes to more systemic corruption among government elites and large firms with connections to organised crime.

We contend that the normalisation of informal entrepreneurship and illegal economic represents a significant hurdle to promoting more productive and ambitious forms of entrepreneurship. The challenges in managing informal and corrupt entrepreneurial activity strongly parallel those of promoting entrepreneurship. That is to say, developing pro-entrepreneurial informal institutions is equally important as strengthening and improving formal institutions in reducing institutional asymmetry. If this asymmetry is to be reduced over the longer term and entrepreneurship is to flourish and contribute to economic growth, greater congruity between formal and informal institutions is essential.

Limitations and directions for future research

We acknowledge that the research approach has limitations. The study is geographically localised within the capital city of Sofia and involved a relatively small number of in-depth interviews with entrepreneurs. Clearly, the views of the respondents cannot be considered to be representative of all entrepreneurs in Bulgaria but this is not the purpose of qualitative research. Although this limits

the generalisability of the findings, the value of our research lies in the rich theoretical insights regarding the entrepreneurial environment in Bulgaria, and in generating hypotheses for further testing. With regards to further research, it would be worthy to investigate the extent and impact of institutional asymmetry in other transition (and non-transition) economies and to also undertake comparisons between countries with similarities and differences in terms of institutional reforms. Given that reforms in transition economies have been multifaceted, cross-country comparisons could provide useful insights into how the asymmetry has widened in some localities and also where it may be closing. It would also be worthwhile to examine how institutional asymmetry impacts on different generations of entrepreneurs, for example, by focusing on informal institutional change on young(er) compared to more established entrepreneurs and how this impacts on start-up and business growth decision-making.

Conclusion

This article has critically analysed how the institutional environment influences entrepreneurship in Bulgaria. As such, the study contributes to a better understanding of how formal and informal institutions affect perceptions of entrepreneurship and nature of entrepreneurial activity in transition economies. We have identified that where there is asymmetry between formal and informal institutions, entrepreneurship can be undermined, which is detrimental to economic growth. In Eastern European and former Soviet economies, this asymmetry is particularly pronounced as formal rules have changed at different rates but the prevailing informal rules have been slower to follow. Despite the best intentions of reforms to formal institutions to make entrepreneurial activity easier, informal institutions have undermined their impact as the culture remains averse to entrepreneurial activity. Yet, informal institutions are not 'unyielding obstacles' (Winiecki, 2001) and change is possible.

Over the past two decades, Bulgaria has evolved from a highly centralised economy to become a transitioning entrepreneurial economy. Similar to other transition countries, the economic transformation of Bulgaria has been largely premised on structural reform of formal institutions which recognises the importance of enterprise-led growth. However, transforming the culture, norms and values that comprise informal institutions in relation to entrepreneurship has been a slower process. Indeed, we contend that there has been a lack of congruence between formal and informal institutional reforms and that the resulting asymmetry has undermined entrepreneurship. In other words, reforms have not considered how formal and informal institutions relate, which we argue is crucial to fostering entrepreneurship, given that informal norms are as important as formal rules.

This is perhaps, understandable given the legacy of what Sztompka (1996) described as 'bloc culture', which saw (legitimate) entrepreneurship in transition economies lost for almost two generations. Consequently, (re-)establishing entrepreneurship as part of the economic landscape has proved difficult and correcting the asymmetry remains a challenge. Previous research has characterised transition economies as having formal institutional voids (Puffer et al., 2010); however, we find that in Bulgaria there has been a lag in reforming informal institutions. As a result, the prevailing institutional asymmetry has served to suppress entrepreneurial aspirations and activity and detract from entrepreneurial-led growth.

As Hayton et al. (2002) note, understanding the influence of informal institutions on entrepreneurship is of considerable theoretical and practical value, more so when taken alongside formal institutions. In the case of transition economies, the long shadow of central planning persists in the social attitudes and normative ideals towards entrepreneurship despite formal institutional reforms. In order to reduce institutional asymmetry, there is a need to better align formal and informal insti-

tutional reforms, although the positive impact of this can potentially be undermined by entrepreneurs operating informally and engaging in corrupt activities.

This article builds on institutional theory to examine the nature of institutional asymmetry, and how formal and informal institutions need to be seen as both intertwined and interdependent. As such, fostering a more entrepreneurial economy is necessarily a long(er)-term project, which depends on recursively and reciprocally developing the congruence of formal and informal institutions. While improvement in ease of doing business and reduction in barriers for business start-ups were praised by the entrepreneurs, the overarching view was of a lack of wider strategy for promoting and harnessing entrepreneurial activity. One increasingly important policy domain for promoting the congruence of formal and informal institutions is through education, by shaping the culture, norms and values of the population, although Estrin and Mickiewicz (2011) contend this may occur only after a full generational change. Exposing younger people who have not experienced central planning to entrepreneurship through the education system can help to reform informal institutions over time. Coupled with other approaches to shift perceptions of how the wider society views entrepreneurship, such as 'social norms marketing campaigns' (Valdez and Richardson, 2013), the objective is to create an institutional environment where formal and informal institutions support entrepreneurship.

Given the extent of the institutional asymmetry in Bulgaria, redressing the prevailing attitudes towards entrepreneurs and perceptions about entrepreneurial opportunities is undoubtedly a long-term process. Despite some recognition that changes that will promote entrepreneurship are occurring, unless formal and informal institutions become more mutually reinforcing, the asymmetry is likely to persist and undermine this ambition. In order to harness entrepreneurship as a catalyst of economic growth, we highlight the need for greater congruence between formal and informal institutions. It is important to note that this cannot simply be brought about through effective policy making alone, and understanding how this congruence might be achieved in Bulgaria and other transition countries represents a fruitful avenue for further research.

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Author biographies

Nick Williams is a Lecturer in Entrepreneurship at the University of Sheffield. His research focuses on entrepreneurship and economic development, including institutions, culture and corruption.

Tim Vorley is a Senior Lecturer in Entrepreneurship at the University of Sheffield. His research primarily focuses on entrepreneurship and economic resilience in the UK and Europe, with a particular interest in public policy and governance.