

## 10. *The Trust-based Regulations of Economic Behaviors among Local Construction Enterprisers in Pest County (Hungary)*

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### 1. Introduction

The present paper aims to re-investigate the results of a study carried out in a village near Budapest in 1992. In the first phase of the research, we presented an economic organization that could be characterized as a loose network system based on the cooperation of the various firms working in the community. In many ways, the phenomenon corresponded to the cooperation model, which is usually referred to in the literature as an *industrial district*.

The study concentrated on a village of 2,000 inhabitants in Pest County, where there were more than 20 carpenters working, despite the fact that there were not (and still are not) any factories that could employ workers of that number. During the time of the first study, the carpenters were participating in a large hotel-building project. The size of the task was such that it could not be carried out without external help. Interestingly, the employer assigned the work not to a large organization, but to a loose network built up through the cooperation of entrepreneurs (Kuczi & Mako, 1999).

The participants formed three functionally well-distinguishable groups: *outworking enterprises, local enterprises, and external enterprises*.

Achieving an independent entrepreneur status involved a long learning experience—a knowledge-accumulation process in the case of all three kinds of enterprises. The successful entrepreneurs possessed the following types of knowledge to a varying degree: *professional knowledge, commercial attitude, organizational ability, and a gift for politics*. Gaining entrepreneurship knowledge is an extremely time-consuming task. It requires numerous skills and gifts that an entrepreneur can only achieve through the cooperation of others. In the 1980's, one of the most typical ways of obtaining professional as well as organization-management knowledge in Hungary was to participate in so-called "second economies" (cf. Makó & Simonyi, 1992; Neumann, 1987; Stark, 1985, 1986).

The primary aim of the outworkers was to widen their professional technical-related knowledge, as opposed to knowledge concerning the organizational and administrative management of an enterprise. On the other hand, local and nation-wide entrepreneurs did not aim to obtain well-founded professional knowledge. For them, the development of organization- and management-related knowledge, the establishment and operation of the channels of sale, and the ability to influence the larger social environment were at least as important.

None of the enterprises or the entrepreneurs operating in the village could pride themselves on possessing a total combination of the types of knowledge presented above, just as the physical infrastructure of the ventures shaped their form in a different way. This also means that the entrepreneurs by themselves could not have been able to satisfy large-scale orders. The economical success of the individual enterprises thus depended upon their ability to cooperate with each other. Numerous social conditions had to be met to enable the creation of a successful and effective model, one that was dependent on cooperation. At its start, the

enterprise network integrated many already available structural elements, which were brought together by taking advantage of long-standing existing relationships.

Readily available relationships are thus the social regulators of economic behavior. Among these, one of the most important is the system of *social relations* operating in the community, which has a structure similar to that of family ties. It is fundamentally dominated by interdependence: individual transactions are not symmetrical, i.e., it is not necessary to respond with an immediate counter-favor. These types of relationship patterns have been made good use of by entrepreneurs in their relationship with each other (e.g., they lent material to each other). In cases like these, the long-term economic calculation based on the mutual allowance of the interests of the parties takes precedence over a short-term competitive attitude.

Cooperative relations were active in practice, too, as the study showed through the cooperation model of the wood industry entrepreneurs. It was a national entrepreneur who united the wood industry entrepreneurs of the village by involving them in several projects. The national entrepreneur made a contract with the local and outworking entrepreneurs, while the distribution of the work itself was organized by the entrepreneurs. The national entrepreneur provided the floating capital and raw material for the outworkers in advance. Additionally, it also provided administrative and organizational support for the small entrepreneurs. Those involved in the project only signed an official contract with the national entrepreneur; their relationships with each other were only regulated by verbal agreements. Despite the lack of a formal work organization, their activity was successful and efficient. This was due to their advanced-level trust culture, which regulated the entrepreneurs' behavior in their business transactions, and whose resources were rooted in the non-economic relations of the village.

A study carried out at the beginning of the 1990's (cf. Kuczzi-Mako, 1993) enumerated the social factors (values and institutions) that institutionalized the cooperation of the entrepreneurs. The cooperation that occurred between the parties of the enterprises was embedded in the system of economical and non-economical relations. The communication of the individual participants of the enterprise network is defined by three fundamental values:

*Professional values.* A basic condition for anyone to be able to participate in the project was professional competence; at the same time, professional values also helped integration by making communication between the parties possible. Professional values also emphasized the importance of stability of cooperation and restricted, or rather regulated, the development of an exaggerated inner rivalry.

*Trust.* The most important source of trust in the relations of the entrepreneurs was the family and friendship-based relations that characterized the village. Family and friendship relationships formed the basis for cooperation, which was most evident in the mutual tolerance of the parties' interests. In addition to their professional values, the parties could also count on each other's "moral competence;" that is, high level trust relations were created.<sup>49</sup> The advantage of trust relations was that the parties could share both their profits and losses; besides, it made the behavior of those involved in the transactions predictable.

The third integration value was *ethnicity*, which also involves the other two values. The great majority of the villagers are of German ethnicity. The prime significance of ethnic affiliation can be accounted for by negative

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<sup>49</sup> The source of trust relations, besides professional expertise, is what is often referred to as "moral competence," which is a sense of responsibility toward one's community, and mutual tolerance for each other's values, beliefs and interests.

historical factors. The villagers had experienced numerous ordeals, which made the community closed, but, at the same time, created a sense of affinity.

## 2. The current situation<sup>50</sup>

Next, we will review what has taken place in the ten years following the first study, primarily seeking an answer to the question whether the economic model based on the cooperation of entrepreneurs has been able to survive.

There are currently 2,100 inhabitants in the village; out of these 1,300 are adults. We tried to collect the most important economic and employment data for our research. During the research, there were 30 registered unemployed persons, while the number of the Gypsy population was 70. There were 68 individual and joint enterprises operating in the community. Out of these, 11 were individual entrepreneurs. There were also 30 partnership companies and 27 limited liability companies. The local individual and joint ventures employed 300 individuals. The income of the local government from business tax amounted to 38 million Ft. The greatest amount of tax was still paid by the mechanical appliances factory, with an annual 20–20 million Ft. It is also the factory that employs the most people, not only in the community, but also in the region; there are 600 individuals employed by them (out of these, 70–80 come from I.).

In our study, we attempted to present the extent to which the economic and social relations of the small firm network in this case have changed in the last ten years. To this end—since the number of the participants was relatively low—we applied qualitative data gathering techniques. During sampling, we did not follow the logic of statistical representation. Our primary aim was to interview those important participants who, based on their position in the community and their experience and skills, had the ability to have a good grasp on, and to interpret and/or influence, the happenings surrounding the small firm network. We have carried out structured in-depth interviews with the participants. Our starting point for the analysis was the study on the collective regulations of small firm attitudes made by Tibor Kuczi and Csaba Mako in 1992; that is what we complemented with the experience of the study we had done on the same type of entrepreneur sample in the autumn of 2002.

The interviews took place in I and Budapest, altogether on 10 occasions. We queried ten former participants, and we met them all several times. Their support played an important role in the effectiveness of our work; we thank them all.

The table below summarizes the interviewees:

<b>Interviewee</b>	<b>Age, gender</b>	<b>Position</b>
K.I.	51, male	Mayor
M.M.	54	Local entrepreneur
H.L.	45	Local entrepreneur
T.L.	64	National entrepreneur

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<sup>50</sup> The source of the data for this section is the Mayor's Office of the Local Government of I.

## 2.1 Entrepreneur careers – the stratification of entrepreneurs

### 2.1.1 Outworking entrepreneurs

According to the 1992 survey, there were three types of entrepreneurs among the small and middle-size enterprises: *outworkers*, *local entrepreneurs*, and *external* or *national entrepreneurs*. The first group was characterized by producing appliances mainly, and they were for the most part dependent on some other larger business grouping. They took on only subsets of a whole project. They had loose relationships with each other, the main purpose of which was their *professional content*. They usually worked by themselves, but this chiefly meant professional independence rather than economic autonomy; that is, they were motivated by the fact that they could work at home (Kuczi & Mako, 1992).

In the past ten years, the picture just described has slightly altered. The ex-outworkers have gained larger autonomy. They now have basic knowledge concerning entrepreneurship, their ventures have become independent in legal terms, too, and they have also gained experience in the business market. As one of them said, “we have become braver in the past years; we are no longer afraid of the future” (a 54-year-old local entrepreneur).

They still want to work alone, or to employ one or two persons at most. However, by giving up their outworker status, they have created their own market, which also involves areas outside their village. True, they were partially forced to do so since the number of projects for which the skill and capacity of all of them was needed was really very few.

Due to changed market conditions, they carried out not only partial tasks, but complete ones, satisfying the needs of the inhabitants. As opposed to “formal flexibility,” some of them have specialized in some fields; some plan and produce doors and windows, others stairs or furniture. The term “outworkers” could be applied to them only with restrictions; they can be referred to as micro entrepreneurs.

Their attitude to work has not changed: professionalism and skill are emphasized; the majority of them have achieved what they had always longed for: they are accepted as skilled craftsmen in the area. They do not wish to enlarge their work activity; their ambition is to gain security. The framework for their activity is still the household; in many cases, tasks related to the venture are carried out by one of their family members, mainly the wife. We can generally say that they have been able to successfully apply the experience they gained working on bigger projects in the changed market circumstances, and also, that the way they use their family resources is more effective than previously.

### 2.1.2 Local entrepreneurs

The local businesses constitute the other group of entrepreneurs. They—unlike the outworkers—have been aiming to achieve formal autonomy and economic independence right from the beginning. Their actions have been regulated by the logics of the market right from the start; they offered their own products and services.

Their position has stabilized and strengthened in the past few years. Their income and companies’ wealth have enormously increased. They have been able to get accustomed to the changing demands of the market, which has become the result of the common effect of various factors.

Generally, they have been successful at integrating the professional and business-related competence they had gained during large projects both before the change of regime and later. Business-related competence involves new experience one can gain operating a venture, managing and selling. The fact that one of them had

successfully applied for resources offered by the Széchenyi Plan<sup>51</sup> in order to enlarge his machine pool is indicative of the fruitfulness of their newfound experience and flexibility. Usually, they think in terms of long-term, strategic projects, which also characterizes the development plans for the physical aspects of their companies (such as machine pools). This is illustrated by the following quote: “It is not a problem if we do not operate the machine for six months, but when it is needed for a particular task, then it must be available. We are now also considering the EU: once inside of it, we won’t be able to stay alive with the old work traditions; we must invest in machines” (a 45-year-old entrepreneur).

They make good use of their system of relationships preserved from previous years; most of them have expanded theirs to outside their own villages, as well. Their link to the national entrepreneurs has loosened up; they have gained greater professional and economic independence. Nevertheless, family ties still play an important role in managing their businesses. Employing their family members is a noteworthy trust capital, as it were, which is a basic component of stability.

They follow basically two types of employment strategies, both based on the duality of core vs. periphery: they either employ family members exclusively, or employ temporary workers, too, but in this case, it is still the relatives they trust that occupy the leading positions. Which strategy they opt for mainly depends on the character of the activity, and the risk-taking inclination of the entrepreneur in question.

The scope of their activity is not only professional but also social: they listen to each other, and if it is needed, they give help to each other. Besides their willingness for cooperation, they are also competitive and have effective organizational and management skills. However, their competence and knowledge related to managing a business venture has not improved *qualitatively* in the past years: generally, they lack the political competence that could recognize and utilize wider social interests and systems of relationships of business enterprises. “In order to obtain really big projects, like a school or a gym, which we did previously, we should establish links to FIDESZ or MSZP [political parties], but I have always refused this” (a 45-year-old local entrepreneur).

### **2.1.3 National entrepreneurs**

It is the external, national entrepreneurs that constitute the third set of entrepreneurs. Their professional, managing-organizing and political skills help them find their way and enforce the interests of the ventures. Their particular national entrepreneur has been outstanding: he integrated the local businesses into a large construction project and operated the network they created.

That national entrepreneur has retired; these days, his primary tasks involve planning and counseling. Owing to his retirement, there are no longer projects that planned to include the whole of the entrepreneur network. Yet, he has not lost touch with his home village; currently, he is mostly engaged in preserving the institutional and tradition system, which defines the social field in which the entrepreneurs operate, and which makes it possible for them to effectively utilize the non-business-related resources in their ventures.

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<sup>51</sup> The Széchenyi Plan was a 1998-2002 innovative government economic development program whose primary aim was to strengthen the position of small and middle entrepreneurs. During the program, launched in 2000, there were 6,532 small ventures receiving altogether 71 billion Ft. The allocated amount of the Plan for 2003 is 20 billion Ft. (Source: Ministry of Economy and Transport.)

### 3. Knowledge and skills

An important conclusion of the first study was that the business skills required to operate a successful venture did not come into being by themselves; it was a rather long and time-consuming process. Numerous previous work experiences as well as various non-business-related cooperation and communication patterns, which the entrepreneurs face in their wider social environment, play a role in gaining the necessary knowledge and skills in the process of becoming an entrepreneur. The function of the knowledge they gained is to strengthen their adaptability to the changing economical and social conditions, and so, it is far from being static. It is also necessary to continually refresh one's skills and knowledge in order to operate a successful business. In what follows, we are going to summarize how much the skills and knowledge of the entrepreneurs have changed in the years since the first research.

Before transforming into independent entrepreneurs, outworkers had gained the professional-technical skills necessary for solving tasks during working in the so-called second businesses; this was a lengthy procedure. The most important aim for them was to master professional skills, as opposed to gaining business-management competence.

This has slightly changed during the strengthening process of becoming autonomous entrepreneurs. Outworkers have achieved greater independence without increasing their capacity, though. Alongside their autonomy, they have established business organizations—if these only employ one or two persons at most—and have learned the economic, organizational and administrative skills indispensable for their operation. It is often true, though, that this knowledge is distributed among the members of their families. A typical scenario is when it is the wife who has acquired the necessary accounting skills, and she does the administrative tasks of several ventures, all of which are related to the family in some way. The ways managing and administrative skills are gained and put into use are also indicative of the importance of the collective dimensions of skills, besides their individual forms. Through aggregated resources (e.g., newly gained knowledge), skills used collectively further strengthen and stabilize the social context of economic behavior.

The “skills patterns” of local entrepreneurs and the way they gain them significantly differ from those of outworkers. Their primary aim is not to acquire and continually utilize professional skills, but to learn the necessary knowledge for operating a business venture. Consequently, the skills that have developed and improved are related to work organization, management, establishing and operating sales channels, and setting up and preserving markets. According to our experience, although they are capable of refreshing the knowledge they have gained and adapting it to often-changing relational requirements, the pattern of their skills has not changed qualitatively. True, they are aiming to influence the processes of the social environment that are directly linked to their ventures; however, they have not found ways to gain political skills. This means playing an active role in doing common tasks, as well as influencing the life of the community using both formal and informal channels. Many of them are or have been a member of the local or minority government. In addition to this, they influence village life through several informal channels, like organizing sport events. How much each of them participates in village affairs is dependent on personality, and differs from individual to individual.

As we have remarked earlier, they have not been successful at influencing the wider political environment, nor have they been able to realize and synchronize wider-range interests of the social-political field. Typically, they reject any links to high politics. As a consequence, they must accept that without help coming from such sources, they can only participate in larger projects as subcontractors. The fact that they are unable to integrate oftentimes conflicting interests affects the institutionalization of the social and economic

mechanisms regulating the cooperation of the community and its enterprises.

It was the national entrepreneur who had the most advanced enterprise skills. For him, it was natural to be able to integrate high-level professional, organizational-managing, market-related, and political skills and experiences. He gained this knowledge during a long professional-managerial career. Recently, he retired from intense business activity. Despite this, he actively utilizes almost every element of his skills; he acts as a professional consultant, and at the same time, he makes use of his organization and political knowledge in tasks primarily aimed at developing the local community. In spite of the fact that he no longer lives in the village, he plays an active role in preparing the construction plans of the community and in other tasks. He still keeps up business relations with the ventures he had united under a network before, and with the support of his relations, he helps them win projects, if they need it.

#### **4. The development of relations between the entrepreneurs**

An important aspect of the first study was to uncover the complicated system of relations that affects the quality of the relationships of the entrepreneurs. The reason why a scrutiny of the relationship of the entrepreneurs is important, is because we tried to prove that business attitudes that follow individual aims and that are competitive do not play an absolute role in the market conditions. The case of Iklad showed that there existed successful and rational economical attitude models built upon individual target following and cooperation.

The relationship between the former outworkers has always been cooperative. This was mainly the result of their unique situation; they rarely possessed skills or resources exclusively. This also means that they, alone, would not have been able to live up to the professional expectations that larger projects required. What they gained from cooperation was that they were able to integrate their capacity into operating as a network.

In the last few years, the improvement of external economic conditions and the enrichment of the knowledge and skills of the entrepreneurs resulted in the strengthening of their business status, but, as a consequence, it also resulted in the loosening of their cooperation. Despite this, mutual support as a norm defining economic and social attitudes was still in force. The reasons for this are related to culture and history—the traditions of the village. “It has always been like this; we have always helped each other in times of need” (a 54-year-old local entrepreneur). The norm system requiring one another’s mutual support is not without a function, though: it is based on the principle of reciprocity; that is, that the individual transactions are not symmetrical: the help given need not be given back immediately. Mutuality stays in force for a long time and can be “converted” into another type of kindness. This presumes and creates, as well as keeps up, an uninterrupted air of trust.

As the results of the previous study pointed out, economic rationality does not weaken trust relations. It’s just the reverse: it can integrate as a resource the wider social relations regulated by the readily available norm system, including, among other things, the sources of the trust needed for economic cooperation.

At first, the source of the trust relations of cooperation was the control system provided by the relatively closed community. “Here, everybody knows everybody; we all know what the other is doing and how much we can trust him” (the mayor, 52). At the start, cooperation was nothing but mutual support aimed at establishing the professional and physical conditions of the enterprise. By the end of this process, the individual parties have become independent entrepreneurs. Alongside this, as we have mentioned, a professional specialization has also taken shape. As a result of gaining independence, cooperation has loosened up, but it has

not totally been discontinued; the entrepreneurs undertake assignments in virtually the full spectrum of wood industry works related to interior design. However, the assignments are no longer integrated, as they were in the case of the great projects of the past, when each and every professional skill was made use of; now, they are coincidental, in accordance with the needs of the inhabitants' needs. Cooperation is nothing but recommending each other to a client, or doing favors for those in need (e.g., there is not enough wood available or its quality is not sufficient). This means that cooperation is based on trust relations (reciprocity) as an additional resource is mobilized in order to keep customers, and not in production (the tendency of the beginning of the 1990s). Cooperation provides skills that one lacks, and that the increased competition requires from the micro-businesses.

The relationship of the former outworkers and local as well as national entrepreneurs was hierarchical and was characterized by a unique mixture of partnership relations. At the beginning, the national entrepreneur directly employed outworkers; in the case of greater projects, however, he agreed with the local entrepreneurs, who, in turn, distributed the various tasks among the outworkers. At the onset, the local and national entrepreneurs sold machines or raw material on credit to the outworkers, who later paid back them through quality work. Their relationship was paternal, as it were; the outworkers expected help and orders from the local entrepreneurs, in other words, they risked their livelihoods in this relationship. The other side, that of the local and national entrepreneurs, realized the paternal nature of the relationship; yet, they treated it in a rational and economics-influenced way: they provided support as long as they could be sure that their investment would be refunded (e.g., in continuous and good quality work).

The process of the outworkers acquiring independence somewhat modified their relationship with the local entrepreneurs. The basis of their previous relationship was trust: the outworkers, just launching their venture, with little or no resources on their own, were given support which they did not have to repay *directly*. After gaining independence and the stabilization of their entrepreneurship, the trust relationship was preserved, but, at the same time, market-oriented elements began to play an increased role: the former outworkers were assigned orders by the local entrepreneurs; in case they could not satisfy the orders due to lack of capacity, they themselves became customers, mostly buying wood. As one of the local entrepreneurs recalls, "Here, there is a carpenter who produces doors and windows exclusively. This man buys the wood from us; he is one of our most important regular customers" (a 45-year-old local entrepreneur).

The interpersonal relationship of the local entrepreneurs is built upon cooperative elements, in the background of which there are non-economic relationship patterns. Most of them had known each other before becoming independent entrepreneurs; their lives intersected at several points in the past. They have known each other since childhood, many of them were schoolmates, and they often worked for the same company, too. For them, the source of operating a successful venture lies in the ability to find one's way in the social field, to possess stable and wide-ranging relationships.

Business-related as well as non-business-related elements mix in their mutual relationships. The common personal history and generational background, as well as sports, as integrating forces constitute an important sense of togetherness for them. An active sporting life is generally a force to keep larger communities together, anyway, and as such, it is a relationship model, too. For more on the integrating effects of sport, see below.

Their interpersonal business relations were cooperative, but a defining factor was the logic of the market: they were trying to preserve their professional and organizational autonomy; their most important aim was to strengthen their market position. Their relationships are interwoven by those already available norms and values that root in the traditions of the village, and that, among other things, prescribe the importance of the



respect of community and the necessity of mutual support.

The role of economic rationality is quite evident in their acts, and thus, the norms and values of the community have been reevaluated and begun to operate as partial economic resources. This means that they still want to preserve their informal relations, “to take care of one another,” and to support each other in case of need. Behind the cooperative model of economic relations lies the recognition of the fact that *as long as the market circumstances allow it*, it is not worth risking long-term stability for the advantages of a competitive attitude. As one of the entrepreneurs dealing with contractions and distribution said, “We never felt that we were rivals. We have the largest wood businesses. There is a man from another village, he is 60 years old now; he has premises like mine. He is the second. You won’t find anybody else with a business like ours until Budapest. We do not disturb each other’s territory; we could cut prices, then everyone would come here, but then we wouldn’t have margins enabling us to stay alive in the long run” (a 45-year-old local entrepreneur).

By stabilizing their positions, the local entrepreneurs have created a stable market for themselves; nevertheless, the cooperative model directed by rational economic interests does not only operate within the borders of the village. Under the current market conditions, in case one needs it, they provide mutual support, for instance, the timber merchants in the area help each other. “If I lack some sort of material, I call him and he sends it to me right away” (a 45-year-old local entrepreneur). The basis of the business relationships is mutuality and *trust*: the one giving support rightly hopes that his help will be repaid in the long run. The cooperative elements of this kind of attitude have been thrust in the background in the wake of the consolidation of economic conditions; however, they are “kept alive” through more or less institutionalized internal economic cooperation.

The national entrepreneur played a unique role in establishing and operating the entrepreneur network. Using his professional, organizational and political skills, he managed to integrate the heterogeneous groups of the entrepreneurs into a network that is able to effectively and flexibly accommodate to market conditions. Through his activity, he succeeded in creating an industrial district based on the sometimes loose, sometimes strong cooperation of the entrepreneurs. His integration role was most evident in setting up the frames and norms required to operate the network. “Supporting each other has always been a tradition here. My task was to simply preserve this tradition; I had to nurture it, get it to function and give it a meaning” (a 64-year-old national entrepreneur).

There had to be numerous other economy-external conditions, too, to get the cooperative economic model to function: first and foremost, the tradition of trust relations that formed the basis of the cooperation. At the same time, the case of I. shows another possible factor: the creation of the system was largely supported by a charismatic personality, who had clear plans, and was able to get the existing trust relations going and use them in business relations. It is not clear whether his occurrence was inevitable; in other words, it is a question how much he was a “product” of the village, and to what extent he was but an outstanding case.

After his retirement, the network is still functioning, but—parallel to the consolidation of external factors—the cooperation of the members has loosened considerably. His links to the community have not broken up, what is more, they are more vivid now; he is active in preserving and developing the traditions and values that keep the community together. “My father was the local teacher in the village, then, after the war, he became the headmaster. He gave a moral basis for the community, which is still evident today, and I think I am the one who preserves it” (a 64-year-old national entrepreneur).

Besides his economic and societal organization skills, the importance of his activity is evident in that he realized the connection between the economic and social relations of the community; more exactly, that economic activities are embedded in social relations. Cooperative economic and social relations are dynamic;

the development of one will successfully support the other: “At the beginning of the 1990s, we had the chance to get compensation for an old school building. Then I appointed myself as an advocate of this cause and contacted Imre Kónya, who was then the Interior Minister and a good friend of mine, to get 6.5 million Ft out of turn. I designed the new congregation building; we built it for 30 million, mostly in community work. This had two important consequences: people got jobs, and a spirit of community came into being, which helped to keep the village together” (a 64-year-old national entrepreneur).

The national entrepreneur no longer leads an active business life, but he uses his relationships to support the village entrepreneurs.

## 5. Integrating values and institutions

As we have shown above, there are numerous economy-external conditions that play a role in managing a successful cooperative economic model within a given community. The interpersonal relations of participants in economic life are shaped, not solely by interest seeking based on rational calculations, but also by numerous norms, values, and institutions.

The first study identified three outstanding integration values that secured the successful cooperation of the small firms of I. These were: *professional values*, *trust relations*, and *ethnic affiliation*. In the area of professional values, the community of entrepreneurs created an easily identifiable form that could function as a group. The members of the group did and still do make records indicating their professional performance and capacity. These records make the effective sharing of work of the firms possible even today. Even if there are no projects that would provide a constant framework for the firms, the specialized entrepreneurs often recommend each other to customers, *complementing* each other's activity.

Another integrating value was *trust*. An important precondition of cooperative economic relations is the mutual trust of the parties. In the case of I., the most important source of trust was the family ties of the village. Family ties still play a significant role in the sharing of work. A further source of trust is the controlling force of the community: each participant is mutually aware of the other's activities; unconventional behavior becomes easily evident and may well be sanctioned in some cases. “I was never disappointed at the partnership relationships I created. Parents, as well as a grandmother, would never have allowed shameful deeds. We still have a patriarchic society here” (a 64-year-old national entrepreneur). They never record their transactions between them on paper; all agreements are made orally.

*Ethnicity* is the third integrating value. It is a value in the widest possible sense, which practically involves the whole village, the majority of which is of Germanic origin. It was the history of the village through the people's ethnic affiliations that made the village a close, yet closed, community. The ethnicity issue has always been an underlying part of the cooperation of the firms. In the past few years, all three values have preserved their significance. At the same time, out of them, it was the third ethnicity that gained an increasing degree of emphasis, not the least because after the change of the regime, the issue could be addressed in public. In the past decade, the relationships of the village with two former “mother villages” have revived; there have been a number of publications appearing detailing the history of the village and its families. According to the mayor of the village, who has been elected four times, the purpose of these is to strengthen community spirit and identity.

The economic attitude of the entrepreneurs and the social values integrating them are in a dynamic relationship. There have been several developments in the family based on the cooperation of the firms (e.g.,

the renovation of the school). These further developed the cooperation of the ventures, as well as strengthened the system of norms on which the cooperation of the firms is based.

The values strengthening cooperation are partly given, such as one's family or school; yet, a number of institutes have been established that contribute to the preserving and renewal of local patterns of cooperation. The first study mentioned several such institutes. Next, we will attempt to show what has happened to these institutes, to what extent they have been modified, and whether there are new ones helping integration.

*The Foundation.* It was established in 1991 by the local government to create jobs, to preserve the environment, and to improve the state of the elderly and the minorities. The entrepreneurs of the village gave it financial help, too. At the time, they could not achieve the original aim, namely, to create more jobs. Nevertheless, through the Foundation, it became possible to grant employment in already existing firms. Today, the Foundation has welfare tasks: they, for example, provide support for students to cover university or college expenses.

*Sunday talks.* The national entrepreneur visits his mother every weekend, and this gives him an opportunity for informal talks, discussions with varying length. These talks are still held. The topic and the participants are not predetermined, yet they are mostly those local entrepreneurs who have some sort of influence on the village's affairs. It is during these talks that they discuss future developmental plans.

*Free time club.* One of the local entrepreneurs built a fitness room in the basement of his house, which he ran as an open club. The fitness club was to have helped the non-economic integration of the entrepreneur elite; however, in the last two years, only the family of the entrepreneur has used it. In his words, "Somehow, I don't know but suddenly no one was coming any more. Only my daughter uses it every now and then" (a 45-year-old, local entrepreneur).

The fact that the free time club has lost its function is indicative of the loosening of the social ties between the entrepreneurs. This shows the dynamic character of the social and economic integration values; the loosening of economic cooperation presumably weakens every initiative for non-business-related cooperation.

*The Entrepreneurs' Club.* The fact that the Entrepreneurs' Club was a failure also backs what we said above. The club was to have provided a ground for informal information exchange for the leading entrepreneurs of the community.

Here we must also mention another attempt, a plan to open an enterprise office. In the office, situated on the premises of the local government, the entrepreneurs commonly employed an employee whose task was to gather information on the market, competitions, financial aids, etc., and make it available. The office only worked for a short time; why it was closed is not clear. According to some, it was due to illness; others say there was no interest in it. Altogether, everyone admitted that there was indeed a need for an office like that, but following startup, it failed to become institutionalized.

There could be several reasons behind this phenomenon, but in our view, all this partly shows that cooperation between the participants can be developed as long as the economic interests of the parties allow for it. More generally, the economic and social factors regulating the cooperation of the entrepreneurs are not independent of each other. Their relation is dynamic, which, however, does not mean that the development of any of the factors will necessarily result in the strengthening of the other. In our view—especially in the case of non-economic factors—what we have at hand are potential resources, which might be mobilized in case of

need, and which might help a more effective and more flexible accommodation. The utilization and “re-conversion” of resources hidden in social norms into economic advantages depend on a great number of social and economic processes, interests, values and traditions affecting macro and microenvironments. The case of I. has shown that, after an economic crisis, building upon professional values, trust and ethnic resources, it is possible to create a cooperative economic model that is flexible and can accommodate to the market’s needs in an effective way, and one that is able to stay alive in the long run, too.

## 6. Summary

This paper has attempted to prove that, in contrast to the views of neoliberal economic theories, a successful market attitude cannot only be based on the individual actions of the entrepreneur and his competitive behavior. We showed that there exists a successful and effective economic model that bases itself on a certain kind of mixture of competition and cooperation, in which the firms with specific skills and tasks are related to each other in a loose network. In such a case, individual success is dependent on the effectiveness of the cooperation of the entrepreneurs. There are, however, non-economic factors shaping the behavior patterns regulating the cooperation; they involve, among others, trust and ethnic relations of the local community.

The carpenters in the study established a high level of cooperation while they were not in an institutionalized organizational relationship with each other. Functionally, we could distinguish three subgroups of the firms participating in that cooperation: outworkers, local and nation-wide firms. The members of each group had a similar career, knowledge base and method of acquiring their skills. A common factor, however, is that the enterprise-related skills developed as a result of some former cooperation.

Some of the institutions providing the framework for the firms’ cooperation are already accessible, onto which norms regulating economic relations are built. These include family ties, neighbor or friendship-related relationships, as well as links to colleagues at various former working places. There are, at the same time, deliberate attempts to create institutions with the task of helping integration; these include the Foundation or the Free Time Club, which develop non-economic cooperation among the entrepreneurs.

Other, economy-external values also affect the cooperation of the parties involved. We have identified three such values: professional value, trust and ethnic affiliation.

In the past decade, consolidated external economic and social relations, as well as positive changes in the economic situation, have modified, yet have not eliminated the cooperative economic model.

The former outworkers have become stronger; their ambitions have, however, remained at the level of family micro-enterprises. They still depend heavily on resources provided by their family. The local entrepreneurs have successfully integrated their skills and links they had gained before the change of regime or later, during the large projects. They have deepened their organization-management and business skills, and they have enlarged their former system of relationships and relational patterns outside their village, in the form of regional cooperation. However, their competence and knowledge related to managing a business venture has not improved *qualitatively*; generally, they lack the political competence to recognize and utilize wider social interests and relationship systems of business enterprises.

The findings of the research indicate that the presence of a charismatic personality, as well as the institution he managed, was indispensable. He was responsible for integrating the activities of the business partners. Later, the cooperative model was able to function automatically, which was made possible by economy-external behavior-regulating patterns. With the consolidation of external economic factors, the

cooperative elements of the relationships have been thrust into the background, and the former trust relations have institutionalized in an economic sense; the former partners have now become each other's customers. At the same time, the cooperative links are continually being refreshed, primarily through non-economic activities. This is shown by the fact that the three most important social values integrating the cooperation of the entrepreneurs have preserved their leading role, with ethnicity becoming the most prominent force keeping a community together.

The fact that some of the institutions planned to strengthen the integration have ceased to function, or have not been set up at all, indicates the loosening of the economic cooperation relationships. This shows that the cooperation between the participants can be developed as long as the economic interests of the parties allow for it. More generally, the economic and social factors regulating the cooperation of the entrepreneurs are not independent of each other and mutually strengthen one another. Factors outside the economy may nevertheless be regarded as potential resources, which could be mobilized in case they are needed, but they do not operate automatically in the regulation of economic activity. In this respect, we would like to call attention to the fact that the test the persons participating in our study have to face in the EU may further facilitate the deepening of the existing cooperation, and may give new meaning and function to the institutions of integration established in the past ten years.