

PROMOTING THE 'CIVIC' IN ENTREPRENEURSHIP: THE CASE OF RURAL SLOVAKIA

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ABSTRACT

The literature on entrepreneurship emphasizes the importance of the characteristics of individual entrepreneurs, their social networks, and the broader economic, cultural and political institutional landscape. In Slovakia and many of the emerging market economies of Eastern Europe, attention to social and cultural concerns and the institutional framework to support economic development was given insufficient attention at the beginning of the transition to capitalism. This paper shows the importance of social and cultural norms and experiential learning in providing the foundation for entrepreneurship and economic development. It presents a successful rural development model from Slovakia, which used mini-grants to build individual and community capacity for civic entrepreneurship as a precursor to economic entrepreneurship.

Keywords: entrepreneurs, market economy, experiential learning, economic development, mini-grants, civic trust, post-Socialism, social network

BACKGROUND

In early 1996, USAID officials in Slovakia became increasingly aware of the disparity among rural and urban Slovaks in their ability to absorb economic and social changes occurring since the transition to a market economy in 1989. Jobs in agriculture had fallen and thousands of workers were unemployed. USAID officials asked Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance, ACDI/VOCA, an international contractor working in Slovakia, to design a development program that would assist rural villages. Originally, the program was funded under a USAID objective targeting the building of private enterprise. Conceived as a way to create jobs in rural areas after the implosion of the collective farms, the rural program was to identify economic sectors in rural areas and potential entrepreneurs who might create businesses.

The challenge of promoting market development in a post-Socialist context quickly became evident. Scholars have pointed to the need for work on three

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fronts: macro economic stabilization, the legal framework to secure property rights and enable market functioning, and the development and support of individual entrepreneurial talent (Tyson, et al., 1994). These challenges were even more difficult in rural areas where residents were accustomed to state control over industry (often a single collective or cooperative farm), and there was little support for individual entrepreneurship. Throughout the region, entrepreneurial culture was widely associated with criminality and corruption (Mugler, 2000), and in rural areas those early entrepreneurs who tried to offer alternatives to the state-owned enterprises were ostracized in their communities who branded them as crooks or worse.

How can community developers foster an environment that supports socially beneficial entrepreneurs? This article explores the pioneering work of ACIDI/VOCA, and a rural Slovak NGO, A-Projekt, in developing a program called the Rural Community Capacity Building Program (RCCBP). This program focused directly on building individual skills and community culture to support entrepreneurial activity. The program recognized the importance of broadening networks for information exchange through a Listening Project, and then used a Mini-grant Program to develop entrepreneurial skills and the capacity for management, planning, and budgeting. Together, these projects demonstrated a more transparent and democratic process that showed the potential public good in entrepreneurial behavior.

Based on interviews with program designers, program documents, and case studies from selected communities, we show how these programs provided an opportunity for rural residents to learn the steps of planning, project design, budgeting, and acceptance of contestation and diversity, an appreciation of difference and competition thereby creating an entrepreneurial culture. This “civic entrepreneurship” then created the foundation for more economically-oriented entrepreneurship in the future.

This article outlines the theory behind such a community development approach and presents examples from the early USAID-sponsored life of the program 1996-1999. Since then, USAID has left Slovakia and ACIDI/VOCA has been superseded by a Slovak NGO, VOKA, (Vidiecka Organizacia pre Komunitne Aktivitu) that operates the RCCBP to this day. VOKA is a national rural membership organization whose members are rural villagers, mayors, and NGO practitioners who learned their skills in training programs for RCCBP and continue to network within VOKA.

Entrepreneurship and the Importance of Social and Cultural Norms and Networks

Recent scholarship on entrepreneurship by sociologists and institutional economists emphasizes the importance of culture, social networks, norms, and formal institutions in creating the context for entrepreneurial success (Swedberg, 2000; Grannovetter, 2000; Portes & Sensenbrenner, 1993). Attention must be

given not only to the skills and characteristics of individual entrepreneurs, but also to the broader institutional framework supporting economic development. The literature on entrepreneurship in Eastern Europe gives even greater attention to networks and culture. When trying to promote entrepreneurship in a post-Socialist economy three critical challenges must be addressed. The first is building the skills and psychology among individuals for entrepreneurial risk taking. The second is building a broader culture of support (local norms and social networks) for such risk taking. Finally, formal political and economic institutions that support market functioning need to be created (Tyson et al., 1994; Smallbone & Welter, 2001; Mugler, 2000). This paper focuses on the first two steps in this entrepreneurship building process.

Foreign donors in Eastern Europe failed to recognize these challenges early on in the restructuring process (Nellis, 1999). Privatization schemes in Russia and Eastern Europe more typically resulted in asset stripping and what some have called “gangster capitalism” (Holstrom & Smith, 2000). In Slovakia, privatization has been popularly referred to as “the great stealing.” (Fazikova, 1999). Building the individual skills to navigate in market systems turned out to be crucial to ensure equitable results (Graham, 1998). Party elites capable of navigating the “parallel system” were in a better position to profit from privatization than the average citizen. Noted institutional economist Douglas North (2001), after helping design the failed Czech privatization scheme, later questioned the adequacy of simple economic notions of information asymmetries and raised more basic questions about how we learn when the past (e.g. state socialist experience) provides no guide for the future (market-determined outcomes). Market knowledge must be taught where it has not been part of practical, lived experience.

The focus of this paper is not on the macroeconomic conditions for market transition, or the property rights or regulatory structures necessary for market functioning. Rather, as part of this special issue on entrepreneurship, we focus on the characteristics and culture necessary to promote entrepreneurship as part of a community development agenda in rural Slovakia.

The Rural Community Capacity Building Program

The conceptual framework for the RCCBP in Slovakia was built on a pyramid model of community development created by Vaughn Grisham after twenty years of experience working in Tupelo, Mississippi. He recognized that to build the kind of economic development that is good for a community, human development and community development must come first (Grisham & Gurwitt, 1999).

The Slovak program began with the bottom of the pyramid (human development) and moved up through the development of leaders, encouraging those leaders to form associations with neighbors and become civic entrepreneurs through community development. Economic development, at the top of the pyramid, can follow when individuals and communities create an environment

in which contestation is supported, markets are allowed, and risk taking is rewarded. In post-socialist countries, particularly in rural areas, the mistake many USAID programs made was to skip stages in the development pyramid especially the social and cultural basis for entrepreneurship.

Figure 1. Development Pyramid



From Grisham, V. & R. Gurwitt. 1999. *Hand in Hand: Community and Economic Development in Tupelo*. Washington, DC: The Aspen Institute

In Slovakia, the community and economic development challenges were exacerbated by the adverse effects of the economic transition on many rural communities. In the socialist past, most rural workers were employed either in heavy industry or in production agriculture. Many villages were basically “company towns,” with the company being an industrial (mining or manufacturing) company, or a collective (cooperative or state) farm. These communities and their leaders had to confront a significant challenge of re-establishing a sense of community and trust in order to facilitate the conditions for economic development (Mahoney, 1996).

Erroneous Assumptions Yield Failed Strategies

At the time the RCCBP was funded by USAID, there were a number of assumptions made by the Washington bureaucracy about the way to transition the former Soviet Union countries from planned (state dominated) to international market economies. In an internal document in 1999, these assumptions were examined, findings identified, and recommendations made:

At the inception of the U.S. assistance to Central and Eastern Europe (CEE) and the New Independent States of the former Soviet Union (NIS), USAID programs were envisioned as efforts to “jump start” the process of political and economic reform. Prevalent wisdom was that a few targeted interventions in economic policy reform, coupled with selective support for democracy building, would help move these countries far enough along

the transition path that they would enter normal economic and political relations with other countries and complete the journey on their own. (USAID, 1999, p. 5)

Most of the CEE countries had little experience with democracy or markets. The concept of a market was little known to people for whom the government was usually the only seller or buyer. Entrenched figures in the political structure of these planned economies were often oblivious to the needs and desires of local communities. In reflection, the report states,

We also underestimated the difficulty in reorienting existing institutions toward the principles and practices of market democracies. New economic reform policies even when passed into law—have proved not to be implementable due to little structure in either the bureaucracy or the newly-created private sector. The set of private, public policy and educational institutions normally found in western market democracies is lacking in these post-communist countries. (USAID, 1999, p. 5)

The writers recommended that “a high priority should be accorded to developing the sustained capacities of indigenous institutions and promoting processes which will foster a public consensus on the type of society that will emerge from the transition” (US AID, 1999, p. 5).

Thomas Carothers, a frequent critic of USAID programs commented, “In US strategy documents distributed the first half of the 1990s on democracy assistance, social and economic development is frequently portrayed as a large, undifferentiated box underneath the democracy objective, supporting it in a general fashion.” He goes on to say, “Much of the learning has occurred at the programme level. . . . In the realm of civil society development, US assistance efforts are beginning to look past simply the funding of urban-based advocacy NGOs . . . to programmes that support more local, rooted forms of civil society.” (1997, pp. 125-126).

Market penetration to the rural village level in Central Europe had been uneven, in part because of lack of effective demand and excessive governmental regulations. The emphasis on neo-liberal free market discourse prevented Western donors and transition leaders from acknowledging the potential for a developmental role by local government (Bateman, 2000). After the transition, many local governments found themselves as the owners of tourist facilities, small manufacturing plants without private buyers, unfinished construction projects, and utility companies (Davey, 1995). Governments wanted to keep these enterprises to make money, serve the public, and avoid inappropriate privatization. A key problem however, was that government competition with the private sector could stifle private initiative (Davey, 1995). In Slovakia where regulations on small and medium businesses were quite burdensome (e.g. agro tourism establishments must respect 123 laws and regulations), it was difficult for entrepreneurs to emerge (Kordovanerova, 1999).

The USAID assumptions were that if you remove the restraints, people will express latent entrepreneurial skills and businesses would spring up. There was

a lack of understanding that an entrepreneurial environment is needed to support entrepreneurial behavior including civic trust, collective action, rule of law, and government support in the form of agencies that eliminate red tape in licensing and the regulation of small business. There was little attention given to how these norms and institutions are built over time, and are based in experiential learning. In the United States, scholars recognize the embeddedness of the economy and the important role of social institutions in ensuring effective market functioning (Granovetter, 1985; Flora & Flora, 2004). In Slovakia, there was a need for trust and for institutions that reinforce trust to create a supportive environment in which business can operate. Without these, neither markets nor entrepreneurs can function well. So much emphasis was given to the need for *de-etatisation* (getting the state out of society) to allow acceptance of a private domain and the emergence of a third sector between state and market (Hesse, 1993), that insufficient attention was given to government's role as a development actor (Bateman, 2000). Government is needed to ensure the rule of law and support the creation of market institutions to support market functioning: insurance, bonding, mortgages, and bankruptcy for example. Government also can play a role in enabling associational life (Skocpol, 1996).

Creating Entrepreneurial Communities as a Strategy

It took three to four years after its establishment in 1991 before the USAID office in Slovakia could step back and re-examine what it would take to create an infrastructure for economic development based on their program assessment at the local level.

From its initiation in the fall of 1996, the RCCBP project promoted democracy and economic development through the implementation of community development projects. The USAID evaluation of the program three years later found two overarching lessons of interest for other emerging market economies: "First is the use of community development as a training ground for democracy and economic development. Second is the focus on *implementation* (not just training) as a means to allow people to identify and practice new skills" (Smith et al., 1999, p. 2).

Although in its first three years the RCCBP had economic development programs focused on rural tourism, craft sales, distribution, and small business development through micro-finance, the evaluation emphasized the importance of RCCBP's use of mini-grants to promote community development and "listening projects" to facilitate community needs assessments.

Social Trust and Civic Engagement

Transition experts have emphasized the importance of social trust as a precondition for collective action. Under socialism, widespread distrust of official institutions led to personal favoritism in the political process (Baldersheim & Illner, 1996). Despite reforms, in the late 1990s there was still

a sharp separation of public and private spheres, distrust of institutions, and unwillingness to get involved in the public sphere (Illner, 1999). Trust was further undermined by deteriorating economic conditions and decline in social guarantees. The failure of Western donors to recognize the importance of social cohesion and equity in transition processes further undermined social trust (Bateman, 2000).

To address this lack of social trust, the RCCBP designed a community development intervention based on Listening Projects and Mini-grants. Listening Projects were designed to encourage public discourse (visioning and needs assessment) and broaden the rural community leadership base. The Mini-grant Program strengthened democracy through the enhancement of civic discourse, creation of skills for community development, and granting modest financial support to implement those skills in practice.

This approach paralleled the asset based community development theory then being tried in the United States by Kretzman and McKnight (1993). Rather than an examination of all the problems facing rural and urban neighborhoods, asset-based strategies aim to support the commitment that families have for where they live and challenge them to take an active part in re-creating a healthy community. This asset-based focus helps foster local norms and networks, which can promote an environment of social and economic entrepreneurship. Collaborative, participatory planning is seen as a means to promote information exchange and build knowledge (Baum, 1999). Community residents can be encouraged to become designers and producers of community development, not mere consumers of it (Potapchuck et al, 1998; Moore & Pulteney, 1999).

In rural Slovakia where money and employment are scarce, residents represent an important and undervalued asset for community development. The RCCBP Project was designed to draw residents out of their private sphere and engage them in public debate about community needs. In doing so, it built an important asset of residents engaged in public discourse about community issues. An evaluation of the RCCBP project notes. "Not only is the information gathered useful in providing community leaders with a better sense of resident needs and desires, the process of gathering information itself broadens the leadership base and encourages public discourse and leads to project implementation." (Smith et al., 1999, p. 3)

An important legacy of state socialism was the tendency for people to view public problems as the sole responsibility of government (Wolchik, 1995). The strong Soviet emphasis on equalization led to people's attitudes as receiving inhabitants, not as active citizens with rights and obligations (Dostal & Hampl, 1993). Newly elected mayors after the first governmental reforms in 1990 described problems with community trust and how to integrate an estranged public into the political system (Suraska, 1996). The weakness of civil society was reflected in poorly developed political parties and an under developed non-profit sector (Wolchik, 1995). Although the nature of civil society is determined

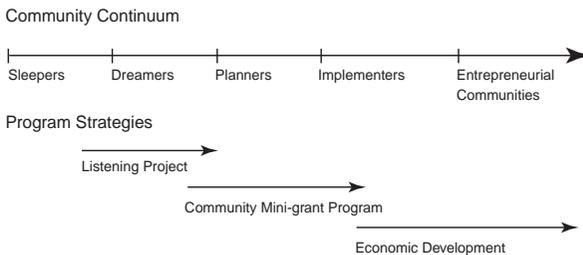
historically and changes slowly over time, economic development in rural areas hinges on the ability to promote competition in economic and policy debates and expand the range of actors engaged in decision making (Flora & Flora, 2004). Deliberation and contestation are seen as key features of community building (Frug, 1999). Contestation is necessary for democracy but also for market-based economic development. In this paper, we argue contestation in the civic realm can help build support for contestation and competition in the economic realm. The RCCBP Project began that process of public engagement.

Community Selection Process

In early analysis of the rural development situation in Slovakia, ACIDI/VOCA staff was struck by the paralyzing despair that characterized many rural villages that saw employment opportunities disappear and government services decline. While most communities had not awakened to the new reality, some were dreaming of alternative futures but had no experience in engaging the broader public in planning or implementing development projects. The introduction of the Mini-grant Program to rural Slovakia was designed to do just that.

In order to assess which villages were ready to accept the program, staff of ACIDI/VOCA and its Slovak partner, A-Projekt, visited villages and placed them on the continuum below. In time, as RCCBP added programs, the continuum was used to analyze which program was appropriate for each stage of development.

Figure 2. Community Continuum and Program Strategies



Dreamers were communities with a vision and some leadership, but did not understand the process of turning their dreams into reality. They requested help to get closer to that reality. When RCCBP started the design phase in the summer of 1996, most of the villages interested in rural development in Slovakia fell into this category. These communities were the targets of the Listening Project. From 1996 to 1999, 25 communities were served in this way, 201 leaders trained, and 992 neighbors interviewed.

Planners were those communities who had a vision and a plan, but did not know *how* to implement the plan. *Implementers* were a very small number. But

three years later, most of the community members of RCCBP's successor organization, VOKA, fell into this later category. Sometimes it was necessary to help implementers go back and do some planning. Communities at the planning and implementation stages were the targets for the Mini-grant Program. From January 1997 to June 1999, 24 communities in six micro-regions participated in the program and implemented 240 community development projects. Mini-grants totaled \$56,032 and were matched with \$34,704 in local financial contributions and \$23,565 in volunteer hours. For communities used to having projects imposed on them by central government, this level of local resource mobilization is impressive.

Entrepreneurial communities emerge when communities exchange ideas and experience with others, learn from one another, lobby jointly for necessary change, and learn to do business. Individual entrepreneurs develop skills through this community process, which they can then apply to economic pursuits. Leaders emerged from this community development process ready to undertake the challenges of entrepreneurship. For example, in two villages in northwestern Slovakia near the Czech border, Horna and Dolna Marikova, a civic association was formed that supported a local bed and breakfast (B&B). Maria Zalesakova and her husband, Ferko, had started a B&B in Dolna Marikova where previously "her neighbors accused her of being an exploiter and suspected she was doing something dishonest by opening her own business and inviting strangers into the town" (Weiss, 2001). With the intervention of RCCBP, the towns understood the concepts of business development and tourism, and set themselves up to welcome visitors and create their own businesses, joining a tourism network across northern Slovakia.

Program Design

There were two main programs used by RCCBP: Listening Projects and Mini-grants. Listening Projects were designed to create a participatory community needs assessment. A community survey was carried out by teams of two who visited individual households and asked questions about what they liked in their community and what they would like to see changed. Not only was the information gathered useful - in providing community leaders with a better sense of resident needs and desires, the process of gathering information itself broadened the leadership base and encouraged public discourse. Listening teams were composed of volunteers who targeted questions to specific community goals (e.g., employment, community services). Volunteers received training in how to set goals, identify resources needed to complete the project, and make commitments to meet them, how to design and implement a survey, and how to summarize results and use them to mobilize community action.

Overcoming cultural barriers in contacting neighbors (outside of family networks) and listening to their opinions represented the creation of a new form of communication network in the community, quite different from the primarily

top down channel of information represented by the loudspeaker system present in every village. In several villages the Listening Projects were used to discuss employment creation options, possibility of creating a local NGO, or ideas to develop a municipal plan. In many cases, Listening Projects were initiated by the mayor to enhance citizen involvement in community decision making.

Mini-grant programs bring small amounts of cash as an incentive to asset-poor communities in environments where there is a need to build entrepreneurial skills because risk in the economic arena is exceptionally high. Where outside ownership of natural resources, such as coal in Appalachia, has resulted in limited civic responsibility, mini-grants encourage people in rural areas to come together on projects to benefit the larger community (Weiss Daugherty, 2002). In Savannah, Georgia where drugs destroyed whole neighborhoods, mini-grants paid for civic improvements and created residents' pride in the urban environment (Moore & Pulteney, 1999). In Slovakia where there was a lack of a social and economic infrastructure supportive of individual initiative, mini-grant programs encouraged a "learning by doing" approach that softened the risk.

Four key components in this strategy for asset building are:

- understanding the concept of markets – that they are defined by collective action, not by the state;
- strategic planning – so that individuals and communities can have control over their environment;
- communal relationships – that are productive and critical to success, even though there may be conflict along the way; and
- risk management – that makes it safe for people to take risks through a learning process and a small amount of cash for testing ideas.

The program had few rules. Residents who wanted to participate had to attend four out of five training sessions, create a group of at least four people whose project must benefit the whole community, and use only volunteer labor.

The Mini-grant program had six components:

1. *Local Control and Cross Community Collaboration.* Three to eight people from three to five participating villages formed a Steering Committee that planned the public hearings, advertised the program, and organized buses and volunteers to get residents to the meetings. This committee had a budget of \$50 USD, which it could use to subsidize meeting costs, field trips and a celebration at the end of the project. Six multi-community clusters (micro-regions) were taken through the program. On average, 150 people participated in each cluster.

2. *Encouraged Broad Public Involvement.* Public meetings were held in each village prior to beginning the Program where groups of citizens could discuss community development projects of interest. Teams of at least four residents

could propose a project that had to be beneficial to the entire community. Typically, each participating community had four to ten project teams.

3. *Provided Training in Business Plan Development and Fundraising.* Five training sessions of four hours each were held in a location central to the three to five villages involved. Teams for each project were required, as a condition of receiving the money, to attend the trainings. On average, 150 people attended each training session, representing 30-35 projects. In the trainings, the project teams experienced visioning and asset mapping of their communities, learned how to write a business plan for their project (goals, objectives, beneficiaries, barriers, budget, activities, timetable, technical assistance needs), and write progress reports. The program provided technical consultation from architects and accountants as well.

4. *Transparent Democratic Process for Resource Allocation.* One member of each project team was selected to serve on the grants committee that evaluated all project proposals, determined if the rules were followed, and decided how much funding each project would get. Maximum funding of \$500 per project was donated by RCCBP but demand always exceeded supply, requiring project teams to raise funds for a local match. The meeting of the grants committee was public and often stormy, requiring delicate facilitation and negotiation to come to consensus. For example, in Breziny, the mayor decided (after the grants committee had made the awards) that he did not agree. He had been mayor for twenty-five years, and he tried to take over the decision-making. After a bit of a struggle, both the communities and RCCBP did not allow him to do that. The transparency in fund allocation was a new experience for rural residents. Typically, not all projects could be funded and communities would often raise extra money or cut awards to spread the resources over more projects.

5. *Implementation of Concrete Projects.* Projects had to be completed in a six-month time frame with all volunteer labor. Seventy percent of the funding was released up front and the remaining thirty percent after an interim report was filed, reporting on progress of the project. This built in a mechanism for accountability.

6. *Evaluation and Follow Up.* Completed projects were documented in photos and reports by the project teams and a final celebration was held to demonstrate results.

The physical improvements to communities supported by these mini-grants (playgrounds, well-covers, libraries, sports uniforms) demonstrated that entrepreneurial activity could be collective and contribute to the public good. However, the physical projects were not the primary successes although their presence did leave a permanent reminder of the project's achievement. Broadening citizen participation in community planning, creating an open process

for decision making (not controlled by the mayor), and encouraging cross-community dialogue and cooperation were the primary benefits. These communities continued to collaborate as micro-regions and traveled as “consultants” to other communities to encourage local self development. The leaders developed through the learning process have run for local office and joined the national rural development legacy organization, VOKA, because they now see a role for themselves beyond their community. Many communities have formed their own local NGOs to continue the development process. For example, the village of Polumka formed an NGO to promote tourism in the area. Local NGOs operate in both a collaborative and competitive position vis-à-vis the mayors and village councils, thus broadening the public debate on community development issues.

The outcome of the Mini-grant Program conceptually re-defined for residents “us and them.” “They” (the government, ACDI/VOCA, or whoever is in charge) become “us” in some undefined way, usually towards the end of the training sessions when people realized that the important thing was not the money, but the learning and doing process in which they were involved. The Mini-grant projects led to collective risk taking. Can we get enough help? Will we be able to finish our project in six months? Is there enough money? These questions and more were answered in the process of democratic decision making, enabling people to take local control over the future of their village.

DISCUSSION

Building Entrepreneurial Skills

Experience gained in the process of Mini-grant project implementation built the entrepreneurial skills and created the environment necessary for business development. Writing a business plan, fundraising, advertising, building public support, preparing reports on project progress are essential elements of any successful business effort. Through the experience of the Mini-grant Program, citizens learned the skills and experienced the potential for success necessary to motivate them to explore private sector business opportunities.

Most definitions of entrepreneurship reach back to Schumpeter (2000) who emphasized the entrepreneur’s role in innovating and exploring new combinations of goods, methods of production, markets, supplies, or industrial organization. First the entrepreneur must learn the task, “Carrying out a new plan and acting according to a customary one are things as different as making a road and walking along it.” (p. 64).

Second, the entrepreneur faces a psychological challenge, “The history of science is one great confirmation of the fact that we find it exceedingly difficult to adopt a new scientific point of view or method” (p. 64). Third is the social challenge of surmounting opposition and condemnation “the reaction of the social environment against one who wishes to do something new” (p. 65). The experiential learning design of the Mini-grant Program addressed each of these

challenges. However, we believe the unique feature of the Slovak program was the direct attention given to building a community culture supportive of entrepreneurial activity.

Schumpeter has described entrepreneurship as a process of “creative destruction” – new combinations mean the competitive elimination of the old. This was certainly the experience in rural Slovak villages prior to the Mini-grant Program. A key issue is whether an entrepreneur is involved in a network that sustains or negates this type of activity. Schumpeter cautions, “In matters economic this resistance manifests itself first of all in the group threatened by the innovation, then in the difficulty in finding the necessary cooperation, finally in the difficulty in winning over consumers.... Surmounting the opposition is always a special kind of task which does not exist in the customary course of life...” (2000, p. 65). It was this kind of social opposition that was particularly challenging to would-be entrepreneurs in rural Slovakia. Entrepreneurialism under state socialism typically was directed toward addressing supply shortages, engaging the second economy, or conducting quasi-criminal activity. Smallbone and Welter (2001) warn that the negativism associated with entrepreneurship in the socialist period “affect[s] both the attitude and behavior of entrepreneurs and the attitudes of society at large toward entrepreneurship” (p. 261).

Developing an Entrepreneurial Culture

To develop an entrepreneurial culture attention must be given to trust, contestation, and social networks. Under state socialism in rural areas, trust was circumscribed and networks narrowed to within family groups. By requiring at least four residents to join for a project, and three to five communities to collaborate for the trainings, the Mini-grant Program broadened networks and fostered new norms of interpersonal trust and voluntary collective action.

Sciolla (2002) differentiates circumscribed interpersonal trust (family, friends and neighbors) from extended interpersonal trust (generalized to all citizens) and uses Italian data to support a model whereby extended interpersonal trust and norms of “civicness” lead to greater trust in social and political institutions. Westlund and Bolton (2003) speak of “place surplus” where trust and social capital at a community level can enhance entrepreneurship. In the Slovak case, the Mini-grant Program created “extended interpersonal trust” and new norms of civicness that resulted in more acceptance of the norm of contestation and the institution of markets. Lipset argues, “The traits which are often associated with economic innovation lead their bearers to be frowned upon or even hated by those who adhere to conventional traditions of the society...” (p. 120). This was certainly Maria Zalesakova’s (the B&B owner) experience in Dolna Marikova before RCCBP intervened and helped residents understand new conventions.

Social network theorists emphasize the importance of networks for information flows, knowledge generation and material support of entrepreneurs.

Entrepreneurs embedded in social networks with broad linkages have been found to get higher rates of return on their investments (Burt, 2000). Narrow networks yield lower returns and restrict the scale of economic activity. Communities which “lack horizontal solidarity...are deficient in the trust required to build enterprises larger than those run by individuals or families” (Granovetter, 2000, p. 247). However, when networks are too narrow, composed of strong ties limited primarily to kin or community, excessive claims can undermine the adaptability necessary for entrepreneurial success. Grabher (1993) described this problem of “weakness of strong ties” among entrepreneurs in the Ruhr Valley where networks were too narrow and entrepreneurs were locked in. Schumpeter called this the “drag chains of social capital.” This phenomenon has been shown in immigrant (Portes & Sensenbrenner, 1993) and rural communities (Duncan, 1999). In Slovakia, such narrow solidarity, coupled with suspicion and confusion over changing social, political, and economic norms, created a serious brake on entrepreneurial activity in rural communities. “What we must look for then, in understanding successful entrepreneurial activity, is some combination of social cohesion sufficient to enforce standards of fair business dealing and an atmosphere of trust, along with circumstances that limit the non-economic claims on a business that prevent its rationalization” (Granovetter, 2000, p. 258).

The Mini-grant Program helped build social capital and social networks along with skill enhancement and knowledge exchange. For example, VOKA encouraged Viera Hrvolova, a Bed and Breakfast (B&B) owner from the Liptov region, to write a “how-to” manual on establishing B&Bs. As a result of participating in VOKA networks, she wanted to share her knowledge. By writing this manual, she created a wider public value from her entrepreneurship. The distribution of the manual across rural communities also helped VOKA track emerging businesses and give them advice and assistance.

Social capital theories of networks, norms, and trust have been used to explain differences in economic performance (Fukuyama, 1995; Putnam, 1993; Woolcock & Narayan, 2000), and in community development performance (Flora & Flora, 2004; Warner, 1999). The Slovak program focused in the civic realm to build skills, trust, and norms of civic engagement that promote the public welfare. Using the democracy building components of transparency, skill training, and network creation, the program built norms of civic engagement and entrepreneurship that led to economic investment.

The willingness to allow the private sector to operate freely requires contestation in the economic arena. Since control over both economics and politics was the purview of local government under state socialism, relinquishing such control has been an important challenge for local mayors. The mini-grants process allowed political leaders, as well as residents, to see how a deliberative, competitive approach can secure community well being in a community development context without central control. This created the foundation for

recognition of the value of competition and entrepreneurship in economic arenas. For example, in the Hron region, Mayor Pavol Bendik re-organized his budget to call for Mini-grant proposals, focusing them on a large annual folk festival in the area. This helped build the basis for a tourism-focused economic development strategy. As a result, the mayor was invited to be part of a study tour on rural tourism by the European Union, information he brought back to other villages in the region.

CONCLUSIONS

The Mini-grant Program succeeded in the Slovak transitional economy because it created opportunities for civic learning. According to Donald Littrell (2000, p. 4), "A basic purpose of community development is the creation of environments that enhance civic learning. Civic learning enables people to become citizens, to claim ownership of community and its issues, and to form relationships that enable them to form a purposeful shared vision and work to create that vision."

The program encouraged local control and cross community collaboration, motivated broad public involvement, provided training in community planning and fundraising, demonstrated a transparent democratic process for resource allocation, and resulted in the implementation of concrete projects. Through the "civic entrepreneurship" experience of the Mini-grant Program, citizens learned the skills and experienced the potential for success necessary to motivate them to explore private sector business opportunities.

This paper has demonstrated the importance of giving attention to cultural norms and social networks in building the trust and institutional supports that promote entrepreneurial risk taking, competition and facilitate market success. The Mini-grant Program, which was the primary feature of the Slovak model, used a participatory experiential learning approach to promote civic awareness and engagement and empower local residents to make decisions in a competitive, collective process. As such, it mirrored the economic market community developers were trying to create, but did so first in a civic realm with an explicit focus on collective community well being. This is important because in Eastern Europe there have been sharp tradeoffs between equity and efficiency in the market emergence process (Bartlett, 1997), which have led to suspicion of markets and entrepreneurship in general (Mugler, 2000).

The RCCBP project succeeded because it focused at the individual, associational, and community levels to build skills and experience and model the norms of trust, contestation, transparency and risk-taking necessary to promote entrepreneurship. The project also helped build social networks, within and between communities that expanded local knowledge and the scope for community development. By practicing civic entrepreneurship in a transparent and democratic context, explicitly focused on improving community welfare, the Mini-grant Program laid the foundation for future economic entrepreneurship.

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