



## SUMMARIES



## I. ENTREPRENEURSHIP AND INSTITUTIONS

Maja Vehovec

### Evolution – institutional approach to entrepreneurship development

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Two different approaches to transitional reforms in post-socialist countries have been presented in this paper: the evolution-institutional approach and neoclassical-neoliberal approach. The author claims that for the countries of Southeastern Europe, which slowed down their economic and social reforms, the evolution-institutional approach offers some interesting views regarding the future reform measures. The possible benefits of that approach have been shown in relation to new reform strategies and new allocative and governing mechanism which could be developed. The evolution-institutional approach is defending the thesis that new postsocialist reforms need the congruent influence of formal and informal institutions and at the same time the gradual development of new institutions.

The complementary and congruent function of different institutions decreases transaction costs and entrepreneurs' risks; it has a positive impact on the accumulation of social capital in broader social relations, too. As social capital is positively linked with the accumulation of trust and the creation of new business networks and innovations, it is also an additional factor of the overall competition resources which are developed by a particular country. At the end the author develops some comparison data which show that informal institutions have the deeper impact on the real protection of property rights and contractual relations than formal institutions. The entrepreneurship development and creation of positive entrepreneurship spirit are directly dependent on the interactive and harmonious activities of relevant institutions. That is, among other reasons, why the evolution – institutional approach has been finally identified as superior to the neoclassical point of view, at least when we are dealing with

the measures aiming to the development of entrepreneurship in particular postsocialist countries.

**Andrej Rus**  
**Social capital and SME development in South-East Europe**

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Social capital is a key factor in the growth of SME sector in South East Europe and thus a key variable in economic growth of the region. Based on the data from a recent survey of small and medium enterprises (SME) in Slovenia, Bosnia and Herzegovina, and Macedonia, that included 794 enterprises, here the author shows that SME growth is associated with social capital.

The paper explores the causal mechanism behind this association. Firstly, it is shown that the differences in the level of social capital in the three countries are significant. Secondly, the author shows that there is association between the level of social capital and the choice of governance mechanism by economic actors. And thirdly, it is presented that governance mechanisms are associated with company growth. Based on these findings he argues, that a high level of social capital in a given country encourages entrepreneurs and managers to rely on trust rather than detailed contract which positively affects SME development. Thus, social capital not only lowers transaction costs but opens up a wider pool of business opportunities, which seems to be the key factor in SME growth and economic development

**David Smallbone**  
**Institutions, administrative reform and SME development in transition economies: some policy issues**

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As we enter the second decade after the start of the transformation process, it is an appropriate time to reflect on some of the emerging policy issues affecting SME development. Whilst emphasising that setting up, operating and developing businesses results from the creativity, drive and commitment of individuals, rather than as a result of government actions, the conditions that enable and/or constrain entrepreneurship are affected by the wider social, economic and political context over which the state has a major influence.

In this regard, a key point to stress is the variety of ways in which government can affect the nature, extent and pace of SME development in an economy, rather than narrowly focusing on direct support measures. As a result,

when considering the question of policies to support SME development, it is necessary to consider the implications of a range of government policies, institutions and actions for the environment, in which SMEs can develop, rather than just focusing on those policies that are specifically targeted at SMEs. This is because any benefits accruing from the latter may be more than outweighed by the negative effects of other government policies and actions. This applies in mature market based economies as well as those at various stages of transition, although the transition context can add additional dimensions.

Bearing that in mind in this paper the following issues were especially discussed: institutional deficits of administrative reforms in postsocialist countries, relationship between administrative barriers and overall state regulation, and relationship between accession to EU and administrative reforms in some candidate countries (the example of Estonia).

Will Bartlett

**Barriers to SME development in Bosnia and Herzegovina,  
Macedonia and Slovenia: a comparative analysis**

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The research project aimed to identify the critical barriers to growth of small and medium sized enterprises (SMEs) in Bosnia and Herzegovina, Macedonia and Slovenia. Survey data from almost 800 enterprises demonstrated that financial barriers, high taxes, late payment of bills, bureaucracy, and lack of state support are the most serious perceived obstacles to growth. Regression models revealed a negative relationship between firm size and growth, and an inverse relationship between growth and the entrepreneurs' education level. The regression analysis further demonstrated the central importance of financial barriers to SME growth.

Internal resource barriers (in particular low quality of equipment) showed a weak negative relationship with firm growth. Late payment of bills had strong but variable effects across countries. Neither bureaucracy nor business taxation had significant effects on growth. policy makers should be concerned that state support for SMEs had no effect on growth. Finally, implications for SME policies are discussed.

## II. ENTREPRENEURSHIP AND DEVELOPMENTAL ACTORS

Ivan Rogić, Anka Mišetić

Some considerations about city entrepreneurship in Croatia

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In this paper the authors introduced and developed the concept of city/town entrepreneurship as relevant theoretical and practical problem for Croatian society and policy makers. Firstly, they define city entrepreneurship as planned policies regarding production and investments made by city authorities in different social and institutional settings. The practice of city entrepreneurship is rooted on the ability of cities to accumulate some surplus of developmental resources and possibilities, as well as on the idea that city should become a separate and responsible actor of social development. Managing of the city is gradually evolving into the process of city development building. The autonomous position of the city in the modernization process is supported also with some historical determinants which are elaborated here; perhaps the strongest among them are: institutional memory of territorial corporation, evolution of the city as a mechanism which compress and reproduces social space/time, physical and communication density, city as a special basis for (organic) solidarity and imaginary prolonged individualization.

Secondly, the possibilities for city entrepreneurship in Croatian society are mostly determined by some strong constraints as are: modest city dimensions, the obsolete social construction of industry, the monofunctional city economies and autarkic basis for the evolution of social capital. These insights were also supported by some empirical evidence which show that Croatian cities do not produce strong and new developmental challenges with significant resource mobilization. However, this empirical findings are quite sufficient for the coherent production of the tasks of city entrepreneurship in the nearest future. At the end some considerations about the development of city agglomerations were given because the real limits of city entrepreneurship are determined by the growth of larger urban areas in Croatia.

Sanja Maleković

Local developmental actors and some experience with local economic agencies in Croatia

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local economic development agencies (LEDA). As the economic growth in transition countries is becoming more complex, the concepts and practice of local development planning are becoming relevant for these countries, too.

Within the concept of local economic development the special position of local partnership networks and local actors is emphasized. On the basis of some empirical evidence the author presented the process of establishing a few local economic development agencies in Croatia in last two years. New established agencies define themselves as new development actors which are also deeply involved in entrepreneurship development within local and regional borders. The role of local economic development agencies is strongly affected by local and by some general factors. Their prosperity and efficiency depend also on the future concepts and policy of regional development in Croatia.

Drago Čengić

#### Sociological aspects of the development of small and medium size enterprises in Međimurje County – a case study

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The fundamental aim of this case study is to identify key socio-cultural, value related and economic aspects of the development of entrepreneurship in Međimurje county to date, as well as the main factors of the future development of small and medium size enterprises in this part of Croatia. The starting hypothesis is that the development of entrepreneurship in Međimurje was generated from “inside”, was developing also during the socialist period and was heavily dependent upon a long tradition of craftsmanship in this region, and that the potential willingness/unwillingness towards different forms of cooperation among entrepreneurs is conditioned by the previous development of a craft business/enterprise, the type of market, business potential and the ownership structure of a company.

According to our respondents the entrepreneurship in Međimurje is still the most developed in Croatia, and that is primarily the result of the hard work and diligence of the local population. The following factors in entrepreneurial development have been regarded as being of secondary importance: inter-cooperation of entrepreneurs, encouragement of craft business/entrepreneurship development during socialism, availability of infrastructure facilities, favourable position along the state border! With respect to the socio-professional and social groups out of which the entrepreneurial élite in Međimurje has emerged, our data to

a certain extent corroborate the theses of those authors who claim that newly emerged post-socialist entrepreneurial élite is a conglomerate of former “de novo entrepreneurs” and “autonomously emerged entrepreneurs”.

As regards the characteristics of small and medium size enterprises in post-socialist countries, which also apply to Croatia, the characteristics that distinguish Međimurje from all other Croatian counties are: a) a relatively large number of manufacturing/processing enterprises compared to the number of service/trade enterprises; and b) a relatively large number of successful small businesses.

A large number of entrepreneurs in Međimurje is still oriented to the domestic market, and this partly explains why developed forms of production cooperation with foreign partners are relatively weak. No significant entrepreneurial networking has been noticed, and the reasons being: poor competition and monopoly in the domestic market; the perception that networking is both time consuming and organizationally very demanding job; lack of trust among business partners which generates additional suspicion towards new forms of industrial organization while the wish of entrepreneurs to maintain their own independence and business autonomy as much as possible produces a similar effect.

Saša Poljanec-Borić

#### Entrepreneurship values and problems of competitive development in Međimurje county

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The article deals with value orientation of entrepreneurs. The research conducted in 2002 in Croatian county of Međimurje clearly shows that “achievement motivation” dominates the sample of entrepreneurs in Međimurje. Further, it is argued that “achievement motivation”, in accordance with Inglehart’s theory, provokes structural push toward economic growth, therefore raising the problem of “competitiveness”. The conclusion points out that “competitiveness” issue will dominate the development planning in Međimurje partly due to the modern and postmodern value orientation of local entrepreneurs.