Nexus between social capital and entrepreneurial development in Poland

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Abstract:

The purpose of this paper is to examine the linkage between social capital and entrepreneurship within the transitional economy of Poland. In order to achieve this objective the extant literature was synthesised and pertinent secondary data was examined. Extant literature seems to support the notion that social capital is one of the major determinants of entrepreneurial progress in a society. The nature of social capital and how it aids entrepreneurial orientation within Polish society is the main aim of this study. Polish society is rich in historical makeup and has shown a high degree of resilience and drive to adopt the transitional processes with minimal social upheavals. It is concluded that one of the prime reasons for the success of the Polish economy compared to other transitional economies was due to its rich social capital that willingly accepted both the positive and negative aspects of economic transformation.

Keywords: entrepreneurship, social capital, transitional economy, unemployment, political.

Stream – Small Business and Entrepreneurship – (SME)
1. INTRODUCTION

In a contemporary global environment the transition from a centrally controlled economy to a free market economy requires severe adjustment in the infrastructure of the society. While Polish society has always been pluralistic the importance of a network economy based on social capital is relatively a recent phenomenon for scholarly research. It was only in the late eighties and early nineties that eminent scholars such as Pierre Bourdieu and James Coleman formally coined the term social capital as a new form of wealth (Bourdieu 1985; Coleman 1988). Social capital refers to the internal social and cultural coherence of society. The norms and values espoused by society govern interactions among people and the institutions. Social capital is thus the cohesive energy which holds societies together. It is logical to conclude that without social capital the likelihood of economic progress is relatively remote, as economic and other resources may not be effectively utilised. According to Rose (1999) the absence of an integrated social capital structure within a society may lead to a dysfunctional and less productive environment and may create human and social misery.

A close link between the social capital and the entrepreneurial development has been argued by many authors. For example, Krzyszkowski, (2000) asserts that social capital is one of the prime catalysts in the economic transformation of Poland. This notion seems to be even more compelling when the main basis of an economy is no longer fully dependent on mere physical resources. The real winners of market transformation according to many authors are those who passionately cultivate the harmony between the political and the cultural capital of a nation (Eyal, Szelenyi & Townsley, 1998; Hanley, Matějů, Vlachová, Krejčí 1998). In knowledge economy human capital becomes the essence of harmony between the cultural and the political dimensions, therefore, it contributes more significantly than mere physical assets and resources. Thus, the economic success both at a micro and a macro level of transitional economies is largely dependent on the social cohesion of the society (Aldrich, Zimmer, 1986; Aldrich, 1999; Thornton, 1999).
2. PURPOSE AND METHODOLOGY

The main purpose of this study is to examine the nature of social capital and its linkage with entrepreneurship using extant literature as well as a historical context within Polish society. By examining the past and recent political and economical changes one may be able to assess the role and impact of social capital on the development of entrepreneurship. The fundamental assumption of the transition process is that it will enhance efficiency and thereby improve the standard of living within a society. Promoting entrepreneurship and competitiveness within the transitional economies may overcome transitional depression and aid economic recovery. It is also argued that such a process may also facilitate improvement in the standard of living and furthermore future economic growth. For the purpose of this paper pertinent research literature was reviewed in order to establish a theoretical framework. A synthesis of literature and available secondary data were examined to conclude the linkage between entrepreneurship and social capital. Two key research questions that need to be addressed here are:

i) What is the nature of the social capital within the transitional economy of Poland?

ii) What is the influence of the social capital on the entrepreneurial development and performance in the transitional economy of Poland?

3. LITERATURE REVIEW

The concept of social capital originates from Bourdieu (1972) and Loury (1977) where they argued that while each individual embarks on a journey of life based on his /her competence, it is seldom that the journey is travelled alone. The social context within which the individual acquires maturity comes from human interaction and socialization between people. Bourdieu (1986; 1992) further developed the concept of social capital by arguing that it is the sum of the resources, actual or virtual that is accrued through durable networks of institutionalised relationships of mutual acquaintance and recognition. Coleman (1988; 1994) argued that economic goals are achieved by the collective action and expectations of the members of the society even if the individual goals are not necessarily focused towards economic rewards. Similarly, other authors have argued that social capital is the process and conditions that energise people and organisations to achieve mutual social benefit (Pennings, Lee & van Witteloostuijn, 1998; Miles, Miles Perrone & Edvinsson 1998, Paldram, 2000, Putnam, 1995; 2000). Such processes comprise of four interrelated constructs namely; trust, social engagement, civic participation, and reciprocity. Putnam
(2000) further argues that the additional four dimensions suggested by Paxton (1999) and Knack and Keefer (1997), namely; i) interpersonal trust, ii) institutional trust, iii) formal and informal participation in the civic society, and iv) trust worthiness of the respondents themselves, may be added to greatly enhance the measurement model for social capital. According to Lin, (1999) social capital as a concept is rooted in the social networks and social relations and must be measured relative to its root. Thus, social capital is embedded in a social structure from which resources are generated and mobilised for collective and individual benefits. Social capital thus comprises of three elements namely; the structural embeddedness, opportunity accessibility, and action oriented use of resources, all of which tend to intersect and interact with each other. The Organization for Economic Co-operation and Development (OECD, 2000) defines the social capital as networks together with shared norms, values and understandings that facilitate cooperation within or among groups (Cote and Healy, 2001). This notion is also supported by the World Bank (2002) report where it is stated that social capital and associated institutions and norms shape the quality and quantity of a society’s social interaction. Other authors have argued that the history and also the nature of a society form the basis of the social capital which reflects the main foundation for any economic system (Lipton, Sachs, 1990, 1992; Myant, 1993; Murrel, 1992). The more contemporary economist view is represented by Stiglitz (2000) who views social capital from a knowledge perspective that includes tacit knowledge, a number of networks, and an accumulation of reputation used as a social means to tackle moral hazards and incentive issues. Broadly speaking, all these definitions refer to trust, cooperative behaviour, and strong networks between groups, as an essential component of the social capital.

Within these definitions there are various conceptualisations depending on different theoretical premise, which leads to conceptual confusion. In effect, such different approaches have resulted in an extensive number of academic papers being produced. For example, according to Baum (2000) the number of articles listing social capital as a key word was 20 in 1981, increasing to 109 between years 1991-1995, and henceforth multiplied tenfold to 1003 by 1999, as shown in Figure 1. This tends to reflect the emerging importance of the concept of social capital. The notion of social capital is difficult to summarise in a single sentence and thus challenges researchers to quantify this rather intangible research construct. While the positive outcomes of social capital are beyond doubt, controversial discussion on its
conceptualisation seems to continue. Woolcock suggests that the "concept of social capital risks trying to explain too much with too little and is often indiscriminately adopted, applied uncritically and imprecisely" (Lynch, Due, Muntaner, Davey Smith, 2000; Woolcock, 2001).

**Figure 1 - Number of papers on social capital being produced**

![Number of Papers on Social Capital](image)

*Source: Baum, 2000*

Some authors have argued that taking a social capital view benefits several dimensions of the social infrastructure. For example, the outcome of a social capital approach may lower crime rates, (Helpern 1999, Putnam 2000), deliver better health (Wilkinson, 1996), improve longevity (Putnam, 2000), develop better educational achievement (Coleman, 1988), create greater levels of income equality (Wilkinson, 1996, Kawachi, Kennedy, Lochner, Rothrow-Stith, 1997), improve child welfare and consequently lower the rates of child abuse (Cote and Healy, 2001), create a less corrupt and more effective government (Putnam, 1995) and enhance economic achievement through increased trust and lower transaction costs (Fukuyama, 1995). The cumulative effect of this research seems to suggest that the well-connected are more likely to be "housed, healthy, hired and happy" (Woolcock, 2001). There is consensus within the social science towards the definition that emphasises the role of networks and civic norms according to (Healy, 2001). Social capital as a by-product of social relations is generally perceived to be a combination of private and public good and through its creation it provides benefits to both the creator and the receiver (Putnam, 2000). Social capital according to Woolcock (2001) is a classic public good because of its non-exclusivity and thus benefits all members of the community indiscriminately. This is particularly true as the concept of social capital has emerged from the knowledge domains of sociology, political science, and the economy.

Social capital has various forms, primarily trust, norms and networks. Both trust and norms are developed over time through a repeated series of interactions that motivates individuals to contribute productively to the natural sharing and exchange of ideas in order to develop an opportunity (Jacobs, 1965). Social capital
moreover, tends to influence the action of entrepreneurs in a positive way, by creating a trustworthy
relationship between social groups and global organizations as well as providing strong encouragement to
succeed (Nonaka, 1991). It is evident during transition to free market economy, financial resources that
were paramount for business commencement, were secured by entrepreneurs through socio-cultural
background and networks in Poland. This suggests that a rapid growth process is contingent on the nature
and structure of the society and its social strength. Consequently, a society with a strong social capital is
capable of supporting, encouraging and recognising entrepreneurial progress better than the one with
weaker social capital. The entrepreneurial process as a means of economic development becomes explicit
within a web of social relationships that facilitate, binds, provides access to resources and most
importantly unrestricted emotional support. It may therefore be stated that the social capital tends to
encourage entrepreneurs to take action (Aldrich, 1999; Aldrich & Zimmer, 1986; Bourdieu, 1986; Birley,
1985; Burt, 1992; Coleman, 1988, 1990; Gartner, 1988; Granovetter, 1985; Lin, 2001; Nahapet &

Social capital refers to the social and cultural coherence of the society, norms and values that govern
interactions among people and the institutions in which they are embedded. Social capital shapes the
quality and the quantity of interaction facilitating both the individual and the progress of the nation. In
terms of the social capital dimensions, historical analysis seems to indicate that the entrepreneurial
undertakings in Poland have always been an integral part of societal beliefs and has been considered as a
prime attribute of the community. It may therefore be argued that the positive entrepreneurial activities are
not limited to a particular politico-economical system, but is greatly influenced by the history, social
values, harmony, and the overall preparedness of the society to accept challenges associated with change.
Social capital is thus a by-product of the historical orientations (Chhibber, 2000, Coleman, 1988; Rose,
1999). More specifically, it is the impetus necessary to enhance the ability and the motivation of the
individuals, at the same time developing a cultural ethos of cooperation and sharing to achieve a greater
degree of benefit for themselves and the society. Cultural capital is formed through human endeavours
that include accumulated talents, skills, training and exposure to both cultural and diversity (Cooper,
Arber, Fee, Ginn, 1999; Gould, 2001; Healey, 2001; Matarasso, 1999). It is not difficult to argue that
entrepreneurs require some of these important attributes in order to create a successful business venture
that is not only beneficial for the individual entrepreneur but also contributes towards the growth and welfare of the society.

Since the beginning of the historic political and economical transformation in Poland during 1990s the world has witnessed the manifestation of a considerable quantity of literature dealing with entrepreneurship in Poland. Some scholars although attempting to list the qualities of entrepreneurs, offer limited research focus on the uniqueness of social capital and its contribution towards entrepreneurship in Poland. It should be noted that high level of employment may stimulate need base entrepreneurial activity. Several authors have provided an in-depth understanding about the value of social capital as one of the main foundations for economic development (Lipton, Sachs, 1990; Myant, 1993; Murrel, 1992).

3.1 Historical background of Poland

Poland has had a turbulent history where not only it lost its sovereignty, but was also economically stunted. In spite of this Poland has always maintained a spirit of entrepreneurship and only through this inspiration has the Polish generation been able to build the nation both economically and socially. The needs and welfare of this society was never short-changed in pursuit of economic rewards. For example, the Polish government was one of the pioneers in instigating a system of injury insurance for the workers long before this was introduced by Britain (Bent, 1998). In 1918, Poland regained its independence with a population consisting of well educated and economically astute entrepreneurs who contributed towards economic growth by making it the fastest growing economy in Europe. The outbreak of World War II in 1939 marked the end of the free-market based economy in Poland and thereby halted business activities of Polish entrepreneurs. In 1945 Poland was handed to Stalin under the terms of the Treaty of Yalta by Britain and the USA. Poland's economy went through a radical change through centralization and conversion to a Soviet-style economy. It is interesting to note that while the government implemented national collectivisation of land, it managed to control only 14.4 percent of the land, the rest of the 85.6 percent still remained in private hands. Poland, thus became a socialist country with a unique centralised government structure that coexisted with private entities. In the late 1970s, the Polish government unable to sustain growth in demand allowed small business operators to participate in a limited production of products and services. The government at the same time acquired high-tech products and know-how from the West as part of an import-led growth strategy. We would assert that the growth of the entrepreneurship
never really hinged on the nature of the political system, although a higher level of stimulation may have occurred in a free economic system. The successful transformation from a socialist to a free-market based economy was initiated in the 1980s, and vigorously pursued in the 1990s. Entrepreneurial activities spread in an unprecedented manner leading to the increase in economic growth and gradual social improvements within Polish society. The post-socialist systemic transformation is a historic process of gradual transition from the domination of state ownership and bureaucratic regulation to a free market economy supported by liberal deregulation and an environment of natural competition among private enterprises. It is an exceedingly complex process that is not solely dependent on economic factors, but also has a bearing on the social and political dimension of the society (Beksiak, 1989; Kolodko, 2000; Murray and McMillan, 1998). According to Putnam (1993) greater reserves of social capital would enhance both governmental and economic performance. Such a society is then better prepared to face new challenges associated with radical changes in the economic-political systems. Social capital is thus a by-product of the historical orientations.

3.2 Entrepreneurship

J. Schumpeter (Theorie der wirtschaftlichen Entwicklung 1912) was the first to assert that entrepreneurship is an important factor that spurs economic growth (Blaug, 1994). Entrepreneurship serves as a catalyst in the development of transitional economies as without the participation of risk takers economic growth may be limited. Since the early 1980s, entrepreneurship has emerged as an important focus for practitioners and academia across the world (Kao, 1991; Shane & Venkatraman 1999, 1997). Venkatraman argues that entrepreneurship occurs when lucrative opportunities exist within the economy and enterprising individuals are poised to take advantage of those opportunities. When entrepreneurs create new businesses they create new jobs, products, and often, a creative work environment (Kao, 1991). Centrally controlled Poland prior to the 1980s was dominated by large government enterprises producing limited consumer goods. While the entrepreneurs operated businesses their growth was legislatively controlled thus providing little or no incentive for growth. Despite this the entrepreneurs of that era survived mainly due to the resilience provided by the historical makeup and support of the society. The 1980s can be characterized as a period in which entrepreneurs were encouraged to seek new opportunities outside the state sector leading to growth in entrepreneurial potential and accumulation of both human and
financial capital in the private sector. By the 1990s entrepreneurs in a vast majority of existing industries managed to rapidly fill niches that were ignored under socialism. Fast pace of reforms that initiated greater flexible prices and wages, led Polish entrepreneurs to create new businesses at a rapid rate. Consequently, entrepreneurial activities not only created jobs for the unemployed but also provided incentives to expand the private sector, a notion that is supported by Venkatraman (Venkatraman, 1997). This body of literature highlights the role and value of entrepreneurship in the political and economical transformation of Poland in the 1990s. While, some scholars have attempted to list the qualities of entrepreneurs, there seems to be limited research on the uniqueness of social capital and its impact on entrepreneurs in Poland. More importantly, entrepreneurs brought new management skills and attracted private funds necessary for both working capital and new investments.

It seems apparent that the development of entrepreneurship had an indelible influence on Poland and resulted in effective transformation of the society. The history of both successful and unsuccessful economic reforms in Poland and other Central and Eastern European countries indicates that at least four conditions must be simultaneously satisfied for any reform to succeed. Firstly, society must be willing to carry out the reforms and bear the inherent costs associated with it. Second, a firm commitment and determined effort by the political authorities is necessary to instigate the change. Third, knowledge, understanding and insight about the change process, are required to provide a clear theoretical foundation of the desired new system. Lastly, a firm commitment to utilise and provide resources is essential for the implementation of the reforms during the transitional period (Kolodko, 1998). Until the 1980s, it was virtually impossible to find examples of transformation that satisfied simultaneously all the four conditions. This seems to suggest that the social capital tends to have a close relationship with the entrepreneurial development at a national level. Finally, it is argued that while such a relationship may be stimulated by the existence of a free market economic environment the nature of social capital is inherent within the society for any entrepreneurial development.

3.2.1 The Role of Social Capital in Transitional Societies

The transition from a centrally-planned socialist economy to a capitalist-based free market economy is fundamentally a process of accelerated institutional change. Both formal and informal institutions need to adapt to the requirements of democracy and market transactions. Mechanisms are thus needed to stabilise
mutual expectations and to make behaviour of actual or potential counterparts more predictable. It is an exceptionally complex process, which depends and has a bearing on factors of not only economic, but also social and political significance (Kolodko, 2000; Wallace, 1998).

There is a significant scope in the coordination of economic exchanges through informal institutions and networks throughout the transitions. These include barter arrangements, transactions in the grey and black economy, and entrepreneurial networks which are all based on social capital (Kolankiewicz, 1996; Rose, Mishler, and Haerpfer, 1997). These authors also argue that the relationships of social capital in the transitional processes are of significant value. For example, the extent to which relationships between company directors and bureaucrats that existed previously under socialism have been adopted to take advantage of new economic opportunities by the entrepreneurs and their firms (Stark, 1997; Hayri and McDermott, 1998).

With the collapse of the socialist system, wealth and material benefits have become more significantly linked to the social capital (Angelusz and Tardos, 2001). The network related support is a distinctive mark of Polish people connected to their roots in the pre-communist period as previously stated. One of the significant issues that need to be addressed is that the rate of infrastructure and institutional privatisation should clearly match to the rate of development of entrepreneurial activities. Due to an undeveloped infrastructure mutual help and support was a common strategy of coping and getting things done at the beginning of the 20th century. This was also the case during socialism. Because of malfunctions of the command economy and state bureaucracy, social networks were an important source of wealth. In view of the perceived ineffectiveness of the system of public institutions under socialism, social networks played a basic role in determining opportunities to reach individual goals. They were created as a by-product of the official formal systems of social roles. After the breakdown of the socialist system in Poland, the nature of the social network utilization changed and a two-fold meaning of social networks developed. On the one hand social networks became an intermediary institution between the individual and the state, building on local communities, thereby releasing the burden of public institutions through decentralization of the system. On the other hand, social networks remained an important coping strategy as it identified the sources for resources independent from the markets. Supportive social networks rest on exchange relationships as well as on group-specific norms and obligations of help and support. Some authors
indicated that the social networks in the west are mainly short-term oriented interactions. In comparison social network serves as obligation to respond to requests for assistance in Poland (Fan, 2002; Giza-Poleszczuk, 2000; Silk, 1995).

It may be argued that the political and cultural character of a nation has been shown to have had some relationship to the predisposition of that society to implement politico-economical change, and to initiate successful entrepreneurial activities within the new structure. Maintenance of the social networks and higher flexibility serve as the foundation for entrepreneurs to act and to achieve. A conceptual framework of the social capital relationship with the entrepreneurial development of a nation is shown in Figure 2.

**Figure 2** Four Pillars of a Nation – A Conceptual Framework

This integrated model attempts to highlight the complexity of various significant forces influencing the transitional change. It is believed that the fundamental aspects, namely social capital, education, past history, and the trustworthy political leadership have not been widely researched and recognised as the foundation for the success of transition. It is further argued that the **Tangible Foundation** serves as a strong background for a nation to engage in the political and economical transformation. The **Tangible Foundation** comprises of the following factors namely; (a) education and knowledge about a theoretical framework of the new system; (c) past history which serves as an educator, all under the umbrella of social capital which tends to integrate all these factors for optimum outcomes. Thus, entrepreneurial change in any society happens via the integration of socio-political culture and the economic environment.
The Polish transition processes considered these facts and developed a clear social-economic development strategy that minimized regressive tendencies in Polish society. It may be stated that both history and the period of central administration and economic planning has considerably shaped the norms, value judgments, and social orientation of Polish society. Further, as argued by Polanyi in *The Great Transformation* (1957 [1944]), all economic activities become successful when are not driven by individual motives alone (Polanyi, 1947).

4. TRANSITIONAL COST

The centrally-planned socialist economy was entrenched with bureaucratic regulations, compared to a capitalist free market economy with liberal deregulation. It is a complex process, which is dependent on multiple factors of economic, social and political significance (Kolodko, 2000). Perhaps not surprisingly, transition has brought success for those able to adapt to the market drivers, uncertainty, and anxiety while bringing a certain level of disruption for those unable to cope with the economic change. Although the standard of living has increased for the population as a whole, some groups in particular such as pensioners, the unemployed, and workers in large state factories were unable to compete under the new market forces and government fiscal and budgetary restraints. Unemployment in Poland was not considered as a problem until 1989 when it exceeded 1.2 percent (GUS, 1989).

The standard of living in Poland was comparable to Hungary, Serbia or Croatia and all other remaining socialist countries in the middle and late 1980s. It was even comparable with non-socialist countries such as Greece, Portugal, Spain and Central Italy (Wilczyński, 1984). It may be noted that the Polish society looked up towards some of the richest countries like the Scandinavian and Benelux states, West Germany or France where the negative aspects of capitalism were neutralised by the policies of the government. Capitalism was therefore regarded in Poland almost as a synonym for a higher standard of living and freedom of choice.

It could be argued that during the socialist era there was some hidden unemployment mostly due to overmanning in state owned enterprises. Unemployment benefits were not considered necessary, as the number of job offers was much higher than the number of job seekers, and the real problem was to match jobs to qualifications. In some instances, unemployment was due to a refusal of job seekers to accept the
given offer. At the end of the 1989 government expected unemployment to be no more than half a million. This was an obvious underestimation for propaganda reasons. In 1994 Poland registered 3 million unemployed (16%) while the registered unemployment rate rose to 20.0 percent in March 2002 and 2003. In December of 2004 and January 2005 the total unemployment decreased to over 19.0 percent resulting in 2.99 million people being unemployed. Details of unemployment are illustrated in Table 1, and Figure 3.

### Table 1 - Number of unemployed people 1945-2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment rate (year end %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-1988</td>
<td>0.1</td>
</tr>
<tr>
<td>1989</td>
<td>1.2</td>
</tr>
<tr>
<td>1990</td>
<td>6.5</td>
</tr>
<tr>
<td>1991</td>
<td>12.2</td>
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<tr>
<td>1992</td>
<td>14.3</td>
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<tr>
<td>1993</td>
<td>16.4</td>
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<tr>
<td>1994</td>
<td>16</td>
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<td>1995</td>
<td>14.9</td>
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<td>1996</td>
<td>13.2</td>
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<td>1997</td>
<td>10.3</td>
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<tr>
<td>1998</td>
<td>16.4</td>
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<tr>
<td>1999</td>
<td>19.1</td>
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<tr>
<td>2000</td>
<td>15.1</td>
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<tr>
<td>2001</td>
<td>17.4</td>
</tr>
<tr>
<td>2002</td>
<td>20.0</td>
</tr>
<tr>
<td>2003</td>
<td>20.0</td>
</tr>
<tr>
<td>2004</td>
<td>19.1</td>
</tr>
<tr>
<td>2005</td>
<td>19.5 (January)</td>
</tr>
</tbody>
</table>

Please note: Year 1945-1988 statistically constant unemployment rate of 0.1%


State industries in the socialist economy were supported by subsidies and allowances that were mainly targeted to maintain full employment as well as to achieve greater consumption. Post transition led to drastic reductions of these artificial subsidies and allowances and thus challenged the viability of these large state owned corporations in a free market environment. Such action was strongly supported by various international organizations especially the IMF. The fund was willing to back only structural adjustment polices that led to the liquidation of all subsidies. This external pressure was mixed with domestic tugs-of-war between the political extremes namely the old left and the new right populists on the one side, and the free-market zealots on the other.

Successful reform gives rise to two strongly opposing forces. One is the tendency toward social contentment, which arises chiefly from significant increases in economic opportunities while the other is discontent, which is often manifested by those who fear unemployment, are unable to use greater economic freedom, and whose relative pay and prestige has declined. By mid-2003 the economic
transformation has led to a growth in free market processes and developed in excess of three million large-scale privately owned enterprises (MFA 2003).

5. DISCUSSION

The role of social capital although long recognised has not been shown in association with the entrepreneurial undertakings. Economists define capital as any wealth-producing asset. Commonly recognized forms of capital include natural, physical and human capital. The latter refers to the skills, knowledge and creativity that individuals contribute to economic life. Social capital, by contrast is inherent in the organizational features of social and economic life. Further, it refers to the wealth producing potential that flows from various forms of shared association. By combining political capital of the past with the cultural capital, Poland advanced its knowledge by learning from the past and capitalising on the understanding of the new potential associated with the free market economy. Economic progress and growth in Poland was achieved due to extensive entrepreneurial activities, suitable government political an economical polices and a well-educated society at the same time overall emphasis on the cohesive catalyst of social capital as the basic factor of growth during the transformation. Successful entrepreneurs are those who can adjust their entrepreneurial strategies to the need and capabilities of the society. In the context of the Polish economy the initial findings seems to suggest that the nature of the Polish society and its rich social capital may largely be responsible for the smooth transition into the free market economy. It also indicates inherent resilience of the Polish culture to overcome the difficulties of the initial chaos created by the transitionary change.

In the “Forms of Capital” Bourdieu expands the notion of capital beyond its economic conception and includes non-tangible material and non-economic forms of capital including cultural and symbolic capital. He explains how the different types of capital can be acquired, exchanged, and converted into other forms. Hence, the structure and distribution of capital also represents the inherent structure of the social world. Bourdieu argues that an understanding of the multiple forms of capital will help elucidate the structure and functioning of the social world (Bourdieu, 1985).

Social capital in the definition of Pierre Bourdieu (1985) refers to investment in social networks by individuals. Social capital is a private good, which can be converted into cultural capital. Brehm and Rahn
(1997) specify a structural model of social capital consisting of the interaction between three concepts, namely civic engagement, interpersonal trust, and confidence in the government to lead the change. To make a successful transition, Poland combined the political capital of the past with the cultural capital of the present and recognised that it creates cohesiveness within a society that collectively is able to create economic richness and prosperity to the nation.

The Polish transition process shows the deep interconnection between economic, political and social-cultural factors. Ignoring these dimensions and the absence of a clear social-economic development strategy would result in stagnation and regressive tendencies within the transitional society. It may be noted that many forces influence the transitional economy. Overall preparation of the society is rather more important than just the rapid introduction of financial institutions. Thus, educational strength, forward-looking politicians, existing social values, and the historical context together contributed towards the development of Polish entrepreneurs which was facilitated with the overall preparation of political and economical changes within the country. Unlike the state and cooperative sectors prevalent in the centrally planned economies, the private sector cannot be created unless driven by the entrepreneurs, their talent, historical values, and economic culture. In fact the rate of privatisation should not exceed the rate of entrepreneurial development as such a process of privatisation may get corrupted. This is evident in some of the other Central Eastern countries of Europe.

Entrepreneurs and their activities that are economically co-ordinated or those created on an ad-hoc basis, play a key role during transition. Entrepreneurial firms are recognised for their contribution towards key social issues such as unemployment in the new economic system. The development of self-employment is an important indicator of the success of market economy transformation. The newly created firms have fundamentally altered the structural basis of the national economy and provided significant impulses for the economic development. Both “pull” factors, unemployment, low and restricted unemployment benefits, comparatively weak social security nets, have contributed to the growth of self-employment. One of the most important preconditions for the success of the transformation process is the existence of entrepreneurial talent within the population. Both the extent of the latent reserve of entrepreneurial expertise in the population and the influence of the social capital are irreplaceable and fully complimentary.
Transformation is a simultaneous process of social, political and economic changes. Entrepreneurship is more than just an economic phenomenon, it is fundamental to the creation and stabilisation of democracy. Widespread entrepreneurship is essential to the creation of a middle class and avoidance of extreme polarisation between rich and poor. The norms and values manage the connections between people and the institutions in which they are entrenched. Finally, the social capital serves as a foundation supporting and providing confidence to the entrepreneurs and their respective approaches in creating new business in the transitional economies.

6. CONCLUSION

It should be noted that entrepreneurial developments have existed in a pre-market economy and thus it is not a radically new phenomenon. Moreover, change in a socio-political environment has only stimulated the speed of transition primarily due to the existence of harmonic yet dynamic social capital.

It is to be stated that over millenniums, unveiling events that shaped Polish society allowing for both a team approach and an individual perspective to perform and to achieve individual and national goals. As a result entrepreneurial activities were never forced but emerged in a natural manner thus preventing from the potential spread of greed and societal dysfunction. By combining political capital of the past with the cultural capital of the present Poland has advanced its knowledge, capitalised on new realities in order to progress towards a fair and just society. It should be noted that economic progress and growth in Poland was achieved due to extensive entrepreneurial activities, suitable government politico-economical polices, and a well-educated and integrated society. Finally, if the “Tangible Foundation of the Nation” model is utilised the possibility of future growth of a free society may be further enhanced.
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