This paper investigates the phenomenon of entrepreneurship within the transitional economies with specific focus on Poland. Further, the nature of social capital and its influence on entrepreneurship is also examined. Additional purpose is to further explore the cognitive and behavioral aspect of social capital that tends to influence the development of entrepreneurship within society. The finding suggests that one of the prime reasons that Poland achieved smooth transition compared to other transitional economies is its social capital that willingly accepted both the positive and negative aspects of economic transformation.

One purpose of this study is to investigate the social capital as foundation and a unique contributor that naturally encourages the entrepreneurial development in the transitional economies. The research question raised is how behavioral and cognitive aspects of social capital tend to influence the development of entrepreneurship and thus transition? While it is acknowledged that transition inherently brings a degree of chaos within some sectors of the economy, a smooth transition is largely aided by the nature of the social capital. More specifically the intrinsic behavioral and cognitive strength of the human capital tend to have a significant influence on entrepreneurial development during and after transition. This study is largely based on secondary data collected from various sources within and outside Poland. The main thrust of the analysis is to assess the extent to which social capital influences the development of entrepreneurship and economic development during and after the transition.

Prosperity and advancements of the organization can only be achieved with vision, commitment and dedication of the people. Social capital may therefore, influence some of these essential criteria of entrepreneurship. At the same time it is recognized that strong social system has the potential to increase the rate of success of nations, businesses, and entrepreneurs (Aldrich & Zimmer, 1986; Aldrich, 1999; Thornton, 1999).

Over forty years ago the role of human capital was recognized alongside with physical capital in contributing to the economic productivity of a society. However, the idea that social relationships and networks hold an important role in economic success both at the micro and macro level has been present for decades. It should be noted that it was only in the late eighties when Pierre Bourdieu (Bourdieu, 1985) and James Coleman (Coleman, 1988) formally distinguished social capital as a new form of wealth. Other researchers also support a similar view (Burt, 1992; Moran & Ghoshal, 1996).

Social capital has various forms, and primarily consists of trust, norms and networks. Both trust and norms are developed over time through repeated series of interactions which may lead individuals to contribute productively to the natural sharing and exchange of ideas and opportunities (Jacobs, 1965). Moreover, social capital influences in a positive way the action of entrepreneurs, social groups and of global organizations permitting them
to create trust, relationship and strong encouragement to succeed (Nonaka, 1991). It may be noted that during transition from control to free market economy, resources that are paramount for business commencement was secured by entrepreneurs because of their socio-cultural background and social networks. This suggests that a rapid growth process is contingent on the nature and structure of the society and its social strength.

Consequently, the support, encouragement and recognition of entrepreneurial talent and growth are more likely in a society with relatively higher level of social capital. The entrepreneurial process as a means to economic development becomes explicit within a web of social relationships that facilitate, binds, provides resources, access to resources and more importantly unrestricted emotional support. It may therefore be stated that the social capital tends to encourage entrepreneurs to materialize opportunities available in the market (Aldrich, 1999; Aldrich & Zimmer, 1986; Bourdieu, 1986; Birley, 1985; Burt, 1992, 2000; Coleman, 1988, 1990; Gartner, 1988; Granovetter, 1985; Lin, 2001; Nahapiet & Ghoshal, 1998; Paldram, 2000; Yli Renko, Autio, & Sapienza, 2001).

Social capital refers to the social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. One may argue that social capital seems to be the binding glue that holds societies together and perhaps without which the economic progress will be rather limited. Without social capital the society at large may face limitations as businesses could experience restricted growth due to stagnant demand (Rose, 1999).

Since the beginning of the historical politico-economical transformation in Poland of 1990s the world has witnessed the manifestation of a considerable quantity of literature dealing with entrepreneurship. Although, some scholars attempted to list the qualities of entrepreneurs, limited research focuses on the uniqueness of social capital and its contribution towards entrepreneurship in Poland. Several authors have provided 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).

There is a significant increase in number of papers exploring social capital. It is virtually impossible to summarize the concept of social capital in a single sentence and thus its measurement continues to challenge researchers as quantification and discussions regarding its conceptualization debated in the extant literature. No clear conceptualization and operationalization of the construct seems to exist that explain all the dimensions of the concept. For example, Woolcock and other authors suggests that the “concept of social capital risks trying to explain too much with too little [and] is being adopted indiscriminately, uncritically, and is generally applied imprecisely” (Lynch et al., 2000, p. 404).

Putnam (2000) argues that social capital has quantifiable effects on many different aspects of our lives: These include lower crime rates, (Helpem, 1999; Putnam, 2000), better health (Wilkinson, 1996), improved longevity (Putnam, 2000), better educational achievement (Coleman, 1988), greater levels of income equality (Wilkinson, 1996; Kawachi et al., 1997), improved child welfare and lower rates of child abuse (Cote & Healy, 2001), less corrupt and more effective government (Putnam, 1995) and enhanced economic achievement through increased trust and lower transaction costs (Fukuyama, 1995). The cumulative effect of these researches suggests that the higher the level of these increases the higher the level of social capital (Woolcock, 2001). Social capital generally
tends to benefit both the creator and the user within a society (Putnam, 2000). A conceptual framework for this study is illustrated in an exhibit.

The role of social capital although long recognized has not been fully explored and shown in association with the entrepreneurial undertakings. One should look at the aspect that social capital provides resources for successful accomplishment of all business activities. 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 past mistakes and capitalizing on the understanding of the new potential associated with the free market economic system. It should be noted that economic progress and growth in Poland was achieved due to extensive entrepreneurial activities, suitable government politico-economical polices a well-educated society and the recognition of social capital as the basic factor of growth during transformation. It is believed that there is no single route to entrepreneurial success or failure. Successful entrepreneurs are those who can adjust their entrepreneurial strategies to social capital and capabilities. 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. In also indicates inherent resilience of the Polish culture to overcome the difficulties of the initial chaos created by the transitional change. More rigorous findings will be presented in future forums once the comprehensive study is completed.