



Laki Mihály • Szalai Júlia

TEN YEARS AFTER:
Hungarian
Grand Entrepreneurs
in the European Union

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CONTENTS

Introduction: motivations for returning to the case of Hungarian grand entrepreneurs	7
What happened to the Hungarian grand entrepreneurs in the course of the past decade?	11
The methodology of the follow-up research	11
The topic of our book: unexpected developments and their consequences	13
Lost drives of the Hungarian economy	17
The symptoms	17
Turn at the Millennium: slowdown of the Hungarian economy after 2001–2002	19
The two groups of Hungarian grand entrepreneurs: the ‘old’ and the ‘new’	26
The ‘old’ group: turning points of the life- and career paths	27
The group of the ‘new’: turning points of the life- and career paths	29
The generational change – glimpse from a closeness	31
The long-term impact of the age differences	31
Family backgrounds – a picture painted with broad brushes	37
The globalised fields of organised education	40
Out-of-school learning – how to be a modern journeyman?	42

Departing performances of the companies of the 'old' and the 'new' entrepreneurs: economic explanations	48
The branch/industry hypothesis	49
The innovation hypothesis	52
The hypothesis of state dependence	57
Market conditions	59
On the social profile of the grand entrepreneurs – ten years after	86
Differences in the social roles between the two groups of the 'old' and the 'new' entrepreneurs	86
On the socialist heritage	96
Hidden marketisation: A way for quasi-adaptation	96
Limitations of the advantages stemming from the socialist heritage	102
Relative advantages generated by the diversities of departures	118
Diverse business behaviours	118
The imprints of diverse life-experiences	123
Diversities in the composition of social capital	129
Manifestations of the decline of trust	139
About the family-owned businesses	156
Entrepreneurs about themselves in the changing ideological-political space	174
Conclusions	193
References	210
Appendix	216

INTRODUCTION:
MOTIVATIONS FOR RETURNING TO THE CASE OF
HUNGARIAN GRAND ENTREPRENEURS

This is our second study on the Hungarian grand entrepreneurs. Our earlier research about this important social group and its economic, social and cultural attainments was accomplished ten years ago. In that first wave, the main source of information was the collection of 48 in-depth interviews with the owner-managers of large firms owned partly or fully by Hungarians; this collection was complemented and its information content was controlled by the content analysis of documents and newspaper articles on the subject. Our interview partners – in other words, the heroes of our first book – were owner-managers of fast growing or efficiently consolidated large- and medium-size companies and businesses. Mainly due to their outstanding performance, these owner-managers were among the influential figures of the Hungarian economy at the end of the first decade of the post-socialist transition.

In our current research project (and especially in our interview instructions) we focused on micro- and macro-factors of the economy which could be supposed to provide the main preconditions of successful post-socialist entrepreneurship. We carefully analysed the decisive events and turning points of the life- and family-histories which related to this process. Based on the interviews, we tried to figure out the features which mobilised and sped up the development of the enterprise and the rising position of its owner. Furthermore, the interviews revealed diverse patterns of the characteristic life stories, aspirations and social roles of the group and they helped to disclose spe-

cific structures in the accumulated knowledge and skills as well. These results gave us a chance to assess the development of this emerging social group and put it into the context of the revival and rebuilding of the social functions of the Hungarian grand bourgeoisie.¹

We started our *follow-up research* about ten years later, in 2008.² The core of our research plan was the second round of in-depth interviews with our former partners. Via these interviews we aimed to explore whether the promising upward mobility of our interviewees had proceeded or not. We asked: were they capable of stabilising and reinforcing their positions in the Hungarian economy in the decade after the new Millennium? Are there dominant practices of further expansion on the domestic markets which became controlled by foreign owned large companies in the first years of the new century? Among others we wanted to reconsider how our interview partners performed on their foreign markets. We planned to analyse their relationship to the state administration and also in a broader sense, to the political system. Furthermore, we aimed to reveal: how did these not so young owner-managers transmit the roles and functions of management and ownership to their successors. Last but not least: how were these developments influenced by Hungary's accession to and membership of the European Union since 2004?

The majority of our old-new interview partners were more than 40 years old in the first years of post-socialist transition. Therefore, we assumed on good grounds that many of them would have retired by now or have begun the complex process of withdrawal in the period of our follow-up research. Furthermore, we expected that the methods and chances of company

¹ The main results of our research were summarised in Laki Mihály–Szalai Júlia (2004) and Mihály Laki–Júlia Szalai (2006).

² The research plan was completed in 2008; the fieldwork started in 2009 and the final version of the research report was published in 2012. Our research was supported by the Hungarian Scientific Research Fund (OTKA) (Tíz évvel később: magyar nagyvállalkozások az Európai Unióban, OTKA 77918).

establishment would have changed remarkably after the end of the last wave of the Hungarian privatisation in 1997–1998.

These two developments indicated the setting and involvement of a comparative group of younger Hungarian entrepreneurs into our research. Based on our earlier applied detailed interview plan (including its thematic blocks) we made interviews with 31 younger entrepreneurs (owner-managers of large or medium-size companies) in 2009–2012. Their common distinctive feature was that their businesses had started not before, but after the year 2000.

In our present book we repeat the structure of the previous one. The discussion begins with the conditions and impacts of the macro-economy. Based on these developments the next chapters of the book deal with the personal-individual ‘economic histories’ of our grand entrepreneurs (including the members of the new group of interviewees). The discussion will be followed by the chapters on the role of the micro-environment (including family, children, friends and the network capital in a broader sense) in the successes and later in the failures and marginalisation of our heroes (and of their companies).

Among the factors influencing the trajectories of post-Millennium development we paid particular attention to the consequences of Hungary’s EU accession. How has the EU membership of the country influenced the performance and the regulatory environment of the large companies/grand entrepreneurs? Has it changed – and if so in what direction – their market conditions (including the labour-market positions) and their business culture? Has the remarkable change in the institutional environment influenced the relationships of our interview partners with the local governments or with the business associations?

The follow-up approach of the research gives us a chance to differentiate between certain characteristic periods and to compare trends through generations. We may scrutinise the attitudes of the older generation of owner-entrepreneurs – among others, their relationship to the foreign-owned companies.

Based on the follow-up context, we are also able to present and deconstruct the symptoms of their withdrawal from the political arena to private life. At a more general level, we hope that our current book helps to understand why a new grand bourgeoisie failed to emerge (in contrast to our earlier expectations) from the strata/group of the owner-managers of Hungarian large and medium-size companies? Why have these social groups proven incapable of shaping a new culture with modern bourgeois values and rules and in this way become the respected elite of Hungarian society (Bibó 1986a)? Finally, we trust that the comparison of values, business strategies and social roles of the 'older' and 'younger' generations would contribute to a better understanding and explanation of the negative developments (value crisis) of Hungarian society.

WHAT HAPPENED TO THE HUNGARIAN GRAND ENTREPRENEURS IN THE COURSE OF THE PAST DECADE?

The methodology of the follow-up research

In our earlier research, we made attempts to answer two closely interconnected questions. On the one hand, we dealt with the conditions of inception and then the rise of the great entrepreneurs of the post-socialist transition. We asked: how and where did they start their careers and how did they reach influential positions in the emerging market economy. On the other hand, we tried to reconstruct how their career and life-path were embedded some ten years ago into a broader social context. This is why we focused on their old-new social, economic, cultural and political functions and searched for the values and expectations which related to these roles and activities.

The above mentioned 48 interviews that embraced the personal life-histories and also the histories of the owned companies (made in 1999–2001) served as primary sources of our attempts at addressing these questions. A careful surveying of the relevant macro-statistics and an analytical overview of the relating literature became important parts of the research as well.

For the most part, our invitation for a new round of interviewing was successful among our earlier interview partners in the majority of cases. We made 35 follow-up interviews in 2009–2011. In 33 cases we met our former interview partner. In two cases, when our interlocutor had died in the meantime, we consulted with the owner-managers of the (descendant) company. We tried to reconstruct the stories of those who refused to contact us or disappeared. In these cases we used internet and media sources and we communicated with their successors.

Our new additional source of information is a collection of interviews which we managed to collect among a group of young owner-managers. Members of 'the group of the new' are successful people – it means that their business companies that had been established in 2000 or later grew fast. Statistics and registers containing data of business starts, growth potential and conventional success indicators were not available, therefore we faced the problem of sampling like in our earlier research. That is why we built up a broader collection of the names and firms of the 'new' partners first. We compiled a list of 290 entrepreneurs based on home pages and special issues of magazines and periodicals.³ The people on this list are 30–50 years old these days, they are much younger than our 'old' partners. Another difference is that they started their businesses about one decade later than the heroes of our previous book (in 1998–2002). They (except for a few) became owner-managers of large- and/or medium-size companies or of so-called gazelles (extremely fast growing small businesses) in the last decade. We specified and shortened the list of this group in several rounds. Owner-managers with foreign citizenship and managers with marginal stock-share were excluded. After all, 39 owner-managers remained on the list. Among them, 31 were ready to become our partners for an interview. These owner-managers became the members of the 'new' group. The detailed presentation of some fundamental characteristics and information on the roles of the members of this group will help us to describe and assess the performance and behaviour differences of the two generations.

³The list of the sources: *FigyelőNet* (2009), (2010), (2011), *Haszon Magazin*, *Manager Magazin*, *Napi Gazdaság*, *A 100 leggazdagabb* (2011), *Origo Vállalkozói Negyed*, *Privátbankár*, *Spin-Off Club*, *Telkes.hu*, *Üzletasszonyok*. We used the snowball method as well. We put on the list those who were acquaintances of those who handled the list and those who were suggested by our interview partners as potential partners.

*The topic of our book:
unexpected developments and their consequences*

As the title of our earlier book indicated, we focused on two attributes of the owner-managers' stories.⁴ On the one hand, these people and their enterprises were regarded as actors with excellent economic performance, as idols of other market players, and as catalysts of the post-socialist economic transition. On the other hand, we understood these outstanding achievements in their historical context. In this regard, we strove to learn, whether the impacts of the suppressed but still functioning civilian traditions and the skills and knowledge that had been accumulated in the second economy under state-socialism had their contribution to the new leading positions on the private market and whether these earlier accumulated cultural assets have informed the shaping of the characteristics of a new bourgeois elite. In the time of writing our earlier book we were confident that these owner-managers of medium-size and large companies would be the leading figures of the post-socialist transition in a lasting way. It seemed obvious that their values, social roles, life-styles and also their business ethos qualified them for becoming the role models of post-socialist Hungarian society.

On the last pages of our earlier book we stepped out – in a risky way – from the position of the descriptive-analytical researcher and made an attempt to assess the hopefully positive impacts of this group of entrepreneurs on Hungarian society:

The strategy of adaptation again has been successful, as the earlier statistical data indicate, and domestic grand business has been able to maintain its share and its position. In light of such renewed success, the EU accession seems to promise easier conditions and moving forward rather than collapsing. Obviously, it is a new phase with new challenges for adapta-

⁴ Entrepreneurs or citoyens (in Hungarian: vállalkozók és polgárok).

tion, but after all, this is the very capacity in which Hungarian grand entrepreneurs have shown for decades their most outstanding performance. (Laki-Szalai 2004, p.228)

In our new book we concede that our earlier prognosis, dating from the first years of the 21st century, *needs profound revision*. The evolving new social positions and the success of the grand entrepreneurs in converting their old position to some advantageous new one were not permanent, (as we assumed before) but only provisional. We will demonstrate in the following chapters that a remarkable part of this social group – members of which started businesses mostly in the first years of the post-socialist transition – lost its influence and economic power at the end of the first decade of the 21st century.

The majority of their formerly fast growing companies or the ones demonstrating above average performance stopped growing or lost their potential for speedy advancement in this decade. *It is important to note that these unfavourable turns had taken place before 2008, that is, before the outbreak of the world economic recession*. Close to half of our interview partners reported bankruptcy and/or the forced sale of his or her company or companies. The consequences are obvious: these interview partners made a significant retreat and control and own only small businesses these days. There were several cases when foreign persons or foreign companies bought their companies or businesses. In other documented stories the capital (property) was distributed among family members, yet in other cases the companies had to be utterly reorganised or fell apart. The stories are different in many details but the unanimous tendency is clear: in the longer run, large and previously fast growing businesses were unable to stabilise their positions (market share or profitability).

The interviews repeatedly reveal the disappointment of the older owner-managers. Not only their property diminished or disappeared but a remarkable part of them also withdrew from public life and/or lost earlier social roles and influential posi-

tions. It seems rather frequent that the ambitions of these, once excellently performing and skilled, owner-managers have profoundly changed in the last decade. Instead of aspiring to become the idols of excellence they are withdrawing from public appearance. They consciously mingle with the crowd and stress their conformity. We have to emphasise the far-reaching impacts of this radical change in their attitudes. It shows the apparent decline of their once promising and feasible-looking social role and of their plans to act for the benefit of society.

Below we will document and analyse the reasons and consequences of their weaker than expected current performance. The first chapters focus on economic processes and deal with the market-based factors of recoiling. We begin with the documents and symptoms of the decline of the businesses of the 'old' entrepreneurs. Afterwards we will attempt to answer the question: how often have such negative turns occurred in the Hungarian economy since 1997–1998? This macro-analysis will be followed by the description of the differences in the life-histories of the 'old' and the 'new' groups. The subsequent chapters address the explanatory factors of the differences in the performance of the two groups along a set of important indicators: 1 the branch structure bias, 2 the differences in the density of innovative activities, and 3 variances of the state's involvement.

Developments in the markets hosting their activities also deeply influenced the performance of the older entrepreneurs and their companies. We will document the ways in which they made efforts to counterbalance the negative impacts of the unexpected fall or slowdown of demand. We will show that in such cases their companies often entered the real estate market, which happened to be a specific and risky change of the company's product or service (output) structure.

In what follows we will demonstrate that considering the economic factors is necessary, but it is not sufficient to explain the performance differences of the two groups of the 'old' and the 'new' entrepreneurs. In the second part of the book we in-

clude social-historical factors into the analysis. First, we give an overview of the controversial consequences of the heritage of state-socialism. Then we discuss the role of the family background and that of the family business. The destructive impacts of the Hungarian society's growing mistrust are also addressed in these chapters. Last but not least we turn to how the the recent remarkable shifts in the ideological content of the dominant political discourse have influenced the self-perception and the social imagination of the two generations of the interviewed entrepreneurs.

Repetition is often unavoidable in follow-up studies, especially in the course of comparison of present and past tendencies. We begin the chapters with the presentation of the events and major tendencies of the past. The reader of our earlier book of 2004 may skip these paragraphs without hesitation.

LOST DRIVES OF THE HUNGARIAN ECONOMY

The symptoms

In our earlier book we showed that “32 of our 48 interview partners remarkably increased the size of his/her company or companies”. The growth was truly impressive:

These former small entrepreneurs of the early 1980s owned or controlled a dominant share of large and/or medium-size companies at the end of the 1990s. Their companies which were funded with a few hundred thousand forints of joint capital produce roughly one-billion forints of yearly turn-over and they employ several hundred workers. (Laki-Szalai 2004, p.222)

Table 1
Performance measured by company development 1990–1999

Start-up size of the company	Size of the company at the time of the interview			Total
	small	medium	large	
small	–	15	11	26
medium	–	7	6	13
large	–	–	7	7
no data	–	–	2	2
Total	–	22	26	48

Company growth which was enough for crossing the border between the distinct size categories was not measured or estimated for a minority of our sample (these cases are located on the diagonal of Table 1). In this group one finds mainly privatised companies (apart from two cases). The managers

(more precisely, the owner-managers) of these earlier state-owned companies faced liquidity problems which were due to their too optimistic business plans, or were generated by over-investment and the concurrent shrinking of demand. Occasionally they had faced such problems already before the collapse of socialism, but a higher prevalence characterised the 1990s. The performance based on their re-organisational skills and capacities, of the old-new owner-managers was remarkable also in these cases. They stopped the decline in turnover and successfully brought the financial position of their companies into a stable balance.

The performance of the ‘old’ grand entrepreneurs *has fallen remarkably* in the first decade of the new century. Based on our follow-up interviews, media news and information available on company home pages, we were able to assess the performance of 43 companies out of 48 approached earlier. (Table 2)

Table 2
Performance measured by company development 2000–2008

Start-up size of the company	Size of the company at the time of the interview			Total
	small	medium	large	
small	–	–	–	–
medium	9	8	3	20
large	6	2	15	23
Total	15	10	18	43

The change of size could be registered most frequently in the group of medium-size companies. The majority of them was profoundly changed and was reorganised as a small business.⁵ Only a few of them were developed into large companies during the last decade. The majority of large companies remained large but shrinking turnover or the decline of the number of employees occurred in this group, too.

⁵ As will be shown, mostly the children of owner-managers founded new small businesses on the ruins of their parents’ bankrupt companies.

We observed similar tendencies with regard to the magnitude of the business as well. Only eight of our 35 'old' interview partners reported company growth. We found two other cases in which the turnover or the number of employees increased in the group of those who disappeared, died or refused to participate in the follow-up research. In all other cases, our partners reported stagnation or the closure of their companies. These developments were not outcomes of conscious decisions or of deliberately elaborated business plans. On the contrary: in the vast majority of the interviews that were run ten years before, we read about a planned increase of the turnover or about the expansion of capacities.⁶ Our partners usually did not intend to sell their companies and there were cases when they successfully upset the buy-out actions of other companies or private persons. Their attitudes and values inspired them to mobilise reverse activities and escape the risks by ambitious interventions towards growth and increasing influence. In other words: conscious modification of their business path, or the turning to some strategies of withdrawal could not be the reasons for the decline of their companies or of their social-economic status.

Turn at the Millennium: slowdown of the Hungarian economy after 2001–2002

What was the probability by developments bringing about a slowdown in the Hungarian business life? How often has the developmental curve of the Hungarian medium-size and large companies turned into slowdown or decline during the last decade?

In an earlier study of one of us (Laki 2011) a distinction was made between the usual-conventional and the exceptional incen-

⁶There were exceptions when our interview partners gave up their ambitions. As one of our interview partners put it ten years ago: *"We recognised that we prefer to work cosily. We refused to be involved in hard competitions. We consciously figured out how to preserve our position. That's why we balanced our market position at a stagnant level. We refused to grow. We avoided following such a strategy."*[14]

tives of economic activity, the latter comprising those that are in effect only amid the condition of the post-socialist transition.

The *conventional* incentives are:

- taxes⁷
- loans
- rates of interest
- business environment influenced by economic growth⁸

The *exceptional* incentives are:

- regulation that intentionally supports the development of the market economy
- additional and exceptional demand (market niches) generated by the vanishing and the collapse of privatised companies.

In this earlier study we demonstrated that entrepreneurial inclination increased in the first years of the post-socialist transition.⁹ Several hundred thousand new enterprises were established in spite of the high taxes, the expensive loans and of the long-term economic recession. In other words: such a blossoming of entrepreneurship took place despite the fact that market entries and business start-ups were not encouraged or stimulated significantly by the conventional incentives.

The vast majority of these businesses could not (or did not want to) grow. In 2009 there were 688,996 active companies in Hungary and in 89 percent of those there were fewer than five employees (KSH 2010). Several new companies and businesses entered markets where they expected a long-term and remarkable increase in demand. We carefully documented in this study how the above mentioned two exceptional incentives played a decisive role in the increase in entrepreneurial activities.

These exceptional incentives lost their importance in the second stage of the post-socialist period which started in 1997–1998.

⁷Taxes were measured by the rate of levy.

⁸Economic growth was measured by conventional volume indices.

⁹See also important details in Lengyel (1997).

Their impact diminished: privatisation and the deregulation process came to an end in the last years of the 1990s and because of the additional supply of newcomers the market of several services and goods became saturated. The favourable changes of the conventional incentives could not counterbalance these developments. In spite of the slowly waning tax-rate and the easy access to the prolifically available and relatively cheap loans and also despite the fast economic growth the number of market entries did not increase. Moreover, the expectations and the forecasts of our group of the Hungarian owner-managers of sizeable firms clearly turned more pessimistic than their orientation had been in the late 1990s (Laki 2011).

The market situation and the state of several markets also differed in the two periods. As we mentioned earlier, market disturbances and a growing number of market entries characterised the first period. In the second one which began in 1997–1998 we observed the consolidation of markets of goods and services in a large number of cases. Mainly due to the decrease in the number of regulation-changes and modifications, the market regulation became more calculable in these years. Moreover, formal and informal rules which were formulated spontaneously by the market players or by business associations were accepted and increasingly followed by the parties concerned. A spontaneous learning process also ranked among the stabilisers – the market players knew more and more about the behaviour of the others.

One of the indirect statistical indicators of entrepreneurial inclination in society is the number of registered and/or active companies. This indicator shows (of course in an inaccurate way) the prevalence of market entries. The number of registered companies increased very quickly in the first years of the post-socialist transition. The number of registered limited companies was 17,341 in 1989 and about nine times more, that is 162,588 in 1998. The number of sole proprietors doubled in these years: it was 320 thousand in 1989 and grew to 648 thousand by 1998.

The entrepreneurial inclination remained vivid also in the second period. The number of enterprises with legal entity was 324,906 in 2009 which is two times more than it was ten years before. The number of sole proprietors was over one million in this year. The other side of the coin is that there were years when the number of registered business units declined in this period. These were indirect symptoms of the diminished dynamics of the entrepreneurial inclination.

Also, the indicators of business climate changed remarkably in the second decade. The share, more precisely the actual dominance of entrepreneurs with pessimistic self-evaluations and expectations has increased permanently since the turn of the Millennium (Table 3 and Table 4).

Table 3
How do you evaluate the present conditions of your company? (%)¹⁰

	1997	1998	1999	2003	2005	2007	2008	2009
average	66	62	66	64	61	62	64	56
bad	22	25	20	24	26	28	26	35
O/P indicator ¹¹	-11	-13	-6	-11	-13	-18	-17	-26

Source: NFGM (2010)

Table 4
How do you see the future prospects of your company?¹²

	1997	1998	1999	2003	2005	2007	2008	2009
Improving	23	20	19	14	14	12	8	12
no change	55	63	64	65	68	68	55	57
decaying	22	16	17	21	19	20	37	31
O/P indicator	1	4	2	-7	-5	-8	-29	-19

Source: NFGM (2010)

¹⁰ Based on questionnaire-surveys on representative samples of 2000 small- and medium-size companies in the years of the table.

¹¹ Calculation of the O/P (optimism/pessimism) indicator: the percentage of those companies which expect improvement minus the percentage of those which expect the deterioration of the conditions and terms.

¹² Based on questionnaire-surveys on representative samples of 2000 small- and medium-size companies in the years of the table.

Based on these statistical data we may assume that the lost drive and the declining performance of a remarkable part of our interview partners' companies were not extraordinary phenomena.

Studies dealing with the reasons and the impacts of the governmental austerity programme and of other economic policy changes in 2006 documented that the competitiveness of the Hungarian economy started to deteriorate steadily even before the world economic recession of 2008.¹³ Hungary was positioned 28th on the ranking list of 75 countries in the World Competitiveness Report in 2001. Then the country's position was steadily declining: it was ranked in 41st position in 2006 (out of 125 countries) and fell back to 61st in 2008 (out of 133 countries) (Czakó-Chikán 2009, Török 2011).

There are different explanations for this unwanted development. Some see the origin of it in structural factors:

In the second half of the first decade of the new century slowing down of economic growth was not due to cyclical reasons but it originated primarily in long-term structural factors. The relative slowness of growth that proved to be lagging behind the respective rates of other countries of Central Europe also in medium-term comparison can be explained by the concurrent decline of public finances and the deterioration of all the important parameters of long-term economic growth (investment, employment, institutional environment) that turned into a negative direction in the period of defects in fiscal policy between 2001–2006. (Bartha 2008, p. 4)

Other participants in the debate about the causes of the downward turn focus on the social and welfare expenditures by pointing out that these were not realistically planned and adjusted (they were exaggerated) – more exactly, that it was the high taxes and other common charges that preconditioned the high budgetary outputs. Some experts argued that it was these expenses (more precisely, the high rates of these expenses that

¹³ WEF World Competitiveness Report (2001–2002), (2006–2007), (2008–2009).

for decades were significantly above the international averages) that caused the declining competitiveness of the Hungarian companies:

...extensive welfare expenditures in substitution for labour-based incomes (wages), extensive state support in substitution for private savings, and the high tax burdens (progressive income taxes that are adjusted to social security contributions) together undermined the conditions for efficient economic growth. (Csillag 2009, p.648)¹⁴

Yet other participants in the debate – also including the authors of this study – distinguish conventional and exceptional factors in influencing economic growth. Based on the theory of *Ferenc Jánossy* (1971), they hold the view that the recovery which followed the post-socialist transitional recession (Kornai 1993) was a special case of the post-war restoration periods. *András Csanády* argues that after an artificially intensified and transient period of the post-socialist transformation (that was marked by the frequent re-employment of those who had previously lost their jobs at the privatised or collapsed state-owned companies), the state of exhaustion can be described in the following way:

After 2001 the growth of the economy slowed down. This was not considered as a necessary development but the public unanimously attributed it to political negligence, in more concrete terms, to the short-term acts that were motivated by self-interest. It was the actors of such behaviour whom the public held responsible. However, among the factors of the early recession one could have assumed as an important – if not the most important – factor the impact of accelerated growth that by this time had approached the line of a trend which had characterised the Hungarian economy between 1979 and 1990 when the line was deliberately suspended. (Csanády 2010, p.60)

¹⁴ Mihályi (2008) and Murakózy (2008) use similar arguments.

We do not regard it our task to judge any of the above interpretations and argumentations. From the perspective of the discussions that follow it seems enough to underline the common ground of the departing reasonings and this is the unanimously held view that the performance and the competitiveness of the Hungarian economy had definitely deteriorated in the period of reference for our study.

THE TWO GROUPS OF HUNGARIAN GRAND ENTREPRENEURS: THE 'OLD' AND THE 'NEW'

The above overview indicates that it is not only economic and social-psychological factors that are in the background of the slowdown and the erosion that we recorded in the case of our 'old' partners – though the unfavourable economic and social processes of the last two decades have certainly contributed to these developments. At the same time, the experienced *performance differences of the companies* cannot be satisfactorily explained by the macro-level data. The time-series of macro-indicators do not provide the necessary explanation of how and why did it happen that previously successful companies collapsed and how did it come about that the latecomers established fast-growing businesses in the period after 2000?

This methodological weakness of the macro-level analysis reasons the comparison of the 'old' and 'new' generations of grand entrepreneurs. Below we will show that the two groups have a number of *similar characteristics*. This is apparent concerning their socio-demographic backgrounds and career paths. But there are *remarkable differences* between them as well. Among others, it is their socialisation and educational paths and also their modes and ways of professional practice that significantly differ between the two groups.

First we look at the characteristics of the two groups separately.

The 'old' group: turning points of the life- and career paths

In the group we interviewed in the late 1990s (that of our 'old' partners) the proportion of men was about 90 per cent. The share of those with a degree in higher education was about the same. The majority of this group was born in large towns or in Budapest. Most of them also lived in these settlement types at the time of the interviewing. Those of young age made up a minority even ten years ago. The average age of the group was over 50 years and about four-fifths of our partners were above the age of 40 when the first interviews were made.¹⁵

The members of the 'old' group followed different paths and mobilised a range of skills and techniques for entering the social stratum of medium- and grand entrepreneurs.

One of the subgroups embraces those who used preferential loans that they obtained by their own resources; they took part in the process of *buy-out type privatisation* that made them the main owners of the company where they had been employed before.

Another group includes those who mobilised their own accumulated assets or those of other private persons (family members, friends, etc.); they took part in privatisation tenders and sold and bought companies or company shares.

A third subgroup comprises those who *established legal private companies* before or just after the collapse of socialism. The share and amount of their own invested resources was not significant in these cases. This was possible because a limited amount of money and some equipment and buildings were enough to establish a small business at that time.

Finally, there were those who *combined* the above mentioned methods.¹⁶

¹⁵ These proportions are similar in the representative sample of TÁRKI's research on the Hungarian grand entrepreneurs which was conducted in 1997. See details in Laki-Szalai (2004, pp. 248–253).

¹⁶ See a more detailed description of the typical career paths in Laki (2003, pp. 698–700).

The differences of business start-ups and of property acquiring methods follow from the various income-maximising strategies and career paths chosen by the owner-managers at the turning points of their lives before the collapse of socialism. Refusal or a supportive fulfilment of membership in the Communist Party (HWSP), the time and the degree of moving away from the state towards the private sector, and in connection with these characteristics, position in the management of the company or involvement in its cooperation activities deeply influenced the mode and the chances of property acquisition of our interviewees in the post-socialist environment. The former members of the Communist Party became owners mainly in the course of the privatisation process. (Some of these people also founded new companies but mainly in a later phase of privatisation.) The reverse also holds: those who were not members of the Communist Party mostly started new private businesses and did not take part in privatisation projects. The respective career paths – staying in the state-cooperative sector or converting partially or fully to private business – also influenced the mode of property acquisition. Those who were permanently employed in the state-cooperative sector till 1989 acquired property more often in the course of the privatisation process than those who, partly or fully, had left this sector several years before. Then again, members of the latter group established new businesses more often than those who quitted the state-cooperative sector only in or around 1989.

To sum up, as a tendency, the one-time managers or deputy managers of state-owned firms who had been members of the Communist Party prior to the regime change and who had remained in key positions of ‘their’ companies in 1989 or a few years after acquired their property by privatisation. In contrast, those who were not members of the ruling party and who escaped from the state sector before 1989 mainly acquired property by establishing new companies. A part of the latter group successfully increased their property by taking part in privatisation projects as well.

Table 5

Turning points of the career paths and methods of property acquisition

Turning point indicators	Privatisation	Founding of new companies
Former Communist Party membership	typical for former Communist Party members	typical for those never joining the Communist Party
Rank or position	typically top manager	typically staff member
Sector change	typically remained in the socialist sector till 1989	typically moved into the private sector before 1989

In spite of the above mentioned complementary ways of acquiring their properties, the performance of the depicted two groups of the new owner-managers did not differ. 'Privatisers' as much as newcomers, coming from the private-informal sector under socialism worked in equally knowledgeable and profitable ways. Both groups managed their property efficiently: as a result, the majority of their companies produced steady growth in the first decade of the post-socialist transition (Table 1).

The group of the 'new': turning points of the life- and career paths

The well-known characteristics of the Hungarian business community were discernible also in the group of the younger generation of the grand and medium-size entrepreneurs. The share of highly educated men living in urban environments is significantly above the countrywide average in this group.¹⁷ From the 31 members of the group the number of men is 27. Out of the group, 23 hold a degree from higher education and 24 live in Budapest or in one of the larger cities. Also, the headquarters

¹⁷ There were only seven women among the 290 persons on our mailing list. We tried to maximise the number of female entrepreneurs in the sample, therefore, there were cases when we consciously set aside the age limit.

of 23 firms belonging to this group are located in Budapest or in one of the urban centres of the country. If the listed socio-demographic attributes are among the necessary conditions of entering into the stratum of grand entrepreneurs – as seems plausible – then these attributes can hardly explain the performance differences between the ‘old’ and ‘new’ groups.

As we mentioned earlier, social, educational and professional differences influenced the composition of the ‘hard’ indicators of entrepreneurial performance. We will document in the following chapters that the explanatory power of such ‘more subtle’ cultural and professional factors in explaining the differences has increased in the last decades. Due to their power and influence, a generation gap seems to appear that sharply divides the society of Hungarian grand entrepreneurs.

THE GENERATIONAL CHANGE – GLIMPSE FROM A CLOSENESS

The long-term impact of the age differences

The average age of the members of our ‘old’ group was relatively high when they started their private businesses: they were then of an age of 40–45 years.¹⁸ This is why two-thirds of them were well above 50 and 15 of them surpassed the Hungarian retiring age in the days of the follow-up interviews. They remained hard workers – spending daily 10–12 hours at their workplaces – but this duration was shorter than the 12–15 hours long working days as painted 10 years before. These days they take home less work and spend less time with business at weekends than before. A remarkable part of them is less motivated¹⁹ but more worn out and more exhausted than a decade before. A quote from an interview that accurately reflects the general picture puts this into the following words:

I don’t want my business to grow, not at all, I have no inclinations for this. Even what I do today is more than I would like to do. I would like spend more time with the babies– albeit I spend

¹⁸The members of the ‘new’ group were much younger when they launched their businesses: their average age was 44 years in 2009. The possible reason for this difference is that the 40-year-old managers had better chances than the younger ones in the privatisation of ‘their’ companies in the first years of the post-socialist transition.

¹⁹Together with the business organisations and the consulting agencies, the researchers of the family business formation consider the differences between the generations that follow each other an important factor of the business (Carlock–Ward 2006, S. Huszty 2006, Szerb 2008). The good examples and the cases of efficient strategies and techniques of adaptation are often presented along this line of reasoning (Hámor 2007, Pap 2010).

quite some time with them. I don't find it pleasing working all day. I have been doing this for the past twenty years, let me be allowed to be fed up with it. Indeed, it is exhausting some time. It was enough. [31]²⁰

The proportion of those who expect shrinkage or stagnation of their businesses increases by age (Table 6). The share of those who are expecting company growth is much higher in the group of the 'new' entrepreneurs (which includes younger entrepreneurs for the most part) than among the 'old' ones. Another indicator of the declining ambitions and a general tiredness of our 'old' partners is a change in the managerial structure of their companies: by the time of the follow-up interview, in near to one-fourth of the cases the firm's top management or at least some of the leading positions in it were taken over by the children or younger relatives of the original owner.

A telling example of forced generational change is provided by the case of a subcontractor company in the construction industry where the waves of collapsing, restarting and passing leadership to the next generation took place simultaneously:

Unfortunately, we were fooled by the main contractor. It was he who put us on the wrong track. Therefore, we decided to close down the business and restart it, better to say, start it again so that my two sons would launch it. I am walking out from this nasty construction industry. It was decided that, while they can count on my advice and assistance, it was the two young 'tigers' who would start the new business after we fully closed the old one. The profile practically remained the same – this is the area where we are competent. If we were experts of bell-making or confectionery we would be doing that. But we have learnt this profession. I am slowly reaching the retirement age and I decided not to go to the front line of the war, but help my sons in all possible ways.

²⁰ Quotations from the interviews are followed by the interviewee's identification number in brackets. By using the same identification numbers, short characterisations of our interviewees are presented in the Appendix.

I established my own little service company in which it is me and two of my colleagues who are working. Construction is not our profile. I told my sons: you must avoid growing too large. This is like going up the mountain and falling down. The hill is better, the downfall is much less severe. [25]

Table 6
Business plans and business ambitions

Business plan	'Old' entrepreneurs	'New' entrepreneurs
Shrinking or market exit	4	4
Stagnation or subsistence	10	4
Growth or expansion	12	23
Restart after bankruptcy	5	
No business plan is mentioned	2	
Total	33	31

The decline of performance and a growing crisis of the company induced a forced exchange of the generations only in a part of the cases. In other cases, it was the drafting of a new strategy for the company or a deliberately planned HR policy that presented new challenges to the younger generation. In such cases of a planned generational exchange the shifts usually followed the owner-manager's (the parent's) design. A typical story of combining the generational transfer of knowledge, skills and experience with a careful protection of the family's property describes the transition in the following way:

Coming back from abroad, my daughter joined the company. She has been working with us since then. She has been engaged in different tasks. Having a fresh brain, she deals with the unresolved projects of the company. The theme of her thesis at the Corvinus University was the ethical code of our company. After presenting this code she built up our marketing and controlling system. Her current task is to supervise the basic processes of our company. How to improve these

processes? What she is doing is some sort of process management. She does not work alone, of course. This is a matrix-based project with a great number of participants... My elder son has accomplished the first three years at Corvinus University. He is completing his apprenticeship here at the company. He enjoys this environment and our colleagues like him as well. He works in a range of different areas including controlling, so he is also in the financial division. [2]

Growing pessimism in their economic expectations and a decline in ambitions contributed to the decision of several of the members of our 'old' entrepreneurial group to leave business life and to become involved in educational, cultural or charitable activities and institution building. One of our interviewees went as far as reshuffling her company for accommodating her social and re-employment projects:

I settled in Sárospatak in 2003. When I came, my only aim was to close down my company here. But I gradually internalised the claim that one simply cannot leave the employees without their resources. We have to do something. And my personal life completely turned into a cultural or – how to say – into a charity project. [11]

One of the cases getting high media coverage in the past years was the story of a very successful entrepreneur in producing software for constructions who, after selling his company, launched a gigantic educational project:

Gábor Bojár, President of the Board of Directors at Graphisoft Co. has tried to invigorate competition in Hungarian higher education by founding a purely market based new private university of information science in September 2009. Gábor Bojár intends to cover a part of the necessary investments (about 1 billion HUF) from his personal income from selling Graphisoft, but he keeps on finding new investors as well. According to the plans the necessary infrastructure of the university would be covered by a preferential lease ren-

dered by Graphisoft Company. This way the wealth of the new institution would not be inactively sitting in real estates.²¹

The thesis of 'growing age equals decreasing performance' is weakened by cases from the group of the 'new' entrepreneurs: several of them gave accounts of giving up their business or turning to new engagements in culture or sports.²² One of our 'new' interview partners (aged 40) described such a turn in the following way:

You ask how one re-evaluates the priorities of life? I did such an assessment around 2000. I recognised that the work was the number one priority in my life and all the other activities were subordinated to this ranking in the 1990s. And I said in 2000 or a bit later that work was not my top priority any more. It is very important but not the top priority. Where is my place in the universe or in the country? What have I done until now and what will I do? The conclusion of this meditation was that I have got a lot from this country and it is high time to return it. And at the end of the day I have found this field. This is some form of supporting arts. More precisely: it is the popularisation of arts – in particular, support of contemporary fine arts. This is the transparent form of representing what I consider to be my social responsibility these days. I am really pleased when I see that my

²¹ http://itcafe.hu/hir/informatikai_maganegyemetet_grundol_bojar_gabor.html

²² The change is not intended definite views for engaging in charity or in sponsoring cultural events or activities. Sometimes it is not more than some change of the business profile combined with fun: "Robert Láng fell in love with yachting at age of 40. His hobby altered into business within a short time. After selling his car spare-part trade company and becoming one among the 100 richest businessmen in the country, he had enough money to renovate among others 'Nemere 2' the legendary flagship sailing boat of the Balaton Blue-ribbon competition. After that his activity has focused on the sailing boat market on the Adriatic Sea. He established the Adriatic Challenge Company which is outstanding in Europe concerning its size and profile. One of the prominent events of this company is the Championship of the Hungarian Big Sea Sailing Boats. The main profile of the division of company sealing is to manage team building and company events. The charter division deals with renting boats to families and providing grants." (<http://www.elitemagazin.hu/lang-robert>)

foundation gives support to pieces of art carrying the promise of becoming of eternal value. Of course I know that it will become clear only 100 years later whether a given piece of art reaches eternal value. [47]

In addition to the above, the explanatory power of age is decreased by cases of the retired owner-managers or top managers who started successful new businesses or founded small companies based on their accumulated knowledge and network capital. A retired top manager of a large multinational company summed up the story of his innovative resumption:

I departed from the Kékkúti Company by mutual consent. We agreed originally that I would remain. But that is another story. This company where I am working at present is a private one. It was founded by a few Hungarian private persons. We are dealing with a new technology of mineral water production as you may observe here. This is the cooler which heats and cools the water in the large container above it. There are different machine types... This is not only water bottling in a bigger than usual bottle. The company has bought the source and we bottle its water into the containers. We distribute the water and the services. We provide maintenance and servicing of the cooler. You may buy or rent the machine. We entered this industry. This is a brand new offer in Hungary. There are only three companies dealing with this technology.²³

The original owners' withdrawal and the giving up of their leading role in the company seem to take place in a gradual way. Steps into this direction are rather taken with the motives of a career change or of realising new ideas or expressing 'sleeping' ambitions. At the same time, the hope to reduce and restructure the responsibilities and duties of management are also involved in the decisions. The goal of creating more limited and more

²³ Part of an in-depth interview with a retired manager of a mineral water manufacturing company. The interview was made in the framework of our research on market development in 2003. For more about this research see in Laki (2011).

focused managerial positions seems to be a general motive of the life- and company histories of our 'old' interviewees.

The above mentioned cases and the presented associations question and weaken the thesis that there is a strict functional relationship between older age and the decline of one's career. It has to be added that the expected relationship between age and performance does not always function in the opposite direction either. We met several cases when fast growing and promising companies of the young entrepreneurs also went bankrupt or collapsed in the last decade.²⁴

The 'age thesis' is further weakened by considering the fact that a remarkable part of bankruptcies and fiascos – as we will document later – happened in the first years of the new century, i.e. well before the world economic crisis. This means that our 'old' interview partners suffered from such negative occurrences *much before their retirement age*. We may conclude that the age of the entrepreneurs is among the factors which explain the performance differences and the worsening results of the 'old' group but such explanations fit only in a part of the cases and mainly in combination with other factors.

Family backgrounds – a picture painted with broad brushes

Our article of 2006 summarised the main characteristics of our 'old' group in the following way: *“By considering the parents' career, the family's wealth, the interviewee's level of schooling, and the sequence of his/her pre-1990 occupations, it can be established that the overwhelming majority of the respondents came from well established middle class backgrounds.”* (Laki–Szalai 2006) This was a new

²⁴ The young owner-manager in wine-making, *Béla Vincze* from the Eger region became the awarded prime wine producer of the year 2005. But in 2008 the winery's trade was suspended for 30 days because of some wine-doctoring actions. Vincze was prohibited using the brand name of 'Eger' for three years in 2010 because of similar reasons. His company collapsed because of these scandals. Details of the case see in Czauner (2009), (2009a), -hj - (2009), Kelemen (2009), (2009a).

middle class of the socialist system: the majority of parents were hired as middle rank managers or employees by the state-cooperative sector. We found only five cases when the parents or grandparents were private entrepreneurs (small artisans, shopkeepers).

The 'new' entrepreneurs are children of the (new-new) middle class, too. But a remarkable shift appears: in their case one-third of the fathers is (or was) owner-manager of a *private* company. White-collar and middle-rank employees are in a minority among the parents of this latter group. The mothers – like in the case of the 'old' group – are/were middle rank employees working as administrators or perhaps as managers. The expansion of the private economy can be seen in their case as well: most of the mothers of the 'new' entrepreneurs still work as employees but they are employed by the family business.

Table 7
Occupational category of the parents in the group of the 'new' entrepreneurs

Occupational category	Father	Mother
entrepreneur	12	3
worker	9	4
white collar (professional)	5	4
employee (in administration)	4	13
no information	1	7

These shifts in the family background indicate that the modes and locations of acquiring the knowledge and the experience that is needed for becoming successful in business have remarkably changed in the last decade. It was mainly in the course of running their new private business that our 'old' interviewees reorganised the knowledge, the skills and the usable experiences that they once had accumulated in the socialist economy and combined such an asset with purposefully selected human

contacts and an improved network capital. A remarkable part of the group of the 'new' followed a different path. They collected and accumulated entrepreneurial and managerial skills and took over market contacts *within the family businesses* that mostly had been *established by their parents*.

The mode and the location of acquisition did not qualify the usability and the quality of the accumulated knowledge and skills but the probability of success was increased if experiences were collected in the family business. In a part of the cases, the second generation owner-managers took over close to bankrupt businesses or firms that had been struggling with multiple troubles. They had definite advantages in comparison to newcomers: in addition to having deeper local knowledge about certain hidden features of the business, they were in a position to learn from assessing the parents' earlier steps and strategies and prepare their new business plan accordingly. After locating the earlier business failures and the weaknesses of the company they could formulate more feasible market- and investment strategies.

At an earlier slowly growing family company with a broad range of products and services, which turned to grow fast after the generation change, the young owner-manager gave an explanation by pointing out significant changes in the structure and the way of functioning of the firm:

We decided in 2000 – more precisely, I proposed it to my father – to divide the company (the conglomerate of our companies) into two parts. And let's divide the product lines at the same time! Products which are marketable would develop themselves. And we have to give up the production of those that are not marketable. We distributed the property – although the property structure remained the same. I managed the redemption of my share and in 2003 I established my own company and began to build the brand. [34]

The globalised fields of organised education

The parents of our 'old' and 'new' partners followed similar educational strategies. The majority of the two groups attended prestigious secondary schools (gymnasiums). In both groups, those coming from more modest backgrounds or from families where education was not seen as having primary importance finished technical high schools or attended vocational schools. The majority of those in the 'new' group who had acquired a degree in higher education after the systemic change had preferred 'pragmatic' high schools and university faculties. Our interview partners very often criticised the quality of their education. But they admitted that their schools and universities offered knowledge and skills which were adaptable to and usable in the conditions of the market economy. The lack of similar courses and subjects was recognised as a major disadvantage of their educational history by our 'old' partners:

Of course, I could acquire knowledge about the functioning of the market and about the essence of capitalism only towards the end of socialism. If I would have been able to get the basics of such knowledge earlier in my life, perhaps my life would have taken a different course. Let me refer to the case of a 70-year-old chartered accountant at our firm. His path was more than interesting because he had been familiar with capitalism prior to the Second World War – he had lived a little in that system –, therefore he could take steps forward easily even after forty years of socialism. [13]

'Really existing socialism' was a closed system with extremely few opportunities to travel or to stay permanently abroad. Similar to the vast majority of society, members of the 'old' group (with two incidental exceptions²⁵) did not attend secondary

²⁵ These two entrepreneurs attended local schools or universities during their parents' long-term employment abroad. Apart from such familial cases, 'studying abroad' meant to learn in another socialist country. There were

schools or universities abroad. More than one quarter of our 'old' partners did not speak foreign languages ten years ago.²⁶ The transition of the social-economic system did not change the performance of this group in this respect. They postponed or gave up their language learning ambitions and ran business negotiations with foreign partners typically either by contracting professional interpreters or by involving one of their language-speaking associates.

Although they did not manage to learn a foreign language, they were aware of the importance of the matter. Their disposition is signalled by the fact that their children – without exception, and regardless whether they took over the company or not – acquired foreign languages at special language schools, universities or by working abroad. One of our 'old' partners describes the generational difference with mixed words of regret and pride:

To learn languages? I did not take part in it. I usually mention the lack of time – but I am not sure this was the genuine reason. Over a certain age it takes an extremely long time to learn a language. Young people are more efficient in this respect. Both of my children speak English and French. My son is using English no less than two to three hours a day. He has everyday practice because a large part of our business partners are foreign. He is their meeting partner on our side. He is responsible for sales. [15]

Not only the children of well-off entrepreneurs but also the new generation of businessmen have much greater language skills and much better knowledge than our 'old' partners or than the Hungarian average (Medián 2004, Laki 2006). Eight of the 31 members of the 'new' group attended high schools or universities abroad. Close to one-third of the group (10 out of 31) speak

state financed scholarships based on bilateral governmental agreements with socialist countries that financed such programmes.

²⁶ Learning Russian was mandatory in the primary and secondary schools. However, due to the low efficiency of language teaching (and also out of silent opposition) only very few acquired the skills of speaking or reading in Russian. For a detailed discussion see Laki (2006), Medián (2004).

(use) two or more foreign languages. 16 of our 'new' partners speak one language though it has to be noted that eight of them are only at the beginner's level.

Looking back at the years after the Millennium, apart from languages, members of the 'old' group were not particularly interested in any other forms of retraining either. Occasional programmes of business or professional organisations, study visits combined with family holiday tours were mentioned most commonly. These training forms did not compensate for a regular organised retraining course. By contrast, in the course of their long out-of-school experiences abroad, our 'new' partners not only accumulated knowledge and skills but they also collected a substantial network capital that they then used in their own businesses later. (We will return to this issue soon.)

Out-of-school learning – how to be a modern journeyman?

In our earlier book we documented in detail that a remarkable part of the 'old' group was 'not in a hurry' to conclude their university studies. They often interrupted studying or worked and learned simultaneously in a given period:

It is an important characteristic of the group that concurrent working and learning was a pattern of their life from the end of their secondary schools, at best from the first years of their university studies onwards. After finishing the secondary school or completing their military service our interview partners (without exception) began to work at the lower levels of business organisations at state-owned companies or cooperatives. A part of them was employed by Hungarian companies or worked for 'practical' university departments as a regular university student or graduated (often having taken years out) on evening or correspondence courses. By being employed and working at companies they attended retraining courses run by the firm, learned new professions or developed skills which were of use for being efficient in their jobs. (Laki-Szalai 2004, p. 225)

The corresponding part of the careers of our 'new' partners usually followed similar patterns. Like the members of the 'old' group, they also entered employment at companies as university students, worked and learned simultaneously for a while, suspended and then later restarted their studies. Let us recall here a typical example:

I was first on student work at a company engaged in media monitoring and translating. My English was relatively good and I tried to put it to use. After stepping out of the student work I changed my status on the labour market and I started to engage in accountancy. I had a part-time job besides being a university student. In that period, I basically translated from English to Hungarian. My boss was an English guy. We had a friendly relationship. He helped me to learn English to a high standard indeed. This job was very useful. By the way, I was able to finance myself. [39]

We also met some who returned to the labour market either after graduating or after failing in their first businesses; then they engaged again in further study until acquiring a degree; and this zigzag course ended by founding their current business.

The time difference in the phases of life between the members of our 'old' and 'new' groups manifested itself in the differing occurrences of participating in a peculiar form of schooling as offered by *self-instructive workplace training*.

Only a few among the 'old' entrepreneurs were employed in spheres outside the economic domain (including the state administration and the Communist Party apparatus). During the period of socialism, the vast majority of them were in employment at large and medium-size state-owned companies. They belonged to the category of those who changed companies two or three times, and worked in each of these for quite some time; we can say that they "*were parts of the group of upwardly mobile company changers*" (Laki 2003, p.699). These people typically started their careers as lower-rank managers of units, departments or

shops of a company or a cooperative. At a later stage they became the bosses of larger units (plants, shops networks, divisions) and thereafter a part of them stepped up to the network of chief managers and subsequently several of them became the number one manager of their firm. It is worth noting that very few among them climbed as high as fulfilling key positions in the top management of a socialist firm and none of them worked in divisions of employment or human resources, or in legal departments, or in units drafting investment plans. In sum, we can just reiterate how we saw the build-up of successful entrepreneurial careers at the time of writing our earlier book:

The knowledge and experience that had been accumulated when working as managers of lower units or, later, of their companies increased the capabilities to attain successful company development and to become entrepreneurs in thriving large businesses. Looking back from the later stage of their career, the everyday practice of cost-benefit analysis, the experiences of how to supervise and motivate several hundred blue- and white collar workers, the local knowledge, the personal contacts with buyers, suppliers, bankers and with officials of the state administration in charge of their companies' affairs were all very important constituents of our interviewees' achievements. (Laki-Szalai 2004, p. 225)

As already mentioned, our little sample shows that the vast majority of the 'old' group was engaged in the sphere of state-owned companies (Table 7). Again, members of the 'new' group followed different career paths. Before or besides starting their own businesses they acquired the necessary knowledge and experience by being employed in companies which were owned by their parents or other private owners:

I thought that I have my own company for 2–3 years but it would have been profitable to look around at another office to ascertain the up-to-date knowledge. I had a job at a company and managed

my own at the same time. I thought it was truly romantic. Like in the past when wandering journeymen used to work abroad. I applied for a job at the coolest company and they employed me immediately. They did not know that I came from a competitor company. I was able to erase my name on the internet. Today I would not be able to do the same. [51]

Working abroad is a very important part of the acquisition of out-of-school learning that was only exceptionally accessible under socialism. In contrast to the experiences of the 'old' entrepreneurs, every second member of the group of the 'new' already worked abroad. Others had the opportunity to collect similar knowledge and experience in Hungary as employees of foreign-owned companies. In particular, the managerial skills accumulated this way proved to be precious for later entrepreneurship:

I was employed by the X Brewery as a junior clerk in the marketing division. A trade marketing subdivision was organised there as a brand new activity at that time. They were satisfied with my performance but I went back to finish the fourth year of my studies at the university. After performing successfully and getting my degree I went back to this company X and told them that I graduated and I would like to work with them if it was possible. I was convinced that it was not enough to have a degree and I wanted to know more about the practical side of the business. How is a brewery run? How are the decisions made concerning marketing and trading? My ambition was to gain a general overview about the entire operation of the firm. All in all, I remained there for six years. [52]

We recognised not only differences but also similarities between the two groups. A part of the 'new' group also collected experiences and knowledge and learned by doing amidst the conditions of the socialist economy. As their stories reveal, managerial skills, accounting experience and organisational knowledge of our interview partners were often accumulated in the informal

economy or on the black or shadow markets of the socialist and post-socialist economies. Illegal trade of imported or exported goods was among the very profitable business activities. Here is an example:

What was the first action? It was very trendy to travel to Poland and bring silver and the fur of fox or things like that into Hungary. These were my first smugglings. An established market of these goods existed. I joined in with somebody who had practice in this business. We took a train to Poland and back. We wore the coats and round these things under our overcoats in a very risky manner. We were gambling all the time without calculating the consequences. [53]

Table 8
Typical fields of learning by doing

Field of learning	Members of the 'old' group	Members of the 'new' group
Company owned by parents	6	17
Hungarian (state-owned or private) company or institution	28	21
working abroad	6	15

The older members of the group of the 'new' started their private businesses in the last years of the 20th century or later. Similar to the majority of the 'old' entrepreneurs, they launched their new businesses on the bases of the network capital and the managerial skills that they had accumulated in the last decades of socialism as top managers of large state-owned companies or cooperatives. These latecomer members of the 'new' group usually participated in the privatisation and thereafter in the management of the newly privatised companies and cooperatives:

I became the secretary of the board of directors. Six companies belonged to the trust. The market was divided on a regional basis, therefore the companies did not compete in that time. In spite of my two university diplomas I was not bothered that I became a secretary and I was responsible for the protocols. A friend and colleague of mine told me: 'The person who controls the information is the cleverest one. So be happy to write the minutes of the meetings'. By sitting regularly in the company of the top managers of the trust I got access to an all-encompassing overview and broad knowledge about all the technical, human, economic and organisational problems that arise in the life of a firm. 'Put together the minutes, but never do it simply out of routine' – my friend said. [61]

DEPARTING PERFORMANCES OF THE COMPANIES OF THE 'OLD' AND THE 'NEW' ENTREPRENEURS: ECONOMIC EXPLANATIONS

Without exception, entrepreneurs of the 'old' group set up or reorganised their businesses in the 1990s. They performed excellently in this first phase of the post-socialist development when – as we documented earlier – not the usual but the *exceptional incentives* favoured the market entrants. However, a remarkable part of the companies of the 'old' group went bankrupt or slowed down or even stopped in development in the second phase when the impacts of the exceptional incentives of assisting marketisation through specific regulation or by inspiring deregulation and privatisation diminished or ceased while *conventional incentives* have taken over the lead (Table 1, Table 2). At the same time, the vast majority of the companies that belonged to the 'new' group grew very fast in this period. Why did the companies of those in the 'old' group perform better in the first than in the second period? And why did the companies of the members of the 'new' group outperform them in the second period?

Thinking in a speculative manner we may suppose that the reasons for the performance differences could be:

- that a high proportion of the companies owned by the members of the 'old' group operate in the traditional branches of the economy while those in the hands of the members of the 'new' group are represented with high frequency in the progressive branches (*branch hypothesis*);

- that the 'old' entrepreneurs offer fewer new products or services on the market than their 'new' peers (*innovation hypothesis*);

– that members of the ‘old’ group have got less public orders and less money from state subsidies than those in the ‘new’ group (*state dependence hypothesis*).

Based on our in-depth interviews and a range of documents, we test these hypotheses in the sub-chapters that follow.

The branch/industry hypothesis

There were companies owned and operated by the ‘old’ entrepreneurs in the traditional branches of the economy that were incapable of increasing the yearly turnover and/or production in the second decade of the post-socialist period. An example is given by a company in the garment industry that earlier delivered the decisive part of its products on the West European market: *“We were at the top in 1998–2000. We have declined since then – I think. There were about 1100 employed at this network of clothing manufactures at that time. And we are about 100 these days. Such a drop is a correct indicator of the situation.”*[30]

In a later part of the interview, this same interview partner (a member of the ‘old’ group) went on to explain the tendency of decline by the permanent over-valuation of the exchange rate of the Hungarian forint: *“We were export producers primarily, that’s why the changes in the exchange rate contributed significantly to the crisis of the company.”*[30] No doubt such an unfavourable condition contributed to the shrinkage of the market share of this firm. However, we recognised in the course of the interview that the prime factor was different: due to the competition of the extremely low prices of the flow of imported products from Asia the company lost its market positions first in Western Europe and then also in Hungary.

We met with cases when the owner-managers changed the industry or the field of the company’s activity in the hope of faster growth. Such decisions indicate in an indirect way how the decline or the stagnation of certain industries put limits to the performance of the involved firms. A manufacturer of sweets

and candies left this traditional market and entered a new one because of the permanent increase in the market share of multinational companies and also due to the experienced slow growth of the yearly turnover:

The decisive element of the story was that I reached only the break-even point of the previously loss-making company. After that I sold it in three steps in 2005, 2006 and 2007. The price was practically the same as the earlier purchase price. It was a waste of time. However, with this slowness I gave some hope to the poor guys who worked there. I believed for some time that I would revitalise the company. It was a miscalculation. The company has been eroding in an unstoppable way. A part of its capital is somewhere in the Czech Republic, other parts are in a mess. The positive side of the story was that together with my son we began to deal with venture capital meanwhile. We performed remarkable transactions and since 2003 we have focused all our energies on the real estate business. [9]

Another earlier successful company went bankrupt in the slowly growing bakery industry:

We managed a massive company development that embraced certain technological aspects, the modernising of equipments, the improvement of hygiene in the production process, the upgrading of products and the advancing of the production and transportation culture. But the market did not confirm our decision, so to say. It had been obvious already in 2005 that the return on our investments is insufficient. One year was enough to recognise this fact. Three multinational companies came to the region within two years and the Plus Company declared that it did not matter who delivered and what the baked goods looked like. This company announced a lowering of the price paid to the earlier distributors by 18 percent. Such a drop in price could be accepted only by those who did not pay VAT and did not pay social insurance and other contributions either. We were forced to participate in this competition. We had enough capacities but with extremely high costs. We produced sufficiently

but our revenue became less than enough. This construction somehow operated in 2006 but we were forced to borrow bridging loans. And there was a point when simply thinking about the possible future made it useless to take counsel on company development. I concluded that it seemed lucrative to sell the company with its well-equipped production capacities to an investor who knew what he was buying and what he wanted to do. And I sold the whole capacity of the company – our biggest factory – to an investor in 2007. [7]

At the same time, a company operating in the *same industry* that was owned by a businessman from the group of the ‘new’ grew extremely fast in the *same* period:

We delivered to 150 small shops in 2006. We opened 2–3 new shops in Győr in January. Within a year, we set up further 3–4 shops there which were our properties as well. Alert businessmen discovered that our shops were doing well, moreover that they could be involved as subcontractors. And at a stage of our development we subcontracted with the transporting companies too. And the new partners worked in a franchise-like contracting system. The next turning point in our history was in the summer of 2007. We were already the owner or the contractor of some 20 shops in the town when a bread-making factory was put up for sale in Tatabánya. We bought this typical factory of socialism. We reinvested all the profit into the company’s production. The only aim of our investment was to develop an efficient factory. First we cleaned the profile. Half of its capacities that were based on the traditional mass production technologies work now for the conventional market of small shops and of hypermarkets. Concerning the other half, we apply traditional handmade-type technologies there. We distribute this part of the output through the network of our franchised shops... We concentrated on the Budapest–Érd region that demonstrated a fast growth potential, moreover it fulfilled the requirement of the distribution radius for a bakery factory which is maximum 60–80 kilometres. And in two-three years we opened about 60 new shops. At the moment, the network consists of

83 shops and 32 of them are located in Budapest. I have to add that we entered the Slovakian market one year ago. We have four to five shops there and we are members of a chain in Bratislava. We plan to broaden our capacities there by a bakery on 600–700 square metres. All in all I would like to extend our market share in Western Slovakia and, in addition, we will open further 20–25 shops in Budapest within half a year. [60]

We know from other studies that there are a great number of fast-growing companies in declining or slowly growing industries (Békés-Muraközy 2012). The above documented story of the Lipóti bakery is not an exception: we have found similar stories across the group of our ‘new’ entrepreneurs. The interviews revealed fast-growing companies as well in the Hungarian construction industry that was stagnating for many years as in the slowly growing stationery trade or in the brandy production. In other words: we found evidence showing that the conditions of fast company growth were not more favourable in the fast-growing than in the declining industries. The performances of the companies that are operating in declining industries also demonstrate significant differences. The growth or the potential of growth of an industry influences the performance of a company belonging to this industry but these certainly do not determine it. A clear conclusion follows: we have to look for other explanatory factors.

The innovation hypothesis

Ten years ago (at the time of publishing our first book about the Hungarian grand entrepreneurs) innovation was rather modest in the Hungarian economy:

...some sort of innovation was adapted by 52 percent of the companies. The majority of these companies introduced goods that earlier had been produced and distributed by other Hungarian companies. On a global scale, only 8.5 percent of these products

were appraisable as innovations. Even fewer companies established formerly not applied world class production lines or technologies. Most of them only upgraded technologies that more or less had been known before. (Kiss 2005, p.5)

These tendencies of the 1990s did not change after the Millennium. *“Based on the comparison with two previous surveys we may say that, concerning the innovation performances and the conditions and characteristics of innovation, the results are very similar to the preceding ones.”* (Kiss 2005, p.21)

Turning now to our interviews, these reveal that in the 1990s, the innovative performance of the companies of the ‘old’ group did not differ significantly from the Hungarian standards:

...we did not find cases where R+D activities decisively influenced the growth potential or the general condition of the companies owned by our interviewees. It was mainly among our partners at industrial and service companies that the interviews made mentioning of new products or services but these were usually smaller modifications and skilful realisations of ideas and improvisations that served to support the broadening of the company’s assortment. (Laki-Szalai 2004, p.149)

There were only a few exceptions at that time:

Exceptionally, we found companies that were established in the 1980s to manufacture new products or to offer new services. In these cases, the decisive sources of fast development were the rapid growth of the turnover and/or of their market share. These companies expected a further increase in turnover from innovation in the second stabilisation stage of their development. (Laki-Szalai 2004, pp.150–151)

The typical areas of genuine innovations that kept feeding further development were data recovery, software production for building design, housing construction and products for natural healing. At the end of the first decade of the new century:

“...the situation worsened in the field of innovation. The proportion of companies that introduced new products and technologies and registered patents abroad was in decline.” Moreover, “concerning the perspectives, it does not seem promising that the managers ranked R+D activities among the less important functions out of the 18 that were listed in an inquiry about their companies.” (Chikán-Czakó-Z. Paprika 2010)

Our follow-up interviews do not undermine but rather strengthen this statement. Our partners from the group of the ‘old’ could not report on new innovations. They told us interesting stories only on the enhancement of their previously successful innovations. For example:

Following the tradition of the Béres drops project we primarily develop health supportive and disease preventive products that still rely on the philosophy that already characterised the original project of the Béres drops in an early form. As a first step we concentrated on the so-called general-acting preparations – I am thinking here of various vitamin pills. Later we began to deal with the indications of deteriorating health. By now, beyond our general corroborative vitamins, trace element or mineral preparations we also deliver bone-forming pills and cartilage amplifiers. We have weather front or prostatic hyperplasia reagents as well. And in the last years since 2007, we have developed our synthetic agents like painkillers and antipyretics, together with our preparations for stomach and intestinal complaints. The existence of the company depends on our innovative marketable products. We have to deal with this part of our production permanently. Dozens of our new products are in different stages of development that range from thought experiments to actual implementation. [2]

The innovation-based companies owned by our ‘old’ partners have demonstrated mixed performance in the past decade. One finds not only growing but also shrinking and collapsing firms among them. Moreover, successful innovations did not guarantee success even in those cases in which the new products or

services with high market demand played decisive role in the output of the company:

The exceptional fortune in our history was to discover the market where this RWW test worked without even knowing it by its name. We were professional at something which was important for the architects. It was a real market. The architects really need design technology in three dimensions because buildings are three dimensional... In this product, we are certainly better than others. It was our luck that we started to deal with this technology earlier than others. It is worth for 5000 USD for the buyers. We can offer them this package for 5000 USD and this brings us a nice profit. It is a very rare constellation of the stars that we enjoy such luck. Such stories rarely happen. No doubt this product was consciously planned but it would be hard to organise such a project again. It would be difficult to manage it once more. Let the shoemaker stick to making shoes. A key decision was made in 2006: we have no other alternative than to remain on the market of architects. [3]

Perhaps it might come as a surprise that the innovative performance of the 'new' group was not any better than the Hungarian average. In two-thirds of the cases we found that innovative products or services neither accompanied nor generated the fast growth of their companies. The innovations that our interview partners mentioned were ideas that they hoped at best to influence the performance – the turnover or the profit – of their companies in the future. There were no signs of any established research and development strategies in the majority of cases. Turning to them was quite new: *"These days we are dealing quite intensively with investments into renewable energy. We will see what will happen in this field."* [54]

The majority of the accomplished innovations were not more than ideas with marginal effects that had only limited impact on the performance of the given company. Moreover, the concept of innovation seemed to be rather opaque in these conversations. Introduction of methods or technologies

that were previously applied in developed countries (such as electronic brokering or unusually intensive and timed brand building methods) were considered as innovations. One of our interview partners narrated proudly:

I could make breakthrough that counted innovative not only in Hungary but also on an international scale by leaving aside the development of the production (i.e. that of the technology) but put into the focus brand building in the first phase of the project. I invested all my resources into making the brand and advertising. I did not change the plant in the first two-three years but invested every penny into marketing. [34]

Of course there were a few companies in this group where innovation was among the important sources of their dynamic development. For example at a fast-growing medium-size company we learned: *"The core of the concept was that we have to differ from the others in all respects. And it is only me and nobody else in Hungary who is able to produce filled chocolate combined with freeze-dried (lyophilised) fruit."*[52]

A product innovation is considered to provide the basis of the growth at another rapidly developing large company in the coming years:

We are dealing with the development of solar cells. More precisely we are dealing with the adaptation of solar panels in the structure of our buildings. Our basic idea is that the whole building would be wrapped by this material in the form of glass panels which are heat producing solar cells at the same time. Others are unable to manage this product at this level for the time being. Our aim is to put on the market a glass which is multifunctional. It has to have a high degree of thermal insulation in the first place. But it also has to protect against strong sunshine ... at the same time it has to be translucent, but it cannot be too dark ... all in all, one has to keep in mind a thousand different aspects. [43]

Given the relatively limited scale of the Hungarian market, our inventors tried to introduce their new products, new technologies or services straight on the international market. A member of the group of the 'new' whose business is active in the metallurgical area argued with the following words:

Hungary never has been a world power in metallurgy, therefore there are limited opportunities concerning the sort of products that are manufactured in the country. This was the reason why we visited other steelworks that were capable of producing the entire assortment including those constituents and goods that we were unable to manufacture in Hungary. [41]

Cases like this are the exceptions. The group of the 'new' is no more and no less innovative than the group of their 'old' peers. This means that innovativeness contributes to the fast growth of some businesses but it cannot explain the difference in the growth-rates of the companies that belong to the respective groups. We have to find some further explanatory factors.

The hypothesis of state dependence

The companies of some half of both of the groups of the 'old' and the 'new' entrepreneurs *never had any meaningful economic contacts with the state*. Since their start, these companies have not enjoyed any state support or EU subsidies and neither did they deliver products or services to the state or the municipal governments. These facts can be considered as indirect indicators of the limits of the capabilities of the state (and the European Union) to influence in any direct ways the companies' performance.

As to the rest of the companies, the state (or EU) *subsidies* that they enjoy can be provided occasionally or on a continuous basis. Concerning the impact of such subsidies on the performance of the firm, these can be of decisive importance or only of a marginal role. They may be of assistance at the start-up or may influence the ongoing operation of a company.

The purchases of the state may also contribute to the long-term growth or to the mere survival of a business. In other cases its presence and impact are occasional and haphazard.

Focusing on those who are somehow involved in economic relations with the state or who are parts of state subsidy projects we have to recognise that in these cases the government or the European Union are more often occasional rather than permanent partners and their contribution is more often complementary than decisive in the financing of the operation of the given firms. The state and municipal procurements usually fit into a multi-pillar company scheme: there are occasions when such transactions turn out to be very profitable but the entrepreneurs do not consider these as permanent elements of the corporate strategy. A typical case of the multi-pillar strategy was observable at a large construction company where:

...the inauguration of a 1000-seat Congress Centre at Pécs took place now. A little over a year has passed since we put down the foundation stone. We are involved in the reconstruction of the Zsolnay-quarter as well. But simultaneously we have built remarkable commercial facilities as well like the Polus Shopping Centre, the Csepel Plaza and the Fehérvár Plaza. [29]

In addition to the similarities, we recognised important differences in those attitudes of the two generations of entrepreneurs that directly influence the performance of their companies. Nearly half of the companies – owned and managed by members of the ‘old’ group – made use of state-supported preferential loans (named E-loans or Reorg-loans) in the first decade of the post-socialist transition. According to our first round of interviews, it was mainly the ‘privatisers’ (the owner-managers of privatised companies) who were taking out such loans. At the same time, preferential loans are practically missing from the financial portfolio of the ‘new’ entrepreneurs. Their lenders are mostly the commercial banks that provide loans according to conventional measures. An important sign of the gradual re-arrangement of

the financial links and relations of their companies is the fact that our 'new' partners very rarely mention politicians and local or central government officials among their contacts while goodwill and friendly relations with the banks or with the local branches of banks remains a recurrent topic of the interviews with them.

Market conditions

Growing share of the 'old' entrepreneurs on the shrinking markets in the 1990s

Continuous shrinking of the share of the state sector throughout the 1990s (Table 9) – an immediate consequence of mass privatisation – generated unusual conditions on the markets of a great number of products and services. The old balance was not in place any more and the new one was just in the making:

In comparison to the general trend, the number of entries increased faster in shrinking markets where – due to the bankruptcy or the collapse of the large producers or the most important suppliers – the supply decreased faster than the demand. This development gave opportunities to the new businesses and meanwhile privatised former players of the market to increase their market share and yearly turnover. (Laki 2011, p.64)

The first decade of post-socialism differed from the second one in this respect:

Occupation of the market niches that had been generated by the collapse of state-owned companies took place almost exclusively in the first stage of post-socialist market development. The prospect of obtaining or redistributing markets that earlier had been controlled, distributed or dominated by state-owned companies or large cooperatives radically decreased after the completion of the privatisation process. (Laki 2011, p.64)

Entering the monopolistic markets involved exceptional promises:

Following the systemic change, the one-time party-state was forced to give up several monopolistic positions and a great number of those who were able to obtain these positions grew rich very quickly. It is worth recalling that, mainly due to serious restrictions on the imports from the West, chronic shortage was observable in nearly all of the former socialist countries. As soon as this barrier disappeared or it became possible to circumvent it, thousands of enterprises moved into these preferred businesses and were able to make remarkable profits. (Mihályi 2010, Vol. 1, p.20)

These general tendencies also greatly influenced the strategies of the members of the 'old' group for obtaining their market shares. The prompt reactions of the majority of them show how fast they were in recognising the changes and how quickly they were able to grasp the opportunities to obtain the redistributed or abandoned market niches or to use the above mentioned methods of restructuring. Some of them used such methods already in the 1980s, in the years before the collapse of socialism:

State-construction in housing was already sharply declining in the 1980s. In Veszprém, the local authority was unable to finance the public construction projects, hence the companies using the so-called large-scale system building technology went bankrupt. In this situation we smoothly won the tenders by offering 60 percent of the unit-price calculated by applying the system building technology. We made high profits in those years. [23]

Business connections, acquaintances, relationships with cooperatives that had been accumulated in the 1980s also contributed to the successful market entries and the market development of the 'old' entrepreneurs:

The most important source of success is the capital of trust that I transferred to my business from my preceding workplace, the Skála Company. I knew practically the entire branch including

wholesalers, several decisive figures in sales and purchase. They accepted me without any problem. This was evidenced by the safe relational backing of my firm that I was then able to put together. [26]

The successfully privatised companies of our sample not only kept their market shares but increased the turnover on the stagnant or shrinking markets in the years of transitional recession. They also obtained the market shares of those formerly state-owned and newly privatised companies that the new owners did not want or could not keep either due to the involved financial or distributional difficulties or because of opting for some different plans of investment and purchase: *"I keep saying that we just keep slicing the cake while the cake has somewhat shrunk in the fridge. In other words, the market has narrowed. We were lucky: we were able to cut a relatively large slice. However, this happened, of course, at the expense of others."* [5]

In this situation, a part of the 'old' group followed the rationale of the moment: if the share of those who left the market is given then there is no need to put efforts into expansion, it is enough to be present at these segments of the market and keep one's market share. One of our partners outlined the following strategy: *"It is unnecessary to find new markets in Hungary. This is the Hungarian market and we have to serve it perfectly. We have to cover this market in full and always in a timely manner. This way one's market and market share will automatically develop."*[5]

But the situation profoundly changed soon: one of the important developments of the second decade of the post-socialist period is *increasing competition*. Mass privatisation concluded in 1997–1998 when the public sector reached its current size and share. This means that the opportunities for the accumulation of wealth or the possibilities to increase one's market share by means of privatisation henceforth have diminished (Table 9).

Table 9

The distribution of the subscribed capital of enterprises with single and double entry in 1992–2008

Year	The dominant owner is					Total
	State	Hungarian private person(s)	Hungarian company	Foreign	Other	
1992	52.1	10.2	0.0	11.4	26.2	100.0
1994	44.5	10.7	17.6	17.8	9.5	100.0
1995	25.7	11.5	19.1	26.8	17.0	100.0
1997	13.5	10.5	22.6	35.0	18.4	100.0
1998	12.0	10.7	25.6	40.3	11.3	100.0
1999	9.2	9.1	20.6	51.6	9.5	100.0
2000	7.9	9.2	18.0	58.5	6.4	100.0
2001	7.7	8.8	17.0	60.1	6.4	100.0
2002	12.3	13.2	24.5	40.2	9.9	100.0
2003	13.3	12.9	22.0	44.2	7.7	100.0
2004	13.3	14.0	24.0	40.7	8.1	100.0
2005	8.9	15.1	24.0	40.9	11.1	100.0
2006	8.1	14.0	25.0	44.2	8.7	100.0
2007	6.6	13.1	30.9	40.6	8.4	100.0
2008	6.5	10.4	25.7	50.0	7.2	100.0

Source: Calculated by *Kállay and his co-authors* (2009) based on data of the Hungarian Tax Office and cited by *Laki* (2011)

This was an important change that evidently brought about sharpening competition among the actors of the market. However, the change was gradual and it took place in subsequent periods of the second decade of the post-socialist transition. This was reflected in slowly modified strategies. For example, in the first years of the second decade several companies with majority foreign ownership invariably adhered to their earlier adapted strategy that was based on quickly seizing the acces-

sible market and the capital at the expense of the firms of the collapsed public sector. *At that time*, this mode of manoeuvring did not generate tensions between the enterprises in domestic hands and the foreign-owned companies. Just to the contrary: companies in the latter group that increased their turnover on the Hungarian market very often became the sources of growth and stability for their Hungarian partners:

The Western capital is the main source of our company's development. The decisive part of our output is construction combined with building design. And about 70 percent of our installation work relates to those Western companies which in some way settled and developed in Hungary. We are working for a number of large motor car companies like Suzuki, Opel, and Audi. [5]

The growing presence of multinational companies also involved some disadvantages and certain risks. The majority of our 'old' entrepreneurs experienced many signs of attempts at domination on the part of their foreign business partners already a decade before. The domestic companies (including the companies owned by our 'old' interview partners) recurrently lost the race against the foreign owned ones in all aspects of competition. It was the foreign owned companies that set the conditions and terms of business connections and transactions. They controlled and defined the prices of the products of their Hungarian partners and also supervised their quality control systems:

Another peculiar symptom of predominance was the unbalanced market sharing between the Hungarian and foreign competitors. There were several cases when powerful foreign owned companies controlled the more profitable and/or faster growing niches of the market of a product or service and the Hungarians were forced to remain or to move into the less profitable and stagnating or slowly growing segments of these markets. (Laki 2007, p.204)

Here is a typical story of a Hungarian company on the losing side of the competition:

Together Transelektro and my company would have been able to deliver the entire product-line. But, according to the regulations, if we had participated together that would have meant that we did not comply with the tender conditions concerning the volume of capital, the yearly turnover, the references, and some other requirements. Therefore, Transelektro was forced to cooperate with another company. They would deliver the electronic parts and buy the vehicles from a subcontractor. And we were forced to cooperate with yet another subcontractor separately. We would have produced the vehicles and they would have delivered the electric components. We failed in this competition, while Transelektro became the winner of the tender. But unfortunately shortly after they won they went bankrupt. At the end of the day the whole project was delivered by their Swiss subcontractor. And here is another story about the tram line reconstruction on the Grand Boulevard in Budapest. Our tandem with Transelektro would have been able to offer the work for two-thirds of the final transaction price that the local government paid to Siemens as winner of the tender. There was a pre-qualification of the offers and it became clear how cheap we were. It followed that the conditions were modified so that we would not be able to win. And Siemens was paid 1.5 billion HUF instead of us receiving 650 million. Moreover, the tram stops on the Grand Boulevard had to be rebuilt. This additional investment could have been saved if our offer would have been accepted. [8]

Several of the earlier successful entrepreneurs in our 'old' group could not avoid bankruptcy. The feature story of the Telecommunications Products Trading Company HERTA demonstrates this in a telling way.²⁷ New and powerful competitors entered the market where HERTA had earlier enjoyed a leading position:

Media Markt entered the Hungarian market in 1997 in Europark Budapest. Electro World entered this same market in 2002 in the Budaörs shopping mall and other hypermarket chains all

²⁷ We had an interesting in-depth interview with the owner-manager of HERTA in 2000. Unfortunately we were unable to contact him in the second round of the interviews.

distributing technical articles competed on the Hungarian market. Their main instrument of competing for the price-sensitive Hungarian consumer was to offer decreasing and low prices. HERTA with its much weaker financial background lost this price competition and therefore gave up its retail activities. The management of the company was still optimistic at that time. They supposed that a successful return to the company's earlier profile of delivering wholesale communication products would create a profit that would be sufficient for the further operation of the firm. HERTA closed its last operating shop which was located in the Eurocenter mall in the spring of this year. At the same time, the yearly turnover of the company dropped to 7 billion HUF and the number of employees fell to 70. In spite of these developments they declared that after normalising the market position of the company they would again try to engage in retail trade. However, a few months were enough to see that there was no chance of the survival of the company. (Mihálovits 2005)

The above documented story is not an exception. About four-fifth of the companies owned by the 'old' entrepreneurs competed with foreign-owned companies on the Hungarian market or was a subcontractor to foreign-owned companies with Hungarian subsidiaries.

Some of our 'new' partners – especially those who established their businesses in the second half of the 1990s – also followed the strategy of fast growth that was based on the redistribution or procurement of markets which earlier had been controlled or dominated by state-owned large companies. An entrepreneur dealing with trading in stationery described the prevailing conditions in 1992 in the following way:

The biggest stationery shop of the town was closed on 1st of March. We carefully followed its decline therefore we were well informed about the lock-up. And we moved from our 40 square metre store into this 300 square metre down-town store. It has been ours since then. It became the no.1 stationery store of the town and our turnover has tripled. [53]

And here is another case: *“There were two big trading companies, Omker and Metrimpex, and the cake was distributed. We also ate little pieces of this pie. And these companies have disappeared from the stage and the bigger part of the cake is now ours.”*[37]

The successes of the ‘new’ group: specialisation and careful selection of markets

It can be assumed that the success that both our ‘old’ and ‘new’ entrepreneurs demonstrated in the early period originated in their qualities of being open-eyed, flexible and creative. Such an aptitude, together with their local knowledge and network capital, was enough to enjoy certain advantages in comparison to their (foreign) competitors. In the following we will show that these advantages gradually disappeared and the relative shortage of capital, the blind spots in skills, and the weaknesses of goal-oriented management turned the position of the companies of many of the Hungarian entrepreneurs into definite disadvantages on the market.

When members of the ‘new’ group started their businesses in the first years of the new century, they considered the small and shrinking state sector as an independent variable of their market activities. By that time their predecessors (the earlier entrants to the market) had already captured the market niches that had been created by the mass privatisation process. The additional demand that was generated by privatisation was met by these established actors of the market. From this time onwards (that is, after 1997–98) all other market players, including the new entrants, could only increase their market share or the turnover at the expense of each other.²⁸ One of the decisive factors of the business strategy of the ‘new’ group was to accept and assume that it was the powerful domestic firms

²⁸ In the early 2000s the majority of the group of the ‘new’ – 26 out of the 31 entrepreneurs – worked on competitive markets. (This means that others have also marketed their products and services.)

and particularly the foreign companies that dictated the terms of market behaviour:

It was obvious that more and more business actors, moreover multinationals, entered our markets. And in this multinational world we did not have enough capital. Even if I am very good in corporate finance, the multinationals still would not work with me upon the entry of Merrill Lynch. And then one has to conclude that one of the options is to be sidelined from the advisory market. And the other option is to give up because a multinational company would contract the multinational financial services company instead of ours. [47]

Another interview partner from the 'new' group reported that he consciously designed the business strategy of the company by *taking into account the differences and specialities of market niches*. He said:

Our market is segmented according to product lines. There are markets that are controlled by the subsidiaries of strong and capital intensive international companies. In such cases our chance is not more than to take possession of a smaller segment of the market. However, in other areas – like the production of roofing membranes or of the so-called additional façades – the story is different. These products were marketed as by-products by the big tile or plaster factories. We entered the market of these by-products by offering advantageous prices, better quality and appropriate logistics. A great number of consumers preferred us soon. The tile and plaster companies recognised that their partners ordered only the main products and we became the supplier of the by-products. This development embarrassed them, but since these were not their main products ultimately they did not care too much. Nowadays they are taking some steps for a change, but the period of their negligence provided a good possibility for us to strengthen our position in this area. Likewise, when taking the international stage, we were successful when we arrived early enough to the market of a country. We preferred those situations when we arrived prior to the fully-

fledged development of the market in that country. We built strong positions on these markets because we were the ones who introduced the culture of construction accessories there. [63]

And here is another version of the same market strategy:

The marketing department is the core unit of our company. We are looking for opportunities on markets where there are blank holes. More precisely, we are looking for market segments where the present organisational structure of the company can be directly applied, where our existing sales organisation is able to perform the new task. After all, it is the same for the accountant whether it is paints or cutting rolls that appear on the invoice. [57]

An important element of this strategy is to avoid or to minimise any potential conflicts with the powerful multinational companies:

Skoda was never one of our partners. We are producing Skoda-type windscreens but not for the company. We distribute this product on the market of spare component parts. When a car mechanic changes the windscreen of a Skoda car, the company has nothing to do with this business. Moreover, this is real competition because it is us and not Skoda who produces and sells these component parts. Unfortunately it is not enough for staying in a good position that our spare part is cheaper than theirs. This competition advantage is over. The world has changed radically. These days many companies are producing windscreens for the market of spare parts. Now this product is imported from China and it is also delivered in containers from the Far-East. We have competitors in Poland as well. Their products are very cheap therefore it is very hard to compete with them. [44]

Another of our interview partners offered an interesting example of the careful but fast *selection of market segments*. He put it in the following way:

I can describe our first seven years as a perfect success story. We landed in the expanding tourist business like a comet. One may

explain this by the fact that there were very few restored castles in those days. Originally we functioned as a wellness hotel. When we started our business there were very few wellness hotels in Hungary. We opened a new market segment with this entry. Everybody was interested in what we were doing and we were on the top, indeed. In an opinion survey 70 percent of the respondents said they knew us. This is a good result in Hungary. The respective proportion is certainly below 70 percent in Austria, but our level of publicity is around 30–40 percent in the eastern part of the country. In the first seven years we reinvested all the money we earned. We engaged in extensive repair work and also in renewals. And we purchased land as well. We have not been up but re-invested all our profit. In the meantime we rebuilt the old barn that stood unfinished when we started. We were building and investing permanently in that golden period. We extended the wellness service and built a conference centre and a children's pool. [38]

In another case, our interviewee could successfully identify and select a niche on the real estate market:

We could grow this large because we discovered a sub-market that was out of the interest of other real estate agents. This was the apartment rental market. More precisely, the others started to deal with this area since the crisis began. The reason was clear: because of tight resources more and more young people could only afford to contract sublets or rented apartments. Prior to the crisis, most estate agents were not enthusiastic about this sub-market because the commissions were much smaller than on the market of apartment sales. The latter was the favourite field of our competitors in those years. [51]

The selection of market niches often *involves certain specialisations*:

The most important event in the history of the company was the moment when we found a very definite market to target. This was the production of spare component parts and the assemblies of large engines and generators... The old-fashioned com-

pany with diversified production lines became obsolete, after all, we are in the age of specialists. Nowadays production is nothing else but being efficient. I can be efficient if I am specialised, if I am well-prepared to manufacture a definite group of products. This was the reason why we bought machines that were the most efficient in making this product line. Furthermore, we send our colleagues to trainings that provide knowledge in specified products in a focused way. We built a new plant in which the ways of mobilising the necessary materials are carefully adjusted to the manufacturing process of this line of goods. [49]

There was a subgroup among the 'new' entrepreneurs whose members consciously selected the market niches on the *international markets* alone. One of them gave the rationale for this strategy in a concise way: *"It is no secret that my company was set up to collect orders only on Western markets. It is obvious that there are remarkable differences between the costs here and there."*[39]

Another example of the utilisation of the comparative advantages was summarised in the following way:

We have a dynamic profile exerting a pulling effect on the entire company. That is flywheel production. There are three flywheel producers in Europe and we are one of them. And we are somewhat cheaper and faster than the others. Our time-span for delivering is five weeks and not ten, and our price is 90 percent of that of our competitors. [63]

Concerning their market behaviours and attitudes, these cases and examples indicate significant differences between the 'new' and the 'old' entrepreneurs. There are exceptions in both groups but we may conclude that those in the 'old' group tend to fear the multinational companies or, at least, they regard them as unequal competitors. However, those in the 'new' group cleverly adapted to the situation. They cooperate with the multinational companies or with their subsidiaries in Hungary and meanwhile they focus on drawing the benefits of these partnerships.

In addition to the above introduced aspects, the speed of decision-making and the extent of the planned changes were different in the two groups as well. One of the most important lessons of our interviews was that several members of the 'old' group only slowly and reluctantly recognised and even more slowly accepted that the market niches – especially those that emerged due to the collapse of state enterprises – saturated gradually in the first years of the new century and in this way the usual paths of company development became blocked and inaccessible. A part of these entrepreneurs did not change the old and proven strategy of market expansion. As an example, this was the major cause behind the bankruptcy of an earlier mentioned successful company in the bakery industry.

Both the speed of changing the profile and the timing of market entry or exit are complicated and costly strategic manoeuvres of a company. To change the structure of production or to modify the order of importance of one's market relations required at least as much care from the 'old' entrepreneurs as did the actions of establishing and introducing a new company from their peers in the 'new' group. These factors explain why our 'old' interviewees preferred partial and gradual shifts.

The following sentences of one of the 'old' owner-managers in the car rental business help to understand this mentality:

We focused on the extension of the car rental division in the last two years. For maintaining all of our money making activities it is a must to deal with all the segments which are in connection with the car. Car repair was among our traditional profiles, too. More precisely: in the old times, the whole business began with car repair. Our car repair capacity is the key to survive the present economic crisis. In the absence of these stable and significant capacities, all the plants of the company would have been closed. [24]

No doubt such slow decisions inducing only partial changes are associated with the experiences and the routines of the 'old' entrepreneurs. At the same time, this double-faced and controversial legacy of the past is part of the reasons of their hesitant behaviour. As an indication of such behaviour we found that it was not uncommon among our 'old' interview partners that, instead of engaging in a radical and fast market change, they sold (depleted) a part of the company's real estate assets. It can be assumed that this route to escape from the rising pressure (this mode of property conversion) provided some temporary comfort. However, it created a very risky and false sense of security in the longer term. Those who followed this route postponed or delayed important decisions and this opportunistic behaviour influenced the performance of their companies negatively.

Real estate development – a route of escaping or deadlock?²⁹

We have arrived at a hazardous point in our analysis. It is a well-known source of errors when the multi-factorial analysis gives place to a mono-causal description and evaluation. We would like to avoid such a source of error but we have to state here that the paths of real estate development and investments into property were unusually popular forms to tackle the growing market uncertainty in our 'old' group. What is more, besides the interviews with them, our encounters with their 'new' peers revealed a similar frequent occurrence of the phenomenon. One of the members of the 'old' group – who participated in one of the rare privatisation actions after the completion of the large wave of privatisation in 1995–1997 – remembered it in the following way:

²⁹ Real estate that became under-used because of the company's shrinking turnover or because of internal reorganisations often turned to sources for money-making. A spreading form among the 'old' entrepreneurs was to set up new businesses for dealing with these parts of the company's assets or to put them up in special profit-centres.

The privatised company had several plants. One of them (located in Barcs) had been sold earlier. I bought and took over the other three in Budapest, Debrecen and in Nyíradony. In order to avoid borrowing large sums and to accumulate some capital surplus I sold the plant in Debrecen where the production had been shut down before. As I recall it happened immediately, in the first year. This transaction ensured that our company remained solvent. Moreover, we had enough money to invest and to renew the equipment. [57]

A construction owner-manager from the 'old' group made real estate development the core part of his business:

In addition to our main profile, certain real estate development actions were taken. Using the available part of our accumulated capital we built apartments for sale and also as investments. We were constructor-investors of shopping centres, too, but this was not a defining part of our output. It was less than 20 percent of the yearly turnover. But there were years when the real estate profile brought us about 2–3 billion HUF – which was more than nothing. [23]

Real estate marketing as a mode of fund-raising has become a popular method mainly among the 'old' owner-managers. As we mentioned earlier, they often financed using preferential loans (the earlier mentioned E-loans or Reorg-loans) to buy state-owned companies. Their performance would have been worse without the sale of assets in the early 2000s. Lease or sale of privatised assets improved the chances of survival. This form of exploitation of the property was available mainly for the 'privatisers'. Those who arrived from the one-time second economy of the socialist period or the fresh entrants of the 'new' group could employ this option less often.³⁰

³⁰ A remarkable part of the assets of state-owned companies served cultural or welfare purposes. Another significant part served the self-sufficient production (the manufacturing of parts and components) of the socialist companies. A part of these assets (buildings, plants, equipments) became

At a company in the machinery industry, which was owned by a member of the 'old' group, the income from selling the company's real estate was used to substitute for the loss of income from shrinking production. He described his strategy with the following words:

One of the divisions of the company deals with the exploitation of real estate which is not used in production. They work as an industrial park. In other words, they are looking for renters for our plants. At the same time, they are trying to sell those plants or workshops that we cannot make use of in the long term. I have to say that such a way of using assets by buying and selling property does not belong in our profile. When we acquired the company the rationalisation of it required the radical merging of production and service areas. Our profitable operation required the concentration of activities and the optimal exploitation of space. Therefore, we gained buildings to let or sell. But we did not use them for housing, for example. [8]

Income from the sale of real estate may cover the debts of bankrupt companies.

The wind-up of the company was initiated by the authorities at that time. We had to sell all the real estate to cover our liabilities. But there were no buyers for a year or more. Therefore, we had to start the compulsory liquidation. The liquidation was officially declared but there were no applicants for the buy-out. This real estate was advertised but there was no demand for it. [16]

This last citation shows that the route of escaping through manipulation of immovable property can be highly insecure and risky. The managers of production or service companies are usually not professionals of real estate marketing. However profitable this business may be, they are not experts at it. For

obsolete and saleable in the market economy. The 'new' entrepreneurs tried to minimise the investment costs, therefore they did not have such reserves for sale. An excellent case study about the business strategy based on these inherited capacities was published by János Köllő (2003).

them, this area is out of their main profile, hence, playing on it may work or it may not – it is hard to tell in advance. The boom in the real estate market ended in 2005–2006 and the risks and disadvantages caused by the lack of market experience have grown ever since then.

Impacts of the world economic recession of 2008

The troublesome events and tendencies of the real estate market described above indicate that, well before the global economic crisis of 2008, a significant part of the 'old' group were already faced with a drop or, at best, the stagnation of the turnover and the demand for their products and services and also with a decline in their yearly income. In these cases decaying performance followed from other factors than the impacts of the global recession. On the markets of traditional products and services, the usual reasons behind the worsening tendencies of shrinking yearly turnover or falling market share were business failures, seasonal effects, or the restructuring of the demand.³¹ The business cycle and the fluctuations of the economic growth might have had similar outcomes. Austerity measures can be added to the list. In 2006, such measures of the government reduced the turnover and the magnitude of orders in the construction industry. One of our interview partners from the 'old' group described how his business was affected:

Because of the worsening conditions of the economy, state support to housing construction was halted. And the decline started in this sector immediately. Investments of the central and the local governments diminished because of the worsening position of the central budget. Moreover, private investment

³¹ Quite a large number of companies were involved. An example in the printing industry: "Some of the companies that were constrained by their existing technology and labour force were edged out of the market for newspaper and journal printing but began to produce catalogues, leaflets and (especially in election years) political posters and propaganda bulletins." (Laki 2010, p. 949)

dropped as well. We recognised a remarkable decline before the recession. [29]

It has to be recalled that similar difficulties affecting a great number of companies were generated by the transitional recession of the 1990s. But in that case we witnessed a *regional economic downturn* which caused troubles only in a definite group of countries. That is why several companies were able to re-route a part of their turnover to the markets of the developed industrialised countries that were untouched by this recession. Likewise, the Russian crisis of 1998 caused a decline in turnover and irregularities in payments only for those companies that were directly involved in import or export transactions on this market. As an analyst established:

It can be related to the Russian crisis that the share of those companies that recognised deterioration in utilising their capacities increased from 9.5 to 15.3 percent in the period of July-November of 1998. The same is shown by the fact that the proportion of the companies experiencing the declining utilisation of their capacities is significantly higher among the firms that are directly affected by the Russian recession than in general. (Tóth 1998)

Our research documents show that the world crisis of 2008 has been of a different character: its effects have been all-encompassing. Considering our partners, it followed that the wide and deep-going negative impacts were felt not only by the members of the 'old' group but also by the 'new' entrepreneurs. The majority of our interviews were prepared in the years of the crisis, in the period of 2009–2011. At the time of writing the Hungarian original of this book – in the first months of 2013 – the recession still was not over, therefore we could not learn the ultimate impacts from our partners. Their accounts revealed only the first reactions and their initial experiences. However, the impact of the recession affected the companies at different stages. In the construction industry the decline in output already started in

the years 2005–2006. In other industries the recession started in the second half of 2008 or somewhat later, in 2009, however, the direct and indirect negative impacts surfaced very soon.

One of the direct symptoms of the recession affecting some members of our ‘old’ group was a sudden drop in the yearly turnover at a rate that they had never experienced before. One of our interviewees gave the following account about the consequences:

We are profitable but, unfortunately, the yearly turnover fell by half. We are severely hit by the crisis. The turnover of the last year was 130–150 million HUF which was half of the respective figure a year before. I decreased the number of employees accordingly. I was cruel. There is no work, goodbye, my friend. We were sitting face to face. This is the case, I said, and sent him away. We laid off half of our employees. We fired the majority of those working in corporate administration and also the secretaries, and so on. It was a must. That is why we are still alive. [20]

Similar symptoms of the crisis have also reached the businesses of our ‘new’ entrepreneurs. At a farm machinery sales company *“the annual income was 57 billion HUF last year. We expect revenue of some 30 billion this year.”*[42]

Another of our interview partners characterised the situation in the following way:

We had an income of 24 billion HUF last year. Before the recession we already had 27–28 billion a year. And this was not an exception by then. First we grew from 30 to 100 million HUF, then from 100 to 250 million and then from 250 to 500 million. We grew very fast every year in a period of 11 years till 2008. Probably this trend would have continued. The rate slowed down, of course, but it remained dynamic in the whole period. But the crisis has destroyed the market. [59]

These citations are in full accordance with the results of a survey in 2009 that involved 2000 small and medium-size companies.

According to the findings, 88 percent of the companies reported a decline in income. 69.1 percent of the respondents gave an account of a drop of more than 20 percent in revenue. The final report summarises the results with the following words:

The declining performance of the Hungarian economy reduced the chances of increasing turnover at the majority of the companies. In the first quarter of 2009, the total of orders in industry was 25 percent less than in the respective period of the preceding year. In the subsequent surveys of the Ministry of Economy, 45 percent of the respondents in 2007, 48 percent in 2008 and 62 percent in 2009 mentioned the contraction of orders among the factors that impeded their companies' growth. (NFGM 2010)

The proportions and the frequencies in the mentioned surveys imply that there were *exceptions* to the above trends. Likewise, we also encountered cases in both groups of our interviewees for an adverse tendency, when the crisis did not diminish, but rather increased the demand for the services and products of their companies and it affected the turnover in a similar way. It is instructive how one of our 'old' interview partners found a market niche in the middle of the recession:

How does Hungarian State Railway behave? These days no currency is available to the company. It can do no shopping at all. The minimal condition for preserving the existing stock of its vehicles is to find domestic companies that deliver them component parts. We deliver them in multiples of the earlier volumes and the company is begging to provide more and more of the component parts. It is part of the story that earlier the entire construction and production of the engines was covered by German and American companies. And as a new development, nowadays they are again using the old engines that we supplied several years ago. They are forced to renovate these engines to keep their stock of vehicles in operation. Hence, we enjoy some positive benefits of the recession. [8]

Another owner-manager from the 'new' group rapidly enhanced the revenue of his company by concentrating on real estate rentals. He focused on the market niche that emerged due to the fact that an increasing number of young people with deteriorating living conditions were forced to postpone the purchase of their first apartment. The company of our partner offered relatively cheap lodging for them:

The present recession looks extremely favourable for us because the demand of apartments for rent increased remarkably. The situation including job salary and costs of living of several young people – young couples or families – became uncertain. That is why they cannot borrow money. Those who borrowed money earlier had difficulties with the loan repayment. There are several factors that turn people to the rental housing market. [51]

Our interview partner from the printing industry had expected a serious recession years before the crisis of 2008. The business plans of his company were prepared on the basis of this forecast:

Two years before the recession I told my colleagues at a meeting in the boardroom that an economic crisis of quite a large scale was on the horizon. In the light of this, I proposed to dismantle the company into five 'strips'. Based on a well-prepared baseline of actions these strips have to be further decomposed and then we should put together the pieces into a new structure. When this was done we concluded that we would launch a large investment. The recession will produce losers and winners. What should we do to be among the winners? An efficient technology, up-to-date products, a competitive distribution system, a better corporate image, and more efficient communication are needed. Despite the fact that we were convinced that the great recession would come we managed the biggest investment of our company history. We were just launching the new machines when it came in the news that the crisis has taken its start. And we became the absolute winners of this development. Many of our competitors collapsed because of the recession or due to the lack of liquidity. Or their bank stopped financing them. Based on our distribution

system, we were able to occupy these market shares by our new products or by building on our new company image. [35]

The exceptional stories like the one above contributed to the belated responses of the majority of the 'old' and also of the 'new' groups. Although our interview partners instantly sensed the changes, they only gradually accepted the fact that the usual evaluation methods for measuring the costs and the benefits in association with the crisis were not suitable any more. They reluctantly recognised that the current crisis was longer, it covered larger areas of the international economy and it tended to cause more significant market losses than the preceding local and regional recessions. It did not count as an exception that one and a half years after the start of the crisis one of our partners still explained the decline by usual conventional reasons:

In the course of the past 19 years we were accustomed to the fact that none of the years were similar to the preceding ones. Therefore, we constantly adapted to the market trends and opportunities. In the past, we used to have good and bad years alike. And the last year's experience added to this recognition. In the yearly plan we predicted that less agricultural machinery would be sold than before but we never expected such a bad outcome. We sold 250 harvesters last year and only 20 pieces this year! Despite the fact that the rate of the decline was remarkably smaller for agricultural machines in the relatively cheap category than in the case of the harvesters, this year [in 2009] we may suffer a 50–70 percent decline in the yearly turnover which is significant also in a countrywide comparison. What was the reason for this fall? How could we handle the situation? The lack of state subsidies, the changing political situation, and some weather effects caused the drastic drop in the demand for agricultural machines. In such a radically changing market situation we were able to tackle only the most burning symptoms. [42]

There are further factors which explain why a remarkable part of our interview partners reluctantly and slowly recognised and

therefore optimistically underestimated the size, the expectable length, and the scale of the recession in 2008. Among other things they were forced to notice very quickly that it was much harder to borrow money than before:

In times of a crisis everything slows down. We could not keep away from the effects of the market situation. We were able to borrow money on 125 basis points in 2008 and on 350 nowadays. The price of the money increased, indeed and the supply of bank loans is not as attractive as it was two years ago. We are affected despite the fact that our relations with the banking sphere are very stable. [5]

The last sentence of the citation is important and characteristic: apart from a few exceptions, our interview partners reported solid banking relationships. They remained good debtors in spite of the unfavourable developments on the financial market, therefore they expected better and easier access to bank loans than the average. One of our partners in the 'old' group phrased the typical opinion in the following way:

The majority of the real estate developers are in trouble in their relations with the banks. We have no problems with them because we have gained an incredibly good reputation by repaying our obligations with clockwork precision. They know that my private wealth is substantial. I never used it as a collateral factor, nevertheless it is a guarantee for the bank to know that the company would not collapse. [3]

A broadly felt and unpleasant manifestation of the recession was the significant drop in the occurrences and also in the share of successful transactions on the real estate market. This market has literally become frozen. Due to this development, mainly those who had entered the real estate business to try to counter-balance the losses of their companies through opening towards this new profile found themselves in a difficult situation. And as we saw above, this was a widespread practice among our

interviewees, especially among the members of the 'old' group. However, the risky experimentation continued despite the unfavourable outlook:

At the end of 2008, the owners came to decide that the company should be liquidated. And the liquidation process is still in place. The process embraces the estates that were advertised for sale, but nobody seems to be interested to buy these. The changed conditions that affect the real estate market in the first place sensitively influence the entire process. [16]

Our 'old' and 'new' partners gradually recognised that the usual modes of adjustment were not enough for managing the new and atypical situation. In an earlier writing, one of us summarised the new tactics of adaptation in the following way:

The owner-managers of the companies usually adapt to the changing economic environment with a package of measures. The most common methods of adaptation are: modification of the prices, diversification, increase of the turnover, expansion of the capacities, increase of the market share on certain markets, reduction of the costs (e.g. by reducing the inventories), postponement of payments (mainly by forced lending), conscious tax avoidance, reshuffling of the company's organisational structure, lay-offs, and the sale or lease of the company's assets. (Laki 2010a)

The interviewed entrepreneurs were well aware that changing the company's strategy or redrafting the business plan were necessary preconditions for the survival of their firms. We found that many of the companies prepared their crisis-management scenarios or drafted emergency action plans for the business. One of our interview partners from the 'old' group gave the following account:

We began to deal with different crisis packages. The first sign that we noticed was the rapid rise of the interest rates. We have rather significant bank loans both in HUF and Euro, therefore

the burden that these loans put on the company matters a lot. It was clear from the outset that if the trend remained unchanged this would imply a loss of 200 million HUF for our company. And yet nothing else was considered but only the interest rates. It was a must to immediately bring home this money. The two biggest items among the expenses of our company are wages and marketing costs. We prepared various scenarios roughly on a quarterly basis. How to decrease the costs of the weighty items and simultaneously make small savings? We prioritised them. It was a significant achievement that the marketing costs were reduced by several hundred million forints. Moreover we created and activated a controlling system with the purpose to manage the consequences of the recession. Based on different performance indicators we observe our market performance on a monthly basis. We worked out a set of crisis indicators that we apply in a so-called roll-over system and that monitor how the company's performance changed if compared to the preceding year or to the business plan. And we determined the set of measures that ought to be taken if the indicators showed or would have shown negative tendencies. There were no wage increases and no bonus payments this year. More precisely we paid a monthly wage as a bonus at Christmas. Furthermore, no lay-offs were made due to the crisis. [2]

Hoping for a recovery, the owner-managers – first of all, our 'old' partners – tried to avoid the dismissal of the workers and employed them in reduced working hours and with reduced wages: *"They know that these days their personal income turns out to be some ten percent less than before. But they work less for this money. This is an unfortunate situation. But our current stock of orders made it a must for us to engage in such reductions."* [23]

A customary way of keeping the company's manpower or reducing it only at a necessary minimum is to entrust the employees – especially the most needed workers – with tasks that earlier were accomplished through outsourcing: *"The labour force of the company has not changed. However, we also used to have subcontractors and it was them whom we fired. All the production*

was concentrated into the factory and the level of employment was maintained.” [27]

Our interview partners applied some more offensive methods of crisis management as well. At a number of companies, the drop in turnover was countervailed by changing the markets of delivery or by reshuffling the range of products:

During the past years, our company faced a decline of three-four percent which was just a fraction of the general recession rate in the construction industry. A variety of activities and interventions were behind this achievement. In the course of the past years we became an export oriented company. Moreover, we implemented innovations and developed special projects, first of all the production of laminated safety glasses. This counts as a unique product in the glass industry. Due to these steps, practically we have had fewer and fewer competitors. A kind of selection has taken place in our industry. A great number of the companies went bankrupt. We used to have ten serious competitors that were liquidated in 2010. The cake has become smaller and the companies that were poorly prepared in technical terms or that had a broad portfolio but without any special products all went bankrupt. [43]

The collapse or the disappearance of the competitors may stimulate investments and the expansion of the productive capacities, provided that the entrepreneur’s long-term expectations are positive. Hence it is not a surprise that this strategy of escaping through running ahead could be recorded only among the most optimistic members of the ‘new’ group who trusted that an upward turn of economic development would come shortly. One of them gave the following reasoning:

Given the conditions, our aim was to build a new factory. The construction started in the autumn of 2008 and was completed by 2010. Many had doubts whether to engage in an investment of such a large magnitude in the autumn of 2008 when the global recession started. This was a two billion forints invest-

ment financed by the company without external sources. I think that it was without precedence in this industry. And it also looked unique among the investments which were managed by medium-size enterprises. I am convinced that it is not only a chance but more or less an obligation to make this kind of investment in a period of recession. For us, it was the best period to manage this investment. The costs of investment are remarkably lower in crisis than in recovery periods. The prices of construction or of other elements are lower than before. Another advantage of this timing was that, due to the shrinkage of the stock of orders, we were able to regroup a much larger part of our physical and human resources than we had expected. And it was a fortunate coincidence that the stock of orders has grown since the new factory was completed at the end of the last year. In fact the trend of increase began somewhat earlier, in the second quarter of the last year. Let me stress that, in addition to building new estates, this large-scale investment also comprised the installation of a number of new machines that significantly enhanced the capacity of production. These additional capacities have run in full use for the past months. [49]

All in all it seems that the accumulated experiences during the periods of earlier smaller downturns and the collected knowledge of how to respond in crisis situations have developed a kind of 'hardiness' among the entrepreneurs. On the ground of this routine and knowledge the majority of them were able to avoid bankruptcy or the collapse of their companies due to the lasting global economic recession. Among the factors of efficient defence and control of primarily the members of the 'new' group we can record an optimistic perception of the future opportunities and, in connection with this, the expansion of innovative actions and a proactive prevention of failures. At the time of finishing the manuscript of our book the recession is still in place and as of today one does not notice any signs of an economic recovery. In such circumstances we cannot yet assess whether the optimism of the factory builders or the tactic of postponed actions of the cautious businessmen will ultimately prove to lead to success.

ON THE SOCIAL PROFILE OF THE GRAND ENTREPRENEURS – TEN YEARS AFTER

Differences in the social roles between the two groups of the 'old' and the 'new' entrepreneurs

The above presented and documented processes of erosion and shrinkage cannot be explained in full by considering only certain economic factors or by relying only on associations as grasped by economic sociology. Obviously the unfavourable economic development of the past decade played an important role in shaping these processes. Still, we can assume that further components of a non-economic character were also at work in the background. If nothing else, the comparison of the 'new' and the 'old' generations of grand entrepreneurs should draw our attention to them. For in the economic conditions that have induced stagnation or retreat in large circles of the business world, our 'new' owner-managers could manage to stay successful, they could facilitate their dynamic presence on the market, and they were able to stimulate the growth of their companies. It seems important that for attaining their goals they mobilised a management style and a range of means that differ in a remarkable way from the tool kit of the members of the 'old' group.

This observation inspires us to ask: apart from the generational differences due to age, are there any departures in the patterns of socialisation, behaviour, values, and attitudes and also in ambitions that help to explain these diverging trends? This question is all the more important for us because the 'new' generation has little in common with the 'old' cohort when antecedents of a *citoyen* upbringing or aspirations to run a bourgeois way of life are concerned. In simple terms: the 'new' entrepreneurs seem successful owner-managers as technocrats but

they do not aspire to take up the roles of social models that wide circles should follow as parts of the bourgeois elite. Of course, there are some among them who demonstrate important accomplishments in culture and education, but it has to be emphasised that they always keep these engagements in sharp separation from their entrepreneurial activities. At the same time, it is true as much for them as for other members of the group that a conscious build-up of elite roles that encompass all the aspects of one's private and public lives do not appear on the horizon of desires, aspirations, and plans. It seems to us that not only the dynamism of business has declined but also the momentum for widespread civic development has broken in the past years. This encourages us to repeat the question of our earlier book: are our heroes entrepreneurs or *citoyens*? And the question implies the task of looking beyond the economic processes and to rethink the roles of the life- and family histories and the impacts of socialisation and certain value orientations in shaping the current economic and broadly perceived social positions of the Hungarian large- and medium-size entrepreneurs.

As we will try to demonstrate below, the break of the career paths of the 'old' owner-managers is in close connection with three sets of sociological factors that come in addition to the already discussed economic ones.

The first among these constituents is the 'socialist' embeddedness of the start-up of the 'old' entrepreneurs. More precisely their temporary relative advantage has to be considered that inspired a speedy development in the early years of post-socialist market development but that then induced a break within a few years. As we saw earlier and will demonstrate through some further aspects, this heritage of the socialist past meant a lot: among others, it involved in-depth technological preparedness and a dependable knowledge of corporate relations and also the possession of the techniques of how these accumulated skills and knowledge could be upheld and, if necessary, repaired. Further, they had an overview of the potential

cooperating partners and the competitors and this knowledge was embedded into a deep understanding of the strengths and weaknesses of their own companies. But the most important asset of the heritage was the precious set of their tested, reliable and well operating economic, political, and administrative contacts. At the start, the heritage provided significant benefits, indeed. Considering local knowledge, those coming from outside could hardly compete with the new owners: the former managers or chief engineers of the privatised companies. The other side of the coin was that the possession of this heritage frequently generated a false and dangerous sense of security. Due to such a false sensation, the necessary adaptation was often delayed and the redefinition of the corporate profile and the redrawing of the business philosophy did not take place. Slow shrinkage or decline of the companies have been the frequent consequences of this behaviour.

The fact that the strategy of building on the socialist heritage results in deadlock becomes obvious in a comparison with the cases in the 'new' group. As was demonstrated above and as will be supported by further details below, members of this group have chosen a totally different way. By developing their family businesses³² or by separating a part of such businesses they tried

³²The Hungarian Statistical Office does not collect data on family businesses. There is no special category of this organisational form in the methodology of the Office, therefore we have no comprehensive knowledge about the number and the distribution by size of this type of company. Nevertheless, there are certain signs indicating the growing popularity of family property. The fast increase of the membership of the influential Association of Responsible Family Businesses in Hungary (Felelős Családi Vállalkozásokért Magyarországon Egyesület) is one of the clear indicators of this tendency (Hvg.hu 2011). However, the international aspect is perhaps even more important: we may interpret the headway of family businesses as adaptation of the Hungarian large- and medium-size companies to the conventional company ownership structure of the developed countries. According to the literature, dynamic penetration of this company form has been observable in the last two decades in Western Europe and in the United States. As a result, these days the majority share of company property belongs to family businesses in this part of the world. *"The family businesses have a share of 75–95 percent among the registered companies worldwide and their contribution to the*

to discover market niches where ‘the coast was clear’, where they possessed local knowledge and where it seemed easy to develop a network of contacts. By applying intense marketing and an active behaviour in competition they strove for building up a modest but secure monopolistic position in these niches. This strategy gave an opportunity for stepping forward. The functionally designed organisational order and the roles built into it could easily be converted to other areas and to new business activities. In the light of the success of the ‘new’ entrepreneurs, the stagnation and the shrinkage are clear signs of the disorders of adaptation on the part of their ‘old’ peers. Differences in ability cannot provide an explanation because both of the two groups demonstrated great talent and dynamic development in the initial years of the working of their companies. The true reasons behind the departures may be found when looking at the prehistories of their business start-ups and the divergences in their socialisation.

While its role was certainly important, still it would be misleading to believe that the ‘socialist heritage’ was the only reason for the shrinkage of the companies of the ‘old’ entrepreneurs and that this was the only cause for the decline in their careers. The sheer number and the variation of the major steps that they have engaged in since leaving behind their old positions (as managers of state-owned companies, salespersons of foreign trade companies, or chief agronomists of cooperatives) and becoming owner managers of private companies convincingly demonstrates their adaptation skills. One has to ask then: why would not they have been able to perform another sig-

GDP is about 65 per cent. In Europe, family businesses make up 75–80 per cent of the companies. Their share in employment is 40–50 per cent (there are countries where their weight reaches 70 per cent). The share of these businesses in the production of the GDP is 20–70 per cent. In the US the contribution of family business to the GDP is 49 per cent and they provide 78 per cent of the new jobs.”(Filep 2011). We may formulate it as a cautious assumption that the strikingly high number of family businesses in the group of the ‘new’ entrepreneurs is an indication of a more general trend of adaptation in the Hungarian economy.

nificant performance increase? We have to assume that most probably there were additional components of the slowdown that originated in external forces of a kind that proved to be impossible to circumvent.

The analysis of these factors leads us to the second important syndrome that broke the careers of our 'old' partners. This is the escalating dispersal of deepening distrust in Hungarian society that poisons all kinds of relationships and that affects all spheres of life far beyond the boundaries of the economic domain. The 'old' entrepreneurs were doubly struck by this phenomenon. On the one hand, their sudden rise and outstanding performance were interpreted with suspicion by the public. Since the beginning of the post-socialist transition it has been a widely shared popular view that one could get rich and accumulate capital only in unfair ways in our country. This suspicion has escalated to an all-embracing distrust in the meantime: civil servants, tax inspectors, and customs officers anticipated fraud and corruption behind every single accumulated forint. Likewise, workmates accused each other for using deceptive methods of profit making. At the same time, those suffering accusation were left alone in their battles because the chambers and the professional bodies of representation practically lost their protective functions. On the other hand, the spreading of distrust directly affected business relations. After all, expanding one's business needs stable relationships and a clearly drafted contract that is based on reliable associations among the partners. However, these conditions hardly can be established today in the atmosphere of all-round and unceasing distrust and uncertainty.

The ongoing fights for self-respect and for justifying one's honesty left a trace on the most immediate human connections. As the follow-up interviews demonstrate, there has been a shift towards the familiar relations in the daily lives of our 'old' partners whose accounts emphasised the increased importance of home-based intimate relations and gave vivid examples of the

unavoidable and multi-functional protective aspects of these relations in the current conditions. Likewise, their old friendships – if these remained in place – have become highly valued and our partners strove to make these reliable contacts an integral part of the business, too.

The life strategy of the members of the ‘new’ group is different. The interlocking of the family and the business is the point where they depart from. The rest of their human relations are adjusted to this ranking. They evaluate friendships in their functionality and it is obvious to them that friendships are temporal. These people are convinced that they can only count on themselves and on the closed circle of their family. From time to time they verbalised their loneliness but they did so without nostalgia or bitterness, rather in a way of taking stock of the unchangeable order of things. Despite all the differences, the stories of our ‘old’ and ‘new’ partners have an important aspect in common: this is the apparent diminution of the human relations in their lives and work. If this is the case, then it is of outstanding importance to improve the ‘business environment’ in the broad sense of the term. However, as we will demonstrate, the two groups of entrepreneurs have different ideas about this issue. The ‘old’ owner-managers urge for some sort of state intervention that should confront corruption and the black economy. The members of the ‘new’ group express resignation in this respect, too: they do not expect any protection from the state. Rather, they are trying to defend both the business and their privacy by preserving economic independence and by strengthening the market position of their companies.

The third negative factor behind the decline and the slowdown of the companies of the ‘old’ group is of an ideological nature. This is a turning away in politics and also in public attitudes from the programme of catching up to (Western) Europe. The spreading new orientation is based on a conservative interpretation of the so-called Hungarian values and it is coupled with the revival of a widely praised inward-looking atti-

tude that refuses the country's breaking out through modernisation and that claims instead withdrawal behind the national borders. These new tendencies carry important messages for a remarkable part of the 'old generation' of entrepreneurs. They find themselves called on to give up their cosmopolitan attitude and openness to cultural diversity that once were inherent parts of their economic and social roles. The proposed new orientation claims joining in the loud criticism over the 'oppressive' and 'exploitative' nature of the West while it also involves agreeing to a strong formulation of the re-strengthening of the state that is seen by dominant circles as the sole reliable actor of protection.

This political-ideological shift is accompanied by deeply felt uncertainties: the once much hoped-for membership in the European Union nowadays seems to show its downsides to our partners. In accordance with the general atmosphere, they see and criticise the European Union as an over-bureaucratised organisation that provides little in advantage. Furthermore, our 'old' entrepreneurs stated unequivocally that Hungary's accession to the European Union has not made any changes in the market position of their companies. The dominance of the multinational companies – the main structural determinant of their businesses – had been an accomplished aspect of the prevailing market relations prior to the accession and the country's newly attained membership in the European Union did not bring about any changes in this regard. Neither were any changes made in the policy of the Hungarian state: it had not protected them against the negative impacts of the multinationals' dominance prior to the accession, and, likewise, it has not offered protection for them ever since. In such a situation our partners concluded that there were practically two ways of national self-defence: either to accentuate and militantly represent the peculiarities of Hungarian-ness, or to follow a resigned accommodation to the international hierarchy by giving up aspiring to some sort of leading role in the re-

gion. The necessity of an economic policy that should be based on assisting the production of acknowledged 'hungaricum'-s was claimed mainly by the 'new' entrepreneurs, while the prominent figures of advocating a pragmatic subordination programme also belonged to this group. Concerning subscribing to these alternatives there were no differences between the two groups of owner-managers. Our 'old' partners were of the same opinion as the 'new' entrepreneurs. The only difference appeared in the tone: the disappointment over the lost dreams of an outbreak came through with clarity in the formulations and argumentations of the 'old' group while those in the 'new' one gave yet again a clear demonstration of their 'matter-of-fact' style of thinking and relating.

While we regard the above three factors very important in their contribution to the decline of the majority of the businesses that were launched in the first years of post-socialist transition and also to the shrinkage of the stratum of the grand entrepreneurs, it has to be emphasised that these factors did not exert their impacts on their own but always in an interaction with the economic roles and business behaviour of our owner-managers. By introducing a range of such interactions below we do not intend to provide brand-new explanations. Instead, we hope to deepen the knowledge about the motivations and also about the dynamics of the changes in the roles and conduct of our interview partners. However, we do not think that even such a processing would provide an all-exhaustive picture with all its nuanced details.

By reconsidering the preceding chapters of the book, first we made an attempt to approach the economic decline through the lens of a range of sociological factors that characterise our 'old' entrepreneurs. However, we faced certain difficulties in this regard. The in-depth exploration of the reasons for the withdrawal from a clear *citoyen* role would have needed a detailed mapping of the entire scope of the relations of our interview partners and also an inquiry into the changes in these rela-

tions. Moreover, the research should have covered the probable rearrangements in their families and the ways how they conducted their daily lives, while it should have investigated their positions in the civil society and their value preferences as well. However, our interviews provided only partial bases for the purposes of such an in-depth inquiry. Although below we rely on as many interview details as possible, in our attempt to reveal the wider implications we will follow the already known route to broaden the framework of interpretation: by bringing in the knowledge that we collected through the interviews with the 'new generation' of entrepreneurs, we will try to sort out those general characteristics of the Hungarian enterprises and their owners that have remained in place for several subsequent periods. Concurrently, we aim to separate the historically determined and unique characteristics of the 'old' group that followed from certain unrepeatable one-time conditions and that have not appeared later. As was already discussed, these attributes were generated by the specific circumstances of departure and the situational specificity of the group.

As we saw earlier and will present through further aspects, the 10–15 years span, that separates our two groups in age and also in the timing of the start of their companies, presents a ridge in a broad understanding of the conditions well beyond the economy alone. As we showed above, the differences did not follow solely from the demographic implications of age, nor were they the manifestations of the late start and the weariness of the 'old' entrepreneurs. While members of the two groups operate in the same social, political, and economic environment, the representation of their economic roles, their entrepreneurial actions and their social perceptions separate the 'new' group as if it lived in a totally different world. By keeping such a mirror in front of their 'old' peers one is inclined to sense the historic shift as an *epochal change*. By looking into this mirror we can observe in a magnified way the non-recurring inspirations and also the

later devastating effects of the socialist heritage. Further, the mirroring impressions help us to understand the generational differences in the responses to the spreading distrust that dominates the social and personal relations of the entrepreneurs. Finally, the same technique of reflections will be of assistance in revealing the conditioned embeddedness of the expectations of the two groups towards the state or the departures in their everyday philosophy and practices.

ON THE SOCIALIST HERITAGE

Hidden marketisation: A way for quasi-adaptation

The start-ups of our two groups were formed by significantly differing social relationships and by markedly different ways of socialisation. Those, who were born in the 1960s or in the subsequent years of the last century were students at the time of the collapse of the socialist system. They had learned about the spirit and the mode of operation of the socialist workplaces from stories of the family and friends but they had first-hand information about the working of the regime only in its partiality as it appeared in the school system. And even this knowledge was deformed: compared to the 'classical times', the schools had undergone important changes in spirit and conduct. The tales and stories about the heroic Soviet pioneers had disappeared from the compulsory curriculum. The monopoly of the Russian language was broken and German, English, French, and Spanish were taught at a growing number of places (Laki 2006). The critical reviews and evaluations on the role of Hungary in the Second World War and on the communist-Stalinist rule of the fifties slowly gained space in the history classes. Students in the school literary circles openly discussed the 'bourgeois' works of 'bourgeois' authors and differences in taste were acknowledged without repercussions. Furthermore, active participation in the pioneer or young communist organisations was not requested and membership in these organisations was not expected any more.

The fundamental taboos of the socialist system still remained in effect: it was prohibited to speak in public about the revolution of 1956 while demanding the retreat of the Soviet troops in

any forms involved severe punishment. However, it was not too difficult to by-pass these few proscriptions, hence the work of the diligent secret agents who were installed in workplaces and educational institutions was in decline. Nevertheless, everybody was obliged to keep the rules of the game and people were aware of this. At the same time the climate was clearly changing: behind the rhetorically remaining socialist façade feverish work took place towards decomposing the remains of the decaying socialist regime. By the time they entered the world of work (often much before through working during holiday times) the 'new generation' of the grand entrepreneurs considered the evolving market economy as the sole domain of engagement and as to the personal aspects, there were no alternatives in their minds other than to follow an independence based career path. Although the members of the 'new generation' were born some 10–15 years before the regime change, they were typically the children of the transition.

The patterns of socialisation of the 'old' entrepreneurs were totally different. Their lives were ruled for decades by their powerful workplaces, the state-owned socialist companies and cooperatives. They well remembered the weight of the words of the local communist party secretaries. But they knew that their professional activity in the narrowest sense was evaluated in another system of references where performance, diligence and talent did not matter against the assessments that were based on and dictated by one's political aptitude and loyalty to the system. Many faced the well-known dilemma of the socialist system: if they desired more than just being one in a faceless crowd, such desires could hardly be fulfilled without joining the Party. At the same time, subordinating one's life to the Party often led to moral discords, further, it also made one the potential victim of blackmailing. Despite all manoeuvres to avoid the political traps of the ruling order, adaptation to the dominant behavioural conditions of socialism worked as a benchmark of acceptance for the 'old' entrepreneurs. A telling story gives some insights:

He praised me to the others, saying that this boy is going to be someone! ... As I remember I became a member of the Party there at the state farm. Those who did not live in those times cannot imagine that situation in retrospect. It was a huge thing at that time if these people had taken up a young man like me. In particular, if they invited saying: listen, come on! Well, nobody would have said in those days: I refuse to go with you. I became a Party member at the age of 23–24 years. Those people around were faithful members of the Party and they formed a clique... There were several signs of a political paralysis around 1989. We have got different directives from the Party but we were unable to figure out the direction of escape or the route of avoidance from these documents. I often thought ... if other people were sitting there, maybe there could have been another path of development. The elections took place in 1990. The Hungarian Democratic Forum (MDF) was the winner. There was great uncertainty among people like me ... Some of us were scared of admitting the past, we feared that some sort of examination would come. [22]

There were many for whom it was undoubtedly the Communist Party that worked as the compass of a successful career in the socialist conditions. However, for a long time there was also another very effective value system in operation that was formed by the informal relations in permanent opposition to all 'official' requirements and that filled all the non-official spaces of society. This was the value system of an alternative professional spirit which highly praised personal achievements that were conceived in confrontation with the rules of the prevailing order and that was maintained and protected by far-reaching informal associations. Appearance against the logic of the system was the main point of departure of recognition and personal esteem in this structure. This system of values addressed our interview partners mainly as professionals. As ambitious innovators or young managers in high positions at their companies they aspired to the appreciation of their colleagues and strove for public recognition of their performance as measured

by the market. It was this highly controversial social space that shaped the first experiences of our 'old' partners about the large state-owned industrial companies or large-scale agricultural production. A permanent balancing between the challenges and contradictions of the formal and informal worlds moulded their professional careers.

In our earlier book, we presented in detail the conditions of the reform era when their careers started in the seventies of the last century. The new economic mechanism of 1968 was *new* because it tried to find new ways for managing the above controversial conditions. The political implications were very important: all innovations and new organisational forms were launched within the socialist domain and all these were meant to strengthen the supremacy of the party-state. This development helped to maintain the continuity of the conventional mobility tracks. Young men and women striving for advancement imagined their lives amidst these well elaborated social forms. It was their workplace in domination above nearly all segments of their lives that served as a frame of reference: their studies, their relations of cooperation, the forms and contents of their contacts in daily life, and their visions about the future all were adapted to what their companies required or suggested. Hence, the main source of later success became the collected local knowledge: these young people navigated with great confidence in their local worlds and this sense of local embeddedness was the main source of their gradually advancing career, too. They accumulated detailed and accurate knowledge about the workplace where most of them had spent several years before becoming private entrepreneurs: they understood all the important constituents of their companies' technology; they had a realistic picture about the technical level and the developmental potentials of the firm; and they were well informed about the cooperative capabilities and the export-import connections of it, too. However, their most important asset was the knowledge that they had at their fingertips about the 'human capital' of the company,

including not only an overview of the skills and the potential performance of the local workforce but also a mapping of the value orientations and expectations of the employees.

These very important constituents of their local knowledge were expanded by further elements in the 1980s. Firm-based self-governing production units and auxiliary workshops³³ were established one after the other that combined three components each with important roles for future development: they provided for the shortages hindering smooth production and/or rendered innovation to raise efficiency of the socialist companies; by an often elitist selection among the workers, they created a space for new hierarchies and new paths of advancement; finally, they became the 'early birds' of marketisation by applying rules and a way of management that openly followed the precepts of the market. There were many among our 'old' partners for whom these production units or auxiliary workshops served as springboards on their paths towards self-ruled entrepreneurship. These laboratories of permitted and controlled marketisation provided the know-how, the technological bases and the network of skilled labour to set up one's own independent business in the not very distanced future.

The accumulated experiences of climbing the ladder of the organisational hierarchies of the socialist companies or of engaging in the self-governing production units brought true benefits at the time privatisation. Those who learned the rules of the shortage economy enjoyed unbeatable advantages. Shortage as the basic characteristic of the system was the starting point of the calculations: one knew that if it disappeared at one point it certainly reappeared at another. In this context, local knowledge

³³ These organisational innovations of late socialism were unique combinations of privately managed organisations of the employees and the state-owned capital assets (equipment and machines). Employees of a state-owned company established these organisations within the framework of a contract with their workplace. By using the capital assets of the firm, these autonomous units delivered goods or services for the state-owned company that were accounted at market prices.

was rewarding in assisting fast increase in performance that outsiders hardly could compete with. Those who knew all the details of the technology and had an overview about the chain of production were able to respond with a range of smart substitutions: they had at hands the tools purposefully carved by the local gadgeteers; they could mobilise the collection of component parts that had been put aside for use in case of shortage; and they could rely on little product innovations that helped to skip the non-functioning technological or production phases. In these conditions of the shortage economy the winners were those who were fast enough to speed up the business by cleverly using this arsenal of shortage-minimising. Sharp eyes – in our case the skill of forecasting the coming of shortage in due course – served as capital in these circumstances. Based on this special local knowledge smart people were capable of starting fast-growing and profitable businesses and they shortly became the icons of rapid enrichment. One of our ‘old’ partners remembered in the following way:

At that time there was a shortage economy in Hungary. Bumping into shortage was the typical situation. Those who figured out what were the goods in great need due to shortage and were able to import them into the domestic market they could sell these products fast and with huge profits. I think that this period was practically over by the second half of the 1980s or by the first years of the 1990s. In ‘92 perhaps... There were certain products that could be sold in Hungary in a sound way, without cheating with invoicing and by paying the proper taxes, still these transactions brought extraordinary profits. ... Hence, there were extremely huge sums in circulation. And as the company got richer and richer, its owner could accumulate a tremendous financial advantage that allowed for a wide range of opportunities. It was easy to move on because financially the company was strong enough to start the next businesses from one day to the next and one could do so without running the company into indebtedness and also pay the taxes in an ordinary manner without any risk. [5]

This route of accumulation and acquisition was open primarily for those who were engaged in retailing. However, shortages did not appear only in the turnover of final goods and services but were around at every stage and at every point of the production process as well. It followed that not a small part of the Hungarian innovative potential worked on temporarily counterbalancing the shortages by developing locally applicable smart solutions while these solutions remained confined exclusively to the given local markets and to the locally relevant conditions. The recognition of elsewhere unknown associations and their witty technical-technological applications characterised the innovative capacity of the country and the ongoing battle against the emerging shortages kept expanding this capacity. At the same time, this innovative spirit produced real capital and real development for quite a long while:

I managed the service of magnetic storage units for years. At that time – in the first years of the seventies – it was rather complicated to import machines and equipment because of the strict foreign exchange regime. And the data storage devices (those large boxes in those years) broke very often. It was clear for me that the lack of these devices made a headache all the time and I thought that the broken pieces somehow should be repaired. But such pieces were not repaired anywhere. People simply threw out the broken devices and bought new ones in those countries where the supply was sufficient. This was not the case with us: one could not buy a new device to replace the broken old one. Finally, I have figured out how to fix these facilities. And that knowledge was the source of my later career. [17]

Limitations of the advantages stemming from the socialist heritage

But these advantages of the shortage economy proved to be temporary and transient. Due to the spreading of the market conditions, a massive turn has gained place by the mid-1990s: products which previously had been in short supply became hard to sell. However, this was only one among the many aspects that

signalled profound changes in the rules of the game. The interplay of the demand and the supply reconstructed the production lines which had been broken by the always unexpectedly surfacing shortage. At the same time, the unlimited competition which was generated by the now all-round appearance and active intervention of the foreign market players devalued and made useless the witty innovative ideas that had materialised in the promptly invented goods and services in substitution of those in paucity. Of course, the innovative skills and the ability of always being alert if needed did not disappear, what is more, such capabilities could provide the sources of longer-term advantages. The smartest and cleverest ones could enter large-scale projects even if they possessed limited capital for realising their far-reaching ideas. But this was possible only if further skills were associated with their desperation and resourceful thinking. Most importantly, fast recognition of the changes in the nature and the working of the system was needed. Furthermore, the skills of abstraction for translating the technical innovation into genuinely new tools, goods, and services and to adjust their distribution via new methods in trading had to be applied. If these associative conditions were missing, then even innovations that once had been successful in the shortage economy were now destined for quick and traceless disappearance.

There are examples of both outcomes in the stories of our 'old' interview partners. The above mentioned computing business belongs to the typical cases of successful adaptation. In this case, one can observe a straight pathway that led from the repair service of data storage equipment to the development of data-recovery technologies and to building up complete data management service systems. This pathway was paved by continuous innovations that ultimately converted the one-time modest 'socialist manufacture' into one of the most successful large enterprises of the country.

In some other cases it was the privatisation process that kept alive the shortage-based business relations in an artificial way.

The illusion of a never-ending working of the technological and commercial divisions of labour that were meant to deal with the shortage gave the false impression of safety which, in turn, hindered the necessary adaptation to the changed market conditions. Further, the substantial delay of due accommodation gave rise to mutual blaming and a sudden crisis of trust which was then further deepened when the one-time partners found themselves in fierce competition with each other.

Having a closer look at such failing cases one may recognise that the source of the failure can be identified in exactly those factors that once had worked towards producing success. Flexibility that reminds one to the suppleness of the fast-moving lizard belongs to the essence of the shortage-based business. The key to such a moving is in constantly detecting and occupying the breaches that the shortage has created. But the market niches covering the breaches always were provisional and changeable by nature: one day they appeared here, then disappeared, and then appeared again elsewhere. Given these characteristics, such 'breach-covering' niches were not suitable for building up long-term business relationships, nor were they appropriate for designing and running technological lines and development strategies. In these cases, it was the fast reaction itself that represented a genuine value, and compared to it, both the profit and the professional requirements occupied secondary positions. And the failure came here: the upgrading of the technology and/or of the products fell short and if it took place at all, this usually happened with uncorrectable delay. But these delays were fatal: as soon as the coordination and the regulation of the economic relations were taken over by the demand and supply relations of the market the 'breach-monitoring' business strategy of the disappearing shortage economy was doomed to fail. Due to the lack of proper new relations serving stabilisation and the protection of the business in the long term, these strategies that successfully functioned in the conditions of all-round shortage now became the barriers against further development.

In addition to the above, socialisation to the shortage economy also had certain spill-over effects that influenced the build-up of the technical and business structures of production and that had severe implications on the operation and the management of the enterprise. The experiences that had been accumulated in the conditions of chronic shortage gave the foundations of large-scale technological innovations which later became the points of departure of private businesses in many cases. In such cases the innovations that were born under the pressure of shortage turned into the foundations of independent new business that brought safe income and decent profit for a while.

But it was revealed soon that the soil was muddy: the comfortable and guaranteed export contract which involved fixed prices became a barrier to creating new market relationships in the new competitive environment. The innovation that once served to counterbalance the negative effects of shortage in the field now became obsolete, and the strongly cemented adjoining technological and trading relations started to 'imprison' the business by seriously hindering a breakthrough to the market. As one of our interview partners recalls, the clash simply became unavoidable:

A very bad infrastructure evolved. The company owned a German subsidiary which bought the products of the factory at Salgótarján and sold them abroad. It was managed by a system that was based on independent accounting units inside the company and that served to measure the performance and to deal with wage-setting issues across the units. This system worked in all those areas of internal income-redistribution where the output price of the given units did not matter for the company as a whole. Our contracted partner company received the end product at a very low price. It was enough to meet the operation costs there. This was OK while the big enterprise worked but since this company has been separated the fixed price contracts became unprofitable. And practically a part of this process was the elimination of these contracts. A new export structure was

built which was based on new connections and new contracts... It was a very difficult step at that time... Nevertheless, this was the step that gave the foundation of the new structure which, in turn, later contributed to the development of new customer relationships. [12]

We met a number of different versions of such stories. The core of the followed strategy was to take advantage of the local knowledge. In practical terms, it meant to take over all the benefits that came together with privatisation, including the nearly automatic renewal of the firm's earlier market connections and the uninterrupted serving of the old patronage and/or of the circle of former suppliers. Since the owner feels safe in this environment, the in-built comfort of the inherited market conditions does not stimulate him for long to initiate any changes. Given the convenience of the 'self-propelling' relationships and procedures, he fails to engage in searching for new business connections and ignores the necessary innovations that would help a gradual adaptation to the changed conditions. One faces here a situation of genuine entrapping. On the one hand, 'the wheel is still on the move', hence it looks unreasonable to cause losses by leaving behind the customary routines and conditions. On the other hand, the first signs of a slowdown indicate that the time for change has arrived: it would be useful – perhaps compelling – to prepare new technologies, to develop new products and services and to explore new markets. However, the forces of inertia usually pull the company into the former direction. Of course, the sense of comfort is not the sole reason behind postponing engagement in any change: there are the pressures of the severe scarcity of capital and the widely shared fears of borrowing that come with heavy weight into influencing the decision about 'staying or going'.

It seems that the reserves of the shortage-based economy were exhausted within a decade. As to the reports of our entrepreneurs from the 'old' generation, the turnover, the income of their companies, the number of the employees and, first and

foremost, the amount of the yearly profit began to diminish in an unstoppable way much before the world economic crisis. Maybe we are not far from the truth when stating that one of the main sources of the long-term break of economic growth and one of the main reasons of the country's declining trend of international competitiveness before the Millennium can be identified in a paradox: 'marketisation' of the shortage economy by creating the relations of a quasi-market took place 'too successfully' in the last decade of the socialism. The quasi-market conditions made the pressure for change very weak: the past-related mechanisms still in work did not initiate new orientations and novel behavioural patterns while left the economic actors satisfied with the prevailing forms of making business.

We have to add here that the shortage economy had some impact also on those private businesses that came into being outside of the privatisation of state-owned firms or cooperatives. The interviews with our 'old' partners pointed out as a recurring motive that the necessary investment capital to start with had originated in shortage-based earlier businesses – be they businesses for producing goods, services, elements of a service-line, or efforts to countervail the lack of skilled and experienced workforce.

However, despite all the important similarities, the accounts of those establishing their own enterprises back in the early years differ in some key aspects from those whose independent business came into being via privatisation. The most important difference appeared in the weight that shortage played in the company's life: in the former cases response to the conditions of shortage always remained 'external' in its relation to the main activities and it involved at most a small segment of the entire scope of production. As the recollections of the circumstances of the start-ups back in the late 1980s and straight after the collapse of state-socialism reveal, the fast but intentionally transient response to the given conditions served nothing else but the immediate increase of income, and it was out of

any considerations to build some long-term business strategy on the shortage that brought such income as a 'godsend'. This approach allowed the involved companies to leave behind as easily and painlessly the niches of a shortage market as they had occupied those with quick but partial solutions when the opportunity occurred. A further important difference is shown by the cooperative relationships. In contrast to the 'privatisers', the 'early private owners' never made shortage a point of departure in building up their business relations. In their case, the autonomous business has built on its own, new, market traditions and considered the involved contacts as its points of reference when deciding about future investments, or the expansion of its production, or when seeking new market niches for its main activities, or in developing the inside division of labour of the company. Due to the mentioned characteristics, the businesses of the 'early private owners' reveal important similarities with those of our 'new' interview partners. However, there is an important difference between them: by the time the latter group appeared on the stage, shortage as a source of temporary and partial business transactions disappeared from the scope of economic operations.

The issue of labour force deserves a separate chapter in the description of the socialist heritage. The 'old' entrepreneurs hardly could circumvent those deep conflicts of the systemic change that accompanied the privatisation process of the huge socialist firms: these firms had been operated with severe over-employment entirely unfit to market adjustments. In its essence, over-employment involved surplus and shortage at the same time: on the one hand, there were many lacking the skills and qualifications for a future continuation, on the other hand, important skills and knowledge, like expertise of marketing and advertising, were lacking. Drastic and massive lay-offs together with a simultaneous fierce competition for certain specialists were the unavoidable outcomes of this situation. The dimensions of the realignment are tellingly shown by the contemporary statistical

data. By the mid-1990s, some 1.5 million jobs had been eliminated and the rate of unemployment rose above 12 percent. All this was accompanied by the dramatic increase of wage differentials and also by the mass proliferation of job insecurity. Nobody could feel safe: a placement of today could be easily lost by tomorrow. It is worth recalling that the general feeling of insecurity and the massive lay-offs called for a series of strikes and demonstrations. Although these events remained peaceful and they usually concluded in agreements through negotiations, the general fear of their turning into angry and conflicting mass protests was always in the air.

One may be surprised that all these changes, events and conflicts hardly left any traces in the interviews. While our interview partners gave detailed accounts about their struggles amid the ongoing fierce competition, one hardly could read about the purportedly difficult process of sending away large numbers of the employees and accommodating the internal division of tasks to the new requirements of the market. It appeared as it was as easy as putting into a suitable order the production line.

Even in a retrospect, the new owner-managers of the early times gave voice to their feelings of satisfaction: as they said, they did all what could be done for their employees. In line with this conviction, they presented a long list of services and facilities that they had established for maintaining the internal cohesion and, of course, also for raising productivity in their new company. Recollections of conflicts and clashes were entirely missing from these accounts. It follows that the emerging representations remained one-sided and strongly fragmented.

By taking the texts of the interviews with the new owners of the one-time state-owned companies as testimonies of their perceptions of the 'socialist heritage' in the world of labour and as expressions of their readiness to share or to refuse some responsibilities for its state, it becomes clear that their horizon reached out at best to those representing the best qualified stratum of the workers. The subjects of mass lay-offs, the workers of the outdat-

ed heavy industries, the large groups of the semi-qualified and unqualified labour force fell beyond this horizon in the old times and remained unnoticed by the new owners in the contemporary conditions as well. At the same time, they mention as an important achievement that the unity of the one-time labour force of the company could be preserved. In translating this statement into concrete examples, they list the old craftsmanship, the foremen whom they have known by name back for decades, and those in intermediary leading positions. Loyalty of these circles towards them and the reciprocity of such relationships are underlined as the most precious and safest foundations of the new business.

Such a tacit redefinition of the circle of the employees 'who matter' was motivated partly by business considerations and partly by a certain understanding of social responsibility. It was this latter attitude that many among our interview partners saw as the main difference between the Hungarian grand entrepreneurs and their multinational peers. Our interviewees kept on emphasising that, due to their embeddedness and personified contacts, the Hungarian businessmen see the issues of employment having key importance in the economy and society, while the managers of the multinationals lack such sensitivities and count only in faceless numbers.

Often a kind of entrepreneurial creed was formulated along this logic. Many among our partners presented the local employment policy as a primary concern of the business. They saw it in programmatic terms that all the employees – of course those who 'mattered' – should find their place and role in the new enterprise where all of them should feel at ease by organising the rhythm of the daily work according to clear principles and where, instead of the permanent ideological-political control from above, all of them should enjoy the fruits of proper work in terms of a decent income. The new conditions are described by a new terminology: the term 'familial ambiance of the workplace' more and more frequently appears in both the self-characterisations of the companies and in their advertisements. The fundamentals of 'familial

ambiance' have been known for a long time: the patterns of the caring boss come from the socialist past as well as the sources of proud identification with one's firm that finds its origins in the emotionally heated, personified relations that once surrounded some famous giants like the '1st of May Factory' or the 'Red October Complex'. The modernised versions of old corporate togetherness appeared soon. Uniform work-clothing decorated with the company's logo, a football team named by the firm, a well equipped and friendly modern canteen, less frequently a company club offering a range of recreation and leisure activities are all to serve the deepening of corporate identity and to strengthen in-house community networks. It well may happen that the creation and the permanent maintenance of such deep-going labour relations proves to be as hard a task as running the business and keeping it on track.³⁴ In several cases, moulding and supervising the conditions of a good atmosphere took top priority in shaping the new enterprise:

But the main goals have been achieved. My clear aim was to establish a farm, to create a mode of farming that serves as an example to be followed. It should be a workplace where people feel comfortable and are happy to work. We cannot pay them too much but everything else is available for them, despite the costs that are involved. And they cannot find similar conditions elsewhere. This firm offers some sort of a living-space because plain agricultural activity and farming are two utterly different things. It is a way of life here, it is some sort of contact with people which differs from what one experiences on the big industrial estates and at the large firms. [22]

The new owner-managers of the once state-owned companies have a deep and detailed knowledge well beyond the staff of

³⁴ It is important to note that the patterns point backward, well into the socialist traditions. As it will be shown, the 'new' generation does not find them worth following: their efforts for creating the company's identity are driven by new values and new conventions.

their own companies: concerning at least the representative professions and expertise, they are also very well informed about the other companies and factories of the branch or of the area of production. There are old stories behind this knowledge: shared illegal businesses in the semi-secret times, reciprocal work on a friendly basis at the weekends, memorable corporate events or programmes of the Communist Youth Federation. No need to mention that such memories connect with others. That is why trust and loyalty are among the fundamental values in these circles that sometimes prove even more important than one's skills, endurance, or knowledge of certain production practices. The hierarchy of values is clear, indeed:

People like me would select figures, who consider the tasks as their own. One of my fellows – we started together in the past – used to be the chief accountant of the small cooperative. We graduated together and he has been with me since then. Back in the old times, I personally knew all the workers, I interviewed the majority of them before they entered the company... I can't stand it if the workers cheat me. If they are not honest and I discover something, they are fired immediately. I tell them in advance: honesty is one of the most important things for me. And if any of them tries to fool me five times or six times – it may be that I discover it only at the eleventh attempt – I immediately say goodbye and we depart. [14]

The launching of the company – what many experienced as a kind of 'resumption' – often upset the established hierarchy. The systemic change stirred the emotions, values and orientations: a political punishment of the past might have become reinterpreted as a merit; the informal rankings of the one-time auxiliary workshops and of the hidden cooperation within the framework of the second economy have become twisted around by turning into the points of departure in forming the new hierarchies of positions. Out of all these changes amazing new structures have emerged that were cemented by a widely

shared dedication to the radical changes and by the readiness to build an entirely new social construct on a new onset. One of our partners gave a vivid description of those years:

Everybody was a carpenter by profession and there was an unskilled helper with a university degree who is today the director of logistics and one of the owners – but he served as a helper for six years in that little core. And there was a surface treatment worker, a painter, who is still doing the same. Then there was a carpenter who is still in this job. Another carpenter became the shop-superintendent. There is yet another carpenter who is responsible for the quality assurance and he is the project manager nowadays. And there are the revenue officer and me. Oh sorry, there is another colleague of mine who was a carpenter and who now deals with the so-called metal vehicle supplier subcontractors. He has been moving upward, for sure. And after five years I faced a personal assessment at a certain management training course. I sat down in the circle of my colleagues with the aim to find out whether I was able to preserve my sense of reality. And in the course of the tests it became obvious that everyone felt good in his or her position. There were rarefied questions put in a complicated manner but the answer was recurrently the same: people felt that they were OK in their positions and they would not initiate any change in the company's management. It means that the team is as it has been since the start in 1990. [11]

With the shared experience of the now waning state-socialist history behind them, the new owner-managers intended to give new meaning to the commonality of the local collective: according to their design, the privatisation of the firm had to be managed in a way that ultimately makes all the employees the winners of the process. Beside the moral dedication to fairness, such an approach was dictated also by business considerations: in an exsanguinous economy grappling with a severe shortage of capital, the most important sources of economic advancement were knowledge and close cooperation. One of our 'old' partners put the requirements in the following way:

I called a meeting of the workers and I asked for two things. And from the poultry-cleaning lady to the head of department they all accepted my proposal that they ought to take care of two things. The first was that they should accomplish... the annual plan that I signed, because I was unable to perform it alone. My second request was that they should make all efforts to keep the state of anarchy that characterises the country at the moment outside of the firm. »If you act this way and help me to manage the company I guarantee that your standard of living will not decline. It will not increase, one cannot be sure that it will increase, but it certainly will not decrease.« [22]

At the same time, one has to pay quite a high price for maintaining in an unchanged way the size and the composition of the local labour force: the relations of dependency can become extremely strong and attempts at tight subordination may conclude in severe conflicts. While in the past, the hierarchy of positions was moulded by the invisible 'system' that dominated all segments of society and that was somehow counterbalanced by an unconditional acceptance of and a tacit self-defence against the rule from above, the new era is characterised by the harsh and unmitigated relations of face-to-face power. However, the fear of the 'uncontrollable forces' remained high: the employees worry about their jobs and the bosses worry about the human capital that represents the most precious asset of their company. The uniqueness of the local workforce is clear:

Well, out of those who worked under my directive in the past, the majority still work with me. Due to my good relationship with the employees, I could select the best people when I went private: they came with me because I was working in this same area and people knew me. And they looked up to me. Those whom I invited to join were pleased to do so; most of them still work with me. If they were not around, the situation would be much harder for me. I could not 'ride' so easily, so to say. They have been working here for 20 years by now. They are fair and decent people therefore I am in a good position. From time to

time when they slow down they need to be shaken up a little bit. I have to do this from time to time – not in a harsh way, but tenderly and by avoiding break-ups. For I would be badly off if these people left: I could not find substitutes for them, for sure. [18]

Due to the ultimate waning of the illusion of the strongly believed unbreakable unity, the later layoffs were usually extremely painful. Hence, our 'old' entrepreneurs kept postponing such decisions up to the last minute. Despite the apparent decline of the efficiency indicators and also of their firm's competitiveness, they made all attempts of preserving the initial, cohesive collective of the one-time heroic epoch. There were professional and humanitarian considerations behind their efforts: on the one hand, they were motivated by a feeling of responsibility towards the old workforce, on the other hand, a clear interest in saving the skills, knowledge and experience – and, of course, also the unconditional loyalty – of the collective inspired them. That is why they were willing to do a lot of things. If they owned more companies instead of lay-offs they used several tricks of restructuring the labour force between these units. There were cases when – as a forward escape – they started a new business (and completely got out of the old company) whereby they spared actually themselves from confronting the nastiest. Of course it was not easy to manoeuvre between the requirements of the market and of the multiple labour-force policy. This practice needed a lot of capital trust:

Only a minimal amount of assets plus about a dozen of people and some used equipment remained there. Then I made the decision that as a boss I was somehow responsible for these people whom I had lured to join my firm. Therefore we decided to try to find some solution and founded the Daruline Company Limited in 2002 strictly on a family basis. There were only two owners: the daughter of my wife and me. She graduated at the Department of Accounting of the University of Economics in those days. She gained her degrees in accounting and marketing.

She was trained in everything that was needed, also including a degree in logistics. She had an all-encompassing view on the whole firm. Although formally she was a new entrant she had gained an insight into the company's life several years before because she has been living in this atmosphere at home. [20]

As the interviews indicate those becoming the new owners out of the one-time representatives of a now decaying old world found themselves in deep confusions regarding the human relations of their businesses. On the one hand, they were strongly bound to the shared past and the exciting collective experiences of starting a new firm. On the other hand, they recognised the pressures of the market and were aware that aspiring to a leading position in the market segment of their business involves a change among the employees by giving priority to people with new skills, knowledge, and professionalism. The outcome of the play of these conflicting forces usually was the emergence of a peculiar local labour force policy which was characterised by a slow and gradual cut-back and by a restructuring of the manpower more in favour of maintaining an internal harmony than to be responsive to the market challenges. The choice implied a price, of course: it was the slowdown of the company's growth. Nevertheless, such decisions were accompanied by the good feeling of seeing well-known people all around whose good and weaker sides have been known to the owner for long and whose unconditional loyalty and personal affection were unquestionable assets for him. And, as already mentioned, these qualities proved to be more important than the short-term profit. The owners had good reasons for such options: there was a lot from the past that was better to conceal. After all, one's one-time party secretary engagement, or the (fear driven) joining of the workers' militia, or the political-professional abuses remained remembered for decades. In the unclear times of the transition, it was uncertain whether such involvements would be punished and what the punishments would be – the sanctions could perhaps go as far as to question the legitimation of ownership and to

challenge the newly attained position. Attacks may come anytime from all directions and from the old foes. In brief, the surrounding people know too much about each other and while this knowledge can provide the basis of cohesion and solidarity, it can equally well become the foundation of vulnerability and mutual humiliation. The new democratic ideas and the verbal dedications to them are hardly of any help: fear has not disappeared for long from the stage of the workplace relationships. As we shall see soon, fear has been among the important drivers in the formation of the management, the recruitment of those fulfilling the most important positions and the involved relationships bear upon the traces of a peculiar mixture of suspicion and complicity that have been so characteristic for the post-socialist human relations till today.

In sum we may say that, despite all their skills and artifices, the rapidly rising entrepreneurs of the transition remained prisoners of the outdated socialism. Their in-between position had been the source of their initial advantages but later the very same position created those barriers that remarkably slowed down the growth and that then concluded in the actual shrinking of their companies. This becomes especially clear when compared to the positioning, the market reactions, and the business philosophy of the members of the 'new' group. As if the representatives of two different worlds were speaking. But the members of the two groups are living in the same environment, in the same social, economic, political, and cultural surroundings.

RELATIVE ADVANTAGES GENERATED BY THE DIVERSITIES OF DEPARTURES

Diverse business behaviours

When looking at the conditions that moulded the start and the functioning of the businesses of the 'new' entrepreneurs, one does not see any traces of the shortage economy. By the time of the business start-ups of the group – around the new Millennium – the prevailing conditions have profoundly changed. The dominant part of the property was in private hands; the institutions of proper market regulation were put in place; the privatisation process practically came to an end; and the ownership structure took up its ultimate shape. Given the chronic scarcity of capital, only those could start a new business in this environment who had already accumulated and/or who had mobilisable assets at their disposal. It was practically impossible to appear on the scene as an unknown, brand new player coming from nowhere.

It is then no surprise that one experiences much less diversity of the starting options among the 'new' entrepreneurs than among their 'old' peers: the options have substantially narrowed down. As we documented earlier, after the mid-'90-ies, business start-ups were manageable only in the framework of the classical market conditions. Market entries were founded on accumulated capital, sometimes on loans, but more often they were based on market changes which relied on family traditions. The latter was the dominant form in the group of our 'new' partners that took place in a wide variety of organisational forms. The 'new' entrepreneurs entered the market as reorganisers, permanent operators, or revivers of family businesses which had been

working for a long time. In other cases the division of the original family business and the agreed separation of the new owner established these business careers. Despite the great diversity of the stories, it is a rather uniform trait that the family serves as a kind of 'springboard' for the new entrants. Given such an outstanding importance of the kinship relations, below we take a closer look at the complexity and the variations of the unfolding roles of these private terrains. But before doing so, we may emphasise in advance that these start-ups and the circumstances (which somehow formed the persisting strategies) decisively differ from the conditions which defined the start-ups and developments of the enterprises of our 'old' interview partners.

The first and most important difference stems from the fact that while the 'old' businessmen remember the first stage of their entrepreneurial past as a heroic age of creation and as a peak of their personal performance, the relating of the members of the 'new' group is more factual and it involves a traditional attitude to entrepreneurship as a natural state or as an 'occupation'. They consider the established market environment as an aptitude, as a natural state and they accommodate their strategy to the rules of it.

At the start, they followed one of two characteristic ways.

Members of the smaller subgroup began their business career as traditional small entrepreneurs. It was mainly in the area of trading where one still could find some unfilled market niches. The starts were usually built on the deliberate search of such 'holes'. In fact, systematically searching and smartly utilising such market niches meant the core of the business strategy of the members of this group. They usually started the business with a modest amount of money that was backed by the carefully mobilised and cautiously calibrated loans from their exceptionally extended network of contacts. In their conduct, they focus on a definite segment of the market. By clinging to the recognised options and by investing in intensive marketing and market research activities they extend the supply step by step,

yet always in a way that it should follow but never supersede the demand. Clearly, the business behaviour of these 'new' entrepreneurs hardly shows anything in common with the 'excitement' of their 'old' peers whose permanent agitation was generated and renewed on a daily basis by the unpredictable forces of the transition economy. The 'new' businessmen may count securely on the market, therefore they may wait calmly until the time for the next step arrives. After selecting the suitable profile and following the first successes the business extends in a spectacular speed that is not fed any more by shortage but adjusts itself to the rules of competition. These rules imply selling more in better quality and expecting permanent growth on these simple bases. Their observance requires consciousness and patience. As one of our 'new' partners put it:

We enjoyed the life of the playboys but remained cool and balanced. We did not rifle the company. We defined a good salary (measured by the standard of that time). We took out about 30 thousand forints a month each. But I have to emphasise that we have not gone after the consumer. Practically we were not forced to do that because the business went well. It was in '91 until '93 or '94. Later our yearly turnover tripled. The prosperous company became even better. [53]

The second type of start-ups, which is represented by the majority of our 'new' interview partners, leads through the family businesses. In the eyes of the members of this group, continuity between the generations is a self-evident and primary goal when thinking about a new business. They consider it as the point of departure to build on the history, the clearly formed profile and the established market relations of the family's business in all future operations, be those actions and interventions based on the partial or full takeover or the purposeful reshuffling of the existing enterprise. For the most part, members of this group are of the opinion that their task is nothing more than taking the next step on the foundation of what their parents had created.

This usually implies the transformation of the earlier small-scale and self-reproductive business into a growing modern enterprise by applying well-targeted innovations and by a systematic and careful searching of the yet not-covered market niches.

In this context, this group of the 'new' entrepreneurs pays particular attention to the accumulated professional experience at disposal: in fact their innovations arise on the very basis of such long-term practices. Many of them grew up with the business: from their 8–10–12 years of age they spent the afternoons and the summer holidays on the plant where everybody knew them and where they knew everybody and where they gradually learned the strengths and the weaknesses of the firm from all its angles. And when the time comes, the young people who grew up with the plant often come to the conclusion that there is not too much to the point to continue education beyond secondary graduation; it seems fully satisfactory for them to envision a career within the frames of the gradually growing family-firm. One of the common consequences of this attitude is the high occurrence of atypical educational careers in this group: although many obtain a degree at last, their return to education takes place – as we saw it above – after long years of a break. In the meantime, they manage to gain some training, but the only base of such autodidactic self-instruction is the company which keeps on determining their everyday lives:

I began to work at my father's workshop... Later, when we dealt with product developments, glass bending caused the most trouble, it had to be found out how to bent glass to the mirrors in an appropriate quality. When our first oven was set up according to my design and under my supervision, we became capable of producing a high quality whereupon it was our firm that got nearly all orders in the profession. This experience showed me that if I decide something and we accomplish the decision in a proper way then I am able to fulfil my plans, and this gave me a good feeling, indeed... There was a market demand for this unconventional product which others were not very capable to produce in

that time. We have had our technology and the knowledge to do it. And this is how our business started to grow. In fact there has been an unbroken growth since then. We doubled our income in nearly each year during the last decade. [44]

Regardless of whether the goal is to develop the firm that was set up by the parents or it is to expand a newly established small enterprise, it is of profound importance to have in-depth knowledge about the market environment. However, the 'new' entrepreneurs look at this environment in ways that fundamentally differ from the approach of their 'old' peers. The most important difference appears in the two groups' relationship to the multinational companies. As we saw above, the 'old' entrepreneurs often considered the multinationals as unbeatable competitors that enjoy marked advantages in the market not only due to their strong financial background but also due the tax benefits and preferential loans provided for them by the Hungarian state. They often complained that, backed by such multiple advantages, the foreign owned companies threaten their very existence by their aggressive attempts at buy-outs. The 'new' entrepreneurs, however, valued the presence of the multinationals as an endowment and took the structures that they created as given. They would not venture into areas where they would be unable to avoid competition, but they are open to all forms of business contacts with the foreign partners. As the stories reveal, in several cases they themselves look for the market niches that appear around the multinationals. A good example is given by the cooperation with a large motorcar company which needed component-producer subcontractors, or another one by a nationwide food-chain that sought partners to manage the wholesale purchase of milk and meat – the 'new' entrepreneurs were ready to occupy these niches and build long-term businesses on them. They enter such subcontracting with trust and well-established self-esteem: their earlier successful accomplishments and the conviction that such stable foundations are needed in any case are enough to approach the gigantic partners without fears and worries.

At the same time, it is important to see that the plans for stabilising the business through contracts with the multinationals are translated into rigorously separated activities in strictly circumscribed units within the firm or are approached by new start-ups. This strategy strikingly differs from the behaviour of the 'old' businessmen who, as we saw, tried to implement the establishment of a new line and the leaving behind of the old one at once and with the same vigour. The two different strategies imply different attitudes and different behaviours. Members of the 'new' group rarely report glorious events of the 'heroic age'; they acknowledge the dominance of the multinationals as a fact with pragmatic implications; they try to counterbalance their subordinate role by conscious extension of their business independence and by precisely defined purchase-contracts on an equal footing; and above all, they feel safe. By using the language of sports, one can say that the 'new generation' is better mastering chess than high jump: they aim at safe and steady growth, but they never hope for a speedy break-through, what is more, they see such occurrences as fortune's gift and downplay their importance. The attitude is fairly typical:

I always concentrate just on the next step... I never wanted to have a big company. I accomplished something and came to the opinion that I could have done it better. And the project grew spontaneously. But this growth was not driven by any aspirations to become the biggest company in the world. [56]

The imprints of diverse life-experiences

Of course the differences of attitudes are deeply embedded into the life stories. The 'old' entrepreneurs were typically employed by large industrial companies, large state farms or agricultural cooperatives before the collapse of socialism and these kinds of large organisations appeared in their imagination after the systemic change as well. There were some who were stimulated

by the 'ordinary' plant size to buy more and more assets. These people feel insecure as owner-managers of a small meat plant or of a spare part manufacturing business with a few workers. However, they feel they are in the right place once they own 10–15 such plants.

The family-run company based socialisation of the 'new' entrepreneurs involves an affinity towards small sizes and transparent dimensions. At a first glance it seems a paradox but it is not: their companies have grown remarkably in size but their organisation building and managing strategy somehow retained – and suitably adapted – the routines and the patterns of the one-time small business. They often organise their high grown companies as a chain of small businesses or of a bush of small plants because they are at home in reviewing the production lines perfectly in these smaller units and because this way they are able to have direct or personal contacts with the employees. They are convinced that these contacts are not only the source of efficiency but they make up the safe foundation of the consciously defined 'corporate lifestyle' that is frequently mentioned as an important constituent of their business. The 'small is beautiful' attitude is for them the key of fast and flexible adaptation as well. Although it is not dictated by the shortage economy any more, but speediness and sharp reactivity keep on to be important for being successful in the new world of the 'niche economy'. Talent and the local knowledge are necessary but not enough in detecting and fast occupying the niches. A third component is also needed and this is one's command over an organisation which can be reshuffled according to the arising new goals by its apt size and by the relatively simple structure of its internal division.

Despite all the above, the most important differences in the business strategies of the 'old' and the 'new' entrepreneurs manifest themselves not so much on the domestic market, rather in their relationship to the rest of the world. As we discussed it above, this is a complex issue which includes the paths of ac-

cumulating experiences in young adulthood, the knowledge of elsewhere applied company management and professional developments, the ability of moving safely and bravely in the European – moreover, in the global – space, and the courage to engage in such movements. But above all, relationship to the outside world includes *the command over foreign languages* what is the single most important precondition, the foundation and the drive of all the listed accomplishments. Our entrepreneurs form the ‘old’ generation saw and clearly formulated it already ten years ago that the main obstacle of the growth and the efficient management of their companies and also the main barrier for them to enter the European bloodstream was their lack of knowledge of foreign languages.

They tried to counterbalance this disadvantage in many different ways. On the basis of exceptional trust, they involved as interpreters some close colleagues who not only could speak the language of negotiation (mostly German or English) but who also were familiar with the details of the technology and the trade and this way were able to control the potential hidden traps of the emerging deal. There were other cases when their own children were up to this task. They not only enrolled their children to distinguished universities but after graduation they offered them different elegant jobs within the company. The aim of these manoeuvres was to find the organic solution: the young owner (owner candidate) – who became more and more familiar with her/his role in the company – would manage the business transactions. The education abroad of the offspring delivered not only some foreign language knowledge to the company but it was the source of (in Hungary mainly unknown) marketing skills, development strategies, and team building methods as well. This way the next generation who were educated at prestigious universities abroad brought home whole new cultures and topped by their fluency in languages they frequently became the major actors of modernising the company:

We are in the middle of a qualitative change which is propelled by educating the head of all development: my son. Abroad he learned all what is needed for our development. I continuously learn from him – and of course also from my colleagues. Now I feel that after ten years I am competent, but this competence will be surpassed by another ten years; I learn but my knowledge will never reach their standard. [9]

In many cases in the 'old' group, the lack of linguistic knowledge slowly became the barrier of modernising the company. Regular follow-up of the foreign professional journals faltered and then ultimately ceased; it became more and more difficult to organise study-trips abroad and thus professional exchanges dropped out of the business routines; and through all these, expanding relationships with the foreign representatives of the profession could not be maintained and slowly died out and this way the foundation of organically integrating into the market became lost. It is needless to say: the old contacts dating back to the socialist times hardly could function as substitutes in providing dynamic drive, rather they deepened vulnerability and traditionalism. No wonder that the majority of the 'old' entrepreneurs feel safe mostly within the country. If they expanded their business in the course of the past ten years this was made in the direction of the less developed countries of the East-European region: Romania, Serbia, Ukraine – sometimes Slovakia – were the target countries of their careful steps but a few years later they usually exited these markets as well.

In comparison to their 'old' peers, members of the 'new' group enjoy unmatched advantages on the terrains of language skills and knowledge of the foreign world. As we have seen, when they started their first business they already had command over one or two foreign (Western) languages. This advantage partly followed from the age difference: being ten-fifteen years younger than those in the 'old' group implied a turn in education whereby the once enforced and ineffective Russian classes were replaced by teaching Western languages. The replacement was

more than technical: it gave new inspirations and lasting motivations. No wonder that quite a few among our younger interview partners remembered gaining usable basics in languages during the four years of secondary courses. It was equally important that the parents often gave higher priority to language learning than to obtaining a university degree. In their eyes it was pretty much the same whether the young person continued studying beyond the secondary level or not but it was almost sure that the parents contracted a language teacher for extra private lessons or enrolled him or her in at least weeks-long intense language courses. The demand for language skills seems to be democratised by now: as the interviews reveal, these days the acquisition of proper linguistic knowledge is as important for the working-class parents as for parents from the intelligentsia. The prevailing differences entail only some practicalities: given the lack of contacts, working-class parents usually find it more difficult to identify the best institutions and the most appropriate forms of language teaching, however, with the help of a teacher or a colleague they succeed at last.

As was discussed earlier, the emphasis put on the acquisition of at least one foreign language was just one among the essential constituents of the training of the young generation. The accumulation of experiences in foreign worlds enjoyed similar importance in their eyes. No matter whether the parents considered their children as successors or they supported other career paths, roving abroad for one or two years after graduation has become a general norm in these families. Without exception, all our interview partners from the 'new' generation were engaged in such journeys at their age of 18–19 years. The destinations were mainly the German speaking countries: according to the recollections, the foreign experiences were mainly collected in Austria, Germany, and Switzerland. In most of the cases, the actual activities that the youngsters engaged in had no direct connections to their later occupational trajectory. At this stage, the point was not the build-up of a professional career but the ac-

cumulation of life experiences in the broadest sense of the term. Hence, it did not cause any troubles for the young to earn a living by carrying out unskilled physical labour or by engaging in low-level administrative work. In some more fortunate cases it was a relative living abroad who helped to find some better jobs that often entailed the additional advantage of providing the base for later lasting business relations of the young visitor.

Beyond all such experiences, becoming acquainted with the foreign world is important for the 'new' businessmen from other angles as well. Those who are living abroad for years have the opportunity to gain some insight into previously unknown work cultures and management methods. In this regard, sharing the perspective of the blue collar workers in looking at the structure 'from below' might render some extra benefits. Such adventuresome experiences are well fitting into the peculiar (self)-educational programme of the young entrepreneurs. As they reflect on those times from a distance, they recognise the importance of the early impressions in shaping their corporate philosophy and see the imprints also in influencing their thinking about the composition and the internal human relations of their company's workforce and, above all, in forging the desirable spirit at the workplace. At another level, those years abroad were associated also with creating the foundations of financial independence. For these young people, the higher than Hungarian salaries gave the opportunity for some savings that were enough to establish their own conditions of life. After returning home with these spiritual and material goods in their pocket, the young wanderers entered a rather difficult and sensitive task³⁵: leaving behind the traditional relations of parents and children,

³⁵The restructuring of the roles within a family is not a conflict-free process. The paternal authority may not diminish but, at the same time, the business requires a generational change that, in turn, involves the redistribution of authorities and the transference of certain responsibilities. As the interviews reveal, the challenges caused some difficulties for both fathers and sons. In this context, efforts for maintaining the mutuality of trust and willingness for finding suitable compromises are basic issues for both parties. We will show

they put in efforts to create some kind of partnership with their parents. Based on this partnership, they founded their first independent business. Even if their newly formed enterprise formally remained under the umbrella of the larger family unit, the independence of it as a distinct entity was acknowledged by the parents and the employees as well.

Diversities in the composition of social capital

The interviews demonstrate that our partners of the 'new' generation took particular care of their accumulated social capital which was more precious for them than money: a few years after starting their own business, their foreign friends and often even their former chiefs appeared on the stage as business partners and contracting parties. Based on the old relations and the common grounds of the one-time experiences, these relations usually become the foundations of smartly designed and mutually beneficial businesses. By comparing their orientations to those of the 'old' generation, one may observe a remarkable geographical shift, too. By combining the acquired skills, the cultural experiences abroad, local knowledge, and the sensing of the local environment, the 'new' entrepreneurs turn towards the West in their attempts at expansion. They feel that the European space and sometimes even the overseas world belong to them, they sense how to approach these worlds, and therefore it is not a problem for them to start a business anywhere beyond the Hungarian border. It seems very important for them to be involved in the Western 'bloodstream'; therefore, they see it a personal task to constantly refresh and to keep up-to-date the knowledge that is required for maintaining such an involvement. They are surprisingly well informed about the different taxation systems as well as about the particular market regulations in all the potential areas and regions that they might approach and this knowledge

below the evolving patterns for overcoming the arising difficulties that may prevail for quite some time.

is of utmost importance for them in making well-informed and secure business decisions. The less developed regions of Eastern Europe are not on their palette. Ukraine, Romania or countries of the Balkans were mentioned by them at most as sources of easily available cheap labour force, but these countries and regions practically never were considered as fields of new investments.

The above important differences help us to interpret the divergent paths of the two generations. As we see, the 'old' generation used up its potentials and also its capital. Their resources have shrunk and their assets have melted. For the 'new' entrepreneurs the major source of trusting the future is the obtained knowledge and the implied feeling of self-assurance that help them to manoeuvre in the Western economic space. Based on the acquired 'westernised' skills and knowledge they develop a high degree of adaptability that their 'old' peers cannot even dream about. It is their deliberate strategy to establish businesses that, if needed, easily can switch to new activities and that equally easily can be transferred to another country or into another profile. For the members of the 'new' generation, the strategy of 'multi-pillar footing' – this widely shared lifestyle, attitude and practice – implies constructing a multi-focal structure as the foundation of their business that allows them to adaptively shifting the weight of different activities. In contrast, the 'old' entrepreneurs withdraw to such multi-focal structures driven by defensive attitudes, and if they engage in such an orientation, they mostly do it by creating a horizontal chain of small enterprises that, apart from the unity of ownership, are not in any particular relations with each others.

These different orientations directly affect how the members of the two groups think about the employment policies of their companies. As we saw above, in case of the 'old' entrepreneurs, the careful preservation of the group of the bests among the once inherited workforce provided the base of the business as well as it guaranteed safety and also served as a usable springboard for

setting up the human profile of the new enterprise. This kind of lasting though sometimes rather discomfiting attachments can be reasoned by the deep-grained production routines and also by the ambivalences of the commonly shared socialist past. Additionally, also the size of the company mattered: regardless of the extent in the reduction of the workforce, the 'old' entrepreneurs still maintained rather sizeable businesses with several tens – if not several hundreds – of employees. After finding the balance between reduction and preservation, these 'condensed' companies usually slowly turned to the most profitable parts of their revived endeavours.³⁶

When defining their position in the developing market economy, the 'new' entrepreneurs applied an utterly different perspective. In understanding the departure between the orientations and the behaviour of the two groups, the difference in the customary sizes of their companies and plants turns out to be of great importance. It is worth to recall that, in contrast to the 'old' businessmen who have worked with large units in their entire life, the majority of the 'new' entrepreneurs started their entrepreneurial careers by engaging in the families' small enterprise. Apart from the members of the family, these starting businesses usually employed just one or two 'outsiders' who were, for the most part, old friends or proven fellow workers of the parents. Through the glass of this closed small unit all others appear as 'strangers' who are typically unknown and lack any personal characteristics. The sharp distinction between the 'inner core' and the employees' collective is maintained all along. The borders are clear and these function as real frontiers: employees never join the family. The reverse is also true: the role of the family members is clearly defined and it is well separated from that of the 'outsider' employees. Plentiful ideas and ambitions and ideas arise on the family side of the strict border and

³⁶ Those who came from the second economy of the socialist system run typically networks of businesses and connected plants. The units in such chains usually were bigger than the average small businesses.

important decisions are taken within this circle. At the same time, one cannot recognise distinguishable profiles and figures on the other side of the dividing line. At this end, the relations are regulated by general rules and contracts that are lacking any personal involvements and human characteristics.

When the expansion of the business requires new employments, the pattern that this 'new' generation of the entrepreneurs turns to is exactly the same as what they follow with regard to any other constituents: they formulate the task according to the requested professional criteria and then fulfil it according to established 'technologies'. Although personal contacts have a certain importance in the conditions of general distrust, the selection process ultimately follows the routines that are applied in cases when the candidate comes at the recommendation of a head-hunting firm or through advertisements. And at the rare occasions when people with extraordinary and 'scarce' skills are sought for special posts, the ways of making bonding contacts are shaped according to the rules of management science and follow western patterns. One of our 'new' interview partners describes the process in the following way:

Like anyone else, we recruit people by mobilising our own connections. We employ a HR manager we advertise jobs and inform our acquaintanceship. Then people come to be interviewed, we assess their knowledge and skills and then we select those with whom we would like to work together. And then the decision is theirs whether they also want to work with us... The specialty of our firm is my promise to all employees that if the company can go on the stock exchange or if it would be sold, all those currently in employment will get their share of the income. This method is pretty standard in the United States. In Hungary it is less popular but I hope it will motivate a great number of people. Unfortunately, many colleagues do not understand the essence of this offer, but I hope that slowly everybody will get it. [39]

The market relations between the firm and its employees also require the avoidance of developing strong personal ties. The

'new' generation does not consider it their task to take a share in the social responsibility for increasing the extremely low level of employment: they look at this issue exclusively from a business perspective. At the same time, their 'matter of fact' orientation is coupled with a significant transformation of the relationship between the company's owner(s) and its employees. The heart of this transformation is to provide less 'caring' paternalism but to render more and better services for the entire workforce. Our partners often list these provisions as parts of their 'legal obligations' but by having a closer look at these new 'civil' partnerships one may recognise a well prepared business philosophy in the background. They are ready to acknowledge that high-quality work can only be expected from people who are respected and who enjoy the clear expressions of an attitude of appreciation towards them. As part of this recognition, the 'new' entrepreneurs are ready to express their esteem by providing an attractive work environment with a clean bathroom, a well equipped club and library, a nice dining room and sometimes even by investing into the support of the local football team – all these are seen by them as parts of building the 'brand' of the company. Such investments into expressing respect may become a major incentive for the employees: a further important constituent of the 'new' entrepreneurs' democratic orientation is their readiness to provide opportunities for upward mobility for them. As one of them put it:

We are, so to speak, flexible in finding and selecting the right location where the necessary labour force is available and where we are not short of expertise. The key of our and of the company's successes is a very important thing: we were able to find well trained, motivated, and dedicated people who wish to be employed at a stable workplace in the long term. And we were able to keep them here... There is a great emphasis on the attention to the employees... The workplace atmosphere is excellent, I think, the level of fluctuation is very low. There are many in our upper management who started their career in a lower position but developed and became one of the managers here. [36]

Meanwhile new values are formulated. The company's employment strategy is part of drawing a strong market profile: not only the products but also the people who construct and create them have to have unmistakable qualities. The demand for high quality is among the most important constituents of the successful business, therefore everybody from the top managers to the traders have to be involved in the cooperation that quality management necessitates. The association is clear:

It is a story of authenticity. You have to be authentic. You have to have your expertise in what you are doing... you can't be a flamboyant deceiver in today's world. This was the reason why I trained myself so intensively. The issue at stake is what you achieve on your own in marketing and also in the technology... The other factors like personal connections serve only as refinements; you can't produce by focusing only on your relational capital. [34]

In this context the earlier described orientation of building the business on the 'holes' in the market niches plays an important role. While the 'old' entrepreneurs look at the multinationals as rather dangerous 'wild creatures' and try to keep away from them, their 'new' peers look at these organisations in their customary pragmatic way when matters of employment are considered. They attempt to take advantage from the given conditions by acknowledging that the 'multies' are not only investors, producers and traders on the Hungarian market but they are also the conveyers of certain principles and images that drive them in slowly transforming the domestic labour force. And because the appropriate forms of training are missing for the most part, our 'new' partners find it particularly useful to acquire highly skilled workers who were trained at one or another multinational company:

I may say that employment is somewhat more mixed at us. Many are employed here who came from the management of a 'multi' either because of being fed up with the work there or because

the company was closed down or for any other reasons. These are very qualified people; the multinationals are excellent in training and those who came over all are very well trained, experienced, smart, disciplined and reflective managers. But this is still not the typical case: the majority of the leadership came from among those who have climbed the ladder within our own firm.³⁷

As our interviews indicate, despite their pragmatic-technocratic attitude the 'new' entrepreneurs are as good in keeping on with the company's workforce as their 'old' peers are. Although the former often have been forced to fire a part of their workforce in the years of the world economic recession since 2008, they made strong efforts to limit lay-offs to a minimum. Further, they tried to manage such discontinuities by leaving the doors open for the ousted employees to return when the firm's prospects turn to the better. Apparently, this is a great concern:

There were 800 employees at the company in 2008 and this number fell to around 700 by now. The number of employees diminished less than the turnover but we think, and we mean it, that our colleagues represent the greatest value here. This is why we made all efforts to limit the lay-offs to a necessary minimum and tried to avoid going beyond this. [37]

Regardless of age and the type of the enterprise, the atmosphere of the workplace matters for all our interviewees. Nevertheless, the methods of taking care of it seem to be different between the two groups: in opposition to the paternalistic approach of the 'old' entrepreneurs, their 'new' peers, while putting personal appreciation into the focus, seem to forge more distanced relations with their employees. The departure manifests itself in slightly different approaches to team building as well. Although our 'new' interviewees emphasise that in their capac-

³⁷ These sentences are from an interview from the year 2000. Our partner was one of the 'old' group who refused to give us an interview in the second round.

ity as employers they aim at establishing good relations with all their employees, they mean rather depersonalised contacts and hardly ever use the term of the 'homely workplace' which is, in turn, a frequent expression among the members of the 'old' group. For the 'new' entrepreneurs, the cornerstones of the good working relations are politeness and respect, but they are not particularly inclined to provide some sort of charitable support. They consider it a cardinal issue to pay decent wages and salaries to all their employees. The importance of this issue is tellingly demonstrated by our interviewees' recurring reference to the preservation of the level of payments as one of the greatest achievements amid the difficulties of declining performance and rising taxes. All our 'new' partners report that 'the rate of fluctuation is very low at us' and they explain this development by focusing on creating trust at the workplace. They assume that the respectful jobs that they provide represent the 'islands' of stability that are safeguarded by preserving 'normality' in the present turbulent world. 'Normality' as a guiding principle is as much of key importance for them as employers as it is in conducting their personal lives. 'Normality' appears as the opposition of both extravagance and neglect:

I don't think that we are of some extraordinary character. However, it may be that we are. Indeed, we provide better salaries than the market average and everybody is employed by set contracts. These contracts include paying social security contributions for them that might be unimportant for some but it matters a lot for others. And we also provide some fringe benefits that are not very high but still... Further, there are some additional provisions paid by the company, for example, people can attend English language courses at the cost of the firm and they enjoy some other services. [39]

In sum, corporate employment policy has gradually become a highly professionalised domain which the 'new' entrepreneurs of the past decades cultivate by elevated expertise, refined routines, and a good degree of depersonalisation. This technocratic

and professional orientation has exerted impact on the behaviour of their 'old' peers as well. Although the importance of the emphasised values still remained different in the two groups, the influence of the one-time socialist employment policy is declining. Those who are still 'grand' entrepreneurs among the 'old' attempt to shift the sensitive issues of employment and dismissals to newly employed experts while they vindicate the impersonal terrain of strategy-building for themselves. A result of these gradual shifts is a turn in how they view their firm in its current form: the earlier emphasis on the 'homely' character of the workplace is slowly fading away and it brings about the disappearance of the anxieties and fears of a sudden discovery of past wrongdoings and conflicts as well.

Likewise, social responsibility is also among the slowly fading topics. Our 'old' interview partners are on the opinion that they are not responsible for the prevailing property relations neither have they anything to do with the corporate world that emerged in Hungarian economy; the new structure simply cannot be translated into personalised roles and relations. In the case of the 'new' entrepreneurs the question of responsibility does not even surface: following from their 'market-niche based' strategy, the framework of their thinking about employment is strictly restricted to their own firm and within this framework their primary role is seen as to safeguard high-standard professionalism and the fairness of contractual relations. They define themselves as private persons and players and this basic approach apparently pervades all aspects of their entrepreneurial activity.

While we observed a real generational turnover between the two groups of entrepreneurs in their ways of property acquisition and the methods of business management, now we can add that regarding their perceptions of the social environment – and employment as an important part of it –, the behaviours of the two groups show clear signs of a gradual conversion. Although the reasons differ, the 'old' and 'new' entrepreneurs arrived at a common philosophy by today. This common new orientation

can be characterised by deep resignation and by the giving up of all aspirations to influence macro-level politics and to have a say in the making of a comprehensive economic policy. Instead, the new philosophy builds on the outstanding importance of the micro-worlds that are regarded the terrains of creativity and that can provide ample scope for personal ambitions and also for the collective preserving and practising of a set of precious values.

As we show in detail below, the new philosophy has grown out of widespread disappointments and of a good deal of depressing experiences. At its root, one can identify the apparent worsening of the relations of trust that is amplified by deep doubts concerning the western respect towards Hungary and also by the worries regarding the deteriorating European position of the country. The promisingly emerging civilian elite of the first years of the transition backed off in many respects: as we show it below, it gave up its ambition for providing patterns and leadership worth to follow. This thin social stratum 'privatised' its role and activity and it turned its ambitions from spreading new values in society-at-large into more indirect and modestly identifiable domains – mainly into culture. And as to the 'new' generation, its members accentuated the new tendencies with full confidence and pride.

MANIFESTATIONS OF THE DECLINE OF TRUST

As it already came up in various contexts of the above chapters, the withdrawal of the 'old' entrepreneurs, their ever growing defensiveness, and the shrinking of their businesses hardly can be explained without delving into the massive deterioration of the relations of trust that manifests itself in many forms ranging from the spreading of mutual suspicions and insinuation to the all-embracing questioning of the fairness and clarity of property acquisition and to the ever louder repeated allegations of corruption. As we will demonstrate it, these processes and phenomena left their manifold deep impacts on the civilian and business attitudes of the members of this group and the bad experiences also significantly affected their views about the social relations-at-large as well as their ideas about the future. Above all these, studying the decaying relations of trust is all the more important because the symptoms of the falling apart of social cohesion signal important structural changes: the speedy spreading of the family-run businesses hardly can be interpreted without their consideration. The two processes of decaying trust, on the one hand, and withdrawal into the private domain, on the other, apparently condition each other while also accentuate each other's impact.³⁸

³⁸ In the course of the past decade, an impressive number of studies have been dedicated to the impacts of trust on the economy. Many of these studies considered the typical reasons and forms of decaying trust as a characteristic phenomenon of the post-socialist transition while they also explored the associations between trust and fairness, on the one hand, and the normality of the market relations, on the other (Kornai–Rose–Ackermann–Rothstein 2005, Medgyesi–Tóth 2005, Tóth 2009, Csíte–Major 2010, Muraközy 2012).

Although the relevant literature presents the overweight of the family businesses among the business forms as a general phenomenon,³⁹ the reasons behind are manifold. Out of them the forming of a defensive position and the high intensity of such an orientation seem to be characteristic primarily in the Central and East European region and the indicators signal their outstanding importance in Hungary.⁴⁰

When looking at the issues of trust and its recent erosion, it would be misleading to search only for contemporary factors. The least can we do this by considering the convincing arguments of Francis Fukuyama who demonstrated the deep cultural embeddedness of trust relations by a careful analysis of a large number of American, Japanese, Korean, Italian, and German examples. His analyses show that the level of trust, its importance in interpersonal relations, the frames of its everyday practising and its impact on people's daily conduct follow historically evolving cultural patterns that imbue the forms of cooperation, association and also the individual ways of interest representation. The gradual institutionalisation of the micro-sociological practices over years, decades and centuries and their translation into the language of the rule of law have developed diverse forms of expressing trust and sanctioning offences against it that might greatly differ by country and also by national, social, ethnic and religious groups. The different contents deeply imprint the national economic structures and influence the tacitly agreed norms of society and also the behaviour of the actors of the market who sometimes are not fully aware of such determinations.

³⁹ Based on estimations, their share is 92–95 per cent in the USA and 72–90 per cent in the older member states of the European Union (Baskin 2001, Mandl 2009).

⁴⁰ See the interesting analysis of Dóra Györfly about the recent trends of evaporating trust in the post-socialist societies. The author demonstrates the negative trends on the basis of the recent Eurobarometer data. She shows that trust-deficit is a widespread phenomenon in the post-socialist region and that the Hungarian data signal worrying tendencies of loosening social cohesion (Györfly 2012).

By focusing on the domestic relations it is the works of *István Bibó* and *Jenő Szűcs* that come to one's mind. Their writings teach us that the low level of trust and the historical delicacy of its institutionalisation were (and we may add: remained) the main causes behind the delayed civic development and its repeatedly manifesting fragility throughout the Central and East-European region (Bibó 1986b, Bibó 1986c, Szűcs 1991). Given the limitations of the current discussion, we may present here only the main conclusions of their refined reasoning and the demonstration of their telling historical examples. In the frames of our book we may evoke only short conclusions of the nuanced reasoning and implicative historical examples of the two authors. Their works suggest that in the wake of the one-way experiences of long years and decades of the successive generations distrust has profoundly integrated into the structural order and it imbued the relationships of communities. Deeply felt distrust determined the relations of everyday communication and it has shaped the practices of institutional functioning. Distrust belonged to the basic experiences of the contacting social groups: servant and lord were suspiciously looking at each other. Both sides feared the violation of their binding contract by misuses and frauds and both were constantly worried about insinuation for such deeds. And things were not different in the industrial-urban conditions of the modern age either. Regardless of the size of the business, the factory manager or the small artisan employing a few assistants looked at their workers with distrust and with constant readiness to expect them to steal or to consciously perform with poor quality. At the same time, the workers – reasoned by their frequent bad experiences in the past – were constantly worried about the arbitrary curtailment of their wages and allowances. Driven by such fears, they employed a defensive attitude that was inspired by a mixture of open antipathy and self-dictated subordination to their boss whom they regarded their 'lord'. These micro-level relationships were organised into a system and were intensified by general distrust in the state that was

fuelled by the repeated experiences of facing unexpectedly introduced taxes and duties and the raid-like shake-downs of the state agencies.

The four decades of socialism nurtured general distrust with new experiences. The 'denunciation culture' of the early years and of the post-'56 decade planted the seeds of mutual suspicion even in communities that had been the terrains of solidarity and that had provided protection for their members before. The deliberate and systematic disruption of these structures belonged to the tool kit of building up the totalitarian power system and the emerging all-embracing relations of fear confirmed the 'success' of the project. Besides, the historically acquired skills and routines of the public administration in imposing unexpected rulings of extra duties, their deep-going interventions into personal life, the command-like relocations and the forceful movement of people into new positions, the pointless but inescapable forced measures of all kinds destroyed on a daily basis the relationships of togetherness that otherwise would have been essential for the healthy development of society. At the same time, while these practices of multi-sided coercion precluded the remnants of the reserves of trust and of a sense of security, they diminished self-confidence on the personal and social levels as well. The spreading of the feelings of insecurity gave rise to a behaviour of permanent readiness to attack others and to be prepared for self-defence against others' attacks – and this behaviour soon became the norm. Instead of being built on well-founded self-awareness and personal strength, the heralded strategies of self-defence were moulded of smartness in counter-attacks and in often cruel assaults.

At a general level all these experiences were coupled with the enduring state of troubled national self-respect and confusions in sensing the nation as the united community of shared historical values. As the respective passages of the work of *Zoltán Szabó* convincingly demonstrate, with the exception of a few, short-lived revolutionary moments like those in 1848 and 1956, 'be-

ing Hungarian' never could become the source of integration. Instead, claims on national identity repeatedly turned into generating deep divisions with far-reaching and severe historical consequences (Szabó 1999). The accumulated negative experiences seriously damaged the integrative power of the state as the embodiment of the uniting institutions of society. Instead of strengthening cohesion, the institutions of state-power were recurrently caught by sharp economic and political fights among the various competing lobbies. Such a state of permanent struggles continuously weakened – and weakens till date – the potentials of the state's institutions in contributing to the elaboration and consolidation of an order that would be based on cooperation and solidarity.

The only aim to evoke this sketchy picture was to emphasise that one cannot consider the dramatic spreading of distrust in our days as a brand new phenomenon having no antecedents in history. It is important to sort out what can be accounted for as the revival of old reflexes as distinct from those occurrences that are owed to the work of new structural and behavioural tensions in the background. Such a separation of the factors is only a theoretical possibility. Maybe this is the reason why the scales which measure the trust-content of different relationships (including the indices for measuring economic prospects) exclude the historical dimension and reflect only on the contemporary issues of trust and distrust.

Despite all the involved difficulties, it seems essential to us to make a selection between the old and the new layers of distrust. Our main reason for this is to seek explanations for the spectacular amplitudes of trust and distrust during the three decades that are covered by our interviews. The initial recovery of confidence in personal and business relations and in politics was followed by a gradual decline and later by rapid deterioration. As we try to demonstrate in what follows, the tacit general agreement about the necessity to get rid of the old order (that embraced the majority of society) and the broad consensus on

the peaceful way of the transition were remarkable sources of enhancing trust and cohesion. At the same time, widespread disappointment over the later developments and the feeling of losses among broad social groups provided inspirations for scapegoating. The first step on this way was the pulling out of trust in the righteous conduct of selected subjects – among others, of the main actors of our book, namely the Hungarian large and medium-size entrepreneurs. In order to take a closer look at these turns, it seems rewarding to go back to the second half of the 1980s and to also consider the developments of the first years of the systemic changes.

As we documented in detail in our earlier book, there were significant changes in the life- and career paths of the investigated entrepreneurs in the second half of the 1980s. These were the years when our 'old' interviewees made the first important steps towards a yet vaguely perceived change that later proved the turning point of their new entrepreneurial career. These steps pointed towards private business: on the one hand, by founding small independent units called corporate economic associations or by launching small cooperatives they took the lead in marketisation within the socialist sector. On the other hand, by launching family businesses, the bravest among them became private market players in an open form. (True, simultaneously, most kept their jobs in the state sector as well.) The radical restructuring of the relationships between the managers and the employees and the development of trustful cooperation were of vital importance for stabilising mainly those new enterprises that came into being through privatisation or via the buy-out of former socialist firms.

By rendering meaningful work and good income for people in different positions of the corporate hierarchy (also including the workers), the new owners – primarily managers from the old regime – simultaneously played the roles of the employer and the protector of workers' interests. In the bargains with the representatives of the ministries or the company's management they

never represented only themselves but stood up on behalf of the entire community. The successful bargains were acknowledged by the employees' trust, by unconditional recognition of their performance, and by the declaration of a new loyalty that the collective was not reluctant to express in straightforward and open forms. These novel contents of their new-sprung leading role helped them to forget about some earlier critiques and doubts. If the new owner-manager successfully navigated the collective, it did not really matter why years or decades ago s/he joined the Communist Party and even that one once fulfilled the role of party secretary became forgettable.

In the case of those large and medium-size entrepreneurs who had started their business as private entrepreneurs it was less confidence than recognition and respect that dominated the firm's internal relations. The collectives considered the new leaders and their businesses as some kind of flagship corporations and they tried to cultivate the existing relationships with the faint hope of the option to follow the owners on their route.

Nevertheless, the demonstrated confidence in both forms unified these two groups of the owner-managers that otherwise differed in many respects: nobody questioned their leading role in the transformation. But this assessment and the involved support would not last for long.

After the short-lived years of a consensual positive assessment and an unconditional support of the new capitalists, aversions and attacks that had been hoped to vanish forever began to dominate the scenes of public life. In the accelerating current of privatisation in the 1990s, the new owners and co-owners came mainly from among those who as the one-time organisers of firm-based economic associations or small cooperatives had acted as the key figures in the earlier process of quasi-marketisation (their leading role in economic transformation was discussed above). In many of the cases, their sincerity associated with their leading role was now questioned in retrospect. They clearly sensed the deterioration of the climate and the headway

of the suspicious – sometimes hostile – attitudes. One of them expressed this change in the following way:

One of the problems, one of the massive social problems is that there were and are prejudices and jealousy concerning the large entrepreneurs. The situation has deteriorated in this regard. This is one of the greatest problems of Hungary, I think: jealousy is huge here. And the other is that the public servants are not business-friendly at all. [29]

Increasing anti-entrepreneurial sentiments were signalled by the subsequent surveys of TÁRKI at the end of the 1990s as well. The trend that emerged from the data of different investigations was characterised by an analyst who summarised the main results in the following way:

When impoverishment became a mass phenomenon, enrichment of a few evoked rage: richness heavily irritated the masses and became the main source of jealousy. The intensity of jealousy has somewhat eased by now because people accommodated to the new structure and the prevailing inequalities. The representation of the successful entrepreneur as a dishonest person is in fact a social psychological phenomenon. Those who became the losers of the transition reason their hatred this way: »I am someone who has worked with great intensity and honesty in the past five years but I still experienced failure in bringing home an income that paralleled the one years before. In light of this, it is simply unimaginable that others who became rich followed honourable paths. I am sure they stole, cheated and lied, because if the acquisition of wealth was dependent on personal ambitions and qualities, then I as a hard-working person should be able to make big money.« Given that the environment does not change and he is unable to break out from his unwanted position in the passing years, this idea becomes his belief and his world-view. This attitude has its impact on the new rich, of course. Every second among the large entrepreneurs feels that the public relates to him with a good deal of hostility. Four out of ten entrepreneurs stated that they were definitely influenced by

the way the men of the street think about them... It is surprising that, in addition to counting with the discontent of the masses as eroding comfort, one quarter of the large capitalists count with this factor as something that undermines the security of their business. (Kovács 1999)

According to the ever more popular accusations, the emerging large entrepreneurs never did anything else but pursue their own private gains. The conversions from the small cooperatives or firm-based economic associations were retrospectively revalued through the prism of the new positions in private business and the arising criticism became filled with allegations about the new owners' malicious calculations. This process was accompanied by ambivalence, indeed. For the employees who were able to keep their jobs acknowledged the performance of the new entrepreneurs who became their employers through privatisation (and who were their bosses before); at the same time they felt bitterness over being excluded from the process of the great redistribution of wealth and fortune. The feelings of ambivalence were spreading. Opinion surveys in the '90-ies revealed as a general and overriding judgement that the transition was full of fraud: people held that *"there are no honest ways to get access to wealth and property."* (Tóth 2009)

The negative attitudes towards the new owners were coupled with public outrage against the emerging injustices: on the one hand, the foundations of income and wealth inequalities were questioned on broad grounds, on the other hand, general anger accompanied the apparent postponement (if not suspension) of political impeachment for past misconducts. Because of their deep involvement in the old regime, the grand entrepreneurs yet again could become potential targets. Many of them were members if not right away activists of the Communist Party, hence they were often criticised that they got into their new owner positions actually through mobilising their preserved political connections. Such attacks looked painfully unfair from the standpoint of the involved entrepreneurs. Our interview

partners evaluated references to their old party connections as expressions of ingratitude on the part of those whose entire collective enjoyed the benefits and the safety that they provided by their massive investments into performing privatisation and managing the new private company. Hence, it is not the web of their old connections, but their inventive and intense working that mattered in getting ahead; and taken from this perspective, their personal gains are just but one of the aspects that can be taken on board. Not their former connections but their intensive and inventive activity was the source of achievements and their personal benefit was only one of the respectable segments. Furthermore, the anti-entrepreneurial attitude of the public warned them that they could even lose their property (or what they assigned as their property): while they betted everything on that horse, the lacking legitimacy of entrepreneurship may rush into danger the whole private economy. And in the course of profound questioning the past could be drawn on stage from another angle. It is then no surprise that the past ten-fifteen years were accompanied with outright fears for many among our 'old' partners. Their fears were sometimes irrationally exaggerated: *"One acts on forced tracks... But this needs trust at the top level. And it is important to live without threats. Threats go along the whole structure nowadays. Fear is present everywhere, anybody could be imprisoned."*[11]

In some other cases it was the intangible forces of politics that came to the fore:

In the days of the change and after, I was never denounced as a communist. But I was a bit afraid of that. I was not afraid of people in my close environment but I was afraid of politics. I was sure that none of my staff members would come to me to say: »You are a dammed communist.« I was not afraid of this because my duties were settled. But I was afraid of politics. I feared that the political currents take a direction to force one to apologise and nobody knows what could be the conclusion of such a turn. [22]

It seemed that the forthcoming change of government also developed some fearful revaluations of the personal expectations:

One is optimistic until finding out what is going on behind the doors. I belong to those who do not worry. Sure enough that there will be a systemic change in politics in Hungary. A new door will be opened. We ought to give confidence in all of such cases. And later, when we will enter we will see whether what happens is really what should happen. [5]

The quoted sentences clearly show that the fears and anxieties point back to the past, more precisely to the relationships with the past regime. Perhaps all this could have been localised if the spreading suspicions and political allegations were not impregnated with old and new economic contents that became the sources of institutional differences. But distrust was spreading fast. The new political fragmentation, the relationship to the state (more precisely to the central and local governments), the uncertainties of the banking sector instigated a permanent state of defence against attacks that one could expect from a great variety of directions. In line with the old traditions, the safest – though short-term – way of self-protection was to seek good relations with those in power and then to consolidate the new contacts. If one could demonstrate such a shield of protection, then even the ruination of the business by the competitors proved to be nothing else but a temporary and fast recoverable unfortunate episode:

I have only one relationship to politics... I am in a fortunate position because of being a fellow of the political state-secretary at the Ministry of Finance. And this is not negligible in present-day Hungary. We used to play football together in our childhood. To have common football reminiscences with a state-secretary is a rather trustful connection. Well, this is indirectly but undeniably a political type of connection. In July, 1998 the

minister of finance – evidently on the proposition of Mihály Varga – asked me to become member of the Supervisory Board at the Hungarian Export Credit Insurance Company. It was clearly a request driven by trust, hence I undertook it. [1]

Sometimes political support comes from the top:

In 2006 when the elections took place, I was asked to find ways to help a businessman into the position of becoming the mayor of the town Nagykáta. With this in mind, I invited the businessmen. I could mention here that Viktor Orbán visited me and formulated his critique that we were not able to make it to help the right-wing parties or an entrepreneur to win in the course of the subsequent local elections. I responded by promising him that I would do my best to change this situation. That's why I invited the entrepreneurs of Nagykáta to a dinner party and asked them to search for a person who would be competent enough to become the first man of the town. One of the invitees took the floor and said that the proper candidate would be me. And I had no choice but to undertake the role. I figured out this game – I should play it over! [18]

One can continue with innumerable citations that all point to the same direction by demonstrating that building up trust or regaining it requires above all the careful treating of one's personal relationships. These relationships matter in a great number of situations that range from the acknowledgement of the necessity of taking up certain political functions and then practice them to establishing good contacts with the bank in order to get favourable special loans for the yet somewhat immature business and to the thoughtful shaping of the internal relations of the firm by silencing the voices of dissatisfaction and by working out the opportunities for upward move within the hierarchy.

The spectacular importance of the personal relationships signals two meaningful associations at the same time. On the one hand, these relationships demonstrate the commonality of a web of shared contents of the recent past and among these call attention to the outstanding role of youthful friendships

that often date back to the high school years. Those who have such relationships can feel safe and protected against a variety of attacks. Knowing this inspires many among our interviewees to cultivate such friendships with special care and to preserve their precious intimate contents. On the other hand, the dominance of the personal relationships points to the weaknesses of the institutions and the institutionalised procedures that are meant to regulate the business proceedings. No routines have yet been developed to govern the emerging market relations, market players do not understand the exact meaning of bankruptcy, the basic conditions of mergers or disunions of companies are unclear and the position of the employees in the ranking of compensations remains indecipherable for most of them. All these uncertainties may navigate the company into the direction of total cessation or may inspire the management to take unlawful steps that later invoke investigations. Hence, all the personal attachments carry outstanding importance on the shaky foundations of the business. Driven from such a situation, there is a huge pressure on the shoulder of entrepreneurs to render rightful ranks and positions in their business to all those from whom they would hope to get effective protection. However, this way the deeply internalised old paternalistic patterns become revitalised and are surrounded by the patronising system of favours and personal goodwill. We can state that the preserved two interwoven characteristics of Hungarian capitalism get new impetus in the contemporary relations. Based on the archaic functioning of the interpersonal relations and the weak institutions, the development of the new market institutions driven by impersonal regulations becomes slowed down and their growing to a general state remains painfully hindered.

These indications of malfunctioning importantly impact the ownership structure, too. In the given surrounding it proves efficient to decrease distrust, fears, and anxieties by pulling out all what one has from the reach of public visibility and criticism. Hence, the grand entrepreneurs are highly motivated to split

their property into small units and run the business in the form of a network of small enterprises part of which are managed by their family members.

Before turning to a more detailed discussion of these developments it seems useful to introduce the ways members of the 'new' group relate to the issue of trust, briefly. One of the unexpected results of our research was to discover that a generation gap was in place in this regard. While distrust, suspicion, and blaming for past engagements or fearing such occurrences occupied a central place in the views and business conducts of the 'old' entrepreneurs, similar motives were practically missing from the interviews with their 'new' peers. If the topic came up at all, it was mentioned within the limited framework of daily management: our interview partners gave account about the steps that were taken to increase the bank's trust towards their business. From the point of view of the 'new' entrepreneurs trust is one of the necessary conditions of making the business prosperous and manageable. It is assumed that as one acquires the methods of purchasing and operating the machines that are needed, one can learn in the same way the techniques of building trustful relations. In these interviews there is no mention of political accusations and fruitful political relations are very rarely referred to as well. Likewise, personal experiences of trust or mistrust and opinions about these issues are outside of the picture. Trust is perceived as a technocratically defined constituent of the business that is safeguarded by appropriate institutions and regulations.

These developments carry multiple meanings. Perhaps the most important among these is the difference in the foundations of the business. While in cases of company restructuring the 'old' entrepreneurs are hesitantly striving towards the family-owned formation as the one best guaranteeing trustful corporate relations, many among their 'new' peers make their start without hesitation in such a framework and do so without feelings of uncertainties. In the latter case, the family-based structures of

decision-making and cooperation appear as given and they are definitely convinced about its strong potential of trust. Moreover, their attitudes and business policy are clearly characterised by viewing the family's enterprise as part of a strictly confined and undivided entity. It follows that the members of the 'new' group wish to shape the external relationships of this entity solely according to the rules of functionality.

There are several factors at play in the depersonalised perception of the company's outer relations. On the one hand, the importance of institutional contacts is on the increase; on the other hand, the relatively large number of foreign partners makes a distanced attitude the prime rule in navigating in the business world. In parallel with this, the experiences about the institutional backgrounds are markedly different in the two groups of our interviewees. By the time the 'new' entrepreneurs started their businesses the institutions of the market and the necessary financial and legal arrangements of safe conduct were already in place. At the same time, as we can recall, it was exactly the lack of the respective institutions and the prevailing uncertainties in the working of the existing ones that led to growing reliance on the personal relations in the case of the members of the 'old' group. The differing business paths of the two groups are very important in this regard. While entries of the 'old' businessmen into the international market remained limited and the steps of expansion were taken by great caution (further, their attempts were restricted to the less developed markets of Central and Eastern Europe), their 'new' peers made all efforts to exploit the advantages of Hungary's accession to the European Union and they strove for establishing efficient multiple business networks in Western Europe.

It follows from these differences that the 'old' entrepreneurs faced the disadvantages of weak institutionalisation and the experienced increased vulnerability in their foreign relations, hence they did not really see the advantages of Hungary's new EU membership. At the same time, it was exactly the EU access-

ion that made the life of the 'new' group a lot easier. In this circle, most of the interviews gave voice to appreciating the improved domestic market regulations and the elevated standards of the economic and legal institutions that now observe the norms of the EU, further, they acknowledged the beneficial depersonalisation of the prevailing economic relations. Their pragmatic and business-oriented attitudes also helped them in making good use of the advantages of the protective new institutional arrangements. Seen from this angle, they owed less significance to the personal relations that they assessed as transient and mutable and as such they argued for restricting them solely into the confinements of the private domain. With these considerations in mind, it is easy to understand why the issue of confidence as a precondition of the successful business did not come up for closer discussion. The 'new' entrepreneurs' put the emphasis elsewhere: they think in terms of encompassing structures and rationalised procedures. Taken from this perspective, the personal relationships do not enjoy any preferred roles, instead, these are counted as one among the several factors that serve the proper upkeep of the everyday routines in the company's life.

There is an unexpected but important lesson that follows from the above: this is the growing significance of the varied formations of family-run businesses. Whether we look at these formations from the angle of the defensive strategies of the 'old' entrepreneurs or consider their advantages in letting to grow the businesses of their 'new' peers, it seems that the family business as a form of property-at-work provides panacea to the problems that the owners of the once privatised or directly acquired big companies face. As it seems, this is the very form of economic activity that gives the most efficient tool into the hands of the entrepreneurs to regain confidence and to protect the socio-economic status that they achieved. Furthermore, this framework of company management offers good conditions for safe growth and expansion. Additionally, it is the family businesses that provide the most favourable conditions for a rational distri-

bution of wealth and also for its best intergenerational transmission. On top of all these, due to the fast headway of this business type, Hungarian economy gives evidence of its flexible adaptivity. The Hungarian trend fits well with the company structure of the developed world in which the family-owned companies have gained astonishing dominance in every size groups in the last decades. In sum, these multifaceted developments encourage us to take a closer look at this fast spreading form and try to bring up the motives and driving forces that work in the background of its spectacular domestic expansion.

ABOUT THE FAMILY-OWNED BUSINESSES

In reflection of the fast expansion of the family-owned businesses, studying this form has become one of the most dynamic fields of company research in recent years. The large international publishing houses have launched new scientific journals with exclusive focus on the subject and they have followed the new trend also by publishing a great number of books that are dedicated to the topic. They place great emphasis on the publication of studies that supplement the presentation of the new research results with useful practical guidance. Based on this policy, a significant market turnover is expected in higher education as well as in the course trainings that are run by the newly established advocacy organisations of the family-owned large- and medium-size companies. Thus, research of the new business formation and its backing by a stream of advice has created the space for the development of a range of new academic disciplines. This tendency is emphatically demonstrated by the growing presence of the distinct fields of study dealing with the organisation, the management, the market policy, and the inner structure of the family-owned businesses that underscore their importance by launching new university departments and calling forth new communication for their purposes.⁴¹

⁴¹ This is confirmed by a glimpse at the long list of the international journals that focus on the family-owned businesses. Those who are interested in publishing on the subject can choose from a substantial range of periodicals with newly acquired academic prestige. It is enough to mention here the most prestigious ones: *Journal of Family Business Strategy*, *Family Business Review*, *Journal of Family Business Management*, *Electronic Journal of Family Business Studies*.

As was mentioned before, the Hungarian large- and medium-size entrepreneurs do not deviate from the mainstream. As our interviews demonstrate, the form of the family-owned company as a purposeful framing of the business enjoys great popularity in both groups of the 'old' and the 'new' entrepreneurs.⁴² However, there are important differences behind the similarities that appear on the surface, moreover, these differences sharply divide the two generations. As said above, these differences turn up mostly in the motivations behind engaging in this particular form but we can observe them in the everyday operations of the new family-run companies as well.

According to the literature on the subject, the rise of interest in the family-owned businesses is in close association with two important trends of the past two decades. The first among these trends is an observable change in public opinion: from the beginning of the '80-ies, intensifying criticism has turned against the large corporations for their role in bringing to life vast bureaucracies and new independent centres of power. The wave of anti-bureaucratic sentiments reached everyday business as well. The sluggish and less and less transparent decision-making mechanisms of the various organisational units of large companies (company councils and supervisory boards) became subject to sharp and extensive criticisms. Those who tried to find ways out from the disappointments over bureaucratisation and the lack of transparency and those who strove for reconstructing social control identified the family-owned business formation as the potential framework for developing new and flexible modes of operation (Colli 2003).

The second complex of factors behind the growing popularity of the family-owned businesses is in close connection with the recent changes in the sociological status of the family. In this

⁴²In addition to the interviews, it would be desirable to present data from the national statistics. But as we mentioned earlier, the collection on business organisations in Hungary does not render any breakdowns about the family business as a distinct formation.

context, one may recognise the impact of the feminist critiques that conceptualise the family as a political unit of mediating the social structure: this new current of thoughts has turned attention to the division of labour within the family that had been a peripheral area of the economy for a long time (Waring 1988, Barlett 1997). By focusing attention on the inequalities of power and wealth within the family, an ever larger group of business advisers and experts with influence on shaping macro-level economic policy began to argue that the internal conflicts of the family can be successfully tackled by developing new gender and generational balances through the family-owned businesses, furthermore, the shared cultural grounds of the participants may generate new opportunities for stimulating economic development (Mullholland 2003). By taking the latter context, the arguments in support of the family-owned business formation became impregnated with important political contents of suggesting convenient and promising responses to the tensions that have accompanied the processes of change in Western societies during the past decades.

For the most part, the reasons behind the domestic popularity of the family-owned businesses are different. As it was already mentioned, the increased need for this business formation is in close association with the remarkable weakening of the relations of trust and the erosion of the support that the traditional contacts could provide – at least, this is the case in the ‘old’ group of entrepreneurs. At the same time, while trust is an important constituent of the build-up of their family businesses, the ‘new’ entrepreneurs choose this formation partly as a continuation of the family’s tradition and partly as a flexible and efficient way of adjusting to the new market niches. It follows from these peculiar motivations that one can trace a range of conservative traits and defensive elements in the everyday practice of the companies while the deliberate limiting of size and the avoidance of too speedy growth are also among their distinctive features.

However, there is a long list of further factors and important

considerations in the background of this broad-brush picture. It seems worth taking a closer look at them.

Although it rarely came up in the interviews as a topic for open discussion, the deep worries about the safe functioning of their property played an important role when our entrepreneurs chose the formation of family ownership for running their business. Primarily those members of the 'old' group who acquired their property mainly through privatisation buy-outs are the ones who feel that the legitimacy of their acquisition can be undermined any time. Their anxieties are fuelled by the permanent suspicion of the public, the recurrent waves of intensified mass revulsion against the large entrepreneurs, and the revived strong criticisms of the 'conversion' of their old power. In this atmosphere of attacks it seems a real danger that one as an alleged perpetrator of 'serious abuses' may even be put on trial. The experiences of the past 15–20 years of reshuffling the corporate structure definitely deepen these fears in many of the cases: it occurred several times that old friends turned against each other in the course of mutual buy-outs. Amidst the conflicts that accompanied the new redistribution of property, many of our interview partners repeatedly experienced the questioning of their honesty and good faith. It is then a rational reaction on their part to look for new alternative ways that offer more secure solutions than the impersonal forms of corporate trusts or holding companies.

Since family ownership is considered with strong positive contents in the Hungarian social tradition, the family form arises as a natural way of seeking safety and security. Our 'old' entrepreneurs feel – and not without reason – that by turning to the formation of family ownership the differences in size and wealth can be pushed into the background. This way their business would be only one among the hundreds of thousands of private endeavours that are characterised by tight kinship relations as the source of accumulation and growth and that cannot be questioned for this very reason. One cannot exclude that the

business conversions of our 'old' interview partners are driven by their self-protective pursuits towards a faceless mingling with the crowd. By disconnecting the company group into small family-owned units they adapt to the small family businesses. Thus they may hope that by virtue of their adaptation they would enjoy the acceptance and silent support that surround this formation.

Another rarely mentioned motive that nonetheless clearly works in the background is the issue of inheritance. By getting older, the question of how to preserve personal control over the capital and the accumulated wealth is increasingly on the mind of our 'old' interview partners. No doubt a significant part of the members of this group look at the business in terms of functionality; therefore it fits into their thinking and mentality that they may transmit the business to an outside owner who potentially shows excellence in operating it. However, the issues of succession and continuity remain prime questions for the majority of the group. The best path of securing uninterrupted personal authority is to draw one's children into the business and then to gradually extend the ownership rights with their involvement: this way the structural conditions of continuation are created. However, such parental aspirations are not always successful. Many of the children of our 'old' partners had different preferences and they regarded the parental business as a completed one-time endeavour. Having no other choice, the parents usually accept the reasoning and the departing options of their children. Nevertheless, their words reflect feelings of uncertainty because of the unsettled matter of continuation and also some worries emerge due to the alternative choice of the children:

My son took part in the business, worked and helped here. He came to clean here. As necessary, he bought a corporate uniform but he does not want become part of the business. He worked here in the summertime but for a while it looked as if he wanted to launch his own firm... My daughter is now employed by a

bank. However, she wanted to do something else. She always wanted to deal with sick children and I hope that she would do this again. I think that both of my children got a taste of my business, but my daughter was not competent enough because she was not good in systematic thinking. She was able to hold a job in the bank and this is very important. My son turned towards a political career... At any rate, my children do not want to work with me. My son keeps saying that he has no business sense and he lacks the capacities to overview a firm. He would be unable to manage it. [11]

The most powerful argument that our 'old' interview partners brought up in favour of the family-owned enterprise regarded the good potential of this business formation for assisting upward mobility. They raised a number of reasons for backing their view. On the one hand, they consider themselves autodidactic businessmen and sense a range of disadvantages of this status. Among these, the lack of knowledge of languages and the imperfect practising of the small behavioural norms and gestures that make one look competent came up with high frequency. But the list was continued: in describing their weaknesses several of them mentioned their sometimes bookish knowledge and the related awkward dealings as well as all those other uncertainties that come up in insurmountable difficulties and hinder the truly appropriate running of the business.

These experiences deeply impregnated the conceptions of our 'old' partners of their children's further education. Not by chance, language learning in a broad cultural sense took the lead among their motivations. By spending vast energy and sizeable amounts of money in accordance with their prime aspiration, the majority sent their children to the best (and most acknowledged) American or West European universities whereby they expected to provide their offspring with the comfort in practicing a Western-like lifestyle and the adjunct distinguished patterns of behaviour and conduct. Of course, our partners anticipated a reasonable return on this huge investment. In many

of the cases they make all efforts to translate the acquired and broadly meant bourgeois culture of their children into also transforming the businesses into highly civilised institutions. Often this is the reason why the young successors get into some high-level position in their fathers' firms in just one or two years after leaving studentship behind. According to the parental views, they should climb further and further upward and ultimately take over the management of the entire business. Such paths of indoor upward mobility would not be guaranteed in the impersonal and fragmented system of ownership. But the family-owned business offers the way of organic development. In association with the clear improvement of efficiency and professionalism, the takeover of the business by the offspring brings about an increase of the profits and a concurrent fulfilment of the imagined aspirations for an intergenerational advancement in the family's social position. If this twofold project succeeds, the parents are justly proud of their performance: *"Our business is a one hundred per cent family-owned entity. I have to underscore that it is managed by my son. His brain is the engine of the firm and he contracted very clever people of whom he successfully built a team."* [9]

In the family-owned firms embodying paths for upward mobility the high positions rendered for the children have some additional implications. The new generation brings in new connections: friends or acquaintances whom they met in the course of foreign studies often become their new business partners or reliable lenders. By a smart combination of the local knowledge and professional and political connections of the parents with the broad international relationships of the children entering the business, remarkable increase can be experienced in the safe embeddedness of the company while its stability is also improving in a sometimes unexpected degree. The potentials of such combinations often carry substantial comparative advantage over other business formations.

Finally, concerning the 'old' entrepreneurs as founders of the business, their driving for an unmistakable brand design with

rich symbolic meanings occupies an important place among the motivations for supporting the family-owned formation. Similar aspirations are among the important motives of the Western family businesses as well: the visualisation of togetherness and the clear representation of the business initiations with direct relating to the name of the family have been essential elements of the spreading of this fashionable business form from the beginning. Indeed, the differences are appearing in the time horizon for realising these aspirations. As long as the current representatives of Rothschilds, Fords and Philips in top positions care primarily about the cultivation of the traditions and the preservation of the invested standard of the brand that they inherited from the preceding generations, the task of their Hungarian fellows as the first generation of the post-transition grand entrepreneurs was and still is to lay the foundations of the hoped future traditions. It is not by chance that there have been certain experimentations to figure out the clear distinguishing features (logos, advertisement stiles, company faces, etc.) and it is a development only of the most recent years that some of the unmissable visualisations of the established traditions and firm-specific representations have appeared on the scene. At any rate, many among our 'old' partners put great emphasis on all these issues of appearance and they regard it a shared responsibility of the family collective to take part in the visualisation and the adequate representation of the company as a unique 'creation'. This is a shared responsibility, indeed:

As I have mentioned, our children grew up in an attentive milieu. Even if we are a little overwhelmed with the problems that we unwittingly bring home from work, we try to practice some self-restraint and avoid dealing with the problems of the company at home. This is usually more or less achieved but you cannot exclude the expectations and the responsibility that you bring with you if you are an owner and you have built up something. Right, the high reputation of my late father and the vast acknowledgement of the Béres drops obviously motivate me. We

do everything to make the company live long and we expect the same from our children, even if they do not work with us. We expect them to be able to think responsibly and be able to take care of this business. [2]

By summarising the above, we can report a gradual re-interpretation of the family ownership in the company histories of the 'old' entrepreneurs. While there were deliberate defensive strategies in the background of dismantling and restructuring the original large units into a network of family-owned businesses, our partners soon recognised the additional advantages of this formation. In addition to the attempts for securing profit making, they shortly figured out ways to make the new family-owned business the solid foundation of broader social and economic strivings. One is inclined to assume the impact of the small-entrepreneurial traditions in these developments. For the accumulated individual and social-level experiences in the small enterprises as the typical formations of small-scale organisation, management and cooperation importantly helped to carry out the conversion into the family business without remarkable transformation losses. Despite the occurring fragmentation that accompanied the process, the deep-seated experiences also facilitated the preservation of the unity of wealth and the turning into growth of the family-run property. Because of these developments some originally defensive steps became the starting conditions of a productive transformation and the emerging new units began to eradicate the equitation between 'family-ownership' and 'smallness' whereby new 'Western-like' arrangements started to grow that added new colours to the spectrum of Hungarian business-formations.

By considering their yearly turnover and net income, most of the transformed family-owned enterprises provide a suitable framework for the operation of the large business, although this is realised by an intensified management of the masterly interlocked small units. This means that the new formation still did not get rid of some defensive contents. In the accounts of

our 'old' interview partners we rarely met with the brave act of unifying their companies or corporate bushes into a single large family-owned company. Based on their narratives it seems that the typical paths were instead the already mentioned fragmenting of the original large firm or the attempts at combining the family-owned and the traditionally managed company parts. These occurrences convey some transiency and point to the insufficiently elaborated routines of operation. Hence, the family-owned companies of the 'old' entrepreneurs bear the marks of birth and prematurity, while they also testify the impressive performance of flexible adaptation.

As in several other aspects, the histories of the company formation of the 'new' entrepreneurs, who usually represent the second generation on the top of these businesses, differ in a number of points of that of their 'old' peers. The first and most important difference follows from the earlier discussed generational departures. Since the 'new' owners had no direct experiences about the realignment of interpersonal relationships after the transition and they did not suffer the erosion of confidence that caused particular concerns for those who became the converted entrepreneurs of the one-time managerial stratum of the state-owned large socialist corporations, seeking protection against the decline in trust is essentially missing from their motivations. It was rather their parents who faced such problems at the time of establishing the family's business. Instead, the members of the 'new' group give account of other strivings. As the background of the start-up, they mention intentions to innovate the production, their dedication to the renewal and modernisation of the company (or the entire company network), or the discovery of new market challenges – and of course the desire for emancipation. Regardless of the actual motives, it is, however, a shared characteristic in this circle of second-generation owners that all who belong here were socialised in the given and established framework of the family-owned business that thus provided a natural path of schooling for them. This important process of

schooling started early and provided important learning. As it already came up in a different context, many among the 'new' owners started to work and collect experiences in one or another plant or shop of the family's business as early as at the age of 10–12 years. Then growing older they tried out themselves in more than one spot and in more than one role, while ultimately the collected experiences provided the primary basis of their attempts at gaining independence.

There are many specific developments associated with this organic way of acquiring knowledge and routines. The most important aspect is the sense of familiarity that seems particularly striking if compared to the frequent estrangement and uncertainty of the 'old' businessmen. This is an important product of early socialization: with its technical details, the applied technologies and the clarity of the personal relations in their functioning, the family-owned business proves as familiar and as warmly inhabited as the family home. The masters, the older confidants and the friends all come from here and the unquestionable safety conditions of these relationships often match all what private socialisation in the parental house is able to provide. It indicates smart navigation and the wise and attentive way of parenting that, despite the close ties, these early relationships do not create obstacles for a later distancing and do not hinder the autonomous invention of the adult career.

As it seems, children's education and making them prepared to acquire the necessary experience are no less important in the families of this group than in the case of their 'old' fellows. However, as the interviews indicate, given the backing of the safe conditions, the parents of our 'new' interviewees offer greater freedom of choice and independence to their children in choosing the concrete forms and paths of learning than it is customary in the 'old' group. This malleable attitude manifests itself in yet another development, namely that the children – our interviewed 'new' entrepreneurs – often relatively easily leave behind the education system after graduation. In this phase of life,

the experience that one can collect (more abroad than at home) looks more important for these young owner-candidates than to go along the path of continued regular schooling. True, the majority of them later catches up: they obtain a degree in evening or correspondence courses. But the degree as such is less important for them than the knowledge and the experience that one can accumulate while engaging in the lifestyle of the one-time journeyman by spending months or even years abroad.

The years spent abroad bring about manifold advantages. The first is, as we have seen above, the confident command of a foreign language that one best acquires through the permanent presence in the given language environment. Likewise, the accumulation of professional practice is also of great use. Often starting their career at the bottom and then gradually rising higher and higher, these young people gain a special perspective in understanding the operation of the enterprise and its, sometime hidden, vulnerabilities. This knowledge can be converted into a new and important skill: the capacity for perceiving the company as an organic entity and building the future design accordingly. A further benefit of the stay abroad is the accumulation of an extensive social capital. As it was presented above, there are several cases that demonstrate that the acquaintances and professional friendships that were born abroad at young age later become the starting points of cross-border cooperation and business collaborations – even if this new turn often comes about after many years of suspension in the communication.

However, the shorter or longer periods abroad and the foreign experiences often induce some hindrances or even breaks into the life of the home company. The returning young professional cannot be directed into his earlier subordinate position. Hence, the creation of his new placement becomes subject to sensitive family bargaining and an often difficult search of the appropriate arrangement. The interviews reveal a variety of solutions. In families that are based on traditional, paternal authority the division of the property between father and son is hardly con-

ceivable, therefore the young returnees are inclined to establish a new business. But they do this by observing the interests of the family's business: well prepared forms of cooperation and coordinated marketing strategies guarantee coherence.

In other cases the return of the young family-member provides an opportunity for modifying the structure of family ownership that has been on the agenda anyway. By dividing the property rights of parts of the business (very rarely the whole of it) a new framework emerges for the continued operation of the company that remains in the hands of the family even after the reshuffle.

In the third part of the cases the new business of the young owner is launched with a brand new profile and the parents often help the start-up with considerable financial support. As the new endeavour comes in operation, the family determines the share of its members in order to hold together the capital and the wealth of the company as an organic entity.

However, despite the above variations, there is a common element in the recollections: the challenges around the return of the young 'journeyman' seem to generate conflicts that are hard to circumvent. At the same time, a striking feature of the conflict management is the unconditional priority that is given to business rationality and the long-term sustainability of the family enterprise over the sometimes passionate and heated emotions that rule the private sphere. One can say that the readiness for strictly separating the family as a private domain and the business as a field of activity has become a routinely applied skill of the 'new' generation of entrepreneurs. This development perhaps can be interpreted as a sign of the 'westernisation' of the family-owned businesses.

It is a further implication of the 'westernisation' process that the purely business-centred understanding of the company provides but restricted opportunities for the fulfilment of parents' and children's desires for upward mobility. Personal advancement and the success of the business cannot be separated, and

thus a relatively narrow passage is appearing for the upward-striving careers. Mobility is achieved through the positions within the company, hence those who are thinking about a career change or a new job have to step out from the given frames. According to the emerging values success is tied to the entrepreneurial career that our interview partners see impregnated with rich contents for providing appropriate paths for their personal ambitions. These developments also signal a certain immunity of the 'new' generation to the recurrently intensifying anti-entrepreneurial waves of the public discourse. Compared to their 'old' peers who often attach great importance to this phenomenon, the 'new' entrepreneurs are better inclined to listen to the discourses that support them in their chosen entrepreneurial career. Hence, they are open to the arguments about entrepreneurial creativity and the national economic importance of what they are doing while they are ready to emphasise the necessary re-strengthening of Hungary's position in Europe. The composite of these values makes up a dominant part of the self-image of the 'new' generation. By looking through this prism they consider with some pride and confidence the well performing business of the family and their own work contributing to the successful operation of the company.

The comparison of the two groups brings up some further distinguished characteristics of the 'new' entrepreneurs that are in connection with the comfort that they feel of the consolidated state of their companies. It seems that the above picture of the 'new' generation as being relatively less disturbed by the conflicts and the involved personal risks that accompany the general decline of trust has to be refined at this point. As our interviews suggest, due to the elaborated and meticulously fine-tuned routines of negotiation and decision-making that already were in place at the time of starting their entrepreneurial career, the 'new' entrants found the family-owned business in a state of successful absorption and internalisation of the processes and guarantees that safeguard the maintenance of trust. Our "new"

interview partners are convinced that the internal institutions and rules of family-based planning, decision-making and cooperation should be designed in a way that allows for the open discussion of the arising attitudinal differences and conflicting interests. In their view such internal institutions and mechanisms are the only guarantees for arriving at workable compromises that, in turn, best warrant the agreed external representation and the well-founded agency of the company.

Of course, the actual regulatory processes and the related structural elements differ from one case to the next. At the same time, there is an important common feature that these cases share: the strong striving for unity. Indeed, the players make all efforts to represent the entrepreneurial family as an entity without internal divisions and use this representation for surrounding themselves with a powerful protective shield that does not leave room or surface for the divisive attacks from outside. The visualisation of the family as a shatter-proof unity obviates splitting along the lines of distinct interests of some parts of the family: it helps to prevent independent striving for entering the market with a specific strategy apart from the rest of the family. Apparently, observance of the family's unity requires self-restraint from each family member. At the same time, unity makes the family-owned business a strong bulwark against attacks from the outside world. This gains particular significance in cases of fending off buyouts or strengthening the bargaining positions of the business on markets abroad. The foundation of making unity work is the permanent strengthening of coherence and the unconditional trust between the members of the family that serve, in turn, successful conflict management and an efficient resolving of the emerging internal frictions. In order to take care of the sources of trust and coherence, mutual understanding, empathy, and ongoing efforts are needed from all parties:

My father did not want to support the idea but my mother told me to go ahead, let me try it and do it. And in retrospect separa-

tion from my father was a good decision. When I became separated from my father, I told him, »I don't want to make a big company like yours«, because about 60 people were employed there... And ultimately the decision about my separation was made by the family. My father was not happy about it, but he also consented... And I devoted the longer part of 1989 to build a small workshop from my saved money. The family had a small slot on P. street in Sopron, and I started the construction there. I did not have too much to spend, but when I ran out of my reserves my father helped a little with a loan and it was really important that I had someone to turn to for support. Actually I started a truly small private business. I did not want to become a competitor of my father by producing mirrors, hence, we began to produce insulating glass. [44]

In sum, the comparison of the family-owned businesses of the 'old' and the 'new' entrepreneurs drew up the trends of gradual refinement and the prevalence of ever more routinised institutional operations. While maintaining the above characterisation of this business form by emphasising its potential to provide protection and opportunities for the withdrawal of the 'old' entrepreneurs and to back their attempts for finding ways out of the pervasive distrust in Hungarian society and economy, we have to make a complementary remark here about the transience of such a state of affairs that is reflected in the speedy realignment of the goals and functions that took place within a very short time.

In the eyes of the 'new' generation, it is the market advantages of the family-owned business form and it involved opportunities for assisting their individual career paths that lead the ranking of the motivations – and it is the 'Western-like' professional traits that they develop in order to best explore these rewarding aspects. However, the protective elements of the formation are important for them as well. As we have seen, the transparent separation of the family positions and the continuous maintenance of the internal relationships of trust are of great concern

for them. One can add that these aspects are decisive elements of the business operation that importantly contribute to preserve the characteristics of small entrepreneurship even in the conditions of fast growth. This latter inclination is shared by the two groups of the 'old' and 'new' entrepreneurs. Deliberate limitation of the company's growth and strategic decisions and conscious actions for asserting stagnation through the frequent modification of the structure of the business are warning signs of the discontinuities that indicate blocking and marginalisation of a remarkable part of the Hungarian grand entrepreneurs and that signal their troubled post-crisis state in the first decade of the new century. From this perspective, the domestic spreading of the family-owned businesses does not help to stimulate the economy but supports an opposite trend: it indicates the diffusion of defensive business behaviour and the fixation of inward-looking endeavours.

Both generations of the grand entrepreneurs are obviously fully aware of the involved costs and risks of self-restraint. However, they perceive the risks of rapid advancing and out-breaking by leaving others behind even greater. The recurrent failures and slowdowns in the course of the business career often could be owed to earlier over-optimistic expectations and too positive outlooks. What is more, in several of the cases the same biased sensing provoked those attacks that ultimately ended up in bankruptcy and liquidation and that forced the businessmen to restart from scratch. It followed that they learned the lesson: if they want to act and move on the domestic terrain, the required main personal orientation is thorough observation of the rule of alignment. The smaller family-owned units that came into being after the splitting of the big companies fit well into the usual plant size of the socially accepted formation of small enterprises, while the cautious attitudes of the owners with regard to growth indicates the acquiring and perfect internalisation of the ideas that the small entrepreneurs always had.

But becoming fully accepted requires more from the large

entrepreneurs: it calls for the adaptation of their world-view and political ideas to the mainstream and urges them to clearly (re)define their position in this frame. Furthermore, given the deep politicisation of the economy, a thorough rethinking of the prevailing broader political, social and ideological relations and attempts at defining one's own position amid these relations make up perhaps the most important non-economic precondition of an undisturbed running of the business.

At this point of the discussion it seems important to ask the question: what does it mean to be a 'Hungarian grand entrepreneur'? In seeking an answer to this question one cannot disregard the group's position in the larger European space, further, a closer examination of the relationship between its members' economic roles and patriotic orientations is also needed. As will be shown, beyond pervading our partners' approaches to the business, the daily pressures for clarifying their personal position deeply impregnate the ways and the dilemmas of searching for their identity as well. Hence, their personal 'policy of being Hungarian' can be a buoyant factor as much as a paralysing force. Nonetheless, the often hidden but still prominent role of the ideological and political orientations have to be taken into account whether one wants to interpret the withdrawals and the business conversions of the 'old' entrepreneurs or understand the often markedly different company policies of their 'new' peers.

ENTREPRENEURS ABOUT THEMSELVES IN THE CHANGING IDEOLOGICAL-POLITICAL SPACE

It was one of the great promises and hopes of the years of transition that as the market takes over regulation of the economy, politics would be drawn out of this domain. It was expected that economic performance would be measured by the play of demand and supply, furthermore, the expanding international relations would make it meaningless and impossible to intervene into their functioning for political reasons. However, it became clear in a relatively short while that these hopes were illusory: instead of being expelled, the world of political interests has been inextricably absorbed by the working of Hungarian capitalism. It can be recalled that the first act of uninvited intervention was the politically impregnated process of privatisation that provoked lasting anger and bitter emotions that are still in place. Since, apart from the new political elites, it was mainly the well-set upper managers of the one-time socialist companies whom the process rendered the truly advantageous positions, the initiation of the new stratum of owners was perceived by the public as driven by those old positions that had been inherently politicised by the very nature of state-socialism. The actual performance of the new owners proved marginal in this regard: the public considered – and still considers – the involved initial inequalities.⁴³

However, the accusations claiming the interlocking of politics and business seemed to fade away by the end of the first dec-

⁴³ A marked presentation of this point of view can be found in Szalai (2009). For the criticisms of privatisation and their lasting impact, see Mihályi (2010).

ade of the post-socialist transition. In regard to the fact that the number one winners of privatisation were the buyout-thriving foreigners (and above all, the rapidly settling multinationals), the anger of the public against the domestic large owners was on the decline, though distrust and suspicion towards them did not cease. The basis of continuous allegations was provided by those journalists and interested political figures who closely observed each case of the manifestations of old interlocking and brought up these with an intended uncovering of the truth. Business transactions between 'old comrades' or the old political ties in the background of large state procurements hardly ever remained secret: actions against corruption and in favour of making justice directed public attention primarily to these types of associations.

The repeated waves of distrust became tightly intertwined with political strivings of the day. In the campaign periods preceding the elections the disclosure of the dubious affairs of the political opponents (be they the members of right- or left-wing parties) was considered as efficient tool of the political struggle. There was not a single political force that remained intact and the economic actors in their proximity were regularly pilloried with them.⁴⁴ These currents carried a general message: by attaining success in the business, one has to face the politically driven questioning of his performance and also of his personal honesty. Hence, independence from politics – or at least the efficient dissembling of one's political ties – became a matter of life and death in the circles of grand entrepreneurs while emphasizing the distance turned out to be an indispensable precondition for them in assuming legitimacy and personal acceptance.

It is hardly surprising against this background that our in-

⁴⁴The most comprehensive analysis of the occurrence of corruption cases was presented by the Corruption Research Centre of the Institute of Sociology and Social Research at the Corvinus University Budapest. The researchers processed some 3500 press material that identified 444 cases. The content analysis of these documents justifies the above discussion (Szántó-Tóth-Sz. Varga 2009).

interview partners told us very little about their direct political ties and avoided to discuss those aspects of their business activities that were most probably in close association with these ties. Obviously the situation was similar ten years earlier when we first interviewed our 'old' partners but the thickness of silence seems to have grown by now. Nevertheless, the issue of political-ideological orientation remained among the important themes of the interviews because it simply could not be omitted from the accounts about the efforts for adaptation and the difficulties that had to be faced. True, our partners rarely provided detailed stories to illustrate their political orientation and there were very few words about their personal connections to the political parties or to certain politicians. Instead, the profile of one's general attitude and the important political values were discussed. And after all, this was an advantageous turn. For the rather abstract analytical framework helped us to describe the changes in our interviewees' relating to politics and also to reveal the reflections of these changes in the shaping of their business philosophy.

Among the constituents of the change, perhaps the most important is the significant shift in what our interviewees intended to emphasise. More precisely: in parallel to the rise of the right-wing political forces, the issue of Hungarian identity came to the forefront. As part of this shift, our 'old' partners who initially had been liberals and West-oriented in their values turned as much towards the new questions of national identity as those members of the 'new' generation whose conservative socialisation rendered a safer backing for adapting to the new trends. Adaptation takes place through barely visible, gradual shifts. While efforts for distancing from the field of politics are clear, politics becomes more important than ever. The businesses absorb the air of the new times: emphasising the specifically 'Hungarian' traits of their products and striving for acquiring the honouring title of 'Hungarian distinguishedness' for their goods and services become important aspects of the entrepre-

neurs' representation strategies and their business policy. They do not expect any upward turn from these steps but hope for some political protection. In the general atmosphere of distrust and suspicion the underscored 'Hungarian quality' of their performance serves as a protective shield and proves their identity and patriotism as well. In such wider sense, any pursuit of political independence is an illusion. The expected orientation and its proper expression are simply the preconditions of keeping afloat. The political-ideological orientation of the owner-manager has become an irreducible constituent and a half-hidden organising principle of the domestic large- and medium-size enterprises that importantly influences the development and the present state of the business.

In this context it seems worth taking a closer look at the strategies of adaptation and changes.

Although they largely remained silent on the subject, there were several among the 'old' entrepreneurs who made mentioning of friends and mentors among the politicians at the time of the first interviews, i.e. around the turn of the Millennium. Back then, the accounts were usually accompanied with some pride and a hint of familiarity. We did not and could not learn from them whether these relationships yielded gains for the business. Mentioning rather served as an indicator of one's status and as a proof of importance and acceptance. Furthermore, the contacts were understood to justify one's political involvement and to express strong ties and dedication to the local community. Our interview partners talked with pleasure about their roles in the local representative bodies and the achievements that they attained as mayors. All of these were brought up to underscore that they were not simply money-making businessmen but citizens with commitments to act for the benefit of the public. In this context, politics was not considered as the devil's terrain and the field of ungentle relations, rather it was perceived as the framework of the strengthening potentials of civil self-organisation and its growing power to control the affairs of public life. In

this sense, participation in politics appeared as an honourable activity and one's leading role in such activities seemed to justify a useful contribution to the common good.

Ten years after, practically nothing has remained from this confident and promising interpretation of politics. In parallel with the adoption of suspicions and allegations in the public discourse and with the spreading of a hostile orientation towards politics, there has been a profound shift also in the attitudes of the entrepreneurs. If there are politicians among their acquaintances and friends, today these relationships remain strictly confined to the private domain. Our interview partners were eager to emphasise their efforts to keep away from politics in their personal and familial relations. Those of the 'old' group who used to be involved in local politics gave up acting as mayors and they left behind membership in the local representative bodies as well. Increasing weariness with ageing provides only a partial explanation: the changes in public orientation are more important in this regard. The entrepreneurs often feel that, instead of acceptance and support, their earlier public engagements provoked accusations – and they drew the lessons once and for all. If they retained something from the old roles these were memberships in the bodies of professional organisations or, now and then, presidential and secretarial positions in the management of professional associations. However, our partners describe these bodies and associations as increasingly marginalised organisations that keep them involved less for the hope of some rewards than for maintaining a degree of loyalty.

While the civic roles of the 'old' entrepreneurs have faded away and became emptied for the most part, the 'new' businessmen started their careers with a priori indifference and detachment to similar involvements. By the time they appeared on the stage, the buoyant force and widespread attraction of the short-lived civil and public engagements of the immediate years of the systemic changes had evaporated. For their part public activities are considered waste of time. When we asked them about

the frames of participation, our interviewees drew up sharp boundaries to let us see the exclusively private nature of one's civil activities. The accounts make clear the close to non-existent occurrence of civil engagements in this group. The public space in which they are manoeuvring is organised around other activities: whether it is hunting, some sport activities or the annual yacht tour, the involved relationships are formed along familial contacts and friendships that share a lot in common but that certainly miss any relating to the broader community. However, such private confinements do not imply disinterest in politics. As it will be shown below, members of the 'new' group do not lag behind their 'old' peers in forming strong opinions about the performance of the subsequent governments, neither are they short of forward-looking ideas about the desirable reorientation of the country's development.

At the same time, it is a striking feature of the 'new' entrepreneurs' orientation that they never bind their public ideas and engagements to events or currents of the daily politics. In their eyes, the proper formation of one's own personal political profile carries much greater importance. However, the contents of such a profile are distanced from the immediate realm of politics: they originate in moral values, the translation of certain principles of identity politics, and the practical transplantation of the chosen world-view into one's personal conduct.

No doubt, distancing from politics (in the case of the 'old' entrepreneurs) and the continuous and accentual declaration of keeping away from it (in the case of the 'new' group) are clear reflections of the erosion of public respect for making politics. In the atmosphere of discontent and suspicions that surround politics, the prestige and reputation of the initial years of the transition that some enjoyed for past involvement in the dissident movement or in the work of the one-time reform circles have vanished. Of course, there is no reason to assume that the retreat from public engagements led to the concurrent termination of the valuable political relationships. Nevertheless, as if

accommodating to a tacit agreement, the narratives uniformly remained silent about the business implications of these connections. But if the political relationships are not transparent then their content cannot be controlled. Therefore, the general silence can as much function as the cover-up of rampant corruption as indicating the genuine decline of the role of politics in the business life. Both interpretations look plausible in simultaneity. It is probable that changeability of the political power and the repeated waves of post-election reorganisations make the advantages of one's political contacts transient and easily reversible. It follows that it is rather the general spirit of politics than the personal network of political relationships that matters in orienting the public opinion and the attempts at business adaptation alike.

In light of the above, perhaps it is not overstated to argue that by the turn of the Millennium, the relationships to the political parties and institutions and the involved personal ties have lost much of their significance in the adaptation strategies of the entrepreneurs.

However, in simultaneity with the decline of political impregnation of the business the significance of politics has been on the rise. Relating to politics in a depersonalised way became the primary framework of self-assertion and the formulation of one's personal ambitions. In this sense the declaration of one's political creed grew to one of the fundamental constituents of the evolving new entrepreneurial ethos. Put it differently, while personal presence and active participation in politics has lost importance, the inescapable currents of all-influential politics made the owner's ideological-political confession a most decisive factor of the conduct and success of the business. The dimensions of the discourse have shifted in this restructuring. The earlier widely discussed ideas about competition, the equality of opportunities or the question of catching up to Europe became neglected while two new-old themes took over their place. The two issues that gain new dominance these days are related: one of them is the question of individual relating to the

so called 'Hungarian substances', and the other is the protection of national independence.

One may say that there is little cause for surprise in this shift. For the reorientation of the political discourse has gone along almost naturally with the domestic crisis of liberalism and its taking a defensive turn that was accompanied by the speedy rise of the popularity of ideas on the specific national values and the tight affiliation that these embody. Of course, the entrepreneurs are no exception: they cannot pull themselves out of the effects of the new currents. However, while this is true, the situation is not that simple. Claiming permeability of the borders segmenting politics follows from the freedom of enterprise. This claim is, however, principally incompatible with the stressing of peculiar Hungarian substances and missions that implies, in turn, the strong manifestation of these borders as points of orientation.

Furthermore, respecting competition on the market and equal opportunities for participation goes against demanding any personal favours and exceptions. Due to their inherent liberal interests, one would expect that, in comparison to other social groups, the entrepreneurs have a weaker predisposition to accept the nationalist ideas that call for the strengthening of the state. However, the facts refute such expectations. Driven by their proudly underscored national civic self-definition and by strong pragmatic restrictions on their one-time liberal attitudes, the majority of the 'old' and the 'new' entrepreneurs support the new values and the new line of politics founded on them. By accommodating to the general new trend, they are important actors of elaborating the particular 'Hungarian contents' and of representing the claims on the protection of these contents – in economic terms, the national market – that they expect to be provided by the state with increased potency.

At the same time, the sharp ideological-political realignment renders some hope for finding remedies against the

frustrations that have arisen due to the long-term deterioration of business performance. By conceptualising the state as the guardian of national values, our interview partners expect it to efficiently counterbalance the 'unfavourable' market developments and external effects and to provide a protective shield for the domestic entrepreneurs and their businesses against the 'power' of the multinational companies. In this sense the recent shifts of the ideological-political values have allowed for some room for certain pragmatic efforts as well and thus may be regarded as crystallising points of a new political consensus of broad interest groups. As of today it is yet only the bidder's side that can be identified. But the bidders can be sure that their new political-ideological credo will be resonated in the wider public: due especially to the pressure of the enduring crisis, the idea of the 'interest protecting state' has gained substantial popularity. Thus, a broad consensus is emerging. The foundation of the consensus is the general acceptance of the primary importance of the question of 'what is the essence of Hungarian peculiarity'. Since responses to this question are the starting points of political demands towards the state (or more precisely, towards the government), our interview partners – driven by different inner and external expectations – consider it important to formulate their own understandings of 'Hungarian peculiarity'. However, taken their personal views, the responses are greatly diversified. It can be stated with some exaggeration that there are as many variations of the outlined images as the number of those whom we asked. Concerning the content of the images, there is but limited weight of the generational differences between the entrepreneurs, while the departures prove significant with regard to familial socialisation and the experiences that one gained about 'Hungarian identity'.

Personal identity is tied to deep-rooted family and community values. The terrain of experienced 'Hungarian peculiarity' is the family and in many cases the religious community. However,

the evolving identities are understood in their broader national and social contexts. After the years when the necessary values and the required attainments of Hungary's successful accession to the European Union had dominated the public discourse, the mixed experiences of successes and failures that have accompanied the process came to the fore. The arising ambivalences provide a new prism to recalibrate the values of 'Hungarian peculiarity' as the content of identity that should be preserved at all costs:

In the first place, I represent the family values and the approach and the vision that members of our family share. We have not only profit- or value-maximising ambitions but we have others, too. Credibility, observance of the law, loyalty to the national values are top priorities for us and we make all efforts to preserve these. Together with our experts, we try to navigate the company in a way that allows for successful business but that leaves room to live up to our other commitments as well. [2]

By relegating the preservation of values into the private domain, claims on the active engagement of the state in some kinds of protectionist or reformist policies are given up. The reasoning is tinted with pragmatic liberal values. The state as the depository of power should not provide advantages but it also should refrain from inhibiting the healthy functioning of the entrepreneurial world. It is derogatory and hurtful for the domestic businessmen if advantages or exceptional treatments are offered to foreigners. But it is equally undesirable to support Hungarians just because they are Hungarians. Put it simply: the relationship between the state and the economy should be built on mutual independence and public policy should be driven by respecting competition as a guarantee of neutrality. However, as the lines of reasoning of our entrepreneurs show, these requirements hold only within the narrowly defined scope of the economy:

Concerning the state or the government one would expect stability and accountability in the first place... Apart from the facts that we are a member of the EU, there is a single market and there are no customs frontiers, and there is free flow of the ideas, the capital and the goods, we have our own home as well. And as I see life in this home I would say that if I am not helped then I should not be hindered either. [2]

Others are of a different opinion: they expect patriotic attitudes and actions from the Hungarian state. This idea would require the exact defining of the border between what has to be considered as 'Hungarian' and what would be described as 'non-Hungarian'. But such attempts would lead one to slippery areas where there is a high risk of arriving at historically and politically loaded faulty conclusions. In order to avoid such an outcome, the borders remain in the dark and we may only guess that for the interviewee it is togetherness along with economic cooperation that designates the contours of Hungarian unity:

Oh well, considering the Hungarian market, the Hungarian businesses should be supported here. Of course, it is a question who is a Hungarian entrepreneur? An enterprise is not made Hungarian by his owner wearing a cockade on his shirt. Instead, it is Hungarian because it is registered in Hungary and because it produces and sells its products in Hungary. And here is another question: what makes one Hungarian? Does the person have to be born here or does he have to live here? However, these are ideological questions that I would like to avoid discussing. [5]

Whether issues of Hungarian identity at the private level are emphasised or the reduction of national unity to the economic domain is discussed, it is not difficult to reveal the work of some ambivalent experiences in the background. Due to their embarrassment of the anti-entrepreneurial currents and also driven by the bitterness of experiencing the power of the market in forcing one nearly to the brink of ruins, a substantial part of the 'old' entrepreneurs is of the opinion that Hungarians are held

together only by the negative characteristics of jealousy, the lack of solidarity, depression, and the inclination to step down. As they argue, each of these characteristics is devastating, but taken in their interplay these forcefully undermine the spirit of combating against the difficulties and deprive from the ability and the pleasure of innovation. And generalisations are not missing of course:

... nine years have passed in the meantime. During this time, the interest rate climbed to 40 percent and I have paid 8.5 million Forints for a share in a business that otherwise had a corporate value of 3.5 million. So much about the Hungarian courts... I am not accusing anyone of fraud but someone cheated here. Who, why and how? After such experiences you come to the conclusion that the only thing that you want attained is a compromise. There is no real jurisdiction here, there is no justice... No comment. [4]

The key source of the problems is the lack of efficient protection:

I have the feeling that we were sold out in the trade sector. Nobody protects us and nobody protected us in the past. Now they are beginning to talk about the Hungarian products and about the Hungarian goods. And claims are heard that the Hungarian-owned supermarket chains should be supported for what the NPHMO⁴⁵ has done earlier. It was given a free hand by hitting companies. Extremely high requirements were imposed on the construction of slaughterhouses and on the reconstruction of shops. Similar requirements are not even prescribed for Western Europe. These authorities were exceedingly perfectionist. [18]

These traditional complaints call forth traditional responses. The longing for state paternalism is almost inevitable, because a central provider of truth needs to be somewhere:

⁴⁵ National Public Health and Medical Officer Service.

Oh yes it would be perfect if the state was helping entrepreneurs like us. When one's opinion is asked, I keep saying that people are not equal in this country. Each month I am paying a good amount of taxes and contributions but I do not really get a similar gift from the other side... I keep saying that it would be nice if the offering was a bit more equitable. But this... was not the case in the past and it is not so today, this is how I see it. [7]

There are two ways out from the revived tradition of complaining. The first approach involves the historical widening and the ideological lifting of the troubles. Failures and the state of dependency are ills that have characterised Hungarian history for several hundred years; one has to look at the 'catastrophe' of accessing the European Union simply as an extension of these historical trends. It was the strong representation of our Hungarian identity that protected us against the storms of history even in times of the greatest shocks. Consequently, the programme is the filling and validation of the national character with new contemporary contents and to protect it at all costs. Out of the several formulations of this idea, let us present here one that – while applying some rather schematic arguments in support of the pragmatic considerations – makes clear the constituents of the desired protection:

As I see it, these politicians who contributed to the destruction of Hungary are not committed Hungarians. We are always looking for capital and since the time of King Matthias we have sold the country to the West. We were regularly on the side where we should not have been. Unfortunately, this is how things happened. It would be useful to look around and recognise that there remained a stratum of Hungarian craftsmen on whom one should count... For sure, we ought to change the attitudes because the problem with the politicians is their orientation that they are constantly looking outwards, while the West has no interest in helping Hungary. We could have found out during the past hundred years that no one wants to help us. We should perhaps make a turn and we should look inwards and not in that direction. [34]

Those who represent the other direction have certain efficient individual responses on their minds. The programme is the active observance of values with collective contents. A turn has to be made towards the values that have remained in place through the entire course of Hungarian history and, after elaborating the concept of a culturally perceived nationhood, clear patriotic responses have to be formulated. The most important domains of these responses should be the fields of high-level knowledge: the worlds of arts and science. The argument goes as follows:

There are excellent Hungarian teachers and the Hungarian guest lecturers also come home. I would like to sell Hungarians and I tell you why. If somebody is buying software it is not the nation that matters... it is not the country of origin of the software which counts. One would like to buy an architect-software and it is of a secondary importance where it was produced. It matters a little, but just a little. However, when one applies to a university abroad then it is first of all the country that one chooses. It follows that I have to sell first Hungary... We are very good in adaptation, we can very quickly adapt to the changing circumstances. If one wants to learn how to adapt to the diversity of the environment then this knowledge can much better be acquired in Hungary than in France, Japan or Germany. [3]

In spite of their differences and of the diversities in the value contents, the lines of thought point in the same direction. Despite their personal success, enrichment and truly astonishing performance in their business careers, the entrepreneurs feel a degree of discomfort in experiencing that the past decades of systemic transformation have brought breaches in society's value system. They owe it to the general atmosphere – that many call an outright value crisis – that they did not receive recognition, neither were they protected by the successive governments. And their feelings of uncertainty are accentuated when thinking about the future of their businesses or the personal prospects of

their children. The need to reformulate the Hungarian values arises largely from these uncertainties and ambivalent emotions and its contents are essentially defensive in nature. Our interviews make clear the lack of a common ground. The identity concepts range from the stressing of one's private world to the emphasis given to the inescapably negative tendencies of Hungarians' common fate, but in one way or another, all the reasoning remain defensive in their essence. At the levels of ideology and world-view, this orientation complements in a natural way what has been said above about the business strategies of retreat and withdrawal or the strivings for invisible assimilation through seeking 'niche positions' on the market.

However, the revealed variants of the national self-image complement the above characterisations in two important ways.

On the one hand, the emergence of a new national identity that is built on the 'Hungarian peculiarities' points towards the shaping of an ideologically perceived new community. When above we characterised the 'old' group of the Hungarian entrepreneurs by a cultural orientation that centres on the values of liberalism, freedom, and independence, only part of the truth was revealed that requires an important addition at this stage: this orientation proved short-lived and has vanished by today. In our follow-up interviews, at most the mentions of neutrality and the claims for the equality of opportunity recall the traces of the earlier liberal entrepreneurial thinking. Moreover, the liberal values come through only in the rhetoric. If they earlier formed the bases of committed civil actions and generous supports then nowadays the references come into play mostly as dispirited remembrances or causes for nostalgia. In these circles, the marginalisation of the liberal values does not mean, of course, the spreading of anti-liberal views. The growing popularity of the 'non-intervening' state rather suggests that in economic terms the businessmen would welcome the de-politicisation of the state and its turning towards professional servicing by observing neutrality. At the same time, when the ideological

and political aspects are considered, they would expect the state to render the marked representation of national togetherness. The inward-looking orientation, the fearing of the West, and the accentuating of the critiques regarding the European Union that accompany these ideas together indicate that the entrepreneurs' ideal would be the protectionist state in the 18th century sense of the term. However, such a construction hardly would provide protection against an inescapable marginalisation in the current globalised world. At the same time, given the processes of wide migration, striving for such an arrangement can give rise to severe ruptures of social cohesion and it can generate new exclusions.

The other important novelty follows from the tensions between the searches for identity and the actual conduct of personal lives. Especially our interviews with the 'new' entrepreneurs indicate that there is a strong propensity to underscore the common deficiencies as the fate of Hungarians and to project the ambivalences of their Hungarian identity backward in history. Little trust in the institutions is a logical consequence of such projections: "the state is working badly because it used to work badly for centuries." Given this reasoning, there is only one desirable way out: this is to deepen the distance from the institutions and to strengthen the individual choices as one's only reliable resources. Although some partial ideas emerge to make public politics more efficient, the formulation of these thoughts has a technocratic nature. Their mentions are barely accompanied by any hope that things would be moving in the right direction any time. Neutrality sometimes leaning towards cynicism follows from this attitude: it is necessary to cultivate good relations with the governments – be they right- or left-wing –, but this has to be done from sufficient distance and only with the minimal involvement that is needed to keep the company alive. However, this attitude of resignation goes hand in hand with a vivid searching for a way out that turns towards the accentuated importance of identity. Since it is rooted in personalised cultural

contents and individualised needs, the formulation of one's own ideal national identity is a deeply personal matter that gives rise to a great diversity of focal values and patterns. This is the way how outstanding entrepreneurial performance or one's widely admired business success became the foundations and the distinguished contents of identity formation. However, even these publicly recognised contents and values are primarily assessed from the individuals' perspective: those opting for such personal strategies of identity formation allow at best for a receptive role of politics:

Of course, I have an opinion about politics and the public life but I hope our mineral water will remain party-neutral. The Szentkirályi mineral water is offered to all consumers in Hungary. Earlier I already suggested to the politicians to make a survey about those Hungarian businessmen who were able to survive, and let us jointly rebuild the country because no one else would help us... I have to note that it is not a gesture on my part to the conservative side that I put the Holy Crown on the label of the Szentkirályi mineral water. I was the first in the food industry who built on the national values, but I did not do so because of some party sympathy, since I did not want to express my commitment to one of the political blocks. I cleaned all the foreign texts from our label, and I gave a clearly national foundation to the marketing while the brand was formed by emphasising the Hungarian food character. (Balogh 2011, pp.131–137)

In the highly individualised search for identity, exploring and representing the specific Hungarian contents is relegated to the private domain and thus the process allows for great differences in other walks of life. As if it was a religious faith, devotion to the national idea is a 'church' for the young entrepreneurs where they enter on holidays while their everyday scenes are elsewhere, i.e. in some other countries with markedly different cultures. It is one of the interesting characteristics of the 'new' entrepreneurs that their easy-going presence in the Western world – a distinguished feature in comparison to their 'old'

peers – has not inspired cosmopolitan orientations and has not brought about a European extension of their self-identities. In this respect their strategy is no less defensive than that of the 'old' generation: their Hungarian identity serves as a protective shield against the growing competition. It is a different matter that they relate with even less illusions and less collective expectations to this protective shield than members of the 'old' generation do. If some ideas embracing the larger collective still exist then these focus on the cultural domain – and this is certainly not incidental. As we have seen above, many of the 'new' entrepreneurs consider it as much a drive of personal development as an expression of national commitment to contribute to the development and dissemination of the high-value products of science and arts. As an expression of their mission, they engage in meaningful development programmes: some establish training centres, others open new art galleries and yet others build new concert halls. Although such cultural missions often earn broader recognition than one's business performance the entrepreneurs would not think for a second of unifying the two areas of activities. Just to the contrary: they strictly separate the terrains of their dual identities of running a business and engaging in cultural mediation and express with emphatic gestures the distinct contents of self-respect and national mission in the two areas. At the same time, they thoughtfully care for their new cultural institutions and make all efforts to protect them from the unexpected fluctuations that hit business with risky bumps.

All what has been said so far about the identities and self-images of the entrepreneurs seem worth reconsidering from the repeatedly emerging perspective of the spreading of bourgeois mentality and values. The picture seems troubled. As it appears the stratum of grand entrepreneurs has given up its previous aspirations for becoming the civilian elite of Hungarian society that would proudly provide role models and patterns of behaviour and conduct. Contemporary history seems to have taken an opposite trend. The lasting crisis of the country wore out the

nascent citizens' initiatives and deprived the arising new civil movements of their developmental potentials. The trends of an anti-civilian turn can be most clearly seen in the ever stronger attempts at redefining the leading values and the contents of community cohesion. By sensitively following the re-focusing of the public spirit, the Hungarian large and medium-size entrepreneurs became the apostles of inward-turning patterns and a critical relating to the general European values while in practical terms they advocate with some etatist attitudes the strengthening of collective self-protection by the national state. True, when the daily business is considered, one can detect some remnants of the one-time liberal thinking and cosmopolitan openness in the entrepreneurial behaviour and the business contacts. However, the entrepreneurs do not see any chance for representing these values in a collective way: in their view, breaking out can at best be an individual programme. In this way the discrepancy between thinking about the larger collective and one's personal engagements instigate for giving up the elite roles and motivate for 'privatising' one's own personhood. The pulling effects still work: the withdrawal and increasingly defensive attitude of the entrepreneurs serve as norms for others, for sure. However, the societal-political impulse of these norms is the abandonment of the aspirations for becoming integrated into the broader European culture and value system that implies, in turn, a resigned acceptance of the irreversible second rank-position of the country. One does not need to paint in details the dangers of such a turn.

CONCLUSIONS

As the discussions of this book demonstrated, the dynamism of a remarkable part of those large and medium-size companies in the hands of the 'old' owner-managers that had grown fast in the first decade after the systemic change, has lost impetus and stopped growing in the years after the Millennium. (It is worth repeatedly emphasising that the turn clearly occurred before the world economic crisis of 2008.) The slowing rise of the number of firms and the pessimistic prospects of an increasing part of the businesses indicate that the loss of dynamism was not an isolated phenomenon in the Hungarian economy in the first decade of the new century. However, it cannot be said that the recession hit everyone – this was not the case even in our limited sample. In fact, in this small sample of companies important exceptions could be identified like the fast growing businesses of the 'new' entrepreneurs that started after the year 2000 or the invariably successful firms of those 'old' businessmen who maintained growth and expansion by a smart business policy that was complemented by focusing on innovations and fast responsiveness. Moreover, one has to add to the series of exceptions a whole range of further examples of those success stories of the Hungarian business society that became known from the media.

The wide array and the simultaneity of successes and failures indicates that the macro-processes of the national economy do not provide enough explanatory power for satisfactorily describing and interpreting the phenomena of retreat, shrinkage,

and the loss of impulse. Our interview-based study revealed an extensive scope of interpretations regarding the impacts of the macro-level environment while it also gave insights into the varying attempts at accommodation or break-through and the colourful patterns of the personal-entrepreneurial aspirations. The interview-based micro-level analysis and the exploring and accurate describing of the inside structuring of the cases improved the potentials of disclosing the reasons, the drivers, and the economic and non- economic factors at play in influencing rise or decline.

Table 9
Factors influencing the similarities and differences between the two groups of the 'old' and 'new' entrepreneurs and their businesses

Processes and features explaining the performance differences	Processes and features with limited or no explanatory power regarding the performance differences
Entrepreneurs' – age – knowledge accumulation in the school system – knowledge and skills accumulated out of the school system	Entrepreneurs' – basic socio-demographic indicators (educational attainment, sex, residence)
Businesses – market behaviour – competition and market distribution	Businesses – industry, branch – innovative performance – state subsidies, public procurement

Table 9 summarises the most important constituents of the personal and company histories. The classification grew out of experiencing differences in the explanatory power of the similarities and the departures. While the similarities between the two groups of the entrepreneurs and their businesses provide limited insights, the departures prove much stronger in revealing the background forces of performance differences in the first decade of the new century. Summing up and comparing the

similarities and the differences also helps us to understand why the members of the 'old' group were successful in mobilising their accumulated human, cultural, and network capital mainly in the 1990s while their 'new' peers built on the respective forms of capital in the first years after the Millennium.

The two groups are similar in their socio-demographic profiles: men with a degree of higher education and living in urban areas, furthermore, those coming from middle-class backgrounds represent the decisive majority among the 'old' as well as among the 'new' entrepreneurs. Based on these similarities it was found that the hard indicators of sex, place of living, family background, and the level of education do not explain the performance differences of the two groups. Regularity of the group features in the subsequent generations of the grand entrepreneurs rather turns one's attention to the closed nature of this stratum while it also underscores the fact that the given combination of the factors makes probable entry to the business life but it has no explanatory power with regard to long-term involvement.

At the same time, the significant difference in age between the 'old' and the 'new' businessmen turns out to be a powerful explanatory factor of the performance differences of the past decade. The proportion of those who were considering a retreat from the business or who gave up their entrepreneurial activity was much higher in the 'old' group than among their dominantly young 'new' peers. In other words, their declining ambitions and restrained business plans also might have contributed to the worsening performances of the ageing 'old' entrepreneurs. Nonetheless, the presented cases of some successful 'old' and failing 'new' entrepreneurs and their businesses show that age on its own does not explain the departures in performance.

However, differences in the life courses, the contents of knowledge and skills as acquired in- and outside of formal education and also in the established contacts powerfully contributed to the experienced divergences in the two groups' entrepreneurial

careers in the first decade of the new century. In comparison to the 'old' group, the numbers of those who systematically learned subjects dealing with the functioning of the market economy and who acquired such useful knowledge abroad were higher among the 'new' entrepreneurs.

Differences in performance were influenced by the distinct spaces of out-of-school learning as well. Members of the 'old' group mostly accumulated their managerial experiences and business contacts at the large state-owned companies and cooperatives or in the illegal and legal private sectors of the socialist system. At the same time, the 'new' businessmen learned in a large number in the different terrains of the new private economy and expanded their knowledge primarily in the businesses of their parents or at foreign-owned companies. The collected experiences were enriched by working abroad prior to starting their business: even if such employment episodes did not take place in their future field, the would-be 'new' entrepreneurs got acquainted with the business culture and the mode of operation of the companies of the advanced market economies.

As to the characteristics of the enterprises, it was found that the specificities of the products and services do not explain the performance differences of the companies of the 'old' and 'new' entrepreneurs: the distributions according to the profiles (i.e., by branches and industries) were much similar in the two groups, furthermore, the respective firms worked as much in the declining as in the booming industries.⁴⁶ Furthermore, we could not find remarkable differences in the innovative performances of the companies of the 'old' and 'new' entrepreneurs either: we met a few examples of rather weak innovative activity in both groups that did not distinguish them from the mainstream of the Hungarian economy. The revealed exceptions – huge investments to modernise a certain part of the production chain – focused mainly on complementary activities (marketing, advertis-

⁴⁶ Although the similarities in profiles partly follow from our sampling methods, still the phenomenon deserves recognition.

ing) and served rather the survival than attempts at increasing the market share of the company or entering to new market segments. The attitudes of the 'old' and the 'new' businessmen seemed equally conservative in this respect.

Considering the economic relationships to the state – the frequency of the state subsidies and preferences, the share of state procurements –, the two groups proved similar in this regard as well. More precisely: from the standpoint of the daily operations of their companies, there were no differences in the presence of connections to the state. However, rather important departures characterised the start-up conditions: members of the 'old' group – especially those who were involved in the privatisation process – took out preferential loans from the state with higher frequency than their 'new' peers who, in turn, tended to use their families' capital to launch their businesses. But these differences in business start-ups did not play any significant role at the later stages. After Hungary's accession to the European Union the roles and functions of the direct state subsidies and loans were taken over by a new system of grants financed from the European structural funds. As it turns out from our post-accession interviews with the two groups, the new-style grants are frequently applied for by both and, for the most part, a combination of bank loans and project-financed contributions has become an ordinary constituent of the daily operations. At the same time, our study revealed very little about state procurements. This was a very sensitive issue already ten years before. However, the fading relations of the 'old' entrepreneurs to the local governments and the declining importance of the professional bodies in their eyes indicate that the state as a serious player on the market has lost a good deal of its significance. At the same time, members of the 'new' group were always more interested in private economic contacts and in the opportunities for occupying the niches of the markets under the control of the multinationals – hence, the state as an important partner never appeared on their horizon.

So far this concluding chapter focused on the similarities between the two groups of the 'old' and the 'new' entrepreneurs. However, our study also revealed important differences between the two groups that manifest themselves primarily in the departing forms of business behaviour. A range of group-specific characteristics could be identified in the ways of entering the market and selecting the accessible markets and market niches as well as in applying certain tactics in the competition. Starting their entrepreneurial career in the 1990s, the 'old' businessmen entered the markets of the exiting firms (often their bankrupted predecessors) and they expanded their turnover and share on these, often shrinking, markets. At the same time, the members of the 'new' group, who started their businesses around the Millennium, tried to expand their turnover primarily by the purposeful adjusting of the composition of their products and services and by a careful selection of the approachable market niches.

The two different strategies needed different tools and tactics and the consequences were different as well. A remarkable part of the 'old' entrepreneurs overestimated the scope and the endurance of the unique and unrepeatable expansion of markets in the first years of transition. Due to such miscalculations, they were forced to engage in an unplanned change in the markets in the first years after the Millennium. Many of them tried to counterbalance the shrinking turnover and market share by selling or leasing a part of their real assets. However, the saturation of the real estate market and the exhaustion of the construction boom remarkably reduced the efficiency of this tactic within a few years.

Similar attempts at market restructuring could not be found in the business arsenal of the 'new' entrepreneurs who expanded the assets of their companies by relying exclusively on their income. Contrary to their 'old' peers who were often shocked by the compelling changes, the new businessmen planned their steps years in advance and proceeded along the envisioned actions and stages. These important differences carry long-term implications on the entrepreneurial policies. While the 'old'

businessmen often engage in improvised sales of parts of the company's assets and/or apply ad hoc reductions of their workforce, their 'new' peers focus with particular emphasis on the balance among the different segments of the company policy and implement a moderate gradualism in all of their actions.

In our view, these differences of the market behaviours have considerable explanatory power. Although the departures do not provide exhaustive explanations for the group-specific occurrences of successes and failures, they draw attention to the importance of the longer-term processes of company history and the related gradual adjustment of business behaviour and call for a dynamic interpretation of these factors.

In sum, in the analysis that focused on the economic factors behind the decline of the 'old' entrepreneurs and the simultaneous rise and relative advantages of their 'new' peers we applied a multifactoral approach. Such a multifactoral explanation is contrasting the popular interpretations of the falling of the entrepreneurial impulse. The majority of the public turn with resentments against the capitalists, the large property owners and especially against the group of those new entrepreneurs who came from earlier managerial positions in the large state-owned companies (Bakonyi 2010). According to the public opinion surveys, this majority is convinced that the entrepreneurs in question first artfully grabbed their properties (and often turned to tricky and unlawful solutions in doing so), but due to their incompetence they were unable to successfully manage their new companies. Although aversions to the large properties and suspicions about their acquisition are general in Hungarian society, the 'new' stratum of the grand entrepreneurs seems to enjoy somewhat more acceptance. On the one hand, the main source of their emergence and later growth is the family-owned business⁴⁷ that is seen by a certain degree of toleration.

⁴⁷ Because of the lack of comprehensive statistics we have to be cautious in our formulation. This statement is clear in the circles of our interview partners but it is not more than a hypothetical induction on the entirety of the large

On the other hand, the firm take-over and the gradual growth of these businesses evidence competence and knowledge.⁴⁸ However, the findings of our earlier research already questioned the validity of the popular opinions about the incompetence of the 'old' entrepreneurs – and primarily of those who acquired property by privatisation. It was found that the acquisition mattered less: the group in question owed their successes primarily to the ways it was able to adapt to the new conditions and how it could smartly capitalise on earlier acquired contacts and knowledge and skills. Our new study reinforced the conclusions that we drew ten years earlier: bankruptcies and shrinkages of the last two decades took place at companies owned by the 'old' capitalists coming from the state-owned companies as well as at businesses owned by those coming from the second (private) economy of the socialist system. The great majority of those in the 'new' group started their successful businesses after the end of the privatisation process. This means that in the majority of the cases the events of bankruptcy or slow-down were not caused by the dissipation of the undeservedly acquired property.

But, having said all the above, we cannot avoid the usual methodological difficulties of multifactorial analyses. When searching explanations to the factors and causes behind the business slowdown, how should one organise the interdependent processes that often strengthen each other's impact into a meaningful ordering? How to evaluate the skills and knowledge of the entrepreneurs in these processes? How should one measure the importance or weight of the different factors?

Instead of ranking or weighing, we tried to get closer to the explanation of the differences concerning the market strate-

and middle-size entrepreneurs who started a business after the turn of the Millennium.

⁴⁸ The sensing of differences in competence to the advantage of the 'new' businessmen accentuates the negative assessment of the 'old' group by depriving its members of any comparative qualities and making them responsible for their own decline.

gies, business behaviour and representation of the two groups by describing those social processes of the past decades that meaningfully influenced the performance and business conducts of the domestic big and medium-size entrepreneurs. It was one of the important findings of the follow-up phase of our research that the successes of the 'old' entrepreneurs whom we revisited were owed to their smartness in purposefully utilising the knowledge, skills and contacts that they had accumulated in the shortage economy under socialism. They built up their new companies on the foundations of earlier gained expertise in managing the large socialist firms or the informal networks of businesses and deliberately capitalised on the network capital that had been developed in mobilising the manpower and also in the actions of mutual bailouts. In the earlier stage of our research, it was mainly the positive returns of these skills, knowledge, and networks that we assessed as playing primary roles in the maintained market developments.

Ten years after one can better see the drawbacks of these developments. In a retrospect, one can identify the negative returns of the hereditary endowment: the risks of an excessive operation of those skills, knowledge, and networks that had been accumulated in the period of socialism. We tried to demonstrate that the failures and setbacks were not caused only by the depreciation and obsolescence of this 'heritage'. The study revealed particular cases of entrapped enclosures and typical situations of slow and inadequate adaptation. The very sources of the fast growth in the first years of transition – the abundantly available stock of buildings and machines after privatisation, the markets inherited or received from the collapsed state-owned companies, the consciously developed familiarity of the workplaces – became the barriers of the successful further development. The 'old' entrepreneurs reluctantly engaged in the lay-off of the surplus labour force (even of the part who were inefficient and incapable of learning), they postponed technological modernisation and took off the agendas of the necessary market changes due to ex-

cess demand and saturation that seemed unexpected novelties in their eyes.

As we saw, most of the 'old' entrepreneurs started their businesses through privatisation, while the majority of their 'new' peers acquired the initial capital and gained experiences in the family businesses of their parents. It follows that those who started the business by relying on the familial relations do not share the impressions that bound the 'old' group to the large companies. At the same time, the 'new' entrepreneurs have important experiences about how organic development takes place and also about gradualness in growing from small to a middle-size company and then further transforming the latter into a large business. It may follow from these differences that while the most important indicator of success is fast growth for the 'old' group, expansion is but only one of the options for the 'new' businessmen who regard gradualness the most important precondition of their success. Furthermore, the 'old' businessmen consider the foreign owned companies as dangerous competitors while their 'new' peers see them as business partners in developing the market niches for their expansion, though they carefully avoid getting into competitive relations with these giants.

Personal experiences play an important role in the differing assessments of the multinationals and the foreign-owned banks. The multinationals – that were earlier known from a distance as foreign trade partners – appeared in the business world of the 'old' entrepreneurs in the mid-1990s. In comparison, the world of the foreign-owned companies is a natural environment and a terrain of learning and networking for the 'new' businessmen. This difference partly follows from the relative advantages of the latter group in their command of foreign languages and their early experiences of enduring employment in the Western market economies (often including working at one of the multinationals). The management practices that the 'new' entrepreneurs acquired at the multinational companies, the caring but rational relationship between the employer and the employees

also proves more efficient than the prevailing patterns in the firms of their 'old' peers that are mostly shaped by paternalistic traditions and that often centre on the emotionally driven underscoring of shared endangerment.

The advantages that the 'new' entrepreneurs enjoyed in the early years of the new century did not only follow from lacking the burdens of the socialist heritage but these were also founded by their knowledge of the working of the market economy that was more sophisticated and deeper than what the 'old' entrepreneurs could acquire about the subject.

A large share of the discussions in the earlier chapters was devoted to the problem of trust deficit that is a traditional ailment of Hungarian history and that dangerously expanded during socialism and turned on a rise after the systemic changes. This negative factor of development that continuously has restrained the performance of Hungarian society has differently impacted the 'old' and the 'new' entrepreneurs.

The deficit in trust that, apart from the most personal relations, penetrates all social contacts and that recurrently undermines the legitimacy of the initiatives from above is an important constituent of the socialist heritage that has become intensified by the negative public perception of the privatisation process. Due to the latter development, the lack of trust occupies a central position in the way how the 'old' entrepreneurs think about society and also in the shaping of their daily business. Similar orientations practically do not manifest themselves in the world of the 'new' businessmen. In their perceptions, trust is one of the necessary conditions of making a business successful and manageable and as such it can be created by applying the appropriate technologies much like to procure the needed machines or equipment.

While it expresses congruence to the trends in the developed world, the attraction of the 'new' entrepreneurs to the family-owned business formation is the source of further advantages. First of all, this formation provides an efficient counterweight to

the decline of trust in the broader environment while it also renders the necessary conditions of a balanced growth and expansion. Moreover, this form of ownership offers the most advantageous qualities of a rational and effective distribution of the wealth and the intergenerational transmission of it. For sure, the 'old' businessmen are equally aware of these useful properties of family ownership. However, they often face insurmountable difficulties in their attempts at creating this formation and meet the resistance of their children or the open turning away from the entrepreneurial track that the next generation does not find attractive enough. The 'new' businessmen come from another group of the young generation. Developing the company in the hands of the family or starting an independent business on a part of it seem appealing and promising options for the majority of them and they consider it a great advantage to be furnished by the necessary conditions through inheritance.

For the most part, the experienced differences in the political connections and the forms of political participation are also linked to the divergences in the two groups' relating to the issue of trust.

Ten years earlier, one recognised a sort of careful distancing in the ways how the 'old' entrepreneurs looked at the sphere of politics and how they considered political engagements. Although the interviews did not reveal their political affiliation, they were open to discuss their political values and shared their opinion about the concurrent political events. The then emerging left-liberal orientation of the group (the approval of the welfare state and the acceptance of the notion of the regulated market competition that is not disturbed by any skewing state interventions) has become outdated: it does not fit into the political changes of the past ten years and it is especially in contrast to the most recent currents. The emptying and fading away of their personal ties to certain left-wing or liberal politicians also did not improve the market positions of the 'old' group – those producing for the state got into truly troubled situations. These

changes and the dominance of the political right first in the local governments then in the central administration justify the retreat of the 'old' businessmen from any direct involvement in politics and also explains their resignation from the leading positions of the professional organisations.

An overview of the respective orientations and relationships of the 'new' entrepreneurs highlighted some further aspects of these developments.

Given their withdrawal to the closed circles of the family, the enterprise, and their private relations, members of the latter group also retreat from assuming political roles. As we have seen, they have a more or less neutral and 'technocratic' relationship to the political life. In their eyes, the political power and the prevailing laws, orders, and regulations belong as much to the given of the business and management as do the conditions of the market demand or the potential cooperative relations. However, in comparison to their 'old' peers, the 'new' businessmen are better sensing the increased competition on the global or, at least, on the European markets, and therefore they are more receptive to the political discourses that claim the protection of the national capital and that emphatically refer to the varying dangers of globalisation. The 'new' entrepreneurs try to underscore their technocratic and neutral attitudes but they very well know and excellently use the conservative right-wing vocabulary and the symbols of national self-defence and openly declare their loyalty to these values. In contrast to the general trends, there are exceptional figures in this group who, instead of keeping distance, emphasise their political identifications: a smaller subgroup is strongly committed to the so-called national side and the most dedicated ones are political actors. All in all, the 'new' entrepreneurs better inhabit and more efficiently use the political arena than their retreating 'old' peers with the obvious deficiencies in speaking the new discourse and sharing the halfheartedly internalised new values.

The overview of the selected three key aspects of the socio-

historical profile of the domestic grand entrepreneurs (the group-specific forms of the historical heritage, the relations of trust and the issues of political loyalty) renders some further important lessons: viewed in this broad social embedding, the directly discernible social and economic characteristics emphatically show the differences between the two groups – the two ‘generations’ – of the ‘old’ and ‘new’ entrepreneurs while they also help to understand the institutionalisation of these differences.

This means that the answer to our initial and repeatedly formulated question of whether the Hungarian grand entrepreneurs of the day are citizens or businessmen cannot be as optimistic as our assessment on the last pages of our previous book was. First of all, our recent research highlighted a range of multi-dimensional deep differences between the ‘old’ and the ‘new’ entrepreneurs: it appears as if these two groups did not belong to the same social stratum or they represented two distinct status-groups. This in turn implies that the patterns offered by the ‘old’ group are not followed: their ‘new’ peers are differently moving in different spaces, they conduct their businesses according to different norms and rules, and they also differ in their aspirations and values. However, for the businessmen fulfilling the roles of an elite the values, aspirations and behavioural patterns of the two groups should converge and go through a joint fine-tuning.

At the same time, there are some further obstacles that hinder the crystallisation of the norms of a (grand)bourgeoisie. As we have seen, the defensive attitudes of the ‘old’ entrepreneurs involved their distancing from the public spheres and the terrains of political participation and inspired them to an emphatic retreat into the private domain. The members of the ‘new’ group applied a more limited perspective from the beginning and their focus was and remained the strengthening of the family frameworks. In this sense the (grand)bourgeois attitude of wishing to have a say in the affairs of the country has remained without rep-

resentation in the circles of middle-size and large entrepreneurs: the norms of the *citoyen* who is ready to act for and on behalf of the community have vanished. In close association with this development, the ideological orientations became more 'swampy': the frequent use of the indicative contents, phrases and expressions of the nationalist rhetoric in the follow-up interviews with the 'old' businessmen demonstrates their efforts to tightly adapt to the restructuring of the ideological-political currents of the public discourse. One may say that the act of confessing one's ideological-political commitment has become externalised and easily commutable on demand. However, the dissemination of the (grand)bourgeois norms and values would need a robust and unmissable language. The retreat from the construction and fine-tuning of such a language signals the spreading of a behavioural ethos that celebrates withdrawal to the private sphere and that claims responsibilities exclusively within this domain. In other words, the new trend demonstrates the abandoning of the ideals of the *bourgeois-citoyen* development from yet another perspective.

In an overview of the barriers of such a development we have to consider at last the deepened controversies of the relations 'to the rest of the world'. As if they adapted to the newest wave of xenophobia that overwhelms the country today (Sík 2012), Europe has ceased to be the desired point of reference and the depository of freedom and well-being for the interviewed middle-size and grand entrepreneurs who see it instead as the source of unpleasant burdens. Our interview partners strongly criticise the over-bureaucratized working and the pointlessly qualified rules of the European Union and continue their argumentation with a range of complaints about the unequal distribution of the European benefits among the member states. Furthermore, the multinationals that represent the outer world on domestic soil often appear in their accounts as the initiators of the personal entrepreneurial failures. In this highly emotional narrative there remains limited scope for the countervailing advantages:

the potentials of acquiring a culture of production, a know-how of organisation and management and a balanced manpower policy are mentioned at best with second-order importance.

At the same time, both groups of our interviewees rely on the foreigners in a multitude of their activities. As was demonstrated, they make full use of the freedom of movement and travelling: not to mention the economic advantages, they extensively enjoy the learning opportunities, recreational and cultural engagements that are on offer abroad. However, it is important to see that the pragmatic mentioning of these advantages is associated with a strong demand of national isolation. Freedom becomes a 'private good' but in the aspects of public interests the outer world is very often the source of disappointment and hindrances. This attitude renounces the former desire of adapting to the European standards and it gives up the conception that Hungarians as European citizens would create their new identity.

The current aspiration is the opposite: the new focus is the claim of national self-defence. In this programme our common tragedies and the new forms of our 'oppression' represent the leitmotifs. In the spirit of this programme our interview partners position themselves by stressing their 'plebeian' qualities. They do not want to be distinguished and they refuse to become the leaders of any all-embracing modernisation projects. However, this orientation undermines their own lead in moulding the desirable patterns of adaptation: by their capitulation the entrepreneurs implicitly accept the provincial marginalisation of the country – and together with it, of the national community – and agree to the endurance of the peripheral positioning of Hungarian society. Based on these conditions, there is little hope for the emergence of a new elite that is able to provide dynamism to the country's modernisation.

The once promising initiatives of the forming of an elite from the stratum of the grand entrepreneurs have evaporated by now. It seems to us that the trend is irreversible. However, a

pragmatic social-political reform programme cannot be achieved without the strengthening of the value-setting elites: lacking such a leadership involves the endurance of the country's entrapped situation. The task of drafting the alternatives towards a positive turn is beyond the scope of our study. Nevertheless, it can be stated with some certainty that it is hard to imagine a halt to the country's marginalisation in the European space and to find the path of modernisation without the self-assured middle-size and grand entrepreneurs who have enough energy and faith to once again take on the lead by inspiring and shaping development to the benefit of society in its entirety.

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APPENDIX

Some characteristics of our interview partners

Below the reader finds a brief portrayal of our 'old' and 'new' interview partners by the following characteristics:

- the age of the entrepreneur at the time of the completion of the data collection
- gender
- the highest level of education
- some basic information about the company/companies owned by the entrepreneur (in the case of the 'old' entrepreneurs: before and after the Millennium; in the case of the 'new' entrepreneurs: in the period before 2008)
- the registered office and place of business of the company (lead company)

The identification numbers in brackets are used for referencing in the body-text of the book.

The 'old' entrepreneurs

1. 45-year-old man; university degree in economics; before 2000: a large company in the food industry that went bankrupt; after 2000: owner-manager of a stagnating tax-consulting small company; the company's registered office and place of business are in Budapest.
2. 61-year-old man; chemical engineer; before and after 2000: owner-manager of a growing large pharmaceutical company; registered office in Budapest, places of businesses in Budapest and in large villages.
3. 60-year-old man; physicist, PhD; before 2000: owner-manager of a growing computer company; after 2000; he sold his earlier business and operates a newly established small real estate company; the company's registered office and place of business are in Budapest.
4. 56-year-old man; vocational training school; before 2000: owner-manager of a growing large company with agricultural and con-

- struction profiles; after 2000: owner-manager of a large company with highly fluctuating performance in agriculture and construction; the company's registered office and place of business are in a large village.
5. 51-year-old man; trade and catering college; his fast grown foreign trade company went bankrupt at the end of the 1990s; after 2000: minority owner of a slowly growing small business in the energy industry; registered office and place of the business are unidentified.
 6. 61-year-old man; university degree in law; his fast growing security company went bankrupt at the end of the 1990s; after 2000: owner of an expanding law firm; the company's registered office and place of business are in a large town in the countryside.
 7. 61-year-old man; chemical engineer; before 2000: owner-manager of a fast growing large baking company; after 2000: after his company went bankrupt and its part were sold, he started a chain of small electronic trade companies; the company's registered office (headquarter) is in a large town in the countryside; places of businesses are in a large town in the countryside and in Romania and Slovakia.
 8. 68-year-old man; mechanical engineer; before 2000: owner-manager of a growing engineering company; after 2000: owner-manager of a shrinking engineering company with additional profiles in real estate marketing and trade; the company's registered office and place of business are in Budapest.
 9. 64-year-old man; PhD in mathematics; before 2000: owner-manager of a growing food company; after 2000 he sold the company and started a fast growing real estate development company. The company's registered office and place of business are in Budapest.
 10. 54-year-old woman; agrarian engineer; before 2000: owner-manager of a growing service company; after 2000: owner of a shrinking small service company; the company's registered office and place of business are in Budapest.
 11. 62-years-old woman; agrarian engineer, journalist, business administrator; before 2000: owner-manager of a growing large company manufacturing furniture and providing service in interior architecture; after 2000: after the company went bankrupt she established a new small business providing services and advising in interior architecture; the company's registered office and place of business are in Budapest.

12. 74-year-old man; college degree in engineering; before 2000: owner-manager of a growing stove and iron foundry products company; after 2000: due to financial difficulties, he sold some parts of the business; the new owner has successfully consolidated the company; the company's registered office and place of business are in a large town in the countryside.
13. 63-year-old man; university degree in economics; before 2000: owner-manager of a growing medium-size company in safety equipment manufacturing and distribution; after 2000: director-owner of a newly established company that was founded on the basis of the earlier bankrupt business; the company's registered office and place of business are in Budapest.
14. 50-year-old man; technical college degree; before 2000: owner-manager of a slowly growing medium-size construction company; after 2000: owner of a shrinking construction and real estate marketing company; the company's registered office and place of business are in Budapest.
15. 60-year-old man; technical college; before 2000: owner-manager of a fast growing medium-size plastic processing company; after 2000: owner-manager of a fast growing large plastic processing company; the company's registered office: small town; place of businesses: towns in Hungary, Romania and Slovakia.
16. 64-year-old male; technical university degree; before 2000: owner-manager of a growing electrical company; after 2000: owner-manager of a declining electrical company under liquidation in the weeks of the interview; the company's registered office and place of business are in Budapest.
17. 63-year-old man; chemical engineer; before 2000: owner-manager of a fast growing medium-size computer hardware provider company; after 2000: owner-president of a fast growing large computer hardware providing company; the company's registered office and place of business are in Budapest.
18. 60-year-old man; food commercial vocational training school; before 2000: owner-manager of a group of companies that includes a growing firm in the meat industry, a hotel, and an equestrian park, after 2000: further expanding large company in the meat industry, a hotel and an equestrian park; the company's registered office and places of businesses are in a small town.
19. 49-year-old man; university degree in economics; before 2000: owner-manager of a growing medium-size financial services com-

- pany; after 2000: owner-manager of the further growing financial services company; the company's registered office and place of business are in Budapest.
20. 58-year-old man; university degree in engineering; before 2000: owner-manager of a growing medium-size engineering design and mechanic company; after 2000: owner-manager of a shrinking small engineering design company; the company's registered office and place of business are in Budapest.
 21. 45-year-old man; agronomist; before and after 2000: owner-manager of a growing agricultural company; the company's registered office and place of business are in a large town in the countryside.
 22. 67-year-old man; college degree in agriculture; owner-manager of a medium-size agricultural company which grew before and stagnated after 2000; the company's registered office and place of business are in a large town in the countryside.
 23. 57-year-old man; university degree in construction engineering; owner-manager of a medium-size construction company which grew before and stagnated after 2000; the company's registered office and place of business are in a large town in the countryside.
 24. 64-year-old man; technical college degree; owner-manager of a medium-size automotive wholesale company that grew before and after 2000; the company's registered office and place of business are in Budapest.
 25. 61-year-old man; mechanical technician; before 2000: owner-manager of a medium size ventilation equipment manufacturing company; after 2000: after the bankruptcy and reorganisation of the company he became adviser of the now stagnating small company; the company's registered office and place of business are in Budapest.
 26. 51-year-old man; mechanical technician; owner-manager of a large office and communication engineering company that grew before and after 2000; the company's registered office and place of business are in Budapest.
 27. 55-year-old man; business college degree; before 2000: owner-manager of a growing large precision engineering company; after 2000: owner-manager of the now stagnating precision engineering company. the company's registered office is in Budapest; places of business are in Budapest and towns in the countryside.
 28. 58-years-old man; university degree in mechanical engineering; before and after 2000: owner-manager of a growing large meat

- company. the company's registered office is in Budapest; place of business are in Budapest and small towns in the countryside.
29. 60-year-old man; university degree in construction engineering; before and after 2000: owner-manager of a growing large construction company; the company's registered office is in Budapest; places of business: over the country.
 30. 59-year-old woman; university degree in economics; before 2000: owner-manager of a growing large clothing company; after 2000: owner-manager of a shrinking medium-size clothing company; the company's registered office and place of business are in Budapest.
 31. 57-year-old woman; university degree in art history; before and after 2000: owner-manager of a growing medium-size company dealing with art trade; the company's registered office and place of business are in Budapest.
 32. 60-year-old man, university degree; before 2000: owner-manager of a medium-size growing construction company; after 2000: owner-manager of the now shrinking construction company; the company's registered office and place of business are in Budapest.
 33. 62-year-old man; university degree in engineering; before 2000: owner-manager of a growing medium-size precision engineering company; after 2000: owner-manager of the further growing precision engineering company; the company's registered office is in Budapest; places of business are in Budapest and a small town in the countryside.

The 'new' entrepreneurs

34. 49-year-old man; university degree in economics; owner-manager of a fast growing large food company; the company's registered office and place of business are in a small town in the Central-Hungarian region.
35. 47-year-old man; technical college degree; owner-manager of a fast growing large company in the paper industry; the company's registered office and place of business are in a small town in Western Hungary.
36. 44-year-old man; university degree in medical doctoring; owner-manager of a fast growing automobile trading company that went bankrupt in 2009.
37. 39-year-old man; university degree in chemistry; owner-manager of a fast growing medium-size glass company; the company's reg-

- istered office and place of business are in a large town in Western Hungary.
38. 61-year-old woman; college degree in foreign trade; owner-manager of a medium-size tourism company with highly fluctuating performance; the company's registered office and place of business are in a large village in Western Hungary.
 39. 32-year-old man; university degree in law; owner-manager of a fast growing medium-size computer and information technological company; the company's registered office and places of business are in Budapest, New York and Tokyo.
 40. 40-year-old man; university degree in economics; owner-manager of a fast growing large engineering company; the company's registered office and places of business are in Budapest and New York.
 41. 54-year-old man; technical university degree; co-owner-manager of a fast growing large metallurgical company; the company's registered office is a large town in the Hungarian countryside; place of business is a metropolis in the United States.
 42. 44-year-old man; high-school diploma; owner-manager of a fast growing large machinery and components trading company; the company's registered office and place of business are in a small town in the Central-Hungarian region.
 43. 54-year-old man; graduation in a technical institute; owner-manager of a fast growing medium-size glass company; the company's registered office and place of business are in a large town in Western Hungary.
 44. 45-year-old man; high-school diploma; owner-manager of a fast growing medium-size glass company; the company's registered office and place of business are in a large town in Western Hungary.
 45. 49-year-old man; high-school diploma; owner-manager of a fast growing medium-size baking company; the company's registered office and place of business are in a small town in Western Hungary.
 46. 45-year-old man; college degree in pedagogy; owner-manager of a medium-size company providing service in organisation development; the company's registered office and place of business are in Budapest.
 47. 63-year-old man; university degree in economics; owner of a medium-size banking and investment company; the company's registered office and place of business are in Budapest.

48. 66-year-old woman; university degree in law; owner of a stagnating business consisting of a chain of lawyers' offices and units providing investment advisory services; the company's registered office (headquarter) and places of businesses are in Budapest.
49. 40-year-old man; university degree in economics; owner-manager of a fast growing large engineering company; the company's registered office and place of business are in a large town in the countryside.
50. 33-year-old man; high-school diploma; owner-manager of a fast growing medium-size construction company; the company's registered office and place of business are in Budapest.
51. 32-year-old man; college degree in agriculture; owner-manager of a fast growing medium-size company in real estate brokerage and leasing; the company's registered office and place of business are in Budapest.
52. 32-year-old man; university degree in liberal arts; owner-manager of a fast growing medium-size food trading company; the company's registered office and place of business are in Budapest.
53. 44-year-old man; high-school diploma; prior to career change at the time of the interview: owner-manager of a growing medium-size stationery and art trading company; the company's registered office and place of business are in a large town in the countryside.
54. 44-year-old man; university degree in economics and agriculture, respectively; owner-manager of a fast growing medium-size investment company; the company's registered office and place of business are in Budapest.
55. 33 and 34-year-old brothers; university degree in economics and natural sciences, respectively; owner-managers of a gradually growing medium-size company with profiles in trade information technology and management consultancy; the company's registered office is in a medium-size town in the countryside; place of business in the vicinity of Budapest.
56. 46-year-old man; university degrees in economics and engineering, respectively; owner-manager of a fast growing medium-size transportation and logistics company; the company's registered office and place of business are in Budapest.
57. 60-year-old woman; university degree in economics; owner-manager of a fast growing medium-size company producing construction and supplemental materials; the company's registered office is

- in Budapest; places of business are in Budapest and large towns in the countryside.
58. 41-year-old man; university degree in economics; owner-manager of a moderately growing medium-size company network that provides services in informatics and financial consulting; the company's registered office and place of business are in Budapest.
 59. 35-year-old man; economic and business college degree; owner-manager of a fast growing large company producing construction materials; the company's registered office and place of business are in a village in Western Hungary.
 60. 46-year-old man; commercial vocational school training; owner-manager of a fast growing large bakery and trading company; the company's registered office is in a village in Western Hungary; places of business are in Budapest and large towns in the countryside.
 61. 56-year-old woman; university degree in economics; owner-manager of a slowly growing large waste processing company; the company's registered office and place of business are in Budapest.
 62. 45-year-old woman; college degree in special education; owner-manager of a moderately growing medium-size company providing services in recruitment and management consulting; the company's registered office and place of business are in Budapest.
 63. 35-year-old man; college degree in engineering; owner-manager of a growing small metal and plastic processing company; the company's registered office and place of business are in a small town in the Central-Hungarian region.
 64. 41-year-old man; college degree in financing; owner-manager of a fast growing small beverage company; the company's registered office and place of business are in a small town in the East-Hungarian region.