

# **BUSINESS OUT OF NOTHING? THE CASE OF ENTREPRENEURS IN POSTSOCIALIST ROMANIA**

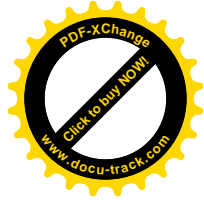
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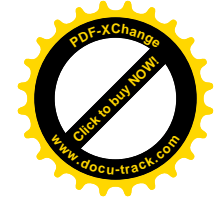
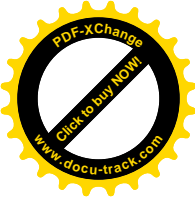
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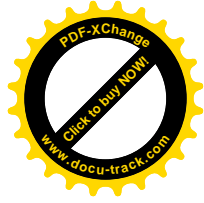
## ***Abstract***

The present research is a qualitative insight into the emergence of the entrepreneurs in Romania after 1990. The paper is an attempt to explain the decision to become a business owner for people with low social origin and no managerial position during the socialist period, from an action-based perspective. I challenge some of the widely-agreed theories about entrepreneurship, stating that in the postsocialist context the act of starting a business cannot be explained through individual personality features like creativity, or low risk aversion. I argue that the choice to found an enterprise was the outcome of a mixture between the need to avoid downward mobility and the possession of resources like various types of knowledge and social capital. I see entrepreneurial action as being embedded in the practices and the routines of the individuals, in their networks, and in personal streams of action, in which each action determines the space of possibilities and of constraints for the next ones. Therefore, the most interesting aspect of the research was to explore the structure of possibilities and constraints opened for the social actors in the postsocialist period, and to see how these spaces of action constituted in time foundation of entrepreneurial action.



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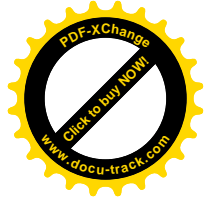


## Introduction

Postsocialist countries can be seen as strategic research sites because they offer the unique chance of exploring in a relatively short period of time and in a single society core sociological problems such as social change, social movements, or the relationship between the economic and the political spheres. The present research represents a qualitative insight into the emergence of entrepreneurship in Romania after 1990. The study is an attempt to explore the interconnectedness of entrepreneurship and structural mobility after the fall of the socialist regime in Romania.

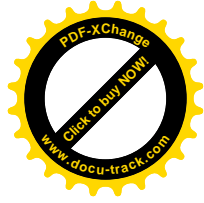
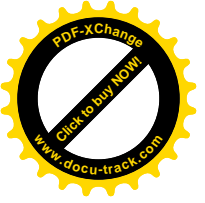
The emergence of the new social category of entrepreneurs in the postsocialist context constitutes both a theoretical and an empirical challenge because of the opportunity offered for getting beyond the macro causal logic of structural mobility, and for understanding the movement of the actors through the social space not in terms of macro changes but in terms of individual action. I face this challenge not through a mobility survey but by using qualitative tools. The main reason for this choice rests in the assumption that structural mobility means more than technological development, privatization of the state companies, or fundamental shifts in the occupational structure. Therefore in this study I focus on entrepreneurial action as a specific response to social change, assuming that the new patterns of reproduction and mobility are constituted in time by different patterns of action.

There are several questions which this study tries to answer. What is behind the decision of starting a business during the 90s? What resources do people with low social



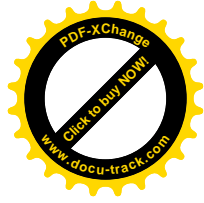
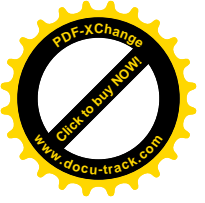
origin access and mobilize for becoming entrepreneurs? Are these resources fundamentally different from the ones employed by people with higher education for the same purpose? What structure of possibilities has been opened for some individuals in the 90s for allowing them such long-range mobility? How are these spaces of action different for these actors from those of the others' who continued to reproduce their class position even if the conditions change?

Entrepreneurial action has been generally conceptualized as the outcome of certain substantive characteristics of the individuals, like the attitude towards risk, the capacity of seeing business opportunities, and the ability to create new things or to conceive innovative combinations (Schumpeter 1959; Baumol 1968; Lucas 1978; Aldrich and Waldinger 1990; Iyigun and Owen 1998; van Praag and Cramer 2001). The relationship between what is adaptation and what is innovation in the economic behaviour of postsocialist entrepreneurs is also central to my analysis. Nevertheless, even though the strategies required for starting a business after 45 years during which any legal entrepreneurial activity was forbidden can be without any doubt considered "innovations" in the Schumpeterian sense, the divorce of the creative type of economic action from the former economic and non-economic practices of the individuals is hardly sustainable. I argue that the creativity of entrepreneurial action in the postsocialist context is not a substantive characteristic of the social actors, but it has its sources in their work practices, and in the practical problems and solutions they encountered in their routines. Moreover, there is no clear analytical separation between innovation and knowledge reproduction in the act of founding a business, but a continuous search for improvement and efficiency which has its roots in the professional trajectory of the individuals.



My cases are people with low origin, who lacked the initial capital for starting their business, more than half of them having also a low educational level. They were not chosen from the managers of the socialist period and the foundation of their enterprises cannot be found directly in the privatization process, although their stories represent another face of the transformations undergone by the Romanian society and are connected in various ways with the macro economic and political changes. The present study is not an account of these changes at the societal level, but an attempt to reveal some of the narratives of those who were successful as entrepreneurs without having a high managerial position before 1990. Therefore one of the most important challenges of the present study is to explore the different kinds of resources people used as the basis for entrepreneurial action and how these assets have been transformed in economic capital. I argue that the accumulation of different types of knowledge along the professional trajectory of the individuals and social capital represented the two main resources of entrepreneurial action, which successfully replaced initial capital or facilitated the access to it.

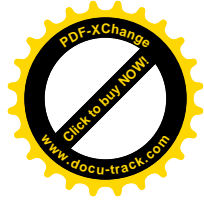
The knowledge required for ensuring an enterprise survival on the market could be understood in terms of conversion of cultural capital into economic capital (Bourdieu 1986). However, although the conversion of the cultural capital in much better paid managerial jobs or of some of the professions into liberal professions is a relatively easy task, the transformation of professional and cultural skills into a business different from one's basic training is not, because different skills and knowledge are employed for making a business work. Therefore, one of the main goals of this study is to discover the foundations of actors' knowledge, even in the absence of formal qualifications. I consider



the occupational trajectory as the main source of technical, practical, and organizational knowledge of the individuals because within their workplaces individuals had the opportunity to learn, to compare, to search and to find solutions for their practical problems. All this information represented an extremely valuable asset once the actors opened their own business.

Social capital was another important resource people had at their disposal. In the present study I treat the social ties of the individuals as mediating structures for the process of various types of capital conversion, and as a central form of access to 'embedded resources' (Lin: 2001), like knowledge and initial capital. Becoming an entrepreneur in the postsocialist period meant having a "competitive advantage" (Burt 1992), which appeared in the actors' lives through their networks, in the form of better access to information, referrals or entrepreneurial opportunities (Burt 1992; Granovetter 1974, 1985). Moreover, the social ties of the individuals represented the main guidance of the entrepreneurs in an economic environment characterized by insecurity.

While most of the authors focus on the resources needed for becoming an entrepreneur, some scholars explored cases in which entrepreneurship can be understood as the result of structural constraints, and illustrated this idea pointing towards the postsocialist countries where starting a business constitutes a refuge from poverty (Laki 1996; Hanley 2000). In the present study I argue that in the years immediately following the change of the socialist regime in Romania, entrepreneurship was not only a way of escaping poverty and unemployment, but a much wider spread way of avoiding downward mobility. I show how in some cases, the need for maintaining their position in the social hierarchy determined people to search for other possibilities. Entrepreneurship

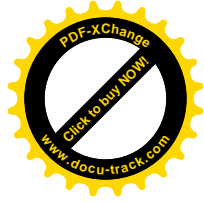
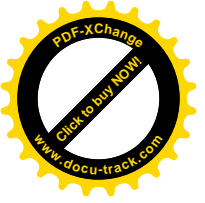


was one of the solutions social actors found for being able to exercise their profession and to adapt their skills to new conditions. They could escape unemployment or inappropriate jobs only by (re)producing the necessary frame for continuing their activity. I state that the decision to become a business owner was first of all the result of a necessity, and not the outcome of resource possession. In other words, people acted in a certain way not only because they could, but more important, because they had to.

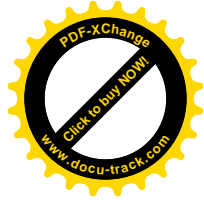
The analysis of the transformation of an individual from an employee into a business owner represents not only an empirical challenge but also a theoretical one because it requires an expanded understanding of actors' positionality in the social structure. Moreover, it cannot be explained only through what the notion of structural mobility generally does, as the direct outcome of macro transformations. In the postsocialist period, individuals' actions could not be read directly from their class position, especially in cases of extreme social mobility. Therefore, a broad concept of embeddedness of economic action (Polanyi 1957, 1992; Granovetter 1985) is central to my analysis. I argue that entrepreneurial action is embedded in the practices and the routines of the individuals, in their networks, and in a certain stream of action, in which each action determines the space of possibilities and of constraints for the next ones. At theoretical level, this means using temporality for making sense of both resources and constraints as foundations of entrepreneurial action. Empirically, it implies investigating life stories and finding narratives patterns which can illustrate what a process of mobility means for those who experience it. It also means focusing on chains of actions, instead of looking for causality in the macro transformations of the Romanian society.

In the first chapter I explore the main entrepreneurial resources, creativity and





social capital using the notion of embeddedness of economic action. The problem of creativity is discussed, stressing its limits and searching for a more fruitful conceptualization of creative action, in relationship with the processes of knowledge accumulation. The second chapter focuses on the case of Romanian entrepreneurs in the postsocialist years. The case is used to challenge some of the most widely-agreed theses of entrepreneurship studies not only at the theoretical but also at the empirical level. In the conclusions I synthesize my empirical findings and my theoretical arguments to shed light on the emergence of entrepreneurs as embedded and as micro path-dependant process.

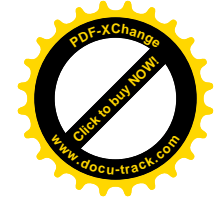
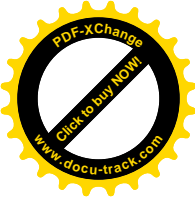


## **Chapter 1: The Rise of Postsocialist Entrepreneurs as Embedded Economic Action**

In the introduction I pointed towards the practices and the social relationships of the actors as the most important resources of entrepreneurship. I also argued that the motivation of economic action in the postsocialist context has to be regarded as the result of specific constraints in the lives of the individuals. The three central statements of the research needed an analytical tool capable to connect them. The most important instrument for understanding entrepreneurship in the Romanian context proved to be the perspective of ‘embeddedness’ of economic action (Polanyi 1957, 1992; Granovetter 1985; Barber 1995).

The most general notion of embeddedness is based on the idea that no economic process takes place outside social relations, but they are always embedded in specific time-space configurations. Consequently, any economic change must be analyzed within its own historical frame and should take into account all socially relevant factors. There are three basic sentences of the embeddedness perspective (Granovetter and Swedberg 1992): first, economic action is a form of social action; second, any type of economic action is embedded in social relations; third, economic institutions are social institutions. The immediate consequence of these theoretical foundations is both the fracture between this perspective and (neo)classical economy and the separation from culturalist approaches of Parsonian type (Granovetter 1985; Granovetter and Swedberg 1992).

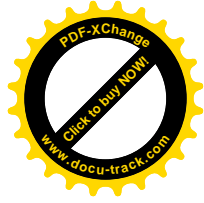
This separation is very important also for the way social actors are conceptualized



in this study, as their actions are neither the direct outcome of their social position as in the structuralist understanding, nor the result of a rational model in the economic sense. In the present study I consider the embeddedness of economic action at three different analytical levels. First, the roots of the entrepreneurial creativity in the postsocialist context can be explained through the specific representations and practices in which the positionality of the actor in the social space is translated. In other words, one of the main resources of economic action is the practical knowledge acquired by individuals, generally in their work histories. Second, economic action is oriented by networks of concrete, interpersonal relationships between people (Granovetter 1985; Granovetter and Swedberg 1992; Burt 1992) and its outcome is determined by the resources contained in the social ties of the individuals (Lin 2001). Third, actions are never isolated in time. They belong to certain “streams of action” (Dalton 2004: 605), which are connected pieces of the individuals’ own trajectories. Therefore, I consider action as embedded not only in the habitus of the individuals and in their networks, but also in personal life histories in which each action determines the space of possibilities and of constraints for the next ones. Introducing time as equally important variable in the analysis of entrepreneurial action allows me to uncover the way useful knowledge, practices, and strategic ties play a role in sequences which connect the lives of individuals with the profound transformation of the Romanian society.

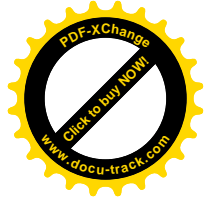
### **1.1. *Creativity and Habitus in Entrepreneurial Action***

Entrepreneurial talent or creativity is considered one of the main resources for



starting a business and for ensuring its success. One of the central arguments of my study is that although starting a business in the postsocialist context had an innovative character, the creativity of entrepreneurship cannot be conceptualized in substantive terms, but as the outcome of specific occupational histories of the social actors and as a response to their need to find efficient solutions to practical problems. Creativity is also strongly related to various processes of knowledge accumulation, which allow individuals to learn and to represent an enterprise in a certain way. The professional trajectories of the individuals play an essential role in the way different things are imagined and “created”. The quality of recognizing entrepreneurial opportunities appears to be related to actors’ positions and their habitus, not as the direct reflection of some abstract social attributes, but as the outcome of a process unfolded in time, within which individuals’ dispositions, representations, and practices transform and open spaces for different projects.

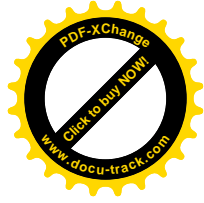
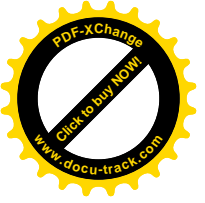
The issue of creativity has its roots in the Schumpeterian division between ‘adaptive action’ (rational) and ‘innovative action’ (creative) (Schumpeter: 1935, 1959). For Schumpeter rational action is characteristic for the periods of cyclical evolution and represents the adaptive response to predictable situations which are typical for stagnant and stable economic systems. It is based on a certain type of knowledge which represents custom and experience in a given, unchanging environment, where the experience is structured by an established system of values. Consequently, the logic of action follows the stability of the general situation, the rules of behaviour and the expectations of the individuals. Creative action represents the “historic and irreversible change in the way of doing things” (Schumpeter 1935: 6), meaning all sorts of changes in



the process of production, the creation of a new market, or the proposal of attractive commodities, new actions which are then imitated and translated in practices. Innovations are modes of fundamentally transforming the environment, forms of creation which are captured not only by economic processes but also by social life in general.

The fracture between creative action and routine as one of the main bases for entrepreneurial action has been taken for granted in many entrepreneurship studies (Harvard Business Review 1999; Drucker 1997; Rickards 1999; Kirby 2003; Wickham 2004) but they cannot be really conceptualized as separate modes of action. However, when trying to consider entrepreneurial talent as an explanation for entrepreneurship, another important main problem is to separate creative action from routine. What is really new in the activity of postsocialist entrepreneurs and how can we be sure that what we consider innovation is not in fact a repertoire of skills acquired by the individuals in very specific contexts? What is the relation between creativity and structural features like the distribution of various types of knowledge in society? Finally, what are the structural conditions of possibility for the transformation of creativity in entrepreneurial action?

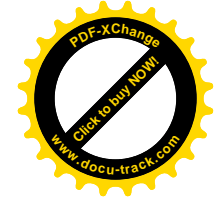
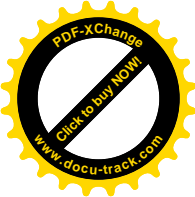
Considering *habitus* as merely adaptation to structural constraints and creative action as completely independent on the distribution of knowledge in society (Solo 1951), the technological power of the societies as wholes (Laumas 1962; Leff 1979), or even the legal frame on inventions (Moser 2005), means that individuals are either condemned to a structuro-functionalist reproduction of the societal values, norms and practices, or that they are considered as completely free of structural constraints (Dalton 2004: 604). In other words, it means falling back into the severe Parsonian separation between structure and agency. Therefore, creativity can be conceptualized neither as a



substantive characteristic of some actors (Schumpeter 1959), nor as an attribute of a position in the social space (Bourdieu 1989, 1992, 1998), nor as a disruption of routine (Joas 1996).

One of the solutions is to consider all actions as being inventive because habit in itself is a source of creativity (Dalton 2004). From this perspective, resourcefulness is the outcome of everyday solutions to practical problems, and it serves in the first place to perfect the routine itself. Individuals are aware of the necessity to be inventive first of all in their routine (Dalton 2004), and they cultivate “a habitual awareness, a practical, embodied, and typically subconscious knowledge that any real achievement requires various forms of adjustment to circumstances that face the actor” (Dalton 2004: 615). Hence, habitus and creative action are not opposed but related concepts. The sources of creativity are mainly the continuous search for improvement, the strategies for perfecting the routine, and the ordinary battle to find the best way to surpass practical difficulties encountered in every aspect of one’s life.

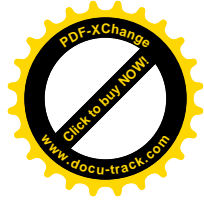
Following this line, in the case of the Romanian entrepreneurs the origin of creative action should be searched first of all in the everyday practices and representations people had during the socialist period. Creativity did represent a very important microsocial source of structural change but its roots have to be searched in the everyday practicality of the actors, in their strategies of finding the best way to adapt their practices to specific difficulties of action. The challenge is to see how practical solutions employed by the social actors for solving different problems transformed, once the conditions have changed, into veritable resources of knowledge and creativity.



## 1.2. *'Embedded Resources'*

Understanding economic action as embedded in the social ties of individuals allows me to explore the possibility that becoming an entrepreneur in the postsocialist period can be considered the result of a “competitive advantage” (Burt 1992), which can appear in the actors’ lives through their networks, in the form of better access to information, referrals or entrepreneurial opportunities (Burt 1992; Granovetter 1974, 1985). Burt (1992) identified two lines of thought around the notion of social capital. First, social capital is understood as access to people who hold specific resources and access to the use of these resources. Second, networks’ density and configuration, and the location of the individuals in the networks represent a form of social capital in themselves because they correspond to differentiated forms of access to resources.

In this study I will analyze the resources embedded in the social ties of the individuals, partially embracing Nan Lin’s standpoint, who conceptualized social capital as “investment in social relations through which [actors] gain access to embedded resources to enhance expected returns of instrumental or expressive actions” (Lin 2001: 17). The processes behind this type of resources for economic action are 1) the investment; 2) the access to and the mobilization of resources; 3) the instrumental and expressive returns of social capital. The ‘partial’ agreement with Lin’s definition of social capital comes from the fact that my results question the process of investment in the social ties as a conscious way to accumulate social capital. I argue that the ties individuals acquire along their way can become at a certain point valuable for the choices

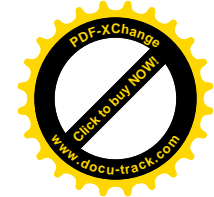
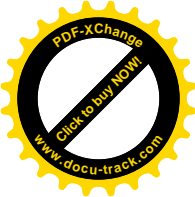


and the possibilities people have, without being thought as access to resources in the first place. The contingent nature of social ties and the difference between access and mobilization of resources is easily identifiable in the strategic ties of the Romanian postsocialist entrepreneurs and provides a better account of this form of capital as foundation of economic action.

For a micro-sociological inquiry, theoretical lines which emphasize social capital as group (or class) resource (Bourdieu 1986; Putnam 2002) are unsuitable because the focus of my analysis is not group reproduction, wellness, integration, or solidarity, but exactly the opposite: the way individuals find resources for leaving their class origin behind, using entrepreneurial action. Lin's perspective on social capital allows me to take into account certain types of resources like information, referrals, or even initial capital as openings of possibilities for action, which are not associated in this case with the social origin of the entrepreneurs because in addition to the constraints and the resources of a class position, social ties both constrain and enable choices, representations of the future, and actions.

From this angle the theory of embeddedness represents a structuralist approach to economic behaviour, in which social structure is understood as the logical consequence of the constituency, intersection and overlapping of different social networks, which represent concrete, interpersonal relationships between actors. The power of the social ties to be mediating structures comes from the fact that both macro processes and individual actions flow through networks, therefore they configure specific contexts and "proximate causes" (Granovetter 1985). Actors are always caught in a web of relationships, strategically oriented to satisfy a much broader range of interests than the



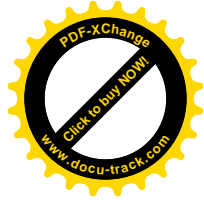


narrow self-interest assumed by rational choice theorists. They also find their points of reference in their own relationships, therefore, the social actor cannot be conceptualized as a simple reproducer of social values as in the Parsonian tradition.

For understanding economic action, it is not enough to identify the position of the actors in terms of their structural attributes but it is necessary to go further and explore the web of relationships in which individuals are caught. The action cannot be read as the direct result of class membership, occupational prestige, ethnicity, gender or race but as a translation of these features in very specific relationships, projections of self and understandings of the world which lead to concrete actions. There are not only individuals acting because they internalized a map of power relations in which their own position is placed, but people who respond to the others' actions. In the most general formulation, it is not important only where the actors are, but also how they act.

I argue that the social ties of the postsocialist entrepreneurs, especially kinship and networks of coworkers, represent one of the most important ways of access to initial capital. I also consider them a key source of knowledge because relationships in a market function as guidance for economic action. This affirmation is even more central for postsocialist economic environment, marked by risk, uncertainty, and lack of information (see also Smallbone and Welter, 2001, 2006; McMillan and Woodruff 2002).

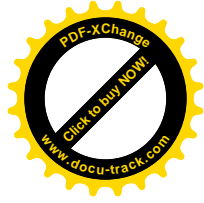
In this economic environment actors watch each other (Leifer and White 2004), converse with each other (Knorr-Cetina and Bruegger 2004), imitate each other (Granovetter 1985), compete and in the same time help each other (Burt 1992). The mental map of how an enterprise in a specific domain should look becomes neither a question of abstract efficiency, nor a mechanical reflection of social norms, defined in a



different sphere, nor a question of creativity in the Schumpeterian sense. The actors do not only strategically recognize the constraints and the resources of an abstract social position, but they learn from others actors' actions (Geertz 1978) and respond to them. I followed entrepreneurial trajectories in the postsocialist emergent environment, having as starting point the possibility that for the postsocialist entrepreneurs, the new configuration is not a fixed power relations map, and it is not a "social space" in Bourdieu's understanding, but the whole structure of action is a platform of symbolic exchange in which the norms, the roles, the expressive repertoires and the meanings of reality are socially constructed and negotiated in concrete relationships.

### **1.3. *Streams of action***

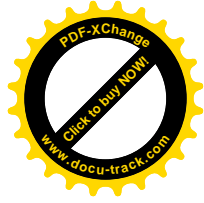
Up to this point I showed how the relationship between knowledge and creativity, the possibility of imagining something, and the resources for starting a business are related to actors' representations and practices, and to their networks. However, neither practices nor social ties are given, but constituted in time. They cannot be conceptualized as attributes but as processes which give coherence to the personal narratives of the actors. Practices and ties have their own stories (Tilly 2006), which are never disconnected, but linked within the flow of actors' lives. Therefore, the last central component of my theoretical framework is embeddedness of economic agency in personal life trajectories of the individuals. This theoretical choice means moving the search for entrepreneurship explanation from external causes to streams of action (Dalton 2004), in which every decision determines not only the outcome of an action, but also



the space of possibilities and of constraints for the next ones.

The difference in the streams of action is a key element for understanding why the social destiny of some individuals changed dramatically through entrepreneurial action in the postsocialist period. Even though the cases analyzed here can be clustered around several lines of division like age, occupation, social origin, and education, these characteristics do not explain the movement of the actors through the social space, since most of the actors having similar attributes reproduced their social position and did not become entrepreneurs. Also the economic and political changes cannot be considered direct causes of these choices, for the same reason. What makes the difference in actors' actions is exactly the way their decisions are both allowed and limited by the personal trajectories in which they are embedded.

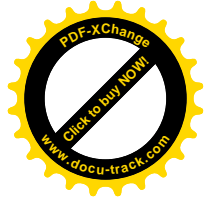
People have always more than one point of reference and 'see' social space from more than one point. First, they experience more than one difference from the others' positions; they are at the same time men or women, working-class or professionals, business owners or employees, sons and parents. There are as many combinations as differences and if we expand them beyond the distinctions produced by the classical principles of social division and belonging, we are able to understand positionality from a broader, more complex perspective. Second, actors are subjected to the passing of time and from their own comparison with the past, the projects for the future are born. Even individuals having the same class position have distinct work trajectories which allow them to see different aspects of their occupation and to experience diverse practices. Third, the reference points (groups or persons) change in the lives of individuals. Few social ties are given for life; therefore in time social ties not only cumulate but also



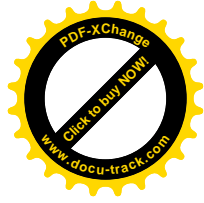
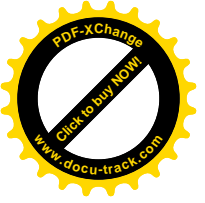
change. “The sense of one’s place” and the understanding of structural equivalence are not purely the reflection of one’s class position but also the understanding of what ‘us’ and ‘them’ means in very concrete social interactions. It is a process which takes place in time, allowing individuals to experience different forms of belonging, each of them with its own knowledge, its own power relations, and its own practices.

I introduce the concept of ‘micro path-dependency’ to describe the individual streams of action, which successively open spaces of possibilities and brings the actor in a position in which he can or/and he has to act differently, sometimes against macro structural patterns. The notion is based on the premise that human action is never isolated; it is always embedded in a stream of action in which every choice opens a space of possibilities (Dalton 2004) and closes another one. While it is true that this space is defined by positionality (understood both as social attributes and as social ties), the choices made by actors also function as constraints and resources for all the future actions. Choosing one alternative over the other determines the whole course of the future actions and makes the return to any previous choice impossible.

As its name and its definition suggest, the concept introduced here is a translation of the widely-used notion of ‘path-dependency’ (Stark 1992) to micro-level units of analysis. Path dependency theories do not reject the idea of destructureation but do not connect it with the image of an initial empty social space. For my case, the analytical power of path dependency frames comes from the fact that they take into account time and space as fundamental variables of any explanation, therefore entrepreneurship can be conceptualized as a type of action which is rooted in the socialist configurations and not in an empty social space of transition.



Expanding the notion of positionality and introducing temporality in the analysis seems to be one solution for the notion of habitus to incorporate the possibility of change and the possibility of social mobility. The dispositions of the postsocialist entrepreneurs and their practical schemes not only are different from others' but also are different in time for the same person. Because social ties are formed in time, the embedded resources they could access during the 90s were different from those which they could access during the socialist period. Not only because social structure is a process in continuous development, but also because at micro level the lives of the individuals are structured in a similar way.

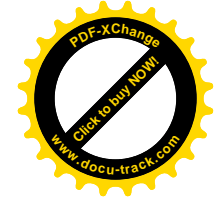
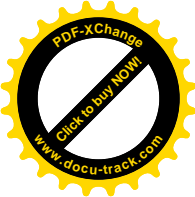


## **Chapter 2:   Entrepreneurs: Out of Nothing? Resources and Constraints of Entrepreneurial Action**

In the introduction I presented the main arguments of this study, considering that in this case entrepreneurial action represents the outcome of specific combinations of resources and constraints. In the first chapter I argued for an expanded notion of positionality and for including time as constitutive to both the motivation and the resources of economic action. In this chapter I use my case studies to illustrate both the need for a broader way of conceptualizing social position and the necessity to see entrepreneurial action in the postsocialist context as path-dependent. The case studies I conducted represent the source for these reflections which have been suggested by the richness and complexity of my subjects' stories. After some necessary methodological specifications, the first step is to explore the resources used by individuals for becoming entrepreneurs. Then I discuss the specific constraints in the lives of the social actors, showing that creativity and recombination are not enough for understanding the motivation of entrepreneurship, putting my results in a broader empirical and theoretical perspective, and seeing how they contribute to the wider debate surrounding economic action.

### **2.1.   *Methodology and sources of evidence***

The first indicator that the 'pathways to social class' of the entrepreneurs (Bertaux



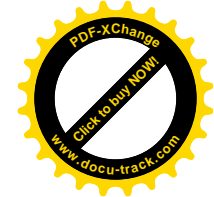
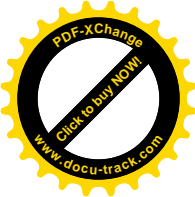
and Thompson 1997) is a more complex process than that described by the translation of class position in an economic advantage, came from an earlier research on mobility patterns in Romania (Cucu 2007). Although the business owner category in the sample had too few members to allow a proper statistical analysis<sup>1</sup>, two things were still striking. First, they tend to have a low social origin, most of their fathers being workers or peasants. Second, they also have a low educational level, very few of them having higher education<sup>2</sup>. The small sample sizes of the surveys in Romania made further quantitative exploration of these findings impossible. However, the analysis led to the necessity of a deeper understanding of entrepreneurship as a mobility process.

Structural mobility has been generally conceptualized as the direct outcome of economic change. High levels of structural mobility are usually associated with various macro processes like modernization, urbanization, industrialization, and technologization, followed by transformations in the occupational structure. The marginals of a mobility table show how different occupational categories have more or fewer members because of some economic trends and the analysis itself focuses only on explaining why these quantitative changes took place in a given social configuration. The consequence of these almost unquestioned assumptions is that structural mobility is treated as an instrumental “black-box”, and many times the concept does not covers a real explanation, or at least a description of the phenomena at stake. It represents only a macro level construct which cannot serve as an appropriate analytical tool for understanding the causes of individuals’ movement through the social space because it does not answer a fundamental question: why exactly those people are mobile and other actors reproduce their class position?

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<sup>1</sup> There were only 23 business owners (1.3% from the sample)

<sup>2</sup> See the table of recruitment and the educational level figures in Appendix

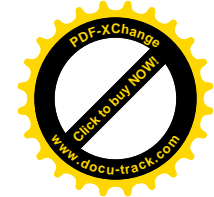
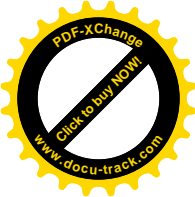


From the way the concept was thought at theoretical level, a generally unsurpassable methodological difficulty emerges. While in a mobility table structural mobility is easily distinguishable from social fluidity, it is impossible to empirically identify the people who move through the social space for structural reasons. The case of the entrepreneurs in postsocialist Romania is different because during the socialist regime, any entrepreneurial activity was forbidden and the segment of business owners was practically non-existent. All new entrepreneurs went through a process of structural mobility. Therefore, the emergence of this new category in the postsocialist context represents a unique opportunity to understand what structural mobility really means as an action-based process of structural change, investigating exactly the people who experienced it.

I explore individual pathways trying to understand the decisions and the strategies employed by the social actors in the process of becoming entrepreneurs. I analyze individual's personal and professional trajectories as creative responses to change (Schumpeter 1959) which cannot be understood only by investigating macro processes (Savage 1997). The aim of this research is to bring to the surface the way individuals think, learn, decide and act in a new environment, when some of the landmarks of their old existence vanish and unknown constraints and opportunities appear. The results will allow some important reflections about the way structural factors and small decisions influence each other and about how the relationship between them affect the process of change itself.

The economic change in Romania is associated with capital formation and property regime transformation, which have their purest expression in the birth of new

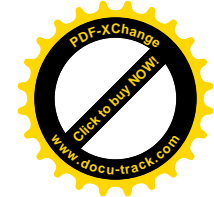
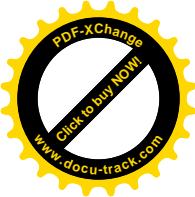




enterprises. But these new private enterprises are not created *ex nihilo*. They are part of the societal processes which started in the socialist period, and cannot be regarded only as an effect of economic transformations. The conversion of a socialist society to a market society represents only the background for maybe more subtle but fundamental transformations in knowledge, meanings and action, and the opening of a new space for different ways of doing things. This research has as a starting point the idea that beyond the analysis of the historical trends, the concrete life histories not only are influenced by the structural changes but also play their own roles in shaping the new capitalist form of the Romanian society. Economic and political changes are translated in new practices and representations; therefore, for understanding structural mobility processes of the postsocialist period, the first important step is to analyze the place of individual action, more specifically the entrepreneurial action in the transformations undergone by the Romanian society.

The qualitative approach is especially helpful for understanding the motivations, the representations, the tactics and the meaning of individuals' actions. Life-stories seem to me the most fruitful instruments for comprehending the way in which everyday life constraints and opportunities were transformed by the fall of socialism, because beneath impersonal words like 'transition', 'market' or 'class' lie very concrete life-narratives, as chronicles of a different history than that of statistics and archives.

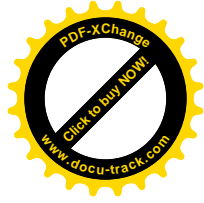
For an insight into the strategies employed by the social actors for becoming entrepreneurs a series of ten case studies have been conducted. After analyzing five of the interviews a theoretical sample was constructed, having as starting point the relationships between the concepts found *in vivo* (Strauss and Corbin 1990; Miles and Huberman



1984). For controlling the validity of the data in eight of the cases supplementary interviews with family members of the entrepreneurs or with employees who witnessed the process of the enterprise birth were conducted. After analyzing the data, another three cases were added for checking the validity of my interpretations. I took into account only enterprises which survived at least for the three years and have at least one full-time employee but I was not interested in other measures of entrepreneurial success because the focus of this study was the creation of the firms and not their long-term evolution.

I chose as variables for the initial sampling education, age, and economic domain of firm activity. My cases were split in two groups, one of entrepreneurs with higher education and one with entrepreneurs who have working class origin and whose maximum level of education was high school at the moment they started their enterprises. Assessing the significance of formal education in the process of starting a business constituted a necessary step for confirming or eliminating hypotheses regarding the mechanical conversion of cultural capital into economic capital through entrepreneurial action. The variation in age is important for controlling the cohort effect on the strategies employed by the social actors for becoming entrepreneurs because their socialization (during the socialist period or after), their networks and their institutional power could have been different with age category. The last critical variable was the main domain of activity for the firm because the changes undergone by different economic areas were different. They were unequally developed before 1989 and their evolution during the postsocialist period depended on national and global economies, therefore the challenges of the entrepreneurs in different economic branches could be very diverse.

The interviews include many references to the economic and political

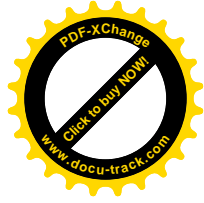


development after 1990. People actively reflected on these transformations and assimilated these changes as parts of their own stories. The choice of integrating data on macro economic change in the interview analysis follows naturally my subjects' choice of understanding history not as context but as a dynamic part of their lives. Therefore these data have a double function in the research. First, they represent a form of checking the factual information from the interviews. Second, they contribute to a more integrative and complex comprehension of the relationship between economic action and structural constraints, as a constitutive and generative part of this relationship.

## **2.2. *The Resources of Economic Action***

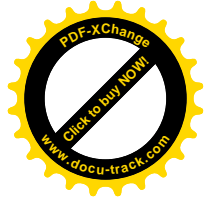
Besides a functional market, there are two minimal conditions for starting a business: the possibility of financial investment, and different necessary types of knowledge, depending on the characteristics of the new venture. In this section I explore the resources entrepreneurs used for starting their business, especially their access to initial capital, the accumulation of the necessary knowledge, and its relation with the creativity of economic action, looking also at the role played by social capital in this process.

Probably the clearest illustration of how micro path-dependency works is the way in which economic action is embedded in the employment history of the individuals, as their workplaces opened in time a very broad space of possibilities for action, and also at one point constrained them to leave and do something else. The jobs actors held prior to engage in entrepreneurship represent the main reservoir of knowledge and the place of



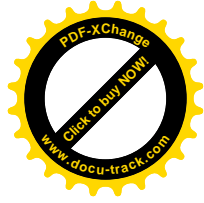
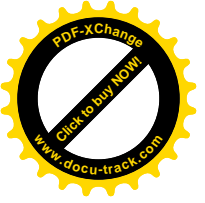
connections with people which proved to be crucial for the birth and the evolution of their firms. Knowledge accumulation of various kinds was one of the most important resources rooted in the workplaces of the individuals. The technical information, the understanding of market structure and opportunities, the sales skills, and the familiarity with organizational efficiency represented the main assets gained by individuals within their jobs. They watched the failures and the successes of their old firms, sometimes from even a better position than their employers, and learned how to build an organization by imitating and improving its structural characteristics. Starting a business meant in these cases recreating a frame of work, reproducing a series of practices, and eliminating those ones which had already proved to be inefficient. Without doubt, in the case of the Romanian entrepreneurs, economic action was creative, but creativity was the result of a continuous process of learning in which individuals were exposed to different practices and to various representations of how things should be in an enterprise. This process was closely related to the positions they had in their occupational trajectory, as distinct jobs were translated in different locations which allowed individuals to watch, to listen, and to acquire practical schemas about a specific economic domain.

The analysis of the strategies and the actions of the individuals in the early postsocialist period revealed an image of the economic environment as an intersection of different processes of communications and as a space where actors watch each other (Leifer and White 2004), learn from each other (Geertz 1978), imitate each other (Granovetter 1985), and help each other (Burt 1992). These processes, together with the knowledge embedded in the occupational histories and practices of the individuals, successfully replaced formal qualifications and institutional forms of learning. Facing the



instability of a rapidly changing society, the entrepreneurs used two basic mechanisms for reducing uncertainty and for finding solutions to the practical difficulties encountered in the process of founding an enterprise. First, to a certain extent they reproduced their professional practices. Second, they imitated others' actions, using them as guidance for their own problems. They used as reference points both what they 'saw' as employees in different companies, and what they observed to be efficient in their competitors behaviour. As other scholars show, "the only tangible guidance available to the actor is that which can be inferred from the patterns and outcomes which emerge from relations among actors. That is, the individual makes his or her choice by observing the fate of others who have faced similar, but by no means identical choices. ... Other alternatives may not appear or may be left unexplored simply because no useful evidence about them can be generated" (Leifer and White 2004: 303).

In five of the cases studied, individuals had higher education, allowing me to investigate if cultural capital really works as a competitive advantage for those individuals who want to start a business. As expected, technical knowledge represented an advantage for professionals as long as the profile of their business was connected to their qualifications. However, formal qualifications were not enough as a resource and what they actually did before deciding to open their own firm proved to be much more important. Both people who had, and those who did not have higher education acquired the necessary technical know-how as their workplace routine, and not in school. Creative solutions and informed action had their foundation in the way people came to represent their work during years of practice. Asked if the lack of higher education represented a drawback for the development of his firm, one of the subjects laughed and said: 'you can

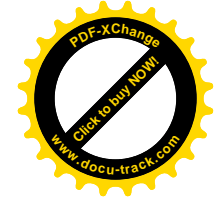
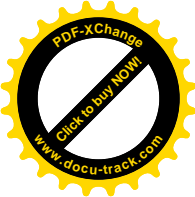


know everything. If you don't do things, it's nothing'.

There were various mechanisms through which individuals compensated the lack of knowledge in a specific economic field. For instance, job instability is generally understood as a problem for one's advancement in career. Yet, for the entrepreneurs, changing jobs represented a major competitive advantage because in time it allows an accumulation of knowledge and of practices, and a continuous widening of their networks. Especially interesting are the cases where the actors take with them the networks of clients in the next job, improving their performance every time, strengthening ties and gaining more and more trust in the business environment. The jobs which require face-to-face interactions with the clients proved to be particularly advantageous from this point of view. For example, being a sales agent for a long period of time broadened the network of contacts and expanded it, sometimes even at national level.

One of my subjects began as a sales agent for a local radio station in a small town. After he accumulated experience, he was hired successively as sales agent by one of the biggest newspapers in the country, by a beverage distribution chain, by a computer shops chain, and by a publicity agency. Finally, he became a marketing and sales coordinator of an important electronics distribution chain. He described his experience in sales as a process of learning, unconscious at the beginning and more and more focused in the last years prior to starting his business. Talking about one of his former employers, he said:

I learned a lot from her, from how to sell something, to how to talk to the clients, and to how to be bold when it is necessary. I also learned how not to do things. I was thinking all the time: if I would have my own agency I wouldn't treat the employees like this, or I would hire a coordinator as an intermediary in the flow of information between me and the others. I was

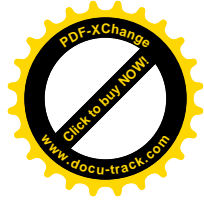


thinking how to do things more efficiently. Sometimes I told her; sometimes she listened to me, and sometimes she didn't. When I felt I learned all she could teach me, I left. (C., 30 years old, owns a publicity agency)

As we can see from this quote, individuals having an intermediary position in the authority structure of the organization developed a wider vision over what a business is, which allows them to formulate different schemas about doing things better in a situation in which they would have more influence on the decision-making process. In time, these mechanisms, together with the desire of transcending the power relationships, became personal projects, which grew and transformed over the years.

In many cases the beginning was nothing else than a complete 'nested business'. They are very similar to the 'clone' firms (King 2001), known in the literature as a managerial strategy which implies the creation of a private company which duplicates an enterprise or a division of a state company in which the owner worked as a manager. Considered in many postsocialist studies as one of the main strategies of the managers for preserving their position and for transforming it into economic advantages, 'cloning' a business proved to be also a very useful tactic for starting a firm. The cases of the nested business shed light on the way some of the entrepreneurs gained access to the necessary resources and on how they mobilized them. The parasite firms represented a very efficient shortcut to the access of money, knowledge, and useful social connections.

Sometimes the nested business had an official start, even with the help of the actor's employer. For one of my subjects, who occupied a position of marketing and sales coordinator in a chain of electronics shops, the entrepreneurial opportunity came when his employer decided to finance the founding of a publicity agency. This decision represented a form of counter-acting the loss of a valuable employee with the gain of a

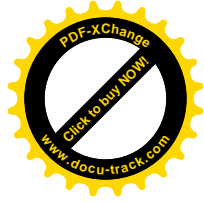
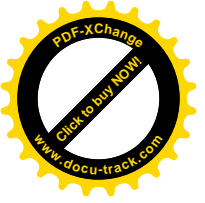


partner who was co-interested in ensuring the best services for his former employer. In this case his former company was the source of the initial capital and, for one year, the only client of the agency. As my subject said, “If I have to identify the moment when having a firm became a possibility, it is the moment I met my boss”. In this context, the relation between employer and employee appears to be more complex and more dynamic than it is generally assumed in class analysis. Even if we interpret employer’s decision to finance his employee as an opportunity for continuing a form of domination, in this case the actors’ interests were far from being conflictual and the relationship of trust between concrete individuals was more salient.

In other cases the employees decided to open a business with exactly the same profile as the firm they worked for. For one of the entrepreneurs the parasite firm represented the main incentive for working hard at the workplace and for accumulating knowledge and experience. He worked as a sales and distribution agent for oil products in a company, but in parallel he developed his own firm. For five years his business had no profit as it was just a ghost company. It had the whole financial and bureaucratic structure but its activity was, in fact, his activity as an employee of another firm. He consciously chose not to care about the profit of his own company and to focus on learning, accumulating knowledge about oil products, sales, and market. He also built up personal connections with the clients and the other distributors, deliberately orchestrating for many years a process of social capital accumulation.

Nested firms are the only cases investigated in this study for which all the processes related to social capital (see Lin: 2001) are present because one can see how social capital of the entrepreneurs develops from the investment, to the access to and the

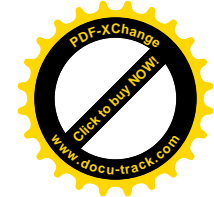
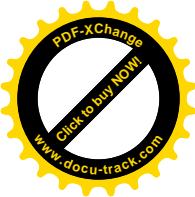




mobilization of resources. Finally, instrumental returns of social capital can be easily identified, either in the moments of founding the business, or in the first years of survival on the market. For the other actors, the contingent nature of social capital is much more significant because the process of investment in a relationship is not directly linked with the process of instrumental return. For instance, investment in strong ties, especially in family relationships, transformed in various forms of competitive advantage only when the societal transformations allowed it, but without having a purposive character.

Another problem raised by entrepreneurship scholars (Kihlstrom and Laffont 1979; Evans and Jovanovic 1989; Banerjee and Newman 1993; Blanchflower and Oswald 1998) is the fact that besides entrepreneurial talent, access to initial capital is very important for the decision of starting a business. For all my subjects the initial capital represented a problem, neither of them possessing the necessary money for opening their business. The necessary funding was one of the most important 'embedded resources' individuals accessed and mobilized through their ties. I identified three main forms of accessing initial capital through the social ties of the actors: they simply borrowed money from relatives or friends; they took relatives, co-workers and friends as associates and contributed together to the initial capital; or they used their relative's assets as guarantee for a bank loan. Kinship networks had a central place in the processes through which individuals compensated the lack of initial capital. Parents and brothers were asked to guarantee for important sums of money while other family members were asked to lend money directly without guarantees or to access their own ties to get bank or private loans for the subjects. .

Sometimes even competition contributed directly to the birth of a business. One



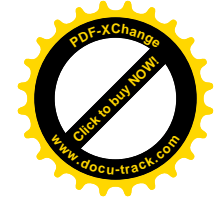
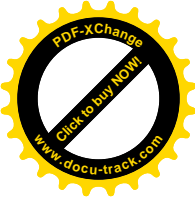
of the subjects began by being a sales coordinator for a distribution firm which had monopoly for a product on the Romanian market. When M. tried to open his own business his capital was small but he had very strong market knowledge, a lot of experience in sales and distribution, and, most of all, he personally knew his competitors. At the very beginning they were the ones who helped him with financial loans and products for sale, because “they wanted to throw TDK off the market”. At that point many of the commercial chains were based on an informal system of credit consisting in sellers, intermediaries, and buyers of the products, all of them being forced to trust each other and to wait for payment or products, sometimes for months. As M puts it,

At the beginning we worked only on the basis of good relations. One had to have good name and he could manage to do business even with no money at that point. (M., 42 years old, owns an electronics distribution firm, together with his wife)

To have “good relations” and “good name” also depended on one’s work history. People who worked before for more powerful companies had better connections and continued to be in a better power position in the personal relationships they had with the clients, the producers, or the banks. Through their networks they succeeded to partially translate the name of their former organization in good reputation and competitive advantages for them.

One of the entrepreneurs worked for Philips prior to open her business, being the main responsible for the public relations sector of the company in Cluj. During the years worked there she came to have direct contacts with bank employees, small rank officials, and clients. Because of these encounters she had access to better quality information, to timing, and to referrals.

For instance, if an environmental control comes to us, I know them from the company I



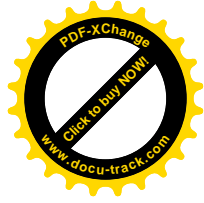
worked for. There, we always gave them something when they came – lamps, t-shirts, or other small products. Everybody got something and they received these things from me. Or when I negotiated the loan conditions... nobody else knew in Romania that one can negotiate with the bank. I knew because I was from Philips and they wanted to do business with Philips. (A., 34 years old, owns an electronics distribution firm, together with her husband)

The information proved to be very important for the development of her business, since in every decision she made she knew she had the financial support from the banks, due to her personal connections but also due to the trust she gained being a Philips employee.

Business contact seems to be an interplay between the power of the organizations involved and the concrete interactions between actors, Trust and exchange are the outcome of a process of recognition between actors, but this process is not independent from their organizational position. During this process ‘the girl from Philips’ acquires a face, a name, and a personality, but she is never seen as completely detached from the name of her company. Institutional power is translated in actors’ possibilities of interacting, and of using only certain resources, embedded in specific relationships. Far from being completely attributes free, both economic practices of the actors, and their contacts appear to be structurally constrained by “the position these agents occupy in those structured microcosms that are economic fields“ (Bourdieu 2005).

For another subject, who has a company of training and consultancy, the first contracts were brought by the people who knew him from his former position. He described this transition from working in a powerful company to starting his own (unknown) one and the survival of the personal relationships in these conditions.

In business there are two steps. First, there is all very impersonal, when all it counts is if your company is big or not. After that, one goes to cocktails and to parties and establishes

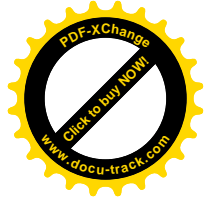


personal contacts. This relationships survive even if one leaves the firm. I always said: I do business with people, not with positions. (E., 36 years old, higher education, owns a firm of training and consultancy)

This actor was aware about the necessity of broadening his networks and consciously tried to expand them. In every job he had, he acquired new contacts in various places so when he decided to start his business, he was not a ‘newcomer’ for the business environment. His first contracts for training and consultancy came from friends who had firms and who further recommended him for another contracts.

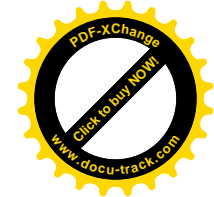
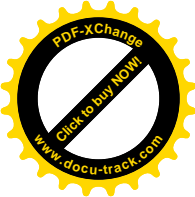
In all the other interviews the subjects stressed the importance of personal connections within business environment and similar patterns came out of their life stories. Distinct jobs meant for them places of different encounters, both understood as power relations and as interpersonal ties. In their workplaces they met their first associates, who brought with them parts of the initial capital of the enterprise. Not only the associates, but also the earliest employees and the first clients of the new firm were ‘inherited’ from the former jobs held by the actors. Actors compensated the lack of initial capital building relationships of trust and having ‘good name’ while their former colleagues became their first employees, helping them to reproduce the practices of their old jobs. The central place of personal connections in the economic life was emphasized by many authors who underlined how trust (Raub and Weesie 1990), access to information and referrals (Burt 1992; Granovetter 1974), and access to certain forms of knowledge (Knorr-Cetina and Bruegger 2004) function both as resources and as guidance for economic action. In this way ‘relational embeddedness’ (Portes 2006), structures economic life through concrete interpersonal and interorganizational relationships.

In entrepreneurship literature one’s decision to have his own company has been



many times regarded as being the result of individual exceptional characteristics like creativity and low risk aversion (Schumpeter 1959, 1991; Baumol 1968; Lucas 1978; Aldrich and Waldinger 1990; Iyigun and Owen 1998; van Praag and Cramer 2001). In this section, the substantive character of creativity as foundation of entrepreneurial action was challenged and several mechanisms for accessing the most necessary resources for entrepreneurial action were identified. In all the cases analyzed, knowledge and initial capital appeared to be strongly related to the social ties of the individuals and to their occupational trajectory. The findings showed that recognizing entrepreneurial opportunities is part of a process which takes place in time, and which includes knowledge accumulation, a continuous development of social capital, and the possibility of self projection in a work position with a higher loading of authority.

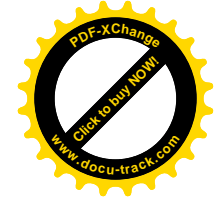
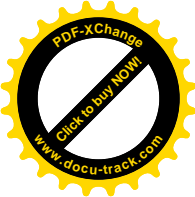
Understanding how people who lacked economic advantages accessed and mobilized knowledge and relationships as resources for starting a business does not explain the reason for using these resources precisely in this way. In all these cases, being better positioned than other social actors means having a better access to resources. Nevertheless, an advantage in the positionality of actors functions as a necessary condition for entrepreneurial action, but not as a sufficient one, too. The mechanisms through which individuals acquired knowledge, social capital, and money are not enough for explaining their decision to start a business if all these resources could have been used for a better paid position on the labour-market or for increasing one's personal comfort. Therefore the motivation for becoming a business owner does not follow as a necessity from the possession of knowledge, skills, or even initial capital, but it is also the result of a structural constraint in the life trajectory of the individuals.



### **2.3. “I Had No Alternative”: Economic Action as Constraint**

The results of the present study show that for some of the actors starting a business was a way to avoid the very probable unemployment which accompanied the collapse of the industrial sector after 1990 and consequently, to escape downward mobility. These findings are consistent with those of other authors’ (Grancelli 1992; Kiss 1992; Laky 1992) who saw entrepreneurship in postsocialist context as ‘refuge from poverty’, focusing mostly on self-employment and on poor returns firms.

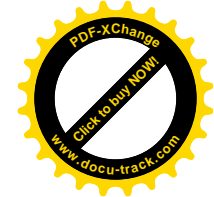
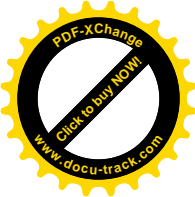
The lack of industrial production had contradictory effects on the development of small and medium enterprises. Without the traditional market of the former socialist countries the socialist factories were trying to survive using their existing assets. As a consequence, some of my subjects were able to acquire their first means of production at no cost, to rent very cheap industrial spaces for production, or to get construction materials from the demolitions of the huge socialist factories. The possibility of accessing the resources resulting from the disintegration of the socialist factories represented an important form of replacing the initial capital needed for certain business. For other actors, this level of industrial production represented a drastic narrowing down of the market for their own products so they had to completely change the profile of their business. For instance, one of the actors was employed as a carpenter, constructing wood models for industrial use. Facing a falling market his employer considered ceasing production as the only option. My subject, together with three colleagues decided to



continue the activity but they had to orient to another market which began to develop, the consumer goods market. In this case the high probability of unemployment represented the incentive for opening a business but the same transformations at macro level translated not in the simple reproduction of their workplace but in its recreation.

Other important changes at macro level had also contradictory influence on the way the individuals developed their business, representing important limitations for some, and profitable situations for others. Inflation in combination with long financial circuits, many times based on trust, had different effects on the survival of the new born firms. While for some of the entrepreneurs the high inflation rate and the long financial circuits represented a real problem, for those who started their business borrowing money within informal networks the same inflation rate proved to be one of the key elements for the survival of the firm on the market. The very early bank loans could be also very easily given back due to the high inflation rate and to the fact that at the beginning of the 90s the banks did not take into account inflation when they contracted the loans.

This was the situation for one of my subjects when he decided to open his own firm for recycling metals for industrial use. In this case the main incentive was avoiding downward mobility or more precisely, keeping the authority position he held during the socialist period. Being a coordinator of production he had the necessary knowledge about the process of production, the financial problems, the possible clients, and the suppliers, whom he knew personally. In December, 1989 he was kicked out of his old factory by the workers who perceived his intermediary authority position as being too close to the management of the factory and therefore his loyalty to the workers was considered doubtful. Without higher education or better qualifications, all he could hope was to be

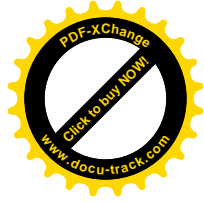
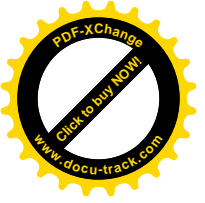


employed as a worker, without any form of participation in the decision-making process so he chose instead to found a company in which the complete system of production and distribution of his old factory was reproduced. As his daughter told me, “That crazy courage after the Revolution was mostly the result of despair”. This case shows how people experience the loss of an authority as a downgrading of their class position, even if what separates them from their colleagues is only the local organization of the production process. Therefore, class positions cannot be read only by knowing one’s occupation, or education, but looking at localized processes in which these are negotiated in concrete interactions and various principles of division and belonging are created. Caught in a situation in which all the options would have meant a change in his social status, the actor found an alternative for reproducing a position of control.

Avoiding unemployment was not the only constraint people faced in their professional trajectory. In all the analyzed cases, the decision to open a business followed the need for reproducing or recreating a frame for exercising a specific form of professional activity. This necessity was central both for people with higher education and for the actors who lacked formal qualifications. Two of the interviewees became independent taxi drivers and started their business in the field because they graduated from vocational schools immediately after 1989 and at that time there were no job openings in the industrial sector. Another actor transformed his everyday work as a carpenter in a private enterprise when his employer decided to close down the factory he worked for. One of the subjects decided to open a nested firm when he heard rumours about his company closing down.

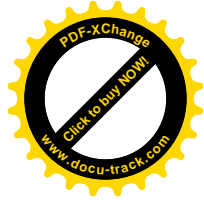
Nine of thirteen interviewees claimed that they would not have started their





business if their old workplaces had been active. The decision of founding an enterprise was many times regarded as the result of the low risk aversion of some individuals. In the case of the postsocialist entrepreneurs the choice can be interpreted more as a form of avoiding the risk of losing a certain social position than an individual characteristic. They did not choose the entrepreneurial risk for acquiring a more advantageous financial situation, but evaluated their situation as employees more insecure.

Entrepreneurial action meant also a form of avoiding the downgrading of social status for some of the highly qualified professionals of the socialist period. For the actors who have higher education the limitations in exercising their profession represented one of the bases of economic action. One of my subjects graduated from Technical University among the top students of Electronics profile. He looked for employment in Cluj but the labour market for highly qualified electronists collapsed during the 90s as the most important socialist company of software development in Cluj had no activity for several years and dissolved in 1994. He decided to work together with the best student of his year for developing electronic equipment and software. From their preoccupation for developing software technology and electronics a system of surveillance and security arose. They tried to sell it to different companies which began the private activity of surveillance and protection at that time. Although none of these firms had an electronic system of monitoring the activity in a surveilled area they refused to buy the system because they considered it unnecessary and because they lacked the trust in the no-name boys. They decided to implement the system themselves for testing it and for advertising it so they offered it to their friends for free. Their innovation became a reality on the market because 'it was heard from one to another that the system works'. But as the

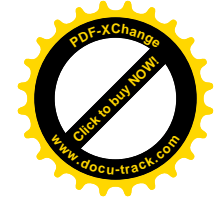
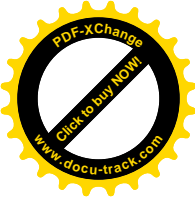


demand for their product grew, they were required to offer a complete set of services – body guards, intervention teams, and a center of surveillance. They opened their own company of protection and security, which became the biggest of the kind in the country.

In this case, highly qualified professionals were confronted with a practically non-existent labour-market. Moreover, the possibility of selling their technical knowledge was limited by the existing firms in a specific field. The decision to start a business came as a necessity of creating a frame for exercising their profession and of building a market for their invention. After founding the company, they used their social relationships for generating demand for an unknown product. The case is also interesting for illustrating the contingent nature of social capital or, more precisely, for showing how the lack of relationships in certain places can function as social capital. During the 90s the field of private protection and security was dominated by retired and even active policemen. Some of the firms in Cluj had the operative center inside the Police building, using Police administrated infrastructure for private surveillance of some areas. Entering the market in this particular field was difficult but my subject had two major competitive advantages. The first advantage was their technical knowledge and the monopoly over a product. The second was the benefit of *not* having any kind of contacts in the Police, because

After '89 there was a general tendency not to trust the police and anything coming from the State. The dispatchers of the other firms were in the Police building and the Police could use the information. Many private companies were trying to trick the State at that moment so they didn't want any control of the Police. So they chose us. All the foreign firms chose us. (F., 38 years old, owns a firm of security)

In this case the lack of contacts with authorities constituted a capital of trust and brought them clients who did not want the interference of the State in their private business. The

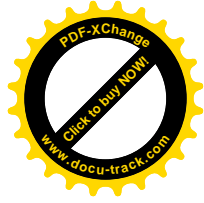


same contacts represented the main capital of other protection and security firms at the beginning of the 90s. The subject reflected on this double edged relationship with authority people had:

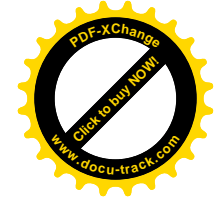
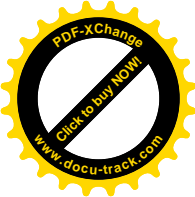
We didn't have uniforms at that time. It wasn't imposed by law so our people were normally dressed. The other firms used policemen and sometimes they even wore their uniforms when they were surveilling a house or a firm. In a way this was good for them, because they gained some respect and everybody was afraid of their intervention teams. They had more authority. But it was good for us also, because the Arabs who opened their boutiques didn't want to have anything to do with the Police. They wanted discretion so they didn't like people in uniforms walking around. (ibid.)

In another case studied, the previous job represented not only the root of technical and practical knowledge but also the legal right to use a certain technology, which meant an important competitive advantage on the market. Being part of a team which created and introduced an advanced chemical technology for industrial products during the socialist period, one of my subjects brought in her own business a technology which was monopolistic until that point. But the decision to start her own business was taken as a measure against her managers, who became involved in illegal economic activities. Due to the small size and to the higher adaptability her firm resisted and even ended up in a better position on the market than the factory she used to work for. It was not the diploma but her occupational history which weighted more as knowledge resource for the success of her business. In this case also, the choice of going on her own represented the result of the necessity of creating a frame for her profession, as her old firm was the only one who could hire her skills and qualifications at that moment.

We can see how both at macro level and at the level of social relationships, what is resource and what is constraint is not so easily distinguishable. The function fulfilled



by a macro change or by a relationship in the lives of the individuals depends most on the encounter between them and the streams of action in which the personal choices appear to be embedded.

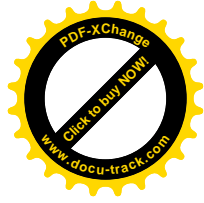
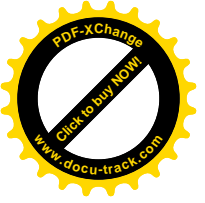


## Conclusions

In the present study I explored the emergence of the entrepreneurs in the postsocialist period, focusing on the motivations and on the resources accessed and mobilized by the social actors for starting a business. Nevertheless, the most rewarding aspect of the research was to analyze the structure of possibilities and constraints opened for the social actors in the postsocialist period, and to see how these spaces of action constituted a foundation of entrepreneurial action.

The findings challenged some of the most agreed upon theories coming from entrepreneurship studies, especially the perspectives in which economic action is conceptualized as the outcome of an individual characteristic like creativity, or low risk aversion. The stories of my subjects show that the capacity of seeing business opportunities, and the ability to conceive innovative combinations are not substantive attributes of the social actors, but they have their sources in the work practices, in the practical problems, and in the solutions found by the individuals for perfecting their routines. Therefore, creativity appears to be the outcome of knowledge accumulation and of multiple comparisons between different frames of reference accumulated in the occupational trajectory of the individuals.

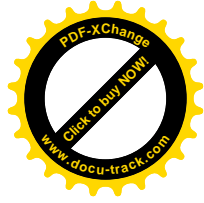
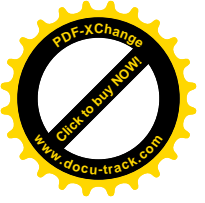
The idea of entrepreneurship as an outcome of a specific attitude toward risk was also problematic. In most of the cases, becoming entrepreneur represented a solution for the danger of downward mobility. It was not the result of low risk aversion, but a way out from the very risky situation of being employee in a disintegrating labour market. In each of the cases the risk was evaluated for individual situations, comparing it to what



happened to other people in similar situations, and to the fate of others' workplaces. Both for highly qualified professionals, and for skilled worker, creating a frame for exercising their profession was a necessity, as the labour market was narrowing down in the 90s. The insecurity of their situation as employees and the impossibility of changing their circumstances was what motivated my subjects to start their business.

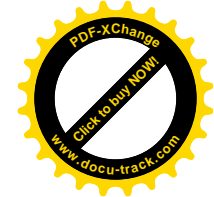
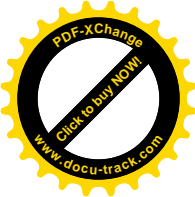
The decision of founding an enterprise appears to be an encounter between the accumulation of knowledge resources, the presence of strategic ties, and the materialization of a certain structural constraint. Moreover, for most of the subjects, the decision was not a specific moment, but a long process of learning, representing, imagining, and networking, all of them following a stream of actions consisting in multiple choices, which brought the actor in the position to act in a certain way. This is how I understood positionality in the present study, showing that the alternatives people had in the moment of opening their firm were path-dependent. This conceptualization brings the perspective of path-dependency to the level of individual action and represents an attempt to surpass the severe dichotomy between structure and agency through the notion of embeddedness.

I considered entrepreneurial action as being embedded in the practices and the routines of the individuals, in their networks, and in a certain stream of action, in which each action determines the space of possibilities and of constraints for the next ones, and makes a trajectory more probable than another one. In my analysis time was not introduced for understanding the impact of some historical changes on individual action, but for supporting my claim that positionality expressed both as habitus and as concrete interpersonal relationships is meaningful only when understood as process. Knowledge,



practices, and ties have their own stories, and in some cases, the only way to make sense of a certain action, is to see it embedded in its own flow.

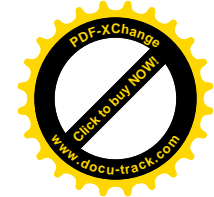
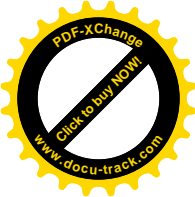
The study could not cover many important aspects of entrepreneurship in postsocialist context. The research should be expanded to the exploration of the resources and the motivations of entrepreneurial action for people with different backgrounds, who opened their firms in various locations and economic fields. Also it did not explore what happened to the people who tried to use entrepreneurship for avoiding downward mobility and failed. A comparison with these cases would allow us to understand who the people who succeeded are, and how their resources are different from the ones of the actors who did not. In addition, a quantitative approach would be benefic for estimating the weight of these mechanisms in the Romanian population. Nevertheless, the present study represents an important insight into the way people's lives are transformed within the processes of structural mobility arguing that individuals are not just passive subjects of these transformations but also creative, strategic agents of change.



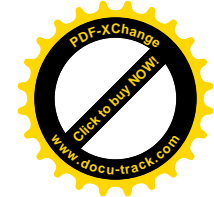
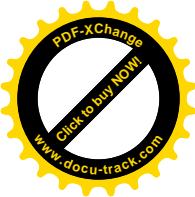
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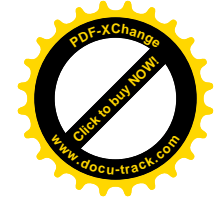
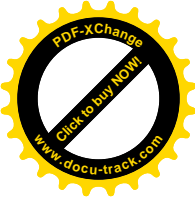
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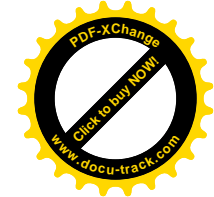
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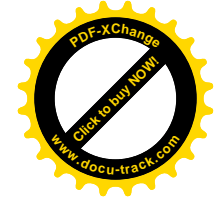
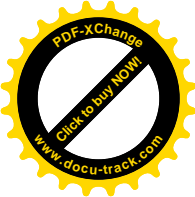
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